CHANCES AND RISKS FOR POLISH EXPORT OF AGRI-FOOD PRODUCTS

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Abstract. The aim of the paper is to present the benefits that the Polish economy gains from export of agri-food products. For this reason, the author performed the analysis of data that were related with the value and structure of Polish export in the years 2005-2012. The changes in widely understood food economy, income of employees, prices and export were also taken into consideration during this analysis. It became obvious that this required also the estimation of potential risks both for Polish export in general and export of Polish food. The article employed the use of different documents such as Polish and foreign publications, the results of analysis of secondary research and the author’s own research on 87 Polish exports of agri-food products performed at the end of 2011. Thanks to this, the result was visible in full picture of profits, chances, risks, and difficulties in current and future distribution of Polish agri-food goods. The research also showed the export direction with the development perspectives. The research covers the period of 2005-2012.

Key words: the economy, export, agricultural and food products
JEL code: F19, Q1

Introduction

The modern economy bases on the mutual exchange of goods and services between countries. Thanks to these relations, the companies can benefit both from export (financial income) and import (extended availability of goods). One of such beneficiaries is the country, which can estimate profits and losses in co-operation with other countries.

From 2004, namely, since its accession to the EU, Poland has produced positive changes especially in the area of exchange of agri-food products. Even the year 2008, which in relation with the global crisis brought a decrease of economic conditions, did not make drastic changes in this area. It is true that there was a decrease of export by 1.3% and import by 9.7% in 2009 but finally the balance was improved and it achieved a positive level equal to EUR 2.2 trillion (Concise Statistical Yearbook of Poland, 2012).

The aim of the paper is to present benefits that the Polish economy gains from export of agri-food products. For this reason, the author performed the analysis of value of Polish export and its structure in 2005-2012. The research also considers the changes in employment in widely understood food economy, income of employees, prices of products and export directions. The research also defined possible dangers and risks for Polish export in general as well as for the export of Polish food.

The additional value of this paper is the presentation of research results on 87 Polish exporters of Polish agri-food products performed at the end of 2011. This resulted in the improved view of benefits, chances, risks, and difficulties in current and future distribution of the Polish agri-food goods. The author presents the directions of export with the development possibilities.

Research results and discussion

1. Participation of agri-food export in general Polish export

The value of export and import of goods and services, together with relations that are visible between these flows is the base to set up the trade balance and current account.

The current account is one of base pillars of the country balance of payments (next to the capital account and sources of financing deficits). All these economic resources linking a particular country with foreign countries become expressed in the balance of payments. In Poland, the balance of payments is presented to the Parliament by the National Bank of Poland (Macro- and Microeconomics, 2007). The balance of payments is a very important indicator for the condition of the economy.

The base form of economic relations between different countries is the exchange of goods and services. The data presented by the Central Statistical Office of Poland (years 2006-2012) outline that the trade balance of goods and services has a negative current balance. Table 1 shows the data related with the current trade account in the years 2006-2012.

Most often Polish goods and services were exported to the EU countries, especially to Germany and France. In 2006, out of 100% value of Polish export 63.2% went to the EU countries, the so-called “EU-15”. In 2007, this share increased to 64.2%, while in 2008 and 2009, it decreased to 61.9% to hit the value of 59.5% in 2010.

In the first half of 2012, out of 100% value of Polish export 25.6% were traded with Germany, 6.7% - with the United Kingdom, and 6.3% were directed to France (Analysis of the Polish Economy I-VI 2012, 2012). Focusing on the structure of goods in Polish export it is necessary to emphasise the growing share of export of agri-food goods. Table 2 presents the value of export and

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Table 1

<table>
<thead>
<tr>
<th>Year flow</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
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<tr>
<td>in mln EUR</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>import</td>
<td>100784.1</td>
<td>120389.5</td>
<td>142447.9</td>
<td>107528.9</td>
<td>134188.4</td>
<td>150401.9</td>
<td>62000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(144 200)</td>
</tr>
<tr>
<td>export</td>
<td>87925.9</td>
<td>101838.7</td>
<td>116243.8</td>
<td>98218</td>
<td>120373.1</td>
<td>135700.0</td>
<td>57000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(157 100)</td>
</tr>
<tr>
<td>balance</td>
<td>-12858.2</td>
<td>-18550.8</td>
<td>-26204.1</td>
<td>-9310.9</td>
<td>-13815.3</td>
<td>-14701.9</td>
<td>-5000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(-12 900)</td>
</tr>
</tbody>
</table>

* given estimates for Q1 and Q2 of 2012 and in brackets estimates for the whole 2012

Source: author’s research based on Rocznik Statystyczny Handlu Zagranicznego, 2011 (The Yearbook of Foreign Trade Statistics 2011) and Analiza sytuacji gospodarczej Polski w okresie I – VI 2012 (Analysis of the Polish Economy I-VI 2012)

Table 2

<table>
<thead>
<tr>
<th>Year flow</th>
<th>2005</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012*</th>
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<td>in mln EUR</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export of the agri-food goods</td>
<td>7 028</td>
<td>9 942</td>
<td>11 422</td>
<td>11 278</td>
<td>13 507</td>
<td>15 196</td>
<td>15 500</td>
</tr>
<tr>
<td>incl. to the EU-27</td>
<td>5 191</td>
<td>8 001</td>
<td>9 218</td>
<td>9 067</td>
<td>10 706</td>
<td>11 397</td>
<td>11 625</td>
</tr>
<tr>
<td>Share of agri-food products in the entire export, %</td>
<td>no data</td>
<td>9.8</td>
<td>9.8</td>
<td>11.5</td>
<td>11.2</td>
<td>11.3</td>
<td>13.6</td>
</tr>
<tr>
<td>import of the agri-food goods</td>
<td>5 374</td>
<td>7 972</td>
<td>10 089</td>
<td>9 111</td>
<td>10 921</td>
<td>11 961</td>
<td>12 200</td>
</tr>
<tr>
<td>incl. to the EU-27</td>
<td>3 388</td>
<td>5 347</td>
<td>7 023</td>
<td>6 320</td>
<td>7 482</td>
<td>8 373</td>
<td>9 028</td>
</tr>
<tr>
<td>Share of agri-food products in the entire import, %</td>
<td>no data</td>
<td>6.6</td>
<td>7.1</td>
<td>8.5</td>
<td>8.1</td>
<td>8.0</td>
<td>9.8</td>
</tr>
<tr>
<td>Trade balance</td>
<td>1 654</td>
<td>1 970</td>
<td>1 333</td>
<td>2 167</td>
<td>2 586</td>
<td>2 600</td>
<td>3 200</td>
</tr>
</tbody>
</table>

* estimated data of IERiGZ are used for the year 2012

Source: author’s research based on Monitoring i ocena konkurencyjności polskich producentów żywności (1)(Monitoring and Evaluation of the Competitiveness of Polish Food Producers), 2011 and on Rocznik Statystyczny Handlu Zagranicznego 2011 (The Yearbook of Foreign Trade Statistics 2011)

import of agri-food goods and their share in global trade of Poland in the years 2005-2012.

If the statistics confirm the forecast that Polish export of agri-food goods reached the level of EUR 15.5 trillion at the end of 2012 (Polish foods sold on foreign markets, 2012), then it is clear that food export would amount to approx. 13.5% of the total export value of Poland. It is then obvious that every 10th euro from export comes from the export of agri-food goods. Besides, the balance of these products has permanently been positive and has systematically grown since 2008. Thanks to the expansion of Polish food, the general Polish trade balance even if it is negative is seen well, meaning if the growth continues with the high speed of export then the negative difference between export and import would decrease continuously. Just in 2007-2012, the value of Polish exports of agri-food goods increased by 40%. If the figures are taken with the data range from before the EU accession to the end of 2011, then it is easy to see that the export of Polish agri-food goods has increased three times. At the end of 2011 (based on the Yearbook of Foreign Trade Statistics 2012, 2012), the value of export of agri-food goods increased to PLN 52.98 trillion and the estimations for 2012 are even more optimistic and target to PLN 62.4 trillion. This confirms that the Polish food economy is well prepared for new challenges and problems. Cigarettes, pork, poultry, chocolate and cocoa products, bread, milk products, vegetables and fruit are the most popular export goods. In first half of 2011, the sales value of pork was over EUR 388.3 mln (in 2010, it was EUR 271.9 mln), poultry - EUR 376.7 mln (2010 – 311.4), chocolate – EUR 363.5 mln (2010 – 300.2), and bread – EUR 281 mln (2010 – 241). Until August, milk products were over EUR 856 mln and it was by 13.3% more compared with the value of 2012. Similar case was observed with the export of juices and fruit, which exceeded EUR 856 mln and it was 13.3% more compared with the value of 2012.

2. Chances and risks for Polish export

Export is related with the inflow of financial resources in the country exporting goods and services abroad. The forecast for Poland was that it would receive approx.
EUR 14.8 trillion from export of food in 2011. This does not include export of other agri products that are not mentioned for food production. Meanwhile, the reality was much more surprising than expected. The value of food export was closed EUR 15.2 billion in 2011 (Information from the Ministry of Economics of the Republic of Poland).

Such positive dynamics of the Polish export value is based on the following influencing factors:

- high price of agri-food products on foreign markets;
- creation of positive image of quality and taste of the Polish food in foreign consumers chain;
- decreasing foreign exchange value against euro; increased sales profit;
- strong expansion of Polish food companies abroad; they look for new markets, for example, market in China for pork sales, Turkey - beef, Algeria, Senegal, or Egypt - milk products;
- increased demand on Polish food, with a special focus on ecological food;
- existence of international trade companies like Tesco and Lidl on the Polish market;
- positive actions of the Ministry of Agriculture in promotion of Polish food, for example, implementation and financial support of the programme “Poznaj Dobra Zywosc” (Know the Good Food), promotion of logo ensures guarantee of good quality, support of food exhibition both in Poland and abroad;
- export of Polish food is speeded up by the EU financial support, for example, Brussels support export to the countries outside the European Union.

Peter Dicken provides one more argument that Speer European and American export of agri-food products. He believes that two-third of growing countries or more than 50% get addicted to export of goods (food and agriculture of non-food products like non-ferrous metal, industrial materials). This factor gives unlimited place for the development of Polish companies that export food and agri-products (Dicken P., 2007).

The supportive circumstances presented above are only few from the most important and the most mentioned by economists; however, detailed analysis of local conditions that support export shows that there are much more. In the research covering 87 exporters of Polish agri-food products, the most popular answer related with the benefit from export of food products was that higher profit from foreign sales compared with Polish prices, has been a strong opportunity to expand the markets. Information that growing production and export
increases the employment of people from rural areas and towns is a very interesting point having social aspect. A detailed profile of answers is shown in Figure 1.

It is not possible to mention all future risks for Polish export of agri-food products. The most frequently mentioned are as follows:

- decreasing prices of agri-food products in the world;
- strengthening of positive opinion about the Polish economy done by international institutions;
- increased demand for Polish food can be blocked, since the European markets are saturated with producers from the so-called new Union (meaning Bulgaria, Romania) that offer goods with cheaper price than the Polish one;
- missing of concrete consolidation actions in food industry (also by farmers and other small food producing companies);
- missing of active promotion of Polish products abroad;
- financial problems of the EU countries (based on the global financial crisis) weaken the purchase power of societies, including the purchase of Polish food products. In 2011, the total sales value was EUR 1.5 trillion; interest is also focused on the United Kingdom (EUR 488 mln), the Czech Republic (EUR 470 mln), and France (EUR 418 mln).

In addition, the biggest dangers related with further development of export of Polish agri-food products based on the opinion of the Polish Federation of Food Industry are as follows:

- missing long-term and multi-faceted strategy for the support of Polish export;
- sudden price increases for agri-products in the EU;
- fast growing general production costs (energy, cost of work, transportation);
- higher inflation in the country that is a root cause for price increase of agri-food products, and because of that exporters losing their dominance compared with other EU Member States and other countries.

Exporters, which were covered by the research, assumed that the biggest problems in international exchange were: lack of qualified employees that could run the business on behalf of the company (90% of answers), very complicated procedure of filling in trade documents (80% of answers), and finding a trustee counterpart abroad that would represent business abroad (80%). The other answers are presented in Figure 2.

The international forum includes at least 80% of export managed by the credit system (delayed payment even of few months) of export insurances, tax reliefs for exporters due to investment, insurance against foreign exchange rate, bank and government guarantees, financial support to credits, and simplified tall procedures. In contrast, there is an increasing pressure from countries like USA, Argentina, Brazil, or Australia, which expect liberalisation of trade and free competition. Some countries are also showing trends of future main players on the international market. According to Dunning, these countries will be China, India, the South Korea, Russia, Brazil, Mexico, and Australia (Dunning J., Lundan H.,

![Fig. 2. Distribution of answers, from Polish exporters of agri-food products related with export problems, %](chart)
Sarianna M., 2008). Poland will have no other choice than adapt to the changing situation and find its proper place in the New reality.

3. Positives and negatives of Polish export of agri-food products

The growing export of agri-food products solves issue of overproduction in farming. Polish farmers could have serious problems with selling their products, in case they lacked a possibility to use open foreign markets. For the past three years, the sales of food in Poland are slowly growing (from 2008). This growth is not strong enough to cover full agricultural production. The export also supports the employment situation in rural areas and small cities. In 2005, the average unemployment rate was 17.7% of which 16.1% were observed in rural areas. In 2010, it was 9.6% and 9.8 respectively (according to the Concise Statistical Yearbook of Poland 2011, 2011). Currently, the unemployment value slowly grows (in October 2012, it was approximately 13%, and in rural areas – 13.8%) but this is not related with people hired in export production (there is still not available research in this area). However, there is a decrease of employment in food market and stabilisation of farming; one can observe an increase of productivity of employees in other areas. The average salary in farming has increased from PLN 2387 (in 2005) to PLN 3885 (in Q1 of 2012). In food industry, the change was from PLN 2099 to PLN 3071 (based on the Employment and Payment in National Economy for Q1 of 2012, 2012). Unfortunately, there is an increase of production costs, which decreases the competitiveness of Polish exporters.

It is worth to underline that the value of sold production in food industry has increased by ¾ in the years 2000-2010, i.e. from PLN 92.9 trillion in 2000 to PLN 162.3 trillion in 2012. This increase was the result of extended export of agri-food products from Poland (especially after 2004) and increased internal demand (Adaptation Processes of the Polish Food Industry to the Changing Market, 2011). In companies of food production, the value of sold production has increased by ¾ from PLN 84.5 trillion in 2000 to PLN 151.1 trillion in 2010. Majority of sectors (except wine, cigarettes, and confectionary) managed to increase income from sales in this time (Adaptation Processes of the Polish Food Industry to the Changing Market, 2011). So far, there are no published data for 2011 but it is already known that in Q1 and Q2 of 2011, the value of the sold production of food industry went over PLN 78.9 trillion (Food Sector in Poland, 2011).

The GDP contains added gross value that is created in every sector of the national economy. The same case is seen in food industry - the value added is generated. The share of value added in the GDP for Poland was 2.7% at the end of 2010. In the past decade, the added gross value of food industry (including tobacco) increased by more than ¾ from PLN 22.3 trillion to PLN 39.3 trillion. In reality, this growth was below 50%. The companies preparing financial reports showed that the value added has increased by 78% from PLN 18.1 trillion (in 2000) to PLN 32.2 trillion (in 2010), while in reality, (in prices of 2010) it has increased by 35% from PLN 23.8 trillion to PLN 32.2 trillion. Dynamic growth of value added in this sector was observed after 2003. The average growth of value added in 2003-2010 was 7.6% a year, and real speed was below 1.9 percentage points. All sectors of industry, except the potato one, have increased the gross value added in that period (Adaptation Processes of the Polish Food ..., 2011).

At the same time for Polish society, the increase of export of Polish agri-food products means higher price for these products in stores. According to the Central Statistical Office of Poland (GUS), the increase of the average price of food and non-alcoholic drinks was 5.6 (for food - 5.8%) in the period of January-October 2011 compared with the same period of 2010 and it was higher than the inflation rate (4.2%). The biggest price change was observed in the price of apples and sugar (over 50%), marmalades and sweet products (14%), potato and bakery (13%), fruit (12%), and poultry (11%). There was also a decrease in the price for citrus fruit (12%), bananas and eggs (3%), and vegetables (1%). In 2012, the price of pork and milk products would surely increase with the receipt of the veterinary approval for export of food to China. The research done at the beginning of this year by ING Bank Słąski outlined that the costs of food spending have increased by 24%. This means that less part of home income remains for other goods and services. If food prices continue their growth with such speed, the spending on other goods will slow down the economy and its growth.

Conclusions

The 2012 is the year, which outlines positive forecasts for Polish export compared with the previous years. Probably there will be higher dynamics of export growth compared with import. This was already noticed in 2011. According to the Central Statistical Office (GUS), the export in January of 2012 reached EUR 9 trillion 337 mln and increased by 17.3% during a year. At the same time the import reached EUR 9 trillion 443 mln. This result is better by 9% compared with 2010. The main sectors that generate high value of Polish export are the following three: motor, agri-food, and RTV. An interesting aspect is that the increase of agri-food export is surprising comparing it with the data of 2004 when it was said that production was old-fashioned and non-effective. There were worries that Poland’s accession to the EU would flood Polish market with products from the European Union. Meanwhile, the reality is different. Currently, the sales of Polish agri-food products have a significant influence on the export profit, it has increased the living standard of societies residing in towns or rural areas. From marketing perspective, it can be said that the Polish export of food can be compared with a good instrument that promotes Poland on the international area. More and more people in the world know and accept the good quality and price of Polish agri-food products. Ecological rural products play a special role in the export and it continuously grows and has a bigger influence on the Polish economy.

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