

**Voluntary Report** – Voluntary - Public Distribution

**Date:** November 27,2019

**Report Number:** PL2019-0039

**Report Name:** Dairy and Products Annual

**Country:** Poland

**Post:** Warsaw

**Report Category:** Dairy and Products

**Prepared By:** Piotr Rucinski

**Approved By:** Jonn Slette

**Report Highlights:**

Post forecasts that Polish milk production in 2019 will increase by two percent over 2018 and continue to grow at roughly the same pace in 2020. Drought conditions during the spring and summer adversely affected Polish grain and forage production, which will limit milk production growth in the second half of 2019 and the first half of 2020. Higher milk supplies in 2019 will mostly be processed into cheese, as well as non-fat dry milk (NFDm) and butter. Production of whole dry milk (WDM) will remain stable.

## General Information:

### Production

Post estimates that in 2019, raw milk production in Poland will be 14.45 million metric tons (MMT), a two-percent increase over 2018. 85 percent of liquid milk will be delivered to dairy processors, with the remaining 15 percent consumed on-farm and/or sold informally within local communities.

**Table 1: Production of Milk and Milk Products**

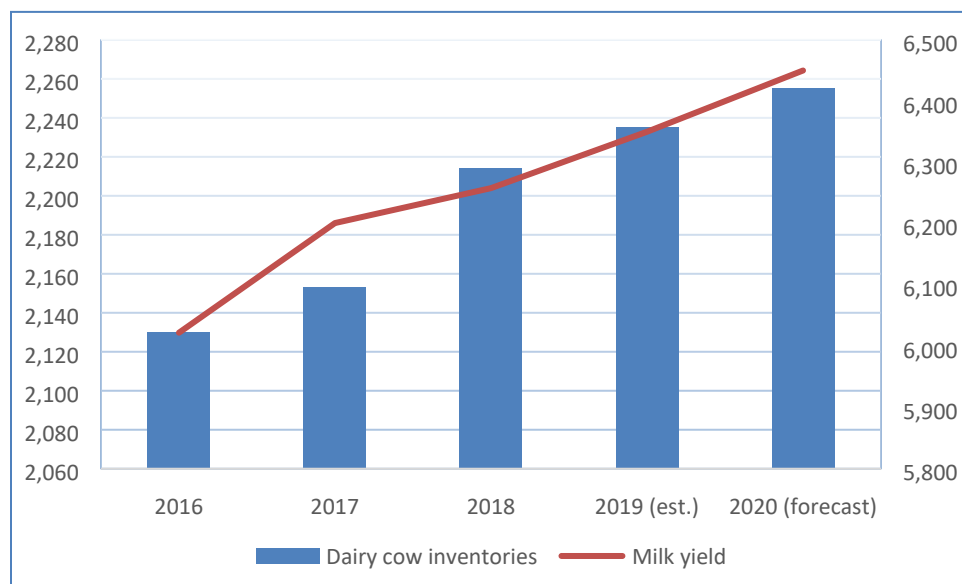
	2016	2017	2018	2019 (estimate)	2020 (forecast)
Milk Production	13,188	13,663	14,112	14,450	14,700
Milk Deliveries	11,080	11,600	11,900	12,250	12,550
Milk products:					
• Fluid milk	3,345	3,519	3,455	3,490	3,500
• Cheese	871	889	928	950	980
• Butter	204	211	222	225	230
• Non Fat Dry Milk	163	154	168	170	180
• Whole Dry Milk	44	43	40	40	42

*Source: Milk Market (October 2019), Institute of Rural Economics and FAS Warsaw estimates*

In the first nine months of 2019, strong domestic and international demand for dairy products resulted in higher farm-gate milk prices and better profitability for farmers. However, drought conditions in spring and summer 2019 adversely affected feed supplies and forage quality. Favorable market conditions throughout the first three quarters of 2019 spurred higher cow inventories. In June 2019, the number of cows was almost two percent higher than in June 2018. This growth in Poland's dairy herd stems from industry consolidation and restructuring, which is shifting more of Poland's national herd toward larger dairy farms, and reducing herd sizes on smaller ones.

In 2018, Poland's average milk yield was 6,258 kilograms per cow, a one-percent increase over 2017. In 2019, milk-yield averages will increase as larger farms with better genetics and management practices will offset small-scale production. Large dairy farms widely use Holstein semen imported from the United States, which has significantly improved milk yields and the genetic value of Polish herds.

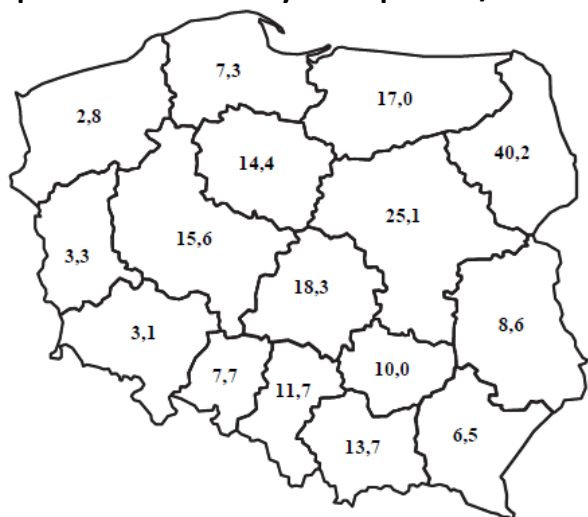
**Graph 1: Dairy Cow Inventories and Milk Yield Progression (000 head, kilograms)**



*Source: Eurostat and Post estimates*

Poland has good natural conditions for milk production. Most commercial dairy herds are located in northeastern Poland in the Podlasie, Mazowieckie and Warminsko-Mazurskie provinces. The dairy processing industry is also concentrated in this region.

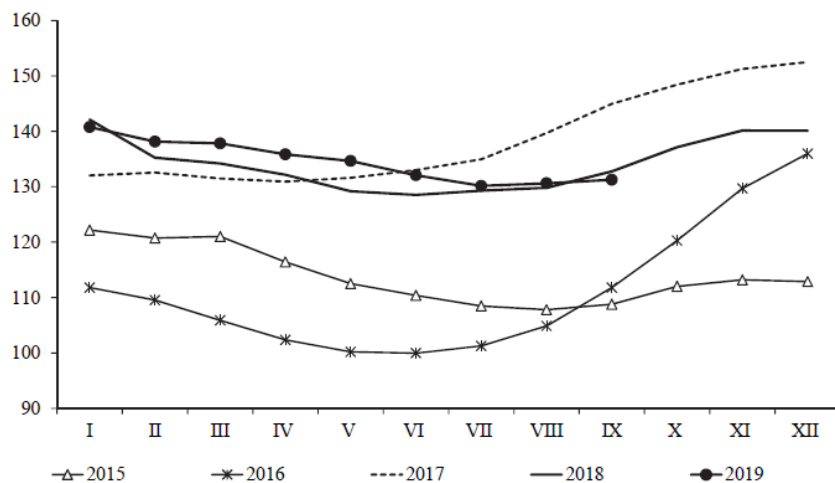
**Map 1: Number of Dairy Cows per 100/HA of Arable Land**



*Source: Milk Market (November 2019), Institute of Rural Economics*

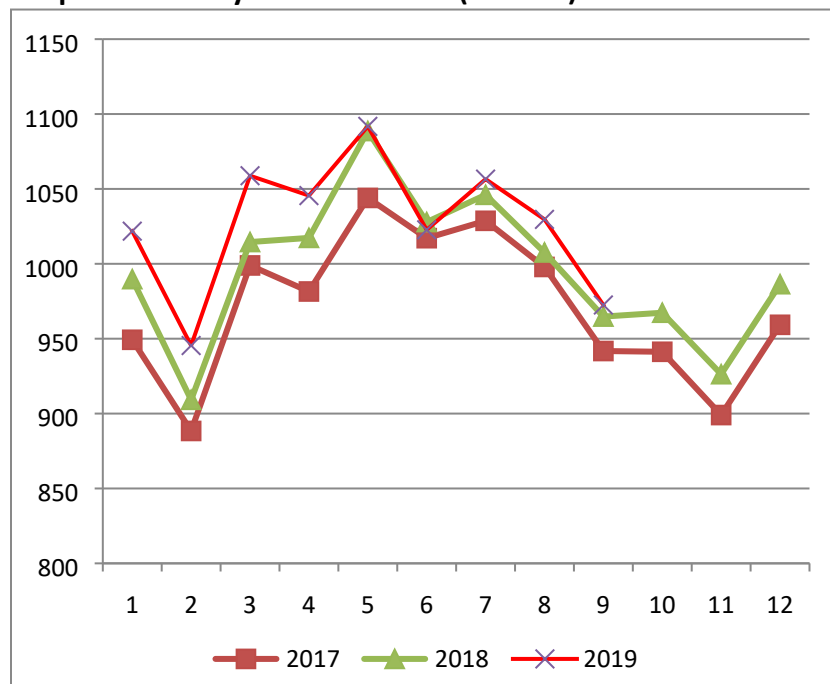
During the first nine months of 2019, average farm-gate milk price were PLN135 per 100 liters (\$35.5), a two-percent increase over the same period of 2018. Post estimates that in fall 2019, farm-gate prices for milk will increase due to increase due to growing export demand. This trend should continue through the end of the year and into 2020.

**Graph 2: Monthly Farm-Gate Milk Prices (PLN/100 liters)**



Source: Main Statistical Office

**Graph 3: Monthly Milk Deliveries (000 MT)**



Source: Eurostat

The forecast milk production increase in 2019 will mostly be used to produce cheese, although butter and NFDM also remain in demand domestically and internationally. WDM production will stabilize in 2019 due to lower export demand. Butter production and NFDM in 2019 will be limited because higher milk supplies will be mainly directed toward cheese manufacturing.

## **Consumption**

There are 175 Polish dairy processing plants which employ over 32,000 people. During first nine months of 2019, the dairy-processing sector enjoyed higher prices for dairy products on the domestic and international markets. Post estimates that in the last quarter of 2019 and through the first six months of 2020, favorable economic conditions for dairy processors will continue because of high prices for dairy commodities on the domestic and world markets.

In 2018, the average per capita milk-equivalent consumption of dairy products was 224 liters, a three-percent increase from 2017. Post estimates that in 2019, the overall consumption of dairy products will increase another two percent over 2018, due to the increase in milk production. The trend toward lower fresh-dairy and fluid-milk consumption will continue in 2019, as cheese consumption will replace consumption of fresh products. Post estimates that butter consumption in 2019 will remain at last year's level because of stable prices and reduced exports. On-farm consumption of dairy products in 2019 will also remain at the previous year's level and will amount to an estimated five percent.

## **Trade**

Poland is a net exporter of dairy products. In 2018, total dairy product exports amounted to almost \$3.0 billion, while total imports were about \$1.3 billion. Germany, the Netherlands, the Czech Republic, and the UK are the main export markets for Polish dairy products in the European Union (EU). Poland's major export markets outside the EU are Algeria, China, and Saudi Arabia. In the first eight months of 2019, the value of exports of dairy products amounted to \$2.03 billion, a three-percent decrease over the same period of 2018. This decrease resulted from reduced shipments of butter to the Netherlands and lower exports of NFDM to Algeria. In the first eight months of 2019, Poland exported fluid milk mainly to Germany, China, the UK, and Lithuania, as well as cheese to Germany, the Czech Republic, and Italy. Main destinations for Polish butter were the Netherlands, Germany, and the Czech Republic. Poland exported NFDM to Algeria, the Netherlands, Vietnam, and Bulgaria. WDM was exported mainly to Germany, Italy, the Netherlands, and the United States.

In 2018, the value of exports of dairy products to the United States amounted to almost \$29 million, of which \$15 million were caseinates and casein, almost \$10 million was cheese, and \$8 million was butter. In the first eight months of 2019, exports to the United States increased by 48 percent because of higher shipments of caseinates and other casein derivatives.

Within the EU, Poland imports dairy products mainly from Germany, the Netherlands, and Lithuania. During the first eight months of 2019, dairy imports were valued at \$911 million, a one-percent increase over the same period in 2018.

## **Attachments:**

No Attachments.