Competitiveness of food supply chains

A comparison of Finland, Sweden, Denmark and Germany

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Strategies for the agri-food sector
and rural areas – dilemmas of development

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Food supply chain competitiveness

Indicators

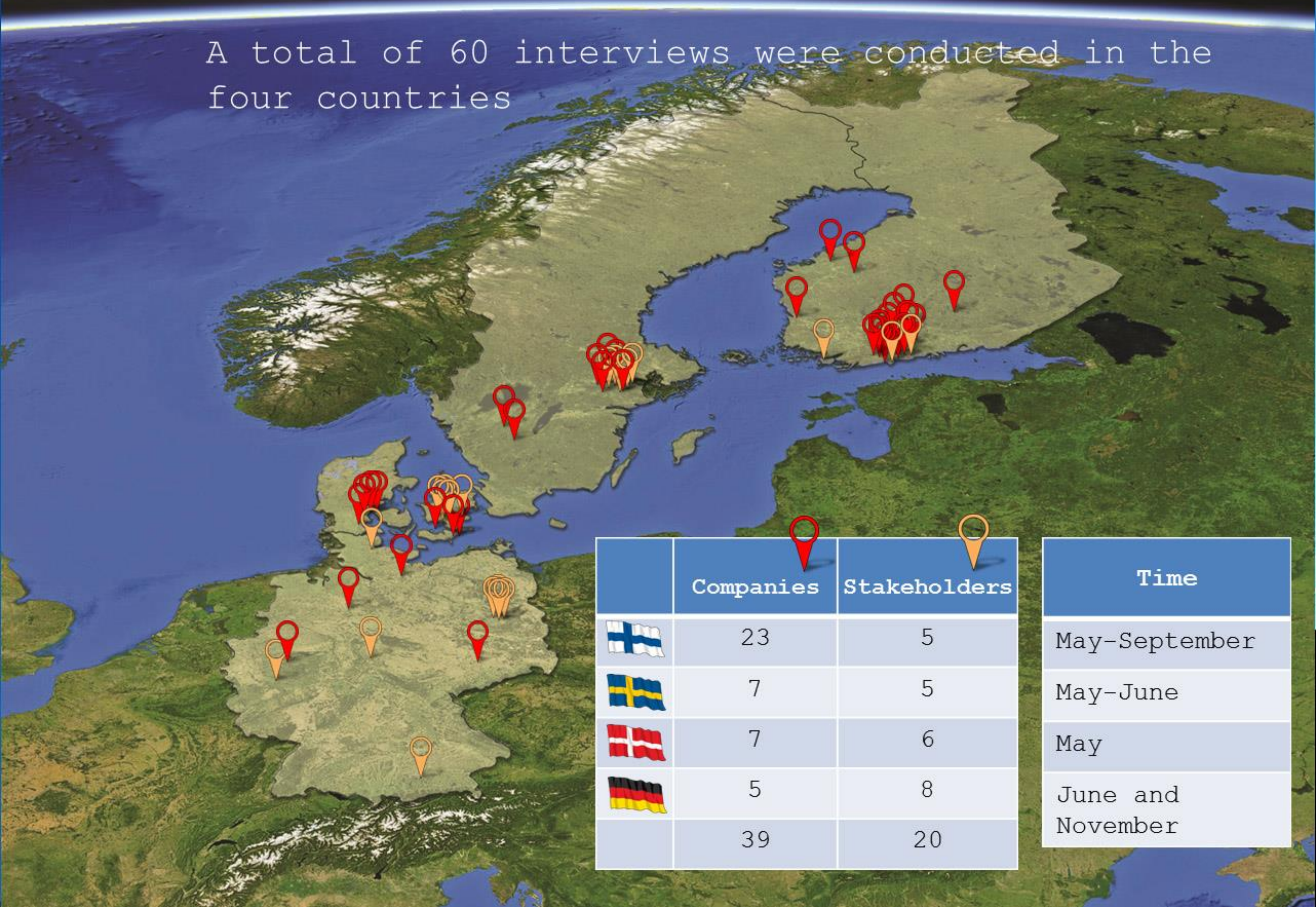
- Economic and industry structures
- Productivity
- Foreign trade
- Growth

Interviews

- Companies
- Stakeholders

Interviews of companies and stakeholders

A total of 60 interviews were conducted in the four countries



	Companies	Stakeholders
	23	5
	7	5
	7	6
	5	8
	39	20

Time
May-September
May-June
May
June and November

Competitiveness = Productivity

Productivity is a ratio of outputs and inputs

Saving is the "easy and convenient way" of improving productivity

But: productivity can also be improved by selling more expensive products, i.e. by increasing the top line of income statement

Competitiveness = Growth

Growth verifies competitiveness –

decline the lack of it

The growth of companies may sum up to the growth of the industry

Finnish food markets are mature

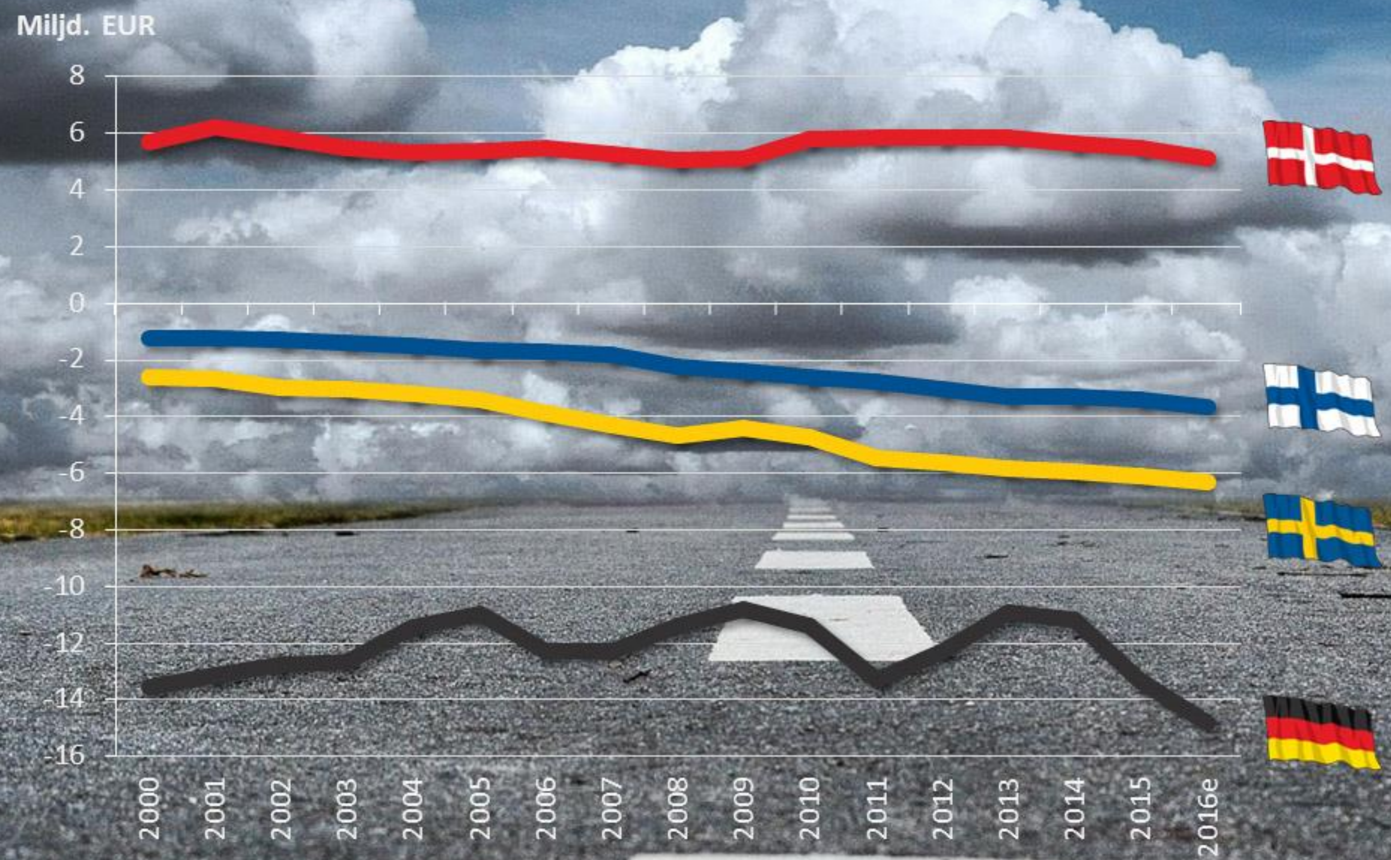
How growth can be achieved?


Going international
Adding value
Cooperation


Going international

The starting points for exports are challenging

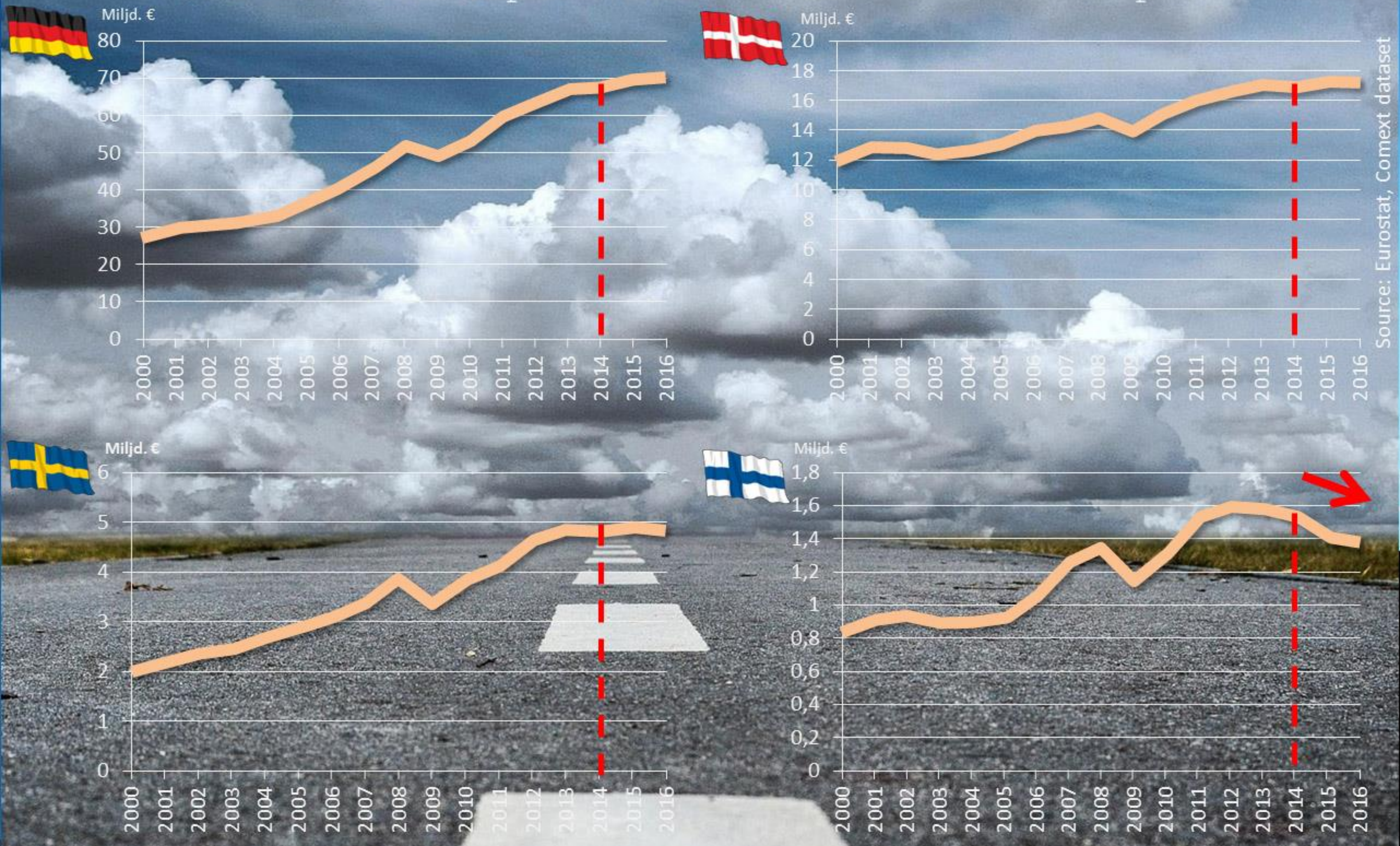
Both in Finland and in Sweden



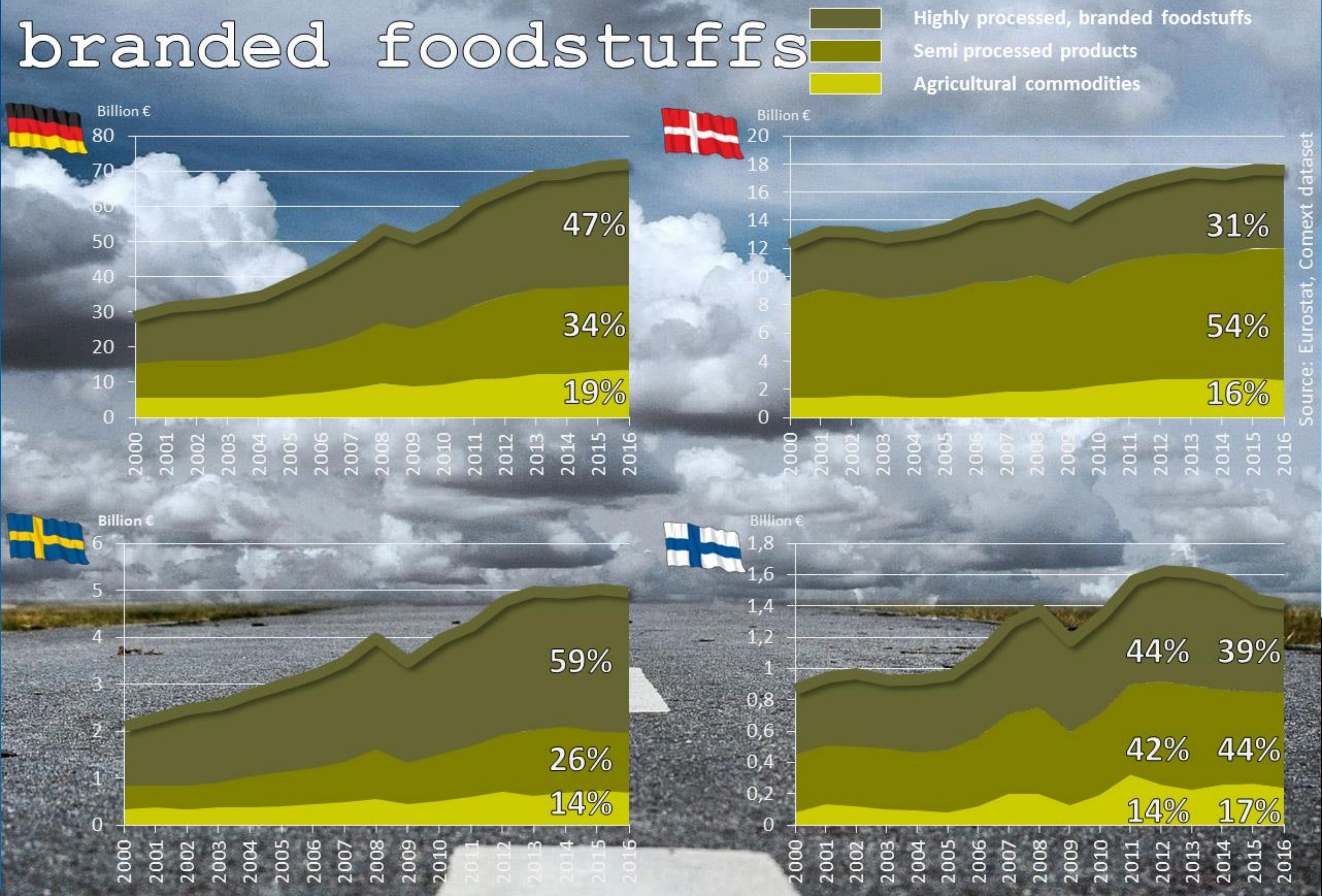
Source: Eurostat, Comext dataset

Export level and growth rate lag behind the competitors

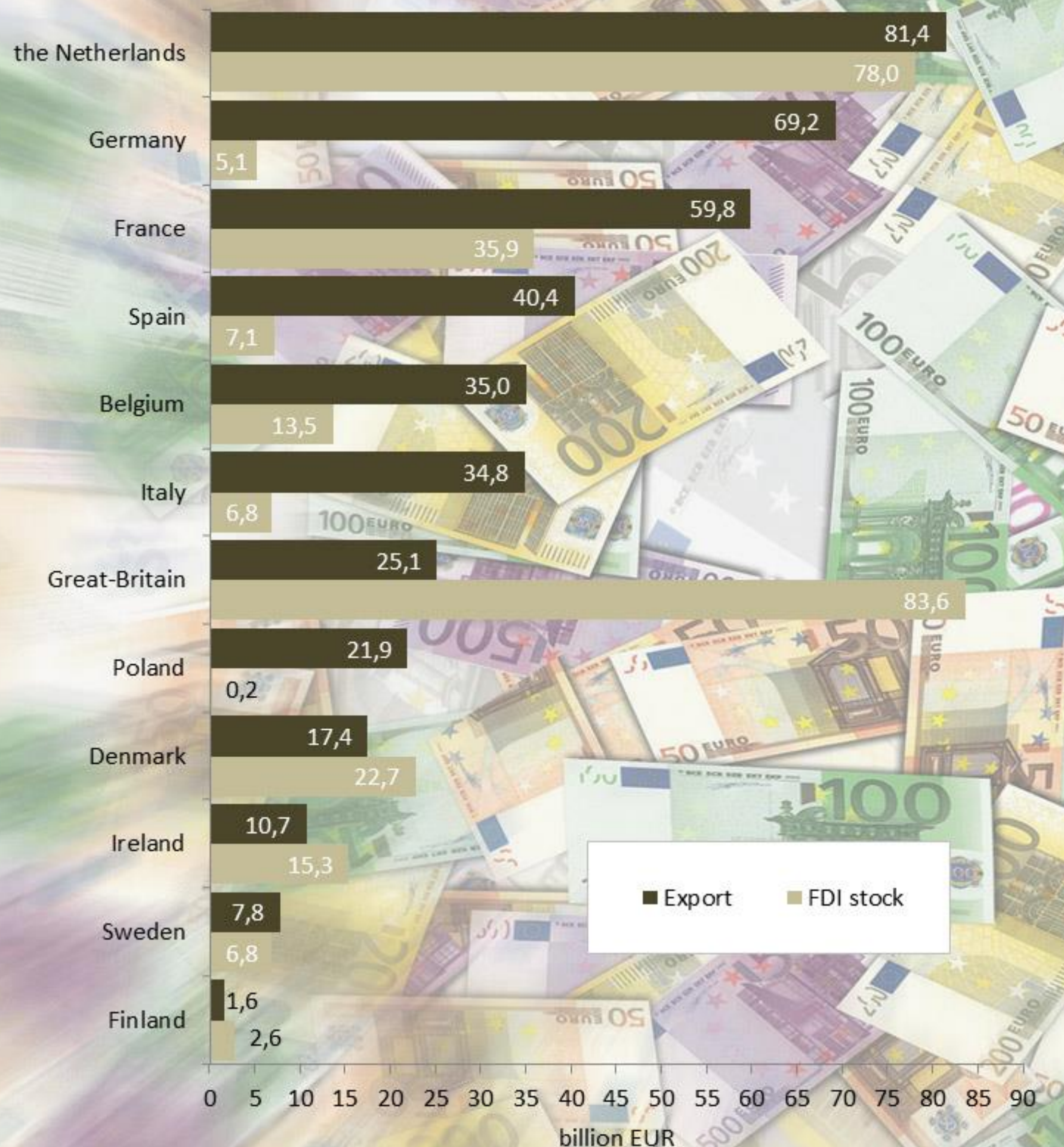
The Russian import ban hit the Finnish exports most



Sweden is a specialist of branded foodstuffs



Exports or FDI?

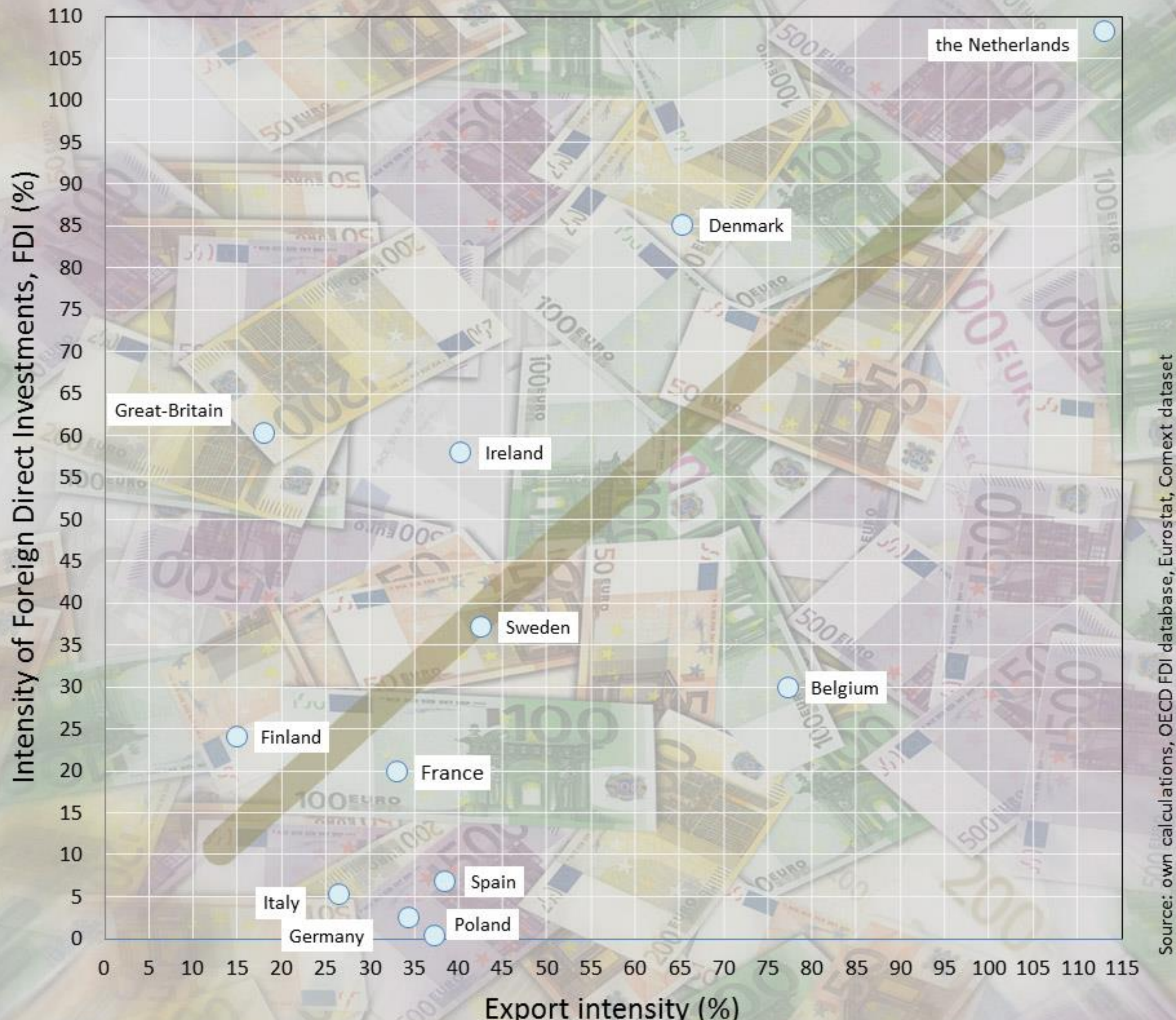


Source: OECD FDI database, Eurostat, Comext dataset.

Specialised in exports: Italy, Germany, Poland

Specialised in FDI: Great-Britain

Exports or FDI?



Exports or FDI?

Export sales benefit the domestic food chain

FDI benefits the host country's food chain

Export intensity of the Finnish food industry is the lowest

Success factors of food export

Denmark

High volumes of production

Economies of scales

Farm structure

Consolidated industries

Long traditions and experience

efficiency

the role of diplomats

International sales network

L&F

Demand driven

Huge companies

Food safety

Success factors of food export

Germany

Availability of raw material

Big volumes

Scattered industries

Cost-efficiency

Swift and agile SMEs

Flexible labour markets

Good country image

The most competed retail markets in Europe

Food safety

reliability

Company driven export promotion

Internationalised retailers

Success factors of food export

Ruotsi

Diverse foodstuffs

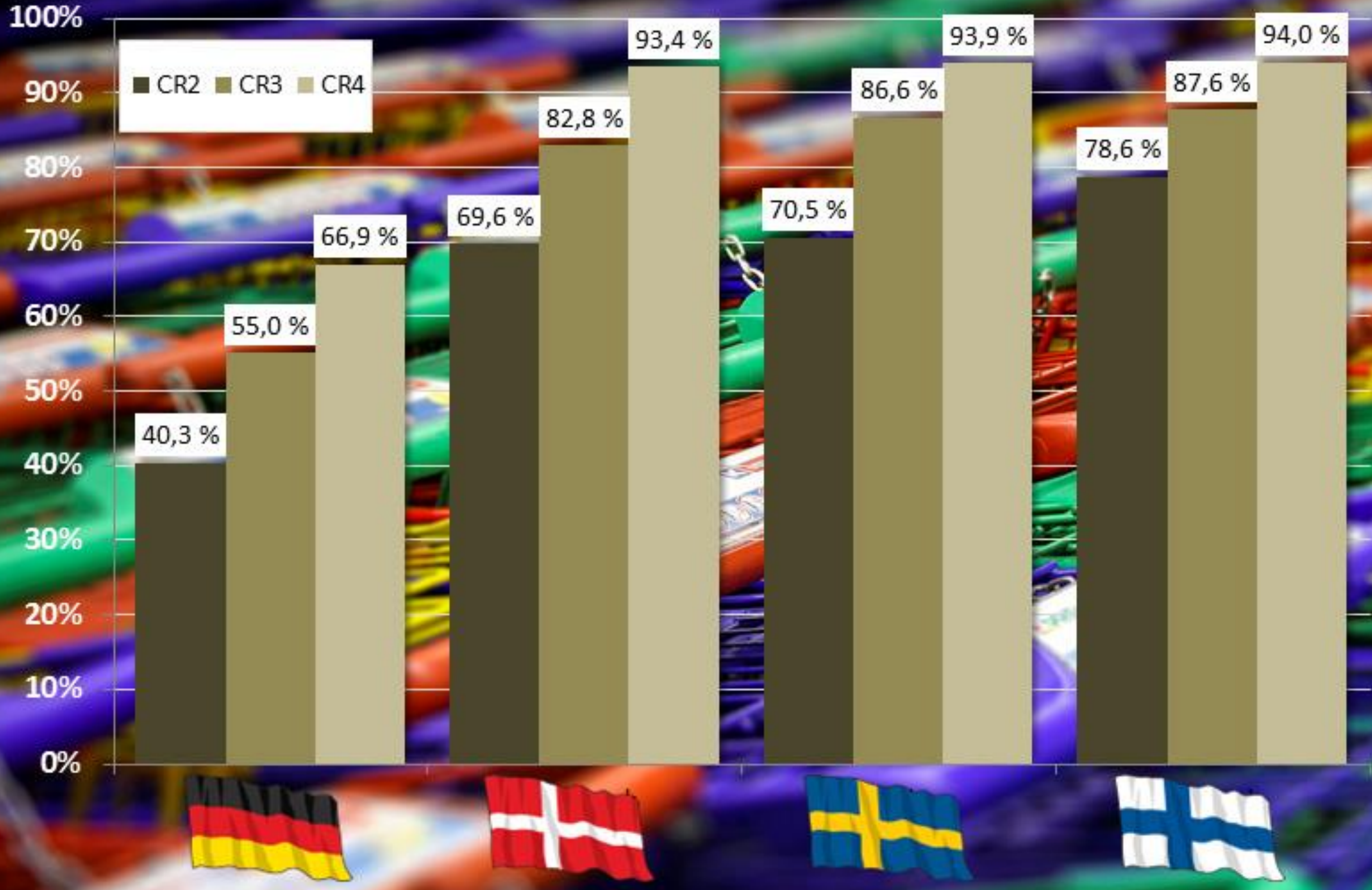
Confectionery, cereal products, beverages

branding

Strong grain cluster

Worldwide distribution

Concentration in food retail



Market power is consolidating into 2-5 major chains

Adding value

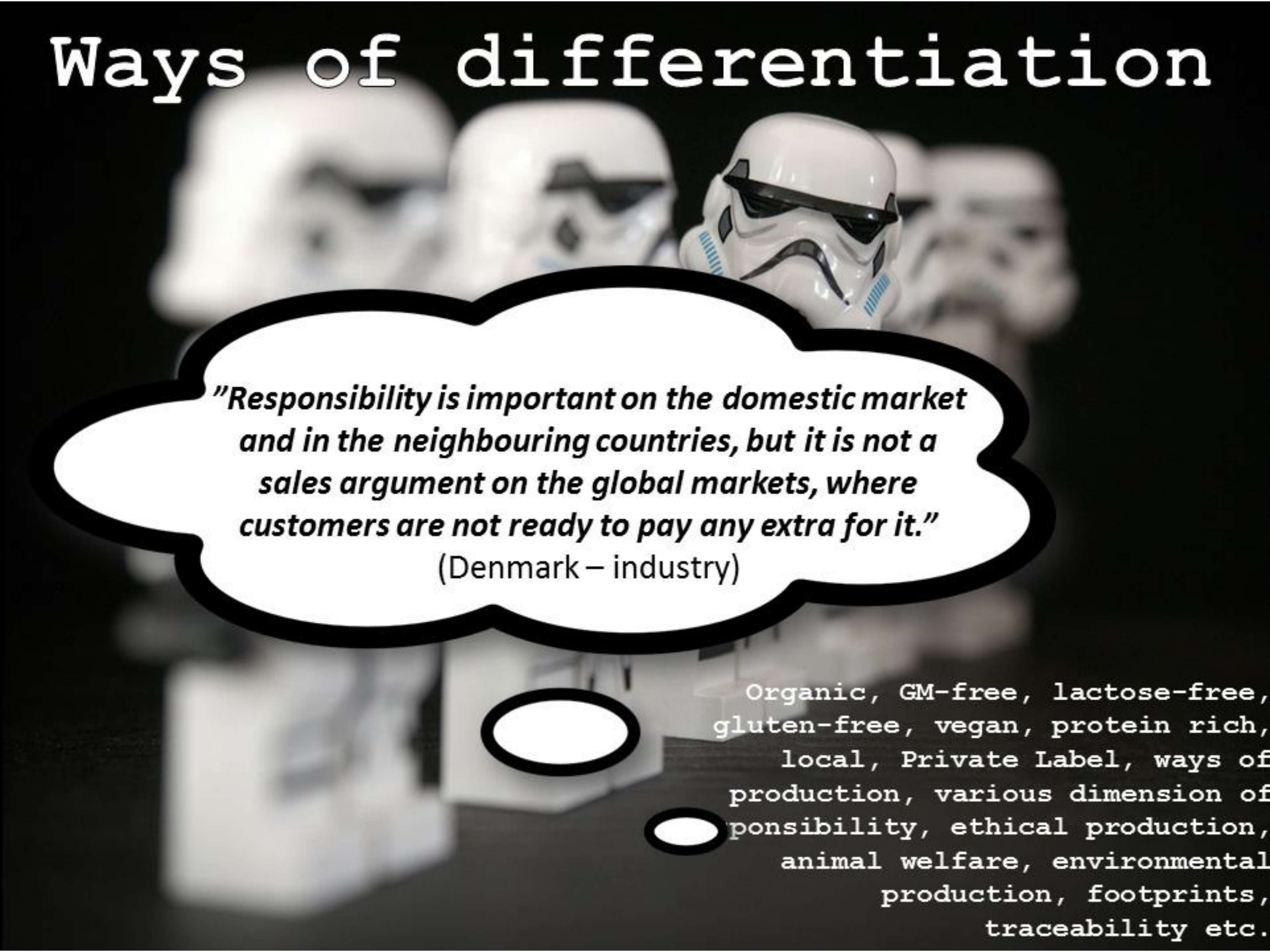
Sales arguments in the domestic markets

Domestic origin

Organic food

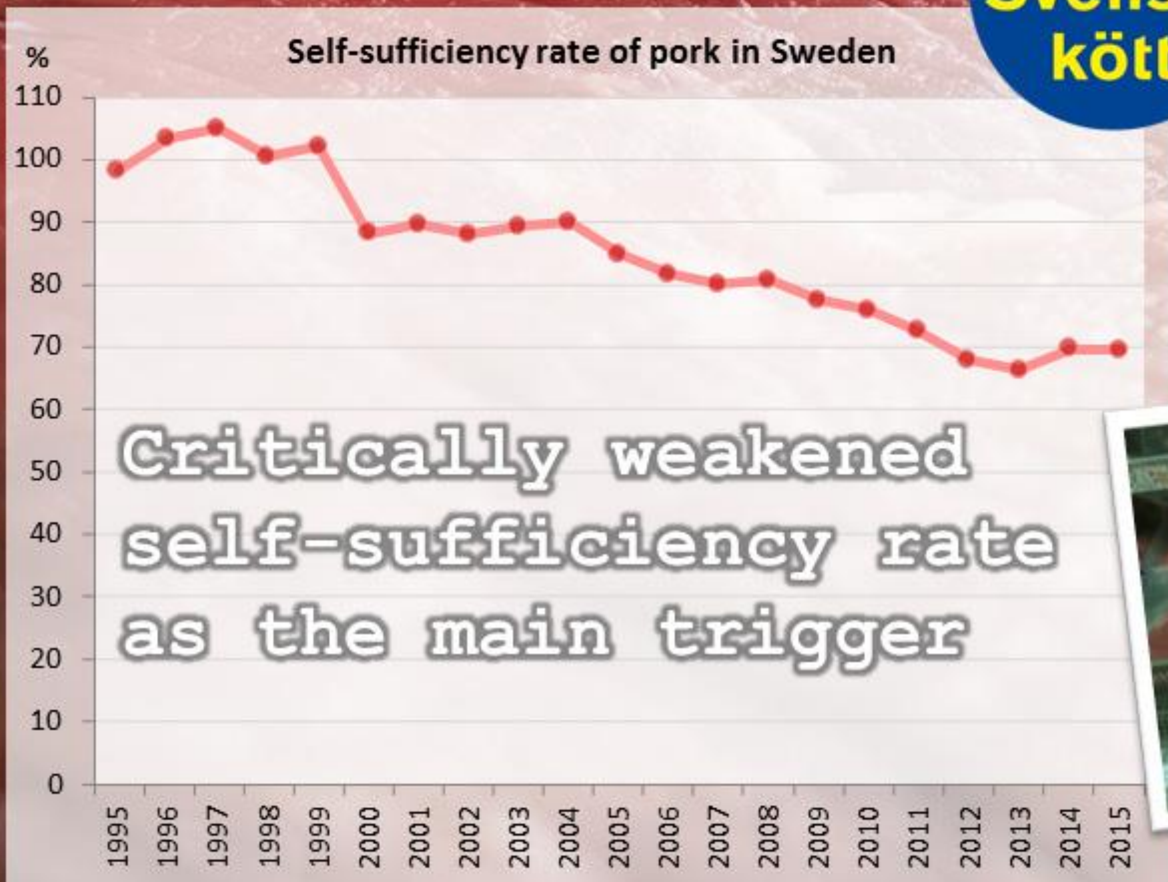
Local food

Product differentiation


Ways of differentiation
"Responsibility is important on the domestic market and in the neighbouring countries, but it is not a sales argument on the global markets, where customers are not ready to pay any extra for it."
(Denmark – industry)
Organic, GM-free, lactose-free, gluten-free, vegan, protein rich, local, Private Label, ways of production, various dimension of ponsibility, ethical production, animal welfare, environmental production, footprints, traceability etc.

Cooperation within the chain

Case – Swedish meat chain: adding value with cooperation



Critically weakened self-sufficiency rate as the main trigger

Svenskt kött

Source: own calculations from Jordbruksverket's statistics

This is why Swedish ham is a few crowns more expensive

The quality factors of Swedish meat

1. Swedish animal welfare is the best in the world
2. No salmonella in Swedish meat
3. Swedish pigs get the least antibiotics in the EU
4. Swedish pigs can keep their tails
5. Swedish pigs help maintain the traditional countryside
6. Swedish pigs create jobs to Sweden

Internet version

http://www.ica.se/icas-egna-varor/sortiment/kott/vi-gillar-svenskt-kott/

Meat has become one of the most important sales arguments of Swedish retail


The lion share of raising the valuation and value of meat was taken by retail
SVENSKT NYSTYCKAT KÖT
UPP TILL 200 STYCKDETALJER. ALLTID FÄRSKT, SVENSKT OCH BUTIKSSTYCKAT
KALV
FLÄSK

The example of Germany

Initiative Tierwohl

85% of the retail sector is committed

A fund of 255 million € in three years

Over 3000 farms participate

And the consumers' attitude?

The share of food and non-alcoholic beverages in disposable income

Source: OECD

Conclusions

Agri-food sector is consolidating in each segment

Growth strategies for food processors:

1) Volume based, cost-effective

2) Value based, differentiation

Challenges for the agrifood sector:

public perception

NGOs: environment, animal welfare

Attracting young people to the sector

Growth for food processors and retailers: domestic market or FDI