

**International comparison of product supply chains in the agri-food sector:** determinants of their competitiveness and performance on EU and international markets



# NEWSLETTER

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## COMPETE PROJECT: INTRODUCTION AND FIRST RESULTS

One year ago, the EU-funded collaborative research project COMPETE project "International comparisons of product supply chains in the agri-food sectors: determinants of their competitiveness and performance on EU and international markets" started, with the first results already having been achieved. The general aim of COMPETE is to assess the competitiveness of the European agri-food supply chain and gain a more comprehensive view over the different elements that contribute to their competitiveness in order to provide better targeted and evidence-based policies at both the EU and domestic level. The project covers different stages of the agri-food supply chain, providing analysis and results for raw materials, as well as products with different degrees of processing.

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**The COMPETE Project brings together the expertise of academics, trade bodies, NGOs, agricultural cooperatives and industry representative advisory services from 10 European countries to provide insights into the most important determinants of agri-food supply competitiveness. The COMPETE project has been granted a budget of 2.4 million Euros.**

## THE FOLLOWING RESULTS HAVE BEEN ACHIEVED BY THE CURRENT WORK PACKAGES.

**1** A **conceptual framework** for assessing competitiveness was developed by reviewing and linking current literature on measurements of competitiveness at national, supply chain, firm and industry levels and recent trends affecting global and EU agri-food markets. This has established that most of the literature regarding agri-food industry competitiveness largely draws on trade, productivity and value added indicators and focuses on the assessment of competitiveness at the farm level, with very few studies adopting an integrated supply chain approach. Consequently, there is little research concerning the identification of determinants and metrics that characterise agri-food supply chain

competitiveness per se. To address this, researchers propose a set of criteria for selecting indicators and a conceptual framework for measuring the sustainable competitiveness of the agri-food sector. Given the complexity of the supply chain, indicators should be 'comprehensive', 'illuminating', 'verifiable', 'useable' and 'comparable'. They also should be applicable to at least five groups of users: enterprises, policy makers, quality assurance agents, civil society and academics/research community. The conceptual framework covers the following five areas: sphere of enterprises, policy context, consumers, natural environment and the relationships between the agents and domains.



**2** Furthermore, *patterns of international agri-food trade*, indicators of competitiveness and the main competitors of the EU agri-food sector have been identified. Within the scope of this analysis, the stability and development of trade competitiveness in the EU countries, as well as the four main food value chains (grain, dairy, meat, and fruit and vegetables), has been illustrated. The initial analysis of competitiveness indicators shows that the competitiveness of the EU-27 countries in agri-food global markets slightly increased during the last 10 years. The share of competitive agri-food products grew from 24% in 2001 to 27% in 2011. However, the development was quite heterogeneous across EU-countries and product groups. Despite of increasing EU agri-food export value in the last years, the shares of EU countries on the main export markets declined. During the same period, emerging countries like Brazil and, to a lower extent, China increased their export shares to most trading partner countries.

**3** In addition, the initial analysis of the *business environment* and government's role on the EU agri-food sector performance will be examined. Based on the analysis of different indicators, it is asserted that the best performing countries in competitiveness are characterised by good governance and policy implementation, while the worst performers have significant problems regarding their governance structure. One measure of the government's impact on the overall business environment is its effectiveness. High levels of government effectiveness were registered in Nordic EU countries, e.g. Denmark, while Portugal, Spain, Greece and the new member states after 2004 generally only achieved relatively low levels. Additionally, within the analysis, it was shown that institutional support aimed at promoting different quality schemes and value added products, e.g. PGO, PGI, and TSG, has successfully replaced the classical direct payments approach.

**4** *Innovation and research* are crucial for the competitiveness of the EU agri-food value chains. To gather all relevant information on the topic, literature reviews on the organisation of innovation in the sector and the EU policy framework that affects innovation activities have been conducted. In general, innovations in the EU agri-food sector are registered on the processing rather than the product level. Innovation is increasingly studied using a systems approach, as opposed to a linear model of innovation. The commonly used Agricultural Knowledge and Innovation System approach includes actors' interactions in the creation, exchange and use of agriculture-related knowledge, as well as the institutional context in which these actions and interactions occur. The relationship between innovation and competitiveness is affected by human resource endowments, technical factors and managerial and organisational factors.

## PAST EVENTS

### Support for young researchers: skills to improve impact and sustainability

COMPETE Partner Balkan Security Network (BSN) plays a major role in maximising the impact and sustainability of the COMPETE project. Thus, three training courses were given during year 1, targeting young researchers at three partner institutions:

- Faculty of Economics, Belgrade University (BEL): 11-12, 17-18 April 2013
- Business School, Newcastle University (UNEW): 23 May 2013
- Faculty of Economic Sciences, Warsaw University (UNIWARSAW): 13-15 June 2013.

The courses aimed to improve researcher effectiveness in conducting their research, presenting it in written and oral form to scientific and non-scientific stakeholders, communication and lobbying, as well as gaining funding for future projects. Over 50 participants attended, including representatives from IAMO (Germany) and ARERA (Romania), while participant feedback on the benefit of these courses was very positive.

## Shepa Group meeting in Brussels

On November 15<sup>th</sup>, 2013 the 9<sup>th</sup> meeting of the Sherpa group of High Level Forum for a Better Functioning Food Supply Chain took place in Brussels. The representatives of national authorities, private companies, European trade associations and other non-governmental organisations, together with several departments of the Commission, with interest in the food sector, discussed questions on improving competitiveness across the whole food supply chain. Among others, project coordinator Prof. H. Hockmann (IAMO) informed about objectives and structure of the COMPETE project and presented the so far achieved results.

## COMPETE project meeting

The 3<sup>rd</sup> COMPETE Project Meeting took place in Budapest on 4-5 November 2013 and was hosted by the Institute of Economics (CERS-HAS) in Budapest. It was a great opportunity for the entire COMPETE team to get together, discuss open questions and exchange ideas. Overall, 30 participants attained the event.

The COMPETE partners presented their results achieved to date in the analysis of trade patterns and competitiveness indicators, quality aspects of EU agri-food products and

impacts of governance and innovations on the EU agri-food sector. Among others, Matthew Gorton, of the University of Newcastle, informed about results of a case study on 'sustainable competitiveness' of onion PDO in Hungary.

All partners stressed the importance of each member institution's involvement in every project work package, in order to share information and nourish scientific discourse. To secure the high quality of the deliverables, the internal revision process was defined.



*3<sup>rd</sup> Project meeting in Budapest*

## MEETINGS WITH STAKEHOLDERS



Each partner carried out effective dissemination of COMPETE, targeting their efforts to the main stakeholder interested in the project outcomes at the national level. During the first 18 months of the project life, more than 25 stakeholders' meetings were organised by the partners concerned in the UK, Czech Republic, Serbia, Romania, Netherlands and Germany. The meetings aimed to promote COMPETE's purpose and opportunities, discuss the expectations from stakeholders and establish the permanent link with representative associations and farms to deepen the debate concerning the competitiveness of national and EU agro-food sector and, consequently, the establishment of a core of stakeholders interested in future cooperation in the COMPETE project.

The first exchange with stakeholders regarding the competitiveness of agro-food highlighted that the main obstacles in achieving competitiveness is access to the market.

## FORTHCOMING EVENTS

### Project meeting in Capri June 4-6, 2014

The workshop and next COMPETE project meeting will be organised in Capri on the occasion at the WICaNem conference on 4-6 June 2014. Further information regarding the agenda of meeting will soon be available at

[www.compete-project.eu](http://www.compete-project.eu).

### IAMO Forum 2014 June 25-27, 2014

IAMO Forum 2014 "The Rise of the 'Emerging Economies': Towards Functioning Agricultural Markets and Trade Relations?" will take place on June 25-27, 2014 in Halle (Saale), Germany. The conference will focus on the development and efficiency of agricultural markets in emerging economies, which are the important competitors of EU on the global agri-food markets.

[www.iamo.de/forum/2014](http://www.iamo.de/forum/2014)

## DISSEMINATION ACTIVITIES



In order to raise awareness of the project and its results among stakeholders and maximise the impact of its communication, the dissemination strategy was developed at the beginning of the project. To make the COMPETE results available to a wide community of users during the course of the project, different channels at local, national, EU, and international levels are used. For dissemination purposes, the following tools have already been installed: press release, project leaflet and the 1<sup>st</sup> policy brief. Download dissemination materials from the COMPETE Website. The official COMPETE website was created in December 2012 in order to collect all information related to the project.

[www.compete-project.eu](http://www.compete-project.eu) >



## COMPETE PUBLICATIONS

The COMPETE Consortium launched a series of working papers, which are available for free download at [www.compete-project.eu](http://www.compete-project.eu). To secure the quality of the published papers, an efficient, internal revision system was established. The following publications underwent this revision process and are already available on the COMPETE website:

1. Bojnec, Š., Fertő, I. (2013). How European Union countries are competitive in international agro-food exports? Industry, Science and Policy Makers for Sustainable Future: Proceedings of the 14<sup>th</sup> International Conference. Koper: Faculty of Management, pp. 401-423.
2. Bojnec, Š., Fertő, I. (2014). Forestry industry trade by degree of wood processing in the Enlarged European Union countries. Forest Policy and Economics, vol. 40, pp. 31-39.
3. Curzi D., Pacca L., Olper A., 2013, Trade collapse, quality and food exports. Applied Economic Letters 20 (18): 1614-1617
4. Bakucs Z., Falkowski J., Fertő I., 2013, Does Market Structure Influence Price Transmission in the Agro-food Sector? A Meta-analysis Perspective. Journal of Agricultural Economics, 65 (1): 1-25
5. Olper A., Curzi D., Pacca L., 2014, Do food standards affect the quality of EU imports? Economic Letters, 122 (2): 233-237

## PROJECT INFORMATION

**Title:** International comparisons of product supply chains in the agri-food sectors: determinants of their competitiveness and performance on EU and international markets (COMPETE)

**Funding:** Collaborative research project (small or medium-scale focused research project), GA N°: 312029-FP7-KBBE-2012-6, total EU contribution is 2,422,725 €

**Duration:** 01/10/2013-30/09/2015 (36 months)

**Objective:** The objective of the COMPETE project is to gain a more comprehensive view on the different elements which contribute to the competitiveness of the European agri-food supply chain in order to provide better targeted and evidence based policies on the EU as well as on the domestic level. The project investigates selected determinants of competitiveness like policy interventions and the business environment, productivity in agriculture and food processing, the functioning of domestic and international markets, the choice of governance structures, and innovative activities in food processing. The research results will enable a congruent, coherent and consistent set of policy recommendations aiming at improving competitiveness of European product supply chain.

**Coordinator:** IAMO, Germany, Prof. Heinrich Hockmann

**Consortium:** 16 Partners from 10 European countries. COMPETE brings together academics, trade bodies, NGOs, agricultural co-operative, industry representative advisory services. In addition, the project is supported by the group of societal actors, incorporating farmer, food processing and consumer associations, providing in-depth knowledge on the agri-food sector and speeding up the achievement of the project goals.

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