

Suggested citation:

Janiuk I., Jarosiński M., Ribberink N. (2015). Comparative study of Polish and Dutch meat industry exports with the example of top Polish meat exporters exploiting international opportunities. *International Entrepreneurship Review* (previously published as *Przedsiębiorczość Międzynarodowa*), 1(2), 9-26.

Comparative study of Polish and Dutch meat industry exports with the example of top Polish meat exporters exploiting international opportunities

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Abstract:

Today's world is more and more interconnected and so is its economy. This is especially visible on the example of EU meat industry which accounts for more than 16% of the total meat production and around 15% of the meat trade worldwide. The paper presents meat industry exports from the Netherlands and Poland, both countries ranked among 10 top exporters of meat in EU and not only, and the interconnectedness of the industry in these two countries. A comparative analysis of meat industry composition and export activities in the Netherlands and Poland shows a lot of similarities and allows for identification of push factors that drive internationalisation of meat producers in

both countries. This is a starting point for in-depth analysis of how two leading Polish meat exporters, *GK Sokółów S.A.* and *Farmutil S.A.*, exploit international opportunities.

Keywords: internationalisation; meat industry; internationalisation of Polish firms

JEL codes: F23, M16, N64

1. INTRODUCTION

Today's world is more and more interconnected and so is its economy. This statement is even more accurate when speaking about the Single European Market. When one looks at the flow of goods and services one can easily see how different products (especially goods) circulate around the market. Companies buy products in particular countries and at the same time other companies, even from the same industry export their products to the same countries. This will be observed in this article on the basis of meat industry in the Netherlands and Poland.

The objective of this paper is to present the interconnectedness of meat industry in the Netherlands and Poland and show how Polish meat exporters exploit international opportunities. The article starts with the literature review on internationalisation. Then a general overview of European meat industry is presented which is followed by a short analysis of first Dutch and then Polish meat industry. This is succeeded by more detailed analysis of Polish meat exports and presentation of two the most important ones.

2. INTERNATIONALISATION AS A FIRM'S GROWTH STRATEGY

The strategy of internationalisation is one of the fundamental corporate growth strategies, which in the present increasingly globalised environment appears to be the most natural strategic direction for both the medium-sized and the large enterprises as well as for the small ones. It is actually one of the proposed growth paths recommended by Ansoff back in 1950s when he created his famous model of growth strategies (see Ansoff, 1957). The strategic path he proposed was called market development and although it could be understood as finding new groups of customers, the new customer groups could be on new geographic market. This is shown more explicitly in his new model where one of the dimensions is called *served geographic markets* (see Ansoff, 1987, 110).

In some way Ansoff's proposal of market growth trajectory is in line with the sequential development model. The sequential development model (see in detail Johanson & Vahlne, 1977, 1990, 2003, 2006, 2009; Johanson & Wiedersheim-Paul, 1975), or as it is often referred to the *staged international expansion model* (Johnson, Scholes & Whittington, 2012) or just the *stage model* (Hollensen, 2011), presupposes that after a long period of growth on the domestic market a firm begins its expansion into another country market which is close in terms of psychic as well as cultural distance and strive to achieve a significant position by means of increasing its organisational and capital commitment to newly entered market, as it "builds market knowledge and capabilities" (Johnson, Scholes & Whittington 2012, 178).

Only when this objective is achieved, a firm enters another foreign market and attempt to strengthen its position there as well. This kind of activity results in slow but gradual internationalisation of business activity.

Hence, many companies regularly decide to "start small" at first and then gradually increase their scope of activities. This approach to internationalisation helps to minimize the risk as the risk of a market entry is in correlation with the amount of investment set in place; meaning that the higher the investment is, the higher is the risk involved (Lasserre, 2012, 210).

The alternative is to "start small" but expand rapidly on international markets very often immediately after or soon after setting up a company and engaging in dynamic development on a number of markets. This type of enterprise development is consistent with the model of early internationalisation, which states that, despite the psychic and cultural distance, firms enter numerous foreign markets already at the beginning of their operations and even frequently ignore the domestic market at the start.

Oviatt & McDougall (1994) in their early research analyse firms' engagement in the process of internationalisation. They treat it as a company's natural evolution process and distinguish four types of enterprises that are engaged in international activities in different ways. Two of these types (namely *Export/Import Start-ups* and *Geographically Focused Start-Ups*) focus their attention on a few foreign markets on which they are known. The third category (*Multinational Traders*) conduct operations on numerous foreign markets using their existing distribution networks. This signifies continuous expansion of activity as well as seeking opportunities for trading on new foreign markets which is in line with the stage model. However the behaviour of the fourth category of firms described as *Global Start-Ups* is characteristic for early internationalisation model. These firms undertake the most radical activities on a number of foreign markets quite early in their development process (Oviatt & McDougall, 1994).

Knight, Madsen & Servais (2004) explain that the reason for such an "aggressive" behaviour of early internationalising firms may lie in the fact that they engage in expansion on foreign markets in the sectors providing an opportunity of achieving competitive advantage quickly gaining considerable market share. The enterprises search for markets with conditions more favourable than those on domestic ones. Quick internationalization allows them to avoid the barriers of growth connected with the domestic market being saturated. This type of internationalisation is characteristic for small and medium-sized enterprises which engage in international expansion relatively soon after they are set up.

The analysis of internationalisation processes compose quite a large stream of literature. Such analyses appear more and more frequently also in Polish research (e.g. Morawczyński, 2007; Jarosiński, 2013; Danik & Kowalik, 2015). The Polish stream of research indicates that both internationalisation models are followed by Polish firms but generally speaking although a considerable percentage of Polish firms undertake internationalisation their level of engagement is usually limited. Polish firms usually limit their activity to several foreign markets and concentrate

mainly on the broadly defined European market. The share of foreign sales in total sales is most often at a low level. A still relatively small number of enterprises engages in foreign direct investment or uses other forms of activity on foreign markets such as licensing or franchising. Still the most popular mode of entry and operation on foreign markets is exports (Jarosiński, 2013).

3. EUROPEAN MEAT INDUSTRY – BRIEF OVERVIEW

Meat production is one of the most important agricultural sectors in the European Union, with four major meat product categories – pig meat, poultry meat, bovine meat, and sheep and goat meat – being produced, consumed and traded. The economic relevance of the sector is underlined by the fact that animal production – covering output for animals and animal products – accounts for almost 44% of the total European agricultural output (Eurostat, 2016). The objective target set by the European policymakers is to stimulate the production of qualitative, nutritious and affordable meat. This goal is undermined in the latest modification of the European Common Agricultural Policy (CAP), requiring a.o. greening of agricultural systems by livestock farmers, if they wish to preserve their income and offer products geared to market needs and to society's demand for environmentally friendly farming practices (Eurostat, 2015).

The European Union is one of the leading meat producers worldwide accounting for more than 16% of the total meat production and around 15% of the meat trade worldwide (European Commission, 2015).

4. DUTCH MEAT INDUSTRY EXPORTS OVERVIEW

The Netherlands – being a country with relatively small and predominantly saturated market – is strongly dependant on international trade and is ranked as a leading exporter in selected goods and services, among others agricultural products, including meat and live animals. Another factor contributing to a strong export orientation is a fact that the Dutch meat consumption is in a shrinking trend reflected in around 1% decrease annually over the last three years in a row. The current average level of meat consumption is equal to 84 kilogramme a year per capita (CBS Netherlands, 2015).

Table 1 represents the composition of Dutch exports over the last 4 years and their regional distribution. As shown in Table 1 the share of food and live animals accounts for 13.2% of Dutch exports in 2015, whereby 78% are intra-regional or intra-European exports. Furthermore, the export volumes both for the world as well as for indicated regions are increasing.

Around 15% of food exports are represented by meat exports. In 2013 the value of meat exported by Dutch producers amounted to 8.3 billion euro (CBS Netherlands, 2014). The largest consumers of Dutch meat are shown in Table 2. The largest two consumers of Dutch meat – specifically pork, beef and poultry – are Germany and the United Kingdom and account for almost 40% of exports.

Those two are followed by France consuming the amount of Dutch meat having a value of 817 million euro, or less than a half of German consumption. The top-10

Table 1. Composition of Dutch export flows, 2012-2015, in million euro

	Total goods				Food and live animals			
	2012	2013	2014	2015	2012	2013	2014	2015
World	429 717	433 106	433 405	427 266	50 047	53 871	55 974	56 615
EU	311 724	317 031	316 949	308 727	39 904	42 947	43 940	44 210
Non-EU	117 993	116 075	116 457	118 538	10 143	10 924	12 034	12 405

Source: CBS Netherlands, 2015.

export destinations for Dutch meat are European Union member states (see Table 2). The first exotic non-European market appears on rank 11 and is represented by Hong Kong, being presumably an entry port for the entire Chinese market. Despite the attractive market size and domestic demand in China the respective share of Dutch meat exports of 2.0% is still pretty moderate. Nevertheless, Chinese market and Asian region as a whole is seen by Dutch exporters as an attractive business opportunity in the long run.

Table 2. The top-20 consumers of Dutch meat, 2013, in million euro

Rank	Country	Meat exports from the Netherlands	
		EUR million	% of total
1	Germany	1785	21.5
2	United Kingdom	1409	16.9
3	France	817	9.8
4	Italy	758	9.1
5	Belgium	513	6.2
6	Denmark	333	4.0
7	Greece	332	4.0
8	Spain	260	3.0
9	Sweden	219	2.6
10	Ireland	204	2.5
11	Hong Kong	168	2.0
12	Poland	160	1.9
13	Russian Federation	115	1.4
14	Czech Republic	95	1.1
15	Portugal	92	1.1
16	Austria	89	1.0
17	South Africa	68	0.8
18	Romania	66	0.8
19	Hungary	62	0.7
20	Japan	55	0.6
Total:		8300	100.0

Source: CBS Netherlands, 2014.

The Russian Federation is ranked as number 13 and accounts for 1.4% of Dutch meat exports only, which provides an explanation for relatively harmless impact of trade sanctions imposed by Russia in 2014 on Dutch meat suppliers. Another argument could be the fact, that a time span of some Russian sanctions being in force was limited by 2 years only. In June 2016 selected meat producers – specifically beef (e.g. Van Drie Groep) and poultry suppliers – in the Netherlands were allowed to serve the Russian market, together with 3 other countries, namely Italy, Denmark, and France (Bourenbusiness, 2015).

Poland accounts for 1.9% of Dutch meat exports compared to 4.5% of Polish meat exports going to the Netherlands respectively. This evidence of intra-industrial trade reflects a modern trend in consumption pattern of today's consumers demanding a wide range of product features and product variety offered in a market. The latest is another argument in support of internationalisation efforts pursued by enterprises in the sector in both countries.

A closer look at the relevant international trade statistics leads to a conclusion that the Netherlands is predominantly involved in direct exports of meat. The share of transit trade in agricultural products and live animals is moderate, with annually only 3% of these goods being re-exported from the Netherlands in time period of 2012-2014 (the number of 3% stayed stable over the whole period) (CBS Netherlands, 2016). Thus, international processing activities, e.g. within internationally dispersed supply chains, in this sector are limited, and the major part of meat and meat products being exported has their country of origin (COO) in the Netherlands and is respectively labelled. Table 3 provides an overview of Dutch meat industry composition, specifically focussing on suppliers.

Table 3. Overview of Dutch meat suppliers (amount in numbers), 2010-2015

Farm type	2010	2011	2012	2013	2014	2015
All farm types	72 324	70 392	68810	67 481	65 507	63 913
Specialist grazing livestock	38 024	37 041	36682	36 086	35 204	33 641
Mixed livestock holdings	1072	942	819	724	684	660
Mixed crops / livestock	1859	1794	1677	1619	1547	1451

Source: CBS Netherlands, 2015.

The numbers shown in Table 3 let formulate an assumption of gradual consolidation of meat suppliers, both in all-farm-types-segment as well as in individual groups of farms. This aspect will be further investigated in the following section, while taking a closer look at one representative subsector of Dutch meat industry, namely pork production.

The export of pork from the Netherlands reached in 2015 the highest (record) level of 944 million kilogramme or 6% increase compared to 2014. Due to a low price the export value was 4% lower than in 2014 and was equal to 1.8 billion euro. As for regional distribution the remarkable growth was seen in Asia. The share of Dutch pork exports to Asia has doubled over the last two years and was in 2014 equal to 316 million euro (CBS Netherlands, 2016). In this perspective Dutch meat

exporters follow the general European trend and extend their export volumes to the Asian region, a trend supported by policy-makers through various trade agreements (e.g. FTA) facilitating additional international trade flows.

The Netherlands is the sixth largest pork meat exporter and, thus, an important trade partner in this segment of international trade. Table 4 shows the 10 largest pork meat exporters worldwide.

Table 4. The top-10 largest pork meat exporters worldwide, 2014, in million euro

Rank	Country	EUR million
1	Germany	3801
2	United States	3668
3	Spain	2545
4	Denmark	2429
5	Canada	2113
6	Netherlands	1826
7	Belgium	1268
8	Brazil	1088
9	France	840
10	Poland	694

Source: CBS Netherlands, 2014.

Besides pork meat Netherlands is a large exporter of live animals (pigs). In 2015 the volume of these exports was equal 780 million euro. This is 14% lower than 15 years ago. Almost 70% of exported live animals go to Germany. The second largest market – with a remarkable gap to Germany – is Belgium with 7%, followed by Spain with 4% and Italy with 3.5% (ABN AMRO, 2014). As for the industry composition a trend of market consolidation in pork meat segment is evident during the last 15 years and is demonstrated in Table 5.

Table 5. Market consolidation in Dutch pork meat segment

Year	Number of companies	Number of heads (pigs), in million
2000	14 500	13.1
2003	10 700	11.2
2006	9000	11.4
2009	7600	12.2
2012	5900	12.2
2015	4900	12.6

Source: CBS Netherlands, 2015.

The number of companies went down over the last 15 years, whereby the number of heads per enterprise increased from 900 to ca. 2550, which reflects a trend of market consolidation in a given segment. The major drivers for consolidation of pork meat segment in the Netherlands could be classified as follows:

1. Market consolidation is as a rule collateral to internationalisation within an industry and defined through ascending M&A dynamics;

2. Increased pressure from retailers leads to lower prices and reduced profit margins, both for meat and meat products. The latest pushes suppliers to increase their market power and efficiency through consolidation.

The composition of production chain in Dutch meat industry goes from farm to slaughter, then to warehouses, trading companies and retailers. The number and major classification of Dutch farms was shown in Table 3. In order to provide some corporate examples within the industry the largest companies in slaughter segment are selected – based on numbers provided by the Dutch Ministry of Economic Affairs (Ministerie van Economische Zaken, 2012) – and summarized in Table 6.

Table 6. The largest Dutch slaughters by units per year, 2012

No.	Company	Region / Location	Units per year
1	Vion Food Group	Noord-Brabant / Tilburg	more than 75000
2	Exportslachterij J. Gosschalk en Zn	Gelderland / Epe	more than 75000
3	Wadden Vlees	Friesland / Dokkum	25000-75000
4	Abattoir Amsterdam	Noord-Holland / Amsterdam	25000-75000
5	Van Hattem Vlees	Gelderland / Dodewaard	25000-75000
6	Tomassen	Noord-Brabant / Someren	10000-25000
7	Wouters	Utrecht / De Hoef	10000-25000
8	G.J. Hutten en Zn	Overijssel / Nieuw Heeten	10000-25000
9	Slachthuis Nijmegen	Gelderland / Nijmegen	10000-25000

Source: Ministry of Economic Affairs Netherlands, 2012.

As the domestic market is saturated and even stagnating, companies active in Dutch meat production industry look for other sources for growth, usually available abroad. Not only exotic non-European destinations are of special interest in this perspective. Also in Europe some drivers for growth through internationalisation are given. One source of competitive advantage for Dutch meat producers is, for instance, generated through renewed implementation of minimum wage policy by German meat producers. This will stepwise reduce the existing gap in labour costs between German and Dutch suppliers and improve competitive position of Dutch meat industry. Further investment in innovation, improved product quality and efficiency are further sources of competitive advantage while serving international markets.

5. POLISH MEAT INDUSTRY EXPORTS OVERVIEW

Exports of Polish products and services have been steadily increasing for years. In 2010 they amounted to 120 billion euro and in 2014 already to 166 billion euro, which is an increase of almost 40%. The share of the food industry in the exports has been increasing systematically as well. In 2010 Poland was exporting agriculture and food products worth 13.5 billion euro. This value rose by 21.9 billion euro in 2014 and was supposed to reach 23.5 billion euro by the end of 2015 – see table 7.

Table 7. Polish food products export's value and growth, 2010-2015 (in bln EUR)

	2010	2011	2012	2013	2014	2015
Export value	13.5	15.2	17.9	20.4	21.9	23.5 ^f
Export growth rate (year-to-year)	—	12.6%	17.7%	14.0%	7.3%	7.3% ^f

Source: Agencja Rynku Rolnego, 2015 – preliminary data.

In 2014 the dynamics were affected by the plunges in the East. Problems with food began already in the first quarter of 2014. Two cases of the African swine fever discovered in eastern Poland blocked the exports of pork not only to the Russian market but also to other markets outside the EU, primarily those in the Far East. As a result of the slowdown the stocks grew and the livestock prices plummeted. This was followed by trade sanctions imposed by Russia after which the exports of food classified as products of plant origin decreased by 17.6 p.p. (Woźniak, 2015).

The European Union is the main recipient of Polish food products – 82% of exports is directed to EU countries. The leading position is taken by Germany with 22% share in EU meat imports from Poland. Subsequent markets and their shares in the Polish exports include: the UK (9%), the Czech Republic (7%), France (6%), Italy (6%) and the Netherlands (6%) (Woźniak, 2015).

Polish firms attempted to compensate for the decrease of exports to Russia and Ukraine with the sales to Belarus and Kazakhstan. However, both Belarus and Kazakhstan reduced their import from Poland in the first eight months of 2014 which did not allow Polish producers, whose sales were directed to Russia and Ukraine, to fully compensate for their losses.

The decrease of the demand in the East was compensated by exports to European Union markets, which might be explained by their proximity. Nevertheless, the biggest profits may be generated on distant and risky markets such as Asia and Africa. Vietnam, for instance, may turn out to be one of the prospective markets for Poland. Its economy accelerates by almost 6% annually. Vietnam's middle class and its purchasing power are on the rise. One of the advantages of this direction is also the friendly attitude of the Vietnamese people.

Other prospective markets include: India, Indonesia, China, Malaysia and the Middle East (including the United Arab Emirates). Especially China still displays a great potential. According to the president of the Polish Information and Foreign Investment Agency (PAIIZ) – Sławomir Majman, the growing middle class in China as well as the lack of trust to domestic food production offers Polish companies opportunities for increasing their exports. In Majman's view, the high quality of Polish products and the promotion of the food industry can contribute to the improvement of the turnover between Poland and China (Woźniak, 2015).

Apart from China, the markets of the Persian Gulf states are also attractive for the Polish agriculture and food industry. Polish food products are one of the export specialities offering opportunities for conquering those markets.

The data concerning 2015 demonstrate that livestock, meat and meat products constituted the largest part of the agriculture and food exports amounting to 20% (EUR 4.7 billion). The exports of meat and giblets were on the first position (EUR 1,638 million), while beef exports ranked the second (EUR 1,202 million). The third largest exports involved processed meat products (EUR 894 million), whereas the exports of pork were on the fourth position (EUR 697 million). Just to compare imports of livestock, meat and meat products constituted in 2015 amounted to EUR 2.0 billion in value.

Over the last couple of years the exports of all these groups of products grew in value but pork's only deteriorated. Despite the fact that in 2014 the entire export of pork decreased, the customers from the EU purchased 25% more of it than they did in the previous year. Also the exports of livestock dropped considerably. The highest growth was recorded in the exports of beef. The export volume rose by 26 p.p. against 2014. The second place was taken by exports of meat and giblets which rose by 20 p.p.

Looking at the meat market value in Poland it also steadily rose over the past five years starting from 4.6 billion euro in 2011 and reaching 5.6 billion euro in 2015 (see Table 8). According to Canadean Report the steady growth should continue over at least next 4 years. The meat market value in Poland is projected to reach 6.7 billion euro in 2019.

Table 8. Polish meat market value and growth, 2011-2015 (in mln EUR¹)

	2011	2012	2013	2014	2015
Market value	4575.4	5147.9	5275.6	5350.9	5586.0
Market growth (year-to-year)	3.9%	12.5%	2.4%	1.4%	4.4%

Source: Canadean.

The analysis of Polish home meat market and Polish meat exports indicates that the production of meat and meat products in Poland is steadily growing.

6. DANISH VS. POLISH MEAT INDUSTRY EXPORTS – COMPARATIVE CONCLUSIONS

Comparative analysis of meat industry composition and export activities in two European countries – both ranked among 10 top exporters of meat – showed following similarities:

¹ For the purpose of easier data comparison the values of export revenues are expressed in euro. The National Bank of Poland (NBP) exchange rate was applied to convert the values of sales revenues from PLN to EUR. For the 2010 data: 1 EUR = 3.9603 PLN, rate of 31.12.2010; for the 2011 data: 1 EUR = 4.4168 PLN, rate of 30.12.2011; for the 2012 data: 1 EUR = 4.0822 PLN, rate of 31.12.2012; for the 2013 data: 1 EUR = 4.1472 PLN, rate of 31.12.2013; for the 2014 data: 1 EUR = 4.2623 PLN, rate of 31.12.2014 and for the 2015 data: 1 EUR = 4.2615 PLN, rate of 31.12.2015.

- Domestic market saturation is one of the major drivers for internationalisation of companies within the sector in both countries. A slight decline in domestic consumption of meat – e.g. annual decrease of about 1% during the last 3 years in a row in the Netherlands – also contributes to this trend. Both countries see and explore market opportunities in Asian region, especially China.
- Trade sanctions on selected meat products imposed by Russia in 2014 had less negative impact on exports from both countries than originally estimated. This could be explained by relatively high proportion of intra-regional (intra-European) trade in their export geography, with Germany being the major customer for both countries – a large market located in geographic proximity and implying similar quality standards on imported meat.
- Both countries – being major meat suppliers within the European Union – are also involved in bilateral intra-industrial trade. Thus, Poland consumes 1.9% of Dutch meat exports and the Netherlands 4.5% of Polish meat exports respectively. A classic explanation for intra-industrial trade flows could be assumed to be applicable here as well.
- In both countries a process of stepwise market consolidation – being of the collateral to internationalisation within an industry and reflected through ascending M&A dynamics – is evident.

7. EXPORTS IN POLISH MEAT ENTERPRISES

The analyses confirm the significance of the meat industry for the Polish export and demonstrate different levels of demand on foreign markets. Due to that fact, the meat processing companies were subjected to a more detailed study. One of the sources that served the purpose of the analysis was *the Ranking of Exporters – the List of 2,000 Polish Enterprises and Exporters*. In 2014 nine meat enterprises were identified among the 300 firms included in the list. In the course of analysis of meat firms in Poland it is worth mentioning the values of export revenues – see Table 9.

The data in the table demonstrates that in 2014 the largest exporters on the meat market generated export revenues ranging between EUR 24.8 million to EUR 163.8 million. The changes in the share of export in the sales of meat companies in the years 2009-2014 confirm the growing tendency in relation to the share of meat products in the export of agriculture and food products. The diversity of markets on which meat enterprises operated increased as well. In 2014 *GK Sokółów S.A.* and *Farmutil S.A.* had the highest export revenues. Both of these firms achieved export revenues of over EUR 100 million. Whereas the next 7 companies had export revenues of less than EUR 100 million.

GK Sokółów S.A. focuses on pork and beef, while *Farmutil S.A.* functions on poultry and pork markets. However, the issues connected with the diversity of the shares of export on particular meat markets require more in-depth analyses.

In the context of conducting business operations on foreign markets, the largest Polish meat exporter is *GK Sokółów S.A.* It is an economic grouping whose

export revenues in 2014 amounted to EUR 163.8 million, whereas its annual share of exports in the total sales in the years 2009-2014 reached the average level of about 20%. The enterprise on the second position in terms of export revenues in 2014 was *Farmutil S.A.*, which earned EUR 125.7 million. In the case of this firm the share of export in the company's total sales had been systematically rising since 2010 to reach 25% in 2014 (see Table 9).

Table 9. Meat companies with the largest export revenues

No.	Company name	Export revenues ² (EUR million)			FSTS (%)				
		2012	2013	2014	2010	2011	2012	2013	2014
1	GK Sokołów S.A.	149.4	183.1	163.8	21.0	20.7	21.2	24.1	21.8
2	ZRP Farmutil HS S.A. GK	106.6	n.a.	125.7	20.1	20.3	23.0	24.0	25.0
3	ZDM Superdrob S.A.	54.6	73.1	85.9	33.0	43.0	43.0	51.0	54.0
4	Polski Koncern Mięсны Duda S.A. GK	n.a.	n.a.	54.6	n.a.	13.6	14.3	14.1	13.8
5	Indykpol S.A. GK	n.a.	n.a.	54.4	n.a.	17.9	18.6	18.5	20.7
6	Zakłady Mięсны Łmeat-Łuków S.A.	n.a.	n.a.	33.0	n.a.	18.0	20.0	20.0	24.1
7	Indyk Śląsk sp. z o.o.	n.a.	n.a.	32.1	n.a.	56.3	57.0	53.7	55.2
8	Pamapol S.A. GK	n.a.	n.a.	31.0	n.a.	16.3	21.5	27.6	34.2
9	Zakłady Mięсны Skiba	n.a.	n.a.	24.8	n.a.	11.3	14.4	29.7	21.8

Source: own study on the basis of *The Ranking of Exporters – the List of 2,000 Polish Enterprises and Exporters* Special Supplement to *Rzeczpospolita* daily, 3. December 2013, p. 8, 9; *The Ranking of Exporters – the List of 2,000 Polish Enterprises and Exporters*. Special Supplement to *Rzeczpospolita* daily, 28. October 2014, p. 8, 10; and *The Ranking of Exporters – the List of 2,000 Polish Enterprises and Exporters*. Special Supplement to *Rzeczpospolita*, 21 October 2015. p. 10-12.

The history of *Sokołów* dates back to the end of 19th century. The present corporate group *GK Sokołów S.A.* was established in the process involving numerous mergers and acquisitions of meat processing plants, which was an effect of the consolidation of domestic enterprises in the meat industry that have taken place over the last two decades. In 2003 and 2004 *GK Sokołów S.A.* was acquired by two foreign investors, namely, the Finnish meat concern *HK SCAN* Corporation and the Danish meat concern *Danish Crown*. The equity injections enabled the company to modernise its plants and purchase modern technology lines and in this way increase its production capacity, improve the quality of products and adjust the operations of the firm to market requirements. Currently 100% of the group's shares are held by Danish meat concern *Danish Crown*.

Present-day *GK Sokołów S.A.* is an industrially diversified organisation that gradually develops its potential and strengthens its position on the meat market, which can be confirmed by the fact that in 2009 it achieved 6% share in the meat

² For the purpose of easier data comparison the values of export revenues are expressed in euro. The National Bank of Poland (NBP) exchange rate was applied to convert the values of sales revenues from PLN to EUR. For the 2010 data: 1 EUR = 3.9603 PLN, rate of 31.12.2010; for the 2011 data: 1 EUR = 4.4168 PLN, rate of 30.12.2011; for the 2012 data: 1 EUR = 4.0822 PLN, rate of 31.12.2012; for the 2013 data: 1 EUR = 4.1472 PLN, rate of 31.12.2013; for the 2014 data: 1 EUR = 4.2623 PLN, rate of 31.12.2014 and for the 2015 data: 1 EUR = 4.2615 PLN, rate of 31.12.2015.

market (see Janiuk 2011, p. 94-97). In the context of export it is also worth turning attention to the structure of the Group. Its particular subsidiaries operate in the following areas: *raw materials production, processing and production* as well as *distribution and sales*. The organisational segments of the corporate group *GK Sokołów S.A.* are presented in Table 10.

Table 10. Organisational segments of the corporate group *GK Sokołów S.A.* and specialisation of particular subsidiaries

SEGMENT GK Sokołów S.A.	SPECIALISATION OF SUBSIDIARIES
PRODUCTION OF RAW MATERIALS	Agro-Sokołów: Agriculture and livestock farms producing pigs for slaughter.
PROCESSING AND PRODUCTION	- Branches in Sokołów Podlaski, Jarosław and Robakowo pig slaughter and meat processing. - Branches in Koło and Tarnów: cattle slaughter. - Branches in Czyżew and Dębica: meat processing and cold cuts production.
DISTRIBUTION AND SALES	- The network of distribution on the domestic market: 42 distribution centres and warehouses in the main cities of Poland. 49 of the firm's own retail outlets and affiliated retail outlets in large chain stores. 670 own-brand outlets. - Sokołów-Eksport: international trade. - Sokołów-Service: technical support. - Sokołów-Logistyka: transport and logistics.

Source: own study on the basis of www.sokolow.pl

The subsidiary *Agro-Sokołów* operates in the segment of *production* and is responsible for breeding. Therefore, it provides the Group with access to high-quality pork. The segment of *processing and production* consists of seven large, modern and specialised production plants which operate on a large scale and at the same time maintain high-quality standards. The production plants owned by the Group are the most modern sites of this kind in Poland. *GK Sokołów S.A.* produces about 22,000 tonnes of meat and meat products of great variety monthly. The firm's products include: fresh pork and beef, meat for roasting, hams, salami, steamed meats, smoked meats, thin sausages, dry sausages, meats for grilling, ready meals and tinned meats.

In the segment of *distribution and sales* functions the Group's own domestic network of distribution. It comprises centres of distribution, warehouses, the firm's own retail and affiliated retail outlets in large chain stores. A coherent and consistently implemented marketing strategy of the Group allows it to strengthen the *Sokołów* brand which is well-known in Poland.

From the perspective of development of exports, important role is played by the subsidiary *Sokołów-Eksport*, which is responsible for foreign trade. In addition, the structure of *GK Sokołów* includes entities conducting complementary activity. They are the following: *Sokołów-Service* (technical support) as well as *Sokołów-Logistyka* (transport and logistics) – see Table 10.

The analyses presented in this paper demonstrate that exporting is particularly significant and increasingly important for the development of the corporate group

GK Sokółów S.A. Individual branches of the Group operate on such markets as: China (including Hong Kong), Japan, Kazakhstan, South Korea, Russia, the USA, Ukraine, Thailand, the United Arab Emirates and some African countries. The EU, however, remains its main market which accounts for about 86% of the Group's exports. The main European Union markets include: Italy, the UK and Germany. Outside the EU the Group's products can be found on all continents. Similarly as in the case of the entire Polish meat industry, China is a prospective market for the Group as well. Currently, only raw meat is exported there. However, the Group endeavours to obtain permits for production and export of processed products which would allow the company to generate greater sales profits (www.hur-tidet.pl accessed on 19.03.2014).

As mentioned before, the exports of *GK Sokółów S.A.* account for about a quarter of the Group's revenues. Effective operation on foreign markets makes it possible for the company to generate the largest export revenues of all the Polish meat exporters. In accordance with the declaration of Bogusław Mischczuk, the president of *GK Sokółów S.A.*, the Group's strategy involves maintaining exports at the level of 25%-30% of the sales revenues (www.portalspozywczy.pl accessed on 19.03.2014).

The second largest meat exporter in terms of revenues is *Farmutil S.A.* *ZRP Farmutil* is a grouping of companies with domestic capital. It established its positions in the industry predominantly by means of transformations of private companies. In the process of natural investment of financial surplus, it gradually expands its industrial and market scope of operations. The company sees opportunities arising from the consolidation of the industry and purchases shares or stocks of entities operating in the broadly defined agriculture and meat industry. It uses its principal area of operation as a base and enters fields with which it is related technologically, organisationally or in terms of market. By investing in technological development *Farmutil S.A.* incorporates independent businesses into its own business activity structure. The restructuring it conducts leads to functioning in the form of a corporate group. The group includes subsidiaries considered to be indispensable in the concept of further growth. This makes it possible to utilize complementary resources of particular entities. Moreover, it allows for expanding the sources of raw materials as well as the processing and distribution base. By extending its scope of activity the firm improves its variety of products and secures further development.

The organisational structure of *Farmutil S.A.* is worth analysing as well. Its segments and structure are presented in Table 11.

The segment *production of raw materials* includes Agricultural Production Enterprise *Agrifarm Sp. z o.o.*, which conducts broadly defined agricultural activity. It comprises pig, poultry and cattle farms. Raw materials production takes place also in the Grain Processing Enterprise *Eko-Młyn* in Wałcz. The company processes grain and fodder. The aforementioned firms provide *Farmutil S.A.* with access to high-quality pork, beef and poultry. The remaining companies in the raw materials production segment conduct supporting activity. They are the following: Service and Research Laboratory *Biochemik Sp. z o.o.*, Insemination Station *Insefarm* in

Śmiłowo, Transport and Environment Protection Facility as well as Meal, Fat, Concentrate Production and Utilization Plant in Śmiłowo.

Table 11. Organisational segments of the corporate group Farmutil S.A. and specialisation of particular subsidiaries

SEGMENT ZRP Farmutil S.A.	SPECIALIZATION OF SUBSIDIARIES
PRODUCTION OF RAW MATERIALS	<ul style="list-style-type: none"> - Agricultural Production Enterprise <i>AgriFarm Sp. z o.o.</i>: Agricultural activity. Pig, poultry and cattle farms. - Grain Processing Enterprise <i>Eko-Młyn</i> in Wałcz: Processing grain and fodder. - Supporting activity: <ul style="list-style-type: none"> ▪ Service and Research Laboratory <i>Biochemik Sp. z o.o.</i>, ▪ Insemination Station <i>Insefarm</i> in Śmiłowo, ▪ Transport and Environment Protection Facility, ▪ Meal, Fat, Concentrate Production and Utilization Plant in Śmiłowo.
PROCESSING AND PRODUCTION	<ul style="list-style-type: none"> - Processing of meat; purchase; slaughter; production of cold cuts, tinned meats and fats. - H. Stokłosa Meat Plant in Śmiłowo Operation on the pork market. - <i>Lmeat-Luków</i> Meat Company in Łuków: Operation on the pork and beef market. - Poultry Processing Plant <i>Koziegłowy</i>: Operation on the poultry market.
DISTRIBUTION AND SALES	<ul style="list-style-type: none"> - Distribution centres, manufacturer's retail outlets, domestic network of retail and wholesale distribution. - Export departments in: <ul style="list-style-type: none"> - <i>Lmeat Luków</i> Meat Company (pork and beef market), - Poultry Processing Plant <i>Koziegłowy</i> (poultry market).

Source: own study on the basis of www.farmutil-hs.pl

The segment of *processing and production* consists of three large and modern meat plants. Their scope of activity encompasses meat processing, making purchases, slaughter as well as production of cold cuts, tinned meats and fats. The Meat Plant in Śmiłowo operates on the pork market. *Lmeat Luków* Meat Company functions on the pork and beef market, whereas the Poultry Processing Plant *Koziegłowy* concentrates on the poultry market. The activity of these companies makes it possible to conduct large-scale production. Specialisation, on the other hand, makes it possible to expand the range of products. Particular meat plants are equipped with the latest machinery and equipment for processing and packaging meat. This improves general effectiveness of operation and maintains high quality.

The segment of *distribution and sales* consists of distribution centres, manufacturer's retail outlets as well as the domestic network of retail and wholesale distribution. The Export Departments functioning as parts of the meat plants in Łuków and Koziegłowy are responsible for the foreign trade. The Export Department in *Lmeat-Luków* Meat Company takes care of the sales on the pork and beef markets, while the Export Department in the Poultry Processing Plant *Koziegłowy* deals with exports on the poultry market.

ZRP Farmutil S.A. is a multi-plant company with a full production profile. This ensures the high quality of products which fulfil the EU requirements due to the use of modern technologies. The company's products are of the highest quality in all ranges. They include: fresh pork, beef and poultry, cold cuts, smoked meats,

sausages, tinned meat, fats and fodder. Well-qualified staff which has for years worked in the meat industry offers products which fulfil the expectations of the firm's customers. Moreover, *Farmutil S.A.* intensively develops the network of its retail and wholesale outlets. In 2014 the manufacturer possessed a network of 220 retail outlets in Poland, which makes the firm's products more accessible. In addition, maintaining high quality opens foreign markets as well. *Farmutil S.A.* exports primarily to the EU countries such as Germany, the Netherlands, the UK and France. Its products can be found on Eastern European markets such as Russia, Ukraine and Moldova as well. What is more, the company possesses permits allowing it to export to such countries as: Iran, Canada, Congo, Hong Kong, Japan, Taiwan, the USA, Ivory Coast and Vietnam.

8. CONCLUSIONS

The meat industry constitutes a major share in food industry both in European Union and in both analysed countries. Poland and Netherlands are also important exporters of meat. The presented examples of two Polish meat producers *GK Sokółów S.A.* and *ZRP Farmutil S.A.* show that their strategies of internationalisation stem from the need to find more favourable functioning conditions. The forms of engagement in international operations described in the article indicate potential enterprise development and growth directions. The firms operating on foreign markets take into consideration their specific needs and take different levels of risk. When building their competitive position they take advantage of a variety of sources of competitive advantage. They also search for opportunities to utilise their existing competitive advantage on foreign markets. Despite the problems appearing on some markets the companies can flexibly redirect their sales to other markets (including Asian ones) exploiting new international opportunities.

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