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Problems of Meat Products Trading Between Poland and Belarus

Abstract. In the article the state of foreign trade in meat products between Belarus and Poland is analyzed. Our countries for long years have been partners in this trade, first of all in pork products. However since March 2007 Belarus has ceased import purchases of Polish meat. In the article problems which have arisen recently are studied. Also the analysis conducted in this article discovers the reasons of the problems and ways of their solution are offered.
Key words: meat, production, meat products, stockbreeding, export, import, trading, Belarus, Poland, Russia

Introduction

Polish entering into the European community in 2004 enabled management of free trade in its territory. The markets of CIS (Coomonwealth of Independent States) countries, first of all Belarusian and the Russian markets, are the most prospective with regard to the realization of trade in surpluses of food stuffs in the countries of Community. Rules of trade of EU are established by the common agricultural policy. Polish farmers have more opportunities for meat exports to the Byelorussian and Russian markets thanks to the low transport costs, long experience and getting 123 euro of export payments for one ton of meat.

Till March 2007 Poland has been actively selling meat products to Belarus, but now export deliveries have completely stopped. Why such a sharp change of this situation has been caused?

Methods of research

Authors, on the basis of statistical data, analyzed results of activity of organizations in producing meat products in Belarus, and the export and import opportunities. Results of foreign

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trade with Poland and Russia were investigated. The completed research has allowed to reveal problems of the trade in meat products and the planned ways of rectifying the given situation .

Results of research

The agriculture of Belarus is traditionally specialized in animal production, thus production of meat and meat products is its major component.

In 1990 domestic production of meat and meat products in Belarus amounted to 1.2 million tons and import only 15 000 tons. During the same period the domestic consumption in the republic amounted to 773 000 tons and export of production 348 000 tones. In the next years production of meat began to decrease sharply and the minimum of it was in 1996. It was 623 000 tons which was 52.8 % of the 1990 level. Then there was a small increase and nowadays (in 2005) production of meat and meat products reached 630 000 tons or 53.3 % of the 1990 level. This has happened because of the reduction in the livestock numbers (Table 1). Thus production of meat per head was reduced to 64 kg/year.

In Poland, where the basic investment in production of meat are being done in the sector of pig-breeding, there was an insignificant reduction of livestock of pigs. However production of meat per head has on the contrary increased about to 77 kg in 1990 and up to 85 kg in 2004.

Table 1. Parameters of meat sector in Poland and Belarus

Country	Year						
	1990	1995	2000	2001	2002	2003	2004
Production of meat per head, kg							
Belarus	116	64	60	63	62	61	64
Poland	77	71	75	75	81	89	85
Pig stock, million heads							
Belarus	5.1	3.9	3.4	3.4	3.3	3.3	3.4
Poland	19.5	20.4	17.1	17.1	18.7	18.6	18.1

Source: [Belarus... 2005, pp. 192-193]

Also a negative situation is observed in the foreign trade in meat products in Belarus. As already has been noted above in 1990 a positive balance in the trade of meat products reached 333 000 tons. Thus almost a third part of meat produced in the republic was exported. Later on exports of meat began to fall sharply, and imports began to increase (Table 2 and 3).

Now Belarus witnesses an annual deficit close to 100 000 tons of meat. Belarus basically purchases abroad poultry meat and pork. Thus of 85 % of pork until recently has been purchased in Poland. From the CIS countries imports Belarus basically the imports meat products.

Volumes of export of meat and meat products in 2004 in comparison with 2000 grew by 67.8 % and amounted to 71.4 thousand tons. All production was exported to the CIS countries, of which 95.5 % to Russia (Table 3).

Table 2. Import of the basic kinds of meat and meat products in Belarus, thousand tons

Products	All imports			From the far abroad countries						From the CIS countries		
				Total			Poland					
	2002	2003	2004	2002	2003	2004	2002	2003	2004	2002	2003	2004
Frozen beef	2.0	1.1	2.2	1.8	0.9	2.1	1.8	0.8	1.9	0.2	0.2	0.1
Pork	7.5	33.8	35.8	7.2	33.6	35.7	4.5	32.2	30.3	0.3	0.2	0.1
Poultry meet	16.2	20.4	15.5	15.9	20.0	15.0	3.8	6.4	2.6	0.3	0.4	0.5
Meet products	2.8	7.3	8.2	0.2	0.1	0.1	0.1	0.1	0.1	2.6	7.2	8.1

Source: [Selskoe... 2006]

Table 3. Export of the basic kinds of meat and meat products from Belarus, thousand tons

Products	All exports			CIS countries		
	2002	2003	2004	2002	2003	2004
Frozen beef	23.8	32.1	43.5	23.8	32.1	43.5
Pork	16.9	13.6	14.7	16.9	13.6	14.7
Poultry meet	7.6	15.7	13.2	7.6	15.7	13.2

Source: [Selskoe... 2006]

Such geography of export is connected with the necessity of paying in many cases for the republic's imports in the last years by barter with the cattle breeding products. First of all it has been done in the trade with Russia for the imported energy carriers in the form of gas and petroleum. That has created preconditions for increase in export potential.

Since autumn 2005 Russiahas imposed embargo on imports of Polish meat because of the infringement of veterinary requirements. From then the trade in meat products between Poland and Russia has stopped.

In the end of 2006 and the beginning of 2007 commercial disputes concerning deliveries of agricultural production (first of all sugar and meat) have inflamed between Russia and Belarus. Russia has forbidden import of Belarussian meat, and accused Belarus that it was purchasing Polish meat and under the cover of own production reselling it to Russia. Th main condition of resumption of deliveries is a refusal of importing raw meat material from third countries (first of all Poland) and admission of inspection of Belarussian meat factories by the Russian experts.

Since March 17th, 2007 a prohibition of importation of meat raw material has been in force in Belarus. Thus the interdiction extends not only on the Polish raw material, but also on meat from other countries, including Russia and Ukraine. Corresponding letters have been directed by Ministry of Agriculture, Food Production and Veterinary Service to the boundary customs

posts according to the protocol signed by the government. Meanwhile corresponding official decision of the government, fixed in the form of a decree, has not been enacted yet.

The greatest burden of this interdiction has been put on the meat factories and foreign enterprises engaged in processing of imported meat raw material. Majority of them are residents of the free economic areas, have a number of tax concessions and deliver large part of production to export.

Such meet-processing enterprises can buy raw material in the home market. The cost of offered Belarussian meat raw material is 20-30% higher than imported meat from Russia, Ukraine or from Europe. In this connection the processed products of these enterprises become noncompetitive in price in the Russian and Ukrainian markets where about 95 % of the volume of export was traditionally delivered.

Situation in these enterprises has developed critically. Preservation of interdiction on importation of raw material will lead to a loss of foreign markets, so there will be a decrease in production volumes and in numbers of employment in the enterprises and an increase of social tension in a number of meet-processing enterprises which have appeared in such position.

Besides, a reorientation of deliveries from foreign enterprises to the home market will lead to an increased competition with local meat processing factories and a loss for them, as residents of the Free Economic Areas, of the tax concessions. This will be negatively apprehended by foreign investors who have expected stable work conditions in Belarus.

So in connection with the developed situation the foreign enterprise "Inko-Food" (a resident of the Free Economic area 'Brest'), because of a sharp decrease in the processed volume of up to 10 % less than the traditional volume of processing, has been forced to send for an indefinite leave without support nearly 650 person.

Also there was an uncertain situation uder which de iure the prohibition of importation of meat is absent, and de facto it exists for a uncertain term. In this sense the Brest regional executive committee has made a decision of appealing for an import license for poultry meat from Ukraine and for the subsequent delivery of products there, but a corresponding consent from veterinary services is lacking.

At the same time a negative situation has developed in the basic large meat processing factories of Ministry of Agriculture and Food Production. While residents of the Free Economic Area have been faced with a shortage of raw material, other meat factories have to work 'on warehouse'.

So till recently in the 'Grodno Meat Factory Inc.' the structure of deliveries of production measured by the total sum of sales has been as follows:

- home market of Belarus 84.1 % of all production,
- markets of neighboring foreign countries 15.5 %;
- markets of far abroad countries 0.4 %.

Outsideof Belarus meat and fats are sold in Russia and in the far abroad countries skins and intestines of cattle are sold. In particular the factory delivers to Poland intestines and skins of cattle and horn-hoof raw material. Raw slaughter products are sold in the Baltic countries. Skins are exported to Italy. After introduction of prohibition of exports the enterprise has practically ceased export deliveries to Russia.

Meat processing factories cannot refuse purchase of domestic raw material. Belarussian meat factories have associated with raw material supply zones and agricultural enterprises from which they should purchase cattle in time periods determined by the technology of animal production, instead by the demand in Russian market.

Russia in March 2007 conducted the inspections. As a result of these inspections only 3 meat processing factories received the right to deliver meat to Russia. Later on June 5th 2007 another 13 subjects including 3 meat processing factories located in the Free Economic Area and the joint venture 'Santa Bremor' have received the licence. At the same time about 20 large meat processing factories cannot deliver production to Russia and are forced to work only for the home market.

It is necessary to notice that the own production of meat per person is in Russia more than 3 times lower than the medical dietary norm. Basic source of meat intake are the import deliveries. It is not realistic to expect an increase of production in the short run, so Russia can not do without deliveries of imported meat and will be forced to search for suppliers in the third countries.

Conclusions

Administrative restrictions in mutual trade always prevent economic development and entail other negative effects. So Poland has lost the Russian seller's market of meat products. Belarus lives through hard times in the meat processing enterprises. Russia is losing image of a reliable trading partner and experiences a political tension in relations with EU.

The forthcoming introduction of Russia into WTO demands removal of a unilateral embargo on imports of meat products. Accordingly there will be preconditions for resumption of mutual trade. But till this moment it is necessary to settle the key issues in the conflicts between Belarus, Russia and Poland. If we do not do that there will be no stability in the meat market.

Big defect of the Belarussian meat market is its narrow export orientation for Russia. It is necessary for Belarussian meat factories to search for new seller's markets, first of all in the neighboring countries.

The second major step is the cost reduction of own meat raw material whose supplier are basically the agricultural enterprises and an increase in volumes of their production.

The third direction is a modernization of production technology in the meat processing factories and widening of assortment of production to compete in the internal and foreign markets both in price and in quality.

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