Role of small businesses in Short Food Supply Chains with special regard to special production modes

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Aims:

Introduction to SMEs sector

Short food supply chain

Organic farming and SMEs and SFSC

Comprehensive results

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Small and medium-sized enterprises (SMEs) are often referred to as the backbone of the European economy, providing a potential source for jobs and economic growth.

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SMEs are defined by the European Commission as having less than 250 persons employed.

They should also have an annual turnover of up to EUR 50 million, or a balance sheet total of no more than EUR 43 million (Commission Recommendation of 6 May 2003).

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The main classes used for presenting the results are:

	Micro	Small	Medium	Large
Emloyees	0-9	10-49	50-249	250 plus
Turnover	2m euro >=	10m euro>=	50m euro>=	more than 50m euro
B/S	2m euro >=	10m euro>=	43m euro>=	more than 43m euro

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SMEs is mainly concentrated in five priority areas, covering:

the promotion of entrepreneurship and skills;

the improvement of SMEs' access to markets;

cutting red tape; to reduce bureaucracy

the improvement of SMEs' growth potential, and;

strengthening dialogue and consultation with SME stakeholders.

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Agriculture data in Hungary

	Number of enterprises (p)	Yearly workforce unit
2010. év	569 000	437 119
2013. év	487 256	450 272
2016. év	431 258	409 040

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- 93% of firms in non-high income in none OECD countries,
- Micro firms and SMEs account for over than 95 % of all enterprises in OECD countries.
- 80-95% of MSMEs firms are micros.

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- Most MSMEs (85 per cent of micro firms and 72 per cent of SMEs) operate in the services sector,
- and in particular in wholesale and retail trade.

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- MSMEs account for around **two-thirds of total employment** in developing and developed countries alike.
- Their contribution to GDP is lower, at **around 35 per cent** in developing countries and around 50 per cent in developed countries;
- SMEs are 70 per cent less productive than large firms.

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- 5 % of micros and 8% of SMEs are in agriculture.
- Developing countries have larger shares of micro firms and SMEs in agriculture/other sectors.
- This could be due to higher labour-intensity of agriculture in developing countries

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	Manufacturing	Trade	Services	Agriculture/other
Share of micro enterprises				
Developed	8.0	35.0	56.0	1.0
Developing	11.5	44.3	38.9	5.3
G20 developing	14.0	33.0	40.0	14.0
Other developing	10.0	46.0	40.0	3.0
LDCs	15.0	45.0	31.0	9.0
Total	11.0	43.0	42.0	5.0
Share of small and medium-sized enterprises				
Developed	22.0	25.0	52.0	1.0
Developing	19.9	30.6	41.0	8.5
G20 developing	21.0	31.0	44.0	3.0
Other developing	18.0	32.0	41.0	8.0
LDCs	24.0	23.0	37.0	16.0
Total	20.0	30.0	42.0	8.0

Note: Country groups defined in Appendix Table B.1 of WTO (2014).
Source: IFC's MSME Country Indicators.

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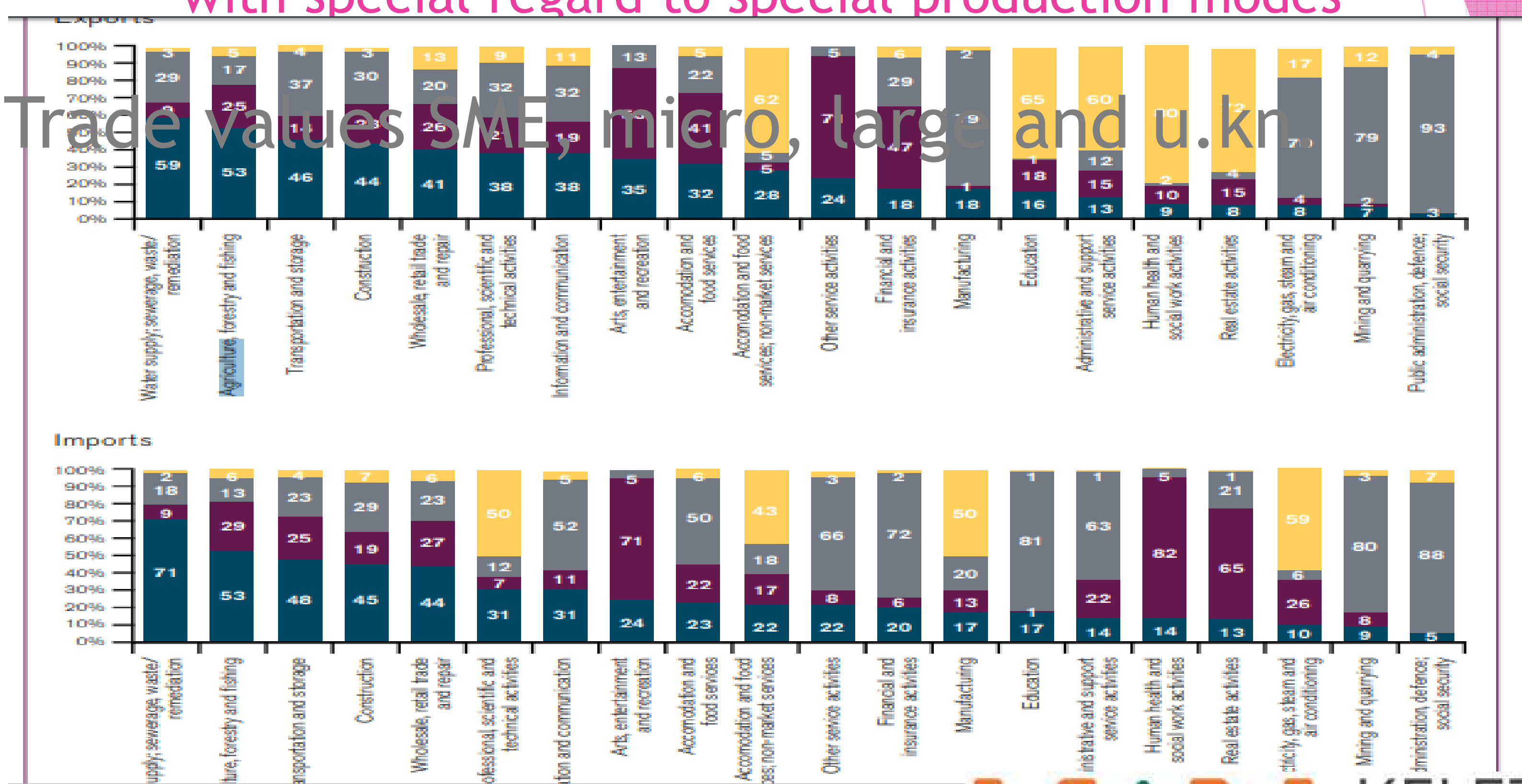
Trade values SME, micro, large and u.kn



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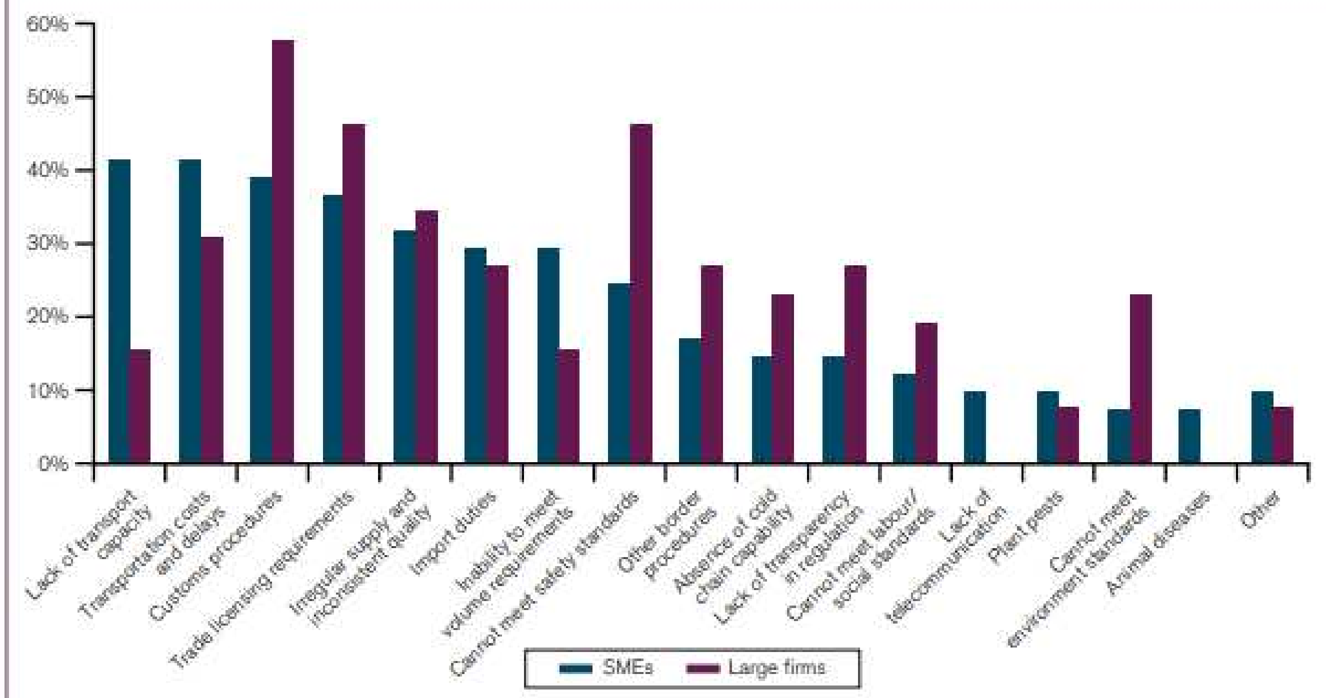

Note: Question No. 22 in the Fourth Global Review of Aid for Trade (OECD and WTO, 2013) survey: "What are the most typical difficulties that you face in bringing new suppliers from developing countries or LDCs into your supply chain(s)? Please select up to 5 from the following list."

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Forms of presentation may include:

- normal open market (market operated by farmers or local dealers, including organic market, where appropriate);
- events, exhibitions, fairs;
- Producer sales area or producer market;
- direct sales by retailers;
- a basket or handbag service where the customer receives a finished product offering;
- community gardens where the consumer itself is the producer;
- Community agriculture where producers and consumers share the risk of production in some way and in proportion;
- public catering, source of supply is the local producer;
- guest table and other catering services. (Biró et al., 2015)

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	Typical	Type of the producer	Type of the product	Type of the sales
•	↓			
	↓	Local producer	Local product	Local sales
The participation of direct sale activity	↓	Agricultural small producer	Local small farmer's product	Food supply supported by local community
	↓	Agricultural SMEs	SMEs' product	
	↓	Food industrial SMEs	Handle product and traditional product	Dirersct sales
	↓	Agricultural and food industrial Large companies	Industrial product	Short food supply chain
	Non typical			

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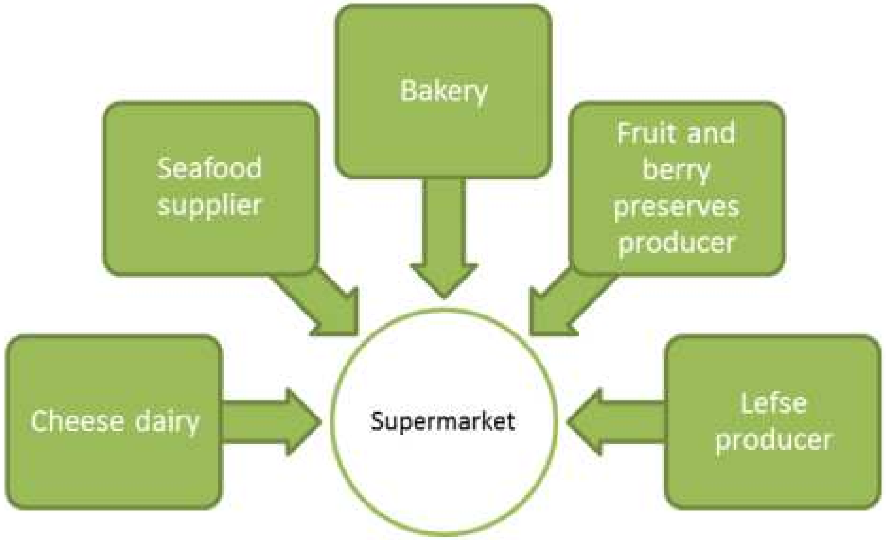
An example of SMEs



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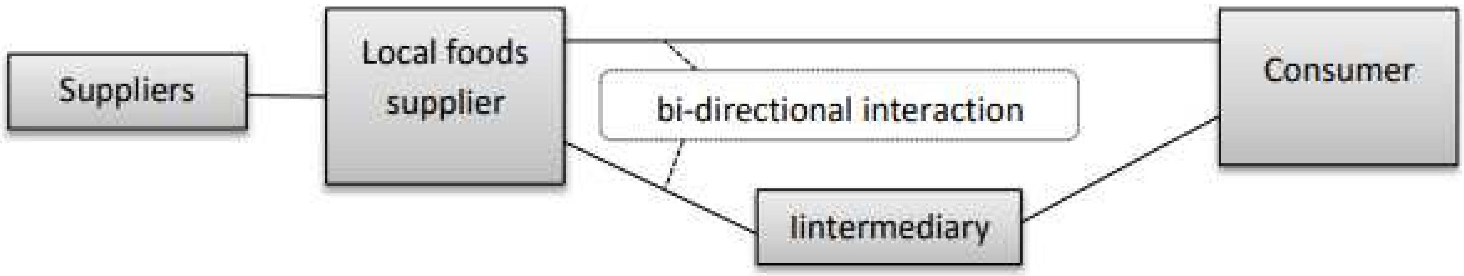
Local food supply chain



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What are the characteristics of SFSC?

- Shortness means that there is either a small geographical distance between the producer and the consumer or a small number of intermediaries;
- Acquaintance. It is very often a close relationship between the producer and the consumer, although this contradicts an investigation in which it was apparent that in the alternative markets the buyer and the seller knew only superficially. Apparently from sight. (Gao et al., 2012);
- Venue can be producer market, organic market, own yard direct home delivery, etc., which ensures the little sales person;

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- Typically, very small producers take part in this, with small quantities and small farm sizes;
- For these growers, this can be one of the ways to survive;
- The origin of food has become important for consumers, and this is why confidence builds on the relationship or good quality gives the motivation to return;
- One aspect of sustainability appears. This can be environmental, social or other, which sometimes changes, mixes; (Benedek et al., 2014)

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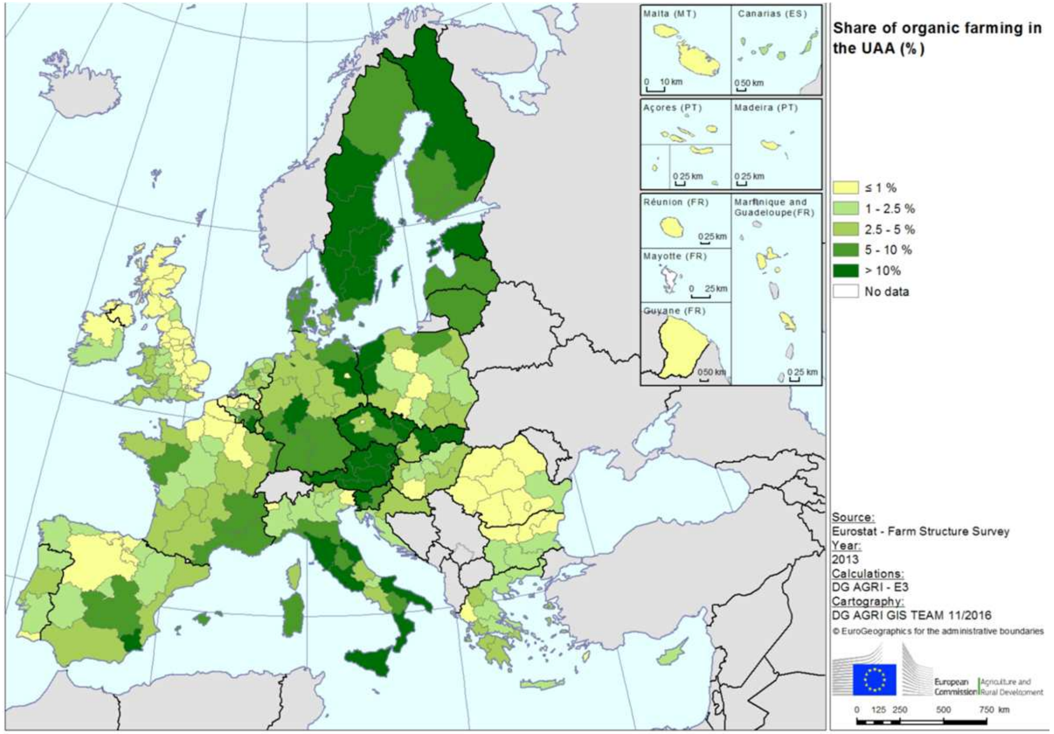

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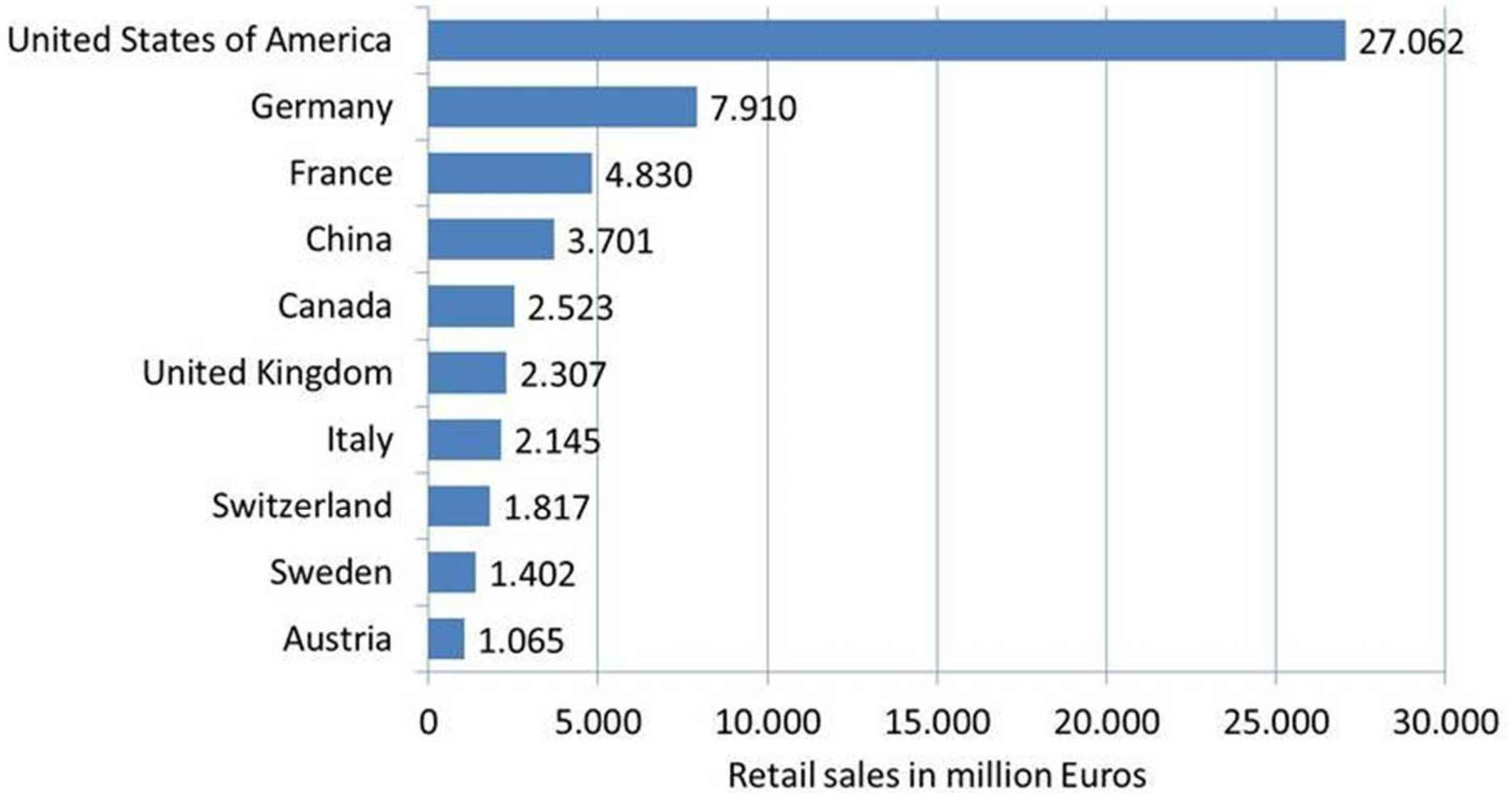
The ten countries with the largest markets for organic food 2014

Source: FiBL-AMI survey 2016



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Consclusion

- The large part of SFSC companies are MSMEs
- This kind of co.s can contribute the rural development, so EU CAP supports them and its activity.
- Special production modes follows the trend. For example big ones produce to export, small ones to the local markets

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Conclusions:

Local organic farmers' one alternative production mode is SFSC. The only one.

This local producers contribute to the GDP with low level.

SFSC can help the environment protection

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Thank you for your attention!

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