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The Role of the Food Industry in the Development of Eastern Poland

INTRODUCTION

The subject of this work is the evaluation of the role of the food industry in the economic development of the Eastern Poland region. This study features three thematic areas, namely the place of the Eastern Poland food industry in the economy of the region, the place of the Eastern Poland food industry in the Polish food industry overall and the competitiveness of the food producers of Eastern Poland. The analysis is preceded by the general characteristics of the socio-economic conditions of the region's development, and concluded with recommendations for the future. Published and unpublished statistical data from the Central Statistical Office (GUS) together with press releases and the author's own reflections, were used in this work. The scope of the analysis encompasses the years 2000–2010, i.e. both the most recent period before Poland's integration with the EU and the first years of membership.

THE GENERAL EVALUATION OF THE DEVELOPMENT OF THE EASTERN POLAND REGION

Eastern Poland, a region located along the eastern border of Poland, covers the following voivodeships: Lubelskie, Podkarpackie, Podlaskie, Świętokrzyskie and Warmińsko-Mazurskie. It covers 31.7% of the area of Poland (99 thousand km²), owns 30.9% of the agricultural land (4,786.4 thousand ha) and is inhabited by over 21% of the country's overall population (8,136.9 thousand people). Its location in the border zone and the related long-lasting economic relationships with Russia, Ukraine and Belarus determine the development of this region.

The role of Eastern Poland in generating Gross Domestic Product (GDP) is much less significant. In 2009 the GDP of this region amounted to PLN 204.5 billion, which constituted only 15.2% of the total GDP of Poland. Among the voivodeships within the region, Lubelskie had the highest GDP, whilst Pod-

laskie the lowest. During the last decade the share of the GDP of Eastern Poland in the total GDP dropped slightly (0.6 of percentage point (p.p.)).

Eastern Poland is relatively one of the poorest regions. This is reflected in the Gross Domestic Product per capita. None of the voivodeships in this region had an average income per capita higher than PLN 28 thousand in 2009, whereas the national average reached PLN 35.2 thousand. Compared to the national average, the GDP per capita for Eastern Poland was just over 71% (in Lubelskie 67.2%, in Podkarpackie 68.5%, in Podlaskie 73.7%, in Warmińsko-Mazurskie 73.8% and in Świętokrzyskie 77.6%).

Eastern Poland is also one of the regions with the highest unemployment rate in the country. The unemployment rate for all of the analysed voivodeships is higher than the national average (which in 2010 was 12.4%). The highest unemployment rate among them was recorded in Warmińsko-Mazurskie (20.0%), then in Podkarpackie (15.4%) and Świętokrzyskie (15.2%); with a slightly lower rate in Podlaskie (13.8%) and the lowest in Lubelskie (13.1%).

In Eastern Poland rural areas cover 94,758 km², which constitutes 32.5% of the total rural areas of the country. The proportion of rural areas to the total area of Eastern Poland is higher than in the remaining regions of the country and amounts to 95.7%, compared to the national average of 93.2%. The area structure of the rural areas of Eastern Poland is led by the Lubelskie – 25.5% of Eastern Poland's rural areas is enclosed within its borders, the next being Warmińsko-Mazurskie (24.9%), Podlaskie (20.3%), Podkarpackie (17.3%) and Świętokrzyskie (11.7%).

The basic parameters describing Eastern Poland and significant for its socio-economic development significantly deviate from the average values within the country and for the voivodeships situated in Central and Western Poland. Although according to press releases the year 2011 was very favourable to the Lubelskie Voivodeship [Cieślak-Wróblewska, *Cud..., Zamożne...*, 2012] and the gap between Lubelskie and the richest regions has been reduced, with all the other less affluent voivodeships of Eastern Poland catching up very slowly. Long-term trends indicate that stratification between the poorest and the richest voivodeships is still present.

THE POSITION OF EASTERN POLAND'S FOOD INDUSTRY IN THE ECONOMIC DEVELOPMENT OF THE REGION

The long-standing agricultural traditions of Eastern Poland, the reasonably equitable distribution of agricultural production potential (resources) and the environment that has remained clean, facilitate the development of agri-food processing in this region. The food industry is among the best-developed sectors in Eastern Poland. Its significance is confirmed in the analysis of the

proportion of the food industry sold production in the total industry sold production of this region. In 2010 this share exceeded 26%, which indicates its growth over the decade by over 1 p.p. In addition, this correlation, defining the position of the food industry in the region, was much higher than the average share of the national industry (by ca. 9 p.p.). The highest position of the food industry was observed in the Podlaskie (52.5% of the general industry sold production in the region is handled through the food sector), Warmińsko-Mazurskie (39.3%) and Lubelskie (32.6%).

The high priority of the food industry in Eastern Poland is also reflected in the share of employment in the food sector in the total employment in industry, which equals nearly 18%, i.e. over 2 p.p. higher than the national average. Another distinctive feature of Eastern Poland is the low decrease, in the last decade, of the share of employment in the food industry compared to the total employment in industry, which, considering the significant growth in the food industry share of total industry sold production, indicates a high growth in work efficiency. The highest share of employment in the food industry compared to total industry employment was observed in the Podlaskie (29.1%), Lubelskie (24.5%) and Warmińsko-Mazurskie (21.0%).

Demonstrably, the agri-food industry is of great importance for the development of the Eastern Poland region, especially the Lubelskie, Podlaskie and Warmińsko-Mazurskie. The development of this processing sector largely determines the socio-economic situation of the region.

THE POSITION OF EASTERN POLAND'S FOOD INDUSTRY IN POLAND'S OVERALL FOOD INDUSTRY

The sold production value of the food industry in Eastern Poland in 2010 at current prices amounted to ca. PLN 29 billion, which made up 16% of the value of this type of production in the whole country. The sold production level of this sector of industry in the individual voivodeships of this region was diverse – the highest rate was recorded in the Warmińsko-Mazurskie (PLN 8.6 billion) and Podlaskie (PLN 8.4 billion), and the lowest in the Podkarpackie (PLN 2.5 billion) and Świętokrzyskie (PLN 2.1 billion). Throughout the past decade the share of Eastern Poland in the national food industry production exhibited rather small fluctuations, whilst in the whole country, during the same period, it grew by 1 p.p.

In the years 2003–2010 the highest growth, in terms of constant prices, was observed for the sold production of the food industry in the Lubelskie by 89% (this region is characterised by fertile soils and a mild climate) and Warmińsko-Mazurskie by 83%. A slightly slower growth was recorded in the Podlaskie (by

72%) and Świętokrzyskie (by 42%), and the slowest – in the Podkarpackie (by 12.5%). It is worth noting that in the first four of the above-mentioned regions the dynamics of this growth was much higher than the national average for the food industry (where it equalled 38%).

Moreover, in the Warmińsko-Mazurskie, Lubelskie and Podlaskie voivodeships the dynamics of the food industry sold production growth in 2003–2010 was much higher than the dynamics of the total industry sold production growth. Thus, the role of agri-food processing industry in these regions became much more significant.

Food industry companies located in the region of Eastern Poland in 2009 employed ca. 70 thousand workers, which constituted 16.5% of total food industry employees (1.6 p.p. less than in 2000). The largest employment in the sector is present in the Lubelskie (20.1 thousand employees) and Warmińsko-Mazurskie (16.2 thousand employees), and the smallest – in the Świętokrzyskie (7.9 thousand employees). Compared to the beginning of the decade, employment in food companies in Eastern Poland declined by over 17% (whilst in the total food industry the corresponding fall was 9%), which, considering the significant growth in sold production value, translates into considerable growth in work efficiency in the sector.

The average gross monthly salary in food industry companies of Eastern Poland in the past decade was lower than in the total national food industry. This disproportion became even deeper – reaching in 2008 nearly 16% to the disadvantage of the food industry workers in the region. In 2009 this disadvantageous trend was reversed making the average monthly salary in the food industry in Eastern Poland only 11.5% lower than the average salary in this sector of the Polish economy. The lowest remuneration still relates to the Podlaskie and Świętokrzyskie, and the highest – the Lubelskie and Warmińsko-Mazurskie. Lower salaries in Eastern Poland facilitate establishing business enterprises and implementing new investments, as well as are one of the region's competitive advantages.

THE ASSESSMENT OF THE COMPETITIVENESS AND COMPETITIVE ADVANTAGE SOURCES OF FOOD PRODUCERS IN EASTERN POLAND

As a result of the shape of the resource base, environmental conditions, and the long-standing production and trade connections, various sectors of the food industry are developing in Eastern Poland, with diverse competitiveness characteristics. Considering the fact that competitiveness has both a national and international character, this article presents the share of individual voivodeships in the production of the most significant food products in Poland, as well as the export orientation of food companies in the region.

In the Podlaskie Voivodeship milk products play the major role [*Konkurencyjność...*, 2011]. The share of the production of processed liquid milk, as well as butter, cheese and cottage cheese, in their total national production in 2010 reached ca. 30% and is constantly growing. As regards other sectors it is worth mentioning the processing of red and poultry meat. In the Lubelskie Voivodeship the highest share of the national production in the region is occupied by the production of fruit and vegetable preserves (over 25% in 2010), wheat flour (13%), butter and ripening cheese (10% each) and cattle and calf slaughter (13%). In general the share of the above product groups increased by several p.p. in the recent decade. In the Warmińsko-Mazurskie the major role from the point of view of its share in national production is played by poultry production (in 2010 nearly 9%) and fodder for livestock (10%). The production of agri-food preserves in the remaining two regions of Eastern Poland, i.e. the Podkarpackie and Świętokrzyskie, is of little importance from the perspective of the national balance.

The international competitiveness of food producers directly results from their engagement in international trade. The average share of direct exports in the value of the sold production of the food companies of Eastern Poland currently exceeds 14%, and, even though it is lower than the national average by 6 p.p., a growing trend in this regard has been observed. Among the individual voivodeships of the region, the highest exports involving the food industry are observed in Lubelskie (25%), then Podlaskie (14%) and Podkarpackie (12%).

As regards the individual sectors of the food industry [*Konkurencyjność...*, 2011], the largest and the most rapidly-growing share of exports in sales can be observed in the fruit and vegetable industry of Eastern Poland – in 2010 as many as 63% of fruit and vegetable preserves produced in the region were sold abroad (the national average rate is 42%). Such a high export rate in this sector has been achieved mainly owing to the producers in Lubelskie (80%), but also Podlaskie (60%) and Świętokrzyskie (58%). The export rate of Eastern Poland's dairy industry is also relatively high – it oscillates around the national average level; in 2010 it reached nearly 11%. It is mainly driven by the dairy companies of Podlaskie (11%) and Warmińsko-Mazurskie (19%). Another major trade activity is operated by the producers of red and poultry meat preserves from the lands of Eastern Poland. Their export rate for 2010 reached 9% and 13% respectively. Despite their lower rates than the national average (16% and 22%), these exports are of great importance for the development of the analysed processing sectors (especially in the Lubelskie and Warmińsko-Mazurskie).

Under the conditions of the gradual decrease in Polish food producers competitive advantage in cost-price terms, it is advisable to utilise non-price com-

petitive instruments [Szczepaniak, 2012]. Among these instruments we should especially turn our attention to innovations. Their consistent generation, combined with the ability to adjust to the changing market environment, creates better development opportunities for entrepreneurs and conditions the achievement of sustainable competitive advantages, thus facilitating the socio-economic development of the regions under discussion. The highest position in the rating of voivodeships drawn up on the basis of the synthetic index of innovation (SII) is occupied by the Mazowieckie [Grzybowska, 2011]. As regards the voivodeships of Eastern Poland, Podlaskie and Świętokrzyskie are in the group of medium innovation in the food industry and the other three are in the group of low innovation in this sector. The gap between the voivodeships with the highest (Podlaskie) and those with the lowest (Podkarpackie) level of innovation in food industry companies is significant.

The strong position of the food processing industry in Eastern Poland is confirmed by the large interest of foreign investors in Polish food producers in the region. According to data from the Polish Information and Foreign Investment Agency (PAIiZ), from 2009, 23 companies with foreign capital were located in Eastern Poland. The largest number of these companies was stationed in the Podkarpackie (10) and Podlaskie (5) voivodeships, less in Lubelskie and Warmińsko-Mazurskie (3 each), and Świętokrzyskie (2). Foreign investors were particularly engaged in the meat and poultry sectors, and then the fruit and vegetable, brewery, spirit, dairy and sugar sectors.

Such substantial interest from foreign investors in this region of Poland results, i.a., from the fact that this region features five Special Economic Zones (SSE): Warmińsko-Mazurska SSE, Suwalska SSE, SSE Starachowice, SSE Euro-Park Wisłosan and SSE Euro-Park Mielec. These zones offer a number of investment incentives to companies.

The important role of the food industry in the Eastern Poland region is also confirmed by the existence of many cluster initiatives involving this sector, which are present in the subject area. Cluster initiatives, undertaken as a result of bottom-up and deliberate actions, aim at improving the competitiveness of the region by engaging companies, local government units and research and development institutions in the field of generating certain products or services. According to data from the Polish Agency for Enterprise Development (PARP), there are 17 clusters in the area of Eastern Poland connected with the agri-food sector. The largest numbers are to be found in the Lubelskie, Podlaskie and Warmińsko-Mazurskie voivodeships. These clusters feature such sectors of food production as agriculture (incl. organic farming) and agri-food processing (incl. the production of organic, regional and high-quality food).

FINAL REMARKS

As shown by the analysis of the importance of the food industry in the development of Eastern Poland, this sector has a strong position in the region's economy. The reasons for such high position of this sector can be found both in the region's location and in the related development of cross-border cooperation, as well as the environmental conditions and the current development of the agricultural sector.

One should note the relatively clean natural environment and favourable soil and climate conditions, as well as the strong base of resources for food processing, especially milk processing (the Podlaskie Voivodeship), fruit and vegetable processing (Lubelskie and Świętokrzyskie), red and poultry meat processing (Warmińsko-Mazurskie, Podlaskie, Lubelskie) and grain processing (Warmińsko-Mazurskie, Lubelskie).

The food industry currently constitutes, and may constitute in the future, one of the sources of the competitive advantage of the region, at both the national and international levels. Thanks to agri-food products it will be possible to promote the food of Eastern Poland, its producers and the whole region in the country and abroad. Agri-food products have a chance of becoming the "showpiece" of the Eastern Poland region.

The development of the food industry in Eastern Poland and closing the gap between the individual voivodeships of the region is also very important from the perspective of the general socio-economic development of the region.

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Summary

The long-standing agricultural traditions of Eastern Poland, the reasonably equitable distribution of agricultural production potential, the experience of companies in international cooperation, and clean environment facilitate the development of agri-food processing in this region. The food industry is one of the best-developed sectors in Eastern Poland, whereas in the Lubelskie (fruit and vegetables, meat and milling), Podlaskie (dairy) and Warmińsko-Mazurskie (meat, poultry and fodder) voivodeships it is much more developed than in the remaining two voivodeships. The food industry located in Eastern Poland plays a very important role in the overall Polish food industry. The significant participation of the producers in international trade, the large interest of foreign investors in Polish companies producing food products in the region, and the existence of many clusters, confirm the strong position of the food industry in the Eastern Poland region. The food industry may constitute one of the sources of the competitive advantage of the region. Thanks to agri-food products it will be possible to promote the food of Eastern Poland, its producers, and the whole region, in the country and abroad.

Rola przemysłu spożywczego w rozwoju Polski Wschodniej

Streszczenie

Wieloletnie tradycje rolnicze na obszarze Polski Wschodniej, dość równomiernie rozłożony potencjał produkcyjny rolnictwa, doświadczenie przedsiębiorstw we współpracy międzynarodowej, a także wciąż czyste środowisko naturalne sprzyjają rozwojowi przetwórstwa rolno-spożywczego w tym regionie. Przemysł spożywczy należy do najsilniej rozwiniętych sektorów w Polsce Wschodniej, przy czym w województwie lubelskim (owocowo-warzywny, mięsny i młynarski), podlaskim (mleczarski) i warmińsko-mazurskim (mięsny, drobiarski i paszowy) jest on znacznie bardziej rozwinięty niż w pozostałych dwóch województwach. Przemysł spożywczy zlokalizowany na terenie Polski Wschodniej zajmuje również bardzo ważne miejsce w polskim przemyśle spożywczym ogółem. Potwierdzeniem mocnej pozycji przetwórstwa spożywczego w regionie Polski Wschodniej jest znaczące zaangażowanie przedsiębiorstw w wymianę międzynarodową, duże zainteresowanie inwestorów zagranicznych polskimi firmami produkującymi żywność w tym regionie, a także istnienie na tym terenie wielu klastrów. Sektor spożywczy może stanowić jedno ze źródeł przewag konkurencyjnych tego regionu. Dzięki produktom rolno-spożywczym można będzie promować w kraju i na świecie żywność produkowaną w Polsce Wschodniej, jej producentów i cały region.