



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 10/11/2006

GAIN Report Number: PL6065

Poland

Dairy and Products

Poland Fined by the EU for Exceeding Milk Quota 2006

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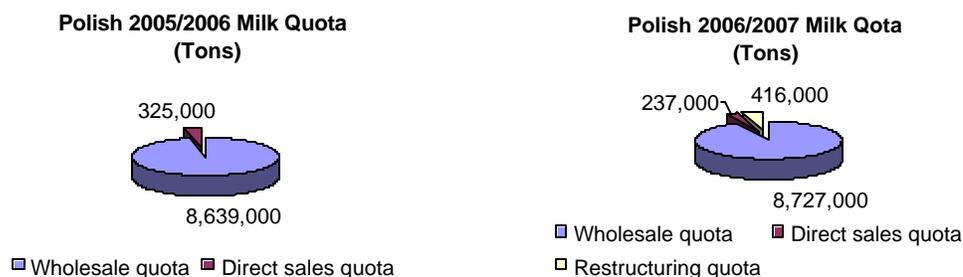
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Report Highlights:

Polish dairy producers must pay fines totaling 62 million Euro to the EU for exceeding their 2005/2006 milk quota. The EU agreed to increase the 2006/2007 dairy quota for Poland by adding 416,000 tons of "restructuring quota" to the "wholesale quota". The Polish dairy industry is of the opinion, however, that the quota is still too low and will continue to have a detrimental effect on the production, consumption and export of Polish dairy products.

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

On October 3, 2006, the EU announced fines for member states that exceeded their 2005/2006 milk quotas. Poland's milk quota amounted to 8,964,017 tons and consisted of 8,638,940 tons of wholesale quota and 325,000 tons of direct sales quota. In 2005/2006, Poland exceeded its wholesale quota by 287,000 tons of milk and, therefore, will have to pay a fine totaling 62 million Euro. Originally Poland was supposed to pay an 89 million Euro fine, but Brussels agreed to permanently re-allocate 88,000 tons of the direct sales quota to the wholesale quota, which reduced the fine. In addition, the EU has decided to add 416,000 tons of the "restructuring quota" to the global wholesale quota, which will increase the total quota for 2006/2007 to 9,380,000 tons. Total Polish milk production for 2006 is estimated at 11,950,000 tons. The difference between the quota and actual production will be used for on-farm consumption and feed use and, therefore, will not be counted toward the quota amount.



Each milk producer must pay 0.39 zlotys (US\$ 0.13) per kilogram of excessive production. Farmers who exceeded the quota have already paid to their dairy cooperatives 0.20 zlotys per kilogram as a down payment for excess production. Farmers have until the end of October to pay the remaining 0.19 zlotys of the fine.

Those farmers who exceeded their quotas face a reduction in profits from their excessive production. Many farmers and dairy processing plants have borrowed to finance investments needed to meet EU quality and sanitary standards. Payment of the fine may put them in a difficult financial situation. The Polish dairy industry has until the end of December 2006, to fully comply with EU standards. Currently, 75,000 farms (10 percent of quota suppliers) and 55 dairy plants still do not meet EU standards.

Polish dairy industry officials are of the opinion that the dairy quota has had a detrimental effect on production and consumption of dairy products in Poland. In the opinion of the industry, the quota system is hindering Poland's potential to develop its dairy sector and expand exports of dairy products. Thus, the Polish dairy industry strongly supports the idea of the liquidation of milk quotas in the EU and the introduction of free market mechanisms within the dairy market.