

THE DETERMINANTS OF RECONVERSION OF THE FRUIT – VEGETABLE INDUSTRY SECTOR IN THE AREA OF SUB – REGION OF CZĘSTOCHOWA

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ABSTRACT

The subject of the thesis is the analysis of determinants of reconversion of the fruit – vegetable industry sector in the northern region of Silesia voivodeship (so-called subregion of Czestochowa), which is characterised by good environmental conditions and traditional garden products as well a relatively big number of fruit – vegetable production enterprises.

The research concerned the directions of products distribution, the rules and carrying out of marketing organization, the technologies being used, the

technological initiations being carried out and planned, the sources of obtaining information about the competition market, the assessment of strong and weak points of the company, the investment plans, the sources of obtaining financial support as well as the environment protection acts.

KEY WORDS

reconversion; determinants; fruit-vegetable industry sector

THE PROCESSES OF RECONVERSION OF THE FRUIT – VEGETABLE INDUSTRY SECTOR

The element of innovation in Polish economy are Small-Scale and Medium-Sized Enterprises (MSP) which at present are the dominant majority of enterprises in Poland and constitute almost half of Polish gross domestic product. Their contribution to the economy of the European Union is similar. That is why the policy towards these enterprises in EU and Poland is most important and aims at increasing their competition and participation in creating new posts.

There changed the conditions of production, the way the market functioned and was organized as well as wants and requirements of consumers and receivers. The introduction of processes of reconversion of economy and integration processes concerning joining the European Union required in first place dealing with European and world competition which are increasing.

These activities also concern the sphere of gardening production as well as the sphere of fruit – vegetable processing industry which is usually carried out in Small-Scale and Medium-Sized Enterprises.

The significance of the fruit – vegetable sector in agricultural economy is not properly appreciated, however almost 25% of income from the export of agricultural and grocery products is achieved from this sector [1].

The main aims of the state policy towards country and agriculture, concerning also the agricultural and grocery industry are the following spheres of activities:

- stimulation of growth and efficiency of modernization in the food economy sector,
- formation of grocery industry enterprises which can be competitive on both the national and foreign markets,
- providing the society with food of proper quality, depending on demand,
- supporting promotion activities increasing demand for national agricultural and food products as well as supporting pro-export activities.

The necessity of coping with competitive conditions on the market, as a result of joining the European Union, make a specially distinct demand for different restitutive-modernizing investments [2] which enable effective initiation of reconversion processes of agricultural-food sector.

In 'Strategia Rozwoju Województwa Śląskiego na lata 2000-2015' [3] there are two aims of general development of voivodeship:

- growth of economic potential and competitiveness
- civilizing development of the region,

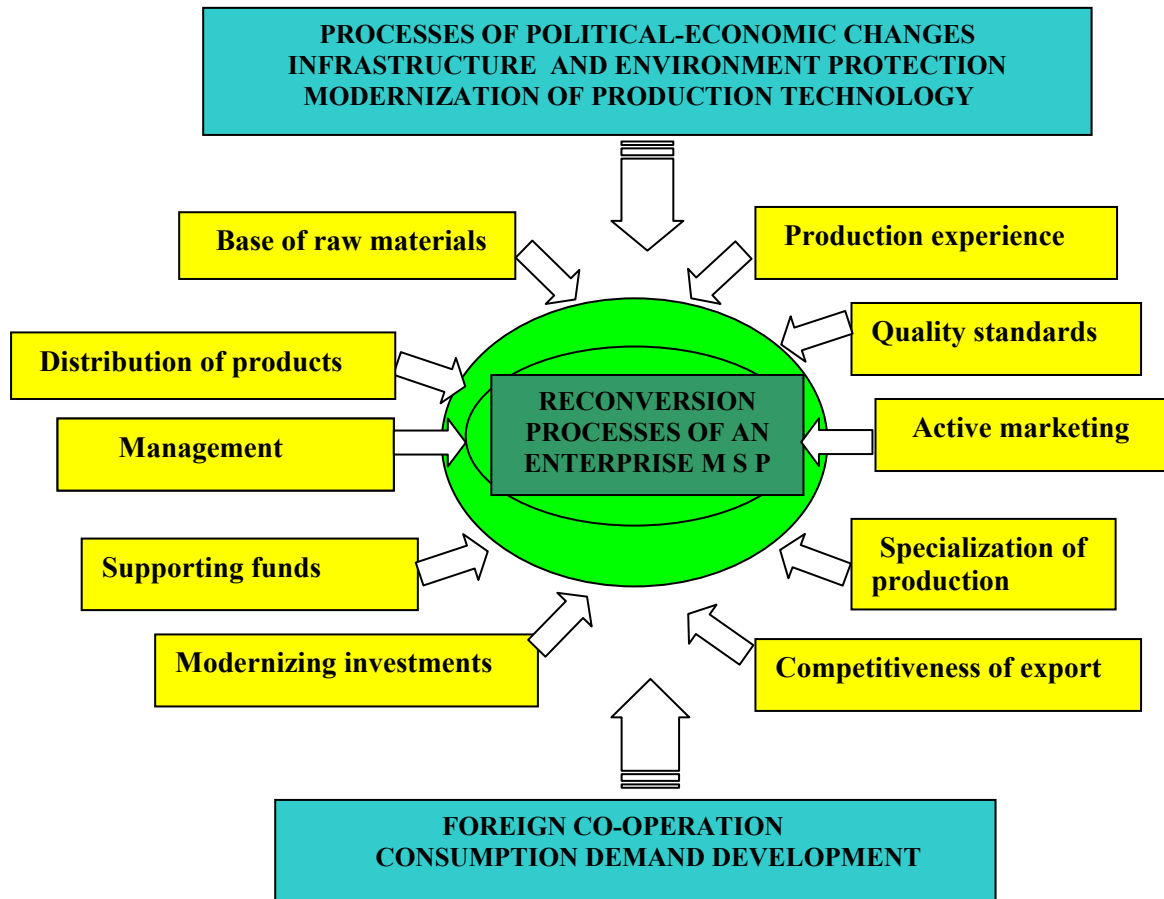
which will be carried out through so-called *priorities* and *strategic aims*.

What is significant for the fruit – vegetable sector are activities aimed at *priorities E: ‘Growth of innovation and competitiveness of economy, including Small-Scale and Medium-Sized Enterprises’*, which include high priority directions of undertakings as well as financial support from the government and union funds and provide for two strategic aims:

- ♦ *Growth of economic power of Small-Scale and Medium-Sized Enterprises,*
- ♦ *Modernization of the agricultural-grocery sector*

This programme of reconversion and development of Polish fruit – vegetable sector is proper because in the EU the size and range of financial aid given from the union budget to the fruit – vegetable sector are relatively small and the range of instruments used for the regulation of the fruit – vegetable sector [4] is relatively limited.

The arrangement of determinants of reconversion processes, illustrated by following enterprises of the fruit – vegetable industry sector, shown in picture 1.



Source: the author's description

Picture. 1 The synthetic arrangement of determinants of reconversion processes for enterprises of the fruit – vegetable industry sector

The determinants of reconversion processes are first of all:

- specialization and concentration of production in chosen groups of a factory, (*structural changes of the sector, increasing of efficiency, improvement of competitiveness*)
- adjustment of processing enterprises to quality requirements of the EU, (*an improvement of quality of products, increasing of markets, bigger profitability of production*)
- organizing a regional distribution network for processing industry products, (*forming supply and demand, decreasing of production and transport costs*)
- creating a bigger local base of fruit and vegetable production organizations as well as wholesales for raw materials supplies, making bigger use of aid funds and credits, (*equal quality of raw material, lower purchase prices, acceleration of modernization*)
- modernization, production and infrastructure investments, (*a development of processing base, new products, environmental protection requirements*)
- maintaining competitiveness of export production to the EU and other countries, (*diversification of production, improving of products, economic efficiency*)
- active marketing action on the local and national

market as well as in export, *(a development of outlets, seeking production niches, local/regional products)*

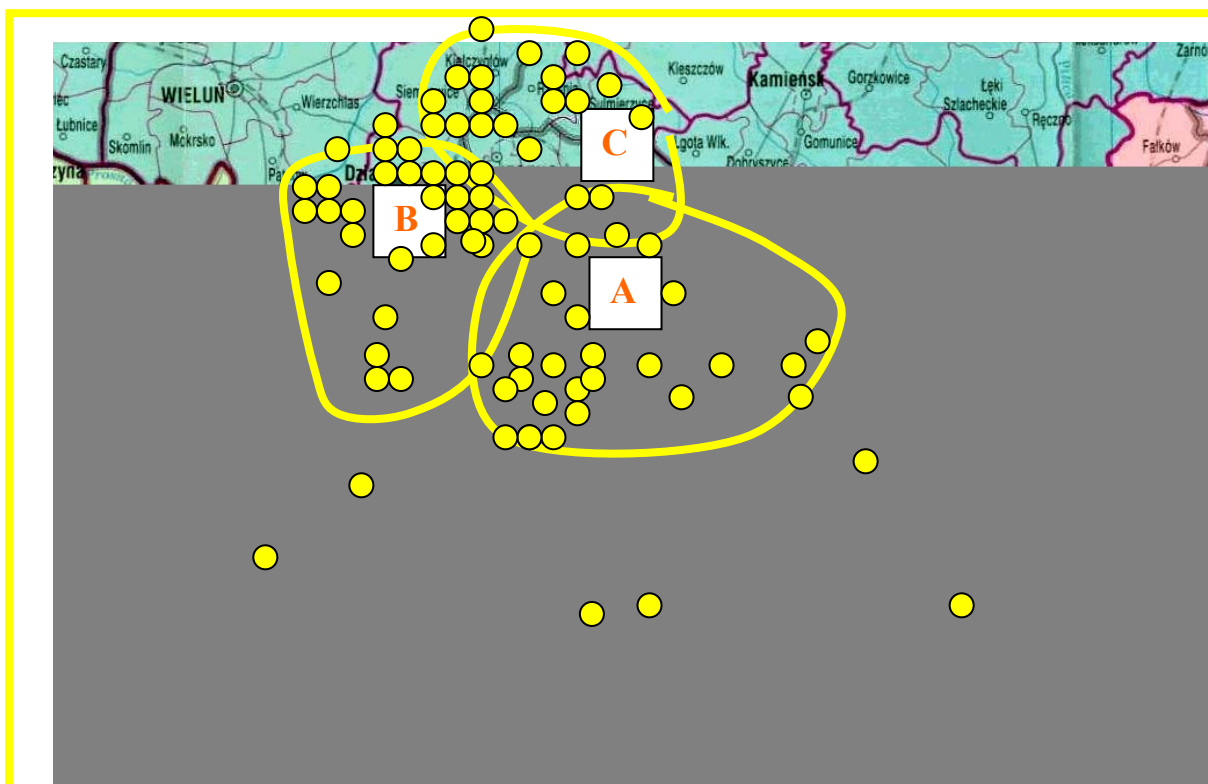
- initiation of developed (including electronic) methods of organization management and supervision in processing industry *(flexibility and efficiency of action, improvement of culture of work)*,
- membership of trade organizations / associations, *(presentation of matters of the sector, organization of exhibitions/promotions, exchange of information)*
- maintaining and development of production experience in fruit and vegetable processing *(stabilization of employment, regional specialization of production)*.

The presented synthetic arrangement describes an influence and effect of general determinants (further surrounding) as well as direct determinants (closer surrounding) on reconversion processes of enterprises.

Defining the direct determinants is the result of the direct determinants is the result of the analysis of the questionnaire materials and information obtained from

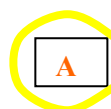
respondents during the carried out research concerning the fruit – vegetable processing industry sector in the region of Czeszochowa.

The schematic arrangement of location of fruit – vegetable processing industry firms in the region of Czeszochowa, (in the area of districts of Czeszochowa, Klobuck, Myszkow, Lubliniec and Pajeczno), with the main regions of the biggest concentration of the area location of the enterprises being marked (A; B; C), has been presented in picture 2.



Source: the author's description

Key: ● fruit-vegetable enterprises



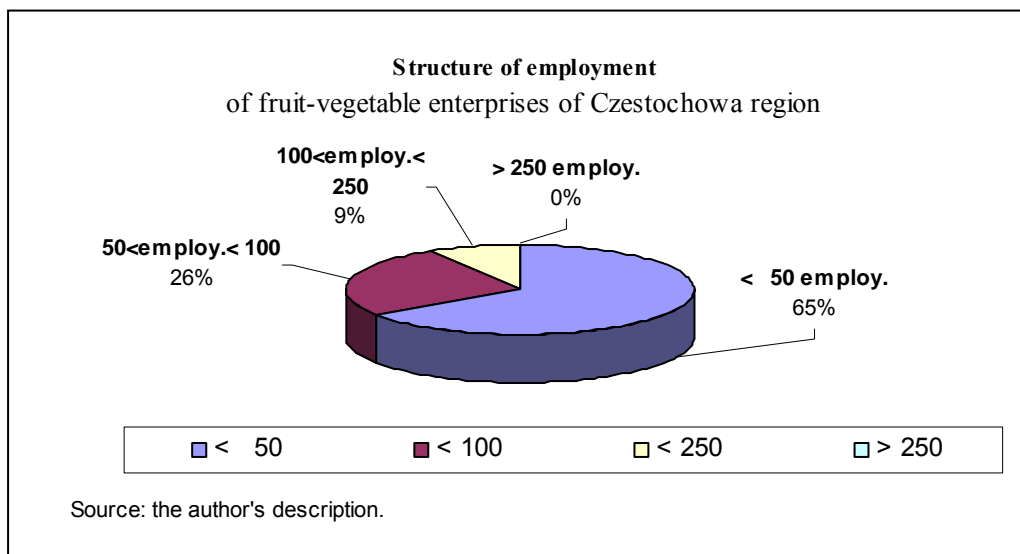
regions of concentration of enterprises

Picture 2 Location of fruit-vegetable enterprises in the region of Czeszochowa

The conditions of environment in the region of Czeszochowa, (small industrialization in the out-of-town area) and gardening traditions (strawberries, cabbage, cherries) as well as a relatively big amount of fruit –

vegetable processing industry enterprises, all of them are profitable for the ecological food market being formed, which is the result of a relatively small use of plants protection chemicals.

VIZUALISATION OF SOME RESEARCH OF FRUIT-VEGETABLE ENTERPRISES OF CZESTOCHOWA REGION

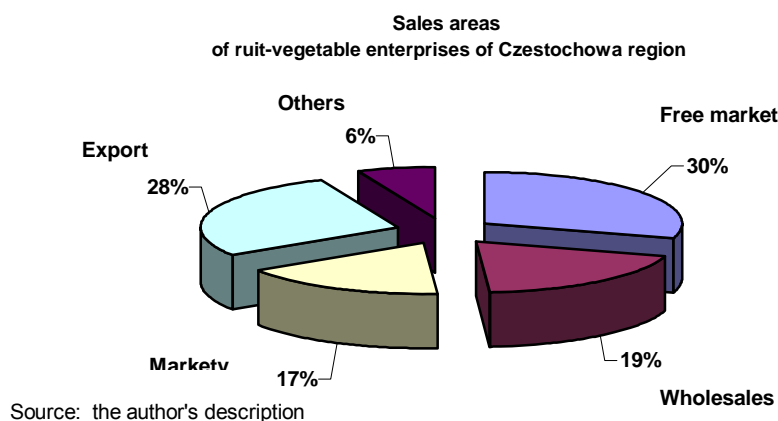


Picture 3 Structure of employment of fruit-vegetable enterprises of Czeszochowa region

The analyses of enterprises in the region of Czeszochowa point out that the basic group – about 90% of fruit-vegetable sector companies – are Small-Scale and Medium-Sized Enterprises employing fewer than 100 people.

Medium-Sized Enterprises employing 100 – 250 people constitute only 9 % of all companies, and there are no big enterprises employing more than 250 people.

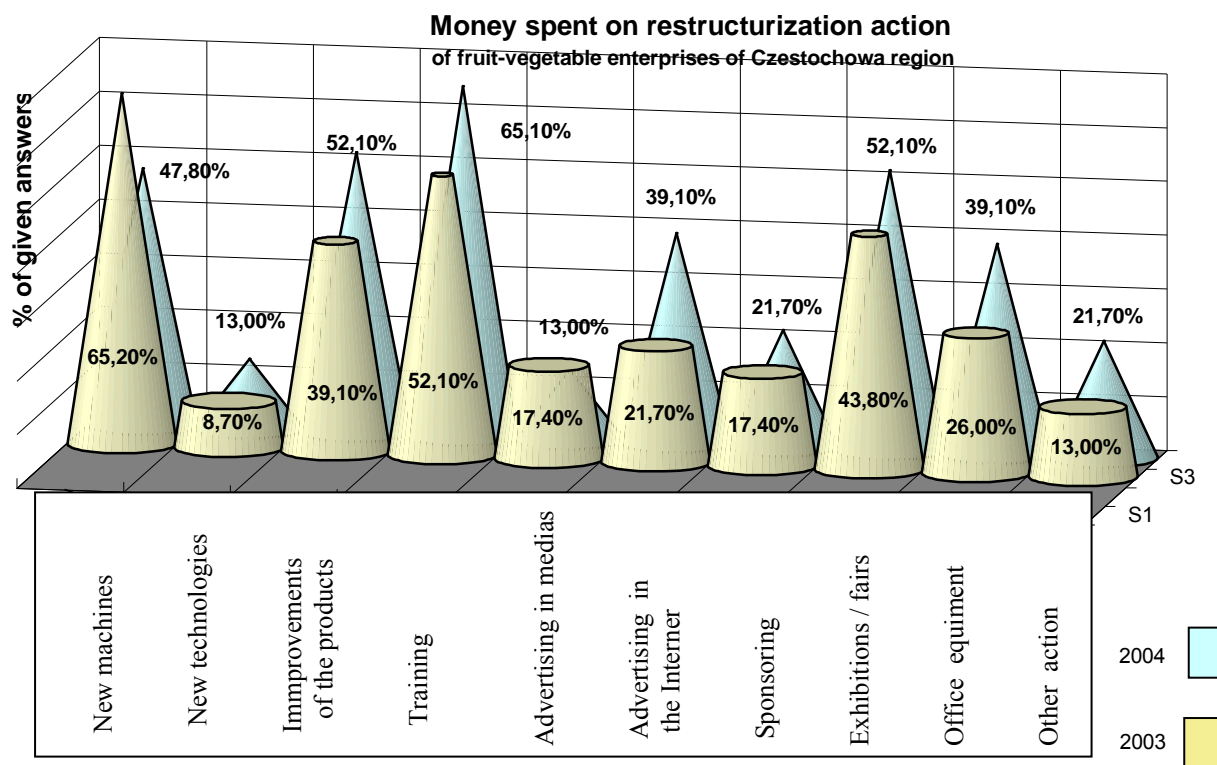
It has to be emphasized, according to the information obtained from respondents, that during periods of so-called seasonal assortment (of strawberries, cucumbers etc.) short-period employment is 100 % increased.



Picture 4 Sales areas of products of fruit-vegetable enterprises of Czeszochowa region

Distribution of fruit-vegetable products on the national market, including supplies to the free market (to groups of direct receivers – small shops etc.) as well as supplies to networks of wholesales and supermarkets constitute 2/3 of production volume. Slight production amount about 6 % is delivered to processing industry, and big volume (about 28 %) of fruit-vegetable products is exported.

Among exported products there are mostly vegetable products (tinned and pickled food, salad etc.) and hardly any frozen vegetables (because of lack of technological abilities of production) and fruit products are preferably imported by countries from the East.



Source: the author's description

Picture 5 Money spent on restructurization action of fruit-vegetable enterprises of Czesochowa region

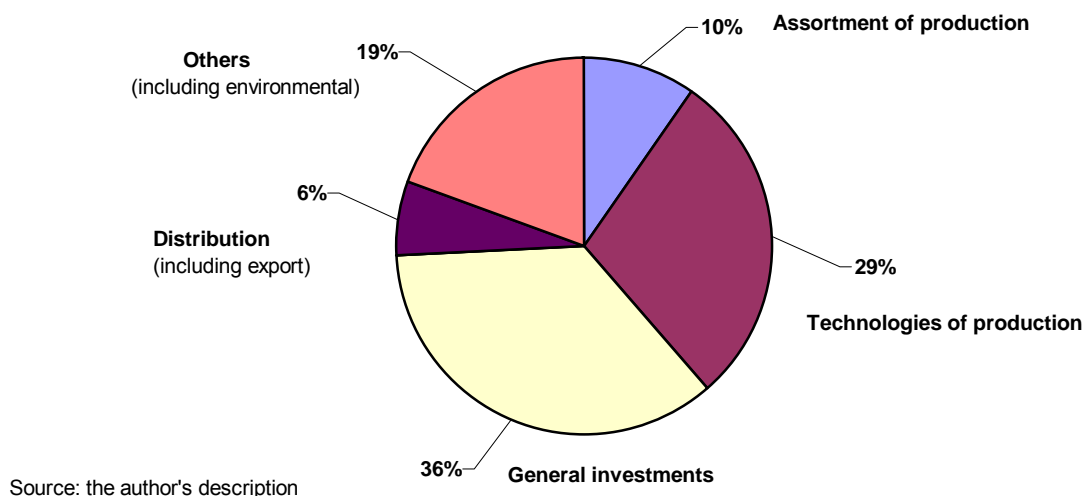
The research on finances spent on restructurization action of fruit-vegetable enterprises of Czesochowa region (picture 5) point out that the main restructurization aims in 2003 were modernization of means of production (new machines, improvement of product) and marketing action (exhibitions and fairs) and training. Such a tendency, according to respondents' declaration, is also maintained in 2004 – together with increasing means for office equipment (computers and organization of management) as well as increasing means for Internet advertising.

The number of given answers (clearly over 50 %) points out that restructurization rules in relation to the problems

connected with production (new machines) as well as restructurization concerning management (marketing in the Internet, training) – are familiar to owners of Small-Scale and Medium-Sized fruit-vegetable enterprises and they expect economic effects from these actions.

The projects of development and restructurization of fruit-vegetable enterprises of Czesochowa region, declared by respondents during sector research, have been synthetically presented in picture 6.

**Programmes of development carried out
in fruit-vegetable enterprises of Czeszochowa region**



Picture 6 Programmes of development carried out in fruit-vegetable enterprises of Czeszochowa region

What constitutes the biggest shares (36%) are general investments which comprise extension of factories and purchase of specialistic cars for fruit-vegetable products transport, programmes of restructurization concerning new technologies of production (29%) comprising purchase of machines and devices and building of a technological base (cold storage) as well as programmes of restructurization of assortment of production (initiating new products).

So-called 'others' play the significant part in the programmes of development and restructurization. They comprise modernization of organizing equipment and first of all modernization and adaptation of conditions of production to current environmental requirements.

In respondents' opinions the base for carrying out effective restructurization of an enterprise is having one's own financial means which make it possible to take direct decisions without filling in forms and enable relatively quick reaction to any changes of a firm surrounding. That is why the share of one's own invested money (together with credits) in development projects being carried out is 74 %.

For projects of higher financial value and those which require longer time of realization respondents (26 %) used aid funds. In the period of 2000-2003 such support was gained by 18 Medium-Sized fruit-vegetable enterprises [6].

GENERAL ASSESSMENT OF RESEARCH OF FRUIT-VEGETABLE SECTOR IN THE REGION OF CZESTOCHOWA

- The research of the fruit-vegetable sector in the region of Czeszochowa (picture 3) points out that the basic group – about 90 % of companies are Small-Scale and Medium-Sized enterprises which employ less than 100 people. Medium-Sized enterprises employing less than 250 people constitute only 9 % of all companies and there are no big enterprises employing more than 250 people in the sector.
- Among fruit-vegetable enterprises which were interviewed there is a distinct group of companies which trade in goods on both the national and foreign markets. To this group belong Small-Scale and Medium-Sized enterprises which can be characterized by general culture of work, which initiated (or are initiating) the system of supervision of products quality HACCP, which have developed organizing structures and which use electronic methods of management.
- Joining the European Union is perceived as a factor which can have a profitable influence on the situation of companies (almost 52 % of opinions), pointing at opening of the market, abolition of customs duties as well as general improvement of economic situation. Over 20 % of respondents think that the integration will have a negative influence on work of their enterprises and increasing of competitiveness on the market becomes a threat.
- The directions of export of fruit-vegetable production of Czeszochowa region, according to

respondents' opinions, are carried out for regular foreign receivers, mostly to EU countries – 15 (Germany, France, Sweden) as well as to the USA and Russia. After joining the EU Poland refreshed economic contacts and export to Baltic countries (former SSSR) as well as to Russia.

- As the most important factors (strong points) which influence achieving success by a company respondents recognized high quality of offered products, one's big production experience as well as experience in carrying out export.
- The research of realization of projects of restructurization and development (picture 5) points out that general investments (including environmental), programmes of restructurization concerning new technologies and purchase of machines and devices as well as building of a technological base constitute the biggest share. The significant share belongs to action aimed at modernization of organizing equipment (computers).

Among the enterprises being researched there were positively distinguishable companies which a few years ago (before joining the EU) undertook initiating of innovative action and marketing structures, which participated in exhibitions and fairs, which initiated systems of assurance of quality of production (e.g. HACCP) and which carried out export deliveries.

These companies are currently at a distinct competitive, marketing and quality advantage in the fruit-vegetable processing industry sector in the region.

The support from national aid funds is used by the most active enterprises which have significant and stable volume of production and export, which thanks to their position on the market are motivated to the initiation of modernization and restructurization of enterprises. Minor companies (which constitute the majority in the region) often very active in the seasonal production, are not willing to take a risk of getting involved into long-planned undertakings with a share of external funds and as a rule they use their own financial means for modernizing and restructurizing action.

The presented research and analyses results of the fruit-vegetable processing industry sector in the region point out that the sector which develops initiative and modernizes food processing production, which uses environmental resources of the region (ecological advantages) and human potential resources – has an influence on multifunctionality of rural areas and constitutes the significant factor in reconversion processes of Czestochowa region.

To sum up, the above presented conditions and possibilities of development of fruit-vegetable processing industry on the areas of Czestochowa region show an optimistic perspective for this sector. However, it depends on:

firstly - competitiveness towards union producers, due to relatively lower product costs but provided that high requirements of quality are fulfilled,
secondly - taking advantage of an opportunity of sale of ecological fruit-vegetable processing food (safe for health) as well as promoting regional products in this group of trade, supplying documentary evidence and distinct marking of ecological character of a product,
thirdly - extension of trade partnership within Common market as well as with the Eastern Europe countries, which Poland traditionally provides with fruit-vegetable processing food (frozen food, dried food, jams) while the export to other countries may be subsidized by export supplements.

Fulfilling the above conditions through active organization of promotion and products sale, production of articles of high quality and possibly specific in their assortment group – is especially important for Small-Scale and Medium-Sized firms which can relatively quickly and in a flexible way adapt to factors determining the possibility of effective improvement of economic situation of processing enterprises.

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