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

COMPETE

SEVENTH FRAMEWORK PROGRAMME

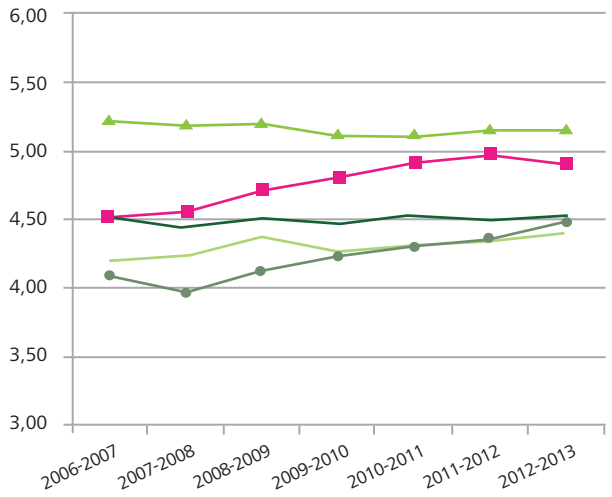
1ST POLICY BRIEF

JUNE 2013

OBSERVATIONS

Rising global agricultural trade and food demand requires higher competitiveness of the EU agri-food sector. During the last decade the EU-15 Member States indicated a stable level of competitiveness on a high level. But the competitiveness of new EU Member States (accession countries) remained only at the medium level. Meanwhile emerging countries like Brazil, China and Russia succeeded in catching up. Especially Brazil and China show large adjustment and overtake the accession countries. The **competitiveness-gap** resulting from growth-strategic differences in skill formation, innovation and long-term investments between the EU and these emerging countries **becomes smaller**. The challenge for the EU today is to keep its competitiveness on the world market.

Competitiveness: The Inevitable Curse



The Graph presents the development of competitiveness of EU (EU-15 and EU-Accession-12) and major emerging countries (Brazil, China, Russia) based on the ***basic requirements*** and ***efficiency enhancers*** indicators (average value).

The sub-index ***basic requirements*** groups 4 pillars: institutions, infrastructure, macroeconomic environment, health and primary education.

The sub-index ***efficiency enhances*** includes the pillars: higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness, market size.

source: Global Economic Forum (2013): The Global Competitiveness Index data platform
http://www.weforum.org/issues/competitiveness-0/gci2012-data-platform

POLICY ACTION NEEDED

Competitive and well functioning food and raw material markets as well as an adjustment of EU governance structures are needed to support an improved coordination along the EU food value chain and the provision of consumers with high-quality food.

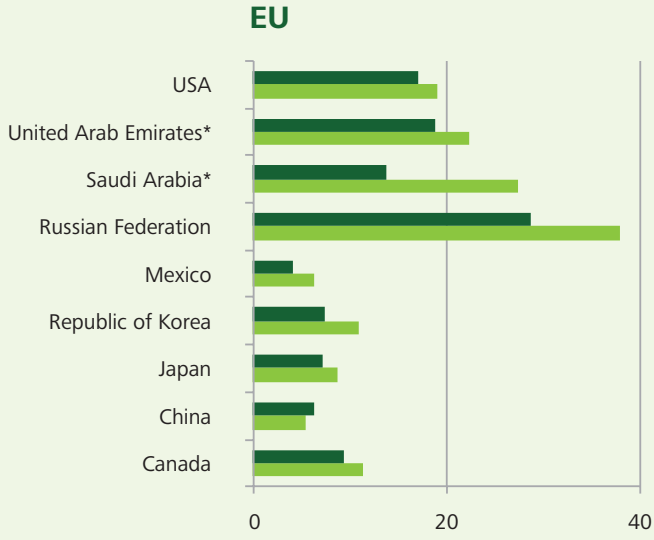
Recent policy, reform and dialogue initiatives show the increasing interest of the EU in the competitiveness of the agri-food supply chain. With the Lisbon Agenda the EU aims at becoming „the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion". This goal was further developed within the EUROPE 2020 strategy for becoming a smart, sustainable and inclusive economy.

Regarding the agri-food supply chain the competitiveness objectives are reflected in the European Commission's proposals for a reform of the CAP after 2013. Beyond that in 2008 the High Level Group on the Competitiveness of the Agro-Food Industry was launched by the European Commission. For 2 years the group analysed factors influencing the competitiveness of the European agri-food sector. To follow the implementation of the policy recommendations of the experts a High Level Forum for a Better Functioning Food Supply Chain was established in July 2010.

BENCHMARKING COMPETITIVENESS

Agri-food-import shares (in %) in the largest global import markets

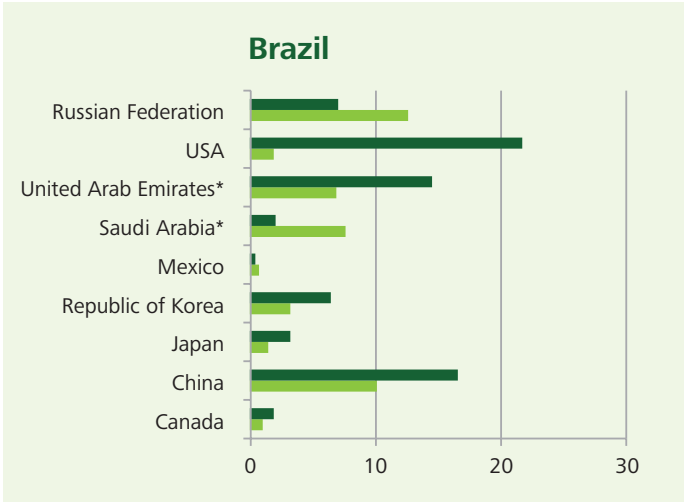
Comparison ■ 2002 ■ 2012

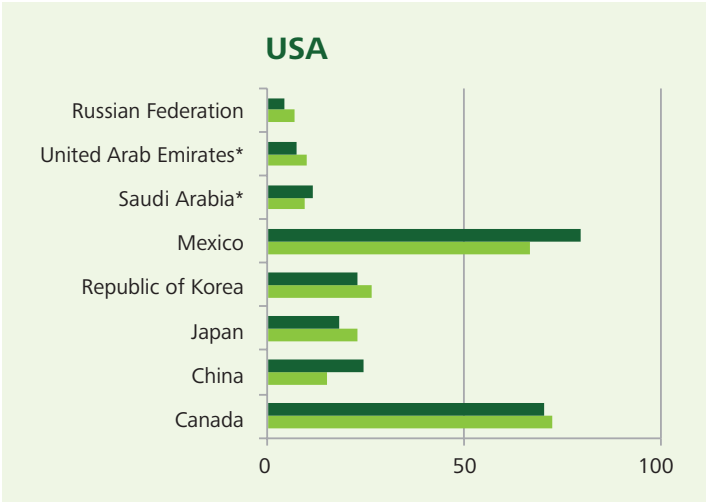


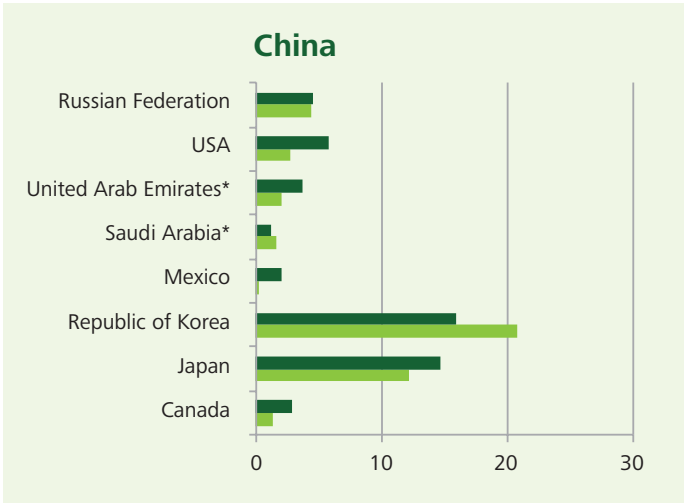
* 2010 data
source: authors calculations based on COMTRADE (2013): United Nations Commodity Trade Statistics Database: **http://comtrade.un.org/db/**

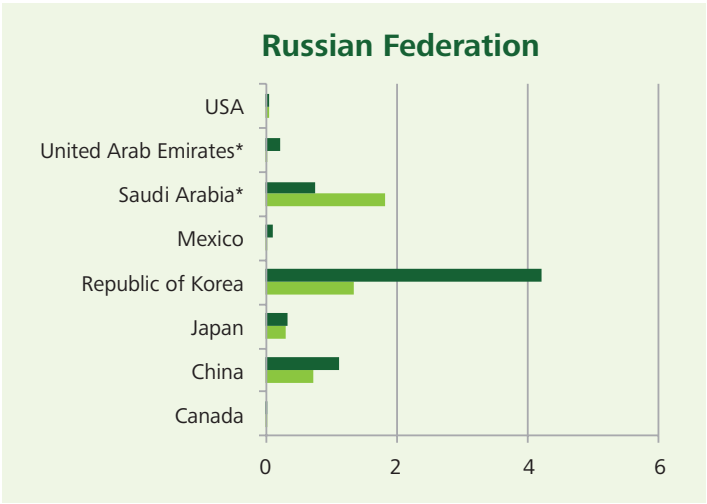
Achieving **sustainable competitiveness of the European agri-food sector** on the world market implies an economically viable food production in tandem with the responsible ecological and social management of the natural land-based and human resources.

Meeting these sustainability constraints EU agri-food sectors' competitiveness will reveal from a comparison of **market shares in global agri-food trade**. Here the ability to **respond to the market and implement innovations in products and production** will be decisive for the success.









* 2010 data

source: authors calculations based on COMTRADE (2013): United Nations Commodity Trade Statistics Database: **http://comtrade.un.org/db/**

Comparison ■ 2002 ■ 2012

EU AGRI-FOOD SECTOR TO BECOME SUSTAINABLE AND COMPETITIVE

To compare and measure agri-food sectors'competitiveness a comprehensive **supply chain approach** is needed. This is because of the highly interrelated value adding process from agricultural production until retailing. The topic concerns the improvement of technologies as well as education and training in agriculture and food processing, the efficiency of governance in controlling transactions, fostering innovation and over all markets efficiency. All these aspects have to be complemented by a target-oriented public policy which responds to the various market friction and market failures. **EU-policy has to correct first market failures in the single market. This can only be achieved if policies and regulation are shaped flexible enough to respond to the needs of the whole value chain.**

RESEARCH PARAMETERS AND PROJECT IDENTITY

The EU-funded collaborative research project "International comparisons of product supply chains in the agri-food sectors: determinants of their competitiveness and performance on EU and international markets" (COMPETE) addresses this problem. COMPETE gains 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 Consortium of COMPETE is coordinated by : INSTITUT FÜR AGRARENTWICKLUNG IN MITTEL- UND OSTEUROPA (IAMO), Germany, and brings together academics, trade bodies, NGOs, agricultural co-operative, industry representative advisory services. In addition, the project will be 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. The COMPETE project partnership consist of the following organizations:

Institute of Agricultural Economics, IAE/Romania
Wageningen University, WU/The Netherlands
Univerza na Primorskem Universita del Litorale, UP/Slovenia
Ceska zemedelska univerzita v Praze, CULS/Czech Republic
Università degli Studi di Milano-DEMM, UMIL/Italy
University of Newcastle upon Tyne, UNEW/UK
Ekonomiski Fakultet, Univerzitet u Beogradu, BEL/Serbia
Magyar Tudomanyos Akademia Kozgazdasag - es Regionalis Tudomanyi Kutatokozpont, CERS-HAS/Hungary
Uniwersytet Warszawski, UNIWARSAW/Poland
Vod Jetrichovec, DRUZSTVO, VODJ/Czech Republic
Potravinarska Komora Ceske Republiky, FFDI/Czech Republic
Balkan Security Network, BSN/Serbia
Asociatia Romana de Economie Rurala si Agroalimentara Virgil Madgearu, ARERA/Romania
Bundesvereinigung der Deutschen Ernährungsindustrie e.V., BVE/Germany
Federazione Italiana dell'Industria Alimentare, FED/Italy

For further information about the project, please visit the official website:
http://www.compete-project.eu
or refer to the projects'most recent **newsletter**.

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

Contact:
Prof. Dr. Heinrich Hockmann – IAMO
Tel. +49-3452928225 · Email: hockmann@iamo.de