### THE ROLE OF SMALL AND MEDIUM ENTERPRISES IN THE FOOD INDUSTRY: THE CASE OF POLAND

### MARIA ZUBA-CISZEWSKA<sup>1</sup>

**ABSTRACT.** The aim of the article is to present the role of small and medium enterprises in the food industry sector in Poland. The Polish food industry includes over 16 thousand enterprises, which recorded a growth in results of their activities, in form of the sold product value, of 60% between 2005 and 2016 (to 48.6 billion Euro). The largest group of the enterprises in food industry are the entities that employ up to 9 people (64% in 2015). Their role in manufacture and employment decreases, similar to the share of small and medium enterprises that account for over a third of all enterprises. Each of the branches of food industry is dominated by micro-enterprises (58% to 83%) and together with small and medium enterprises they account for 94.6% (manufacture of dairy products) to 99.4% (manufacture of bakery and farinaceous products). Even with the small and medium enterprise (SME) segment (including micro) enterprises dominating the food industry their share in revenues is significantly lower. In most of the food industry branches the majority of employment is due to the SME sector, with the crucial role played by companies employing 50 to 249 people. The food industry in Poland also ensures the food security of the country. Local processing plants secure the continuity and fastness of deliveries, which is important when the characteristics of these products are considered. Local products improve the food's security of local community by improving accessibility of fresh food. They also meet the customer expectations to access products of local manufacturers, based on their

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manufacturing tradition and experience. Small and medium enterprises can effectively penetrate market niches, increasing the diversity of products, frequently innovative ones. They are able to do that, among others, because of growing investment expenditures.

Key words: SME, food industry

JEL classification: Q13, L11

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### Introduction

The current plan of the Polish government, entitled "Plan for responsible development"<sup>2</sup> indicates that Poland has to fully use its development potential and include smaller towns and rural areas in development processes in order to build a strong economy in all regions. The theory of economics indicates that small and medium enterprises (SMEs) may play a significant role in regions' development. The theory of dependant development states that development of peripheral areas is caused by the center and depends from it. The development of SMEs in peripheral areas reduces their dependence from the center. The post-Keynes theory indicates investments as the most important growth factor, due to their multiplication effects that stimulate investments in other areas. Nevertheless the income effects of investments are usually

<sup>&</sup>lt;sup>2</sup> The plan is a set of tools designed to increase the dynamics of Poland's development. In includes the diagnosis of current situation, directions for government actions for the next years and indicates specific tasks. https://www.mr.gov.pl/media/14840/ Plan\_na\_rzecz\_Odpowiedzialnego\_Rozwoju\_prezentacja.pdf

limited in space. Thus the differences in investments levels between regions generate the deepening of regional disparities when the market mechanism that stimulates those disparities is not corrected. The SMEs can utilize the growth in effective demand caused by increased public investments, by creating new jobs. According to the economic base theory the increased income of region resulting from increase in exports of SMEs that create the base sector of the region stimulates the development of businesses producing for local needs or those that are only active in regional or national market (Makieła, 2008). One of the present features of the Polish development is the issue of average product, manifested among others - by low R&D expenses (less than 1% of GDP) and low innovation levels. In an economy that requires fast transformation of new knowledge in innovation and fast development of new knowledge, the SME sector may play a crucial role in popularizing innovations (Woźniak, 2006). Innovative products, together with traditional ones, are indicated as the basic instruments for competitiveness of the SME sector in the food industry (Briz & de Felipe, 2006). Research indicates that new experiences related to innovations in food products significantly influence the purchase behavior of customers (Lundahl, 2012).

The objective of the present work is to show the role of small and medium enterprises in the Polish food industry. The paper presents a comparative analysis of this industry sector for 2005-2015. The paper uses data published by the Central Statistical Office of Poland, Eurostat and SME and food industry literature.

### The case of Poland

Businesses are the main driving factor in creating the gross domestic product (GDP) of Poland. They are currently producing some 74% of the GDP (versus 70% 10 years ago). The SME sector has the most important role, generating half of the GDP, including 31% generated by

small and 11% by medium enterprises. In 2015 there were 1.91 million non-subsidized businesses in Poland, compared to 1.73 million in 2010. Businesses employing up to 9 persons are predominant (96%) and employ 39% of the 9.4 million people employed in corporate sector (Figure 1). The percentage of other types of enterprises (small 3.0%, medium 0.9%) and large 0.2%) remains unchanged for years. The employment figure in micro enterprises rises (by 0.6 percentage point or p.p. since 2010) as it does in large entities (by 0.8 p.p.). Within the value of production of businesses (735.71 billion Euro in 2015) the SME sector has the largest share (57.3%) including 28.8% created in micro-enterprises. Though when the total revenue of enterprises is considered (975.24 billion Euro in 2015) the SME revenues account for 55.8% (and micro-enterprises for just 22.0%). The percentage of assets held by companies employing up to 250 people is even lower. They held just 41.9% (194.26 billion Euro) of fixed assets in 2015, and 41.2% (148.44 billion Euro) in 2010. The share of SMEs in investment expenses fell from 47.4% (15 billion Euro) to 41.8% (18.16 billion Euro).

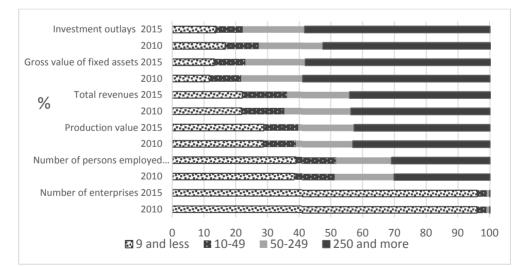


Figure 1. Basic data on Polish enterprises divided by size classes. Source: author's work based on CSO

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The food industry plays an important role in national economy and satisfaction of needs of the society. Most importantly the food industry, systematically and meeting consumer demands of the population, supplies the market with food in sufficient quantity, quality and required types. Thus it contributes to accomplishment of national food security (Kapusta, 2012). The industry is characterized by high risk of business activity linked with changes in the supply of materials (seasonal and long-term variations) and the perishable nature of materials and products. Though, as research of recent years proves (Kijek, 2013) the influence of specific factors on the economic results in food industry processing industry is still lower than in other branches of processing industry in the country. The food processing industry for agricultural products in Poland is characterized by fragmentation proven by the existence of a large number of small facilities, scattered throughout the whole territory. This is the result of historic conditions, similar to the location of a higher number of food processing plants in the West than in the East part of the country. In recent years one can observe a concentration of Polish food industry. This concentration process is the result of the scale effect, operating cost and profitability depending on the production scale. The concentration of food industry thus follows the concentration trend in agriculture (Urban 2014).

The main task of food industry enterprises is to ensure country's food security. One of the elements of this security is the physical availability of food. The achievement and ensuring of the physical availability of food should be the overriding objective of each country's food policy. The global food crisis of 2007/2008, initiated by a rise in food prices further stressed the importance of self-sufficiency for provision of food in every country, independent from its level of economic development (Kwasek et al., 2015). Self-sufficiency level can be determined by comparing the

national production with the consumption of agricultural products<sup>3</sup>. The degree of food self-sufficiency in Poland is high and is further improved by growing national production volumes of basic agricultural products (Table 1).

			2005			2015					
Specification	Production	Imports	Use	Exports	Surplus/ Deficit	Production	Imports	Use	Exports	Surplus/ Deficit	
Cereals <sup>a</sup>	24,900	724	25,236	1,275	-336	27,325	1,089	21,952	6,208	5,373	
Vegetables <sup>b</sup>	5,458	239	4,849	848	609	5,607	588	5,144	1,051	463	
Fruit <sup>c</sup>	2,922	876	3,310	488	-388	4,189	859	3,953	1,095	236	
Vegetable fats											
ad oils	540	500	837	183	-297	1,100	645	1,110	630	-10	
Meat	3,443	300	3,099	668	344	4,763	816	3,300	2,270	1,463	
Cows' milk <sup>d</sup>	11,575	295	9,414	2,484	2161	12,859	1,630	11,045	3,485	1,814	

Table 1. Basic agricultural balances (thou tonnes)

<sup>a</sup> Including cereal mixed for grain and grain designated for processing

<sup>b</sup> Including vegetables designated for processing

 $^{\rm c}$  Including fruit designated for processing

<sup>d</sup> Including milk designated for processing in; million litres

Source: author's work based on CSO

In many EU countries, including Poland, the food industry has a significant position in processing industry, as measured by the share in turnover or employment (Figure 2). This situation also pertains to Ireland, Denmark, Latvia, The Netherlands, Lithuania, and United Kingdom. France, Greece, Belgium, Bulgaria, Romania, Cyprus, Portugal, Spain and Croatia which are also characterized by a high share of food enterprises in the total number of industrial enterprises. The number of enterprises

<sup>&</sup>lt;sup>3</sup> The national use depicts the division of production to main consumers and final destinations. It includes economic expenses (e.g. sowing, fodder material), consumption of products by population, industrial processing and losses in production and handling.

of the EU food sector also demonstrates how important this sector is for the economies of the respective countries. There were 290.3 thousand food manufacturing enterprises in 2014. Only 0.9% of them are large enterprises. Over 95% are the micro enterprises (80.5%) or small enterprises (14.8%). This structure of food industry enterprises with predominance of SMEs is characteristic for all EU countries. France and Italy are the leaders when the number of food processing companies (41% of all EU businesses are located there) (Figure 3). Poland is sixth in this aspect.

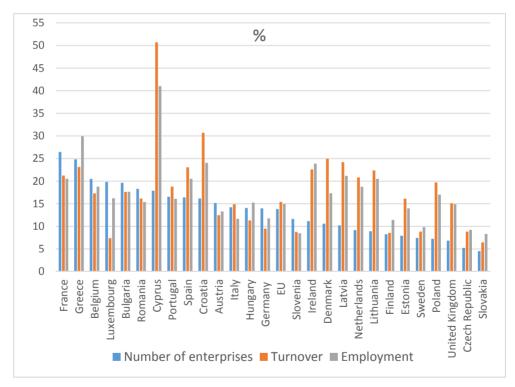


Figure 2. The share of food industry in total processing industry (%)

\* No data for Malta

Source: author's work based on Eurostat database

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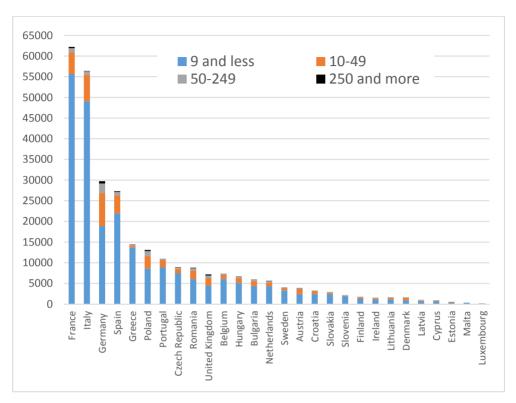


Figure 3. The number of food industry enterprises by size class Source: author's work based on Eurostat database

### **Result and Discussion**

One of the determining factors for the revival of the SME sector in market economies at the end of 20<sup>th</sup> century was the diversification of demand. Market segmentation occurs as a result of higher individual income that allows an ever growing number of consumers to satisfy their need for diversity (Borowiecki & Siuta-Tokarska, 2008). Market segmentation reveals niches, consumers with distinctive and complex set of needs, who are willing to pay more to satisfy them (Kotler, 1994). Research conducted in recent years indicates that Polish consumer searches for local Polish products

(Angowski & Lipowski, 2014). More and more the consumers do turn their attention to the environmental aspect like whether the materials come from a region with a clean natural environment, a characteristic that is still attributed to Poland, and thus to – among other features – to a better taste of the product(s). They also see the economic dimension of consumer ethnocentrism, which forms a similarly important aspect, as the creators of this notion believe (Ship & Sharma, 1987). This pertains to use of local production means (workforce and capital) and increases the effects of that production in form of sales revenue of local processing plant. The consumer ethnocentrism in relation to food and agricultural products was already reported 60 years ago by Pilgrim (1957) who believed that not only the food properties and person-related factors, but also the environmental factors influence the food purchasing decisions (Steenkamp, 1997). Of course the research suggests that the type of attitudes demonstrated by Polish society are differentiated (Sajdakowska and Gutkowska, 2014), yet stable for some time now (Wanat and Stefańska, 2014).

Polish consumers also turn their attention to another, equally important, aspect of products from local food processing plants, considering mainly the tradition and their manufacturing experience. For example they only consider quark (dairy product) to be traditional if it is manufactured by a national dairy cooperative<sup>4</sup>, which influences the market<sup>5</sup>. The dairy cooperative movement has a long history in Poland (dating back to 1870s), which results in experience and competences that build its credibility and trust (Zuba-Ciszewska, 2016). Almost 61% of the 241 dairy enterprises in Poland are cooperatives. There are at least several dairy enterprises

<sup>&</sup>lt;sup>4</sup> http://www.forbes.pl/mlekovita-mlekpol-polmlek-polskie-mleczarnie-koszazagranicznych-konkurentow,artykuly,200464,1,3.html

<sup>&</sup>lt;sup>5</sup> Among others this was the cause for many multinationals to abandon the national dairy market or at least some of its segments, e.g. with the 2016 liquidation of Danone plant in Warsaw and Zott plant in Racibórz. Mlekovita bought the Baranów plant from Hochland, Polmlek took over the dairy processing plants from Dutch Friesen in Mława, Austrian Dr. Oetker in Maków Mazowiecki and the Danish Arla Foods in Gościna.

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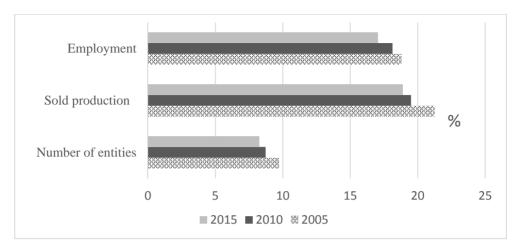
in every region. The social image of Polish agricultural and food cooperatives as socially entrusted entities constitute their chance at attaining lasting competitive advantages (Brodziński, 2014). Additionally the local products are also important for Polish retail networks. The valuable, frequently unique, advantages that they offer to the customers represent one of the tools for countering the market strength of multinational retail corporations (Kowalska, 2012). These advantages include the local origin of food products. The majority of food products are perishable consumer goods. That is why the continuity and time of delivery that local manufacturing plants can offer represent an essential factor in their sale. These entities form the Local Food System (LFS). It is a system in which the food is produced, processed and sold within a limited geographical area (Kneafsev et al., 2013). This system can also represent a chance for development of agriculture (Ross et al., 1999; Marsden et al., 2000). Local products can improve the food security of a local community, by improving its access to fresh food (Martinez et al., 2010).

The food industry has a significant, yet decreasing position in industrial processing in Poland (fig. 4). Food processing enterprises account for 8.3% of all industrial processing enterprises<sup>6</sup>, and have the largest share when the total values of sold products (18.8%) and employment (17.1%) are considered.

Even with the number of food processing enterprises dropped in Poland by 12% to just 16 thousand enterprises between 2005 and 2015 (Table 2) the effect of their business activity, measured by the sold products value, increased by 60% to 48.6 billion Euro. The industry also recorded a 5.3% decrease in employment figure, to 427.2 thousand employees.

<sup>&</sup>lt;sup>6</sup> They are preceded by enterprises manufacturing metal products (17.9%), businesses active in repairs, servicing and installation of machines and devices (14.2%) and manufacturers of wooden, cork, straw and wicker goods (9.0%).

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**Figure 4. The share of food processing in industrial processing** Source: author's work based on CSO

SPECIFICATION	Years	Entities with the following number of paid employees							
SPECIFICATION	rears	9 and less	10-49	50-249	250 and more	Total			
	2005	11,511	5,201	1,195	275	18,182			
Number of entities	2010	9,503	5,009	1,178	281	15,971			
	2015	10,263	4,376	1,108	281	16,028			
Sold production	2005	2,874.0	4,751.2	8,532.3	14,079.6	30,237.2			
(mln euro, current	2010	2,147.1	5,845.9	10,285.7	21,557.2	39,835.9			
prices)	2015	2,412.9	6,502.3	12,862.6	26,774.4	48,552.2			
	2005	64.4	96,3	129.8	160.6	451.1			
Employment (thou)	2010	47.2	98,0	126.8	170.0	442.0			
	2015	41.8	82,6	121.4	181.4	427.2			

# Table 2. The structure of food industry enterprises bytheir employment figure

Source: author's work based on CSO

These changes are different when the type of enterprise is considered. The number of large enterprises increased while for the remaining classes decreases in number were recorded (with the highest 16% decrease in the case of small enterprises). All the types of enterprises, apart from micro-enterprises, also registered an increase of the value of sold products, with the highest change in case of large enterprises (by 90.2%). The value of sold products increased by almost 37% in case of small enterprises, and by over a half in middle ones. The employment only rose in case of large enterprises (by almost 13%).

The largest group of food industry enterprises is that employing up to 9 people (64% in 2015). They only generate 1/20 of the value of sold products and concentrate about 10% of the employment figure of the industry (Table 3). Even with the constant share of this type of enterprises in the total number one can observe a significant decrease in their share of production and employment. Over 1/3 of all companies are small and medium enterprises, and in the last ten years their share dropped by 1 p.p.. Also their shares in value of sold products and employment dropped (by 4 p.p. and 2.3 p.p., respectively). Even if large enterprises account for just 2% of the total number of food processing businesses, they also account for over 55% of value of sold products (that is 8.5 p.p. more than in 2005). These businesses also improved their position as the main employer of the industry.

SPECIFICATION	Years	Entities with the following number of paid employees							
		9 and less	10-49	50-249	250 and more	Total			
	2005	63.3	28.6	6.6	1.5	100.0			
Entities	2010	59.5	31.4	7.4	1.8	100.0			
	2015	64.0	27.3	6.9	1.8	100.0			

Table 3. The structure of food industry enterprises byemployment figure (%)

SPECIFICATION	Years	Entities with the following number of paid employees						
		9 and less	10-49	50-249	250 and more	Total		
	2005	9.5	15.7	28.2	46.6	100.0		
Sold production	2010	5.4	14.7	25.8	54.1	100.0		
	2015	5.0	13.4	26.5	55.1	100.0		
	2005	14.3	21.3	28.8	35.6	100.0		
Employment	2010	10.7	22.2	28.7	38.5	100.0		
	2015	9.8	19.3	28.4	42.5	100.0		

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Source: author's work based on CSO

Thus the concentration of manufacturing processes is high in the food industry. If the share of micro-enterprises is omitted, 50% to 80% of the sold products in recent years were generated by the medium and large enterprises (Table 4).

### Table 4. The concentration of sold products in the food industry enterprises\*

Specification		Entities with share in sold production value** amounting to				
Specification		50%	80%			
Number of entities	2010	151	772			
Number of entities	2015	143	659			
Average paid	2010	111.6	223.4			
employment (thous.)	2015	119.8	224.1			

\* Data concern the economic entities employing more than 9 persons

\*\* In current prices

Source: author's work based on CSO

The largest numbers of food industry enterprises in the country are found among bakery and farinaceous products companies (6355), meat processing, conservation and production (2730 companies) and those active in processing and conservation of fruits and vegetables (1085). The total number of businesses from these three branches equals to 85% of all remaining representatives of main branches of food industry nationwide. The share of these branches in the micro-enterprise sector is over 69% and the share of the whole SME sector as much as 98.5%. Dairies (643) processing cow, sheep and goat milk are also numerous, followed by beverage manufacturing businesses (601) and companies manufacturing grain products, starch and starch products (590).

	Process	ing and pre	eserving	Manufacture							
Number of enter- prises	meat and produc- tion of meat products	fish, crusta- ceans and mol- luscs	fruit and vegeta- bles	vegetable and animal oils and fats	dairy prod- ucts	grain mill products, starches and starch prod- ucts	bakery and fari- naceous products	bever- ages			
Total	2,730	301	1,085	158	643	590	6,355	601			
9 and less	1,761	174	783	131	430	460	4,500	452			
10-49	585	63	155	17	73	87	1,495	78			
50-249	294	53	120	7	105	37	320	48			
250 and more	90	11	27	3	35	6	40	23			

Table 5. The number of companies in selected branchesof Polish food industry in 2015

Source: author's work based on Eurostat database

Each branch of the food processing industry is dominated by microenterprises that account for from 58% of fish processing businesses up to 83% of those manufacturing oils and fats (Table 6). The class of small enterprises accounts for 11% to 24%, the middle-sized companies for 4% to 18% and the large companies for less than 5.4%. This makes the SMEs (together with micro-enterprises) dominant in every branch, accounting for 94.6% (manufacture of dairy products) to 99.4% (manufacture of bakery and farinaceous products).

	Process	ing and pre	eserving	Manufacture						
Number of enter- prises	meat and produc- tion of meat products	fish, crusta- ceans and mol- luscs	fruit and vegeta- bles	vegetable and animal oils and fats	dairy prod- ucts	grain mill products, starches and starch products	bakery and farina- ceous products	bever- ages		
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
9 and less	64.5	57.8	72.2	82.9	66.9	78.0	70.8	75.2		
10-49	21.4	20.9	14.3	10.8	11.4	14.7	23.5	13.0		
50-249	10.8	17.6	11.1	4.4	16.3	6.3	5.0	8.0		
250 and more	3.3	3.7	2.5	1.9	5.4	1.0	0.6	3.8		

# Table 6. The structure of enterprises in different branchesof Polish food industry in 2015 (%)

Source: author's work based on Eurostat database

Although the SMEs dominate the food industry their share in revenue is significantly lower (Table 7) and varies in the respective branches from 20.5% (beverage manufacturing) to 75.2% (manufacture of grain mill products, starches and starch products). The micro-enterprises have the lowest share in revenues (1% to 12.7%).

	Processir	ng and pres	serving	Manufacture							
Number of enter- prises	meat and produc- tion of meat products	fish, crustace ans and molluscs	fruit and vegeta- bles	vegeta- ble and animal oils and fats	dairy prod- ucts	grain mill products, starches and starch products	bakery and farina- ceous products	bever- ages			
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0			
9 and less	3.9	3.1	5.6	4.7	1.0	7.6	12.7	0.9			
10-49	11.3	7.5	11.2	12.6	3.3	24.8	22.0	5.5			
50-249	27.1	27.5	41.4	30.0	27.2	42.7	30.0	14.1			
250 and more	57.7	61.9	41.8	52.8	68.5	24.8	35.3	79.5			

# Table 7. The turnover structure in the enterprises of different branchesof Polish food industry in 2015 (%)

Source: author's work based on Eurostat database

When it comes to the share in employment (Table 8) only three branches are dominated by large companies (processing and preserving of meat and production of meat products, manufacture of dairy products, manufacture of beverages). In the remaining branches the majority falls in the SME category, with predominance of companies employing 50 to 249 people.

Table 8. The employment structure in enterprises of different branchesof Polish food industry in 2015 (%)

	Processir	ng and pres	serving	Manufacture						
Number of enter- prises	meat and produc- tion of meat products	fish, crustace ans and molluscs	fruit and vegeta- bles	vegeta- ble and animal oils and fats	dairy prod- ucts	grain mill products, starches and starch products	bakery and farina- ceous products	bever- ages		
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
9 and										
less	5.9	3.5	8.6	12.5	3.7	14.3	20.3	6.5		
10-49	12.0	8.6	11.3	14.1	4.6	19.5	30.4	7.6		

	Processir	ng and pres	serving	Manufacture					
Number of enter- prises	meat and produc- tion of meat products	fish, crustace ans and molluscs	fruit and vegeta- bles	vegeta- ble and animal oils and fats	dairy prod- ucts	grain mill products, starches and starch products	bakery and farina- ceous products	bever- ages	
50-249	27.1	38.2	42.6	25.3	33.5	37.8	30.7	22.2	
250 and									
more	55.1	49.6	37.5	48.1	58.2	28.3	18.5	63.7	

Source: author's work based on Eurostat database

The SMEs are characterized by a higher ability to adapt to the ever changing economic situation. This is the result of their higher elasticity when compared with large companies, especially in the critical moments for the economy. Their behavior is more focused on customers' current needs and on the economic conditions when compared to large companies with their long-term strategies (Thurik, 1996). Small and medium enterprises can efficiently enter market niches, increasing the diversity of available products and services (Carree and Thuric, 1999). This is frequently linked with the necessity to conduct the required investments. In 2015 the investment expenses<sup>7</sup> of food industry SMEs totaled 729.3 million Euro, 35.7% of the total expenses of the industry (Figure 5). In the last five vears the value of investment spending for the SMEs of the food industry increased by a third. Still the small companies recorded a 7.8% decrease in investments (to 175.4 million Euro) and the medium enterprises increased them by as much as 52.5% (to almost 617 million Euro). That is why within the investment spending structure for SMEs of the food industry as much as 78% falls in for medium enterprises, and just 22% is accrued

<sup>&</sup>lt;sup>7</sup> Financial expenses or contributions in kind that aim at creation of new fixed assets or the improvement of existing ones (rebuilding, extension, reconstruction or modernization) of existing objects included in fixed assets and the so called spending for initial equipment of investments.

in the small enterprises. The largest, growing (from 61% in 2010 to 64% in 2015) proportion of investment spending is for machineries, technical devices and tools. Among the factors influencing this is the growing consumption of these fixed assets (59.8% in 2010 and 62.5% in 2015). The second place in investment spending, with a relatively constant share of 29%, is occupied by buildings and structures, and the last, with decreasing share by the transportation means.

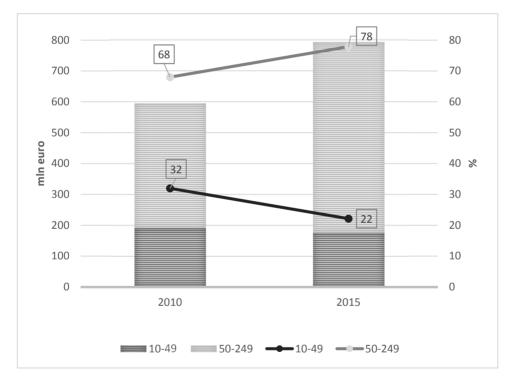


Figure 5. Investment spending of small and medium enterprises of food industry (in current prices)

Source: author's work based on CSO

### Conclusions

The Polish food industry includes over 16 thousand enterprises, which recorded a growth in results of their activities, in the form of the value of products sold, of 60% between 2005 and 2016 (to 48.6 billion Euro). The largest group of the enterprises in food industry are the entities that employ up to 9 people (64% in 2015). Their role in manufacture and employment decreases, similar to the share of small and medium enterprises that account for over a third of all enterprises. The gradual concentration in the sector is particularly visible through the fact that large enterprises that account for less than 2% of food processing businesses are responsible for 55% of sales (that is 8.5 percentage points more than in 2005). Each of the branches of food industry is dominated by micro-enterprises (58% to 83%) and together with the small and medium enterprises they account for 94.6% (manufacture of dairy products) to 99.4% (manufacture of bakery and farinaceous products). Even with the SME segment (including micro) enterprises dominating the food industry, their share in revenues is significantly lower. In most of the food industry branches the majority of employment falls in the SME sector, with the crucial role played by companies employing 50 to 249 people.

The food industry in Poland participates in ensuring the food security of the country. It is subject to the global concentration phenomenon, yet it is still fragmented and scattered. This also has positive aspects. Local processing plants secure the continuity and fastness of deliveries, which is important when the characteristics of these products are considered. Local products improve the food security of local community by improving accessibility to fresh food. They also meet the customer expectations to access the products of local manufacturers, characterized by their manufacturing tradition and experience. Small and medium enterprises can effectively penetrate market niches, increasing the diversity of products, frequently innovative ones, for example milk for lactose-intolerant persons. They are able to do that, among others, because of growing due to increasing investment expenditures.

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