



Setting up the innovation support mechanisms and increasing awareness on the potential of Food Innovation and RTD in the South-East Europe area

Project Code: SEE/B/0028/1.3/X

WORK PACKAGE 4: SETTING UP MECHANISMS FOR BOOSTING FOOD INNOVATION

D4.2- Operational Plans for food RTD and innovation

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ERDF PP1	Federation of Industries of Northern Greece	SVVE	Greece
ERDF PP2	National Research Council- Institute of Sciences of Food Production	CNR/ISPA	Italy
ERDF PP3	Agricultural University of Plovdiv	AUP	Bulgaria
ERDF PP4	Pazardzhik Regional Administration	OAP	Bulgaria
ERDF PP5	National Institute of Research & Development for Food Bioresources	IBA	Romania
ERDF PP6	Constanta Chamber of Commerce, Industry, Shipping And Agriculture	CCINA	Romania
ERDF PP7	Development Agency of Idrija and Cerkno	ICRA	Slovenia
ERDF PP8	European Food Chain Parliament-Foodlawment	EEPF	Hungary
10% PP1	Odessa National Academy of Food Technologies	ONAFI	Ukraine
10% PP2	Chamber of Commerce and Industry of the Republic of Moldova	CCIRM	Republic of Moldova
10% PP3	Institute for Food Technology	FINS	Serbia

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EXECUTIVE SUMMARY

(to be compiled by CERTH- INAB)

1. INTRODUCTION, SCOPE AND METHODOLOGY

(to be compiled by CERTH- INAB)

In the framework of this activity, the partners will develop Operational Plans for supporting food innovation in their regional context with a view to promoting knowledge- based economic development in the agrofood sector. The idea is that these Operational Plans will be presented and suggested to regional and national authorities as a part of the debate for the development of the various instruments introduced in the upcoming Programming Period 2014-2020.

How to draft the Operational Plans

Phase 1: *The Inno- Food SEE partners will use the results of D3.3 and D3.4 and develop a set of suggestions for the measures that could be included in the Operational Plans. The partners will use a standard template for drafting the measures (to be provided at a later stage), this will enable presenting the measures in such a manner that would be easy for the stakeholders and decision makers to utilise and comment upon in the 2nd phase.*

Phase 2: *A meeting with the selected stakeholders and decision makers per region/ country will be organised to feed the consultative process for the development of the Operational Plans. The stakeholders and decision makers should receive the suggested measures beforehand, thus the meeting will be dedicated to discussing the measures.*

Phase 3: *One (or two- see below) meeting/-s of 2-3 stakeholders and decision makers from each region/ country will be organised in order to feed the consultative process for the development of the Operational Plans and to propose measures on a SEE/ regional level.*

One meeting is already described under act. 2.5; it is part of the final Conference that will take place in Budapest. In the possible event of securing a 6-month project extension and a consequent organisation of the next project meeting in Plovdiv in September, it is also suggested that a meeting of regional stakeholders is organised adjoined to the meeting in Plovdiv as a preparatory step for the finalisation of the Operational Plans.

Phase 4: *In this final step the Inno- Food SEE partners will synthesise the feedback from the previous phases and finalise the measures.*

2. REGION OF CENTRAL HUNGARY

2.1 DESCRIPTION OF THE REGIONAL CURRENT STATE OF PLAY

The formation of the single European market created not only opportunities, but also difficulties for the Hungarian players regarding more and more strict regulations, that the actors in the agro-alimentary sector has to regard as guidelines, and in several cases burdens as well. The SMEs in the business of food production has to fulfil strict food safety requirements in a rapidly increasing extent, which requires the implication of a permanent innovation and development process from all market players. Moreover, difficulties not only arisen in the field of national and European level regulations, but they also have to restrict themselves due to their resource constrains. In Hungary the agri-food sector had to face a suddenly increased competition especially after the EU accession. There are factors which relate to the innovation capacity of the firms and explain the differences among them and also some of these components play significant role in market development too.

During the last two decades the Hungarian agri-food sector therefore had to face dramatic changes in its competitive environment. In addition the shock of the transition process from the Communism to the free market economy of the so called western model of capitalism, retail revolution has evolved much faster than in Western European countries. Structural change in retailing, processing and farming, together with growing market saturation and increasing consumers' concerns regarding product and process quality, have had strong influence not only on the organization and structures, but also on the generation of profits along the food chain. Moreover, the agri-food sector had to face a suddenly increased competition especially after the EU enlargement in 2004. As a results of these pressures, agri-food chain, which is generally assumed as mature and relatively low technology sector has been forced to introduce changes affecting all aspects of operation. The only chance for them to overcome the stress of the recent economic crisis is if they explore their innovation capacities through their improved networking activities market. Tiny farms and households produced abundant livestock and orchard products without any market coordination. However, privatisation meant an increasingly dispersed production structure, and the subsequent rapid decline in domestic food processing and retailing, coupled

with the advent and influence of multinational companies, created almost insurmountable adjustment challenges. Between 2004 and 2006, over **200 thousand livestock farmers abandoned production.**

As regards the socio-economic development of Hungary, significant disparities evolved between the many different parts of the country, which were influenced by the different natural endowments of various areas as well as by historical effects. The most developed part of Hungary is the region of Central Hungary, including Budapest, the capital. Western areas are usually more developed than the eastern regions, and a north-south split can also be detected. These disparities are apparent in settlement structure, demographic trends, the state of economic development and circumstances of life.

Central Hungary is the part of the country with the smallest area but with the highest population, where 29% of the population is concentrated.

In the remaining six regions the distribution of the population is more even (9–15%) but inhabitants live in essentially differing settlement conditions. In the settlement structure of the regions of Transdanubia and Northern Hungary there are typically small villages with less than 1,000 inhabitants. The two regions in the Great Plain consist of settlements with long boundaries and larger population, where settlement density is considerably lower than in other areas of the country. Following Central Hungary the share of urban population is the highest in the regions of the Great Plain (68%–72%), although this level of urbanisation is still coupled with a relatively high number of inhabitants living in farmsteads, which is mainly characteristic of Bács-Kiskun, Csongrád and Békés counties in Southern Great Plain (9%).

2.2 KEY POINTS FROM THE SWOT/ SOR ANALYSIS AND POLICY RECOMMENDATIONS REPORT

Analysis of Central Hungary Region regarding Innovation

The limited innovation capacity (efforts, activities and results) of the individual small and medium sized enterprises means limited resource for the companies. The firms are necessarily different from each other in the sense that they put

different emphasis on the different components of this resource. However, the complex effect of these effort, managerial routines and activities result in heterogeneous innovation capacity.

If the innovation capacity of a firm is a real economic resource, the extent of efficient use of this resource contribute in positive or negative way to the market realization of the firms' product and services.

The SMEs are surrounded by an extremely challenging business environment, where they are pressed both by the suppliers and consumers to innovate. Regarding that their innovation capacity is very much limited; they can utilize this specific economic resource in an efficient way only if they cooperate with other business players.

According to the survey, carried out in order to analyse the innovation factors which explains the differences between the companies, of the Central Hungarian Region, we can create an order:

1. The most important factor is the knowledge accumulation
2. The second is the product innovation
3. Anticipated innovation advantages
4. Technological innovation
5. Organizational innovation
6. Innovation environment

Interesting factor is that it is only the knowledge accumulation factor, the anticipated innovation advantages and the innovation environment which contributes significantly and positively in the influencing of the revenue of each company.

Challenges:

Even though that the SMEs in Hungary have a similar small-scale structure as the EU-average, the contribution of Hungarian SMEs to the overall economy as measured by the added value is – in EU-terms – significantly lower, 50 % vs. 58 % in the EU.

We can say that:

- The lack of financial resources for innovation and the shortage of innovation management capabilities Hungarian SMEs are significantly less innovative than the EU average
- The innovation capacity of the Hungarian SMEs is also very limited because of the available resources.
- Food safety requirements in a rapidly increasing extent creates new challenges day by day
- That drives the SMEs to a continuous innovation constraint and development process from all market players who are involved in the food chain.

It is widely recognised that knowledge accumulation and coordination as base of innovative solutions for the production and technological processes can play decisive role in keeping the firms in competitive position.

- The challenge of the transition process in 1990, the retail revolution has evolved much faster than in Western European countries. Structural change in retailing, processing and farming, together with growing market saturation
- Increasing consumers' concerns regarding product and process quality
- Therefore SMEs had to face a strong fall back in the profit generating
- Moreover, the agrofood sector had to face a suddenly increased competition especially after the EU enlargement in 2004.
- The companies dare to make only short term plan because of frequently changing
- Significant presence of black economy
- Despite growing import, the balance of trade regarding agricultural products is positive – partly because of processing imported raw materials. At the same time, the added value of exported agricultural and food products is becoming lower and lower. There is a tendency to export mainly agricultural raw materials or agricultural products and food products following primary processing. In 2010

the following shares in revenues were reported by the AKI agricultural report within the food industry: raw materials 42%, primary processing 19% and highly processed products 39%. Raw materials had a share of 74% while finished products had a share of 19% in the positive balance of agricultural trade.

As a results of these pressures, agrofood chain, which is generally assumed as mature and relatively low technology sector has been forced to introduce changes affecting all aspects of operation. The only chance for them to overcome the stress of the recent economic crisis is if they explore their innovation capacities through their improved networking activities

Objectives:

- to acquire a stable market for products of the Hungarian food industry both internationally and within the country
- domestic needs should be fulfilled by the Hungarian food industry to the highest extent
- to increase the export of Hungarian food products belonging to the premium category
- the food industry should provide employment and living for as many people as possible
- to provide resources for enterprises by encouraging tailor-made financing constructions
- to focus on developments that increase added value: the production of high quality products should be a priority instead of mass production
- structural changes - concentration and specialization - should be encouraged in the specific sectors

- to create and develop chains of cooperation: encourage cooperation between the market players and the creation of integrated product path systems
- to encourage research and development in order to produce products of higher quality
- specialized food industrial education should be fitted to the needs of the sector on every level
- to inform/educate consumers about food, increase consumer awareness.

Policy recommendations

- The companies' research and development activities should be expanded
- Internationally recognized research & development-, innovation centres and research universities should be subsidised and/or established
- The capacity of certain regions for R&D and innovation should be established
- A knowledge market which works on the principles of performance recognition and competition through the globalization of knowledge production and dissemination should be created
- Investing in large scientific facilities, primarily in the regional centres and the development poles, reducing regional differences strengthening regional cohesion
- Dynamic increase in the yearly R&D expenditure
- Intellectual and financial resources should be in the focus, optimization of utilization.

- Increased economic and societal implementation of R&D results should be carried out.
- Strengthening of regional innovation is a must
- Strengthening the culture of acceptance and utilizing of the scientific research results.
- Quality-, performance-, and utilization-driven efficient national innovation system shell be encouraged.
- Well-honoured creative and innovative workforce suitable for the demands of knowledge-based economy and society should be encouraged and financially supported
- Supporting economic and legal environment with incentives for creation and utilization of knowledge
- Domestic companies, products and services that are competitive on the global market should have more emphasizes.

2.3 DESCRIPTION OF KEY MEASURES

Name of the measure	BioAgroFood Cluster
Region	<i>Central Hungarian Region (Hungary)</i>
Timeframe	Medium Term (2- 5 years)
Rationale	<p>Changing attitudes and behaviour in society and new and emerging consumer trends necessitate constant renewal of food products, customization of nutrition for population groups (elderly, diabetics, pregnant, babies, athletes, etc.) and the introduction of innovation in food production.</p> <p>Food innovation is not clearly understood and appreciated by the public and certain critical groups in Hungary.</p> <p>Facilitation of innovation and entrepreneurship are the most demanded 'skill' today in the food market in Hungary to enhance the framework conditions and pave the way to innovation.</p> <p>Objectives are to set up the appropriate mechanisms that will facilitate the exchange and coordination of research, technology and innovation</p>

	<p>approaches and policies for the Food Sector and to increase the public awareness on the importance of technological progress and innovation, therefore European Food Chain Parliament, Foodlawment is committed:</p> <ul style="list-style-type: none"> to enhance food chain safety and the protection of human/animal/plant health and the environment and food innovation in the Euro-Atlantic region with collecting and disseminating truthful and authentic information
<p>Particular sector and subsector</p>	<p>Agriculture, Food Processing, Food Industry</p>
<p>Objectives</p>	<p>to acquire a stable market for products of the Hungarian food industry both internationally and within the country domestic needs should be fulfilled by the Hungarian food industry to the highest extent to increase the export of Hungarian food products belonging to the premium category the food industry should provide employment and living for as many people as possible to provide resources for enterprises by encouraging tailor-made financing constructions to focus on developments that increase added value: the production of high quality products should be a priority instead of mass production structural changes - concentration and specialization - should be encouraged in the specific sectors to create and develop chains of cooperation: encourage cooperation between the market players and the creation of integrated product path systems to encourage research and development in order to produce products of higher quality specialized food industrial education should be fitted to the needs of the sector on every level to inform/educate consumers about food, increase consumer awareness.</p>
<p>Core activities</p>	<ol style="list-style-type: none"> 1. Collecting and publishing authentic and scientifically based information online 2. Establish and keep up forums on our Website to stimulate direct knowledge transfer and constructive discussions for all interested parties through the food chain 3. Organizing conferences, workshops, forums and seminars to achieve and maintain a direct and effective communication between consumers, manufacturers, retailers, researchers, governments and policy makers 4. Encourage propagation and education for all generation of consumers and the industry on protection of

	environment, animals, nature and consumer
Implementing entity	European Food Chain Parliament, Foodlawment
Financial resources	
Target groups	Food SMEs, research entities, consumer associations, special target groups, regional authorities, investors, consultants, media, etc.
Indicators for implementation success	<ul style="list-style-type: none"> - Auditable media activity - Number of entities participating -

3. TRANSNATIONAL SEE ACTIVITIES

To be compiled by CERTH- INEB: Identifying and planning synergies and common activities of a transnational SEE character, e.g. on how to exploit future common financial instruments in order to enhance the agrofood research and innovation cooperation in the Southeast Europe area.

4. IMPLEMENTATION PLAN

(to be compiled by CERTH- INEB), Roles and responsibilities for the implementation of the OP measures, Financial Plan, Time Plan.

ANNEX 1 – FRAMEWORK AGREEMENT- INTENTION FOR TRANS-REGIONAL COOPERATION

(to be compiled by CERTH- INEB and signed by partners and stakeholders). This will provide the framework for continuous cooperation beyond the end of the project among the Inno- Food SEE partners and further stakeholders of strategic importance.