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Poland

Grain and Feed

Poland's Grain Production Lowest Since 1994

2006

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Report Highlights:

A severe summer drought followed by a wet harvest season is expected to reduce total grain production in Poland to about 23 MMT, according to AgWarsaw calculations. This is 1 MMT above the current estimate of the Polish Main Statistical Office (GUS). Crop quality has also been adversely affected, which could lead to increased imports of feed grains and milling wheat. Imports will be mainly from other EU member states, however, some high quality wheat imports may also come from other origins, possibly even from the United States.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Warsaw [PL1]
[PL]

VERY LOW OFFICIAL GRAIN PRODUCTION ESTIMATES:

On September 22, the Polish Main Statistical Office (GUS) published its second 2006 official crop estimate in which total grain production is estimated at 22 MMT. This estimate is almost 5 MMT or 18.4 percent lower than 2005 output, making it the lowest crop harvest since 1994. GUS estimates average grain yield at 2.62 tons per hectare, which is the lowest level since 2000. Total grain area is estimated at 8.4 million hectares or 0.7 percent more than in 2005. GUS estimates for individual grains are as follows:

- wheat, production 7.1 MMT, 19.4 percent less than in 2005;
- rye, production 2.6 MMT, 22.3 percent less than in 2005;
- barley, production 3.2 MMT, 10.7 percent less than in 2005;
- oats, production 1.1 MMT, 20.4 percent less than in 2005;
- triticale, production 3.2 MMT, 16.9 percent less than in 2005;
- mixed grains, production 3.4 MMT, 13.6 percent less than in 2005;
- corn, production 1.3 MMT, 32.9 percent less than in 2005.

AgWarsaw believes that the final crop figure will be less pessimistic, a view shared by some non-government organizations. In particular, the Grain Chamber, which represents the grain marketing and processing industries in Poland, estimates the total 2006 grain crop at 24.9 MMT or 2.9 MMT higher than estimated by GUS. The Grain Chamber estimates the 2006 wheat crop at 8.2 MMT, 1.1 MMT more than the GUS, and the corn harvest about 40 percent higher than the GUS estimate. The Chamber notes that the latest GUS estimate is based on information from local crop evaluators and does not take into account estimates from country-wide evaluators. The Chamber believes that local estimates might be depressed in order to support special drought assistance, authorized when crop losses are more than 30 percent. The Grain Chamber bases its estimate on a comparison of this year's conditions with conditions in 2003, when drought conditions occurred much earlier in the year and crop losses were not as great. In addition, the National Federation of Grain Producers estimates the 2006 grain crop is almost 1.0 MMT higher than the GUS estimate, or 13.8 percent lower than 2005 crop.

This year's unfavorable weather conditions significantly reduced crop yield and quality. Wheat and rye kernels are small and have been affected by sprouting during harvest and in many cases can only be used for feed purposes. Based on preliminary testing results to date, 19 percent of wheat samples show a falling number below 150. That percentage is significantly higher than the 3 percent figure for last year's crop measured at a similar time.

MARKET SITUATION SUGGESTS SIGNIFICANT IMPORT NEEDS POSSIBLE:

The poor 2006 crop results have led to a sharp increase in local grain prices. In particular, food grain prices have risen sharply. The average milling wheat procurement price is now PLN 560 (USD 181, Euro 140) and the price for milling rye PLN 489 (USD 158, Euro 122). Milling wheat prices in the Polish market are now at or near the same level as prices in France, Spain and Germany. Until June of this year, they were 20 percent lower. Feed grain prices have also increased. The average procurement price of feed wheat is now PLN 427 (USD 138, Euro 107) and the average corn price PLN 567 (USD 183, Euro 142). Current feed grain prices are still lower than in the former EU 15 countries, but the price difference is much smaller than just a short while ago. Feed grain prices are reportedly lower in the Czech and Slovak republics, Hungary and the Baltic states than in Poland.

Because of sharply increasing grain prices, on August 18, Poland requested EU permission to release some intervention stocks. In late September, the EU Commission agreed that Poland would be authorized to sell 200,000 tons of milling wheat from intervention stocks. Relevant

EU regulation no 1482/2006 concerning wheat and rye sales on EU market was published on 10/06/200. This decision made markets less nervous and stopped the increase in the price of wheat. As of September 24, there were 506,500 TONS of EU grain stocks in Agriculture Market Agency elevators, of which 364,600 TONS were wheat, and 141,900 TONS barley.

Greater pork and poultry production is expected to result in a five percent increase in demand for feed grains this marketing year. It is expected that the strong livestock and poultry position will result in about 0.5 MMT larger demand for feed grains in MY 2006/07 than last year and will result in higher feed grain prices in local markets later in the season and lead to strong feed grain imports, particularly corn. Total MY 2006/07 grain use is estimated at 27-28.

Undoubtedly, Poland, after two years of being a net grain exporter, will become a significant grain importer. According to various trade sources, in MY 2006/07, grain imports will be about 2 MMT. This amount is based on a more optimistic crop estimate than the current GUS estimate. High quality milling wheat will be most in demand because of the poor quality of local wheat. According to trade contacts, quality wheat will be imported primarily from Germany and France, but imports from outside the EU may also occur, possibly from the Ukraine but also, may be even from the United States. Feed grain imports will also be significant because of the small crop and increasing domestic demand. The majority, if not all, of feed grain imports will originate from Hungary and the Czech and Slovak Republics. They will be mainly corn.

Finally, conditions this year will result in almost no supplies to intervention and significantly reduced, if not almost eliminated, intervention and local grain stocks at the end of MY 2006/07.

MY 2006/07 grain production and use for total grains, wheat and corn in hectares and 000 tons:

	Total Grains	Wheat	Corn
AREA HARVESTED	8,400,000	2,300,000	33,000
BEG. STOCKS	2,983	1,224	150
PRODUCTION	23,000	7,800	1,700
MY IMPORTS fm EU	2,500	1,000	0
TOTAL MY IMPORTS	3,000	1,500	1,100
TOTAL SUPPLY	28,983	10,524	2,950
MY EXPORTS to EU	0	0	0
TOTAL MY EXPORTS	0	0	0
FEED CONSUMPTION	18,800	4,800	2,700
TOT.DOM.CONSU.	27,500	9,700	2,800
END. STOCKS	1,483	824	150
TOTAL DISTRIBUTION	28,983	10,524	2,950

(Note, exchange rate: one USD equals PLN 3.1, and one Euro equals PLN 4.0 as of 10/03/2006.)