

COMPETE Consultation Workshop
Representation of Saxony-Anhalt to the EU
Bruxelles, Belgium
September 22, 2015



SWOT ANALYSIS

INSTITUTE OF AGRICULTURAL ECONOMICS - ROMANIAN ACADEMY
Cornelia-Florentina Alboiu, Dan-Marius Voicilas



WP 10 - Assessment of EU competitiveness and policy recommendations

OBJECTIVES

- To coherently synthesise the findings of the previous work packages and providing a coherent picture of actual and future competitiveness of EU trade
- To identify the strength, weaknesses, opportunities and threats of food chains and assess the potential of EU agri-food trade
- To deduce policy recommendations and implications for stakeholders

WP 10 - Assessment of EU competitiveness and policy recommendations

Task 10.2: SWOT analysis

OUTPUTS

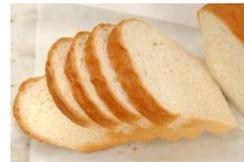
- Literature review
- Analysis of SWOT for main EU food chains
- Influence on competitiveness from determinants (focused inclusive on product's quality)

- Report on the actual picture and future competitiveness of EU trade

SWOT ANALYSIS

STRENGTH

- Climatic and geographic conditions are favourable
- Infrastructure is well developed
- EU farms are specialised in cereals
- The intra-EU competition is strong
- The export markets are integrated for wheat
- EU prices are competitive at world level, based on lower transport costs and EUR/USD exchange rate
- Technological changes in agriculture have a positive impact on production
- Management of producers and processors has positive impact on production and its impact is accelerating
- The milling companies greatly exploit their production possibilities
- Enlargement had a positive impact (on short-term) on the development of the sector in NMS
- The use of information and communications technologies is advanced in comparison with other food chains



WEAKNESSES

- The heterogeneity among firms on entire chain is pronounced, with huge differences of outputs/results between the best and the worst
- Still a gap in cereal production and quality between OMS and NMS (farmers do not exploit sufficiently their production possibilities)
- The lack of own farm storages and easy access to financial instruments for small and medium farms (especially from NMS)
- Weak negotiation power in selling the production for small and medium farms from NMS
- Differences of productivity in milling between countries from OMS and NMS, as well as among regions from the same country (especially NMS)
- The use of information and communications technologies at producer's level is lower than retailer's level
- The economic crisis negatively influenced the development of the technical efficiency



OPPORTUNITIES

- Increase of consumption in developing and emerging countries
- Development of farmers and processors in NMS during 2014-2020 by special EU or national funds allocated through National Rural Development Programs
- Potential of growth for exports from NMS by infussion of capital, technologies and management from experienced OMS, which represents good practices
- The present evolution of EUR/USD exchange rate is favourable for good export prices
- The quantity of maize produced might exceed internal use, with possibilities of export
- Regulations for GMO production (new market can be develop by member states which can enter in direct competition with USA)



THREATS

- The main competitors for EU on world markets are: USA, Canada, Argentina, New Zealand, Australia; the new competitors for EU could be emerging countries such as: Brazil, China, Russia
- Oil price could affect the efficiency of the sector
- Political tensions (ex. Russia) and wars (ex. Syria)
- Maintaining cereal farms' profitability by subsidies
- Increase of productivity of processors in NMS (they could exit from the market if the productivity remains low)
- Ability to attract EU structural funds for development by farmers and processors from NMS in 2014-2020
- Ability to innovate in all chain stages
- A good balance between the decision powers of all actors from food chain
- GMO (sub)-products penetration on EU market



STRENGTHS

- The infrastructure is developed in OMS
- Successful farmers from OMS improved their assets by using modern technology and capital intensively (the highest productivity at farm level has: Belgium, Germany, France, Italy and Netherlands)
- High technical efficiency for the top of processors in all EU member countries (the most efficient processors are in Slovenia and Finland)
- Quality control measurements assure food safety in the chain by introducing traceability
- OMS (Netherlands, Spain and Italy) are self-sufficient in terms of domestic supply and contribute to export
- The intra-EU competition is strong
- The trade relations on the chain are strictly organized by vertical coalitions
- EU enlargement increased the comparative export advantage
- Innovation is very strong in some OMS like the Netherlands, which developed so-called Greenports (concentrations of knowledge-intensive horticulture and agribusinesses with a strong position on the global market; positioned close to the main infrastructure like roads, ports, neighboring countries)



WEAKNESSES

- Large number of small F&V farmers with fragmented farm structure and production in NMS
- Vegetable producers are highly dependent on weather conditions especially in NMS
- The organization of producers in NMS is weak
- High degree of uncertainty in selling on the market in NMS
- The contractual relationships are not sufficiently consolidated and the level of trust is quite low in NMS
- Farmers' reluctance to institutional changes is high especially in the NMS and it reduces their negotiation power
- Knowledge transfer and institutional innovation at the farm level is insufficient, mainly in the NMS
- Inadequate information about the market is barriers for exporters, mainly in the NMS
- Weak access to capital markets in NMS
- The supply of organic F&V is still low
- The EU quality schemes are not sufficiently used especially in the NMS due to time-consuming and complex registration, control procedures, high costs of conversion, limited awareness on the benefits, and insufficient information about schemes



OPPORTUNITIES

- New markets for export due to the development of the demand in emerging countries (BRICS, TIGER, MIST etc)
- Consumers' diets shifted from grains to vegetables, due to different social changes
- The EU demand has followed an increasing trend due to health reasons
- Consumer perception of food has changed and many see the F&V as a possible solution to food safety and quality issues
- The short food supply chain (more prevalent in countries like Italy and Greece and parts of NMS)
- Higher demand of organic products
- Increase of selling by using e-platforms for on-line selling
- New production systems and technology and new varieties could help farmers to extend the harvest season, with a higher shelf life



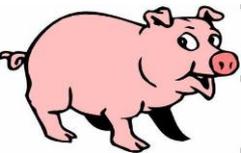
THREATS

- Competition from emerging countries, due to the development of their own firms (Turkey, Egypt, Tunisia and Morocco); the major competitors to the EU are: the Philippines, Turkey, Thailand, South Africa and Mexico, but also China, Canada and USA
- Increase of exports by competing on quality of the products
- World trade liberalization can affect the trade position of EU in the world
- Changes in trade policy of third countries
- The Russian embargo
- Market restriction for imports in some countries (ex. China for peaches)
- Better farmers access to new technology, equipment, seeds, etc in NMS
- Exchange rates volatility affects the trade competitiveness on short time
- The increase of energy price can lead to an increase in the price of processed products
- Decreasing the differences of organization between producers in NMS and OMS
- Adoption of information and technology by using of Internet by all chain's actors



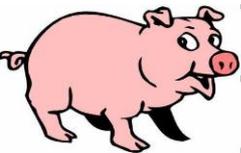
STRENGTHS

- The EU has a self sufficiency of about 111% and exports about 13% of its total production. Most of the EU's pork exports go to East Asia, in particular China
- Pig sector in the old MS has developed physical infrastructure as: water supply, sanitation, energy, transportation and good infrastructure (animal shelters)
- Technological change makes a significant positive contribution to the production possibilities. Slaughtering experienced higher positive technological progress in the majority of countries as compared to other food processing sectors in the majority of EU countries
- Additional production costs in EU due to the regulation of environmental protection, food safety, and animal welfare cause production shifts and increased efficiency of the sector especially in food processing in terms of product differentiation for quality and high value products
- Pork specialization is highly pronounced in EU



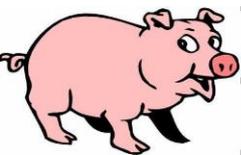
WEAKNESSES

- EU is highly dependent on soyabeans and maize imported from third countries and any interruption of the supply of these products due to a minute presence of unauthorised GMOs has a very costly impact on the European feed industry
- EU imports about half the oilseed meals used annually in animal feed. That excessive protein crop imports have made the European livestock sector vulnerable contributed to large-scale price volatility and thus kept profitability down, especially that of small and medium-sized livestock producers
- Even though huge differences and market imperfections among the best and worst food processors exist in some countries
- Pigmeat is produced throughout the EU on several types of farms with considerable variations from one Member State to another. Small pig producers are mostly found in the NMS which creates a decreasing size of the herd. The tasks of pig rearing are distributed across farms in the main production basins and even across regions
- Weak status within the supply chain for farms—supermarkets and chain-based prices transmission. It is necessary a balance of added value between the actors on the chain



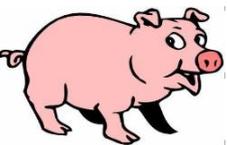
OPPORTUNITIES

- The EU meat sector is expected to be supported by strong demand on the world market driven by favourable economic conditions. EU pork exports are projected to increase by 2023. This development should be driven by increased competition from the US and Brazil, where production is likely to increase over the projection
- EU policies have an impact on the EU's protein deficit, and whereas the Commission must also analyse the issues of GMO production inside and outside the EU's territory
- European farmers have to “internalize” soybean cultivation into their agricultural practices and productions. Soybean cropping would however probably be considered as an opportunistic European crop, so EU-MS should also clarify their economic interests of GM crops
- Export pig technology and know-how opportunities for EU companies to China and other emerging countries which develop their own sector rapidly (Pig industry in China is transforming from scattered small farms to large scale and there are a lot of opportunity)
- Geography and transport infrastructure, such as continuous cold chains, between the importing markets and the exporting EU countries plays an important role in international competition



THREATS

- The pork production growth rate in the EU has remained flat since 1999, which could lead to a net deficit in future years
- The basic principles of EU food safety policy are: an integrated approach, like "farm to fork"; covering all sectors of the food chain; food traceability; application of high food safety standards both food produced in the EU and imported. China, who are not as demanding as the European Union in regard to production conditions, may in the long run weaken the stability of the markets and the EU supply chain
- In the last period there has been a high volatility in feed prices resulting in high prices for both cereals and compound feeding stuffs. This has created a difficult situation which has forced an important number of pig farmers to cease production
- Non-EU countries do not have any or have limited legislations on environmental protection, food safety, and animal welfare. Nevertheless, standards between the EU and third countries do differ with regard to the type of veterinary drugs allowed and GMOs that are approved
- Changes in the consumer or sanitary/phyto-sanitary policy of third-countries affect EU agri-food-trade
- Diseases remain a challenge for the industrial growth of pigs with the microclimate conditions in shelters. It is necessary to a continuum monitor and improve a pig's healthy condition and climate condition to be sure that the productivity of pigs remains high. Zero tolerance of animal disease outbreaks is one of several factors affecting market access
- Changes in food preferences: Europe's population is aging, and trends like healthy food, vegan or organic diets as well as sustainable products or more animal welfare are in vogue
- Speed of adoption of new technology and new pork varieties (some NMS do not have sufficient access to these new technologies due to lack of financial support)
- Lack of credit loans in NMS
- High oil prices impact the cost of producing commodity and affects the price of the product offered to the final consumer
- Unpredictable changes in EU or member states consumer policy or regulation for the agri-food-sector that lead to more regulation and market inefficiencies



STRENGTHS

- High specialization of dairy farms
- High level of technology and labour productivity in dairy farms in OMS
- Positive impact of scale efficiency on productivity gains in dairy farming
- Lower price volatility (milk production compared to other sectors at EU level)
- Positive impact of technical change and adoption of innovation on production growth in both milk production and processing
- High technical efficiency of the dairy processing sector at EU level
- Highest horizontal market integration for dairy compared to other sectors
- Highest global export share for dairy products (EU level)
- Largest share of the international cheese market (EU level)
- High and rather stable revealed comparative export advantage for dairy products in global markets (most competitive MS and at EU level)
- Increasing organic dairy production (EU level)
- Increasing product differentiation for cheese under quality schemes (PDO, PDI and TSG) (EU level)



WEAKNESSES

- Low level of technology and labour productivity in milk production in some NMS
- Low milk yields in some NMS
- The least efficient dairy processors are found primarily in NMS
- Capital market imperfections in NMS
- Large gap in adoption of ICT along the dairy chain in most MS
- Abuse of market power on the dairy output market.
- Low level of chain integration (in some NMS)
- Low demand for high quality products in NMS, due to low income



OPPORTUNITIES

- Increased demand for milk due to new markets and expansion of SMP exports
- Higher efficiency of EU dairy supply due to cross-border processing and marketing
- Fast growing international market for organic food, PDO, PGI and TSG products
- Fostering the success of high quality products through promotion of consumers' education and awareness
- Expanding markets for EU exports of butter, SMP, WMP and butter oil (China, other Asian and Northern African countries)
- Increasing demand for organic products in USA
- Improved EU export performances due to depreciation of EURO against US Dollar



THREATS

- Milk oversupply in the EU on medium term and fall in milk prices due to quota abolishment
- Elimination from the EU market of milk producers with poor performances, due to inability to catch up with the sector leaders
- The Russian embargo resulted in severe reduction of dairy exports and increased Community expenditures due to introduction of aids to dairy processors
- Loss of market share on the Russian dairy market, to international competitors
- High transport costs due to far location of growing export markets (e.g. East Asia)
- High tariff protection of major export markets for high quality products (USA and Canada)
- Increased uncertainty on international agrifood markets due to unexpected evolutions of oil prices
- Significant changes (volatility) in the EURO/USD exchange rate are affecting EU competitiveness, export capacity and forecasts





THANK YOU FOR ATTENTION!

