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Comparison of Slovak and Polish foreign agrarian trade

Foreign trade in agricultural and food products is a very important component of trade and agricultural policy. In the recent years these policies change influencing on the result of this trade and indirectly on food producers as well as consumers. The aim of this paper is look through the agrarian trade between Slovakia and Poland. The Slovak and Polish agriculture is managed by the Common Agricultural Policy. It has main impact on both national agrarian policies. The situation in agriculture in both countries is different. It is because of the historical development of agriculture in Poland and in Slovakia.

Introduction

Agriculture and food industry are the strongest sector of national economy and the biggest employer, too. These facts points out the important role of agriculture in the national economy.

Very important is the fact, that agriculture creates the countryside economy, situated out of big cities, and forms the primary economy producing material assets.[1] Material assets are then connected with services, industry and commerce. It is the most important sector of the national economy and that's reason why the government has to pay attention to this sector.

Common agricultural policy

Common agricultural policy (CAP) is the most integrated and one of the most important EU policies based on EU agricultural subsidies and programs. It was created more than 50 years ago after Second World War as a respond on the fears of food shortages experienced during the war times. It was established to subsidize farmers and encourage them to produce more to ensure stable food supplies.

In the past CAP represented more than 50 % of EU budget. But it led to supporting unsustainable agricultural sectors so after three reforms in 1992, 1999 and 2003 it was reduced to recent 45 % (55 billion Euro per year) with the prospect of further reductions in frame of new long term EU budget 2014 – 2020.

CAP has two pillars. The current Single Farm Payment comes under Pillar 1 and measures of Pillar 2 aim to support rural communities development and diversification.

In 2008 the CAP Health Check was launched. It aims to modernize the policy and provide assistance when answering to new challenges such as climate change. The EU

[1] Zeitschrift für ausländische Landwirtschaft, 17. Jahrgang, Heft 2, April - Juni 1998, S. 77 — 88

27 also agreed to further cut direct subsidies to farmers, for the benefit of rural development policy, and to abolish milk production quotas.
The discussion of the CAP's future beyond 2010 in context of the general reform of EU budget has started in 2010. The first contribution to the discussion from European Commission stressed that agriculture must do more to mitigate climate change and consider the option to established third pillar of the CAP focusing on this issue. And the current single payment scheme could by maintained but targeted at providing so called "public goods" – to create real EU added value. Former commissioner Mariann Fischer Boel committed farmers to help to fulfill EU commitment to reduce carbon emission by 20 % by 2020.
France is the biggest recipient of CAP funds. The largest per capita beneficiaries from the CAP are Greece and Ireland. All four Visegrad countries are net beneficiaries of EU budget and CAP funding. At the beginning of February 2010 the ministers of agriculture of Hungary, Slovakia and Poland and Romania, Lithuania, Latvia, Estonia, Cyprus and Bulgaria agreed in Warsaw on common statement on the future of CAP after 2013. They want both pillars to be preserved. They also oppose the idea to base the level of payment on historical principle.
The economic crisis seriously hit European agricultural sector, especially diary farming. Farm milk prices began to fall in late 2008 until it brought the whole sector at the edge. Due to surplus production of milk and diary products and falling prices – Europe was a witness of several protests of farmers calling for action against volatility of prices and phasing out milk quotas as soon as possible.[2]

Situation of Agriculture in Poland

Agriculture is one of the sectors that profited the most from the Polish accession to the EU. About 15% of the country's labor force, what is equivalent to 2.2 million full-time workers, is employed in farming, thereby providing the biggest - 20% - share in EU27 employment in agricultural sector. Despite very high level of employment, the effectiveness of Polish rural workforce is very small, what is portrayed by the fact that agriculture contribution to the Polish GDP is just 3%.
Polish farmers have experienced a significant rise in their real incomes during 2000-2009, which increased by 107%. EU27 average is just 5%, and the average of the new Member States (EU-12) is 61%. Last year the farmers' incomes decreased, mainly due to the plunge in prices of most animal products and almost all plant products.
Most Polish farms (over 90%) are operated by the farm holders and their families. The share of own-farmed land is 75%. Agricultural land constitutes over the half of the total area of the state. Poland is the third largest producer of cereals in the EU-27 – leading the rye and oates production, with second best results in potato production. Poland possesses also the third largest share of EU-27 orchard area and it constitutes the largest apple tree orchard in the EU-27. Moreover, Poland is the fourth largest poultry producer (represents 11% of EU poultry meat production). Furthermore, it provides 6,6% of the milk produced in the EU. Although Polish farmers are very much concerned about

[2] Present and future of Common agricultural policy in Visegrad. Online: http://www.visegrad.info/agriculture-and-cap-reform/factsheet/present-and-future-of-common-agricultural-policy-in-visegrad.html

environmental matters, according to the Eurobarometer survey, Poland is the sixth largest emitter of Greenhouse Gas emissions from agriculture in the EU (34 mil. tonnes).
Poland, along with other 10 out of EU-12, applies SAPS (Single Area Payment Scheme), the simplified version of SAS support scheme. Similarly to all farmers receiving direct payments, Polish farmers are subject to compulsory cross-compliance (CC). However, CC comprises a great concern for farmers, as those failing to meet requirements could loose direct payments, even if their farms have been traditionally cultivated for generations. This poses a problem especially to states like Poland with a majority of traditional farms struggling economically and thus struggling to meet CC requirements.
Poland implemented the Rural Development Programme 2007-2013 (RDP) with total budget of 17 billion Euro. Poland's RDP is based on the multifunctionality of agriculture and rural areas. The aims of RDP in Poland are: strengthening of the economic competitiveness of agricultural holdings and of the agri-food sector, contributing to land management and environmental protection, and enhancing the quality of life and diversify the agricultural economy.
The Polish main priorities for the next CAP programming period are: simplifying the system of agriculture funding system for all farmers in the EU, withdrawing historical principle when assessing the base level of payment (the system that contributes to unjust differentiation in support allocation to farmers). Poland also wants the current instruments of the CAP to be maintained. According to the Eurobarometer survey, 85% respondents in Poland support the standpoint of Minister Sawicki.

Situation of Agriculture in Slovakia

Since 1989 Slovak agricultural sector has faced several challenges. The production reduced by 30 % because of low demand and high import between 1990 and 1997. Former agricultural cooperatives and state-owned companies were transformed into private business companies and co-partner cooperatives.
According to Eurostat Farm structure Survey in Slovakia 2007 – 92 % of utilized agricultural area in Slovakia was in farms of over 100 ha. Only 9 % of the agricultural area was farmed by its owners. It also recorded 69,000 agricultural holdings. Quarter of Slovak farms specialized in cereals, oil seed and protein crops.
The strategic objective of the agricultural and food policy for the years 2004 and 2013 is preserving agriculture in all production conditions within the scope justified by the ability to produce competitive products and by the need to ensure more effective use, protection, regeneration and permanent reproduction of natural sources, as well as by the need to preserve balanced environment, cultural, country and rural settlement".
Program of Rural Development for programming period 2007 – 2013 focuses on farm modernization, increasing economic value of forest, farming and maintaining endangered species of animals, continuing favorable condition of the forest inhabitants, diversification into non-agricultural activities, investment into leisure and hospitality facilities, encouragement of rural tourism and village revitalization and development of social infrastructure and services.

In new EU budget perspective for the years 2014 – 2020 Slovakia support preserving of direct payment as a base of first pillar of CAP, but insists on withdrawing of historical principle.
The economic crisis has a bad impact also on Slovak farm production – it lowered the contribution of agriculture on GDP and also volatility in cash-flow of the farms. [3]

Foreign Agrarian Trade between Slovakia and Poland

The figure 1 shows the volume of agrarian export and import of Slovakia and Poland in 2010. From this figure we can see negative trade balance of agrarian trade. It means that the Slovak Export of agrarian commodities is smaller than Polish import into Slovakia. It is because the Poland is neighbor country of Slovakia. The second important reason is that the prices of agrarian commodities are lower than in Slovakia. The reason is also because the same features of consumers.

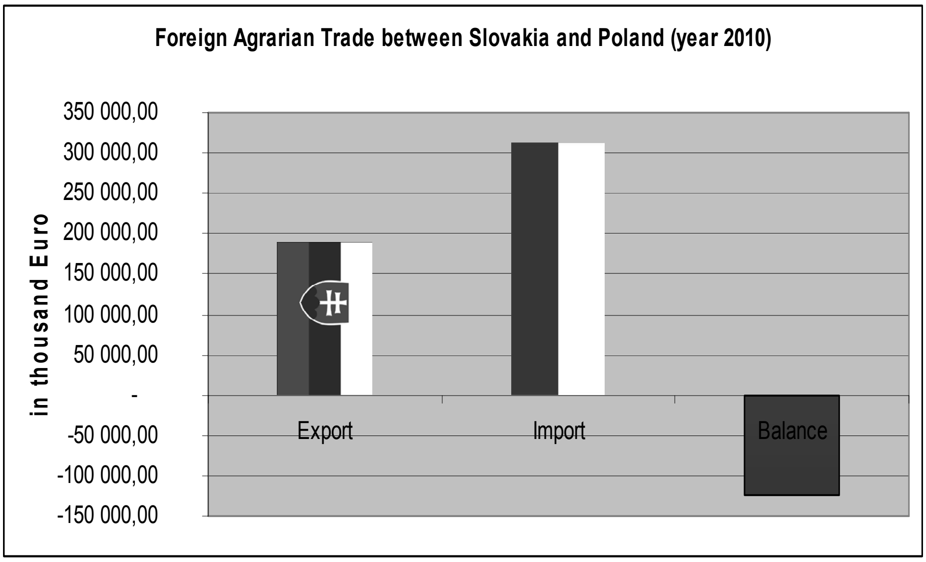

Figure 1 Foreign Agrarian Trade between Slovakia and Poland (year 2010)
Source: www.statistics.sk, 2011

Table 1 shows agrarian commodities which are most exported from Slovakia to Poland. For the commodities evaluation we used RCA indicator.
The revealed comparative advantage is an index used in international economics for calculating the relative advantage or disadvantage of a certain country in a certain class of goods or services as evidenced by trade flows. It is based on the Ricardian comparative advantage concept.

[3] Present and future of Common agricultural policy in Visegrad. Online: http://www.visegrad.info/agriculture-and-cap-reform/factsheet/present-and-future-of-common-agricultural-policy-in-visegrad.html

It most commonly refers to an index introduced by Béla Balassa (1965):

$RCA = (E_{ij} / E_{it}) / (E_{nj} / E_{nt})$

where: E – Exports, i - Country index, n - Set of countries, j - Commodity index,
A comparative advantage is "revealed", if RCA>1. If RCA is less than unity, the country is said to have a comparative disadvantage in the commodity or industry.[4]

In table 1 are commodities in order by the volume of export. We can see that Slovakia is exporting mainly malt, corn, wheat, chocolate, sugars, oil rape seeds, live roosters, hens, ducks, turkeys and other commodities, extract of concentrate essence from coffee, tea, malt extracts, Fruits and nuts and other commodities.

Table 1: Export, Import, Balance of Agrarian Trade between Slovakia and Poland and Indicator RCA of chosen commodities, 2009

N.	Commodities	Export in thousand Euro	Import Export in thousand Euro	Balance in thousand Euro	Indicator RCA
1.	Malt	40 263,65	45,30	40 218,35	5,6303
2.	Corn	17 352,25	24,04	17 328,22	5,4223
3.	Wheat	14 921,62	58,45	14 863,17	4,3828
4.	Chocolate and products with cocoa	13 673,85	16 946,17	-3 272,32	-1,3741
5.	Other sugars, ,lactose, syrups	9 932,31	2 018,22	7 914,09	0,4340
6.	Seeds of oil rape	9 046,70	1 219,53	7 827,17	0,8444
7.	Live roosters, hens, ducks, turkeys	8 049,81	120,29	7 929,52	3,0440
8.	Extract of concentrate essence from coffee, tea	5 727,03	7 334,02	-1 606,99	-1,4069
9.	Malt extracts	4 260,98	949,37	3 311,61	0,3419
10.	Fruits and nuts (also preserved)	2 296,37	2 896,86	-600,50	-1,3918
11.	Beer from malt	1 982,69	2 344,14	-361,45	-1,3270
12.	Starch, inuline	1 841,35	629,63	1 211,73	-0,0864
13.	Preparatories for soups, bouillon	1 761,05	1 793,21	-32,16	-1,1776
14.	Beef meat, fresh and cold	1 682,15	2 557,24	-875,09	-1,5784
15.	Plant fat oil	1 663,13	48,04	1 615,10	2,3850
16.	Live cattle	1 412,16	23,08	1 389,08	2,9542
17.	Milk and milk cream	1 326,93	2 031,31	-704,37	-1,5853
18.	Sugare cane and Rape sugar	1 252,66	1 815,75	-563,09	-1,5308

Source: www.statistics.sk, 2011

[4] Balassa, B. (1965), *Trade Liberalisation and Revealed Comparative Advantage*, The Manchester School, 33, 99-123

Table 2 shows agrarian commodities which are most imported from Poland to Slovakia. Order of commodities is by the volume of import. We can see that Slovakia is importing mainly cheese and cottage cheese, pork meat, rape oil and mustard oil, eggs, other preparatories and cans from meat, variety meat ,blood, coffee, ice cream, other preparatories and cans from vegetable, buttermilk, sauer milk, yoghurt, cabbage, cauliflower, brassica, fresh and cold, Margarine, mixture and preparatories plants fats and oils.

Table 2: Export, Import, Balance of Agrarian Trade between Slovakia and Poland and Indicator RCA of chosen commodities, 2009

N.	Commodities	Export in thousand Euro	Import Export in thousand Euro	Balance in thousand Euro	Indicator RCA
1.	Cheese and cottage cheese	951,35	30 630,38	-29 679,04	-1,1671
2.	Bakery products	4 329,86	26 993,06	-22 663,21	0,4747
3.	Pork meat, fresh, cold and frozen	1 255,65	16 108,02	-14 852,38	-0,2469
4.	Non alcoholic drinks	2 196,83	12 776,56	-10 579,72	0,5441
5.	Poultry meat, fresh, cold and frozen	2 609,55	11 512,43	-8 902,89	0,8205
6.	Food preparatories	1 932,70	11 067,11	-9 134,40	0,5597
7.	Rape oil or mustard oil	420,71	10 778,70	-10 357,99	-0,9386
8.	Eggs	655,84	9 858,17	-9 202,33	-0,4054
9.	Other preparatories and cans from meat, variety meat ,blood	211,13	7 432,08	-7 220,94	-1,2563
10.	Coffee	71,32	7 047,12	-6 975,80	-2,2885
11.	Ice cream and similar products	0,02	6 024,91	-6 024,89	-10,3622
12.	Fruits juices	950,71	5 306,70	-4 355,99	0,5852
13.	Other preparatories and cans from vegetable	0,04	5 232,39	-5 232,35	-9,4280
14.	Preparatories used for animals nutrition	1 847,88	5 190,50	-3 342,62	1,2719
15.	Buttermilk, sauer milk, yoghurt	2,10	4 841,54	-4 839,44	-5,4378
16.	Other preparatories and cans from fishes	9,32	4 535,83	-4 526,50	-3,8825
17.	Cabbage, cauliflower, brassica, fresh and cold	5,55	4 308,43	-4 302,87	-4,3494
18.	Margarine, mixture and preparatories plants fats and oils	37,48	4 055,09	-4 017,61	-2,3793

Source: www.statistics.sk, 2011

All described commodities reached negative volume of RCA indicator. It means that the mentioned commodities achieved comparative disadvantage. Other commodities mentioned in table 2 achieved positive volume of indicator RCA. It means that they achieved comparative advantage.

Conclusion

The situation in Slovak foreign agrarian trade is more complicated. The share of food products (with the higher value added) in the total export of Slovakia has been on the upgrade, but the value of their export does not reach the import value level. In 2009, the total negative trade balance of the foreign agri-food trade (–950 mill. Euro) was registered. In 2009 in comparison with the previous year, the export of Slovak agri-food commodities to decreased to Poland by 17.0%.

Last year's balance of Poland's foreign trade in agricultural and foods products stood at Euro 1.5 billion. During the first five years of Poland's EU membership, the exports of agricultural and food products grew from Euro 4.0 billion to Euro 11.3 billion, and imports from Euro 3.6 billion to Euro 9.8 billion. Both exports and imports increased 2.8 times. The positive balance went up from Euro 0.4 billion to Euro 1.5 billion, i.e. 3.3 times. These results speak for themselves.

Slovakia achieved negative trade balance with agrarian trade with Poland in 2010. It means that the Slovak Export of agrarian commoditties is smaller than Polish import into Slovakia. It is because the Poland is neighbour country of Slovakia. The second important reason is that the prices of agrarian commodities are lower than in Slovakia. The reason is also because the same features of consumers.

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Summary

The aim of this paper is look through the agrarian trade between Slovakia and Poland. The Slovak and Polish agriculture is managed by the Common Agricultural Policy. It has main impact on both national agrarian policies. The situation in agriculture in both countries is different. It is because of the historical development of agriculture in Poland and in Slovakia. Slovakia achieved negative trade balance with agrarian trade with Poland in 2010. It means that the Slovak Export of agrarian commodities is smaller than Polish import into Slovakia. It is because the Poland is neighbor country of Slovakia. The second important reason is that the prices of agrarian commodities are lower than in Slovakia. The reason is also because the same features of consumers.

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