



INTRODUCTION OF QUALITY ASSURANCE SYSTEM AND ITS COST IN THE HUNGARIAN HORTICULTURE

FERENCZ Árpád, NÓTÁRI Márta

DEPARTMENT OF ECONOMICS AND RURAL DEVELOPMENT,
FACULTY OF HORTICULTURE, COLLEGE OF KECSKEMÉT

ABSTRACT:

During the last few years Eurepgap FV has become the most applied quality standard in Hungary. In case of export partners mainly require the certificate of this system. Most trader in European Union member states require that the products (here means fruits and vegetables) have to be cultivated in the frame of stated quality assurance.

As a summary it can be stated that if the PO or integrator undertake the introduction and certification of Eurepgap FV standard significant sum can be saved. The Hungarian fruit and vegetables producers can reach cost saving and higher sales probability with the integration and quality certification.

Keywords:

Eurepgap, economic evaluation of Quality Assurance System

1. INTRODUCTION

The adverse land property conditions and the inflow of cheap agricultural products after the EU accession the Hungarian farmers got into less favourable conditions. They have to count upon higher costs as well as lower procurement prices, therefore many of them cannot afford to introduce and maintain expensive quality standards, but more and more agricultural cooperatives mainly vegetable, fruit and mushroom producers and producers' organisations start to cultivate according to one of the quality standards trusting in better selling possibilities on the market.

Another barrier in introducing a quality standard into the Hungarian agriculture is the documentation requirement, that means every input or product must be accompanied by invoices. Due to the low profitability some of the farmers try to avoid VAT or additional taxes by purchasing and selling a part of their products without invoices, and the missing documents make the implementation of standards more difficult or the post-invoicing eventuates in higher costs during the realisation. A possibility can be finding adequate partner companies and share the costs, its discovery is generally based on references (Deli, 2005)

2. IMPORTANCE OF THE ISSUE

The improving process of quality culture is gathering pace in Hungary. The consequence of the cumulative and close competition is that the supply is already sufficing very widely the basic demands of the consumers. During the purchase, consumers' decision is based on quality differences contrary to the aspect of prices accustomed in the past (Hofmeister-Totth, 2003). The correspondence of the goal and requirements, the thrift connected to the trustworthiness and consumer satisfaction can be discovered in the definition. Obtaining the product on reasonable price is a rightful claim of the consumer (Hajduné-Lakner-Szerdahelyi, 1999). Even after the EU accession

the Hungarian agriculture has to face numerous problems and solve them in order to look positively into the future. Entrepreneurs must know all regulations, directives that the strictly regulated and common market of the European Union necessitates, these are the indispensable conditions of improving of farmers' and processors' competitiveness, entry to and getting on the market.

3. NEED OF EUREPGAP

The application of Good Agricultural Practice has long traditions in agricultural production. It is predictable that quality assurance systems used in food industry will also disperse among the agricultural processors (Berde, 2000). The market expectations regard generally to product quality, food safety Identification and traceability of raw materials are also more and more often an expectation of food processors' sector (Józsa, 2003). The Eurepgap standard follows and controls this quality assurance process. Eurepgap is a set of normative documents suitable to be accredited to internationally recognised certification criteria such as ISO 65/EN45 11. These standards are known and used worldwide for different plants, the most important in Europe and Hungary the Eurepgap Fruits and Vegetables (FV). Norms of FV were worked out in 1997 by delegates of fruits and vegetable grower, retailers together named EUREP (Euro-retailer produce Working Group). This association is a non-profitable organisation, its secretariat seats in Cologne.

4. BASES OF GATHERING INFORMATION

A questionnaire was used for assessment, which was based on and extended with deep interviews. The interviews with affected horticultural specialists gave the possibility to know whether they are satisfied or not with the recent situation and what they think about and mean in quality. The questionnaire research was done in Hungary's most significant (in horticulture) region, in Southern Great Plane Region (in Hungary). Due to the personal visits on the farms the number of planned and filled in questionnaires was the same. The used questions resulted answers for the following topics:

- ❑ Did the Hungarian horticultural professionals acquire the quality-oriented approach in the Hungarian market? Did they detect and measure the need of change and what was the main motive for introducing a quality assurance?
- ❑ Types, introducing date, time-distribution of used quality assurances
- ❑ Concerning the used quality standard: did they accept the approach, did they measure by statistical methods or questionnaire the change caused by the standard usage, to which direction?
- ❑ Costs of the Introduction of Quality Assurance System

5. RESULTS

5.1. The motives of introducing a quality assurance standard

The motives of introducing a quality assurance standard are the following according to the interviewed people: easier application for public procurement and other tenders, the main partner/forestaller required the certification, easier market ratio keeping and potential enlargement, and keep in line with their main competitor.

Experiences of applied quality assurance standards in Hungary, according to companies producing horticultural product in Southern Great Plain Region:

- Those bigger companies where ISO or other main standards were introduced, almost all companies chose well-prepared consultant companies, but do not have a trained quality manager in every case.
- Where introducing did not fulfil their expectations or the expectations were too excessive, entrepreneurs resented that the costs of the consultant companies are straining, then the audit and certification is also expensive, and the operating costs strictly depend on the size of the companies.

20% of asked small and medium enterprises, horticultural units employed full-time quality manager. The 60% of qualified horticultural units worked with contributors. 30% of examined units plan to implement an inner measuring system to serve them information about the right way, whether the chance of mistake decreases and the spending on them become lower. Companies should be informed about the advantages of introducing a quality system and what they cannot expect from that. The implementation of a quality standard itself cannot ensure the success. This is extremely important mainly in case of producers of special, Hungarian horticultural products.

5.2. Hungarian experiments of Eurepgap

During the last few years Eurepgap FV has become the most applied quality standard in Hungary. In case of export partners mainly require the certificate of this system. Most trader in European Union member states require that the products (here means fruits and vegetables) have to be cultivated in the frame of stated quality assurance.

Examinations showed that general preparation for the first audit needs about two months, if some items of the standard had been working earlier. It can be stated that if a farmer uses the techniques of Good Agricultural Practice, the implementation of Eurepgap system is easier mainly in case of plant protection, nutrient supply, environment protection. In several fields national Hungarian rules are stricter and more circumspect than this standard. The implementation of traceability generally needs also about two month to prove the way of certified product in the whole production chain. A positive effect of the system implementation that all documentation and processes will be systematized and transparent. The standard controls e.g. the issues of habitat treatment, nutrient supply, plant protection, harvest, primary process and waste management. Internal audit is obligatory yearly for correction and improving the operation. Certification costs clear in EU market, the significant store chains and trade partners necessitate the quality certificate. Unfortunately quality is not so determining in the Hungarian market.

5.3. Costs of a EU conform quality standard in Hungary

The research examined how much it is to introduce and maintain an EU conform quality standard, the EurepGAP Fruits and Vegetables standard, for the Hungarian companies in different size. All incurring costs in sake of quality were collected, from which the costs of introduction and auditing costs must be emphasized. The amount of this costs significantly depends on the size of the enterprise and the number of producers. The auditing-certification fee is about 600-900€ per inspection day, and additional registration fee is farm size dependent. The total cost of a whole audit in case of 50 producer can reach 4000€.

Also extant systems need consultancy and modification sometimes. Its cost can be 300-400€ per occasion. If a Producers' organisation or an integrator orders for 50-100 members the cost can be reduced around 100 per producer. The costs of annual Maximum Residue Level analysis overburden the Hungarian horticultural companies. The yearly one obligatory MRL: analysis for every product from the aspect of the consumer is not so much, but its price is about 140-200€ per piece. The administrative (, employee, stationary, IT costs) and training costs are also high. The salary and taxes of a full time quality manager minimum 400€ per month and his training cost for the updated knowledge about 150€. All these cost can go up to 1000€ per annum per company. Not all the Hungarian horticultural companies meet the requirements of EU standards therefore there are expensive tasks to improve the workers' welfare, and develop and modernize safe and healthy working conditions for them. Ensuring the production conditions all machinery must be maintained continuously. These costs affect the smaller and bigger businesses in a different scale from few hundred until some thousand euro. The ration of these costs is demonstrated in Figure 1.

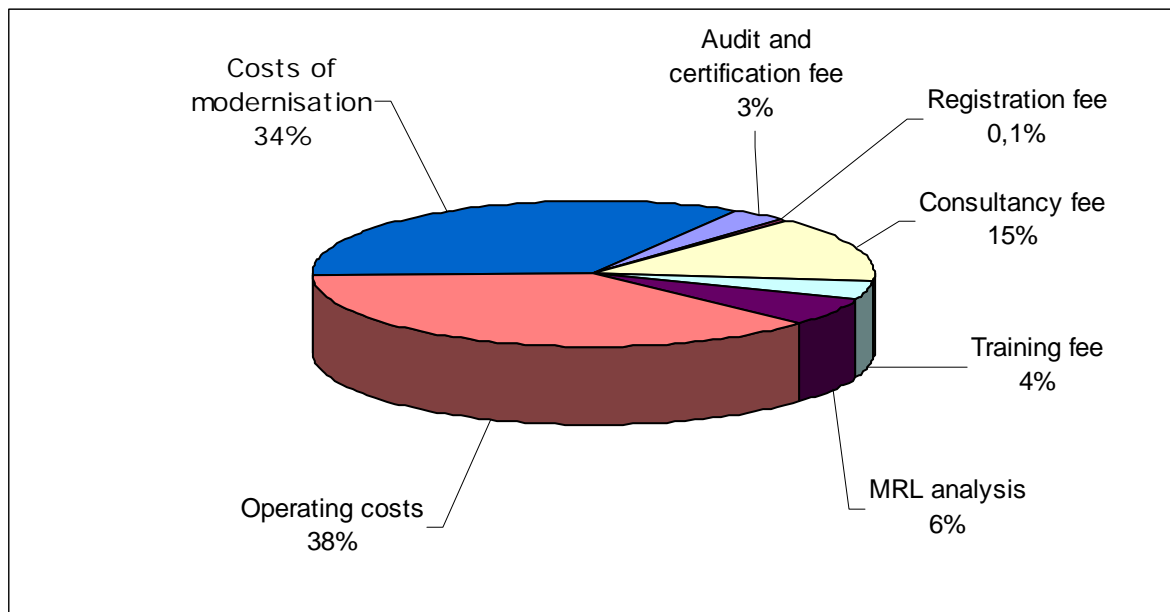


Figure 1. Cost structure of introducing Eurepgap system in Hungary for 50-100 producers

The examined POs and integrators generally take over all or most of the introducing costs from the individual producers, and try for covering the costs partly by applying for tenders. With this formation everybody wins. The producers can sell the products, the organisation has better bargaining position against multinational retail chains with the lot and certified product.

The main scopes of Eurepgap FV in Hungary are: paprika, watermelon, asparagus, cabbages, tomatoes and fruits.

6. CONCLUSION

It was observed during the research that most of the Hungarian small and medium entrepreneurs segment has no evolved commitment or long term improving plan on quality. Companies should be informed about the advantages of introducing a quality system and what they can not expect from that. The implementation of a quality standard itself can not ensure the success. This is extremely important mainly in case of producers of special, Hungarian horticultural products. The specialties, the high quality, regional, horticultural products must be offered with adequate marketing techniques. This will be possible in long term if more and more companies use proper quality systems and provide the necessary means.

As a summary it can be stated that if the PO or integrator undertake the introduction and certification of Eurepgap FV standard significant sum can be saved. The Hungarian fruit and vegetables producers can reach cost saving and higher sales probability with the integration and quality certification.

REFERENCES

- [1.] Berde, Csaba, Changes of Approaches to Management Functions in Agriculture. Zbornik, Vedekych Prac, Nitra, 217-222.p. 2000
- [2.] Deli, Zsuzsa, Nemzetközi marketing. Műegyetemi Kiadó, Budapest, 2005
- [3.] Józsa, László, Marketing Strategy. KJK-Kerszöv, Budapest, 2003
- [4.] Hajdu Istvánné – Lakner Zoltán– Szerdahelyi Károly, The transition of Hungarian meat sector- lessons and experience Acta Agronomica Kaposvariensis 3 [2] pp. 325-335.p., 1999
- [5.] Hofmeister, Tóth Ágnes -Totth, Gedeon, Wine purchase and personal value based consumer segmentation. Proceedings of the International Wine Marketing Colloquium and Conference, University of South Australia, Adelaide, 2006