

Is small really beautiful?

The contribution of food processing firms to rural development

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Abstract

The Processing and Marketing of Agricultural Products will be supported within the framework of the second pillar of European agricultural policy. Companies and enterprises which process or market agricultural products can be supported regardless of their size. In the next planning period (2007-2013), this support shall be limited to Small and Medium-sized Enterprises (SMEs). In this paper the first empirical results are offered to the question of whether differences emerged in the achievement of objectives due to the size of the recipient companies in the current programme period. A database containing statistics for support cases in the current programme period serves as the basis for this study.

Keywords: food industry, rural development policy, evaluation, firm size

1 Introduction

In an effort to improve the processing and marketing of agricultural products in the EU, a programme to improve competitiveness and to benefit agricultural producers was funded in the current EU programme period (2000 to 2006). The measure, a part of the EU Rural Development Policy [Council Regulation (EC) 1257/1999], provided funding to agricultural processing and marketing enterprises regardless of their size.

In the next programme period, this type of support will only be available to SMEs. The change is part of the consolidation of different programmes and funds into the European Agricultural Fund for Rural Development (EAFRD) in the next programme period.

This study addresses two important aspects of the impact of the funding based on company size. First, the study considers how SMEs contribute to the objectives of European rural development policy, and secondly, whether the planned exclusion of larger enterprises will facilitate to achieve the objectives of the programme.

2 Theoretical Considerations

SMEs can be defined either with quantitative factors or with qualitative characteristics. These enterprises are generally owner-run, show no differentiated management structures, can react flexibly in the short term, but not as strategically in the long term (Kailer N., 1998, p. 251). Ultimately a whole bundle of characteristics can be used to distinguish SMEs from large

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enterprises, while specific branch information also plays a role (Mugler J., 1995, p. 18ff.). In this paper the applied definition of the EU Commission will be used (European Commission, 2004b).

Table 1: SME thresholds

Enterprise category	Headcount: Annual Work unit (AWU)	Annual turnover	Annual balance sheet total
Micro	< 10	≤ 2 Mio. €	≤ 2 Mio. €
Small	< 50	≤ 10 Mio. €	≤ 10 Mio. €
Medium-sized	<250	≤ 50 Mio. €	≤ 43 Mio. €
half support	<750	< 200 Mio. €	
Large-sized	≥750	≥ 200 Mio. €	

Source: (European Commission, 2004b), (CR (EC) No 1698/2005, 20.09.2005, OJ-EU L 277/1: Article 28), own presentation.

In order to carry out an evaluation of the effects of investment support depending on company size it makes sense to look first on general impacts of the firm size. The debate about the influence of size on the economic activities of enterprises has a long tradition. Particularly the scientific branch of industrial organization deals with the approach *basic conditions-structure-conduct-performance*, with questions of the number of companies and the structure of these companies on markets, as well as with the determinants affecting company size. It is not completely clear to what extent companies are correctly categorized in the appropriate observation level. According to Mugler, “[...] many of these subsidiaries also [have] similar business problems as a company in the possession of an entrepreneur.” (Mugler J., 1995, p. 19). The basis for the studies are analyses of official statistics and branch analyses.

Significant size advantages are, on the one hand, process-dependent economies of scale, and on the other hand, product-range related economies of scope (Scherer et al., 1990, p. 97ff.; Uffelmann et al., 2005). Both factors emerge in production as well as in trade (Kinsey, 1998, p. 11). But these size advantages change with regard to the branches as well as in the course of the economic development (Porter, 1998, p. 202). Technical developments, for example in the area of information technology, can lead to shifts in the size advantages due to changed production and/or organization possibilities (Brynjolfsson et al., 1994, p. 14). The limits of the enterprise as well as its potential growth result from organizational or bureaucratic diseconomies of scale (Canbäck, 2002, p. 47ff.).

Further enterprise-related aspects which tend to provide larger companies with systematic advantages are the somewhat less expensive access to financing sources due to fewer information imbalances between the company and the financier (Deloitte&Touche, 2003, p. 53) and the relatively low level of regulation and reporting obligations, since these partially have the character of fixed costs (OECD, 1997, p. 21ff.). Also, large companies use public funding more intensively (Löf et al., 2005, p. 2; OECD, 1997, p. 26). The main reason for the latter disadvantages of SMEs are limited human resources. SMEs are largely owner-run, meaning that the leadership often neglects long term strategic positioning in favor of concentrating on daily business (König et al., 2003, p. 13ff.).

Overall, larger companies face different advantages than to smaller ones. However, this assessment depends on various specific circumstances so that one cannot justify a general obligation to limit support to SMEs.

On the other hand, there are particular characteristics and effects that can be generally applied to the SME. Thus, simply the fact that far more than 90 percent of the businesses in almost every country are in the SME class clearly reflects the significance of this group (Mugler J., 1995, p. 31). Micro companies are, as a rule, the starting point for independent economic activity and for new companies. Thus, they promote entrepreneurship and economic dynamism. Overall SMEs are of central importance for employment and guarantee specific adaptation of the economy to local and regional living conditions (Mugler J., 1995, p. 37ff.; Sullivan, 2004, p. 3). SMEs serve as an initiator and a driving engine in society, particularly in innovative fields such as the market distribution of new technologies and applications (OECD, 2002, p. 28). The flexibility of the direction of these enterprises, coupled with the tendency to have fewer legal labor restrictions, permit speedy adjustment to changing framework conditions, so that economic dynamism is generally supported by SMEs. Despite increasing worldwide economic internationalization, or globalization, SMEs are attributed with a high level of commitment to their location. They thus serve as a reliable partner in sustainable economic development from a regional policy perspective (Brenken A. et al., 2005, p. 648).

In some listings of priorities, these impacts are used as the rationalization for supporting the promotion of the SME. Thus, an increasing concentration on supporting measures to improve entrepreneurship and independence is favored (Deloitte&Touche, 2003, p. 52; Lundström et al., 2002, p. 5). Difficulties in establishing businesses and advisory deficits should be eliminated in this way and general interest in independent activity increased.

In the Lisbon Strategy, the EU reacted to the recognized obstacles and impacts: education and training, cheaper and faster start-up, better legislation and regulation, etc., with the implementation of the European Charter for Small Enterprises (European Council, 2000).

Particularly the correlation between the highlighted impacts of SMEs and the problems of rural areas enable to couple the policy area SME with rural development policy. Rural areas suffer from higher unemployment, a narrower range of employment options combined with a greater dependency on the primary sector, and significantly lower income than the average (European Commission, 2004a, p. 2).

The explicit introduction of a support limit to SMEs in Article 28 (Adding value to agricultural and forestry products) of Council Regulation (EC) No 1698/2005 of 20. September 2005 on the support for rural development by the European Agricultural Fund for Rural Development (EAFRD) is in part an implementation of the Charter mentioned above² (CR (EC) No 1698/2005, 20.09.2005, OJ-EU L 277/1).

But the promotion of rural areas serves its own goals as seen in the currently valid CR (EC) 1257/1999 and CR (EC) 1968/2005 also places an emphasis strengthening the competitive

² But the limit to SMEs will be lifted to the extent that „half supported“ companies can continue to be supported

ability of the supported companies (Strengthening Competitiveness in the Region), improving the sales situation of supplying farmers, improving the environment and products, and thereby the supply and job situation in rural areas (CR (EC) No 1257/1999, 17.05.1999, OJ-EU L160/80, 26.6.1999; CR (EC) No 1698/2005, 20.09.2005, OJ-EU L 277/1) to judge the achievement of objectives, the EU Commission drafted a series of questions to be answered through the evaluation ³ (European Commission Directorate General for Agriculture, 2000a, p. 17, 18, 26ff.).

By linking the objectives of measures to the goal of making the support of SMEs a priority, a conflict of goals can emerge. It is not clear if through the measure-specific goals, the promotion of rural areas through SMEs can be better achieved than through large companies. The goal of our paper is to deliver the first empirical results to this question.

The test of hypotheses as to how far the impact of the economic activities of SMEs is particularly suited to rural areas is related to the evaluation pattern of the CR (EG) 1257/1999. The basis is the causal chain which shows the effects of financial inputs on the resulting physical outputs of financial yields, and as a consequence lead to project-specific or overarching total economic or regional impacts (European Commission Directorate General for Agriculture, 2000b, p. 82ff.).

3 Data and empirical methods

In order to measure the impact of the program, it was necessary to develop a pragmatic evaluation approach. Comparing firms with and without support (counterfactual situation) fails because it is not possible to obtain data from firms which have not been supported from official statistics or surveys. Therefore our evaluation concentrates on (1) comparing supported firms before and after the supported investment came into force and (2) comparing desired and realised results of supported firms. Both approaches rely as strongly as possible on the large number of criteria and indicators suggested by the EU. For this purpose a questionnaire was developed surveying all supported projects. Each beneficiary is obliged to report of the relevant level, which could be the enterprise, the processing plant or an establishment (Wendt H. et al., 2004, p. 34). The database consists of 709 variables per

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- VII.1. To what extent have the supported investments helped to increase the competitiveness of agricultural products through improved and rationalised processing and marketing of agricultural products?
 - VII.2. To what extent have the supported investments helped to increase the added value and competitiveness of agricultural products by improving their quality?
 - VII.3. To what extent have the supported investments improved the situation of the basic agricultural production sector?
 - VII.4. To what extent have the supported investments improved health and welfare?
 - VII.5. To what extent have the supported investments protected the environment?
 - Transversal 1. To what extent has the programme helped stabilising the rural population?
 - Transversal 2. To what extent has the programme been conducive to securing employment both on and off holdings?
 - Transversal 3. To what extent has the programme been conducive to maintaining or improving the income level of the rural community?
 - Transversal 4. To what extent has the programme improved the market situation for basic agricultural/forestry products?
 - Transversal 5. To what extent has the programme been conducive to the protection and improvement of the environment?
 - Transversal 6. To what extent have the implementing arrangements contributed to maximising the intended effects of the programme?

observation. We use the data to generate qualitative, and where possible, quantitative results for the common evaluation questions mentioned in Chapter 2. The data obtained relates to physical and financial input and output statistics of the companies and investments, qualitative information on the investments, as well as information on support measures. The data were obtained from processing and trading companies with supported projects. They all receive support under the condition that they purchase raw agricultural material. The quality of the surveys answered and thus the data obtained, differs greatly. They are partly incomplete and many forms were filled in very poorly. One reason for this deficiency was the complex and time-consuming handling of the extensive evaluation form, which is a result of the official and ambitious guidelines and additional papers of the EU Commission. Although we organised workshops concerning the evaluation forms and the evaluation procedure, sometimes insufficient willingness or ability to fulfil the agreed arrangements existed on the part of the enterprises, who were obliged to fill in the form.

In October 2005, our database included 632 projects. A total of 158 of these projects are follow-up projects. At least 216 projects are now finished, and 372 projects are still in progress, i.e. that we have no data about the realized results. There are 44 start-up projects, of which 11 are concluded.

In this analysis, we concentrate on the evaluation of three criteria: competitiveness, producer value and occupation.

We have information about annual turnover and staff headcount of the supported plants. We associate each establishment to an SME-Group based on turnover and headcount. This procedure includes some problems which we have to ignore due to the absence of further information and other criteria like annual balance sheets and the relation to other establishments (autonomous, linked or partner enterprise). Therefore, we cannot correctly categorize a company in an appropriate size class in accordance with the recommendations of the Commission (European Commission, 2004b). There is a bias to small firms because some of the firms we categorize as SME actually belong to a higher class.

For reasons of data protection, the evaluators have no information about the actual beneficiary/company. Random samples have shown that particularly in the sectors Dairy, Fruits and Vegetables and Flowers and Ornamental Plants, some companies belong to large enterprises and must therefore be categorized as “large.” This error should be considered in interpreting the results.

4 Results and Discussion

4.1 Description of groups

We created five groups for our analysis. The first three groups are micro, small and medium-sized enterprises according to Commission Recommendation 2003/361/EC. The fourth group we call ‘half support’ because companies of this group can receive support at the half support rate in the next programming period (CR (EC) No 1698/2005, 20.09.2005, OJ-EU L 277/1: Article 28). The final group comprises large companies which will be excluded from support in next programming period due to their company size. In our survey we will analyse these

groups with regard to the common evaluation questions and their contribution to the achievement of objectives.

Table 2 :Overview of projects, sector and SME-Status

Sector	SME-Group					
	mirco projects	small projects	medium projects	half support projects	large projects	all projects
ME	7	14	22	17	.	60
MI	1	4	8	43	14	70
CE	31	38	15	2	.	86
W & A	27	93	20	4	.	144
F & V	26	45	40	8	.	119
F & P	3	9	7	3	.	22
PO	21	11	21	3	.	56
Other	29	19	21	6	.	75
All	145	233	154	86	14	632

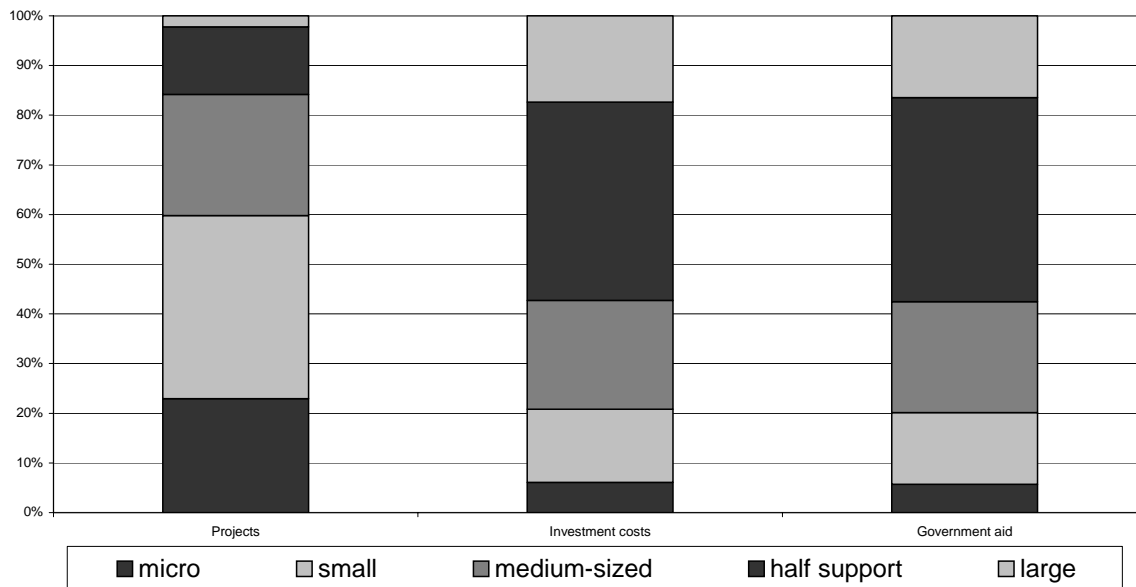
ME = Meat; MI = Milk; CE = Cereals; W&A = Wines & Alcohol; F&V= Fruit & Vegetables; F&P = Flowers & Plants; PO = Potatoes.

Source: own presentation.

Table 2 gives an overview about the distribution of projects in the SME-Groups. According to our assessment, 145 projects are accomplished by micro enterprises, 233 by small, and 154 by medium-sized enterprises, i.e. 84 percent of the projects belong to the SME-group and could also receive support under the new regulation. A total of 86 projects are dedicated to the 'half support'-class and 14 projects are undertaken by large enterprises. As we mentioned above there is a bias to small enterprises.

Now that the distribution of the projects in the individual size classes has been sketched, the distribution of the investment costs and the support funds will be described. A total of 632 projects had a supportable investment volume of 1.44 billion Euros. The projects were supported with an average of 28.5 % of the supportable investment amount. Differences in the support intensity exist more between different sectors and federal states as between the different size classes. About 84 percent of the projects, classified as SMEs have, with about 43 percent of the funding, a rather lower portion of the total investment volume. The group "half support" includes a good 40 percent of the total investment costs although it only sponsors 13.7 percent of the projects. Large enterprises received 17 percent of the total investment costs in 2.3 percent of the projects. In this group, the average total investment volume is about 19.3 million Euros, while for the group "half support" this sum amounts to 7.3 million Euros. The projects in the SME area are much smaller: a project by a micro-company has an average investment volume of 666 000 Euros and by a small company 990 000 Euros. Projects in the medium sized class invested an average of 2.3 million Euros. Figure 1 gives a comprehensive overview of the distribution of the projects, the investment costs, and the support for the different company size classes.

Figures 1: Share of Projects, Investment Costs and Government Aid for the Different Groups



Source: own presentation

A concentration of the support to SMEs had the consequence that at least 16 percent of the supported projects, with 57 percent of the support funds, were subsequently excluded from the funding.

Competitiveness

An improvement of competitiveness of the affected enterprises/sectors is a major objective of the support measures. But it is difficult to evaluate competitiveness generally or to qualify an improvement of competitiveness. In previous evaluation practice, it has been shown that the analysis of value added (Porter, 1998, p. 204; Pretterhofer, 1999, p. 199), the intensity of use of QMS (Stahl, 2001, p. 8) and a survey of the investment objectives can provide information on the competitiveness.

To analyze the development of added value, the results of the survey calculate the move toward value added. The development of this value added is used as an indicator. According to our calculations, about two-thirds of the supported enterprises expect an improvement in value added. In the already concluded projects, this has truly been achieved. But no relationship between the development trends of the value added and the size of the company could be found. Instead, the developments are more likely to be sector-specific. In the sectors Wine and Alcohol, Fruits and Vegetables, and Potatoes market swings led in many cases to a worsening of the value added. In the other sectors, the number of cases with increasing value added was independent of the company size. If one contemplates the calculated value added absolutely, it becomes evident that the large companies ('half support' and 'large' comprise 16 percent of the projects) create about 60% of the calculated value added. In the already concluded projects, larger companies ('half support' and 'large' comprise 8 percent of the projects) about half of the calculated value added. It can be seen that the SMEs comprise the majority of the projects but that the few large companies make a significantly larger contribution to regional economic power under the assumption that the value added remains in the region.

The setting of objectives for investments was also proposed as a further indicator for competitiveness, since the recipients must apply their investment sum to 12 goals according to Commission rules⁴ Based on the objectives, it should be concluded whether the investment led to an improvement of the competitiveness or, for example, to environmental or animal protection. It could be seen from the analysis that there were no significant differences between the different company size classes, but rather that all companies targeted about 80 percent of the investment sums to the objectives Optimizing Sales (Objectives 1, 2, 5, 8) and Optimizing Processes (Objectives 3, 4, 7, 9), meaning competitiveness should be improved. The improvement of the environment or animal protection were insignificant objectives of the investments.

The use of quality management systems (QMS) was also seen as an important indicator for competitiveness. It is assumed that the use of QMS can derive the sales security or new sales outlets, since listing by retailers is only possible through an appropriate quality management system. On the other hand, it is assumed that the use of QMS has a positive effect on process quality and efficiency since all processes must be documented and questioned. For this reason positive effects on the competitiveness are expected.

As a result of the database analysis it can be established that the use of QMS is apparently related to the size of the enterprise. Before the investment, 46 percent of the smallest firms, 22 percent of the small companies and 15 percent of the medium sized companies did not use QMS. In the group "half-support," only five percent of the companies had not yet carried out a QMS, and all large enterprises used at least one QMS. The companies planned an increase in the use of QMS with the supported investments. Only 15 percent of the smallest and small companies did refuse to use QMS after the investment, six percent of the medium sized enterprises and three percent of the larger enterprises planned no additional QMS following the investment.

³ The objectives noted in the questionnaire are closely related to the goals of the CR (EG) 1257/1999 and the monitoring system for the Area V&V

Objective 1: Targeting production to presumable market development

Objective 2: Supporting the development of new sales outlets

Objective 3: Improving or rationalizing the marketing channels

Objective 4: Improving or rationalizing processing methods

Objective 5: Improving the appearance and packaging of the products

Objective 6: Better use and removal of by-products and waste

Objective 7: Use of new technologies

Objective 8: Support for innovative investments

Objective 9: Quality improvement and monitoring

Objective 10: Hygiene improvement and monitoring

Objective 11: Environmental protection (i.e., resource conservation, waste water conditioning)

Objective 12 : Improvement of the animal wellbeing (animal appropriateness, animal protection, animal hygiene)

Table 3: Intensity of QMS

SME-Group	Intensity of QMS			Projects
	before mean	planned mean	realised mean	
micro	1,07	1,34	1,46	41
small	1,17	1,45	1,55	87
medium	1,74	2,13	2,23	31
half support	2,67	2,83	2,67	12
large	3,50	3,50	3,50	2
All	1,38	1,66	1,75	173

Source: own calculation.

In addition to the question if QMS should be used at all, it must also be studied whether a difference in the intensity of use of the QMS exists between the different groups. Table 3 provides an overview. It can be seen that the intensity of the use of QMS increases in line with company size. Large enterprises have a much better competitive position under the above-mentioned assumptions. It is however clear, that the SMEs significantly increase the intensity of QMS than larger companies.

An interim conclusion can be established for the aspect of competitiveness in that no clear evidence is given of whether SME enterprises have profited more or less from the support in terms of competitiveness. From the perspective of QMS, the SME enterprises improve their competitive ability vs. larger companies as a consequence of the support, since they increase the application of QMS in a much more intensive manner than the large companies which currently use QMS in an intensive manner.

Producer Benefits

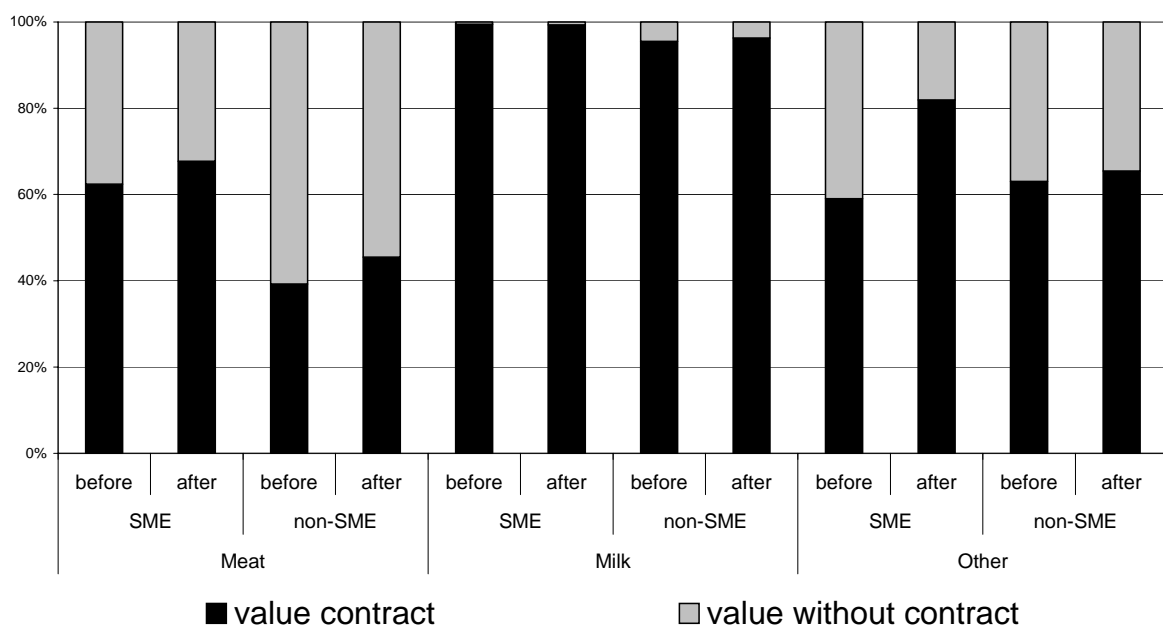
The main objective of the promotion of the areas Processing and Marketing of Agricultural Products is to improve the farm income situation, first by increasing the sales security and secondly by eventually obtaining “higher” prices for agricultural products. Since prices and quantities are difficult to calculate and even more difficult to compare, the value of agricultural raw products marketed or processed by a supported enterprise as well as the contractually-obligated percentage of these raw materials is used as an indicator.

First, the value of the raw products is studied, while subsequent applications are not considered to avoid duplication. Overall, 474 supported projects purchase agricultural raw materials in a value of 5.67 billion Euros before the funding, and plan to expand the consumption of raw materials to 6.44 billion Euros as a consequence of the investment (+13.5 %). SMEs, comprising about 84 % of the funded projects, purchase about 20 % of the raw materials. About 65 % of the raw materials were purchased by the “half support” group, and the few large companies purchased 14 % of the raw materials. The sector Milk and Dairy Products plays the most prominent role here. It features about 11 percent of the projects with about 39 % of the supportable investment costs, but is responsible for almost 50 % of the raw material consumption. Since for the most part these projects are in the “half support” group, this group takes the most prominent role overall.

At the conclusion of the investment, the already concluded projects had expanded their total consumption of raw materials by 11 % over the outset situation. There are no large differences between the individual enterprise size classes with regard to the extension of raw material consumption.

The percentage of contractual obligations is an indicator which better reflects the use of the investment for the agricultural producer as the absolute level of raw material consumption. (Dachverband Agrarforschung, 2003; Wendt et al., 2004 p. 27ff). The contractual obligations of all sectors and SME groups remains at 73 %, while this value shows significant differences in the individual sectors. Fig. 2 provides an overview of the contractual obligations in the Meat, Milk and Other sectors.

Figures 2: Share of contract



Source: own presentation.

In the Milk sector, a high level of contractual obligations is typical for the branch (quota system). Due to the relative large percentage share of Milk Sector on the total raw material consumption, the average contractual obligation portion of all sectors is significantly increased. The analysis of the data material permits no clear relationship between size of enterprise and the contractual obligation portion, but rather especially between sector and contractual obligations.

From the perspective of producer benefit, it can be summarized that the impact of the support on the sales security is not dependent on company size. Depending on the absolute extent of the investment by larger projects, the influence on the sales security by these projects is much greater.

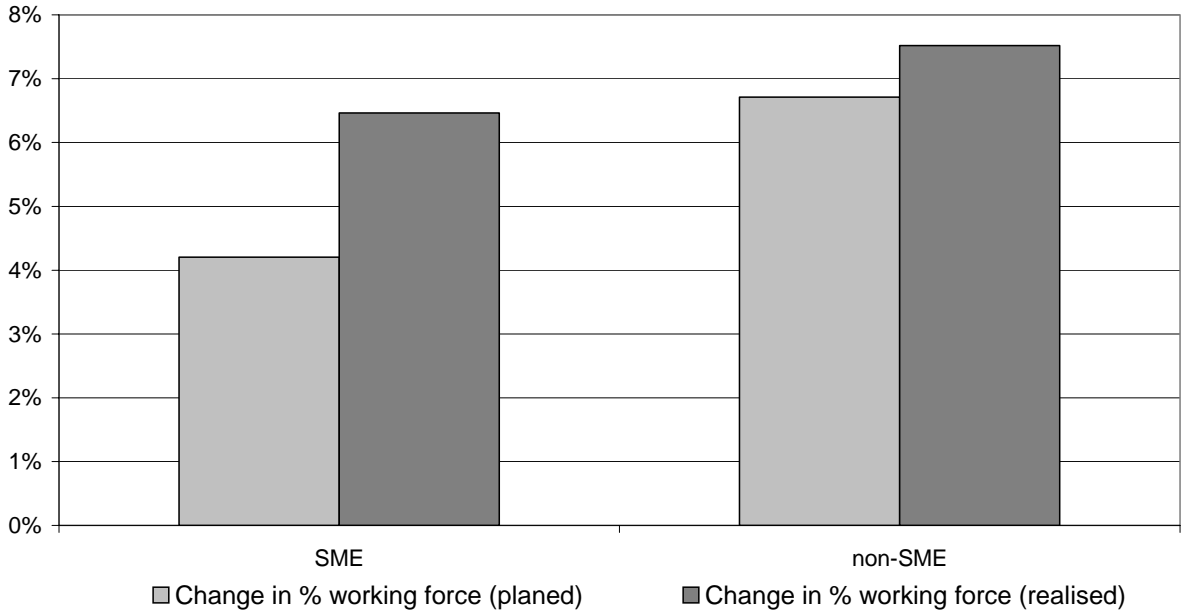
Labour Market

An important measure of the success of the support measures is the effect on the labour market. In the following section, it will be more closely analyzed which qualitative and quantitative effects the funding in the areas of marketing and processing has had on the labor

market and if differences exist between the SME classes. It must be considered that only gross effects can be calculated. Net effects cannot be calculated.

Overall the fund recipients reported providing 22,834 jobs in the time period before the investment. SMEs provided 39 % of these jobs, while 47.5 % were in “half support” companies, and 13.5 % in large companies. Since no full time equivalents were included in the survey, these figures present only an approximation of the actual number of jobs. A part time worker was assigned 0.5 Annual Work Units (AWU) and a seasonal worker 0.3 AWU.

Figure 3: Average change in %



source: own calculation.

The projects already concluded (216) planned an average increase of a 5.5% increase in jobs and in reality created about seven percent more jobs as before the investments. About 47 percent of the 442 newly-created jobs are to the credit of SMEs , the rest were created in non-SME-companies. The newly created jobs are similarly distributed to the funding throughout the different company size classes, i.e. the level of funding per new job is not dependent on the size of the company⁵. The average growth rate of the two company size classes (SME and non-SME) can be seen in Fig. 3. While the SMEs actually increased their personnel by about 6.5 percent, companies in the group non-SME could grow by about 7.5 percent.

Overall there are no significant or large differences in the development of jobs between the different company size classes.

Another important aspect for regional labour markets is the number of job training posts available. The funded companies provided a total of 997 training posts before the funding and planned to increase this by 12 percent. The SMEs provided 38 percent of the training jobs, while the “half support” companies provided 47 percent of the apprenticeships. The few large companies provided 15 percent of the training jobs. This apportionment is essentially in accordance with the distribution of all jobs across the different company sizes. In addition to

⁵ Share of investment costs for projects already concluded: SME = 49.5 %, non-SME = 50.5 %.

the total number of training jobs made available, the portion of training jobs as a percentage of all jobs is also of interest. This remains at about four percent independently of company size and sector, while the extreme values are between zero and 33 %. This finding does not change in the already concluded projects. The training quota is almost unchanged and for this reason new training jobs are only created based on the job growth within the individual company sizes.

This evaluation does not support the hypothesis that SMEs have a much more positive effect on the training market than large enterprises.

The strengthening of the position of women was another goal of the funding. Here, the percentage of women holding jobs was suggested as an indicator. The analysis of the data does not permit a correlation between the number of female employees and the size of the enterprise. On average the number of female employees is a good third. Deviations are generally related to a specific sector. In the sector Flowers and Ornamental Plants and Potatoes, the number of female employees is higher (about 40 percent) and in the Grains Sector a good 20 percent. No clear change in the percentage of female employees could be seen as a result of the funding. The percentage share before the investment, planned and realized is not significantly different.

Overall as an interim summary for the labour markets, it can be concluded that in absolute terms the large companies provide more new jobs and new training jobs, because they implement larger projects than SMEs do. However, in relative terms employment in the large companies does not grow more strongly than in the SMEs. The evaluation with regard to training jobs shows that the number of jobs is less dependent on company size than on sector. The size of a company also had no influence on the percentage share of female employees nor on the situation of women.

5 Conclusions

With the exception of the use of QMS, all studied aspects including investment objectives, development of value added, of consumption of raw agricultural materials, of contractual obligations, of jobs as well as the number of jobs for trainees and women showed no marked differences with respect to company size.

Even if the larger farms conduct the more extensive projects and thus receive the higher absolute levels of funding, the effectiveness of each Euro spent over all projects within one area is similar. In other words, the change rate, and thus the effect of an investment is similarly independent of the size of the company. Differences exist in the extent of the impacts which develop proportionally to investment and company size.

Against the background of this minimal dispersion of results among the company size classes, statements on the presented hypotheses are possible, even if the database, with its 216 concluded projects, is certainly no representative for the German food industry.

The general political decision at the EU level to make a priority of supporting SMEs will continue to be applied, since through the promotion of rural areas in the measure for the improvement of the processing and marketing of agricultural products, SMEs are preferentially seen as support-worthy enterprises. But these companies meet the objectives of

the support measures just as well (or just as poorly) as large companies. The exclusion of large companies from the support measures thus does not lead to an improvement in meeting the measure-specific objectives.

In this presentation we ignore other criteria that perhaps justify focusing support on SMEs. In particular the favorable access to financial resources may legitimate preference of SMEs within a support scheme, economies of scale too. However, often it is not clear whether companies of different size act really in the same market.

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