USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/03/2004

GAIN Report Number: PL4042

Poland

Livestock and Products

Poland's EU Accession Boosts Its Meat Sector

2004

Approved by:
Wayne P. Molstad
US Embassy

Prepared by:
PR and WPM

Report Highlights:
Poland's meat product exports and prices rose upon Poland's EU accession May 1, 2004. This was stimulated by its comparatively low prices, elimination of TRQs with the EU-15 as it became part of an EU-25 internal market, and substantial processing facility upgrades (many EU SAPARD fund and Government finance supplemented). Production of pork is expected to decrease in 2004 and in the first half of 2005 due to a downward trend of the hog cycle caused by feed shortages in 2003 and first half of 2004. A record 2004 grain harvest plus government and CAP support are expected to stimulate pork output in the second half of 2005.

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

Table of Contents

Executive Summary

Pork output is expected to continue to fall in 2004 due to low hog inventories and start to recover in the second half of 2005. Beef production is expected to continuously decrease in 2004 and 2005 as a result of strong export demand for live cattle. Poland's meat sector prices have risen since its May 1, 2004 EU accession but appear to be starting to stabilize as they near EU-15 levels over the next year. Many farmers and processors are increasing production and upgrading meat sector facilities stimulated by rising profits and subsidization as a result of EU accession. The meat sector is heavily benefiting from new profits, but this is also augmented by financial subsidizations under the new member state CAP implemented system and EU co-financed meat and dairy processing facility funding. The only less impacting, but of Polish concern, counterbalancing factor of its EU accession is that they are currently undergoing additional Russian inspections of meat facilities to re-establish Russian authorization to export such products to Russia as a new EU member state.

Production

Pork production is expected to decrease an estimated six percent in 2004 and another three percent in 2005 as a result of low hog inventories causing slaughter decrease. Production is expected to recover in the second half of 2005. A recovery of pork output in the second half of 2004 and in 2005 will be shortened by strong export demand and growing farm-gate prices for hogs.

Beef output is expected to decrease four percent in 2004 and continue to decline in 2005 as a result of very strong export demand for young fattening cattle. The extent of beef output will largely depend on the competition between exports of beef on-hoof and beef meat. In the first seven months of 2004, exports of live fattening cattle amounted to 654,000 head (mostly to the Netherlands and Italy) compared to 338,000 head in the same period of 2003. Farm-gate prices for young fattening cattle jumped from 3.10 PLN ($.79) per kilogram of live weight in March of 2004 to 4.32 PLN ($1.16) per kilogram in June 2004 (46 percent increase). Despite the increase, the current live fattening cattle price is still 25-35 percent lower than in Germany. This price difference stimulates exports of live cattle.

Trade

Prices and Exports to EU Jump

In the first six months of 2004, exports of meat and meat products increased by 37 percent in comparison to the first six month of 2003. Exports of live cattle and beef meat rose 80 and 25 percent.

EU accession on May 1, 2004, caused major changes for Polish farmers. Farm-gate prices for cattle and hogs, as well as most products of animal origin rose most dramatically after May 1st. In May and June 2004, prices for slaughter cattle and beef carcasses increased by 40 percent while prices for pork halves rose 22 percent. This was due to high demand for Polish products by former EU-15 countries, mostly Germany. Elimination of the TRQ and other trade barriers between New Member States (NMS) and the EU-15 combined with much lower priced NMS animal origin products boosted Polish exports in the first six months after accession. According to a report of the Polish Ministry of Agriculture, in May and June, 2004, Polish exports of food products to the former EU-15 countries amounted to 514 million Euro and were 77.5 percent higher than in the same period of 2003.

Exports to Russia Impeded by EU Accession

EU accession stimulated Poland's trade with the EU-15 but caused problems in trade with Russia. Before EU accession, Russia used to be an important export market for Polish meat and meat products. The Russian government decided that after May 1, 2004, 390 Polish plants processing red meat, poultry meat, dairy products and fish products willing to export to Russia must be inspected by the Russian Veterinary Service (VS). All export permits issued by the Russian VS expired as of September 1, 2004.

Seven Russian veterinary inspectors were in Poland July 19 to August 13, 2004. Out of 75 red meat plants inspected, only 19 were approved for export to Russia. The Polish government requested continuation of the veterinary audit and Russian veterinary inspectors returned to Poland to audit remaining plants in late September 2004. Nevertheless, rising Polish meat prices stimulated by EU accession may make such products less competitive on the Russian market resulting in less Russian demand.

Meat Prices

Pork

The increase of farm-gate prices for meat resulted in an increase of retail prices for pork and pork products. In the first half of 2004, pork and beef retail prices respectively rose 10 and 25 percent. Besides higher export demand, pork prices were also impacted by reduced 2004 domestic pork supplies. However, in August and September 2004, the trend of price increases was still continuing but at a slower pace. According to estimates of the Institute of Rural Economics (IRE), prices for pork and poultry meat will stabilize in the fall of 2004, as they become too expensive for Polish consumers. A record 2004 grain harvest will reduce feed costs stimulating production of pork and poultry meat. High farm-gate prices combined with cheap feed will stimulate production of pork and poultry meat, which may result in even a drop of prices for both kinds of meat. Discontinuation of market intervention on the pork market after EU accession may be another factor leading to reduction of pork prices over the next few months.

Beef

After EU accession in May and June 2004, the value of Polish beef exports doubled in comparison to the same period in 2003. Consequently, farm-gate beef prices jumped 70 percent. Beef prices are expected to continue to rise in upcoming months. According to the analysts from the IRE, procurement prices for young cattle may increase another four to five percent until the end of the year. Very strong export demand, which may even increase in the future, limited domestic production and a long production cycle are expected to boost beef prices also in 2005.

Future Trends of Meat Prices

Prices for meat and meat products increased after EU accession much more than expected. In addition to higher exports into the EU-25 internal market, limited supplies of pork caused by a downward trend in the "hog cycle", and high feed prices caused by low grain supplies in 2003 largely stimulated price increases after EU accession. However, the pork meat market is expected to stabilize in the last quarter of 2004. Analysts predict that the current price for slaughter hogs at 4.6 ($1.35) to 4.8 ($1.41) PLN per kilogram (live weight basis) will remain stable until the end of the year. In a longer perspective, prices for pork and beef will adjust to the EU market price level.

According to a recent announcement by the Polish Ministry of Agriculture, from the second quarter of 2003 to the second quarter of 2004, overall food prices increased by an estimated three percent. According to the Ministry, in spite of recent post-accession increases, food prices in Poland still remain one of the lowest in the expanded EU-25.

EU and Polish Government Financial Support Bolsters Meat and Dairy Sectors

As of October 18, 2004, Polish farmers started to receive for the first time direct payments within the CAP system. For 2004/2005 Polish farmers will receive 8.1 billion PLN ($2.38 billion) in direct payments distributed via the Ministry of Agriculture's Agency for Restructuring and Modernization of Agriculture (ARiMR). These will be direct per hectare payments. Overall during Poland's first 8 months of EU membership (May-December 2004), total subsidies will amount to 1.8 billion EURO while in full 2005, such subsidies are expected to amount to 2.9 billion EURO.

There is also EU and Poland Government funding of Poland's meat processing plants. Much of this is largely in the form of co-financing. However, such subsidization is limited to processing plants using 100 percent raw materials only from Poland or other EU countries according to Council Regulation (EC) No. 1257/1999, Article 28, point 1.

According to an August 23rd Polish business media article, 105 million EURO in EU SAPARD funds plus EURO 140 million in Government funds are to provide financial assistance to agricultural processors including 217 meat plants. In total according to this article, there were 1,778 total SAPARD fund applications of which 1,341 were granted support worth 1.7 billion PLN ($500 million). As an example, in late July 2004 a large investor in the Polish meat market, ZM Duda, was reported to have signed its 5th agreement with ARiMR on financing from the EU SAPARD program having received a total 9.9 million PLN ($2.9 million).

Statistical Tables

Animal Numbers, Cattle

PSD Table							
Country	**Poland**						
Commodity	**Cattle**						
	2003		2004		2005		UOM
	Old	**New**	**Old**	**New**	**Old**	**New**	
Market Year Begin	01/2002		01/2003		01/2004		MM/YYYY
Total Cattle Beg. Stks	5421	5421	5350	5277		4950	(1000 HEAD)
Dairy Cows Beg. Stocks	2967	2967	2900	2900		2700	(1000 HEAD)
Beef Cows Beg. Stocks		12		12		15	(1000 HEAD)
Production (Calf Crop)	2500	2550	2430	2450		2400	(1000 HEAD)
Total imports	10	8	20	10		15	(1000 HEAD)
CEEC10 imports		0		0		0	(1000 HEAD)
Extra EU25 imports		0		0		0	(1000 HEAD)
Imports from EU15		8		10		15	(1000 HEAD)
TOTAL SUPPLY	7931	7979	7800	7737		7365	(1000 HEAD)
Total exports	500	560	500	800		700	(1000 HEAD)
CEEC10 exports		5		5		5	(1000 HEAD)
Extra EU25 exports		161		145		145	(1000 HEAD)
Exports to EU15		394		650		550	(1000 HEAD)
Cow Slaughter	250	250	200	200		200	(1000 HEAD)
Calf Slaughter	600	600	600	600		500	(1000 HEAD)
Total Slaughter	2000	2080	1850	1900		1700	(1000 HEAD)
Loss	81	62	100	87		65	(1000 HEAD)
Ending Inventories	5350	5277	5350	4950		4900	(1000 HEAD)
TOTAL DISTRIBUTION	7931	7979	7800	7737		7365	(1000 HEAD)

Meat, Beef and Veal

PSD Table
Country **Poland**
Commodity **Beef**

	2003		2004		2005		UOM
	Old	New	Old	New	Old	New	
Market Year Begin	01/2002		01/2003		01/2004		MM/YYYY
Slaughter (Reference)	2000	2080	1850	1900		1700	(1000 HEAD)
Beginning Stocks	25	25	20	20		0	(1000 MT CW
Production	285	295	260	270		240	(1000 MT CW
Total imports	0	0	5	5		10	(1000 MT CW
CEEC10 imports		0		0		0	(1000 MT CW
Extra EU25 imports		0		0		0	(1000 MT CW
Imports from EU15		0		5		10	(1000 MT CW
TOTAL SUPPLY	310	320	285	295		250	(1000 MT CW
Total exports	60	64	45	80		80	(1000 MT CW
CEEC10 exports		2		2		2	(1000 MT CW
Extra EU25 exports		31		28		28	(1000 MT CW
Exports to EU15		31		50		50	(1000 MT CW
TOTAL Domestic Use	230	236	230	215		170	(1000 MT CW
Ending Stocks	20	20	10	0		0	(1000 MT CW
TOTAL DISTRIBUTION	310	320	285	295		250	(1000 MT CW

Animal Numbers, Swine

Country	**Poland**						
Commodity	**Swine**						
	2003		2004		2005		UOM
	Old	New	Old	New	Old	New	
Market Year Begin	01/2002		01/2003		01/2004		MM/YYYY
TOTAL Beginning Stocks	18998	18998	18100	18439		17600	(1000 HEAD)
Sow Beginning Stocks	1700	1700	1600	1600		1700	(1000 HEAD)
Production (Pig Crop)	24700	24900	23550	23350		24000	(1000 HEAD)
Total imports	2	2	2	2		2	(1000 HEAD)
CEEC10 imports		0		0		0	(1000 HEAD)
Extra EU25 imports	0	0	0	0		0	(1000 HEAD)
Imports from EU15	2	2	2	2		2	(1000 HEAD)
TOTAL SUPPLY	43700	43900	41652	41791		41602	(1000 HEAD)
Total exports	23	32	6	30		30	(1000 HEAD)
CEEC10 exports		1		1		1	(1000 HEAD)
Extra EU25 exports	23	31	6	29		29	(1000 HEAD)
Exports to EU15	0	0	0	0		0	(1000 HEAD)
Sow Slaughter	350	300	300	300		300	(1000 HEAD)
Total Slaughter	23600	23600	22000	22300		21700	(1000 HEAD)
Loss	1977	1829	1946	1861		1822	(1000 HEAD)
Ending Inventories	18100	18439	17700	17600		18050	(1000 HEAD)
TOTAL DISTRIBUTION	43700	43900	41652	41791		41602	(1000 HEAD)

Meat, Swine

PSD Table							
Country	**Poland**						
Commodity	**Pigmeat**						
	2003		2004		2005		UOM
	Old	New	Old	New	Old	New	
Market Year Begin							MM/YYYY
Slaughter (Reference)	23600	23600	22000	22300		22850	(1000 HEAD)
Beginning Stocks	63	63	39	24		0	(1000 MT CW
Production	1783	1800	1660	1680		1630	(1000 MT CW
Total imports	45	61	45	45		40	(1000 MT CW
CEEC10 imports		3		2		2	(1000 MT CW
Extra EU25 imports		8		3		3	(1000 MT CW
Imports from EU15		50		40		35	(1000 MT CW
TOTAL SUPPLY	1891	1924	1744	1749		1670	(1000 MT CW
Total exports	182	280	100	160		100	(1000 MT CW
CEEC10 exports		19		10		10	(1000 MT CW
Extra EU25 exports		230		120		60	(1000 MT CW
Exports to EU15		31		30		30	(1000 MT CW
TOTAL Domestic Use	1670	1620	1630	1589		1570	(1000 MT CW
Ending Stocks	39	24	14	0		0	(1000 MT CW
TOTAL DISTRIBUTION	1891	1924	1744	1749		1670	(1000 MT CW