

# FRIDGE

## Development of food industry SME competitiveness for better potentials in growth

### Report on Comparative Examination

### Comparative examination on regional policies, territorial needs and actual state of the food industry

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## Introduction

According to the Application Form, the present study is a Report on Comparative Examination on regional policies, territorial needs and actual state of the food industry on the basis of the FRiDGE project. The aim of this Comparative Examination is to highlight areas which should be improved, what common processes are there and in a second phase it will incorporate good practices (there will be a second version of the study, when all good practices have been recorded) to indicate what should be addressed, and also presented to the stakeholders and the sectoral publicity.

A Comparative Examination is used to determine and quantify relationships between two or more variables by observing different groups that either by choice or circumstances are exposed to different treatments. Also, a comparative examination involves understanding, studying, and explaining every aspect or events. Its purpose is to arrive at some conclusions concerning past occurrences that may help to anticipate or explain present or future events<sup>1</sup>. (Bukhari, 2011)

As determined by the project requirements, P5 (University of Western Macedonia) develops a comparative examination of the self-assessment of the regional policies, the territorial needs and the actual state of the food industry.

The methodology of the Comparative Examination includes study and composition of the regional data and the official statistics presented in the Reports of a) Analysis of the regional food and drink industries and b) Report on Self-assessment of the Regional Policies that all Partners carried out.

There follows the comparison and synthesis of all the data collected and the description of the outcomes and findings that obtained.

Finally, the Comparative Examination will provide a general insight on the current processes and developments on an international level (especially in the topic of market reach), and will show insights in which departments should EU food industries improve.

In this context, the study of Comparative Examination is structured as follows:

- Actual State of the Food Industry in Partners' Regions
- Self-Assessment of the Regional Policies
- Territorial needs

The Partners and the Regions participate in the FRiDGE Project are:

- Tolna County Development Agency Nonprofit Public Benefit Ltd. (Tolna, Hungary)
- Harghita County Council (Harghita, Romania)
- Competence Center for Nutrition – KErn (Bavaria, Germany)
- Regional Council of South Ostrobothnia (South Ostrobothnia, Finland)
- University of Western Macedonia (Western Macedonia, Greece)
- Economic Council of East-Flanders (East-Flanders, Belgium)

# 1. Actual State of the Food Industry in Partners' Regions

This part of the study, is seeking principally to describe and analyse the current status in food and drink sector in Partners' Regions. This shall be carried out by making mention of present statistics and research data on food sector, current policy instruments, support programs and other parameters that may help to obtain an overall view for each and the whole of the Regions at the same time.

## 1.1. Geography

The six Partners' Regions are quite different from each other as regards the population, area size and soil and climatic conditions.

In more detail:

- **Tolna** (3,706 km<sup>2</sup>, 219,000 inhabitants), is one of the smallest counties within Hungary based on the area size and population. Tolna County is located at the right riverside of Danube and agriculture is determinative in county's economy<sup>2</sup>.
- **Harghita** (6,639 km<sup>2</sup>, 304,969 inhabitants), is a county in the centre of Romania, in eastern Transylvania. It consists primarily of mountains and there they are two of the most important rivers in Romania<sup>3</sup>.
- **Bavaria** (70,550.19km<sup>2</sup>, 13,076,721 inhabitants) it is Germany's second most populous state. Bavaria shares international borders with Austria and Czech Republic as well as with Switzerland. Two major rivers flow through the state: the Danube (Donau) and the Main. The Bavarian Alps define the border with Austria.<sup>4</sup>  
**Upper Franconia** (7,230.19 km<sup>2</sup>, 1,067,482 inhabitants) is a governmental district in Bavaria<sup>5</sup>.
- **South Ostrobothnia** (13,999.63 km<sup>2</sup>, 188,685 inhabitants)<sup>6</sup> is a comprising large area located in western Finland with numerous rivers.
- **Western Macedonia** (9,451 km<sup>2</sup>, 283.689 inhabitants)<sup>7</sup>, is one of the thirteen regions of Greece, consisting of the western part of Greek Macedonia. Food and drink

products of Western Macedonia region are directly linked to terrain and climate conditions of the region, which is a mountainous and foothill area and has a continental climate with particularly low winter temperatures<sup>8</sup>.

- **East-Flanders** (3,007 km<sup>2</sup>, 1,515.064 inhabitants) is a province of Belgium. Much of East Flanders is agriculturally fertile and densely populated<sup>9</sup>.

## 1.2. Main products

First of all, it is important to note that in the majority of the Regions there is a wide variety of food products, most of which are local and tradition based, made of qualitative raw materials, with priority to food safety. It seems that food and drink SMEs focus on traditional food products, whose origin lies in local food history and which usually are known not only within the country but also in markets across borders. In some cases, efforts are made to modernize the traditional products in order to satisfy a wider consumer segment.

The main food and drink products of the Partners' Regions are:

- **Tolna county, Hungary (P1)**: wheat and corn, flourmill products and bakery, wine, meat, dairy products, fruit and vegetables
- **Harghita county, Romania (P2)**: Jams, syrup and honey
- **Upper Franconia, Bavaria, Germany (P3)**: bakery and confectionary products, meat products
- **South Ostrobothnia, Finland (P4)**: bakery products, meat, dairy, beverages, berries and vegetables
- **Western Macedonia, Greece (P5)**: wine, tsipouro (alcoholic beverage), Krokos Kozanis
- **East-Flanders, Belgium (P6)**: meat, chocolate, confectionery products, dairy, beverages

In the following picture, the main food and drink products of each Region are mapped:



### 1.3. Food sector

From the references made by Partners, food production and agriculture in Partners' Regions play an important role in the regional and in some cases in national economy.

The majority of companies in food sector are micro and small enterprises whose products address mainly to local and regional markets. However, the small number of the larger companies, cover a significant part of the total food production in the Regions.

In the meantime, the numerous SMEs in Partners' Regions are important contributors to regional economy, nevertheless they face a number of problems and need support in order to strengthen their capacities.

In particular:

**Tolna** County has favourable agricultural capabilities, therefore it is an excellent area for producing raw materials for its food industry. The majority of the food industry's companies are micro- small, and medium businesses, some of them require support because of their low workforce productivity and lack of capital. More than 70% of the production value is produced by large companies. These companies use modern technologies, and most of them are in foreign ownership. Food-processing industry's capacity in the county is low. Products are used only in small quantities by the local industries, raw material producing is more significant.

In **Upper Franconia, Bavaria**, food and drink SMEs are strongly rooted. Measured by the number of inhabitants, Upper Franconia has the highest density of bakeries, confectioneries and butchers and the highest density of breweries in the world. Upper Franconia is known for quality and culinary delights due to its family farms, bakeries, butcher's shops, breweries, gourmet restaurants and distilleries.

Agrifood sector is recognized as one of the most important economic pillars and clusters in **South Ostrobothnia**. In the national context South Ostrobothnia is one of the leading food and food technology clusters in Finland and one of the most specialised Finnish regions in primary production and foodstuff refining. The region is a home for some of the major food and drink



processing businesses in Finland, however most of the food and drink sector companies are micro or small companies.

Food and beverage industry of **Western Macedonia** consists mainly of micro and small enterprises, whereas a very limited number of enterprises are medium sized. Western Macedonia is one of the two regions in Greece having the lower employment in food and beverage industry compared to the whole processing industry.

The food industry sector in **East-Flanders** (P6), is the 2<sup>nd</sup> biggest sector in terms of absolute value and employment.

The following Table shows numbers and statistics concerning food sector in Partners' Regions as recorded by Partners in the Reports of Analysis of the regional food and drink industries.

On the grounds that the data given by Partners on the Table do not refer exactly always in the same parameter/factor that is indicated in the left column and also because sometimes there are no available data, accurate comparisons among Regions can't easily be accomplished. However, we could mention that Bavaria and East-Flanders are the two Regions presenting the highest percentage of food sector employees and enterprises in the region as a proportion of food sector employees and enterprises in their country.

### Food and drink sector statistics in Partners' Regions

	P1 (Tolna county, Hungary)	P2 (Harghita County – Romania)	P3 (Bavaria – Germany)	P4 (South Ostrobothnia – Finland)	P5 (Region of Western Macedonia – Greece)	P6 (East-Flanders – Belgium)
Percentage of food- sector-employees in your region as a proportion of food- sector-employees in your country	1.6%* 1.3%** <i>*for propositions with more than 4 employees</i> <i>**for proposition with more than 49 employees</i>  (2018)	No data available	30% (2017)	10.5 % (2018)	1.68% (2017)	18.5%
Percentage of food- sector-enterprises in your region as a proportion of food- sector-enterprises in your country	2.9% (2018)	No data available	33%	5.3 % (2018)	2.93% (2017)	20.3%

	P1 (Tolna county, Hungary)	P2 (Harghita County – Romania)	P3 (Bavaria – Germany)	P4 (South Ostrobothnia – Finland)	P5 (Region of Western Macedonia – Greece)	P6 (East-Flanders – Belgium)
<b>Share of sales in total sales of the national food sector</b>	2-2%** of national food sector's production and sales 2.5%** of national domestic food sales <i>**for propositions with more than 49 employees (2018)</i>	No data available	20% of the total German turnover of the food industry is from Bavaria	Percentage: 15.05% (2018)	Not available	East-Flemish food sector represents 22.6% of the Belgian food sector turnover and 26.6% of the Belgian food sector export.
<b>Percentage of food- sector-employees as a proportion of total employees in your region</b>	3.2%* <i>*for propositions with more than 4 employees (2018)</i>	No data available	9.833 employees working in the food industry in Upper Franconia and 127.252 in Bavaria (8%). (2016)	7.4 %	2.44%	2.78% (2019)

	P1 (Tolna county, Hungary)	P2 (Harghita County – Romania)	P3 (Bavaria – Germany)	P4 (South Ostrobothnia – Finland)	P5 (Region of Western Macedonia – Greece)	P6 (East-Flanders – Belgium)
Percentage of food- sector-enterprises as a proportion of total enterprises in your region	1% (2018)	No data available	24.91% out of total processing industry in Upper Franconia (2015)	0.6 %	25.49%	1.15%

	P1 (Tolna county, Hungary)	P2 (Harghita County – Romania)	P3 (Bavaria – Germany)	P4 (South Ostrobothnia – Finland)	P5 (Region of Western Macedonia – Greece)	P6 (East-Flanders – Belgium)
<b>Share of sales in total sales of the regional economy</b>	<p>14-14%** of the industrial production and sales of Tolna County provided by the County's food sector</p> <p>The food sector of Tolna county accounted for 17%** of the domestic industrial sales of Tolna county in 2018</p> <p><i>**for propositions with more than 49 employees</i></p>	No data available	<p>9.45% in Bavaria (2015)</p>	15.43 %	Not available	Not available

	P1 (Tolna county, Hungary)	P2 (Harghita County – Romania)	P3 (Bavaria – Germany)	P4 (South Ostrobothnia – Finland)	P5 (Region of Western Macedonia – Greece)	P6 (East-Flanders – Belgium)
<b>Total numbers of employees, enterprises and share of sales of the regional food sector</b>	<b>Food sector employees:</b> 1565 * 932 **  <b>Number of food sector enterprises:</b> 393  <b>Share of sales:</b> HUF 56,523 million ** (2018) <i>*for propositions with more than 4 employees</i> <i>**for proposition with more than 49 employees</i>	No data available	<b>Food sector employees:</b> 9822  <b>Number of food sector enterprises:</b> 205  <b>Share of sales:</b> 1.9 billion € (Upper Franconia)	<b>Food sector employees:</b> 3498  <b>Number of food sector enterprises:</b> 111  <b>Share of sales:</b> 1.67 billion €	<b>Food sector employees:</b> 2006  <b>Number of food sector enterprises:</b> 559 506 food enterprises 53 drink enterprises	<b>Food sector employees:</b> 16400  <b>Number of food sector enterprises:</b> 1438 1339 food enterprises 99 drink enterprises

*Note: Numbers and statistics in the Table are as given by Partners in the relevant table which was included in the Analysis of the regional food and drink industries.*

## 1.4. Marketing and distribution channels

In most Regions, it seems that the sales and distribution channels follow the same logic. Thus, the main food products' distribution means that are available to Food and Drink SMEs in Partners' Regions are:

- Retail and wholesale trade
- Local markets and supermarkets
- e-commerce, on line sales
- Direct sales (from producer to consumer)
- Fairs, events (local, national, international)
- Agrotourism

In certain cases, differential and modernized distribution channels are referred by Partners: one of them mentioned by P3 (Competence Center for Nutrition, KErn), is "Regional Bavaria" a platform that makes easier the access to local products having the advantage for producers to be networked throughout Bavaria and also, the REKO retail and distribution model that P4 (Regional Council of South Ostrobothnia) mentions which has spread all over Finland and offers customers a way of ordering products directly from the producer.

About transport duration and frequency and import/exports, based on the Partners' Reports, there are not enough available data to draw a clear conclusion. What is pointed out is that the local products are mainly sold locally or nationally and that regional products from smaller manufacturers are hardly exported.

It is encouraging that in the context of improving market reach and local food associations, there are quite important initiatives in Partners' Regions such as:

- *Szekler Trademark Movement* in Harghita County (P2) that helps market reach, internalization and promotion of local products. More than 150 producers, with more than 1000 products have the right to use the trademark in present. In order to support the local producers in the process of selling products online, the website [www.szekelytermek.ro](http://www.szekelytermek.ro) was developed.

- "*Wirt sucht Bauer*" in Upper Franconia (P3) was launched in order to bring regional products back to the table in the restaurants. Producers can network directly with chefs, hoteliers and nutritionists and show what stands in and behind their products. The benefits for the foodservice sector are cooking with fresh, sustainable and seasonal products
- Export of the product Krokos Kozanis – the Greek saffron to China (Western Macedonia, P5). The first quantities of Krokos Kozanis are about to export, after a short delay due to the coronavirus pandemic.

These initiatives share a common aim: regional food products' internationalization and the fortification of food and drink SMEs.

## 1.5. Technological environment, research & development

In all Partners' Regions there are Universities, Research Institutions and other organizations and functions that focus on the food sector. On the basis that a number of significant institutions concerning science and research are located in Partners' Regions, we could say that there is a satisfying level in the state of knowledge and scientific development.

However, as regards innovation developing by food and drink SMEs, it could be said that are on a good level but not in all Regions.

Actually, it seems that in most cases, there is much progress to be made on this field and the same applies to the sector of Information and Communication Technologies (ICT) diffusion. In any case, these factors will be examined in detail in the Chapter of Territorial Needs.



## 2. Self-Assessment of the Regional Policies

The self-assessment procedure includes as a first step, mapping of the regional financial tools and identification of key actors. Thereafter, what follows is the self-assessment of regional policies through a specialised questionnaire in which all Partners answered questions based on the support system and the regional policies.

### 2.1. Financial Instruments

Entrepreneurship in food sector in Partners' Regions is financially supported by European, National, Regional and Local funds.

The main Financial Instruments – Policies derived from European Funds supporting food and drink SMEs in Partners' Regions are:

- Regional Operational Programme (ROP) 2014 – 2020
- Rural Development Programme (RDP) 2014 – 2020
- Community Led Local Development – CLLD (Former LEADER Initiative)

A number of the Partners' Regions get support from the above funding programmes which have as objectives among others: enhancement of competitiveness, technological development and innovation of SMEs, strengthening research, promoting sustainability of the agri-food system and rural areas.

It is worth mentioning that all the mentioned funding programmes have high or rarely medium utilization rates in the Regions that support, except for P5-Western Macedonia, in which only CLLD has a high utilization rate, while ROP and RDP have low utilization rates.

The Region of Western Macedonia faces structural financial problems and this is high reflected to the SMEs' business plans for growth and scale up. It is also expected to be established the Just Transition Fund aimed at Regions with economy mainly based on lignite and therefore there are high expectations for all regional SME's mostly in improvements for public infrastructures.

In addition to these financial instruments, the Partners' Regions are also supported by other European Programmes such as:

- Horizon 2020 (Bavaria, South Ostrobothnia)
- Interreg (South Ostrobothnia)
- Programmes concerning competitiveness and innovation e.g. Operational Programme Competitiveness, Entrepreneurship and Innovation - EPAnEK 2014 – 2020 (Western Macedonia).

Apart from European funds, food and drink SMEs in Partners' Regions are supported by several Regional, National and Local level funds and programmes which aim at empowering local communities and food sector companies. Moreover, those Financial Instruments seek to achieve acceleration of innovation, support SMEs in their export activities, education or consulting for SMEs and in general are designed in order to provide support to people living in rural territories and local producers/companies.

It should be noted that East Flanders, gets mainly support from national and local instruments/policies which focus on competitiveness, exports and image building for the local food industry.

In the Table below are shown Financial Instruments supporting food and drink businesses in Partners' Regions:

Tolna County, Hungary	Harghita County, Romania	Bavaria, Germany	South Ostrobothnia, Finland	Western Macedonia, Greece	East-Flanders, Belgium
Economic Development and Innovation Operational Programme	<b>Regional Operational Programme 2014 – 2020</b>	Funding guide	<b>Operational Programme for Mainland Finland 2014-2020 (ERDF Development Projects &amp; ERDF SME support)</b>	<b>Regional Operational Programme 2014 – 2020</b>	VLAIO
<b>Rural Development Programme (RDP) 2014 – 2020</b>	<b>Rural Development Programme (RDP) 2014 – 2020</b>	Measures to strengthen the processing and marketing of agricultural products VUV-Program	<b>Rural Development Programme (RDP) 2014 – 2020</b>	<b>Rural Development Programme (RDP) 2014 – 2020</b>	Flanders' Food
Territorial and Settlement Development Operational Programme	Romania's National Program for Rural Development 2014-2020	<b>LEADER</b>	<b>Community Led Local Development – CLLD / Leader Development funds</b>	<b>Community Led Local Development – CLLD</b>	Flanders Investment & Trade (FIT)
Large Enterprise Investment Support	Local Action Groups	Regional Management	Business Finland Funding for SMEs	Operational Program "Competitiveness, Entrepreneurship & Innovation" (EPAnEK)	Flemish Agricultural Marketing Board (VLAM)
The Earmarked Scheme for Investment Promotion	Small producers cooperative	Bavaria innovative		Smart Specialization Strategy (RIS3)	Economic Council for East Flanders (ECEP)
National Farm Development Programme	SME incubator house	Bavarian Food Cluster			Belgian food and drink federation (Fevia)
Hungarian Development Bank Working Capital Loan Program	Szekler Brand Trademark Movement	Enterprise value: human resources			

Tolna County, Hungary	Harghita County, Romania	Bavaria, Germany	South Ostrobothnia, Finland	Western Macedonia, Greece	East-Flanders, Belgium
	Harghita County Council's Rural Development Association	EU structural funding 2014–2020			
		State development Bavaria			
		Federal Ministry of Education and Research – Innovation in SMEs			
		Horizon 2020			

*Note: In bold are shown the common Financial Instruments between the regions*

In the Table below are shown the three main Financial Instruments – Policies derived from European Funds supporting food and drink SMEs in Partners' Regions and their utilization rate estimation by food and drink businesses.

	Tolna County, Hungary	Harghita County, Romania	Bavaria, Germany	South Ostrobothnia, Finland	Western Macedonia, Greece	East- Flanders, Belgium
<b>Regional Operational Programme 2014 – 2020</b>		<b>High</b> utilization rate		<b>Moderate</b> utilization rate	<b>Low</b> utilization rate	
<b>Rural Development Programme (RDP) 2014 – 2020</b>	<b>High</b> utilization rate	<b>High</b> utilization rate		<b>High</b> utilization rate	<b>Low</b> utilization rate	
<b>Community Led Local Development – CLLD (LEADER)</b>			<b>High</b> utilization rate	<b>High</b> utilization rate	<b>High</b> utilization rate	

*Note: Food and drink sector in East Flanders is not supported by these three financial instruments that are common in other regions*

## 2.2. Identification of key actors

As regards the key actors, their identification and their interactions in the support system is a critical factor 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 of the Partners' Regions are mainly:

- Managing Authorities
- Ministries
- Regional and County Councils
- Chambers of Industry and Commerce
- RDI and education organizations
- Networks and Platforms
- Local Action Groups
- Networks and Partnerships
- non-profit Organizations
- Food and Drink Federations etc.

In the table below are shown in detail the Identified Key Actors in Partners' Regions.

Tolna County, Hungary	Harghita County, Romania	Bavaria, Germany	South Ostrobothnia, Finland	Western Macedonia, Greece	East-Flanders, Belgium
<b>Managing authorities</b> EDIOP 2014-2020 – Ministry of Finance TSDOP 2014-2020 – Ministry of Finance RDP 2014-2020 – Ministry of Agriculture	<b>Managing authorities</b> ROP 2014 – 2020 RNPRD 2014 - 2020	<b>Bavarian State            Ministry of            Economics, State            Development and            Energy</b>	<b>Managing            authorities</b> <b>Regional Council of            South            Ostrobothnia-ERDF</b> development funds, Centre for Economic Development, Transport and the Environment (ERDF for SMEs, ESF and EAFRD 2014-2020), 4 Local Action Groups (EAFRD Leader 2014-2020)	<b>Managing Authority</b> ROP 2014 – 2020	<b>Flanders Innovation &amp;            Entrepreneurship</b>
<b>Tolna            County Council</b>	<b>Harghita            County Council</b>	<b>Bavarian State            Ministry of Food,            Agriculture and            Forestry</b>	<b>Various RDI and            education            organisations</b>	<b>Department of Rural            Economy of            Western Macedonia            Region</b>	<b>Flanders' Food            (FF)</b>
<b>Hungarian Chamber of            Agriculture,            Department of Food            Industry</b>	<b>Development Agency of            Harghita County</b>	<b>Bavarian State            Ministry of Finance            and for Home</b>	<b>Networks and            Platforms</b>	<b>Planning Directorate            of Region of            Western Macedonia</b>	<b>Flanders Investment &amp;            Trade (FIT)</b>

Tolna County, Hungary	Harghita County, Romania	Bavaria, Germany	South Ostrobothnia, Finland	Western Macedonia, Greece	East-Flanders, Belgium
Tolna County Chamber of Industry and Commerce	Local Action Groups	LfA Förderbank Bayern		Enterprise Europe Network	Flanders Agricultural Marketing Board (VLAM)
	Small producers' cooperatives	European Agricultural Fund for Rural Development – ELER		Chambers of Industry and Commerce	Economic Council of East Flanders (ECEP)
	SME's incubator house	European Regional Development Fund – ERDF			Belgian food and drink federation (FEVIA)
	Harghita County Council's Rural Development Association				



The basic role of those key actors is to proceed actions that enhance SMEs' competitiveness and exports such as commercialization, branding and legitimation, technical consulting, resource mobilization, promoting networking and partnerships, information gathering and more.

## 2.3. Assessing the support system

In more detail, the final step of the assessment of the regional policies dealing with SMEs includes a questionnaire in which partners respond to questions/statements either as individuals or in a group under the following key areas:

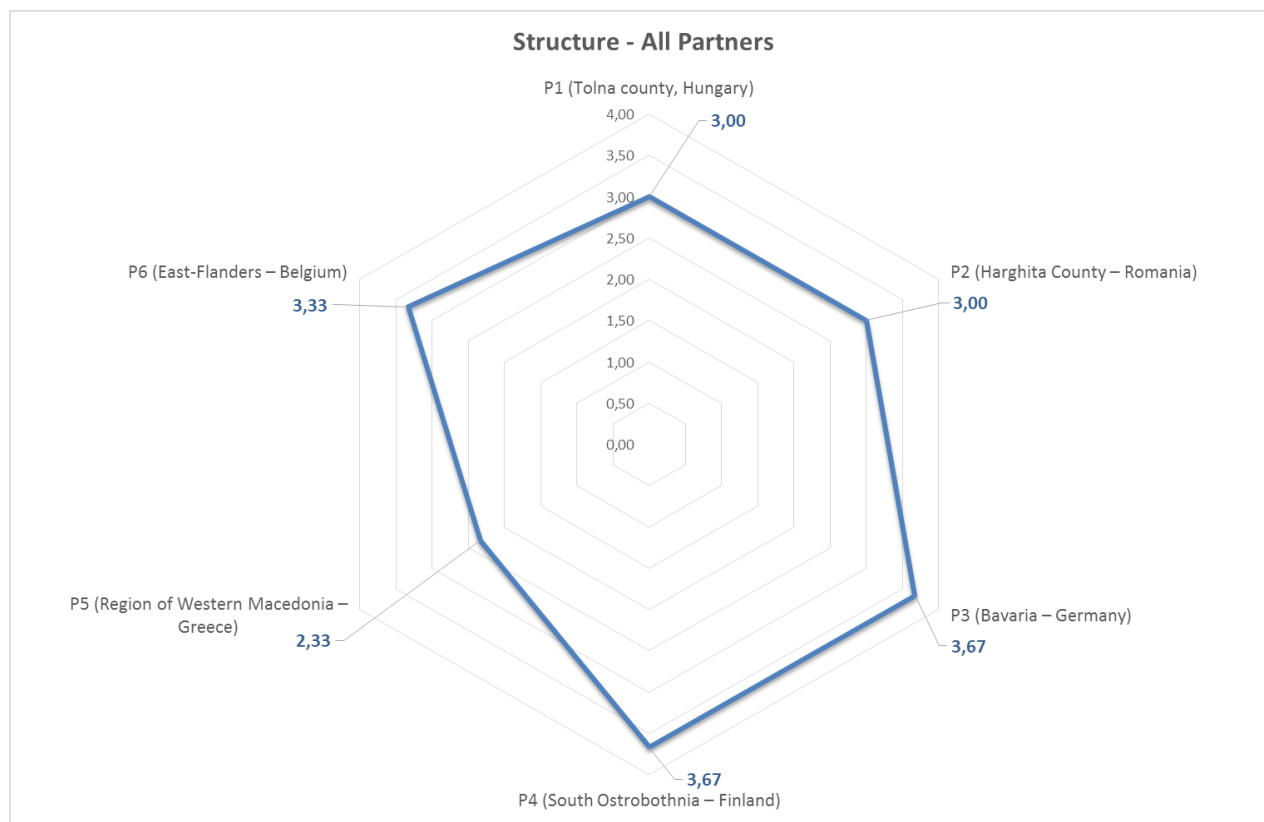
- **Structure** - All actors, networks and institutions that make up a support system
- **Functions** - All activities of actors, networks and institutions within the support system that assist food and drink businesses including their internationalization
- **Dynamic Tailoring** - The ability to customise support activities to the changing needs of specific groups and contexts
- **Navigation** - The relative accessibility to the support system and the availability of clear guidance to manoeuvre the system
- **Assessment and monitoring of effectiveness** - Assessment of the support system to identify good practices, learning opportunities and measure impacts for continuous improvements

After all Partners answered these specific questions concerning the above key area assessments, a value for each key area was formed. Finally, a spider diagram for each Partner Region was automatically generated.

The following Table shows the aggregate scores that each Region recorded in all the key areas.

	<b>Tolna county, Hungary (P1)</b>	<b>Harghita County – Romania (P2)</b>	<b>Bavaria – Germany (P3)</b>	<b>South Ostrobothnia – Finland (P4)</b>	<b>Region of Western Macedonia – Greece (P5)</b>	<b>East-Flanders – Belgium (P6)</b>
<b>Structure</b>	3,00	3,00	<b>3,67</b>	<b>3,67</b>	2,33	3,33
<b>Functions</b>	1,67	2,83	3,00	<b>3,83</b>	1,83	4,33
<b>Dynamic Tailoring</b>	1,67	2,67	<b>3,67</b>	3,00	2,00	<b>3,67</b>
<b>Navigation</b>	2,33	3,67	2,33	3,00	3,67	<b>4,00</b>
<b>Assessment and monitoring of effectiveness</b>	3,00	<b>3,50</b>	2,50	<b>3,50</b>	1,50	3,00

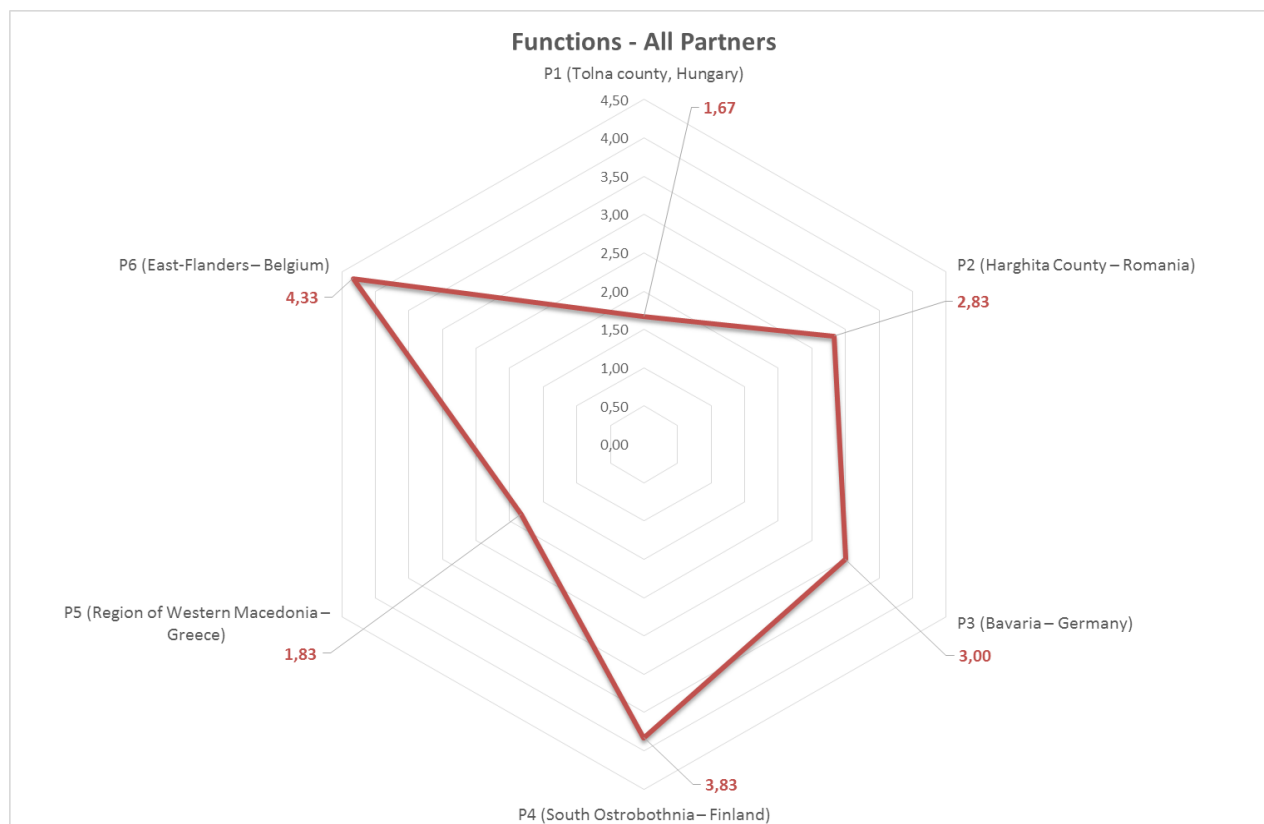
The spider diagrams for each key area are formed as follows:



As shown in the diagram above, P3 (Bavaria) and P4 (South Ostrobothnia) have the highest scores on “Structure” among Partners. According to their relevant answers, the support organizations in their regions are relatively well established and exist for a long time. Also, the support actors are aware of each other’s activities and there is cooperation between them when it is necessary.

On the other hand in Western Macedonia (P5), the region with the lowest score, the organizations depend largely on other stakeholders for their funding and they operate in isolation with minimum interaction and noticeable conflicts and overlaps.

In any case, according to the given answers, it is apparent that the majority of Partners record low and medium scores concerning how independent with regards to funding are support actors/organizations. In practical terms this means that there are not many financially independent support actors with outspoken support towards food and drink businesses and public politics.

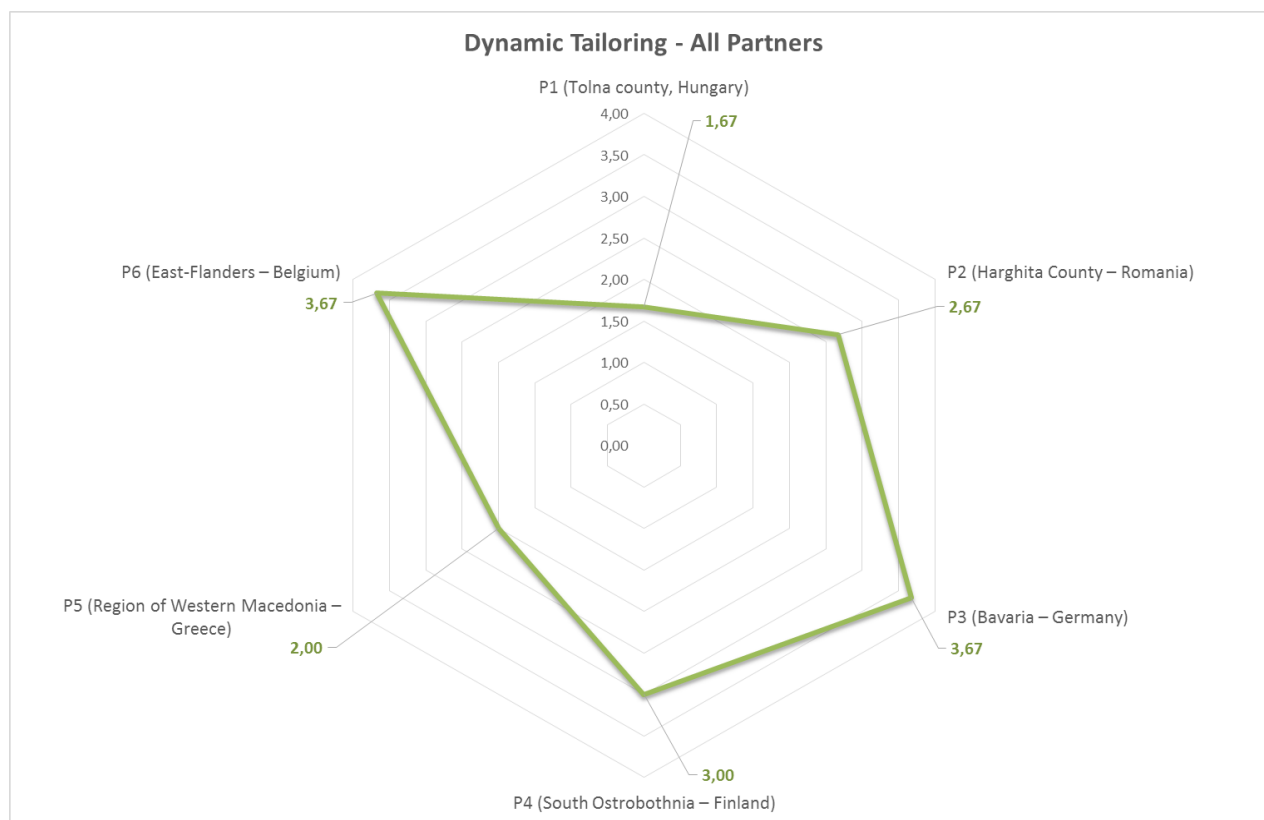


East-Flanders (P6) records a high score in “Functions” and this is because there’s a wide range of support functions to tackle the challenges faced by food and drink companies, especially within the Flemish region. In addition, there are on-going discussions and activities to formulate goals and expectations for the region.

On the contrary, P1 (Tolna County) and P5 (Western Macedonia), having the lowest scores in “Functions”, shows that there is focus on limited types of support functions and almost no formulated goals and expectations within the regions regarding competitiveness and internationalization.

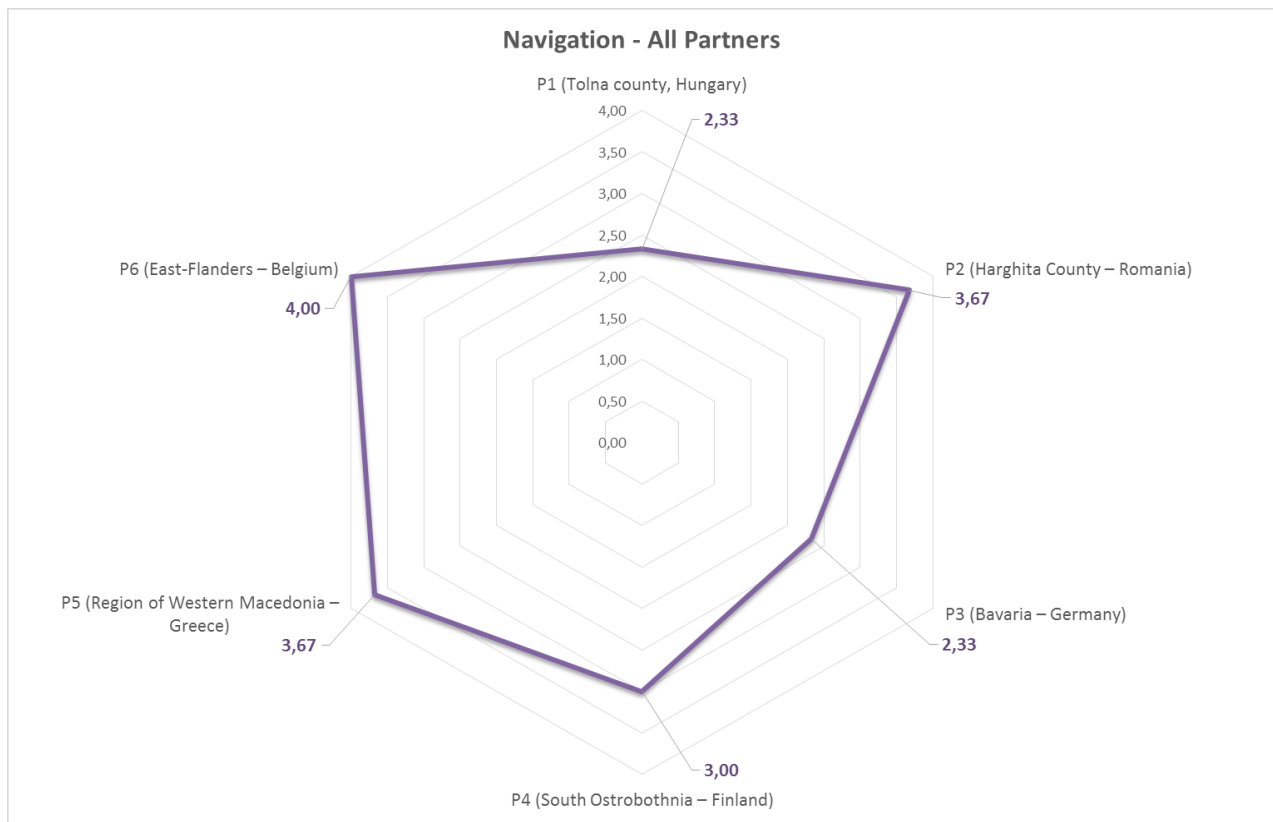
Specifically, as P1 (Tolna County Development Agency Non-profit Public Benefit Ltd.) mentions, most call for applications are not specifically tailor-made for food industry, but usually are aimed at SMEs generally.

As regards to P5, the low score is due to the fact that policies are focusing on limited types of support functions. However, there is a combination of different types of support that is emerging, though not widespread.



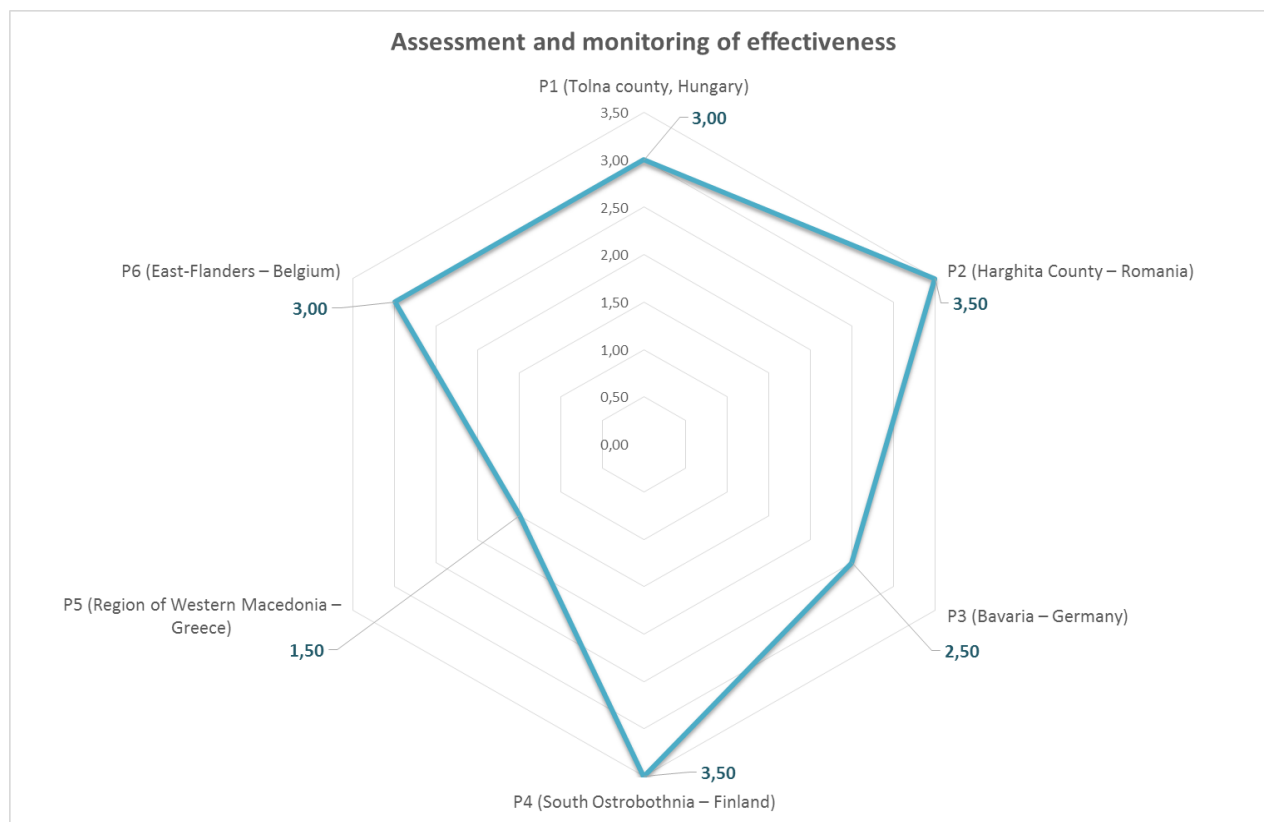
P3 (Bavaria) and P6 (East-Flanders) record the highest score (3,67) among all Partners in “Dynamic Tailoring”. This is due to the fact that there are emerging/widespread support organizations and different support activities tailored to meet the particular needs of food and drink innovators in internationalisation. P3 (Competence Center for Nutrition-Kern) also mentions that the high dynamic adaptability observed in Bavaria, is due to the fact that change is usually followed by the formation of new groups based on existing networks.

The lowest scores are recorded by P1 (Tolna County) and P5 (Western Macedonia) and arise from the fact that the support system is not focusing particularly in food sector except for some activities.



Regarding “Navigation”, high scores result from the fact that the support system is quite accessible to businesses and it is willing to a sufficient extent to deliver best available support to firms. P6 (East-Flanders), having the highest score, shows an organized effort from the part of key actors to stay close to the companies and inform them on available support.

The lower scores (P1,P3) are mainly due to difficulties related to accessibility of the support system, because the support schemes require considerable time and administrative effort and thus mainly benefit firms with such resources and experience. As P1 (Tolna County Development Agency Non-profit Public Benefit Ltd) mentions, most of the smaller companies are not even applying for funds.



The “not so high” high scores in the key area of “Assessment and monitoring of effectiveness” that P2 and P4 achieved, is because the support system is not designed to obtain multi-purpose benefits including economic, social and environmental benefits and focuses mainly on one or two of the above dimensions of sustainability.

Moreover, there is emerging assessment and monitoring of the support system but mostly focused on intermediate impacts such as number of firms supported, number of networking meetings arranged and amount of funding distributed.

On the other side, P5 (Western Macedonia) records not only the lowest score in this key area, but the lowest value among all Partners’ Regions for all key areas. This is because the support system in Western Macedonia focuses mainly on economic goals and there is no assessment and monitoring.

The following conclusions derive from the self-assessment of the support system.

South Ostrobothnia records the most high-scores (3), compared to other Partners, in Structure, Functions and Assessment and monitoring of effectiveness.

Bavaria and East-Flanders have two high scores:

- in Structure and Dynamic Tailoring (Bavaria)
- Navigation and Dynamic Tailoring (East-Flanders).

East-Flanders records, among all values in all key areas, the highest value and high score at the same time (4,00) in Navigation.

The lowest value (1,50) is recorded by Western Macedonia in Assessment and monitoring of effectiveness.

Tolna County and Western Macedonia record no high-scores and are the two Regions with the lowest values among the rest Partners.



### 3. Territorial needs

All Regions have special needs concerning food and drink SMEs; some of them are unique and distinct for each Region and others are under the same frame. After having studied the Reports a. Analysis of the regional food and drink industries and b. Self-assessment of the regional policies, that Partners conducted, the territorial needs of the Partners' Regions were grouped in four (4) categories:

- **Socio-economic and environmental factors affecting regional food industries' policies.**
- **Finance:** Factors related to financial instruments that are intended for food and drink SMEs.
- **Entrepreneurial issues:** Factors such as productivity, production costs, competition, price pressure, cost volatility, workforce, cooperation and networks, export, ambitions, general business skills etc.
- **RTDI:** Research, Technology, Development, Innovation in food and drink SMEs.

#### **Socio-economic and environmental factors affecting regional food industries' policies.**

In this part, a reference is made to the most important socio-economic and environmental factors affecting regional food industries' policies, in order to identify how these could be improved with a view to address the arising needs.

It is worth noting that most of the Partners report as an important issue affecting food and drink SMEs in their Regions, ageing population and brain drain. An increasing ageing population in conjunction with migration of young and well-qualified people leads to further problems, such as lack of skilled workforce.

Particularly, P3 (Competence Center for Nutrition, Kern) mentions that many traditional companies and producers operating in the Region, struggle to find a new owner when the old ones retire and as a result, small businesses are forced to close with the consequence that a piece of tradition and culture is lost.

It is apparent from Partners' reports, that many institutional and functional issues are important obstacles for food and drink SMEs. These are mainly bureaucracy, complicated procedures for startups and a non-stable tax system, that don't allow strategic planning for food and drink businesses.

Moreover, some Partners refer to the recent coronavirus pandemic, that as it seems it has already and will cause serious problems to entrepreneurship in general, since due to the governments' limitations and restrictions, SMEs had to close down or limit their operation for weeks. The European States intend to give financial support to companies, but there is no long-term planning and unfortunately, it might take a while since the effects in SMEs are visible.

Subsequent to the previous issue, Partners express their concern about the resilience in risks and crises (economic, pandemic etc.), because the consequences resulting from such events are quite detrimental to businesses and specifically for SMEs.

It is pointed out by many partners the need for a local/regional brand in order to ensure the quality and safety of Regions' food and drink products and also to boost sales and enhance cooperation between companies.

In Harghita County, is developed the "Szekler Trademark Movement" that helps market reach, internalization and promotion of local products. The main priority is to support people living in rural territories, local producers and preservation of rural tourism. More than 150 producers, with more than 1000 products have the right to use the trademark in present.

In Bavaria, the consistent further development of the "Bavarian brand" in all its diversity is an important issue.

In South Ostrobothnia, one third of the SMEs were interested to come up with a common international brand and network with other SMEs in the region.

In addition, P2 (Harghita County Council), by going even further, makes a different approach of the subject and mentions that not only there is lack of local/regional brands in Partners' Regions but there is also lack of a European Trademark.

**On this occasion, it could be said that the creation/existence of a strong European Trademark in food sector which will be the connecting link between food products all over Europe, could play a significant role in European food and drink SMEs' development and extroversion.**

Environmental issues and specifically climate change, is an important concern to the Partners, as affects to production and supply of raw-materials. In most cases climate changes has a negative impact on agriculture and the SMEs related to agri-food products.

In Bavaria, especially in 2019 many smaller companies had problems with the great drought in summer. The lower harvest earnings led to higher raw material prices. The increasingly extreme weather conditions caused by climate change are repeatedly leading to problems for smaller companies. However, in South Ostrobothnia the climate warming might lengthen the growth period and increase productivity in Finland.

In other areas of policies' concern, P5 (University of Western Macedonia) reports that the Region of Western Macedonia is about to enter a recession era as a result of closing several power plants that depend on lignite up to 2028. The period of transition to the post-lignite era, in which Western Macedonia is already now, will result in adverse economic and social impacts in the region, but also in further "brain drain" and unemployment which already exist due to the economic crisis that affects the country over the last decade. Moreover, the timing of COVID-19 spread, undermines further the region's entrepreneurship.

P6 (Economic Council of East-Flanders), makes a particular reference to Brexit, a recent political development which will affect entrepreneurship and food companies in the Region to a significant extent, since a remarkable percentage of exports (9%) are made in the UK.

## Finance

The term “Finance” refers to calls for funding, tenders, lending, grants and all those factors related to financial instruments that businesses can make profitable use of, aiming at development, competitiveness and innovation.

Food and drink SMEs, in order to be developed, need access to funding, favourable economic climate and cash flow. However, as indicated by the majority of Partners, smaller food and drink companies still struggle applying for funding, mainly due to lack of knowledge about funding opportunities and lack of management skills. This results in limited access to funding compared to larger companies and eventually in the creation of a quite important gap between large food enterprises and SMEs of the sector.

More specifically, P1 (Tolna County Development Agency Non-profit Public Benefit Ltd.), refers to unfavourable financial institution-conditions and calls for tenders. Also it is pointed out that calls for tenders affect the entire processing industry, leaving the food industry in the background resulting small and medium-sized enterprises are short of capital.

Additionally, P4 (Regional Council of South Ostrobothnia), mentions that the budgets of the EU funding programmes directed for the region, decrease even more and especially the rural development fund and also P2 (Harghita County Council) refers to possible «withdrawal» of rural development priorities for future financing period.

## Entrepreneurial issues

Entrepreneurship seems to address a variety of structural needs as mentioned in Partners' reports.

The most frequent and important issue mentioning in Partners' Reports as regards entrepreneurship is lack of workforce and especially lack of skilled workforce. On the one hand, as mentioned previously, the number of people employed in the food industry has not changed for years and there is a major lack of the required number of employees and on the other hand, the existing workers lack qualifications and skills on food sector.

Lack of ambition and general business skills is an issue that is mentioned from several Partners. In particular, low entrepreneurial initiatives, lack of knowledge regarding business and strategic planning, lack of risk and crisis management structures, lack of vocational and professional training and lack of marketing skills, cause dysfunction in food and drinks SMEs' proper operation.

Another important issue that is mentioned is lack of cooperation culture. This means that there is a small number of cooperatives as well as limited use of networks and willingness to cooperate with external partners. This condition results in problems in distribution and exports of the regional/local food products: the local products are mainly sold locally or nationally. The disadvantage of small-sized enterprises should be offset by cooperative actions. Therefore, food and drink SMEs should seek new distribution channels and ways of purchasing and consuming food products.

Most of the food and drink SMEs face difficulties in export trading, mainly due to the lack of strategic export policy, the absence of specific financial support and lack of production capacity. Also, lack of cooperation and networks as mentioned above, as well as the fact that there is little information on the needs of markets abroad, make the existing situation even more difficult in the field of exports.

Frequent occurring problems on business level such as high competition and price pressure, low productivity, high production costs, cost volatility and other related bottlenecks, are reported from almost all the Partners as important entrepreneurial issues that prevent food and drink SMEs to develop and grow.

### **RTDI (Research, Technology, Development, Innovation)**

Lack of innovation culture and low level of R&D investments are reported by almost all Partners as necessary needs for food and drink SMEs in order to become competitive and extrovert.

In addition to this, automatization, robotization, digitalization, ICT and other new technologies that are quite helpful in this respect, seems that still haven't entered into food and drink businesses at a satisfactory level. The use of the Internet to serve the needs of enterprises in the

sector (e-commerce) is indispensable for the improvement of the export of SMEs and should be reinforced.

Moreover, it seems that there is a significant deficit in information and training of local entrepreneurs and farmers in new technologies in order to improve quality and in internationally recognized standards of food safety.

An illustrative example is that Tolna County lacks the infrastructural background, human resources, and financial conditions for major R&D activities. Food businesses do not or rarely have an independent research department due to their small size and lack of capital.

P5 (University of Western Macedonia) makes a reference to low level of collaboration between food companies and universities/research institutes. This kind of collaboration is considered quite important for enterprises in general, since science and research are necessary and important tools for businesses to achieve development and growth in all areas.

The most basic deficiencies and gaps in the food and beverages industry as recorded by Partners are shown in the following Table:

	Tolna county, Hungary	Harghita County – Romania	Bavaria – Germany	South Ostrobothnia – Finland	Region of Western Macedonia – Greece	East-Flanders – Belgium
<b>Socio-economic and environmental factors affecting regional food industries’ policies</b>	<p>Frequently changing legal regulations</p> <p>Decline of solvency in the event of an economic crisis</p> <p>Wages below the national average</p> <p>Absence of local brand</p> <p>Restoration of high VAT</p>	<p>Migration of skilled labor</p> <p>Bureaucracy, complicated procedures for start-ups</p> <p>Complicated legislation</p> <p>Lack of European Trademark</p> <p>Climate change</p> <p>High cost of raw materials (mainly products of agricultural production).</p> <p>High tax in alcohol</p>	<p>Lack of new generation of employees</p> <p>Economic crisis in SMEs due to coronavirus</p> <p>Small-scale structure of the economy</p> <p>Need for improvement of infrastructural conditions in the rural regions</p> <p>Devaluation of the image</p> <p>Increasing price sensitivity</p>	<p>Ageing population and entrepreneurs</p> <p>Laws and requirements</p> <p>Imbalances in global economy – resilience to risks and crisis (coronavirus)</p> <p>Common international brand and network</p> <p>Expensive production costs</p> <p>Narrowing down of the education</p>	<p>Brain drain</p> <p>Bureaucracy</p> <p>Complicated procedures for start-ups</p> <p>Non-stable tax system</p> <p>Low level of life-long learning practices</p> <p>High cost of raw materials</p> <p>High tax in alcohol</p> <p>Institutional gap in monitoring the implementation of Community regulations in quality</p>	<p>Resilience to economic shock</p> <p>Climate change and environment issues</p> <p>Brexit (9% of export)</p>

	Tolna county, Hungary	Harghita County – Romania	Bavaria – Germany	South Ostrobothnia – Finland	Region of Western Macedonia – Greece	East-Flanders – Belgium
					and in market control	
<b>Finance</b>	<p>Lack of knowledge and management skills about specific funding opportunities</p> <p>Low capital absorption capabilities of most SMEs</p> <p>Unfavourable/few calls for tenders for food industry</p> <p>Uncertain tender grants</p> <p>Unfavourable financial institution-conditions</p> <p>No specific financial</p>	<p>Access to financing</p> <p>Lack of funding</p> <p>Unfavourable economic climate</p> <p>Cash flow problems</p> <p>Possible «withdrawal» of rural development priorities for future financing period</p>		<p>Food sector SMEs struggle getting involved in the funding projects</p> <p>The EU funding programmes directed for the region decrease even more</p>	<p>Access to financing</p> <p>Lack of funding</p> <p>Bad economic climate</p> <p>Cash flow problems</p>	



	Tolna county, Hungary	Harghita County – Romania	Bavaria – Germany	South Ostrobothnia – Finland	Region of Western Macedonia – Greece	East-Flanders – Belgium
	support exists for aiding export activities					
<b>Entrepreneurial issues</b>	<p>Lack of the required number and skilled workforce</p> <p>Low number of food businesses and people employed in the food industry</p> <p>Lack of management skills</p> <p>Poor distribution network</p> <p>No easy entry points in European markets</p> <p>Small volume production</p> <p>Weakness of local markets</p> <p>Low value-added index</p> <p>No widespread quality assurance system</p>	<p>Lack of skilled workforce</p> <p>Lack of branding and marketing skills</p> <p>Lack of general business skills</p> <p>Low entrepreneurial initiatives</p> <p>Difficulties in export trading, difficulties in accessing markets abroad mainly due to lack of production capacity</p> <p>Low cooperation between foods SMEs</p> <p>Productivity/Capacity</p> <p>Lack of vocational and professional training</p> <p>Increasing price sensitivity</p>	<p>Lack of new staff</p> <p>Lack of risk and crisis management structures</p> <p>High competition and price pressure</p> <p>Low production output of SMEs</p> <p>Cost volatility</p> <p>Globalised vs. regional markets</p>	<p>Lack of work force (urbanization and ageing population)</p> <p>Lack of knowledge and ambition regarding business and strategic planning, marketing and sales and exporting</p> <p>Limited use of networks and willingness to cooperate with external partners</p> <p>Intense competition on national and global level</p> <p>Expensive production costs</p> <p>Low-level extent of added value of products</p>	<p>Difficulties in export trading</p> <p>No cooperation culture</p> <p>Low training level of entrepreneurs and farmers – breeders in new techniques to improve quality and in internationally recognized standards of food safety.</p>	<p>Difficulties in finding suitable employees (unemployment is low)</p> <p>Lack of ambition</p> <p>Competition and price pressure</p>

	<b>Tolna county, Hungary</b>	<b>Harghita County – Romania</b>	<b>Bavaria – Germany</b>	<b>South Ostrobothnia – Finland</b>	<b>Region of Western Macedonia – Greece</b>	<b>East-Flanders – Belgium</b>
	Expensive workforce	Cost volatility		Decreasing purchasing power of consumers  Increased importing of food products		
<b>RTDI</b>	Lack of automatization, robotization, digitalization	Lack of innovation and research		Low-level input on RDI  Lacking behind in digitalisation and new technologies	Lack of innovation culture within firms  Low level of R&D investments  Low level of ICT diffusion and use  Low level of science- business collaboration	Investments in digitalization, AI, robots

In the following Table, are shown the deficiencies and weaknesses that The Partners' Regions have in common.

As can be seen, almost all Partners address the problem of ageing population and brain drain that lead to lack of workforce in general and lack of skilled workforce more specifically. Moreover, it seems that most of the Regions lack behind in digitalization and new technologies. Also, another issue as mentioned by Partners is lack of management and general business skills in conjunction with lack of ambition.

It is important that it is mentioned by several Partners lack of branding for their local agri-food products.

	<b>Tolna county, Hungary</b>	<b>Harghita County, Romania</b>	<b>Bavaria, Germany</b>	<b>South Ostrobothnia, Finland</b>	<b>Region of Western Macedonia, Greece</b>	<b>East- Flanders, Belgium</b>
Ageing population and brain drain		√	√	√	√	
Non favourable institutional issues (Bureaucracy, complicated procedures for start-ups, legislation etc.)	√	√		√	√	
Resilience to risks and crisis (e.g. coronavirus)	√		√	√		√
Lack of branding	√	√		√		
Difficult access to financing	√	√		√	√	
Lack of (skilled) workforce	√	√	√	√		√

	<b>Tolna county, Hungary</b>	<b>Harghita County, Romania</b>	<b>Bavaria, Germany</b>	<b>South Ostrobothnia, Finland</b>	<b>Region of Western Macedonia, Greece</b>	<b>East- Flanders, Belgium</b>
Lack of management skills- general business skills-ambition	√	√	√	√		√
Difficulties in export trading	√	√			√	
Limited cooperation and use of networks	√	√		√	√	
Competition and price pressure			√	√		√
Lack of innovation		√		√	√	
Lacking behind in digitalization and new technologies	√			√	√	√

Based on all the Partners' Reports (there was an additional communication with some of them for further clarifications) and the Tables above, an assessment of the regional needs was undertaken by using the definitions/indicators "High", "Medium" and " Low", for high, medium and low level of needs for each category (Socio-economic and environmental factors affecting regional food industries' policies, Finance, Entrepreneurial issues, RTDI) respectively.

This assessment is shown in the following Table.

	<b>Socio-economic and environmental factors affecting regional food industries' policies</b>	<b>Finance</b>	<b>Entrepreneurial issues</b>	<b>RTDI (Research, Technology, Development, Innovation)</b>
<b>P1 (Tolna county, Hungary)</b>	Medium	High	High	Low
<b>P2 (Harghita County – Romania)</b>	Medium	Medium	High	Low
<b>P3 (Bavaria – Germany)</b>	Medium	Low	High	Low
<b>P4 (South Ostrobothnia – Finland)</b>	Medium	Medium	High	Low
<b>P5 (Region of Western Macedonia – Greece)</b>	High	Medium/High	Medium/High	High
<b>P6 (East-Flanders – Belgium)</b>	Medium	Medium/Low	Low	Medium/High

*“High”, “Medium” and “Low” refer to the level of needs in each category.*

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