

# FRIDGE

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

### Specialty Group “Local products reaching national and international markets” questionnaire

16.10.2020.

## SUMMARY



# Questions for analysing the SG1 topic - Local products reaching national and international (EU and outside) markets, developing non-innovation based new products to reach new markets

Character limit per question: 500 characters

## Quality Schemes:

- *Are there local labels available in your region apart from PGIs/PDOs?*
  - In Western Macedonia, there is no local label.
  - In Tolna county there has been one, which is not functioning any more.
  - The Szekler Product Brand has more than 150 members in Harghita County, so they run a deep-rooted label for local, quality products.
  - In South Ostrobothnia, The Food Province Label is well-established in the strategic level and used regionally as a shared identity, and beyond that enhancing the branding, marketing and exporting skills of local food SMEs.
  - In East-Flanders one regional label exist, and another is used as a recognition without certification.
  - Bavaria has the most local labels, and among the 4 there is even one for BIO products, called Bayerisches Bio-Siegel.
  
- *Do you have your own national labelling schemes? What kind of requirements are there?*

In Finland there are plenty of national labels tied to consistent rules; the Produce of Finland, the Hyvää Suomesta label is a designation of origin for Finnish packaged foods. The label is voluntary and may be used by food industry companies that manufacture their products in Finland using Finnish ingredients. It is owned and administered by Finfood - Finnish Food Information, an association whose membership includes companies that use the label.

The Hyvää Suomesta label may be printed on the product package or package label of a food product that is manufactured and packaged in Finland and contains no less than 75 per cent Finnish ingredients. All meat, fish, eggs and milk used in the products must be 100 per cent Finnish, as must products made up of a single ingredient. The degree of Finnish origin of end products is calculated from the quantity of ingredients indicated by the production recipe; added water is not included as an ingredient. The right to use the Hyvää Suomesta label is granted case-by-case for each qualifying product. The producer or manufacturer may only use the label on foods that meet the aforementioned criteria.

The Sirkkalehtimerkki is a label for purely Finnish agricultural products (potatoes, vegetables, fruits, flowers and plants) that guarantee a 100 % origin from Finland

and quality of the products. The label is managed by the Finnish Vegetables Association. There are over 400 companies who use the label.

Key Flag Symbol is a registered collective mark. It demonstrates that the product has been manufactured or the service has been produced in Finland, creating Finnish jobs. According to the criteria the product or product group is manufactured in Finland or the minimum domestic content of the break-even cost of the product or product group is 50 percent.

National label was also made to identify organic products, controlled organic products and a heart symbol marks the healthy products based on the Finnish nutrition recommendations.

In Hungary national labelling schemes exist for Nationally Processed Product, National Product, Hungarian Product, Excellent Product, Hungarian Service, Green.

Requirements: Compliance with standards, legislation and the operation of an appropriate control and management system. The applicant should be registered in Hungary (taxable person). The Green label meets the needs of customers and companies at the same time, with the aim of marking domestic products that stand out from the product range with their environmentally friendly properties, support sustainable consumption and strengthen environmental awareness.

All the above listed labels belong to the Hungarian Product Ltd. that was established in 2006 with the aim of helping the easy and clear identification of domestic goods and increase the demand for Hungarian products with its certification mark. Its success is well indicated by the fact that today about 4,000 products and services of more than 170 companies bear one of the Hungarian Product trademarks. Controls are taken place every year and the trademark can be used for 3 years, after which it should be renewed. In the National Product Labelling Scheme the reliability and the origin of the products are certified by independent experts. Compliance with legal requirements are also checked to make sure that costumers who choose these branded products are not mislead and the products meet safety considerations.

There are other national label schemes, like the Quality Fish or Hungarian Poultry, both administered by the Inter-branch Organizations of the Ministry of Agriculture, and the High Quality Pork Trademark created by The Ministry of Rural Development.

In Romania, there are several national labelling schemes which are established and regulated by the Ministry of Agriculture and Rural Development; Traditional product, Consecrated recipe, Mountain product, Certified wines. The certified products of the country can be found in a catalogue or an application is also available providing possibility of searching the products on phone. The requirements of getting the right of using one of the above mentioned labelling schemes differs/varies from one to another.

In Greece PDO and PGI certifications for food products seem to be more applicable also in terms of export.

In Germany the main national label is the Regionalfenster, but the regional labels are of greater importance.

- *Does labelling help the market reach of SMEs or is it used to identify the origin and the quality of the products?*

Most of the labels in Hungary are used to identify the origin and the quality of the products or services and they are mainly initiatives financed by the EU.

Likewise in Romania, labelling only identify the origin and the quality of the products and after getting the label there cannot be identified such huge advantages. In the case of EU's organic food label, we can easily see the advantages: tax allowance, which means that a producer pays 5% VAT instead of 9%. This labelling also helps the producers to put their products on supermarkets shelves easier. Beside EU's organic food labelling, the mountain product labelling also ensures tax allowance for the producers.

Labelling of food products in Greece serves a double function; both helps SMEs reach (new) markets since labelling makes products more known and reliable and also identify the origin and the quality of the products as they meet specific requirements and certification most times.

As the Finnish, and the German experience commonly shows; in most of the cases the labelling helps with identification of the origin and quality of the food products and thus be better recognized by the consumers in the local and national food markets.

In East-Flanders the producer has to pay annually in order to maintain the label streekproduct.be, so their goal is definitely to increase their market reach and their turnover. The label marks the origin and the quality of the product, which also helps consumers to recognise it. Therefore an increasing market reach and the identification of origin and quality go hand in hand.

#### **Covid effects on SMEs:**

- *How did Covid affect the local food system in context of the market reach? Are there any substitutes (online forums for delivery, etc.) and/or new market access points?*

The Covid-19 pandemic has negatively affected the local SMEs in countries (Romania, Hungary), where the operation of local markets and local fairs was prohibited, especially because local producers' income was mainly ensured by selling the products there.

The impact on the first demand-side was the shutdown of the HoReCa (hotels, restaurants, cafes, and catering, municipal kitchens) sector. There are many typically small food businesses that have delivered mainly to this sector. Also drink industry companies might have had to redirect their sales channels.

Export has decreased everywhere, while a special emphasis was put on the purchase of domestic goods throughout Europe in order to support national and local economy, national and local foodstuff producers.

In comparison to other manufacturing industry sectors the covid did not have that dramatic effect to the food industry in South Ostrobothnia or in Finland in general. Some might even argue that the effect of covid was positive as consumers' appreciation for local and Finnish food rose significantly during the crisis.

In Bavaria, the issue of regionality started to play an increasingly important role. The demand for regionally produced products increased and were more noticed.

Food safety and hygiene became more important to customers. Even though the region has many supporting platforms for all participants in the food sector nearly 70% of Bavarian businesses are at risk and are on the point of collapse.

In Belgium the turnover decreased with 10% in the food sector. No new market access point emerged. The most important one remained: supermarkets, local pick-up or small shops.

- *Have the restrictions worsen the chances of the small-scale producers?*

Yes, generally small-scale producers are more impacted than big ones. For small companies without a fixed customer network, survival during Corona is hardly assured.

- *Did producers initiate new online tools or start using new platforms?*

In Bavaria an online platform was created through which it is possible to order products directly from the producer and buy them online. The website stands for sustainability, regionality, animal welfare, low plastic waste and fresh products.

In regions (like Harghita and Tolna county) where the digital marketing and networking does not have such relevance among small SMEs yet, Facebook became a widely used tool for promoting and selling local online. Social media helped to organise consumer circles, to reach the producers easily. In Hungary solidarity purchase groups were formed and have spread.

In East Flanders and South Ostrobothnia no new online tools were created, but generally the producers started to use the already existing tools even more or improve their web shops and increase their online offer. Similarly in Western Macedonia SMEs that seek or/and use new platforms in order to expand their sales, are those that were already active in related actions and have an export character.

### **Support to increase local markets:**

- *Are there different regulations towards local markets (food security, etc.)? If yes, do they support the local market and farmers or are they advantageous to the supermarkets?*

The local markets are functioning according to the national regulations in Romania and they are beneficial for the supermarkets. The supermarkets have their own regulation system, and according to this not all the products can get access to them, only those, who fulfil the strictly monitoring and food safety requirements. In Greece no specific legal framework can be found for protecting local markets.

In Hungary both taxation and regulation on small-scale producers are very difficult.

The situation is distinct in Finland, where there are some differences in the regulations between direct sales and through retail. The regulations depend on the type of products and the scale of production. The regulations are not advantageous for the supermarkets but instead aim at easing up the possibilities to sell products directly to consumers, for example in farmers markets, food trucks, or directly from

the farm or home. The supermarkets also take easily new products in their selections and they have a huge variety of products in their shelves. To be able to succeed the products need to be branded very well and the packages must be distinct from the others.

In Bavaria, regarding the sale of food products, the regulations for supermarkets are the same as for farmers' markets or small-scale distributors.

In Belgium the severe regulations mean no big barrier for local farmers and products.

- *Are SME products reaching the shelves of supermarkets? Are there specific regulations, support to increase or guarantee their numbers and/or percentage?*

The products of large food enterprises can be found in all type of distribution channels, while smaller and regional companies are rarely represented on the shelves of supermarkets and discount chain stores. A requirement for this is to deliver the products in sufficient quantity and permanently on order and immediately, which can often create a problem for local suppliers. Only Western Macedonia and South Ostrobothnia gave a positive answer, where SME products reach the shelves of supermarkets to a large extent.

None of the partner countries have specific regulations to increase or guarantee the percentage or number of local products.

- *Are there any support schemes that helps SMEs with national or local B2B or B2C relations?*

Generally we can tell from the reports that the regional development agencies and the chambers of commerce organize B2B or B2C meetings and/or arrange targeted appointments among enterprises with the aim to build connections and find potential cooperation partners on a local or national level.

In Bavaria a multiple platform was created by the Bavarian State Ministry of Food, Agriculture and Forestry in order to connect producers, consumers, farmer's markets, food processors and even restaurants and the catering sector in a network for free. It functions first-rate, they have thousands of registrations. Digital networking possibilities and marketing in a free offer can help to secure the existence of small producers in particular.

There are no specific schemes in Belgium and Finland.

### **Support to reach international markets:**

- *Are there any joint efforts in your regions, such as export consortia, production cooperatives, etc.?*

In Harghita county, there are county level initiatives, which contributed to the establishment of cooperatives in Harghita county, such as the „Csengő” agriculture cooperative and the „Nagyküküllő” agriculture cooperative, that are collecting and processing the raw material from the local farmers. The final products are valorised in the supermarkets. There are no export consortiums in Harghita county.

Production cooperatives are not that common in Finland and in South Ostrobothnia and there are no export consortia among the food and drink sector.

In East-Flanders three regional cooperatives present local producers and their products on their websites and web shops. This way these products are easily accessible for consumers (B2C) and also (in one case) for other companies (B2B). Export is not a part of their activities.

In Bavaria, Germany the promotion of the internationalization of Bavarian companies is widely supported. There are several organizations both from the private and government sector offering plenty of services (export consulting, business trips, foreign trade fairs etc.) even to start-up companies.

In Hungary and Greece Regional food clusters are working for example for promoting wine and supporting the market entry of cluster products. In Tolna County even a Szekszárd Bottle was created in order to make an integrated image that helps to create a unified wine style, which is a guarantee of quality and also strengthens market positions. In Western Macedonia the Kozani Saffron Producers Cooperative has quite a past in joint market appearance and commercial strategies to promote saffron worldwide.

In Hungary both production and social cooperatives have a significant role in the food industry, the Danubia-Frucht Ltd. in Tolna county for example has many activities ranging from supplying the School Fruit Programme to exporting.

- *Are there any support schemes (such as Enterprise Europe Network) that helps SMEs with international B2B or B2C relations?*

The Enterprise Europe Network scheme works in all partner countries, the only difference is in the type of organizations (chamber of commerce or business support organizations) by which it is operated. The experts of EEN can help to find international business partners, source new technologies and receive EU funding or finance. And they can also advise on issues so diverse as intellectual property, going international, or EU law and standards.

Besides, there are regional development agencies who help SMEs with international B2B or B2C relations, like in Harghita, Bavaria or in Western Macedonia.

The Hungarian Export Promotion Agency works on a international level and its mission is to provide Hungarian companies with customized and free of charge services based on their degree of export maturity.

#### **Non-innovation based new products:**

- *Are there local facilities to assist SMEs to develop new products (such as the ILVO Food Pilot)?*

In developing new products the Hungarian, the Greek and the Romanian partners have to rely mostly on their own product facility, while in Belgium, Finland and Germany there is a wide range of private and state-funded institutions to support R&D.

#### **Skills for market reach and marketing**

- *Is there any support for SMEs (courses, mentoring programmes...) to learn marketing skills in order to reach markets more easily? If yes, who organizes them?*

*Are the chambers of commerce taking part in it? (There might be OP funded bigger programmes aimed at supporting SMEs)*

National mentoring programmes - to learn marketing and other skills -can be found in Hungary, Belgium and Finland. The Flemish government offers 30% grants to producers to follow management programs, the Hungarian programme is free for 1500 applicants. The national Food from Finland programme offers courses and mentoring to learn marketing and other skills related to international market reach.

Regional support to SMEs can be found in all partner countries. At most partners the chambers of commerce are taking an active part in organising courses and different programmes, but business support organisations are the main coordinators and initiators regarding SMEs.