STOWARZYSZENIE EKONOMISTÓW ROLNICTWA I AGROBIZNESU
Roczniki Naukowe ● tom XI ● zeszyt 6

Agnieszka Tłuczak
Opole University, Poland

PRICE COMPETITIVENESS OF POLISH AGRICULTURAL PRODUCTS ON THE EU MARKET

KONKURENCYJNOŚĆ CENOWA POLSKICH PRODUKTÓW ROLNYCH NA RYNKU UNIJNYM

Key words: price competitiveness, prices of agricultural products
Słowa kluczowe: konkurencyjność cenowa, ceny produktów rolnych

Abstract. In the agricultural sector price competitiveness of the agricultural products plays important role. It should be noted, however, that the mere fact of offering the product at a lower price does not make it more competitive. In case of agricultural products the most important factors are: the quality, delivery terms and tariff barriers in foreign trade. Lower market prices for agricultural products in Poland determine their competitiveness on the EU market. The level of prices of Polish agricultural products results from lower purchasing power of Polish consumers. The integration with the EU reduced the price differences between Poland and the European Union, especially on the product market, whose sales had not been liberalized earlier.

Introduction

The concept of competitiveness is difficult to define, due to the complexity of the phenomenon. Market competition means the competition of enterprises, in order to obtain economic benefits by selling and purchasing their goods, as well as to supply means of production[. In the agricultural sector competition of the agricultural market plays important role. The competition is defined as the capacity to provide goods and services in a place, form and time desired by buyers, at prices equal to or lower than the prices offered by other suppliers. The competition defined in this way is shows in two aspects. The first relates to the national and international markets of the products and means the ability to gain and maintain a specific position in those markets. The second aspect refers to the competition in the markets of production factors, which when involved in the production of certain goods should bring at least the recovery of the alternative costs [Zalesko 2006].

The subject of the consideration in the article is the price competitiveness of Polish agricultural products on the EU market. The term is meant as price competition between contactors and this competition involves offering customers goods at prices lower than a competitor will do. It should be noted, however, that the mere fact of offering the product at a lower price does not make it more competitive. In case of agricultural products the most important factors are: the quality, delivery terms and tariff barriers in foreign trade.

Poland's access to the European Union in 2004 made Polish agriculture the subject to the rules of the Common Agricultural Policy. Since May 2004 in Poland effective mechanisms common to all member countries has been imposed. The prices of Polish agricultural products have increased and are closer to the prices of agricultural products in other EU countries[Tłuczak2006].

Polish agriculture in comparison with the EU agriculture

In 2004, in Poland there was 184 thousand km^2 of agricultural land, representing approximately 59% of the country's territory. The structure of agricultural production is dominated by livestock production – 61%, crop production amounts to 39%. 18% for total number of employees work in agriculture, EU average 5%, Germany – 2.7%, France – 4.3%, 12.1% in Portugal and in Greece 16.7%. One of the reasons for the situation in Polish agriculture is the structure of farms; the average farm size in Poland is 8.4 ha, whereas in the European Union 19 ha, of course, those values are varied regionally. The productivity of Polish agriculture is the lowest in the EU; average 23 people working per 100 ha, while in the EU - 6. Such a bad outcome is affected by various factors, among others the quality of soil, climate, the structure of agriculture.

The largest agricultural producers in the EU-25 are France, Germany, Italy and Spain. Agriculture and rural areas of European Union member states are very diverse. Comparing with other regions of the world, agriculture in the Union has less favorable bioclimatic conditions for agricultural production. The share of agriculture in the economies of individual countries also differs in particular countries. The concentration and specialization of agricultural production is increasing systematically, reducing the number of small farms [Szumski 2007].

The price level of agricultural products in Poland and the EU

Prices of agricultural products in the EU are higher than the prices on world markets. Agricultural prices serve as a basic means of market intervention and keep agricultural income relatively stable. EU agricultural prices are regulated and shaped by legislation with appropriate assumption of supply and demand law in action on the agricultural market. It means that the market mechanism has not been completely eliminated, but is the subject to interference by a far-reaching system of production subsidies, production quotas, the system intervention or tax systems. Due to this the agricultural price system is constantly changing [Szulce 2001, Jurcewicz, Kozłowska 2004] .

Milk market

At the time of the Poland's access to EU milk purchase prices were the lowest in the EU, reaching 26.74 €/100 kg, representing approximately 90% of the average EU price. At the same time milk was the most expensive in France; its price was 31.23 €/100 kg.

Since May 2004 we have observed a systematic increase in prices on the EU market for milk. The largest rate of increase in prices was recorded in Poland – nearly 2%, while the lowest in Germany – 0.4%. In Poland, milk prices have increased average 1.5 times faster than in the EU. The biggest and the fastest increase in milk prices in Poland took place at the beginning of our EU membership, as prices in a few months increased from 18.8 €/100 kg to 26 €/100 kg. While examining the level of prices in Poland and the EU in the time at the second quarter of 2004 – first quarter 2008 it becomes evident that milk prices in Poland all the time maintain at the lowest level in the EU.

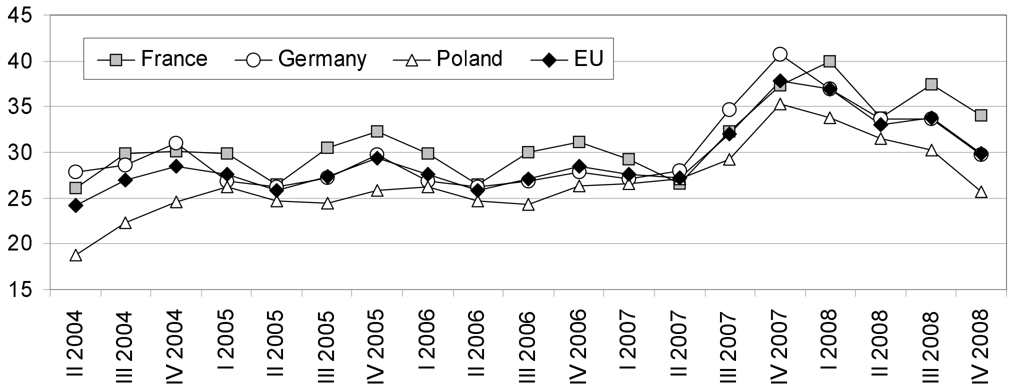

Figure 1. The average quarterly price of milk purchase, €/100 kg
Source: www.minrol.gov.pl

In the case of the examined countries, such as Germany, France and Poland it is easily observed that there appear cyclical fluctuations in the level of prices of milk, which is related to its cyclical production. Between May 2004 and December 2006 there were slight shifts of cycle phases of cycles, but since 2007 it can be concluded that the cycles have become consistent and the situation on the EU market for milk is similar in all member states.

Maintaining a positive balance of foreign trade indicates that Polish milk is appreciated throughout the EU and throughout the world, not only because of the low price, but also because of the quality. It should be mentioned that the membership in the union made the access to EU funds easier, which helped Polish agricultural producers adjust the farms to the high EU requirements.

Due to the permanent high price of milk in the European Union intervention actions have been limited on the market in the years 2007-2008 the program to support the consumption of milk and is implemented products in educational establishments [ZSRIR 2009].

Table 1. Polish export/import of dairy products (milk and not concentrated cream) in the period 2005-2008

Years	Export		Import		Saldo	
	value					
	th. euros	tonnes	th. euros	tonnes	th. euros	tonnes
2005	238 857	132 295	13 652	7 410	225 205	124 885
2006	182 985	96 149	10 966	5 660	172 019	90 488
2007	251 642	83 476	28 794	12 939	222 848	70 537
2008[1]	78 094	32 688	17 700	9 995	60 394	22 694

[1] Data refer to the first four months of the year 2008.
Source: [www.minrol.gov.pl].

Meat market

Between 2004 – 2008 cattle prices remained the lowest in Denmark, the average price at the Danish market reached 124€/100 kg, while prices remained the highest in Germany – 150 €/100 kg. Polish pork prices remained at a level lower than the EU average price. In the examined period of Polish pork prices were average 4% lower than the EU, average 9% lower than in Germany and 10% higher than in Denmark. During that period Polish pork prices were the lowest in the EU-25. Polish prices were of the greatest variability in the period, with variation coefficient bigger then than 5%, whereas in the same period in the EU-25 reached the level of 8%. Despite significant changes in the market price of pigs, which is closely related to grain prices, the prices tend to grow. However, the growth is not as enormous as expected by producers. On the markets in all three countries: Poland, Germany and Denmark, there are cyclical fluctuations closely linked with porcine cycle occurring livestock production.

In the first two years shifts occurred in particular cycle phases, between Poland and Germany and Denmark. Since the intervention on the pigs market began the amplitude of fluctuations has decreased and the market of live pigs has become more predictable. Seasonal changes in prices are not felt by cattle producers so much. However, Poland pork „loses” against the Danish low-cost meat. It is becoming more and more Polish producers common that buy cheaper foreign meat. In the opinion of Polish producers of pigs, they are not able to compete with low production costs in Denmark.

Cyclical downturns in prices of live pigs in Poland fostered the growth of export. Despite the fact that the Danish livestock was slightly cheaper than the Polish one for the period 2004-2007 a positive balance of foreign trade with the EU-25 remained.

In the years 2005-2008 Poland beef was the most competitive on the EU market, with the average price 248 €/100 kg, while the average price in the EU-312 €/100 kg. Polish meat prices were lower than

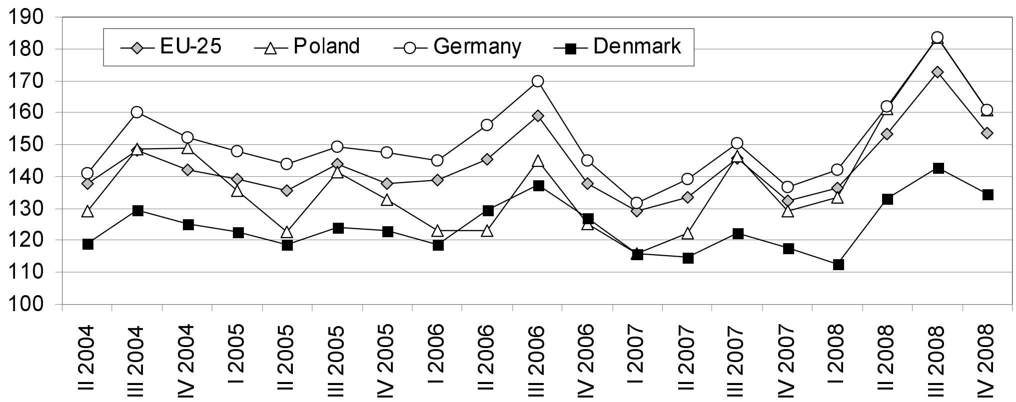

Figure 2. Quarterly average prices of pigs €/100 kg, animals for slaughter
Source: [www.minrol.gov.pl].

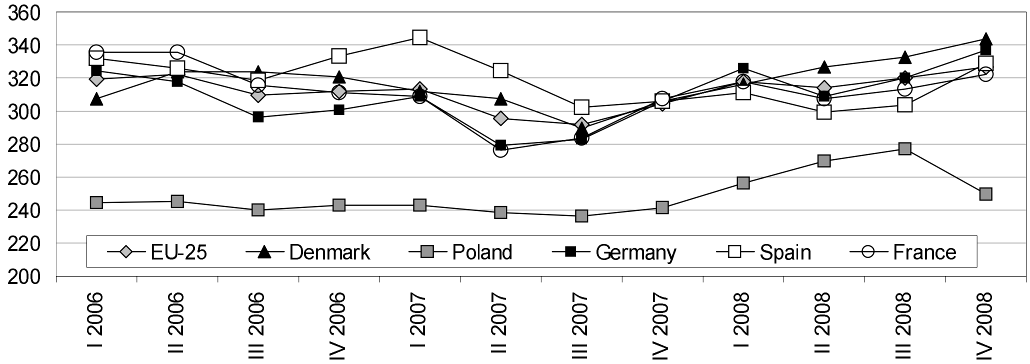

Figure 3. Quarterly average prices of cattle, €/100 kg, animals for slaughter
Source: [www.minrol.gov.pl].

Table 2. Foreign trade of pig meat in the years 2005-2008

Years	Export	Import	Saldo
	volume in tonnes		
2004	207	123	84
2005	242	205	37
2006	412	183	229
2007	364	257	107
2008	92	83	9

[1] Data refer to the first four months of the year 2008.
Source: [www.minrol.gov.pl].

the EU average by 21%, which together with diseases (BSE, Creutzfeldt-Jakob disease) appearing in some countries made the Polish meat by non-Polish producers willingly. During the examined period the prices of beef remained the highest in Spain (purchased higher than those obtained by Polish producers average by 90 €/ 100 kg). In each country the price of beef remained relatively stable, the variation price coefficient were at a level 5%, the rate of increase change in cattle price on EU markets was smaller than 1% [ZSRIR 2009].

Wheat market

Wheat in Poland is among the cheapest in the whole European Union; its average price per tonne remained the level of 149 €. The average price in the EU-25 was slightly higher in the period and remained at an average level of 154 €/tonne. Between the fourth quarter of 2004 and the second quarter of 2007 wheat reached the highest price in Spain.

At the same time, there were no significant changes in prices on the wheat market. During this period (2004-2007), prices in the EU were characterized by low coefficient of variation, the EU 25 – 13%, Poland – 23%. In comparison with the calculated coefficients of variation for the entire period, which was included in the research, the values were low. For example, the coefficient of variation in prices between the fourth quarter of 2004 and the fourth quarter of 2008 for the EU-25 was 33% and 37% for Poland. The reason for such a large increase of this parameter was a low

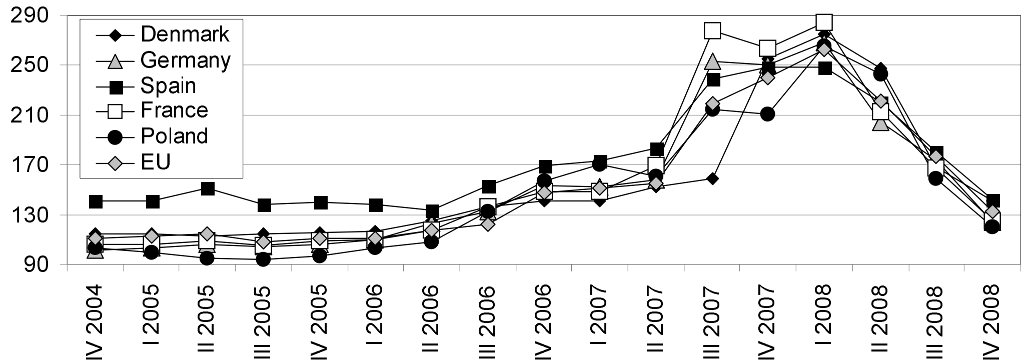

Figure 4. Quarterly average prices of wheat [the € /tone]
Source: [www.minrol.gov.pl].

supply of wheat and other cereals in the EU in 2007. In the first quarter of 2007 the Polish wheat price reached the level similar to the prices in Spain, but prices in Poland were below the EU average for most time. Since harvest in 2007 a significant increase in the price of grain, not only in Poland has been noticed because of the drought. Stocks of wheat in Poland, as well as in other EU countries, were a very low level. The increase prices and low supply of wheat in the EU resulted in difficulties with buying cheap grain on the EU market. The solution of the problem can be grain import from countries outside the Union [ZSRIR 2009].

Bibliography

Jurcewicz A., Kozłowska B., Tomkiewicz E. 2004: Wspólna polityka rolna. LexisNexis, Warszawa.

Polska w Unii Europejskiej – doświadczenia pierwszych miesięcy członkostwa. Urząd Komitetu Integracji Europejskiej [http://unia.eurofunds.org/index.php/content/view/90/1/1/1/].

Szulce H. 2001: Uwarunkowania i możliwości sterowania ryzykiem w produkcji rolnej. Wyd. AE, Poznań.

Tłuczak A. 2006: Zmiany cen wybranych produktów rolnych po wejściu Polski do struktur unijnych. [W:] Gospodarcze i społeczne skutki akcesji Polski do Unii Europejskiej, red. nauk. Mikołajewicz Z. Uniwersytet Opolski, Opole.

Zalesko M. 2006: Instytucje a konkurencyjność rynku rolnego. [W:] Agrobiznes, konkurencja w agrobiznesie – jej uwarunkowania i następstwa. *Prace naukowe*, nr 1118. AE Wrocław, s. 535-539.

Zintegrowany System Rolniczej Informacji Rynkowej – ZSRIR. 2009: [www.minrol.gov.pl], dostęp z dnia 15.03.

Streszczenie

W rolnictwie duże znaczenie odgrywa konkurencyjność cenowa produktów. Należy jednak zauważyć, iż sam fakt oferowania produktu po cenie niższej nie czyni bardziej konkurencyjnego. W przypadku produktów rolnych duże znaczenie ma jakość, warunki dostawy czy bariery w handlu zagranicznym. Niższy poziom cen polskich produktów rolnych wynika głównie z mniejszej siły nabywczej polskich konsumentów. Integracja z UE zmniejszyła różnice cenowe między Polską a Unią Europejską, szczególnie na rynku produktów, których obrót nie był wcześniej zliberalizowany.

Corresponding address:

mgr Agnieszka Tłuczak
Opole University
Faculty of Economy
str. Ozimska 46a
45-058 Opole
tel. (0 77) 401 68 63
e-mail: atluczak@uni.opole.pl