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INVESTMENT AND EXPORT OF FOOD INDUSTRY IN 2004-2010

NAKLADY INWESTYCYJNE I EKSPORT W PRZEMYSŁE SPOŻYWCZYM W LATACH 2004-2010

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Słowa kluczowe: pozycja konkurencyjna, przemysł spożywczy, eksport, konkurencyjność, nasylenie popytu na produkty żywnościowe

Abstract. Today, as a result of declining demand on the domestic market and increasing level of food needs saturation export becomes a stimulator of food industry development. The article shows the factors of food industry development and a special role of export of food products to EU countries and Eastern Europe in promoting competitiveness of this sector in Poland. It is hoped that the general picture of the food industry in Poland will help better understand the challenges and opportunities created in this sphere in 2000.

Introduction

Important changes in the food sector started in Poland in 1990. and were manifested in the deconcentration, demonopolization, and privatization on all levels of the food market. The process of integration and concentration of production and capital within food chain was started in 90. and during the period of the transformation of the Polish economy have been increasing. The paper presents the recent changes and determinants of increasing the level of competitiveness of food industry in Poland. Because of increasing level of competition on Polish food market the crucial question is to discuss what are the most important determinants increasing the level of food market competitiveness? The next question concerns possibility of market penetration in the conditions of high saturation of the demand.

Food industry in Poland

Food industry in Poland reflects a model of oligopoly competition. A group of features characteristic for this model includes [Szwacka-Mokrzycka 2009]: a limited number of companies, high barriers of entrance, significant relationships between companies in building trust and price decisions, a small role of prices as an instrument of competitiveness, a pressure towards innovations. It is worth to add that intensity of competing in food sector depends on:

- 1) a number and size of companies,
- 2) diversification of companies,
- 3) diversity of offered food products,
- 4) a level of market saturation,
- 5) technological progress.

The Polish food industry can be characterized by a lasting trend to consolidation as a result of integration operations of a vertical character (backward or forward) or a horizontal character (within one link). In Poland, there is relatively significant diversification according to a size and market share. There are both universal companies (competing using the same methods and instruments) as well as of a specialized profile of operation. There are some factors especially influencing on possibilities of diversification of food products: a number of product's elements and essential differences in preferences of particular groups of consumers. A diversified level of market saturation with food products influences on a form and intensity of competition on market. Companies compete directly with each other for taking over consumers (on saturated markets – basic) but they also compete indirectly for winning new purchasers on market (on market of new generation products) [Szwacka-Mokrzycka 2011]. Quick changes in technologies on food market have contributed to stimulation of innovation processes, so creation of new products on market, as well as a change in ways of distribution and promotion.

A size and character of entrance barriers are fundamental for strengthening competition on market of food products. A group of the most important ones includes: economies of scale and range of operation, capital needs, diversification of products.

Use of an effect of scale in food industry is possible through development and implementation of new technologies and capital investment. Moreover, increase in sale volume and its diversification influences on decrease in a risk level (dividing of risk for a bigger number of products).

There is significant differentiation of a level of service and advertising activities of companies – the newly entering companies spend a lot for brand promotion and attracting consumers loyal towards other companies. Reputation and trust for a firm can be special barriers on this market.

Food industry in Poland in comparison with the EU

Food industry is important sector of Polish economy with revenue of about 150 bln PLN and over 3% share in GDP in 2009. Polish accession to the European Union created new possibilities for the Polish food sector enforcing at the same time the adjustment of the mechanisms of Polish food economy to the Common European market. Polish producers were granted unlimited access to the market of 540 million consumers gaining at the same time access to financial means within programs of Phare, SAPARD (in pre-accession period) and structural funds. Total transfer of EU and domestic funds to the food processing industry since 2004 amount to over 62 bln PLN, allowing for significant acceleration of the process of modernisation of food industry, improvement of its competitiveness, food quality and safety. Moreover, competitive advantage of Polish food processing enterprises was revealed in comparison with other countries of the EU. Building competitive advantage on the EU market is not based solely on price competition, but mainly on high quality of offered products. In order to improve the competitiveness of products Polish food producers made many investments adjusting their companies to the EU standards in the pre- and post-accession periods. When we follow the indices of investment spendings in food industry in 2004-2010 we observe the increase of manufacture of food products by about 12% (in 2010 in comparison with 2005). At the same time the indices of manufacture of beverages were decreased by about 19% (Tab. 1).

Table 1. Indices of investment spendings in food industry in years 2004-2010

Tabela 1. Dynamika nakładów inwestycyjnych w przemyśle spożywczym w latach 2004-2010

Specification/ <i>Wyszczególnienie</i>	Indices of investment spendings/ <i>Dynamika nakładów inwestycyjnych</i>				
	2004/2002	2008/2007	2009/2008	2010/2009	2010/2005
Manufacture of food products/ <i>Produkcja żywności</i>	103.0	109.5	82.3	107.7	112.1
Manufacture of beverages/ <i>Produkty i napoje</i>	–	113.8	50.5	108.8	81.1

Source: Statistical Yearbook 2011

Źródło: Rocznik Statystyczny 2011

The inflow of direct foreign investments and foreign strategic investors to many Polish enterprises had influence on the decrease of technological gap in food processing in Poland against other EU countries. Many Polish food producers have become part of foreign corporations. They have been included in globalisation processes and international specialisation in world economy. The inflow of foreign companies initiated globalisation process of implementing new technologies, products and organisation and management methods (changes in the development of particular sectors of food industry). In 2008 the share of global corporations in the food production industry in Poland amounted to 38%. In the recent years Polish food economy has reached stable basis for further development and has strengthened its position on the EU market. Poland belongs to the biggest producers of cereal, meat, milk, sugar and has increased its share in purveyance of food to the EU markets and developed its ties with these markets. Currently food industry is listed among the most modern and most innovative sectors of Polish industrial economy. It is fostered by high technological level resulting from availability of the EU financial means. Implementation of modern technologies stimulates achieving high quality food products and undertaking innovative activities. Pro-innovative activities include implementation of new technologies and product manufacturing techniques as well as improving sensory content and packaging of products. At the same time it is worth emphasising that capacity of enterprises to compete relies significantly on implementation of modern management systems in a particular organisation. Using complex rules of marketing management in food processing enterprises in Poland varies. High and effective level of management is characteristic for leaders of particular sectors. The increase of management effectiveness and the development of new technologies stays under significant influence of capital investments.

The role of export in stimulating the development of food industry

It must be noticed that Polish food industry is competitive for other countries of the EU due to the prices of agricultural products and relatively low level of processing. As a result this allows to achieve price-cost competitive advantage [Wierzejski, Gornowicz 2008]. Polish food is perceived as high quality and relatively affordable. Thanks to price competitiveness the export of added value food grows, which results in incorporation of food producers into the system of active internationalisation. Active internationalisation is understood as the share of export in the overall production in a sector from quantity perspective, with the exception of fruit and fruit preparations, cereal and sugar market, being dependent not only on the volume of foreign sale, but also on sale on the domestic market. When we follow indices of exports processed food products it is observed high increase (by about 68% in 2010 in comparison with 2005) [Rocznik Statystyczny 2011]. The increase of prices of agricultural products, pay-rises in food processing and the decrease of the value of PLN unfavourable for exporters may cause decrease or even loss of these advantages in the long run. Talking about the development of the activity of Polish enterprises on foreign markets we mean the export promoting activities constituting early stage of internationalisation of the economy. As has already been said, a broader expansion of food industry enterprises to foreign markets over the last few years has been possible due to significant development and support from the funds of the EU that has led to modernisation of companies and meeting international competition. Price-cost competitive advantages of food industry foster the development of food export to the markets of the EU, where 80% of Polish export of agricultural and food products is placed on the EU market, with 25% in Germany. In the structure of export the leading importance is taken by the following sectors: meat, dairy, fruit and fruit preparations, constituting 4% of overall revenue from Polish export in 2008. The importance of particular sectors of food industry in the process of internationalisation of the sector in Poland is diversified [Szwacka-Mokrzycka 2009]. The first position is occupied by meat sector. The growing demand, especially for poultry, results from relatively low prices of these products on the EU market as well as from lifting the limitations in trade with Eastern markets. The demand for dairy products is significantly stimulated by the development of export of these products to the EU markets. The situation forces enterprises of dairying sector to undertake activities strengthening effectiveness in order to meet the requirements of competition. The third sector out of those mentioned, fruit and fruit preparations, places Poland at one of the leading positions among apple and soft fruit producers on the EU market.

Conclusion

Food industry in Poland can be characterized by a lasting trend of consolidation processes through mergers and takeovers. In Poland, there is relatively significant diversification according to a size and market share. There are both universal companies (competing using the same methods and instruments) as well as of a specialized profile of operation. A diversified level of market saturation with food products influences on a form and intensity of competition on market. On saturated markets – basic, companies compete directly with each other for taking over consumers. On market of new generation products, they also compete indirectly for winning new purchasers on market Increasing competitiveness of Polish food industry ups to the export promotion.

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Streszczenie

Współcześnie, wskutek zmniejszającego się popytu krajowego i wzrastającego poziomu potrzeb żywnościowych ludności, eksport jest stymulatorem rozwoju przemysłu spożywczego. Zaprezentowano czynniki rozwoju przemysłu spożywczego, zwracając szczególną uwagę na rolę eksportu do krajów UE oraz Wschodniej Europy w kształtowaniu rozwoju konkurencyjności sektora żywnościowego w Polsce. Przedstawienie sytuacji obecnej i perspektyw rozwoju przemysłu spożywczego w Polsce ma przyczynić się do lepszego zrozumienia wyzwań i możliwości tkwiących w tym obszarze w latach 2004-2010.

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