COMPETE
International comparison of product supply chains in the agro-food sector

This project is funded by the European Union

Business environment in the EU and their impact on the competitiveness of Agri-food chains

Faculty of Economics, University of Belgrade

Tasks, subtasks and resposibilities

Task 5.1 Review of EU business environment

- Review of related state regulations for firms in EU countries
- Identification of government’s role for sector performance
- Literature review and analysis of Governance Indicators.

Task 5.2: Review and assessment of trends in EU agricultural and trade policies (Lead: BEL)

- Reviewing and assessing EU agricultural and agriculture-related policies
- Analyzing EU trade policies and identifying possible distortions regarding the functioning of EU agri-food value chains

Overall business environment in the EU countries (the factors of competitiveness)

- Controlled by firm
  - strategy,
  - products,
  - technology,
  - training,
  - own R&D,
  - costs etc.

- Controlled by government
  - business environment,
  - agricultural policy,
  - trade policy,
  - R&D policy,
  - regulations (standards),
  - education & training etc.

- Quasi-controllable
  - input prices,
  - demand conditions

- Uncontrollable
  - Natural environment

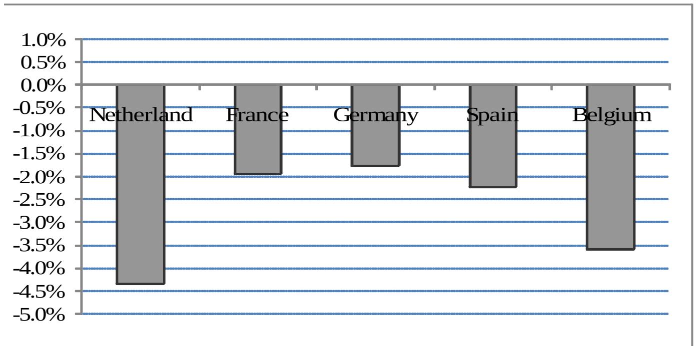
Methodology

- Focus:
  - Business environment
  - Agribusiness competitiveness
- Indicators:
  - TPI - The Trade Performance Index - ITC
  - GCI - The Global Competitiveness Index - WEF
  - ETI - The Enabling Trade Index – WEF
- Primary research
  - In-depth interviews
  - Farms and Food Companies Survey

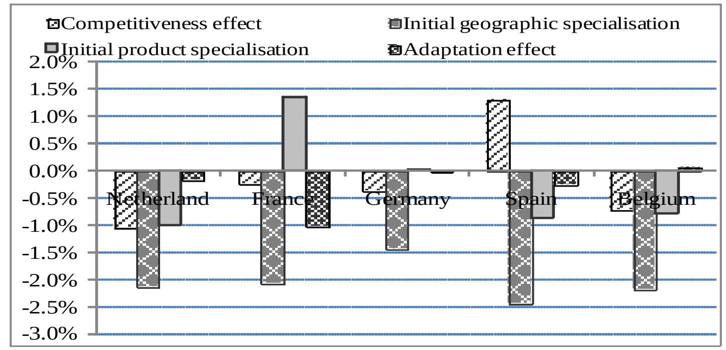
Trade performance and competitiveness: fresh food

Top five OMS fresh food exporters

(a) Relative change of world market share

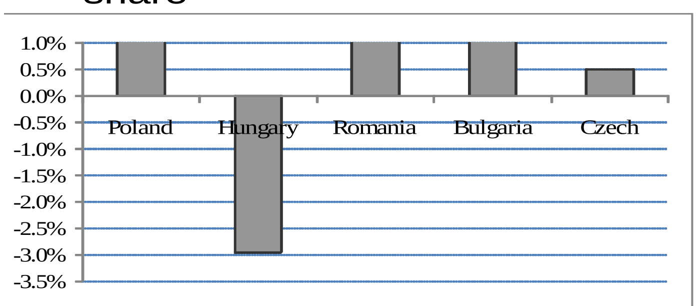


(b) Complementary effects

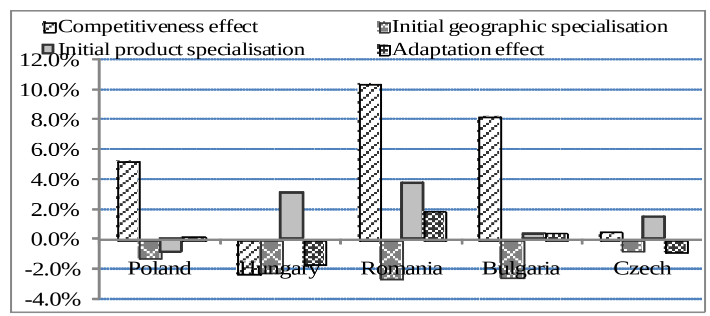


Top five NMS fresh food exporters

(c) Relative change of world market share



(d) Complementary effects

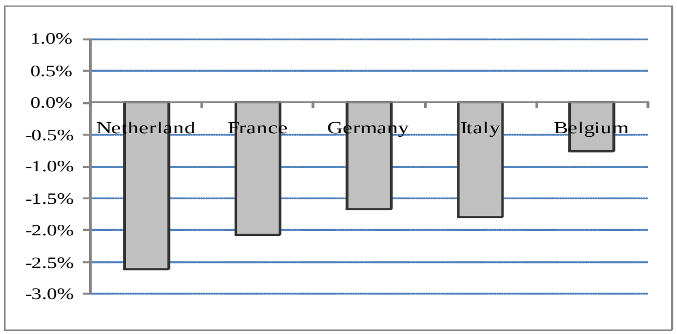


Source: Trade competitiveness map, ITC database.

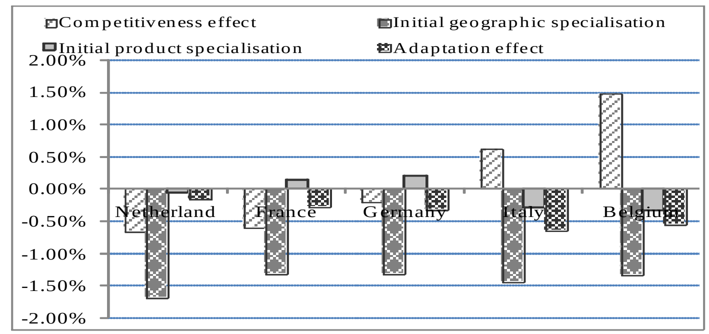
Trade performance and competitiveness: processed food

Top five OMS processed food exporters

(a) Relative change of world market share

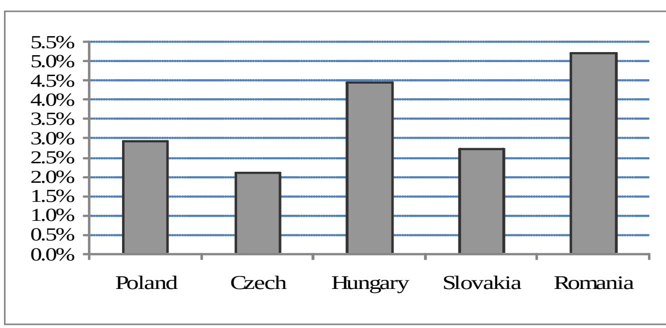


(b) Complementary effects

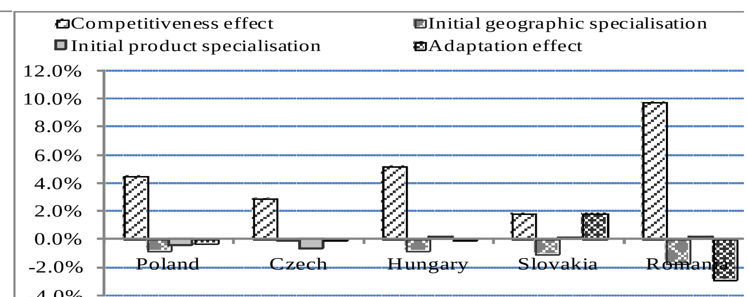


Top five NMS processed food exporters

(c) Relative change of world market share



(d) Complementary effects



Source: Trade competitiveness map, ITC database.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Germany	5	7	7	5	6	6	4
Spain	29	29	33	42	36	36	35
United Kingdom	9	12	13	12	10	8	10
Portugal	40	43	43	46	45	49	51
Finland	6	6	6	7	4	3	3
France	18	16	16	15	18	21	23
Italy	46	49	48	48	43	42	49
Sweden	4	4	4	2	3	4	6
Denmark	3	3	5	9	8	12	15
Ireland	22	22	25	29	29	27	28
Austria	15	14	17	18	19	16	16
Malta	56	52	52	50	51	47	41
Cyprus	55	40	34	40	47	58	58
Slovenia	39	42	37	45	57	56	62
Poland	51	53	46	39	41	41	42
Czech Rep.	33	33	31	36	38	39	46
Slovakia	41	46	47	60	69	71	78
Hungary	47	62	58	52	48	60	63
Estonia	27	32	35	33	33	34	32
Lithuania	38	44	53	47	44	45	48
Latvia	45	54	68	70	64	55	52
Netherlands	10	8	10	8	7	5	8
Belgium	20	19	18	19	15	17	17
Luxembourg	25	25	21	20	23	22	22
Bulgaria	79	76	76	71	74	62	57
Romania	74	68	64	67	77	78	76
Croatia	57	61	72	77	76	81	75
Greece	65	67	71	83	90	96	91

Table 1: Global Competitiveness ranking for EU member countries

Source: World Economic Forum, The Global Competitiveness Report 2007-2014.

The pillars of national competitiveness:

Institutions,

Infrastructure,

Macroeconomic environment,

Health and primary education,

Higher education and training,

Goods market efficiency,

Labour market efficiency,

Financial market development,

Technological readiness,

Market size,

Business sophistication and

Innovation.

The Global Competitiveness sub index 6.08

- Agricultural policy cost, rank of the EU countries

Country	2007-2008	2008-2009	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Austria	24	22	31	25	45	4	27
Belgium	60	43	43	34	39	42	25
Denmark	39	32	36	45	61	73	61
Finland	69	65	71	99	74	56	44
France	89	66	55	46	55	60	79
Germany	97	84	86	85	76	74	58
Greece	84	97	121	131	133	140	144
Ireland	15	25	37	49	31	12	14
Italy	100	94	66	52	64	88	112
Luxemburg	22	29	10	13	11	8	4
Netherlands	25	17	17	27	24	11	8
Portugal	83	79	91	116	127	121	117
Spain	102	92	83	105	106	110	101
United Kingdom	64	74	53	53	48	35	33
Sweden	31	23	20	18	14	18	12
Bulgaria	123	127	131	137	136	130	116
Cyprus	66	37	42	50	58	75	71
Croatia	119	112	116	134	139	143	146
Czech Republic	57	64	56	64	72	79	99
Estonia	13	16	25	42	32	22	16
Hungary	111	117	107	92	75	84	90
Latvia	93	101	112	100	81	78	73
Lithuania	91	86	81	91	86	69	63
Malta	23	14	11	15	22	26	24
Romania	114	126	126	130	122	122	110
Slovak Republic	87	122	124	124	120	120	120
Slovenia	92	95	65	69	90	111	95
Poland	109	129	117	79	85	98	97

Subjective indicator

In your country, how would you assess the agricultural policy? [1 = excessively burdensome for the economy; 7 = balances well the interests of taxpayers, consumers and producers] | 2013–14 weighted average

	ETI 2014		ETI 2012		ETI 2010		ETI 2009
Country	Rank	Score	Rank	Score	Rank	Score	Rank
Netherlands	3	5.3	7	5.32	10	5.26	**10**
Finland	5	5.2	6	5.34	12	5.25	**8**
Unit. Kingdom	6	5.2	11	5.18	17	5.06	**20**
Sweden	9	5.1	4	5.39	4	5.41	**5**
Germany	10	5.1	13	5.13	13	5.20	**12**
Luxembourg	11	5.1	10	5.20	9	5.28	**13**
Denmark	17	5.0	3	5.41	3	5.41	**4**
Austria	18	5.0	15	5.12	14	5.17	**9**
Belgium	20	4.9	21	4.96	24	4.89	**21**
France	21	4.9	20	5.03	20	5.02	**17**
Ireland	26	4.8	22	4.96	21	5.00	**15**
Spain	27	4.8	31	4.79	32	4.70	**27**
Estonia	28	4.8	26	4.85	23	4.90	**22**
Malta	34	4.6	-	-	-	-	**-**
Portugal	35	4.5	35	4.63	36	4.65	**30**
Cyprus	37	4.4	37	4.61	31	4.70	**32**
Slovenia	38	4.4	33	4.65	35	4.68	**31**
Czech Republic	39	4.4	41	4.42	42	4.47	**36**
Latvia	41	4.4	52	4.31	46	4.39	**44**
Lithuania	44	4.4	45	4.39	41	4.48	**40**
Poland	45	4.3	48	4.37	58	4.16	**57**
Italy	47	4.3	50	4.36	51	4.28	**45**
Hungary	50	4.3	47	4.39	49	4.30	**38**
Slovak Republic	55	4.3	55	4.29	47	4.36	**46**
Croatia	56	4.2	46	4.39	45	4.45	**39**
Greece	67	4.0	67	4.07	55	4.17	**47**
Bulgaria	70	4.0	74	3.93	78	3.87	**78**
Romania	75	3.9	69	4.02	54	4.18	**54**

Table 2: ETI rankings 2009-2014 — EU-28 countries

Source: World Economic Forum, *The Global Enabling Trade Reports 2010-2014*.

THE ENABLING TRADE INDEX STRUCTURE

A. The Market Access
B. The Border Administration System
C. The Transport and Communication Infrastructure
D. The Business Environment

Primary research

- The conclusions are based on the investigated opinions of experts, obtained in in-depth interviews.

- In order to validate them, additional cross-check of answers was performed by the specifically designed *Farms and Food Companies Questionnaire.*

Food chains / 36 In-depth interviews

- 4 sectors are targeted: Cereals, F&V, Dairy, Meat
- Food chains by countries:

IAMO (GER)	:	Dairy & Meat
IAE (RO)	:	Cereals
WU (NL)	:	F&V
UP (SLO)	:	Dairy
CULS (CZ)	:	Meat
UMIL (IT)	:	Meat
UNEW (UK)	:	Cereals
BEL (SR)	:	Cereals ; F&V
CERS-HAS (HU)	:	F&V
UNIWARSAW (POL)	:	Dairy

Farms and Food Companies Survey

Table 90. The survey respondents' structure

Total no of companies-respondents	90
Small companies	35
Medium companies	35
Large companies	20
No. of large importers in the sample	47
No. of large exporters in the sample	43
Users of the CAP measures	78

Source: WP5.2 Farms and Food companies' survey

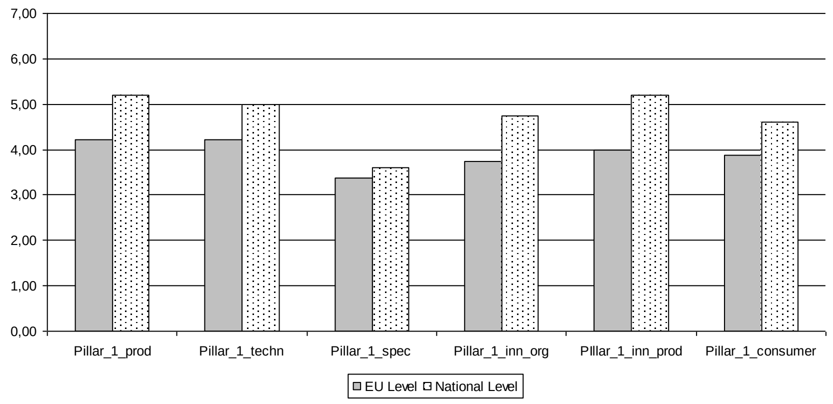
The main BARRIERS

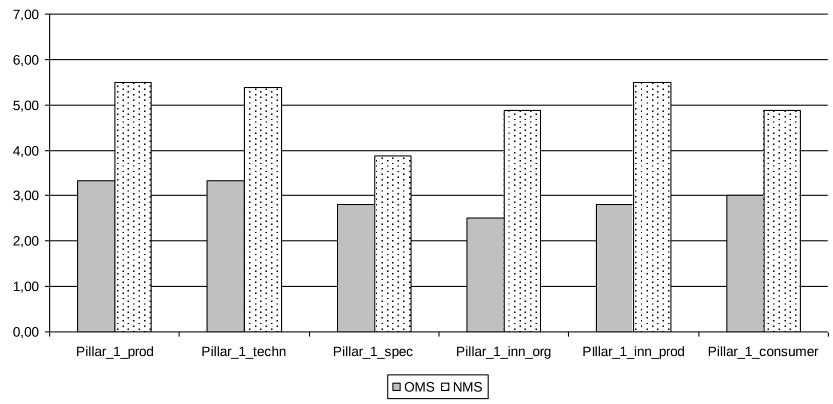
Import barriers	Export barriers
Administration and bureaucracy.	Subsidies and tariffs in export countries.
Non-tariff barriers – EU Certification (country of origin, labelling, quality of raw materials, etc.).	Non-tariff trade burdens (phytosanitary/hygiene, veterinary and quality control).
Production methods and quality control (GMO, crop protection/pesticides use, growth hormones in meat production etc).	Consumers' preferences, labelling and quality.
Price/exchange rate.	Complicated administration, corruption and inconsistency of regulation in destination markets.

The solutions

- Bilateral and multilateral agreements on trade.
- Harmonization of standards.
- Simplification of export/import administrative procedures.

Market and direct producer support measures

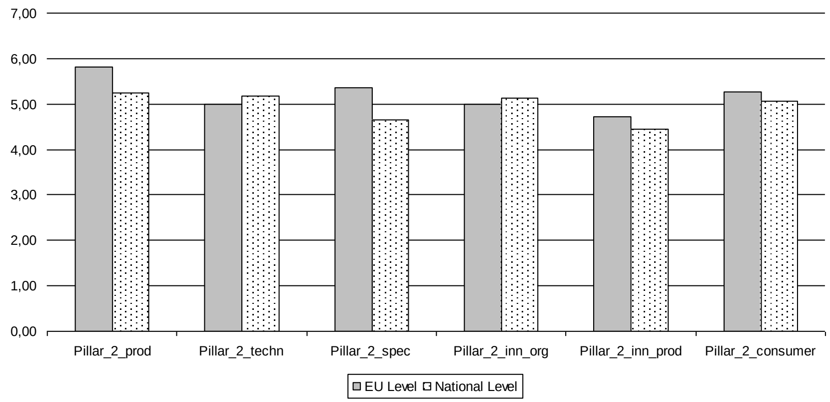


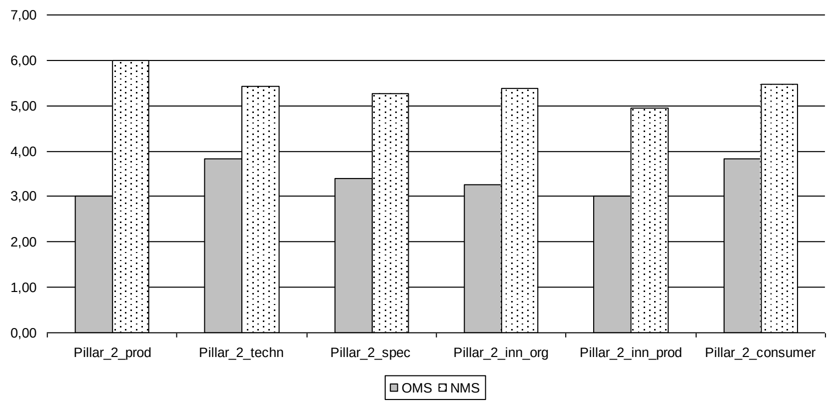


- The direct payments to producers were recognized as the most important measures that have influenced the EU food sector competitiveness.
- Disaster payments and other compensations to producers were mentioned only sporadically, while other measures related to direct market support were not perceived as much important.

- "The lack of a national strategic plan is evident". (The food company, NMS)
- "The regions make some progress. On the other hand, the actions of the municipalities depend on the party in power". (The Agricultural association, OMS)
- "Equalizing the financial support at EU level so that the NMS farms can benefit from the same support as those from EU-15; otherwise EU favours unfair competition between the farmers from member states." (Agricultural Producers' Association, NMS)

Structural and rural development measures





- Productivity growth, specialization and product innovation, as well as the orientation towards consumers are more evident on the EU level, while technology improvement and organization innovation are more observable at the national level.

- *"We observe progressive improvements of techniques and technologies of production, a lot of investments were obtained from subsidies. Specialisation in the processing sector is progressively increasing."* (The researcher, NMS)

- *"Investments in new technologies arise mainly from new regulations (animal welfare, energy)".* (The food company, OMS)

- *"At present in our country there are 2-3 technological endowment levels. Breakthrough technology on the very large farms, average technology on the medium-sized farms, rudimentary technology on the small-sized farms."* (The agricultural producers association, NMS)

- *"Although the sector is strongly related to the tradition, the technological level is very high. However differences between small-traditional vs. large firms in terms of productivity exist. The specialization level is quite high at both farmer and processor level."* (The researcher, OMS)

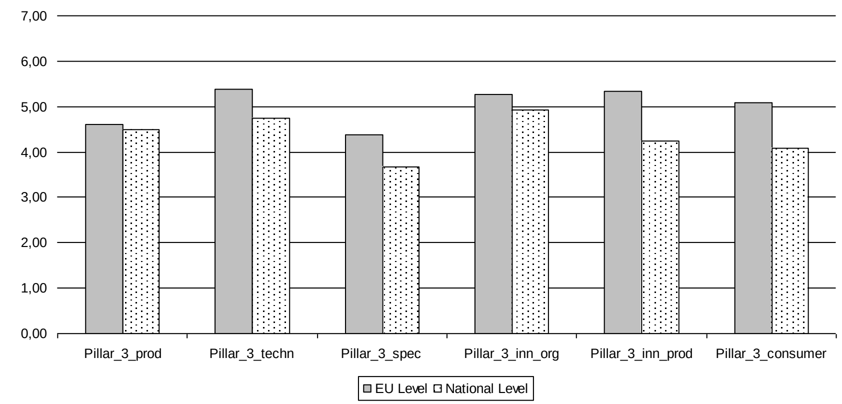
Research, development & services
Food safety and quality control

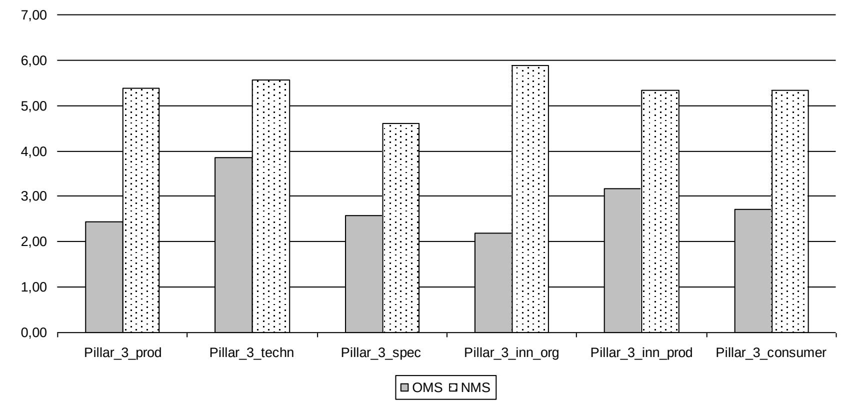
- *"Our government is implementing stricter rules than other countries. This hampers the competitiveness of the industry... Implementation and inspection of EU law varies too much within individual countries. The implementation should be controlled."* (The food company, OMS)

- *"Lots of innovations are aimed to achieve maximum hygienic quality of the processed product and its optimal shelf-life, focusing on consumer protection".* (The food company, NMS)

- *"The lack of policies on the research & development sector make impossible to operate; and at present, we import crop varieties, hybrids."* (The food industry association, NMS)

- *"Health-trend: production of healthy food products, new forms of food. There is a lack of legal protection of industrial property; "cheaper copy" of a new product is usually available only 2-3 months after the "original" is presented on the market."* (The food company, OMS)

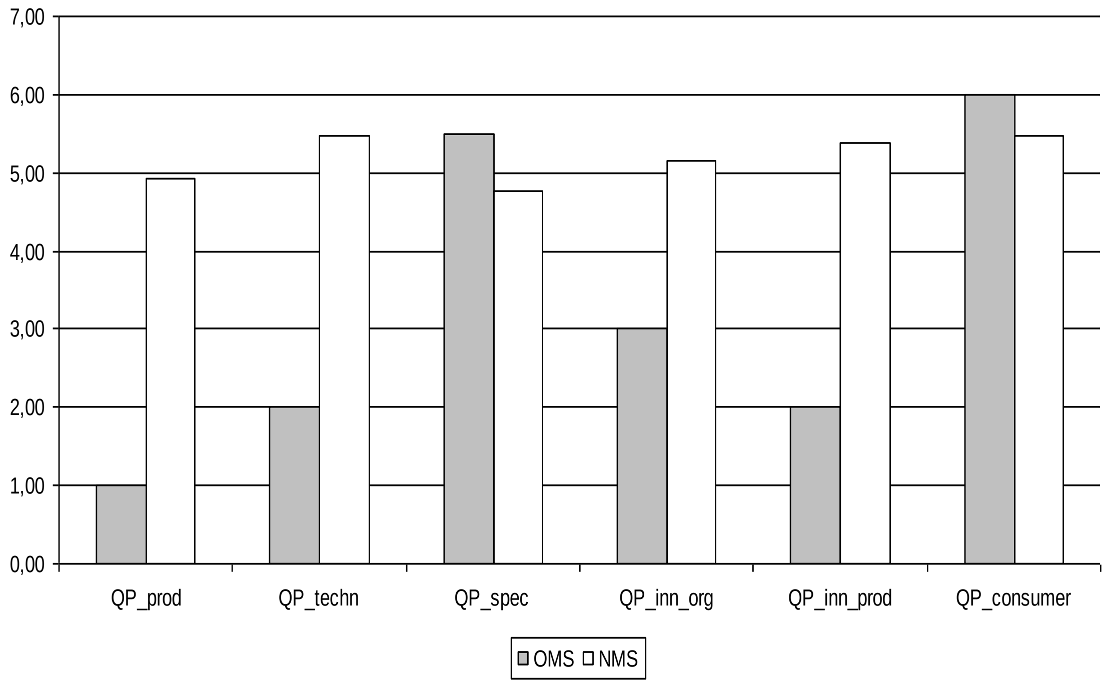




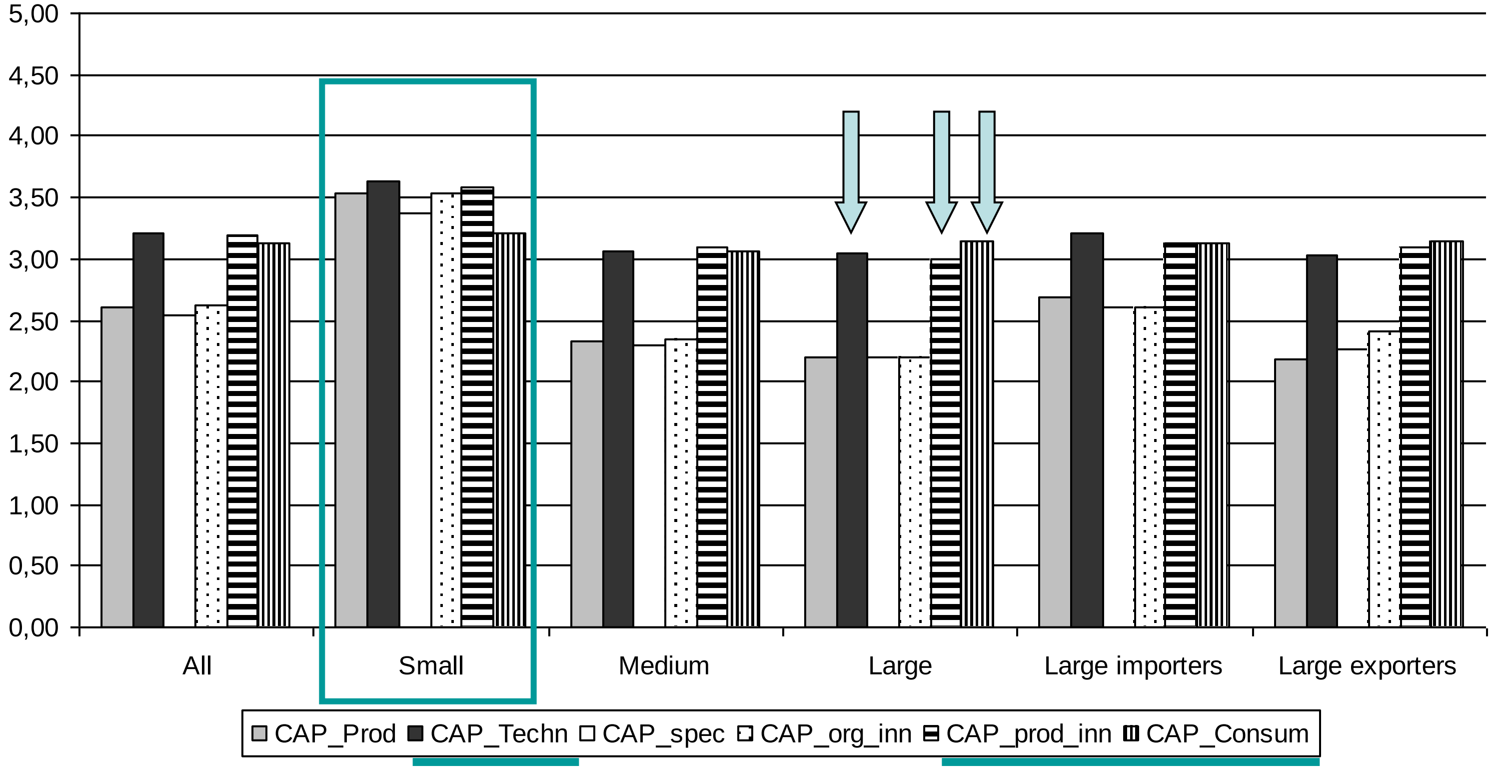
The EU food quality policy

- The Food Quality Policy brought a new challenges and opportunities for small producers from the NMS to protect their own production and the market position.

- The OMS particularly insist on further product specialization and consumer protection.

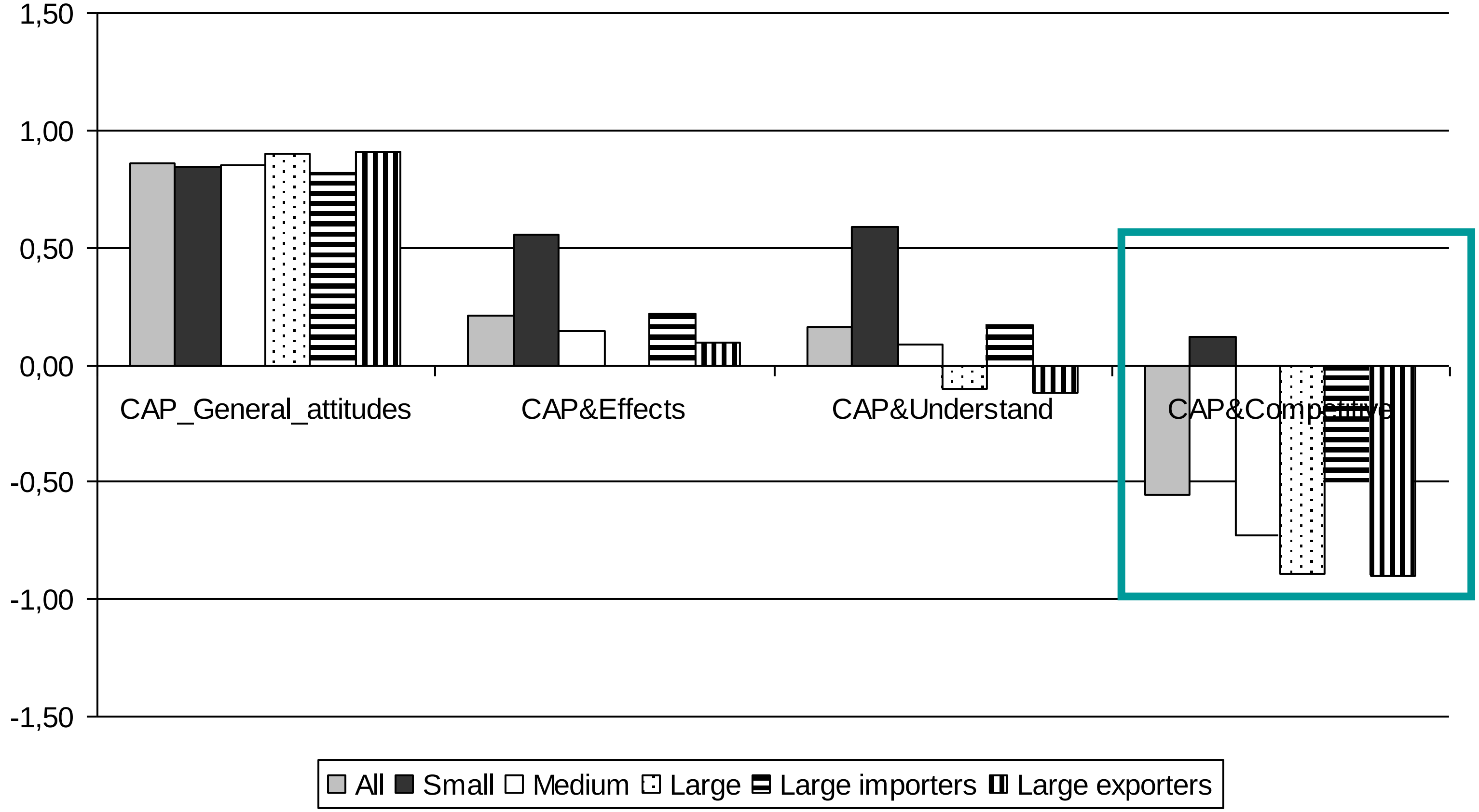


The CAP measures influence on the EU food chain competitiveness



FP7 Compete - Farms and Food Companies Survey

The CAP evaluation by FCS



FP7 Compete - Farms and Food Companies Survey

Farmers and Food processors assessment of relations between FCS and their cooperation to compete

- C1-1 Food processors have too much market power in their dealings with farmers;
- C1-2 Food traders have too much power over food processors;
- C1-3 Farmers (cooperatives, associations etc.) have to much market power;
- C1-4 Food traders (wholesalers & retailers) have too much power over farmers;
- C1-5 Food processors have too much market power over consumers;
- C1-6 Food retailers have too much power over consumers;
- C1-7 Food chain stakeholders influence government policy;
- C1-8 Food chain stakeholders work in partnership to improve competitiveness;
- C1-9 Collaborations within the chain are facilitated by government/public agencies;
- C1-10 Collaborations with agricultural/food research centres/universities is sufficient.

Statement	Average mark (1-5)
(C1-1.)	2,78
(C1-2.)	4,48
(C1-3.)	2,60
(C1-4.)	4,40
(C1-5.)	2,64
(C1-6.)	4,40
(C1-7.)	3,06
(C1-8.)	2,49
(C1-9.)	2,37
(C1-10.)	2,39

CONCLUSIONS

- Our research showed that overcoming the agricultural trade barriers required market liberalization and harmonization of trade access either on a bilateral or multilateral level.

- From the institutional point of view, competences and responsibilities between the national and EU policy levels should be clearly defined.
  - In the new Member states particular attention should be paid to harmonization of national agricultural and food policies with EU Strategy.
  - Innovation policy has to align to the interests of the agri-food-chain.
  - Innovation in these countries is still largely oriented toward production efficiency, while for the OMS product innovations that fully meet changed consumer preferences are of the greater importance.
  - While national policy orientates toward productivity growth, technology improvement, product innovation and specialization, the EU policy tends to be more concerned with organizational innovation and consumer satisfaction.

CONCLUSIONS

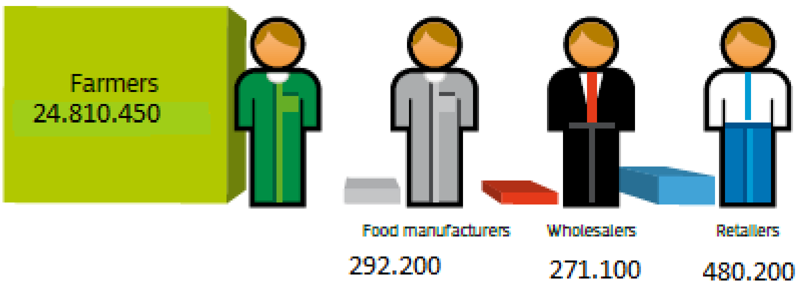
- **Policy changes**
  - Minimizing of identified discrepancies requires building up a common policy frame flexible enough to allow specific adjustments at the national level.

- **The EU food chain governance structures and competitiveness**
  - Another important obstacle is the absence of effective coordination between actors at different stages of food supply chains and this was felt to particularly harm farmers.

CONCLUSIONS

- **FC and vertical integration**
  - Role of the government is to set institutions and regulations that lead to the efficient market functioning.

- **What should FCS do?**
  - Farms should cooperate to compete (importance of horizontal integrations).
  - Food industry should vertically integrate to compete.
  - Food retailers should compete globally, but also act locally.
  - Governments should address food safety issues and consumer power to facilitate FC competitiveness, as well as to set the rules and implement regulations.



Number of enterprises along the EU food chain
Source: Eurostat, NACE Rev.2

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Thank you for your attention.

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