



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - Public distribution

Date: 11/21/2008

GAIN Report Number: PL8031

Poland

Agricultural Situation

EU Low Prices -- Winter of Discontent

2008

Approved by:

Eric Wenberg
U.S. Embassy

Prepared by:

Kate Snipes

Report Highlights:

EU farmers in Poland are expressing unhappiness with prices and policies through protests in Warsaw and Brussels to call attention to their complaints. The discontent extends across of a variety of products due to low prices (caused by oversupply and normal cyclical price variations) frustration with processors, and fears of EU subsidy reductions. Many farmers are holding off selling crops in an attempt to wait out the crisis. The big problem will be spring, when farmers need credit. How do you get a new farm loan when you lost money last year? There is intense pressure for action by the EU Commission to address these issues coming from Poland. Given reported threats for subsidies on wheat exports from Russia, see Moscow GAIN report RS8090, dated November 21, 2008, trade contacts in Central Europe worry that export subsidies to offload the EU grain could push global prices downward.

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

Polish farmers are unhappy with prices and policies and are protesting in Poland and Brussels in order to call attention to their complaints. The discontent extends across a variety of products due to low prices (caused by oversupply and normal cyclical price variations) frustration with processors, and fears of EU subsidy reductions. Polish producers face costs that are exactly the same as other member states for inputs, land, and even labor now. Poland lacks policies that support more efficient producers. A drive to efficiency lets producers offset variable costs and still profit, but Poland pursues a populist policy that keeps its farms inefficient. As well, producers are suffering from imposition of the European Union's expensive food safety system. The system, generally made without regard to commercial cost or market principles, is heavily regulatory. The system delivers no more safe food than other equivalent countries' systems. Polish farmers have been trying to adapt animal holding pens, use the appropriate spray and fertilizer nozzles, but it all adds to their costs. With prices down and costs of production up, Polish farmers are in a crunch. Subsidies play a role. Land prices have increased until they are equal with Germany. Poland has open borders, so changes in its costs and prices have invited more imports in particular for meat and consumer ready foods.

At a recent grain conference in Warsaw, held Nov. 19, and including representatives of U.S. Wheat Associates, and trade companies rumors were rampant about what might be the perfect storm coming in global grain prices. With Russia threatening subsidies, and the EC Grains Management Committee possibly prepared to act with more interventionist policies (having already raised tariffs), Black Sea grain prices could be taking a further tumble. Wheat prices are already \$160 per ton in Poland and \$120 per ton in Hungary and Bulgaria.

The latest EU Grain update was submitted Nov. 6, 2008, E48124
<http://www.fas.usda.gov/gainfiles/200811/146306321.pdf>

Tobacco

Six hundred Polish farmers joined a demonstration of about 3,000 EU tobacco farmers from Italy, France, Spain, Greece, Germany and Hungary protesting elimination of EU support for tobacco growers by 2010. The participating Polish farmers claim they cannot farm tobacco without the EU subsidies and they are growing tobacco in a region unsuitable for other crops (Lubelskie). Poland has about 14,000 tobacco farms on 17,000 hectares producing about 50 thousand metric tons of tobacco annually. Poland is not among the top five tobacco producers in the EU; the top producers being Italy and France.

Apples

Protests by Polish apple orchard owners directed at the processing industry continue. Polish apple farmers are frustrated with the historically low prices for processing apples, now between .08 - .1 zloty (2-3 cents) per kilo. The increase in supply of processing apples contributed to the low prices. Polish producers also claim that the apple processors have too much market strength relative to the farmers and that they are being underpaid. Fresh apples are down in price from last year by about 20 percent selling for .7 (23 US cents) per kilo due to abundant supply throughout Europe. Prices were at historic highs last year because supplies were low due to a late freeze.

Pork

Pork farmers are complaining about low prices for fresh pork meat as they have dropped from 4.7 zloty (\$1.57) per kg in early September to about 4.25 (\$1.42) currently, although prices have been on an upward trend throughout the year and are significantly higher than in February 2008 when they were at 3.2 zloty (\$1.06) per kilo. Prices for fresh pork are much

lower in other EU countries as compared to Poland. For example, prices for fresh pork in Poland are almost 80 percent higher than in Denmark, which means the pork imports from countries such as Denmark and Holland will continue. Poland has imported more than \$841 million (265,000 tons) in pork from other member states through August, a jump of 138 percent from last year. Poland's pork exports are flat. Pork production declined in Poland throughout the year; however piglet prices have more than doubled since their lows in February 2008, revealing a trend that points toward a recovery in production early next year from this year's historic lows. How much of their market they can recapture is an open question, but only the efficient producers will claw their way back.

Grains

Polish farmers are also complaining about low wheat and corn prices. Primarily due to high production, wheat prices are at an all time low in Poland at about 480 (\$160) ton. Wheat prices in Poland are among the lowest in Europe, but are still higher than its neighbors such as Hungary and Bulgaria. Poland continues to import wheat from its lower priced neighbors, particularly Hungary, as farmers hold onto their crop hoping for higher prices in the future. Feed corn prices in Poland are also lower than much of Europe, although higher than those in Hungary. Corn prices have also fallen to 390 zloty (\$130) a ton, a decline of about 18 percent from fall 2007. Poland is buying corn for intervention or strategic reserve at 363 zloty. Even one of the most successful corn farmers in Poland with yields similar to Iowa and Minnesota yield averages (about 10 metric tons per hectare) said that he could not make a profit this year because of the low prices.