

Ústav zemědělské ekonomiky a informací

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THE COMPETITIVENESS OF THE CZ FOOD INDUSTRY

výzkumná studie

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Executive Summary

The study was carried out in the framework of the institutional support to the research programme MZE0002725101 “Analysis and Evaluation of Possibilities of the Sustainable Agriculture and Rural Areas in the Czech Republic under the Conditions of the EU and the European Model of Agriculture”.

The aims of this research were to choose a suitable methodological approach (an economic model) for the assessment of competitiveness of food industry and its branches by using current knowledge about the competitiveness and development of food industry and to apply this model taking into account data availability. Next, there were made analyses investigating reasons for the present and to a certain degree uneven development of performance of the food industry and its branches. Also, the research should concurrently contribute to the advancement of the analytical methods based on the economic model using input-output analysis.

Processing quantitative data documenting the development of the individual indicators enables to make mainly the comparative and trend analyses. Additional data of qualitative character were obtained from of the assessing survey which has been done on the sample of selected food companies. Simple statistical methods were used for the evaluation of this data.

From the individual analytical area, i.e. the macroeconomic area, input and output factors and from the survey, aimed at the assessment of the present state of the competitiveness of the food industry resulted in following outcomes:

- The macroeconomic area – good rate of GDP growth in the Czech Republic in last years join with growth of expense on household final consumption created favourable condition for the increase of performance of the industry. Unsatisfactory legal environment (poor enforceability of law, unfair terms in the market) is the ongoing problem, which the food entrepreneurs face here. However, the broken development will be significantly affected by economic crises.
- Input factors (research and development, investment, business structure, labour economics, consumption from operation and capital) – create the necessary potential for the growths of the industry’s competitiveness, but some occasions were not used fully. This is mainly the case of an increase in research and development expenses and higher dynamics of investments. Inputs into industry are not fully evaluated yet, both human factor (qualification) and using of fixed capital. Companies, according to the survey carried out by our institute are considering cost reduction on production as one of the main measures towards of the strengthening of the competitiveness.
- Output factors – stimulated by both macroeconomic conditions and inputs documenting the growth of efficiency (sales index 2008/2000 by the food industry reached 129.5). However, as compared to EU, is its share on the manufacturing industry lower by

5.5 percentage points and its competitiveness does not improve (RCA index in the year 2000 recorded 0.81 and then declined to 0.74 in year 2008). In the year 2008 the book value added per employee in the food sector (598 thousand CZK), according to preliminary data, overtook the manufacturing (processing) industry average (581 thousand CZK). The pressure on domestic production by imports has been intensifying since the entry of the Czech Republic to the EU (unfavourable balance of foreign trade of food products and drinks – Standard Classification of Production 15 – from the year 2006 has exceeded the level -20 milliard CZK, while in year 2001 this balance stayed under -10 milliard CZK). In accordance with the survey carried out by our institute, the sharpest problems are especially concentrated on the sales aspects and they are the main barrier to the growth of food companies' competitiveness. It will be necessary strengthen the marketing area, extend branded products including local/regional brands and organic products, that can better compete because of their uniqueness.

Partial analyses led in the overall evaluation of the position and the development of the food sector competitiveness. There was also used SWOT analysis, covering strategic elements and creating a transition to the next conceptual or strategic solution. The investments in modern technologies that boost the growth of valued added will especially belong to main opportunities. The risk could be the further enforcing of the standard production at the expense of the high quality production.

In principle, the long-term upward trend in the development of the food industry after 2000, even if irregular with a number of downturns will be broken in 2009 in consequence of economic crisis. Certain signs of revival can appear in the year 2010, but from the lower level of performance in comparison to previous years. For the next development of this industry including its competitiveness will be important the length of the present economic crisis both in the Czech Republic and mainly in the countries, where the crucial part of export is targeted. Questions connected with overcoming the barrier of limited competitiveness and particularly the searching of perspective directions of the trends in the future development of the food industry will be a subject of research in 2010.