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**Agnieszka Werenowska\*, Boris Poleganow\*\***

*\*Warsaw University of Life Sciences – SGGW, Poland, \*\* The Association of Road Safety Partnership, Poland*

## **THE PRESENCE OF THE POLISH DAIRY COMPANIES IN THE MARKETS OF EASTERN PARTNERSHIP**

### *OBECNOŚĆ POLSKICH FIRM MLECZARSKICH NA RYNKACH PARTNERSTWA WSCHODNIEGO*

**Key words: partnership, the European Union, dairy**

*Słowa kluczowe: partnerstwo, Unia Europejska, nabiał*

**Abstract.** Supporting entrepreneurs outside the country is one of the tasks of at least two ministries – the Ministry of Economy and the Ministry of Foreign Affairs. Some of the tasks are performed by various institutions, which in their properties are designed to promote Polish export. Proposed by them forms of cooperation with enterprises – from financial support through promotion, and ending with the conclusion of international agreements, are to create a range of tools which enable the Company to have a chance to gain new markets for its products, and thereby increase their income and influence positively on the wealth of the whole society. The article assesses the activities of two ministries – the Ministry of Economy and the Ministry of Foreign Affairs, their impact on facilitating the internationalization of enterprises. Standardized interviews were conducted. Callers were employees of selected companies of the dairy industry who are directly involved in exports in the company. The interview questionnaire was conducted with representatives of 15 companies from the tested industry. There was no direct effects of the impact on export results of conducting actions under Polish development assistance. The surveyed entrepreneurs have not met with any situation in which a partner from the target indicated in any way that he knows this business and it influenced his willingness to cooperate with the Polish company.

### **Introduction**

After accession to the European Union, milk production in Poland are covered by regulations. There are limits, beyond which there is a risk of a financial penalty, the so-called. milk quotas, referred in the European Council Regulation [Regulation (EC) No 72/2009]. Their height was determined during the negotiations preceding the Polish accession to the European Union and stemmed directly from the volume of production prior to accession. In a situation of overproduction of milk, the Member States are given adequate punishment.

Since the Polish entry into the European Union a steady positive balance in the market of dairy products has been seen. The surplus in monetary terms was amounted to more than 4 billion dollars per year. Globally, in 2011 on Polish territory produced 2% of world production of cow's milk [Rocznik statystyczny... 2013]. In contrast, in the EU, Poland ranks fourth in the amount of milk produced –12.298,8 mln litres. The article analyzes the activities of two ministries – the Ministry of Economy and the Ministry of Foreign Affairs in view of the impact on the volume of Polish export and the improvement of internationalization of the enterprises.

### **Material and methods of research**

In the article the time of Polish membership in the European Union was taken into account. The reference point was 2009, which implemented the so-called Eastern policy of the Union. It was assumed that the activities of the ministries of Economy and Foreign Affairs have no significant impact on the volume of export of Polish companies. Standardized interview was conducted. Callers were employees of selected companies of the dairy industry who are directly involved in

export in the company. The study selected representatives of the dairy industry who are members of three organizations: National Association of Dairy Cooperatives Auditing Association, Dairy Industry Chamber of Commerce and the Association of Polish Exporters. Not all of the members of these organizations are engaged in the export of their own products.

To be able to sell goods abroad you need a proper certificates. Companies include, in their advertising, information on holding such certificates. On the basis of materials provided by the companies, the first selection was made and a telephone survey was conducted. Interviews were directly members of the export staff.

Because the list of companies exporting dairy products to the markets of the Eastern Partnership are confidential, pre-selection of companies that were included in the study was made on the basis of the information provided on their websites. Based on the entries in the tabs describing the company's operations that export products were found. Pre-selection allowed the selection of 36 companies exporting their products. Finally, interviews were conducted with representatives of 15 companies from the test industry.

In December 2008, the European Commission adopted a plan for increased cooperation with the countries belonging to the Partnership. They invited six countries: Belarus, Ukraine, Moldova, Armenia and Azerbaijan. During the Czech presidency in 2009 this initiative was inaugurated [[www.msz.gov.pl](http://www.msz.gov.pl)]. The main objective of the Eastern Partnership is to strengthen bilateral cooperation of partnership countries with the European Union both at the political and economic level [Szeligowski 2013]. Some goals have been placed by the Eastern Partnership [Kapuśniak 2010]: establishment of political associations, creating a deep and comprehensive free trade areas with the EU partner countries, the progressive liberalization of the visa regime, leading to the establishment of a visa-free regime.

### **The activities of organizations and associations for the Eastern Partnership**

The idea of the Eastern Partnership was not known among the respondents who work in the markets for the countries covered by its policy. They recognized it only in Poland. According to the guidelines of the European Union, Poland is dedicating part of their GDP to help developing countries. Part of the funds are invested in the project "Polish Aid". Ministry of Foreign Affairs provides funding institutions and non-governmental organizations to carry out projects in selected countries or geographical areas. A large part of the funds go for the actions in the countries of the Eastern Partnership. Only one interviewee said that he had heard about the "Polish Aid" in Poland. None of the respondents had met with the representatives of businesses target markets who would have heard about this project. Therefore, according to them, this had no impact on their business. 14 companies surveyed said they had not use in any way help from the Ministry of Foreign Affairs. Contacts with the Ministry of Economy were not intense. Only 2 of the 15 companies in the past have benefited from the help of the Ministry. Enterprises have received help in organizing their presence at the fair and were invited to participate in economic missions. Businesses, on the other hand, stressed the activity of trade associations: Polish Chamber of Milk, Polish Agency of Information and Foreign Investment Agency and the Agricultural Market Agency for Enterprise Development. 12 surveyed companies said they receive assistance from the listed Agencies.

There is much more possibilities of aid given to Polish enterprises than that used by companies of the dairy industry. Several kinds of support, proposed by the administration, was not chosen by the representatives of the dairy business e.g., none of the surveyed companies do not declare the use of assistance in obtaining the necessary certificates. Managing companies did not deem it necessary to try to obtain export credits. Also, none of the companies have tried to obtain government guarantees. Despite this, 13 companies benefited from export subsidies. The second, most popular method of support, was the participation in economic missions. Participation in them have declared 9 companies. The aim of the missions was to create the right conditions for Polish entrepreneurs to establish contacts and to establish or expand co-operation with foreign partners [<http://www.pcc.org.pl/>]. Economic missions are organized by public authorities but also by various industry associations or companies specializing in the subject of international trade cooperation.

It is worth noting that only one company declared the use of assistance during the organization

of the fair. This does not mean that only one actually participated in the events of an exhibition. The surveyed companies did not declare during a conversation using this form of assistance.

None of the companies do not declare, however, the use of assistance during the obtaining of the necessary certificates. One of the reasons could be the lack of knowledge about the financing the certification process. Dairy products are not subject to licensing, because none of the companies did not need help in obtaining them.

The internationalization of enterprises is difficult and time-consuming. The entrepreneur must take into account many factors that can affect the success or failure of development path. There is a large group of difficult markets, where entry requires far more effort and investment. Obstacles are a significant distance that prevents the transportation of certain goods, cultural and religious issues, which exclude some products from the market. There can also be periodically placed some restrictions which exclude whole groups of exporters from the market. First of all, in these cases the state aid, at least in the initial phase of internationalization of enterprises is necessary and indispensable.

### **The availability of information on the Eastern Partnership**

The process of internationalization of enterprises is in Poland armed by the agencies and ministries and their subordinate institutions. Despite the different scope, their activities should be coordinated and transparent mainly for entrepreneurs.

None of the surveyed institution, provide a list of Polish companies exporting products. Inquiries were sent to the Ministry of Economy, Agricultural Market Agency and BGK. The responses of these entities bore the information that they have appropriate statements, but there is no possibility of transferring them in any form. Callers hid behind secrecy. Most companies in the external communication informs about their successes or the presence in each market. Even more surprisingly is willingness to keep it secret by the officials.

Ministry of Economy, which grants funds according to the *de minimis* rule, does not carry any detailed records of those activities. It does not have aggregated information about the countries for which funds were used, for what exactly they were released or whether the expected results have been achieved. Once a year the Polish Monitor published a list of entities that have received funds from the budget of the Ministry of Economy, without information from which budget line are the measures and for what they were intended. In one statement are published companies that are the beneficiary of a multimillion aid and small companies receiving funds of about several thousand. In the same table, they published central government and local institutions, which also received support from the ministry.

An important issue is the choice of priority markets and sectors of the economy, which particularly will be assisted by the state. Branches and destination countries in the list of priorities, can count on special assistance to state institutions. In particular, this manifests itself in promotional activities. Businesses of selected industries can count on additional funding through lawful means, assistance in organizing trade missions and participation in fairs. Polish food is promoted in the markets of Germany, Russia, Ukraine, France, China and the United Arab Emirates. From countries included in the Eastern Partnership, the list contains only the Ukraine. Not surprisingly in this situation is the fact that the aid to the dairy industry is relatively small and confined virtually to participate in trade missions and fairs. Financial assistance in the form of export subsidies happens occasionally. Employees of enterprises surveyed were unable to give the exact year of receipt of such assistance.

You cannot say, however, that the Ministry of Economy, subordinate agencies and financial institutions such as the National Economy Bank or the Export Credit Insurance Corporation does not support the internationalization of enterprises. They spend their own resources or funds obtained from the European Union for the development of Polish exports.

Although, the Ministry of Foreign Affairs declares strengthen efforts to promote Polish exports respondents do not noticed such activity. Foreign Ministry conducts portal giving basic economic information about the countries, but so far not all states have their studies [[www.informatorekonomiczny.msz.gov.pl](http://www.informatorekonomiczny.msz.gov.pl)].

The biggest obstacle in the analysis of the economic activity of this ministry is the lack of reports on the activities of promoting economic exchange of individual diplomatic missions. Such reports are expected to emerge from 2015. It is therefore difficult to assess the impact that MFA has on the internationalization of the companies.

### Summary and conclusions

The problem of informing businesses about the possibilities of obtaining assistance and the actions taken by the Administration requires a lot of attention. Employees involved with the organization of export or entering into trade agreements have no knowledge about the activities of ministries, they even believe that the ministries should plan and implement promotional activities, supporting or lobbying after consultation with interested groups. People employed in the sectors of export, of surveyed companies, believe that the central government does not help sufficiently companies to seeking for internationalization. Increased efforts are necessary in the sphere of informing businesses of the measures taken by the central administration. Information on countries published on thematic portals should include more detailed information and contain links to pages with in-depth data. It cannot say with certainty which ministry contributes more to the growth of Polish exports. In the course of work emerged a picture which suggests that the processes aimed at internationalization of Polish companies should be divided into two phases. The first is the creation of a legal-treaty database, regulating international economic exchange. The Ministry of Foreign Affairs has the leading role in this process. The second phase is the right internationalization, during which the companies establish economic relations, including signing contracts and then implementing them. At this stage, the Ministry of Economy played the most important role. The surveyed companies did not confirm that the initiatives taken by the Ministry of Foreign Affairs had an impact in the performance of their financial results.

The conclusions are:

- increased efforts are needed in the area of informing companies about the actions taken by the central administration,
- reports concerning the use of funds should be more comprehensive and include the target country for help, expected and achieved results. Thanks to it, businesses and the public will know on what support they can count for and what are the actual effects of the use of funds,
- information about countries, published on thematic portals, should include accurate data and should contain links to pages with in-depth data,
- missing information must be systematically filled in and new countries cards should be created. There is no information from countries where Polish diplomatic posts are created.

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### **Streszczenie**

*Wspieranie przedsiębiorców poza granicami kraju jest jednym z zadań przynajmniej dwóch ministerstw – Ministerstwa Gospodarki oraz Ministerstwa Spraw Zagranicznych. Część zadań wykonywanych jest także przez różnego rodzaju instytucje, które mają za zadanie wspierać polski eksport. Proponowane przez nie formy współpracy z przedsiębiorstwami – od wspomagania finansowego poprzez promocję, a kończąc na zawieraniu międzynarodowych umów, mają stworzyć wachlarz narzędzi, dzięki którym firmy będą miały szansę na zdobycie nowych rynków zbytu na swoje produkty, a tym samym zwiększą swoje dochody i wpłyną pozytywnie na zamożność całego społeczeństwa. Dokonano oceny działań Ministerstwa Gospodarki oraz Ministerstwa Spraw Zagranicznych dotyczącej ich wpływu na ułatwienie internacjonalizacji przedsiębiorstw. Przeprowadzono badania sondażowe – wywiad standaryzowany. Rozmówcami byli pracownicy wybranych przedsiębiorstw przemysłu mleczarskiego, którzy bezpośrednio zajmują się eksportem w firmie. Kwestionariusz wywiadu przeprowadzono z przedstawicielami 15 przedsiębiorstw z badanej branży.*

Correspondence address  
Dr Agnieszka Werenowska  
Warsaw University of Life Sciences – SGGW, Poland  
Nowoursynowska Str. 166, 02-787 Warsaw  
phone: 664 198 540  
e-mail: gnieszka\_werenowska@sggw.pl

Dr Boris Poleganow  
The Association of Road Safety Partnership  
Mokotowska Str. 14  
00-561 Warsaw  
e-mail: borispol@o2.pl