Effects of developing food processing on the involvement of producers in the food chain: Experience from Hungary

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Background

Aim of the RDP “Increasing the value of agricultural products”: supporting the investments in processing facilities (only processing of Annex I products)

Beneficiaries:

1. Agricultural enterprises,
2. Micro and small-size food processors,
3. Any other micro- and small-size enterprises.

Main evaluation questions in ex-post evaluation:

- What was the purpose of the subsidied developments?
- How significantly did the competitiveness, productivity and profitability of the beneficiaries increase?
- Did the agricultural beneficiaries gain a better position in the value chain?
- To what extent did the value of the agricultural product increase significantly?
Additional evaluation questions

- Did the given measures contribute to the income level of producers?
- Has the increase in competitiveness been accompanied by an increase in quality, a higher level of processing and more added value?
- What kind of proposals can be drafted in order to accomplish the results expected by the CAP even more effectively in the coming programming period?
- What supported activities have/will the beneficiaries carry out thanks to the grant?
- What was the purpose of the subsidied developments?
<table>
<thead>
<tr>
<th>Judgment criteria</th>
<th>Indicators</th>
<th>Data sources</th>
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<tbody>
<tr>
<td>Profitability of the beneficiaries has increased (compared to basic population)</td>
<td>ROS (Return on Sales), ROA (Return on Assets), ROI (Return on Investment)</td>
<td>Data of National Tax Office/Operations Database</td>
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<td>Labour productivity of beneficiaries has increased (compared to basic population)</td>
<td>Profit before Tax/Number of Employees, Operating Profit/Labour Cost</td>
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<td>Competitiveness of beneficiaries has increased (compared to all food industries)</td>
<td>Export Ratio</td>
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<td>Target activity/sector</td>
<td>Number and amount of investment/subsector</td>
<td>Operations Database/Questionnaire</td>
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<tr>
<td>Main purposes of the investments</td>
<td>Share of product development, technology development, market diversification etc. Applications</td>
<td>Operations Database/Questionnaire</td>
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Methods/approaches used to answer the evaluation questions

**Databases:** Data provided by applicants (Operations Database). Main limitation: missed data/data of National Tax Office; only agricultural and food industrial enterprises

**Surveys:**
1) Short questionnaire sent to every applicant:
   - Main data of applicants (sector, size, size of project)
   - Main aim of the project (sector, target of investment)
   - Result of the application
   - Opinion on application process
2) Short questionnaire sent to potential applicants via National Agricultural Chamber

Survey methods: Simple descriptive statistics (frequencies, and averages), Cross-table analysis, different tests to analyse the relationship between variables.

**Interviews:** PA Experts, experts of consulting companies and other organisations:
- General opinion on the program, application process, experiences, good practices, typical problems arisen
Advantages and disadvantages of the approaches used

**Advantages**

- New approach of the evaluation (new evaluation questions, with more quantitative emphasis, financial indicators)
- Relatively simple calculation methods (financial indicators) but high value-added in terms of information gain
- Possibility of qualitative evaluation
- Results of financial analysis and surveys can lead to both theoretical and practical recommendations during the ex-post evaluation.

**Disadvantages and risks**

- Proper data collection is limited/not available/at high risk
- Identifying control groups is a challenge
- Limited timeline: real effects of investments can be measured only 2-3 years after finalisation/other factors may affect profitability, productivity etc.
- Subjectivity of respondents
Recommendations/suggested improvements for future CAP based on our ongoing evaluation (mainly for MAs)

- Better targeting of possible applicants during the next period
- Simpler but more targeted data provided by applicants
- Faster and simpler evaluation process of applications for deciding on support
- Easily calculable financial data and indicators — instead of qualitative presentation — also may help to speed up the application assessment process (also relevant for evaluation in the future)
Thank you

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