

FRIDGE

Development of food industry SME competitiveness for better potentials in growth

Report on self-assessment of the regional policies

Economic Council of East-Flanders

March 2020

1. Regional Policies and SMEs of food and drink sector in East-Flanders

This study is based on two pillars:

A. **Main financial instruments – policies** that support SMEs of food and drink sector and especially those that promote competitiveness and exports

B. **Key actors of the support system** whose position and interactions are critical for the subject of the project (competitiveness and exports of regional food and drink companies)

1.1. Main Financial Instruments supporting entrepreneurship in the East-Flemish food sector.

Instruments which focus on competitiveness and exports:

1. VLAIO
 - a. SME e-wallet
 - b. SME growth subsidy
 - c. Development project
 - d. Research project
2. Flanders' Food
 - a. Lead in knowledge
 - b. Lead to knowledge
 - c. Accelerate effective & efficient innovation
 - d. Create/cross value chains
3. Flanders Investment & Trade (FIT)
 - a. Export advice
 - b. Subsidies
4. Flemish Agricultural Marketing Board (VLAM)
 - a. Positive image building
 - b. Export support agri-food sector
5. Economic Council for East Flanders (ECEP)
 - a. Stimulating professionalization/ facilitating knowledge transfer
 - b. Positive image building for the local food industry
6. Belgian food and drink federation (Fevia)
 - a. Positive image building for Belgian food products abroad

1.1.1. VLAIO

a. SME e-wallet

The SME e-wallet is a measure where you – as an entrepreneur – receive financial aid when purchasing services that improve the quality of your enterprise. These services contain training courses and advisory services such as e.g. creating a communication plan for your business.

The SME wallet is a web application through which entrepreneurs can obtain €10,000 to €15,000 of subsidies each year, supporting their further professionalization. The aid can be obtained when purchasing services provided by registered service providers in the areas of training and advice.

The SME e-wallet is oriented towards practitioners of ‘liberal professions’ and SMEs whose operational headquarters are located in the Flemish Region. Only enterprises that fit the definition of an enterprise and have an acceptable legal form (e.g. not-for-profit organizations are excluded) and an acceptable main activity on the basis of the NACE code can apply for aid.

Aid can be obtained for the following 2 pillars:

Training

Training programs attended by all people employed (employees and employers) in the enterprise, with the aim of improving the current or future operation of the enterprise. Legally obligatory training programs are also eligible. For each program or course, a personalized training certificate must be issued. Examples: computing course, language training, management training, communication skills course, ...

Advice

Advice in the SME portfolio is always written, and focused on the core processes of the company, intended to improve the functioning of the company. The advice enables entrepreneurs to take correct and fundamentally informed decisions for their business. Legally obligatory and periodical advisory opinions are excluded from aid. Services regarding subsidies, guidance and the implementation itself are not eligible either. Examples: market study, communication plan, investment analysis, ...

www.vlaio.be

b. SME growth subsidy

The SME growth subsidy is a subsidy tool with which the Flemish government supports SMEs in achieving their own growth trajectory. Using the SME growth subsidy, the Flemish government subsidizes the strategic knowledge required to be successful in reorientation.

The SME growth subsidy aims to subsidize the missing strategic knowledge of SMEs that is necessary to establish new growth strategies in the case of a turning moment. The subsidy covers 50% of the purchase of external strategic advice (external strengthening by advice from consultancy) and/or 50% of the labour costs when recruiting a strategic employee (internal

strengthening). The maximum aid per advice or recruitment is €25,000. Per calendar year per SME, the subsidy can amount to €50,000. The external advice and/or new recruitment for which the subsidy is requested should be necessary and of strategic importance for executing the growth trajectory. The growth trajectory is a key moment for the business and has a fundamental impact on the complete functioning of the business.

The measure is aimed at small to medium sized businesses in the private sector, with a registered office in the Flemish Region, with an accepted primary activity as well as sufficient verifiable growth ambition. The size of the business is determined according to the European SME definition. Exclusively businesses from the private sector with an accepted primary activity are eligible.

The SME growth subsidy offers financial support for acquiring knowledge to realize the growth trajectory. Acquiring this knowledge can happen by recruiting a strategic employee to strengthen the business in those fields where the business lacks knowledge to realize the growth trajectory. A “strategic employee” is defined as a person who practises more than merely operational or executive activities and who also takes part in the strategic decisions of the SME. The SME can also choose to gain the advice of a service provider to purchase this lacking knowledge. To be eligible for support, the advice provided by the service provider must concern the current or future functioning of one or more business processes of the SME. The choice between recruitment and external service is left to the SME.

www.vlaio.be

a. Development project

Subsidy for innovations that play a key role in achieving a business case that can strengthen the business. Flanders Innovation & Entrepreneurship (VLAIO) gives a helping hand to enterprises with a development project. Do you have an innovative idea that can lead to successful business in the short term, but are there still some challenges to overcome in developing this innovation?

Summary

Who is eligible => SMEs and large companies

What is it for => Staff and other costs related to a development project

Amount => 25 to 50% subsidy of the project budget with a minimum budget equivalent to support of €25,000

www.vlaio.be

b. Research project

Subsidy for enterprises extending or reinforcing their research and development activities. Via a research project, Flanders Innovation & Entrepreneurship (VLAIO) provides subsidies to enterprises with which they can develop or strengthen their research and development activities.

Specifically, this entails the agency giving subsidies for the implementation of individual projects by one or more companies. In doing so, the project starts with an innovative idea requiring new knowledge and whereby research and possibly development activities must be carried out.

Summary

Who is eligible => Enterprise active in the Flemish Region

What is it for => staff and other costs related to the knowledge development phase in an innovation trajectory

Amount => 25 to 60% of the project budget, with a minimum budget equivalent to a subsidy of €100,000

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1.1.2. Flanders' Food

a. Lead in knowledge

Knowledge is the main driver of innovation. Know-how about products, materials and processes enables the food industry to focus on products with a high added value (unique products, products of excellent quality that justify a higher price, products with nutritional benefits or products manufactured with sustainable (er) processes and ingredients).

Exploring "the unknown" through strategic long-term research will generate knowledge that will be able to "feed" all other objectives, thus leading to the development of new products, concepts and business.

Within this segment there's a focus on 3 program lines:

- Resilient & Sustainable Agrifood system
- World Class Food Production
- Personalized Food Products & Healthy Diets

<https://www.flandersfood.com/over-ons>

b. Lead to knowledge

Innovation followers (many SMEs) and innovators have different visions and needs with regard to exploring 'the unknown', are inspired by developments and information from (strategic) research, and actively participate in research in a culture of open innovation.

These different requirements call for mainly collective actions for companies with limited R&D capacity. This corresponds to the activities organized by Flanders' FOOD in the past 10 years: study days, workshops, training courses, collective research projects and demonstrations of new technologies. Flanders' FOOD has built up a good reputation as a 'knowledge disseminator', especially for SMEs. We will continue to respond to these activities in the future.

Activities that fall within this strategic goal:

- Initiation of collective research projects (translation and implementation oriented projects)
- Provide the target group with knowledge through training and study days on innovative topics, publications and newsletters

- Creating a (virtual or not) inspiration center: through newsletters and activities where companies can discover new technologies, concepts and opportunities
- Share information beyond the target group via the 'train-the-trainer' principle
- Etc.

<https://www.flandersfood.com/over-ons>

c. Accelerate effective & efficient innovation

Available knowledge must be further translated into specific products, processes, concepts and business operations. SMEs often have a hard time finding suitable partners, such as technology providers or suppliers, or extrapolating knowledge to their own products and processes. For these reasons, this strategic pillar will aim to connect existing companies (mainly SMEs) and startups with commercial actors active in product development, consultants and trainers, consultants in the field of innovative work organization, automation and digitization.

This objective will also focus on providing additional innovation tools, such as the availability of pilot infrastructure and areas for experimentation, or guidelines on co-creation and development.

<https://www.flandersfood.com/over-ons>

d. Create/cross value chains

The latter aims to explore new horizons at a cooperative level and create new business opportunities by bridging complementary sectors (cross-sectoral and interdisciplinary collaborations) and forming different links within the agri-food system. On the one hand this requires establishing a relationship of trust between primary producers, the food industry and retail, and on the other hand bringing together different stakeholders within the industry so that they can share knowledge.

Initially, the focus will be on the following cross-chain and cross-sectoral collaborations:

- Providing better nutrition and health care through cooperation between food providers and the health sector
- Finding new and better processing solutions by gathering know-how from technology and machine suppliers as well as the food industry
- Combining the knowledge of the packaging and machine sector and the food industry
- Striving for a resilient and sustainable agro-food system by forming partnerships between actors in the agro-food sector and various non-food players from the industry

<https://www.flandersfood.com/over-ons>

1.1.3. Flanders Investment & Trade (FIT)

a. Export advice

- Measurement of export capacities
- Preparation of export plans
- Discovering new export markets
- Internationalization of businesses

b. Subsidies

SMEs can apply for a subsidy for 5 types of projects:

- Prospecting trip outside the EU, Iceland, Liechtenstein and Norway
- Participation in a foreign fair or niche event
- Development and translation of digital international commercial business communication
- Establishment of a prospect office outside the EU, Iceland, Liechtenstein and Norway
- International custom project

<https://www.flandersinvestmentandtrade.com/export/internationaal>

1.1.4. Flanders Agricultural Marketing Board (VLAM)

a. Positive image building

Promotion for dairy products, potatoes, fruit & vegetables, fish, meat, beer, organic products, regional products and flowers & plants.

Intensive collaborations between the Flemish government, the marketing and communication specialists of VLAM and fishermen, farmers, auctions, growers, professionals and anyone who produces, processes or distributes fresh products.

b. Export support agri-food sector

Promotion abroad is mainly focused on trade. VLAM is looking for new markets for Flemish companies and is supporting export through trade show participations, organisation of network events and implementation of European co-funded information and promotion campaigns in countries outside Europe.

<https://www.vlam.be/over-ons>

1.1.5. Economic Council of East-Flanders (ECEF)

a. Stimulating professionalisation/ facilitating knowledge transfer

Dealing with the rapidly changing environment is not always evident for an entrepreneur. EROV provides inspiring ideas and stimulates exchange of experience between entrepreneurs.

Sometimes collaboration is the message, between colleagues, between the public and private sector or with other companies.

b. Positive image building for the local food industry

With the 'Tasteful East-Flanders initiative, ECEF supports the East Flemish regional and farm products. The Butchers Hall, the promotion center for East Flemish regional products in Ghent, is the showcase. ECEF is developing an (international) knowledge center for regional products, working on taste perception (Taste classes), East Flemish grain jenever (O'de Flander) and regional and farm products as a tasty and sustainable alternative.

<https://www.erov.be/>

1.1.6. Belgian food and drink federation (Fevia)

a. Positive image building for Belgian food products abroad

With the brand "Food.be– Small country. Great food. " they highlight the quality, diversity and innovation of the Belgian food worldwide.

<https://www.food.be/>

1.2. Identification of key actors

The identification of the key actors, their position and interactions in the support system is critical for the self-assessment of regional policies. The criteria for the selection of the key actors was the relevancy to the subject of the project (i.e. they aim to support competitiveness, exports etc.).

The identified key actors are:

- Flanders Innovation & Entrepreneurship (VLAIO)
- Flanders' Food (FF)
- Flanders Investment & Trade (FIT)
- Flanders Agricultural Marketing Board (VLAM)
- Economic Council of East Flanders (ECEP)
- Belgian food and drink federation (FEVIA)

1.2.1. Flanders Innovation & Entrepreneurship (VLAIO)

Flanders Innovation & Entrepreneurship is the contact point for entrepreneurs in Flanders. They encourage and support innovation and entrepreneurship, and contribute to a favourable business climate. By being a one-stop-shop, they build a bridge towards stronger entrepreneurship.

They focus on:

- **Stimulating growth and innovation**
They support businesses through grants so they continue to grow, transform and innovate. Examples include the SME growth subsidy, SME innovation- and R&D-projects.
- **Promoting entrepreneurship**
They work together with strong partners that assist SMEs through start, growth and takeover. They also encourage networking focused on growth companies.
- **Supporting clusters**
They support organisations that catalyse cooperation and dynamics within a group of enterprises and knowledge institutions.
- **Improving environmental factors**
They facilitate the development of industrial areas.

<https://www.vlaio.be/>

1.2.2. Flanders' Food (FF)

Flanders' FOOD is a unique, strategy-driven platform for the facilitation of innovation, thereby contributing to a more competitive, innovative and sustainable agrifood industry. Flanders' FOOD leverages the innovation capacity of the agrifood companies by enhancing their scientific and technological knowledge by means of an integrated approach of knowledge creation, knowledge dissemination and partner matching. This way Flanders' FOOD also contributes to the economic and social development of the Flanders region.

Flanders' FOOD want to be the first address for supporting innovation along the whole agrifood chain and act as a lever for Flanders to become a European top region in agrifood.

This way Flanders' FOOD wants to be the first-choice-partner to cooperate with to enhance the development of the Flemish agrifood chain as worldwide reference for supply, quality and sustainability of agrifood products.

<https://www.flandersfood.com/>

1.2.3. Flanders Investment & Trade (FIT)

Flanders Investment & Trade (FIT) promotes international enterprise in Flanders in a sustainable way as a key factor in the social and economic development of our region. FIT does so by supporting the international activities of Flemish companies and by attracting foreign investors to Flanders.

FIT assists, supports and stimulates companies in international business. Flanders Investment & Trade offers tailored advice and guidance. Companies can call on the networks of contacts both at home and abroad. And FIT gives financial support and information on a wide range of financial incentives.

For Flemish companies, the region is a perfect gateway. For them, FIT tries to lower the threshold for doing business abroad. They promote their services, provide information and knowledge about export and offer networking opportunities between entrepreneurs and bring them into contact with potential partners abroad.

Innovative clusters are of key importance to Flanders as a knowledge region. They help these clusters in their internationalisation process and try to attract foreign investors capable of strengthening the cluster to grow into a major international player.

<https://www.flandersinvestmentandtrade.com/en/our-organization>

1.2.4. Flanders Agricultural Marketing Board (VLAM)

VLAM, Flanders' Agricultural Marketing Board, is a non-profit organisation promoting the sale, the added value, the consumption and the image of products and services of the Flemish agriculture, horticulture, fishery and agro-alimentary sector in Belgium and abroad. It is commissioned by the business community and by the Flemish government and cooperates actively with as many links in the food chain as possible.

VLAM mainly promotes primary products from Flanders. They do this on the basis of in-depth market research and taking into account the recommendations from the active food triangle. The promotion is generic, so regardless of brand or store, and it is carried out at home and abroad.

VLAM has a separate website for export promotion:
https://www.freshfrombelgium.com/en?set_lang=en

On the fresh from Belgium website, VLAM wants to put Belgian suppliers of fresh produce in touch with foreign importers. To this they use a product-oriented approach, using a whole range of specialised product websites that fall under the umbrella of freshfrombelgium.com, such as for example belgianmeat.com, belgianplants.com, belgianfruitsandvegetables.com, belgianpotatoes.com, belgianpoultry.com and belgiandairy.com.

<https://www.vlam.be/>

1.2.5. Economic Council of East Flanders (ECEF)

The Economic Council for East Flanders works on behalf of the Province of East Flanders. They stimulate the socio-economic development of the province.

There are four central objectives:

- inspire entrepreneurs
- promote regional products
- stimulate young entrepreneurship
- strengthen trading centers

ECEF is a non-profit organization of the province of East Flanders. Since 1955, ECEF has been promoting the socio-economic development of East Flanders. As a meeting center and documented discussion table for entrepreneurs and entrepreneurship in East Flanders, ECEF feels the pulse of the East-Flemish socio-economic development.

1.2.6. Belgian food and drink federation (Fevia)

Fevia, the federation of the Belgian food industry, represents 26 sectors and 700 companies that produce high-quality food and drinks in Belgium. They are committed to sustainable growth of the Belgian food industry in consultation with all stakeholders. With the brand “Food.be– Small country. Great food. ” together they highlight the quality, diversity and innovation of the Belgian food worldwide.

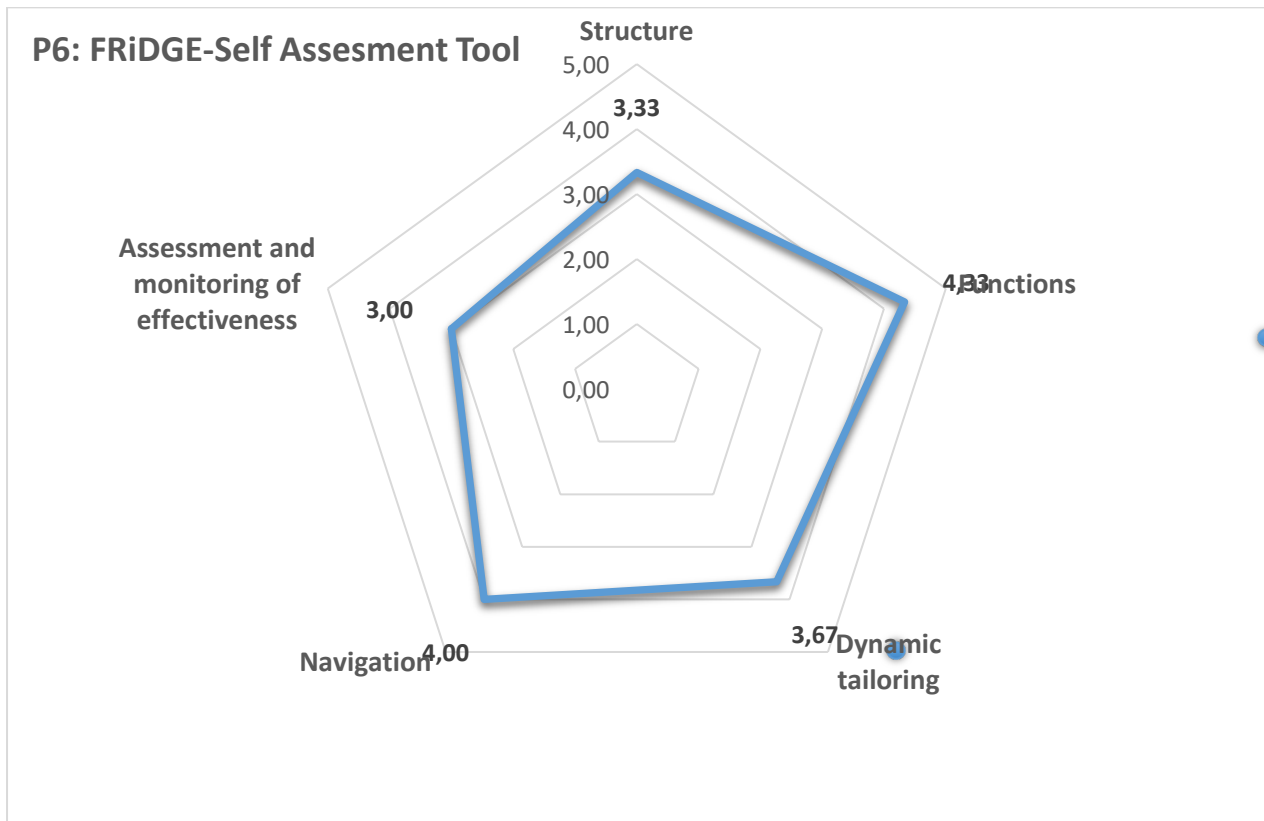
1.3. Assessing the support system

The final step of the assessment of the regional policies dealing with SME competitiveness and to what extent does it address food industry specifically includes a questionnaire in which you respond to questions/statements either as individuals or in a group under the key areas suggested.

All questions were answered and a spider diagram was automatically generated. The results for ECEF are:

Question	Total points	Total Questions	Average Points
Questions 1-3	10	3	3,33
Questions 4-9	26	6	4,33
Questions 10-12	11	3	3,67
Questions 13-15	12	3	4,00
Questions 16-17	6	2	3,00

The spider diagram generated is the following:



Analyzing the results

1. Structure: 3,33

There is a dominance of established support organizations existing more than or around 10 years in the system.

- **FEVIA** was founded in 1937
- **ECEF** has existed for many years (1955)
- **VLAM** was regionalized in 1994, coming from the federal level
- **Flanders Investment & Trade** was founded by the Flemish government in 2005, after a fusion of 'Export Flanders' and 'Service Investing in Flanders'
- **Flanders' Food** was founded in 2005
- **VLAIO** in its current form was founded in 2015. It originated from predecessors.

All the above-mentioned organizations are government or strongly government-linked, except for FEVIA which is a sector organization. One can't state that they are financially independent. Some of them generate some (limited) income. VLAM partly works with compulsory contributions from the respective sectors they represent.

On the Flemish regional level, there's increasing collaboration between the different organisations.

2. Functions: 4,33

East-Flanders, embedded in the Flemish region, has a high score in functions. There's a broad variety of support functions, especially within the Flemish region. The score is a bit corrected downwards due to formulated goals and expectations which can still be improved.

3. Dynamic tailoring: 3,67

Flanders' Food, VLAM and FEVIA are solely focused on food (industry). ECEF has, amongst others, specific programs for the food business. FIT and VLAIO are more generic, although FIT will also set up specific activities for the food sector.

4. Navigation: 4,00

The region shows an organized effort from the part of key actors to stay "close" to the companies and inform them on available support. The support system is quite accessible to businesses and it aims at delivering best available support. The support actors communicate well the available support to firms, who have to spend time and effort to benefit from the provided help.

5. Assessment and monitoring of effectiveness: 3,00

The support system still focuses mainly on one dimension, economic goals. There is emerging assessment and monitoring of the support system but mostly focused on intermediate impacts. This generates the lowest score for the region, 3,00.

2. Comments on the Belgian food industry

The comments hereunder are made based on info from the national (Belgian) level, with the input coming from Fevia's Annual Economic Report 2018-2019.

Revenue

The food industry is the largest industrial sector in Belgium. Volumes in the domestic market decrease by 5.3%, border purchases increase by 4.7%.

Investments

The food industry is the largest industrial investor. Investments are declining both in the food industry and in the total processing industry. Investments in chocolate and confectionery processing increased by 26% in 2018.

Foreign trade

Trade surplus of € 5.5 billion. 54% of exports are going to neighboring countries. Distant exports are growing spectacularly.

Exports

Exports to the United States increase by 9%. Two of the top 3 distant export countries are in Asia. Beverages, dairy, chocolate and frozen potato products are the main export products outside the EU.

Employment

The food industry provides a quarter of a million jobs and is the largest industrial employer in Belgium. 1 in 5 industrial jobs is one in the food industry.

Employers

96% of employers employ less than 100 employees. 28% of the number of employers in the processing industry is active in the food industry. Upscaling continues.

Added value

About 15% of the added value in the industry comes from the food industry. The added value of the Belgian food industry rose by only 2.7% in 4 years. The rest of the processing industry is doing considerably better.

Margin and wages

A working hour costs 1 / 5th more in Belgium than in neighboring countries. Policy choices made electricity bills for food companies up to 420% more expensive in 8 years. Net operating margins are under pressure.

Backflow to the government

€ 521 million withholding tax. Profit tax increases by 1.2% in 2017. In 5 years, the return to government increases by 9.5%

Education

18.7% of the number of vacancies for food production operator remain vacant for more than 180 days. More commitment to on-the-job training such as dual learning is necessary. In 2018, there was a record number of registrations for training.

Innovation

The food industry is by far the front runner in the field of organizational and marketing innovation. Nearly 80% of innovative companies with products new to the market. 18% of the turnover comes from innovative companies.

Source: https://www.fevia.be/sites/fevia/files/media/fevia_economisch_jaarverslag_2018-2019.pdf