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WILLINGNESS OF FOOD INDUSTRY COMPANIES IN CO-FINANCING COLLECTIVE AGRICULTURAL MARKETING (CAM) ACTIONS

People, Food and Environments: Global Trends and European Strategies

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Introduction

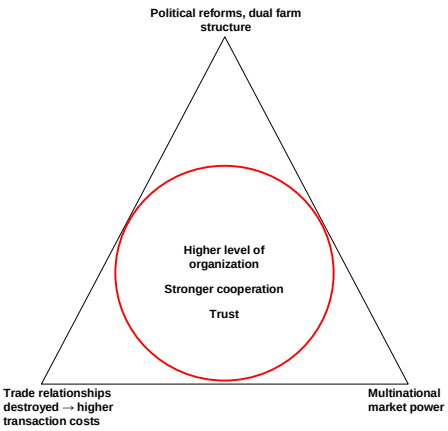
Trust between economic agents is the basis of social capital strong pillar of cooperation between partners in the vertical chain.

The level of social capital was higher in Denmark than in Poland after radical reforms, however, that was at similar level in both countries before World War II . (Chloupkova *et al , 2003)*

Forgacs (2006): one has to be careful to give broader basis for this finding and making general statement on social capital situation in former socialist countries because of strong influence of their national character (E.g. national agricultural policy, farm structure etc.). Social capital in Hungarian agriculture was higher in socialist era compared with that of post reform period.

In view of lower transaction costs and effective capacity transfer, private companies prefer to work with organised farmers, rather than individuals. This way the collective thinking remains an important strategy for small-scale producer participations in dynamic markets. (Vorley-Proctor, 2007)

Figure 1 **Conditions and opportunities of the vertical chain**



Aim

The research focused on the evaluation of the Hungarian collective agricultural marketing, the food industrial companies' relation to the collective actions, and their willingness to take part in improving these activities. According to their satisfaction with collective agricultural marketing activities, we have examined whether food industry businesses would undertake a larger amount of financing and a deeper involvement in decision-making.

Questions:

- willingness of co-operation
- use of CAM actions
- strategic thinking

Method

108 fulfilled questionnaires:

- 70% : food industrial companies
- 19% : new-type cooperatives (TÉSZ, BÉSZ)
- 11% : producers' associations, product councils

Food industrial companies: affected directly by CAM

New-type cooperatives: collective thinking, common goals, real cooperation

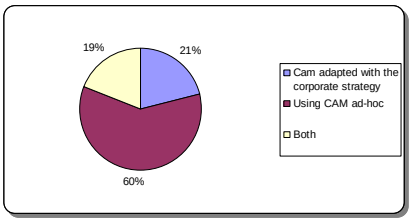
Interest representation organizations: mediate the producer's conception of CAM

Results – Using CAM actions

More than two-third of the food industry agents have already participated in the programs of the CAM.

Agents mostly have claimed for the CAM support only occasionally and, only one in every 5 companies uses the CAM as part of its own corporate strategy.

Figure 2 **Using CAM actions**



Only one in every 5 companies uses the CAM as part of its own corporate strategy.

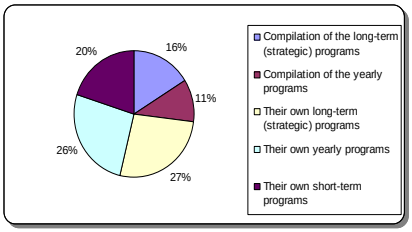
There is a need to teach the companies to apply supports adjusting to their own strategy, be built in their long-term plans.

It is an important task to mobilize and activate those companies had not participated in any of the CAM programs yet.

Results – Decision making

The food industrial companies in return of their financial contribution expect to get a more active representation in the decision-making process.

Figure 4 **Expected involvement in the decision making process**



The CAM would be more efficient if the affected companies would have wider facilities influencing the programs from the starting point (planning) through decision-making up to program implementation.

With this procedure the CAM organisation would not break off but its tasks would change significantly.

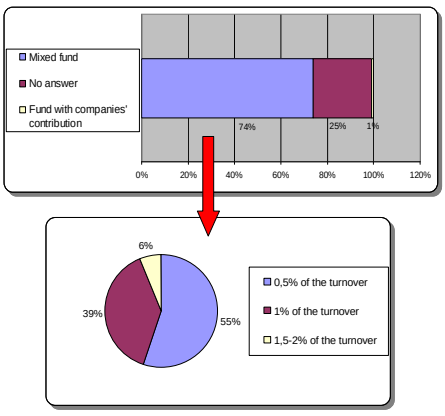
The organisation would have a much more coordinating function, supervising the execution of programs and reaching the goals of the CAM strategy.

Goals should be fulfilled step-by-step with clearly defining and assigning the tasks, competency and responsibility.

Results – Contribution to CAM

In ***Germany*** the sector's contribution to the Absatzfonds amounts to 0,4 per cent of the total turnover. The level of the support depends on their economic output. In ***Austria*** a fix amount of money has to be paid by actors under the name of "agrarmarketing-contribution". Usually the public support is completed with the paid services given by the collective agricultural marketing company and the contributions of the companies, producers etc. In ***Great Britain*** the public support is about 70 per cent, in ***France*** only 20 per cent of the whole budget. In ***Australia*** only companies are involved in the program. E.g. the wine producers organise and finance the collective wine marketing.

Figure 3 **Contribution to CAM**



Much of the companies are content to take part in financing a collective agricultural marketing fund *because they regard it as a possibility to make a further step increasing the efficiency of the food chain.*

The food, liquid and tobacco industry in Hungary had an average turnover of HUF 1837 Billion between 2000-2005. Counting the 0,5% contribution from this amount of money we get HUF 9,185 billion.

Adding this amount to the yearly average CAM budget it would amount to HUF 11-12 Billion. This is multiple to the available average CAM budget financed by the state in last years.

Conclusions

- *Much of the companies are content to take part in financing a collective agricultural marketing fund.*
- *The food industrial companies in return of their financial contribution expect to get a more active representation in the decision-making process.*
- *By developing cooperation supported companies place trust in each other, learn to enforce their interests so they will be able to ensure the competitiveness of the food industry and, the protection of the food markets helps to plan and organize the CAM activities inspiring quality production and raising competitive power of food products.*

Selected referencies

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