Chapter 4
Newly Emerging e-Commerce Initiatives on the Agricultural Market in Poland

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ABSTRACT
Establishment of the new institutions that could improve Polish agricultural market was one of the main goals of the Polish government agricultural policy in the period of economy transformation. The project of creating agricultural markets was successful. Several regional wholesale markets and commodity exchanges were established and most of them still function with good performance. These markets are the key important marketing channels for market-oriented farmers in Poland. They can also be seen as a source of electronic commerce innovations on the Polish agricultural market. The aim of the chapter is to present the process of establishment and first experiences of electronic market of agricultural products as one of the new e-commerce initiatives on the Polish agricultural market. The chapter also discusses conditions of the electronic exchange development and its impact on the Polish agricultural market.

INTRODUCTION
The government policy of early 90s in Poland was focused on transforming central planned economy into market economy. One of the most important tasks of the Polish agricultural policy of that time was to establish new market institutions to improve the organization of agricultural market. The project of wholesale markets and commodity exchanges development started at the beginning of 90s. As a result several wholesale markets and commodity exchanges were founded and most of them are operating with a good performance at present. Among others important markets such as Warsaw Commodity Exchange and Wielkopolski Wholesale Market in Franowo were established. For many farmers in Poland these institutions are important marketplaces and constitute the new marketing channels. The institutions are not only important places where farmers can sell their products but they are also the leading sources of e-commerce innovations on the Polish agricultural market. The main e-commerce
initiatives in Poland undertaken by wholesale markets and commodity exchanges are:

- Activities connected with electronic integration between a wholesale market and a farmer that improve information exchange and enable creating electronic orders, farmers’ access to the information on wholesale inventory levels etc.
- Creation of electronic markets, which is the activity of commodity exchanges.

The chapter discusses Warsaw Commodity Exchange e-commerce initiative of establishing public electronic market for agricultural products named e-WGT. We also discuss determinants of the electronic exchange development and its impact on the Polish agricultural market. Statistical data from the Polish Central Statistical Office and information from the interview with the chairman of e-WGT were used in the analysis.

**Background**

The new media and particularly the Internet have many important features that allow migration of markets to the cyberspace. These unique characteristics are: interactivity, hypertext, multimedia, great information capacity and global reach. Internet is not only a medium but it is also a market (Hoffman & Novak, 1996). Electronic market can be defined as an inter-organizational information system that allows the participating buyers and sellers to exchange information about prices and product offerings (Bakos, 1991). The basic functions of electronic markets are matching buyers with sellers, enabling exchange of information, products, payments and providing market infrastructure (Zwass, 2003).

There are two basic types of electronic Business-to-Business (B2B) markets that are private markets and public markets. Private markets are of the one-to-many type and are usually established by an organization representing buy side or sell side of a market. Public markets are markets of the many-to-many type and are created by a third party enterprise (Turban, 2006).

Electronic markets could be distinguished using many criteria. The market categories include following (Grieger, 2003):

- buyer oriented, seller oriented, neutral markets (market orientation criterion);
- vertical and horizontal markets (product criterion);
- auction, exchange, catalog (pricing mechanism criterion);
- MRO hubs, catalog hubs, yield managers, exchanges (manufacturing vs. operating inputs, spot vs. system sourcing – buyer behavior criterion);
- open, closed markets (market access criterion);
- markets enabling information exchange, negotiation, settlement (transaction phase realization criterion);

According to Turban (2006) electronic markets are characterized by greater information richness, low information search costs, access to more buyers and more sellers, buyers and sellers are able to be in different locations, less information asymmetry between market participants. Bakos (1998) considers market aggregation achieved by more choices, rich and transparent information and lower transaction costs as a very important benefit provided by electronic markets.

Subba Rao et al. (2007) distinguished two different kinds of benefits of using electronic markets. The first one is a market aggregation which creates value for market participants enabling to overcome market inefficiencies such as market fragmentation by offering greater market reach, more market choices, more available information about products and firms, lower searching costs and transparent prices. The second one is a interfirm-collaboration which creates value for market participants enabling improvements of
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