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Improvement Premises in Competitiveness of Agricultural Food Commodities in Poland Under Conditions of Applying EU Common Agriculture Policy

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**IMPROVEMENT PREMISES IN COMPETITIVENESS
OF AGRICULTURAL FOOD COMMODITIES
IN POLAND UNDER CONDITIONS OF APPLYING
EU COMMON AGRICULTURE POLICY**

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Key words: competitiveness, agriculture food economy, quality, promotion, marketing.

Abstract

The objective of the study is a presentation of the bases for improvement of competitiveness of agricultural food products made in Poland with consideration taken into the influence of the Common Agriculture Policy of the European Union. In connection with the processes of globalization which started in 90s of the last century and with the fact of accessing Poland to the EU, what resulted in entering the European structures and functioning in a deep competitive environment, the analysis concerning possibilities of achieving an appropriate level of competitiveness became a priority. It is not a simple task to achieve because, regarding the variety of approaches to this issue, no homogenous method exists for the analysis of this phenomenon.

**PRZESŁANKI POPRAWY KONKURENCYJNOŚCI PRODUKTÓW
ROLNO-ŻYWNOŚCIOWYCH W POLSCE W WARUNKACH DOSTOSOWANIA
DO WSPÓLNEJ POLITYKI ROLNEJ UNII EUROPEJSKIEJ**

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Słowa kluczowe: konkurencja, gospodarka rolno-żywnościowa, jakość, promocja, marketing.

Abstrakt

Celem pracy była prezentacja przesłanek poprawy konkurencyjności produktów rolno-żywnościowych wyprodukowanych w Polsce z uwzględnieniem wpływu wspólnej polityki rolnej UE. W związku z zapoczątkowanymi w latach 90. poprzedniego stulecia procesami globalizacji oraz przystąpieniem w 2004 r. Polski do Unii Europejskiej analiza możliwości osiągnięcia odpowiedniego poziomu konkurencyjności stała się priorytetem. Nie jest to jednak zadanie proste ze względu na różne podejścia do tego zagadnienia i brak jednolitych metod oceny tego zjawiska.

Introduction

Taking into consideration the subject of this study it is worth remarking, that researches concerning competitiveness aim at indicating the efficient way of accelerating the economic growth and thereby sustainable development of our country. In connection with advancing liberalization of international trade and globalization processes, the improvement of competitive ability is treated as a priority in every economy. However, regarding the fact that agricultural and food sectors are two of the main branches of the Polish economy it is important to approach this issue in relation to agri-food commodities. The improvement of competitiveness has become even more significant issue since 1993 when the European Council has adopted the criteria of membership for the candidate countries from East-Central Europe including Poland. (ZIELIŃSKA-GŁĘBOCKA 2003, s. 13). Free-market economy meant functioning in a strictly competitive environment which forced participants of the market to pursue new ways of distinguishing in the international environment. Analogically, the assessment of instruments determining competitiveness of particular products has become significant. Variety of approaches to this issue results in the fact that there are no homogenous methods of its assessment. However, the CAP has undoubtedly introduced strict requirements to the agriculture and food processing, which, if not fulfilled result in inability to retail a product.

The essence of competitiveness

Currently competitiveness is treated as a mechanism enforcing efficiency, initiative, motivation and quality. It generates responsibility for realization of consumer interests, and unharnesses striving for profit into the service to the consumer, co-builds the moral dimension of free economy aiming at the profits' maximalization (DŁUGOŁĘCKI 2004). The essence of competitiveness makes it is extremely difficult to analyze all its aspects. So far every research presents competitiveness in a different way, subordinating it to different premises. Many scientists, who deal with the analyses of competitiveness, base them on classic theories. However, within time, many factors determining this phenomenon changed radically following the conditions of advancing globalization. Continuous analysis of this issue allows the participants of the market to choose an appropriate strategy which would enable them to achieve the advantage over their rivals. It proves a great importance of competition in creating market relations. Competitiveness in literature is analyzed at the micro (i.e. P. Krugman) and macro (i.e. M. Porter) level. P. Krugman negated analysis of this phenomenon in international terms because, as he claimed,

economy competitiveness of a given country is simply an internal problem determined in particular by productivity of its society (CZECH-ROGOSZ 2007).

As Schmalensee highlights, the researches concerning the competition are of similar character to the researches analyzing the demand part of economy, that is, the markets where the enterprises act as sellers. These researches concentrate also on the strategic behaviours of the enterprises and assume that consumers change their behaviours in reaction to price or quality changes (SCHMALENSEE 1988). However, M. Porter indicates the role of the national environment in building the competitive advantage of the companies (PIASECKI 2005). He emphasized the fact that the main condition for achieving required level of competitiveness is to introduce the innovations, which affect increased efficiency of market operator's activities. Nevertheless, the process of introducing new technologies must be continuous. Only this attitude guarantees the achievement of assumed results (CYREK, CYREK 2007). He claimed that the development of existing technologies is the only effective way to make the market function efficiently. Similar approach can be found in "Research on mathematic bases of wellness theory" by A. A. Cournot. The author made the nature of the phenomenon dependent on the number of the operators existing on the market (HORYNIA 2002, s. 27).

According to LIPOWSKI (2008), variety of the approaches to competitiveness as well as a great number of their defining indicators result from the lack of unified measures in economic literature. In consequence, there is no possibility to compare various scientific researches concerning this phenomenon. Moreover, he highlights the fact that competitiveness, especially of the product, is connected with wide participation in the market at the expense of the other substitutes. While analyzing the theory of balance, companies can achieve certain optimal level with no necessity to increase the amount of their products on the market.

Competitiveness is a phenomenon which is deeply rooted in the history of humankind. It is important to highlight that there was no period in the course of our history when this issue wouldn't be up-to-date. What was evaluating, were the methods of limiting the competitiveness and the regulations protecting the society from possible abuses (JANKOWSKI 1998). Researches on the essence of this phenomenon and its meaning and influence on the market structures proves its significance in the market relations.

The Common Agricultural Policy and its influence on the competitiveness

Dealing with the issue of competitiveness of agricultural raw materials and processed agricultural products, it is vital to take into consideration not only the

conditions of the environment, but, above all, the agricultural policy of the European Union. Poland, as it became a member state, pledged to abide the rules of the EU. The Union agricultural policy is of particular significance, as the greatest number of legal acts as well as the largest amount of the financial resources are devoted to this policy. The Common Agricultural Policy is the oldest and the most complex policy of the EU and one of the pillars of the European integration. It determines greatly functioning of the agricultural sector and the situation of rural areas within the member states of the EU (BAJEK et al. 2007).

At the beginning the Common Agricultural Policy put an emphasis on the productivity in order to provide the consumers with a stable delivery of the cheap food products, and on the development of the agriculture, which were achieved by means of subsidies, guaranteed prices and by stimulating production. The financial aid was oriented mainly on the restructuring of agriculture and thus allowed this economic branch to achieve self-sufficiency. Nevertheless, the success of the Common Agricultural Policy appeared to be its greatest problem. From the mid-1970s the EU struggled with the surplus of the products. As a result part of these products were allocated for an export (with subsidies), the remaining part was stored within the EU. It became a serious budgetary burden and destabilised some of the world markets which did not have a positive influence on the farmers. Agricultural policy was losing the support of both the tax payers and the consumers. At the same time the society interest in the influence of the agriculture on the natural environment raised (*Polska Wieś...* 2006).

This situation enforced changes in the Common Agricultural Policy. Introduction of production limits and the emphasis given to the ecological agriculture reduced the surpluses of the production. Farmers had to monitor the market in order to obtain the support – the direct agricultural subsidies payments. Moreover, they were obliged to immediate reaction to changing needs of the society. The shift of the priorities contained a new element – a policy of rural development. It supported rural initiatives helping farmers to extend their activities, to improve marketing of the products and restructure their holdings. Considering the changes of consumers behaviour as well as the reform of the Common Agricultural Policy (CAP), the prices and safety, food quality, the development of ecological and regional food and efficient use of the marketing tools herein promotion of the products and appropriately prepared logistics processes in the mentioned sector became vital factors determining the demand.

The role of marketing and promotion in achieving a competitive advantage

The essential instrument of building the competitive superiority is promotion. It is an excellent way of informing about specific product properties and influencing the needs of a consumer. In addition it creates demand by influencing its price flexibility. It is an ideal way of creating the brand, through creating its positive image (JANCZEWSKA 2004). Moreover, by using non-price instruments which shape the potential consumers needs, it acts as a competitive factor which turn consumers' attention away from the other companies which offer similar or identical assortment (REMBISH, IDZIK 2007). In present economic conditions it is essential to undertake suitable marketing activities as well as precisely elaborated marketing strategy in order to maintain a strong position. Economical sciences indicate a number of such strategies owing to which the position of the products on the market can be strengthened. These are: expansive strategy of the position protection, selective development, segmentation, concentration, diversification, penetration of the market, development of the market, innovations and imitation. The confinement of this study makes it impossible to describe all these instruments, therefore we present the cross-section of the functions of marketing and its instruments in building the competitive position of agricultural products.

It is essential to highlight that competitiveness on the EU-market is the total sum of many factors which increase attractiveness of the products. These elements perfectly adapt their marketing strategy to the consumers needs. Competitiveness of enterprises in the food sector is conditioned by factors of the external environment and conditions of activities created by these operators. The resulting competitive advantages are always connected with the areas perceived and recognized by the environment and mean adapting a product to requirements of the market and competition, especially in terms of the assortment, quality, price and use of the optimal sales channels and methods of promotion (SOBCZYK 2004).

Despite the fact that marketing and promotion have been known for many years and are distinguished in literature for their importance in building the competitiveness, they are underestimated on the Polish market. Although, some commonly known to all economists book methods are used in Polish agricultural reality since relatively short time, there has been still a certain hesitation amongst many groups of producers regarding the possibilities of shaping the product competitiveness by use of these methods. The financial barriers are often additional problem in introducing the modern methods of acquiring attracting the clients.

“Experience shows that in longer or shorter time means ways of competition can be imitated. Paradoxically, the only invariable competitive advantage

is that which constantly changes, evaluates and adapts to the specific needs of the clients and competitors activities. People who possess such an ability to create invariable advantage are those operators, who are able to: firstly, observe changes in their environment, especially in behavior of the clients and strategies of the competitors; secondly, they are able to re-orient their activities” (AREND 2006).

Constant monitoring of the market and its changes is one of the marketing tasks which lead to new market areas. The growing number of competitors, which is characteristic for free- market economy and a great number of complementary and substitute commodities which are available in retail, make marketing activities a necessity.

Stimulators of the quality improvement

The quality is a vulnerable factor of competitiveness which decides about the competitive position in every sector, therefore it plays a significant role in the production and food industry. The concept of quality refers to the whole of the product features which decide about the extent to which a product fulfils the expectations of the buyers (*Analiza czynników...* 2004). It is the substantial instrument of the competitive struggle despite the fact that it might be subjective. The quality is extremely difficult to assess because mostly the diverse preferences of consumer decide about its measures. Preciseness and the use of the best products are associated the most frequently with the concept of quality. However, quality as an indicator of competitiveness is exceptionally difficult to assess because a client purchasing a product pays attention also to its other various features. The consumers expect high quality of products and the producers must guarantee it, otherwise they will not secure the market for their goods. The competition is based on such a firm foundation of the quality of the offered products that it becomes not only the main source of achieving the success but also a condition of existing on the market (AREND 2006).

Increasing costs of production and in result, higher price of the product may be accepted by a client only when it means also the high quality of the product. It is beyond any doubt that the production of high quality food generates much bigger costs, it requires special methods of production and the use of more expensive materials which would satisfy the highest quality standards. The high value added to the purchase of the product always implicates high costs of the final production. These products sometimes are sold under the label of high quality standards at the price considerably exceeding their quality values or on the contrary, although they have nothing in common with high quality of the raw material or the production whatsoever.

Such abuses cannot be avoided, however, considering the fact that presently a particular emphasis is put on the control of food production, the reduction of such precedents is now possible.

It is also important to remember that quality aspects in agriculture cannot be neglected because it supplies the raw materials to the industry. The materials must be comprised with quality requirements and should fulfil specific standards. Thereby, to achieve the high level of final product competitiveness, the use of good agricultural practises, which deliver the highest quality of products of plant and animal origin, plays a crucial role.

These issues are connected to one of the priority of the EU policy which is the consumer protection, which greatly influences the safety of the products intended for consuming. The manufacturing process of each product must be traceable. Every stage of its production must take place in the conditions in which the risk of negative influence of this product on the human health is minimised. Growing consumer awareness considering food and the ways of its production makes the producers who want to win the client pay attention not only to attractive look and design of food product but also to the health aspect. It has a particular significance considering the fact that the EU while fulfilling its policy of the chain continuum, included a number of activities which aimed at elimination of potential diseases and pollution from the food products. The leading rule is the integrated approach "from the farm to the table", which include: forage production, raw products, food processing, storage, transport and retail. Those assumptions result from legislation which concerns the safety of food, animal forage and scientific premises.

In terms of enforcement of these rules, every MS government is in possession of a system of early warnings in case of the forage or food could become a potential danger to the consumers health.

Maintaining the food safety is important not only in regards to the improvement of the population health but also because of economic reasons. The important goal of the measures undertaken by every member state is presently to guarantee safety of food. It is realized by means of constant control of the production entities and supporting their activities. (GABRYSOVA 2006). Poland has vast opportunities in this area because most of the raw materials, especially of plant origin, is obtained naturally, and more and more food factories meet all quality standards. We are able to offer healthy food guaranteeing that its consumption is safe.

Relevance of the ecological and regional production in the improvement of competitiveness of the agricultural food commodities

Ecological production is another factor which stimulates competitiveness on the Polish and the EU market. Currently, with the high awareness of the society about the threats resulting from a high level of chemization in agriculture, the ecological production has a vital significance and can be a strong asset in the competitive rivalry on the food market. High level of environmental pollution resulted from the advanced intensification and chemization of the agricultural industry led to intensive discussion about the methods of agricultural production. According to ARENDA (2006) it is essential to offer a product which will be perceived (by a consumer) as of the highest value in order to achieve advantage. The value of this kind's health safety, and adequate food production has particular importance in this area.

Promotion of ecological food results in the fact that it becomes a luxurious commodity especially for those people who care about quality of the food they consume. Ecological food market is one of the most dynamically developing markets in the EU. Due to worldwide tendencies, ecological food becomes fashionable and quickly gains the supporters. Having that in mind producers try to meet the consumers needs. Their activities allow to a great extent to increase trade flows. In the UK over 80% households buy the ecological products, where the demand exceeds the supply which results in about 70% of ecological food products being imported (BERDO 2006). At the same time in Germany a share of ecological food products import in the general retail value is about 60%, in Denmark – 25% (ŁUCZKA-BAKUŁA 2007). It is also worth remarking that in 2006 worldwide sale of ecological products was about 40 mld USD. Since 1997 sale value has increased nearly three times. Poland has particular chances to achieve a strong position on this market, because Polish agriculture, as opposed to most of farms in the EU, is not afflicted by intensification of the production.

A substantial instrument stimulating competitiveness of Polish agriculture raw materials and their processed products is also the development of regional commodities. Their production is characterised with utmost importance, because these products are representative for the country and prove their uniqueness in the whole world. Additionally their local character contributes to the increase of the competitiveness of the given area. These activities aim at effective competing with the mass-produced food of the poorer quality (JASIULEWICZ 2005). Consumers are tired of typical food products, they seek new and sophisticated tastes which can be found in traditional or regional products.

Intensive promotion of these values and support of activities intended to spread the knowledge on the culture and heritage lead to a situation that the regional products become a part of the region and a tourist attraction (JASIŃSKI, RZYTKI 2007). Regional origin of products increase their competitiveness and is a tool to influence the potential client. There are 678 commodities in Poland on the list of traditional products. The attention should be drawn at the products which are granted the Certificate of Specific Character, on the basis of which a product can be given the label of TSG – Guaranteed Traditional Speciality. This brand name is the guarantee of high quality of the product and commitment that the old traditional recipes are used in their production. The consumer seeking new products more and more often pays attention to the products labelled with the national or local brand. Such labelling influences the demand and increase the production, thereby it increases competitive ability of a given producer on the both local and international market.

The ecological production, apart from ecological agriculture, is a basic tool of improving the quality of the food produced in Europe (JASIULEWICZ 2005). This sector of the agricultural-food production gradually becomes one of the most dynamically developing branches of Polish food economy. The success depends on the level of use of the existing advantages by operators on the agricultural-food market in Poland.

Conclusion

High level of the sale of Polish food and agriculture products on foreign markets indicates that the Polish export offer can be characterised by a high level of safety and quality (SZCZEPANIAK 2007). It is necessary to mention that the profitable reasonable price is still the most important factor. Consequently, agriculture food sector must constantly improve the quality of its products because it is one of the crucial methods guaranteeing the success in a longer perspective. The use of all the instruments and measures mentioned in this study, which have an impact on competitiveness, is nowadays particularly important.

Observed scientific interest in the issue of the competition concentrates mainly on theoretical analyses and observations of economic practice. The effects of this researches are different approaches to this phenomenon in economic literature. Furthermore, changing reality and conditions of operating in economy more and more influence the agricultural production and processing industry. At the same time these two sectors, being the subject of the market game, must equally and efficiently adapt to the requirements of the present

time. It is not difficult to manufacture a product, much important problems would be to sell it as well as to enable it to exist on the market and become recognisable for the consumers. Quality, safety, promotional and marketing activities are the tools for product sales. Moreover, they enable a product to be distinguished on the market which is very important as far as the food assortment is concerned. At the same time the quality of food decides about the possibility of selling the products in Poland as well as in the EU. Poland accessing the EU entered the structures of the vast European market with both the consumers, and the competitors producing similar commodities. It comes with necessity to fulfil numerous conditions introduced by the European law, which in case of food is very strict restrictive. The Common Agricultural Policy together with farmers support and food industry aims at consumers protection and guaranties the safety of food which is delivered to each EU member.

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