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Poland

Dairy and Products

Annual

2003

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Report Highlights:

Poland will join the European Union (EU) on May 1, 2004, and enforce dairy sector regulations similar to those of the EU. Poland's milk output is expected to increase one percent in 2003 and 2004. Increased milk production stems mostly from higher cow milk yields, which are expected to offset lower feed supplies caused by the 2002/2003 drought. Exports of hard cheese, NFDM and WDM are expected to increase in 2003 due to higher output and favorable world prices. Imports of dairy products are limited by higher production and stable domestic demand.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
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Executive Summary

Poland's fluid milk production is expected to increase one percent in 2003 as a result of increasing milk yields. In 2003, higher output of milk is expected to lead to higher output of cheese, non-fat dry milk (NFDM) and whole dry milk (WDM) while output of butter is expected to decline in comparison to 2002. Due to two consecutive years of drought, availability and quality of roughages are expected to decrease in the first half of 2004. A 12 percent grain crop reduction in 2003 will also have a detrimental impact on the quality of feeds used in dairy cattle nutrition. Deterioration of feeding is expected to be offset by genetic improvement of dairy herds. As a result milk output in 2004 is expected to increase another one percent.

Poland will join the European Union (EU) May 1, 2004. As a result of a new law regulating the Polish dairy market approved by the Polish parliament in 2001, Poland will enforce similar regulations to the European Union's rules regarding the milk quota system, intervention on the market through governmental stocks of NFDM and butter, as well as subsidies for storage and consumption of dairy products.

Production

Poland faces rapid dairy industry changes. The average size of dairy herds is growing while dairy processing plants are rapidly modernizing and restructuring. Both cooperatives and privately owned dairy plants are adjusting to new stricter hygiene requirements introduced and supervised by the Polish Veterinary Service in order to meet EU dairy product quality standards. According to the Polish Veterinary Service as of September 19, 2003, there were 49 dairy plants which were eligible to export to the EU market, 170 plants which are going to adjust to EU standards until EU accession in May 2004, 110 plants which will be eligible for a transition period for adjustment and 80 plants which will have to discontinue production after EU accession.

In the first six months of 2003, there was a continuing increase of hard cheese output caused by growing exports to the United States and European Union and higher demand on the domestic market. Production of hard cheese is expected to grow also in the second half of 2003 and first half of 2004. It is unclear whether the Polish cheese industry will be able to successfully compete with the EU dairy industry in the second half of 2004, after EU accession.

Strong prices for non-fat dried milk on the world market are expected to stabilize output and stimulate exports of NFDM in 2003 and 2004. Total 2003 output of NFDM is estimated at 152,000 tons.

Production of butter in 2003 is expected to decrease due to lower export demand and expected higher output of WDM. Most butter is produced during the summertime peak of raw milk supplies. Peak demand for butter is in November/December. Home churning is estimated at 30,000 tons per year.

Output of whole dry milk is expected to increase in 2003 due to lower demand for exports of butter and a strong world market for WDM.

In 2004, milk output is forecast to grow one percent as a result of growing milk yields of dairy cows and expected higher milk procurement prices caused by a shortage of good quality raw milk for processing.

Consumption

Higher raw milk output is expected to result in greater consumption of milk, while consumption of cheese is expected to remain at the 2002 level due to high exports. Butter consumption is expected to decrease in 2003 and 2004 due to an expected increase of domestic prices caused by lower supplies of other animal fats. Dairy plants procure about 74 percent of total milk production. The average milk procurement price in July 2003 was 0.68 zls per liter (\$US .17), compared to 0.66 zls (\$US 0.16) in July 2002.

The Agricultural Market Agency (AMA) of the Ministry of Agriculture is responsible for supporting milk procurement prices through intervention purchases or subsidies for storage of butter and NFDM and export subsidies for NFDM. From January through September 2003, AMA did not intervene on the butter market but purchased 3,800 tons of butter for strategic stocks. As a result of a Polish Government decision dated May 20, 2003, the AMA was authorized to subsidize production of 60,000 tons (35 percent of total output) of NFDM and WDM. The subsidy covers NFDM and WDM produced from May 1 to September 30, 2003, produced out of Polish origin raw milk meeting Polish quality standards. The average subsidy amounts to 0.65 zls (\$US 0.16) per kilogram of NFDM/WDM. Until September 30, 2003, 54,000 tons of NFDM/WDM was produced with the subsidy. In the summer of 2003, AMA was eligible to subsidize exports of 33,700 tons of NFDM. As a result of tenders, until September 30, 2003, AMA issued permits for export of 24,000 tons of subsidized NFDM. The average subsidy amounted to 0.70 zlotys per kilogram (\$0.17).

Trade

Poland is a net exporter of dairy products. Growing exports of Polish dairy products result mainly from strong prices for dairy products on the world market. Polish dairy exports also benefited from the agreement on liberalization of bilateral trade signed with the EU in September 2000. According to the agreement, the EU opened duty free quotas, which in 2003 allow for export of 13,000 tons of NFDM, 11,700 tons of cheese and 7,800 tons of butter. In the first six months of 2003, Poland exported to the EU 8,900 tons of NFDM, 5,700 tons of hard cheese and 4,700 tons of butter.

Imports

Dairy product imports are extremely small in comparison to exports. Growing milk output and stable domestic demand for dairy products resulted in reduced dairy products imports. In 2002, casein was the major dairy product imported by Poland. Imported casein is mostly re-exported. In 2002, total imports of casein amounted to 16,900 tons compared to 20,100 tons in 2001. The average import price of casein was \$3,020 per ton. Major supplying countries were Ukraine, Russia and Belarus.

Hard cheese is the second largest dairy import item. Growing domestic production limits imports. It is forecast that in 2003 imports of cheese will remain at previous year's level as a result of expected higher production and stable domestic demand. The import duty for cheese is 35 percent. For the Czech and Slovak Republics the tariff is reduced to 5 percent. The tariff for Latvia and Lithuania is reduced to 30 percent.

Imported NFDM is mostly re-exported. Despite high world market prices for NFDM, import for re-export was reduced in 2002. In 2002, the average import price for NFDM from FSU countries was US\$ 1,320. The tariff for NFDM is 70 percent. There is a preferential tariff of 37 percent for the Czech and Slovak Republics, Romania, Hungary, Slovenia and Bulgaria, while for Lithuania it is 20 percent.

Butter has been imported within the import quota at a tariff of 40 percent. The out-of-quota tariff for butter is 102 percent, maximum 2.31 EUR per kilogram. In 2003, the quota for butter containing over 85% butterfat (HS 040510) amounts to 8,588 tons and for butter with reduced content of butterfat (HS 040520) 5,128 tons. The Czech and Slovak Republics receive preferential tariffs for butter of 30 percent while for Lithuania it is 40 percent. The EU has a duty free quota amounting to 6,250 tons.

Exports

NFDM is the biggest export item of the Polish dairy industry in terms of quantity and value. It is expected that exports of NFDM in 2003 and 2004 will grow due to favorable world prices. Polish exports of NFDM in the first half of 2003 amounted to 37,712 tons compared to 34,500 tons in the first half of 2002. In the first six months of 2003 exports of WDM amounted to 3,600 tons compared to 6,100 tons in 2002. The majority of WDM was exported to the EU and Croatia, Saudi Arabia and Algeria.

In the first half of 2003, Poland exported 15,221 tons of hard cheese compared to 9,364 tons in the first six months of 2002. The increase of exports is due mostly to shipments of cheese to the EU within the zero tariff quota. The United States accounted for 14 percent of Poland's cheese exports in 2002 in comparison to 12 percent in 2001.

In the first six months of 2003, Poland exported 4,765 tons of butter compared to 8,192 tons in the same period of 2002. In 2002, 190 tons of butter was exported to the U.S. compared to 1,908 tons in 2001.

The Polish dairy industry continues to seek enlargement of the U.S. import quota for cheese due to its high profitability. It is currently unclear whether the Polish cheese TRQ with the U.S. will be folded into an expanded EU cheese TRQ with the U.S. or somehow kept separate. The Polish government has not announced its decision or status of its negotiations with the EU on this matter.

Policy

EU Accession

Impact of EU accession on Poland's Dairy Production was discussed in details in the Gain Voluntary Report #PL3034 dated January 22, 2003.

Other reports of interest:

- Gain Report #PL3019 "Livestock Annual 2003"
- Gain Report #PL 3013 "Grain & Feed Annual 2003"

Statistical Tables

Dairy, Milk, Fluid

PSD Table

Country

Poland

Commodity

Dairy, Milk, Fluid

(1000 HEAD)(1000 MT)

Market Year Begin	2002		2003	2004		UOM
	Revised	Estimate	Estimate	Forecast	Estimate [New]	
	USDA Official [Estimate [DA Official [	Estimate [DA Official [	Estimate [DA Official [	Estimate [New]	Estimate [New]	
	01/2002	01/2003		01/2004	MM/YYYY	
Cows In Milk	3100	2991	3000	2967	0	2950 (1000 HEAD)
Cows Milk Production	12000	11850	12200	11966	0	12170 (1000 MT)
Other Milk Production	30	30	30	30	0	30 (1000 MT)
TOTAL Production	12030	11880	12230	11996	0	12200 (1000 MT)
Intra EC Imports	0	0	0	0	0	0 (1000 MT)
Other Imports	8	8	8	8	0	8 (1000 MT)
TOTAL Imports	8	8	8	8	0	8 (1000 MT)
TOTAL SUPPLY	12038	11888	12238	12004	0	12208 (1000 MT)
Intra EC Exports	0	0	0	0	0	0 (1000 MT)
Other Exports	1	1	1	0	0	0 (1000 MT)
TOTAL Exports	1	1	1	0	0	0 (1000 MT)
Fluid Use Dom. Consum.	4980	4912	5000	4950	0	4750 (1000 MT)
Factory Use Consum.	6407	6327	6587	6400	0	6800 (1000 MT)
Feed Use Dom. Consum.	650	648	650	654	0	658 (1000 MT)
TOTAL Dom. Consumptic	12037	11887	12237	12004	0	12208 (1000 MT)
TOTAL DISTRIBUTION	12038	11888	12238	12004	0	12208 (1000 MT)
Calendar Yr. Imp. from U.	0	0	0	0	0	0 (1000 MT)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0 (1000 MT)

Dairy, Cheese

PSD Table

Country Commodity	Poland		(1000 MT)				UOM
	2002	Revised	2003	Estimate	2004	Forecast	
Market Year Begin	USDA Official [Estimate [DA Official [Estimate [MM/YYYY				
	01/2002	01/2002	01/2003	01/2003	01/2004	01/2004	
Beginning Stocks	0	0	0	0	0	0	0 (1000 MT)
Production	172	183	177	187	0	193	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	2	2	2	2	0	3	(1000 MT)
TOTAL Imports	2	2	2	2	0	3	(1000 MT)
TOTAL SUPPLY	174	185	179	189	0	196	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	22	22	25	26	0	30	(1000 MT)
TOTAL Exports	22	22	25	26	0	30	(1000 MT)
Human Dom. Consumptic	152	163	154	163	0	166	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	152	163	154	163	0	166	(1000 MT)
TOTAL Use	174	185	179	189	0	196	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	174	185	179	189	0	196	(1000 MT)
Calendar Yr. Imp. from U.	0	0	0	0	0	0	(1000 MT)
Calendar Yr. Exp. to U.S.	3	3	3	3	0	3	(1000 MT)

Dairy, Butter

PSD Table

Country

Poland

Commodity

Dairy, Butter

(1000 MT)

Market Year Begin	2002		2003		2004		UOM
	Revised	Estimate	Revised	Estimate	Forecast	Estimate	
	USDA Official [Estimate [New]	DA Official [Estimate [New]	USDA Official [Estimate [New]	DA Official [Estimate [New]	USDA Official [Estimate [New]	DA Official [Estimate [New]	
	01/2002	01/2002	01/2003	01/2003	01/2004	01/2004	MM/YYYY
Beginning Stocks	10	10	5	6	5	4	(1000 MT)
Production	180	184	185	180	0	180	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	3	5	3	5	0	4	(1000 MT)
TOTAL Imports	3	5	3	5	0	4	(1000 MT)
TOTAL SUPPLY	193	199	193	191	5	188	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	16	12	14	10	0	10	(1000 MT)
TOTAL Exports	16	12	14	10	0	10	(1000 MT)
Domestic Consumption	172	181	174	177	0	176	(1000 MT)
TOTAL Use	188	193	188	187	0	186	(1000 MT)
Ending Stocks	5	6	5	4	0	2	(1000 MT)
TOTAL DISTRIBUTION	193	199	193	191	0	188	(1000 MT)
Calendar Yr. Imp. from U.	0	0	0	0	0	0	(1000 MT)
Calendar Yr. Exp. to U.S.	2	0	2	0	0	0	(1000 MT)

Dairy, Milk, Nonfat Dry

PSD Table

Country

Poland

Commodity

Dairy, Milk, Nonfat Dry

(1000 MT)

Market Year Begin	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [D]	DA Official [	Estimate [D]	DA Official [	Estimate [New]	
	01/2002		01/2003		01/2004	MM/YYYY	
Beginning Stocks	37	37	40	40	40	36	(1000 MT)
Production	150	151	155	152	0	150	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	8	7	8	4	0	2	(1000 MT)
TOTAL Imports	8	7	8	4	0	2	(1000 MT)
TOTAL SUPPLY	195	195	203	196	40	188	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	100	94	100	100	0	100	(1000 MT)
TOTAL Exports	100	94	100	100	0	100	(1000 MT)
Human Dom. Consumptic	0	0	0	0	0	0	(1000 MT)
Other Use, Losses	55	61	63	60	0	60	(1000 MT)
Total Dom. Consumption	55	61	63	60	0	60	(1000 MT)
TOTAL Use	155	155	163	160	0	160	(1000 MT)
Ending Stocks	40	40	40	36	0	28	(1000 MT)
TOTAL DISTRIBUTION	195	195	203	196	0	188	(1000 MT)
Calendar Yr. Imp. from U.	0	0	0	0	0	0	(1000 MT)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Dairy, Dry Milk

PSD Table

Country

Poland

Commodity

Dairy, Dry Whole Milk Powde (1000 MT)

Market Year Begin	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [	Estimate [D]	DA Official [	Estimate [D]	DA Official [	Estimate [New]	
	01/2002		01/2003		01/2004	MM/YYYY	
Beginning Stocks	0	0	0	0	0	0	0 (1000 MT)
Production	40	27	43	30	0	30	(1000 MT)
Intra EC Imports	0	0	0	0	0	0	(1000 MT)
Other Imports	2	5	2	2	0	2	(1000 MT)
TOTAL Imports	2	5	2	2	0	2	(1000 MT)
TOTAL SUPPLY	42	32	45	32	0	32	(1000 MT)
Intra EC Exports	0	0	0	0	0	0	(1000 MT)
Other Exports	14	13	17	13	0	10	(1000 MT)
TOTAL Exports	14	13	17	13	0	10	(1000 MT)
Human Dom. Consumptic	28	19	28	19	0	22	(1000 MT)
Other Use, Losses	0	0	0	0	0	0	(1000 MT)
Total Dom. Consumption	28	19	28	19	0	22	(1000 MT)
TOTAL Use	42	32	45	32	0	32	(1000 MT)
Ending Stocks	0	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	42	32	45	32	0	32	(1000 MT)
Calendar Yr. Imp. from U.	0	0	0	0	0	0	(1000 MT)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT)

Prices Table, Raw Milk

Prices Table

Country Poland

Commodity Dairy, Milk, Fluid

Prices in per uom

Year	2002	2003	% Change
Jan	81	74	-9%
Feb	80	73	-9%
Mar	79	73	-8%
Apr	76	72	-5%
May	70	69	-1%
Jun	68	68	0%
Jul	66		-100%
Aug	66		-100%
Sep	67		-100%
Oct	69		-100%
Nov	71		-100%
Dec	74		-100%

Exchange Rate Local Currency/US \$

Date of Quote MM/DD/YYYY