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Poland

Livestock and Products

Biotechnology Feed Ban Consequences for Pork and Poultry

2008

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Report Highlights:

Poland is set to become one of the most restrictive EU nations for biotechnology with a ban on the use of GM crops in animal feed becoming more likely to become reality. Poultry and pork prices will rise across Europe on the ban as Poland raises its cost of production and invites more meat imports. Poland has high animal feed costs and the uncertainty of the ban makes a bad situation worse. The ban will enter into effect and result in lower pork and poultry production unless the Sejm and President act soon. The Sejm is discussing a delay of the feed ban and had a successful first vote. The Sejm's proposal required animal feed to be labeled as containing GM crops. What fate awaits the delay of the ban with the Senate and President is unclear. The ban jeopardizes roughly \$6.4 billion in pork or poultry production, not including losses for feed compounders. The report offers three scenarios for summer as the ban deadline of August 12, 2008, approaches.

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

Poland is on the verge of allowing a ban on biotechnology events in animal feeds, August 12, 2008, come into effect. The ban was voted on almost two years ago but is now coming close to its due date. In fact, most experts agree that there is little way at present to avoid the ban coming to life, even though chances are it will be short lived due to the hardship it will sow with higher prices for consumers and reduced supply of domestically produced meat. There is no scientific justification for the feed ban and it relies on the perception that GM products are unsafe. This is despite scientific proof that these products are safe. Undertaking such a ban when Poland has open borders will mean Poland will simply import meat as its high priced meat will be displaced off the market. The ban is strongly supported by the organic movement that stands to benefit from the disruption of commercial agriculture as a ban will surely raise overall prices in the country. Organic proponents are scared of GM technology, considering it a threat to the environment. Polish organics producers are convinced that any coexistence or biotechnology in Poland is a threat, despite global acceptance of the technology and EU law and science on the issue. There is not much time left in the Sejm's (parliament) legislative calendar this summer to act, putting off the ban has little support in the Senate, and the President might veto the change anyway. This report seeks to discuss possible scenarios for what will happen as the ban approaches.

A ban on GM feed may rapidly affect pork and poultry production.

The animal producing industry in Poland is worried. If analysts or government officials were surprised about the level of concern from poultry, dairy, pork, beef, egg, and other producers about the GM feed ban, this short analysis may be useful in understanding the magnitude of the proposed change. The ban will impact roughly 1.9 million tons of imported soybean meal (\$550 million, 2007) and some portion of prepared animal feeds and additives that are derived from soybeans and/or corn (\$145 million, 2007). Poland imports 610,000 tons of corn (\$145 million, 2007), some of which is GM corn, transshipped through European ports. Poland has 200 million broilers, 15.7 million hogs, and 2.7 million dairy cows. GM feeds are used in all three industries, but are most prevalent in hogs and poultry. 1.9 million tons of soybeans and additives can produce over 7.6 million tons of compound feed for animals. This quantity of feed, converted into broiler production at the standard feed ratio of 2:1 per kilo means that the loss of the feed can potentially reduce Poland's production by 4.2 million tons of poultry meat. At 3200 PLN (zloty) per ton, farm gate price, then an effective ban puts at risk 13.5 billion PLN (\$6.4 billion USD) worth of broilers annually. If you applied this analysis to slaughter hogs you get about the same effect. Hogs convert at a 3:1 feed ratio meaning a loss of 3.0 million tons of meat, live weight. Instituting the ban for the pork industry would also risk about 13.2 billion PLN in pork (\$6 billion USD). Policy makers would want to exercise more caution and undertake more study before forcing agricultural producers to adapt. Like most of Europe, Poland has a deficit of vegetable protein for animal feed. France, Germany, Denmark, the Netherlands all use imported GM-feeds.

Poland already has some of the highest cost animal feed in Europe. As seen in Tables 1 and 2 on the next page more intensive animal agriculture in Poland is being satisfied with imported feed since Poland does not grow enough. In Poland, corn producers lose \$300 million in crop value each year to losses caused by the European Corn Borer, a loss that could be prevented by Bt corn that is grown in Spain and elsewhere. This pest is widespread in Poland and it has one of the EU's most intensive outbreaks. The availability of grain for feed is affected by the relatively slow growth of grain yields in Poland which have not changed on average for ten years.

Table 1. Feed Wheat Prices in Poland, compared to other EU nations. May 19-25, 2008. Source: Poland Ministry of Agriculture.

Ceny PSZENICY KONSUMPCYJNEJ

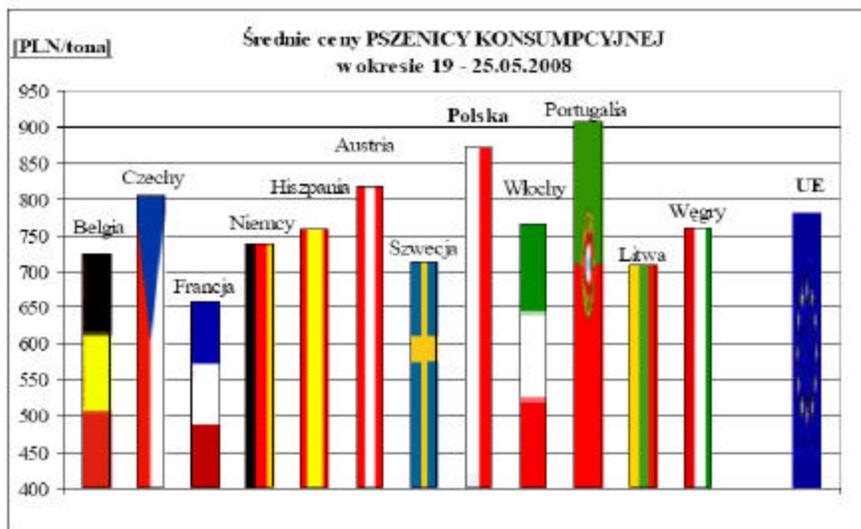
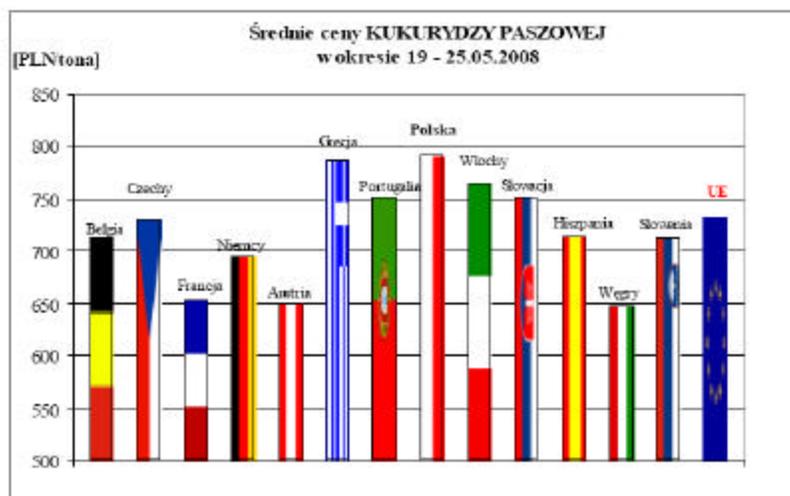


Table 2. Corn Prices in Poland, compared to other EU nations. May 19-26, 2008. Source: Poland Ministry of Agriculture.

Ceny KUKURYDZY PASZOWEJ



What will happen?

Scenario #1: Poland votes and approves an extension to the feed ban to 2012 or eliminates the ban before August 12, 2008. Percentage chance of outcome – 25 percent.

For this scenario to occur the Sejm must act in a matter of days to approve the law. There was a successful first reading of the extension by the Sejm on June 13. A second and third reading and vote are needed and contacts report this may be completed by the end of June. The Sejm's agricultural committee proposes to extend introducing the ban until December 31, 2012. This amendment requires that feed be labeled as containing GM crops. The issue is too hot to propose an outright rejection of the ban. The Senate must act quickly to approve an extension and the President must actively approve the measure 30 days after the Sejm gives its final approval. This scenario means that feed supplies to the animal agriculture industry are uninterrupted, but the impact increases the closer the date comes to a ban. Already, trading companies have stopped purchasing soybean meal.

Scenario #2: A feed ban takes effect in August. Shortly after the moratorium is reestablished or ban repealed. Percentage chance of outcome -- 50 percent.

This scenario results in a short term disruption of poultry or pork production and feed supplies. Stockpiling could avoid the ban having an effect on animal supplies. What is a certainty under this scenario is that producers will begin to cull herds and flocks in advance of the ban as feed costs rise to its introduction. This may result in a slight decrease in prices as more animals are slaughtered. This may lower cereal prices as harvest will be coming with fewer animals to feed. As the problem resolves itself the disruptions to prices should ease. This is the most likely scenario. In the crisis, political foes may be fighting each other and not solving the problem. This factor is why FAS Warsaw has made such high odds for Scenario #3. Scenario #2 easily slips into Scenario #3.

Scenario #3: A feed ban occurs and major obstacles remain to its repeal. The pork or poultry industry is disrupted significantly for several months or the ban possibly becomes permanent – Percentage chance of outcome -- 25 percent.

The full impact of the feed ban is difficult to forecast. It is almost certain that no source for 2 million tons of GM-free soybean meal exists. The globe is moving in a direction opposite to Europe with respect to biotechnology with more sown area and not less. Thirty three nations now plant the crops, many more consume them with no ill effect. With new demand from Poland for non-GM and less non-GM supply worldwide the price margins would jump. What non-GM supplies are available would be too dear for any animal feed operator in Poland to pay without significant industry contraction of hog and broiler production. Soybeans are used in feed because of their ease of transportation, storage, processing, and efficiency not only for protein but essential amino acids. Nothing else works so well or as inexpensively, not feed peas nor anything else. One rather strange outcome might be that Poland will import compound feed produced from GM products in other nations. This is plausible only if a significant testing program is not created. A grey market may develop where feed proteins might be purchased from middle men who are moving animal feeds and marketing them as GM-free even though they might contain GM crops. Provided the feed supply is not thoroughly tested, smuggled feeds might support animal agriculture for a short time. There will be steep price increases for consumers as higher feed prices are factored into sales prices. Since Poland is in a borderless community of nations any shift upwards in local prices versus imported product will mean fewer sales for local products. Due to EU law, Poland can't label meat produced with GM feed in Germany or other countries as containing GM feed. Due to this condition, the Polish market will have to consider that its meat production will be permanently reduced and imported meat will displace higher priced domestically produced meat. Cereals' prices might be depressed as the compound feed industry

uses many millions of tons of cereals in feed that would not have a market. Poland's action may well raise poultry and meat prices across Europe.