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## Influence of Integration with the European Union on Polish Foreign Trade of Agro-food Products

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**Abstract** During five years of Poland's membership in the European Union (EU), trade of agri-food products with abroad has increased almost three times: from 7.6 billion EUR in 2003 up to 21.1 billion EUR in 2008; export of agri-food products has been increased by almost three times (from 4.0 to 11.3 billion EUR) and import – by more than 2.5 times (from 3.5 to 9.8 billion EUR). Trade exchange with the EU countries has been especially quickly developed. The EU market is the main receiver of Polish agri-food products. The supplies of food from Poland to the EU-25/27 states in the years 2003 – 2008 were increased almost by 3.5 times (from 2.6 to 9.1 billion EUR) and import from the EU to our country during the mentioned period increased by 3 times (from 3.5 to 6.8 billion EUR). Import of agri-food products as being increased after the accession has not presented any threat for domestic production but, on the contrary, it affected its increase and rise of exports. The membership of Poland in the European Union had an influence on dynamic increase of foreign trade of agri-food products, and by this, acceleration of development of Polish food economy.

**Keywords:** agricultural and food products, Common Agricultural Policy (CAP), foreign trade, exports, imports

**JEL classification:** Q17, Q18, P1

### Introduction

Five years of the membership of Poland in the structures of the European Union clearly indicate that our country has taken and advantage from the integration with the EU. Entrance in the structures of the Common European Market (CEM) was favourable for Polish food economy. Polish entrepreneurs utilized well the possessed competitive domination and freedom of entering not only the markets of the EU countries but also other foreign markets (outside the EU). Opening of borders and abolition of administrative-customs barriers facilitated an access to the markets of other Community countries for Polish producers.

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Also, import to Poland from the member states is not burdened with any restrictions. The first years of Poland's functioning in the EU structures showed that Polish food producers were well prepared to the membership in the EU and, in effect, their position after the accession has been strengthened in the Common European Market (CEM). It is illustrated not only by very good results in foreign trade of agri-food products but also by a high rate of food industry development. In the years 2003 – 2008, value of production in the discussed sector (in fixed prices) was increased by 35%.

### Materials and methods

The present elaboration employs the statistical data of the Institute of Agriculture and Food Economics – The National Research Institute (IAFE – NRI), The Central Statistical Office (CSO), the Ministry of Agriculture and Rural Development (MARD), the Ministry of Finances (MF), the Agricultural Market Agency (A MA), Analytical Centre of Customs Administration (ACCA) and other data, on the ground of which foreign trade of agri-food products in the years 2003 – 2008 was analysed.

### Results

Five years of Poland's membership in the EU structures has distinctly revealed that the accession had favourably affected the increase of the foreign trade of agri-food products. In 2003, value of trade turnovers with abroad amounted to 7.6 billion EUR, in 2006, it increased twice, equalling to as much as 15.0 billion EUR and in 2008, the discussed turnovers constituted 21.1 billion EUR (almost three-fold increase in relation to 2003).

**Table 1. Results of foreign trade of agri-food products (in mln EUR)**

SPECIFICATION	2003	2004	2005	2006	2007	2008 <sup>a)</sup>
Export of agri-food products	4 003.2	5 242.2	7 028.0	8 468.8	9 955.1	11 314.3
including to the UE-25/27	2 636.2	3 781.8	5 190.8	6 481.0	8 001.4	9 102.5
Including to UE-15	2 042.0	2 988.2	4 063.0	4 915.5	5 941.2	6 570.2
Including to UE-10/12	594.2	793.6	1 127.8	1 565.5	2 060.3	2 532.3
Including the remaining ones	1 367.0	1 460.4	1 837.2	1 987.8	1 953.7	2 211.8
Incl. CIS*	576.3	684.8	862.2	867.0	871.0	1 100.5
Import of agri-food products	3 556.7	4 406.5	5 373.5	6 391.1	7 972.3	9 822.4
Including from the UE-25/27	2 185.3	2 763.8	3 388.1	3 997.4	5 347.4	6 791.2
Including from UE-15	1 855.1	2 395.9	2 938.0	3 415.1	4 484.6	5 757.6
Including from UE-10/12	330.2	367.9	450.2	582.3	862.8	1 033.6
Including the remaining ones	1 371.4	1 642.7	1 985.4	2 393.7	2 624.9	3 031.2
Incl. CIS*	78.5	91.0	136.1	187.3	221.8	310.8
Balance of foreign trade of agri-food products	446.5	835.7	1 654.5	2 077.7	1 982.8	1 491.9
With the UE-25/27	450.9	1 018.0	1 802.7	2 483.6	2 654.0	2 311.3
with UE-15	186.9	592.3	1 125.0	1 500.4	1 456.6	812.6
with UE-10/12	264.0	425.7	677.7	983.2	1 197.5	1 498.7
with the remaining countries	-4.4	- 182.3	- 148.2	- 405.9	- 671.2	- 819.4
with CIS*	497.9	593.8	726.1	679.7	649.2	789.7

\*CIS – Community of the Independent States <sup>a</sup> preliminary data

Source: own calculations, based on the data: Foreign Trade of agri-food products. Market Analyses. No. 21-29, IAFE – NRI, AMA, MARD, Warsaw 2005 – 2009 and unpublished data of the Analytical Centre of Customs Administration (ACCA)

Value of exports of agri-food products during five years of the membership was increased almost three times: from 4.0 billion EUR in 2003 to 11.3 billion EUR in 2008; value of imports was similarly increased: from 3.6 billion EUR to 9.8 billion EUR.

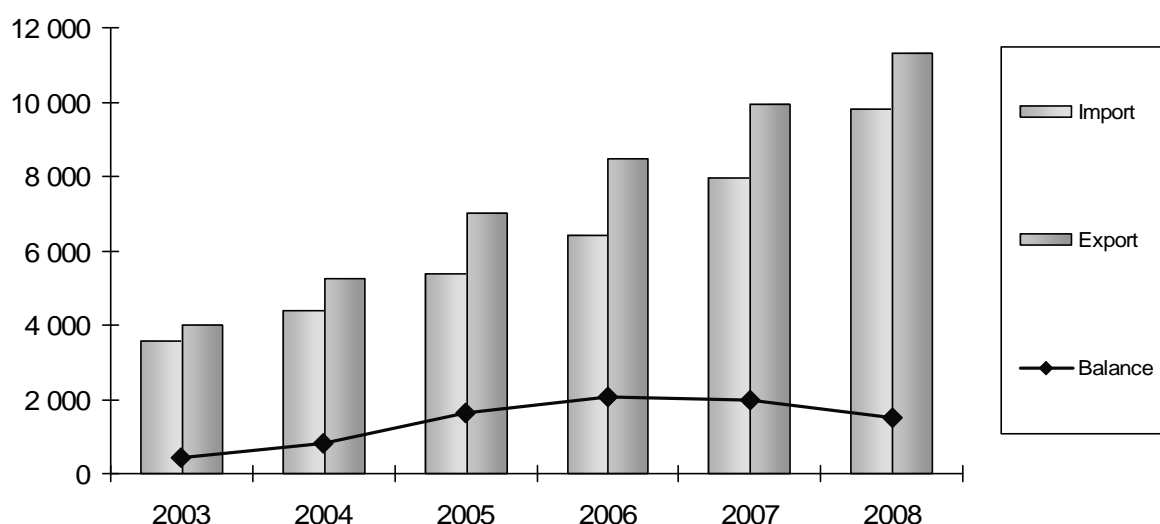
During the first three years of the membership, the dynamics of the increase of exports was higher than that one of imports. In 2004, value of export of agri-food products as compared to 2003, increased by 30%; on the other hand, value of imports during the discussed period, was increased by 24%. The successive years revealed increasing tendency; in 2005, export was increased by 34% and import by 22% and in 2006, by successive 21% and 19%, respectively. But since 2007, the situation was changed in favour of imports. Growth rate of imports was higher than that of exports and amounted to 17% and 25%, respectively. During the whole analysed period, the balance of foreign trade of agri-food products was positive. In 2003, it was equal to 0.5 billion EUR and in 2006, it was already 2.1 billion EUR (more than 4-fold increase).

Since 2007, we have recorded insignificant decrease of balance of foreign trade of food products. In 2007, the discussed balance amounted to 1.9 billion EUR (decline by 5% in comparison to 2006) and in 2008, it was equal to 1.5 billion EUR (decline by 24% as compared to 2007 and by 28% in comparison to 2006). The deterioration of trade balance is an effect of the increase in value of import, with the considerably lower increase of incomes from export of agri-food products.

In connection with the increase of trade exchange of agri-food products during the years 2003 – 2008, balance of foreign turnovers of agri-food products was significantly improved:

- total - from 453 to 1492 mln EUR,
- with the EU- 25/27 - from 441 to 2311 mln EUR,
- with the EU-15 - from 193 to 812 mln EUR,
- with the EU 10/12 - from 248 to 1499 mln EUR,
- with the Community of the Independent States – from 498 to 790 mln EUR.

Diagram 1. Results of foreign trade of agri-food products (in mln EUR)



Source: own calculations, based on the data: *Foreign Trade of Agri-food products, Market Analyses, No. no. 21-29, IAFE – NRI, AMA, MARD, Warsaw 2005 – 2009, and unpublished data of the Analytical Centre of Customs Administration (ACCA)*

Trade Coverage of import of agri-food products with export of the mentioned products (TC) increased from 1.12 in 2003 to 1.32 in 2006. In 2007, it decreased as compared to the previous year by 7 percentage points and was equal to 1.25; in 2008 it was lowered by the successive 10 percentage points and amounted to 1.15 but it was higher than in the total trade. On the other hand, trade coverage of import of agri-food products from the EU countries with export of the mentioned products to the EU was higher and increased more quickly – from 1.20 in 2003 to 1.62 in 2008; in 2008, there was a decline down to 1.34 but it was still high.

Dynamics of growth of Polish export of agri-food products during the first years of the membership in the EU was amazing and it was the highest one among the new member states of the EU10/12. During the years 2004 – 2005 it increased by ca. 30% in average in annual scale whereas since 2006, we have recorded the decrease of the export growth rate. In 2006, it amounted to 20%, in 2007 – 17% and in 2008 it amounted to 14%. Import had a more stable rate of growth and was maintained on the level of 20% annually. Such differentiation of the growth rate of exports and imports had a big influence on balance of foreign trade of agri-food products. In 2006, it reached the highest value of 2.1 billion EUR and increased by 365% in relation to 2003.

Since 2007, dynamics of growth of import of agri-food products was higher than that one of export what affected the decrease of balance of foreign trade of the discussed products. The year 2008 was a continuation of declining tendency of positive balance of trade turnovers of agri-food products.

**Tab.2. Dynamics of the results of foreign trade of agri-food products**

Specification	2004	2006	2008 <sup>a</sup>	2005	2006	2007	2008 <sup>a</sup>
	2003 = 100			Previous year = 100			
Export of agri-food products	130.7	211.1	282.1	134.1	120.5	117.4	113.8
Including to the UE-25/27	144.5	247.7	347.9	137.3	124.9	123.4	113.8
including to the UE-15	146.4	240.8	321.8	136.0	121.0	120.9	110.6
including to UE-10/12	138.0	272.2	440.3	142.1	138.8	131.6	122.9
including to CIS*	118.8	150.4	190.9	125.9	100.5	100.5	126.3
Import of agri-food products	123.9	179.7	276.2	121.9	118.9	124.7	123.2
Including from the UE-25/27	127.0	183.7	312.1	122.6	118.0	133.8	127.0
Including from UE-15	129.6	184.7	311.5	122.6	116.2	131.3	128.4
Including from UE-10/12	112.4	177.9	315.7	122.4	129.3	148.2	119.8
Including from CIS	115.9	238.6	395.9	149.6	137.6	118.4	140.1
Balance of foreign trade of agri-food products	184.3	458.1	329.0	198.0	125.6	94.8	75.7
with UE-25/27	230.9	563.4	524.3	177.1	137.8	106.8	87.1
with UE-15	306.7	777.0	420.8	189.9	133.4	97.1	55.8
with UE-10/12	171.9	396.9	605.0	159.2	145.1	121.8	125.2
with WNP	119.3	136.5	158.6	122.3	93.6	95.5	121.6

\* CIS – the Community of Independent States <sup>a</sup> preliminary data

Source: own calculations, based on the data: Foreign Trade of Agri-food products, Market Analyses, No. no. 21-29, IAFE – NRI, AMA, MARD, Warsaw 2005 – 2009, and unpublished data of the Analytical Centre of Customs Administration (ACCA)

Freedom of an access to the EU market affected a very quick growth of turnovers with the EU countries. Polish food products have quickly gained the recognition on the Common European Market. The participation of the EU-25/27 in exports of agri-food products increased year by year, from 65% in 2003 to 73% in 2004 and 80% in 2008. The participation of the EU-25/27 in imports of agri-food products was more stable and amounted to 61% in 2003, 63% in 2004 and to almost 70% in 2008. In effect, the Common European Market has become the main outlet for sale and supply of Polish food products. Balance of trade of agri-food products with the EU 25/27 increased dynamically up to 2007. In 2008, it was insignificantly deteriorated (decline by 13% in relation to the previous year) what was affected by higher dynamics of growth of import as compared to export of agricultural and food products from the EU countries.

The membership of Poland in the European Union has imparted a new, strong stimulus to export of Polish agri-food products not only to the EU-15 but also to the new member states of the EU10/12. During the years 2003 – 2008, value of export of the discussed products to the EU-15 states was increased more than 3 times and to the EU 10/12 – more than four times. Import from the EU1-15 as well as from the EU-10/12 was increased three times in the discussed period.

At present moment, the most important Polish agri-food products sold on the EU market include meat and its products, milk and its products, processed fruit and vegetable products confectionary and cake products, fishes and fish products and tobacco. In the Community countries, we buy first of all, vegetal products (e.g. cereals) and red meat and its products and also, coffee, tea and seasonings and fruits.

The EU is a dominating partner of Poland in trade of meat and its products. Value of export of the products of the mentioned sector in 2008 to the Community exceeded 1.7 billion EUR and was almost three times higher than in 2003. A similar growth was recorded in each of the main divisions of the discussed sector, with the greatest positive balance for poultry and beef production. Value of export and import of pork meat is very unstable. It was especially intensified in 2008 when value of import exceeded significantly that one of export and Poland became the important net importer of pork meat from the EU.

Milk and the dairy products were found on the second place; their value of export to the EU in 2008 was equal to more than 1.0 billion EUR. In 2003, the sum obtained for the dairy products, being sold to the EU, amounted to 130 mln EUR and constituted more than 40% of export value. In 2004, it was already 70% with value of 380 mln EUR. During the successive years, as much as 80% of exported dairy products were delivered to the EU customers. A special attention should be paid to export of liquid milk and cream. The mentioned products were not earlier exported to the EU and since 2005 they have brought 15% of incomes to the exporters.

The successive important item, being exported to the EU includes fruits and their products. Their value reached almost 1.0 billion EUR in 2008. Next, we should mention confectionery and cake products, the export of which to the EU is increased every year. In 2008, value of export amounted to more than 900 mln EUR and was by 3.5 times higher than in 2003. Fish sector is also distinguished by a high value of export to the EU. In 2008, export of fish and fish products to the Community brought the sum of more than 700 mln EUR. The role of tobacco and its products in Polish export to the EU is also increased. Value of the mentioned export in 2008 amounted to more than 500 mln EUR and was higher than in the previous year by 30%.

The increase of export of agri-food products was mainly determined by a high production of these articles in our country, a high maintained demand on Polish food products in the EU countries and non-EU states as well as favourable prices of agri-food products on foreign markets.

Such situation was also affected by export subsidies of which Polish entrepreneurs could take an advantage, after the accession, on equal rights with the EU entrepreneurs. Owing to such support, Polish agri-food products could compete, in respect of price, in the markets of the third states.

The analysis of the relations between value of export of basic agri-food products and value of their sales, as conducted for the years 2003 – 2008, indicates that the following sectors reveal especially strong export orientation: fishes and fish products, starch and potato products, fruit and vegetable juices and drinks, fruit and vegetable processed products, domestic animal feedstuffs, confectionery bread and sweets, and also, coffee, tea and seasonings. The average export tendency was revealed by meat and meat products, vegetal fats, milk and dairy products, sugar, spirits and tobacco products.

**Tab.3. The participation of export in sales of agri-food products (%)**

Specification	2003	2005	2007	2008
Fish and fish products	62.2	58.3	58.1	53.5
Starch and potato products	30.3	41.2	35.0	82.2
Fruit – vegetable juices and beverages	42.2	39.6	33.8	43.2
Fruit and vegetable products	40.8	34.9	38.7	38.6
Animal feedstuffs	20.9	38.1	23.8	22.2
Long shelf-life confectionery products	37.2	58.0	61.3	72.2
Cacao, chocolate and remaining sweets	31.8	28.1	32.1	31.6
Tea and coffee	41.1	59.6	74.9	74.2
Seasonings	21.9	28.6	24.3	30.5
Meat and meat products	15.0	16.2	18.4	19.1
Oils, margarine and the remaining fats	7.1	20.4	32.0	24.1
Milk and dairy products	11.7	21.9	21.5	21.7
Ice cream	5.6	14.6	23.1	24.2
Sugar	14.4	20.3	13.9	15.2
Alcohol drinks	10.8	15.4	11.1	10.4
Tobacco and tobacco products	13.0	23.1	49.2	85.4
Cereal products	4.9	8.6	9.4	10.7
Animal feedstuffs				
Cake products	4.5	11.5	13.2	11.0
Macaroni	9.8	14.6	8.3	6.6
Beer and malt	1.4	2.4	4.3	3.9
Non-alcohol beverages	3.4	11.0	10.4	11.0
Wine	1.3	2.5	1.9	2.7

*Source: own calculations based on summaries of value of food industry sales (in basic prices), the results of foreign trade of food products, developed by J. Drożdż and P. Szajner, using the unpublished data of the Central Statistical Office (GUS), Ministry of Finances (MF) and Analytical Centre of Customs Administration (ACCA)*

During the recent years, the participation of some of them has indicated, however, an increasing tendency what may, in the future, result in their transition to the group with a higher competitiveness. Food product which do not show any features of pro-export tendency include fresh bread, macaroni and cereal products, beer, wine and then, non-alcohol beverages. But also in the discussed group, a phenomenon of increasing export orientation is recorded. If the mentioned tendency is maintained, the discussed sections will be also able to pass to the group of sections with a higher competitiveness.

The increase of export orientation of the particular agri-food products and strengthening of the position of our food producers on the enlarged European market have proved that Polish food producers were well prepared to the membership in the European Union. The rise of the position of Polish food producers could have not, however, occurred if Polish products were not attractive in respect of price and were not characterized by a high quality and taste values.

## **Discussion**

Entrance of Poland to the EU structures has been a stimulus, generating many positive changes. The mentioned changes have run in a liquid way, and Poland has constructed the appropriate institutional system and correct instruments for implementation of the Common Agricultural Policy mechanisms, including trade mechanism, without which the turnover of agri-food products would be impossible.

Five years of Poland's functioning within the frames of the European Community have proved that Polish food producers were well prepared to the membership in the EU and managed perfectly with this difficult and demanding market. It was a period of dynamic growth of foreign trade of agri-food products. From a net importer, Poland has become a serious net exporter of food. During five years of the membership, the turnover of agri-food products with the abroad increased almost three times. In spite of fears, the accession has not caused a flooding of Polish market with foreign products; on the contrary, it affected the development of food industry in Poland. The participation of exports in the production sold of food industry reveals the increasing tendency.

The advantages, as reached during the first period of Poland's membership in the EU occurred to be higher than the prognosed ones. Polish food producers did not allow taking over too great part of the domestic market and, at the same time, occurred to be extremely active on the markets of other EU countries.

It is difficult now to predict how will be the foreign trade of agri-food products developing in the nearest future. The year 2009 will be certainly not so good as 2007 or 2008. The consequences of crisis which reached Europe at the second half of 2008 have also negatively influenced foreign trade of agri-food products. Balance of turnovers in 2008 was lower than in 2007; export was still increased but dynamics of growth was not as high as during the first years after the accession.

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