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Poland

Dairy and Products

Poland's EU Accession Dramatically Boosts Its Dairy Sector

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Report Highlights:
Poland's dairy products exports and prices rapidly 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 is expected to increase even more due to CAP program subsidy implementation, more EU/Polish Government co-financed investments, and lower feed costs due to a record grain harvest. Prices are expected to continue to rise but at a slower pace and begin to stabilize as they eventually near EU wide price levels.

Includes PSD Changes: No
Includes Trade Matrix: No
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Table of Contents

Executive Summary

Poland's dairy sector prices have dramatically risen since its May 1, 2004 EU accession. Many farmers and processors are increasing production and upgrading dairy facilities stimulated by rising profits and subsidization as a result of EU accession. The dairy sector is heavily benefiting from new profits but this is also being augmented by financial subsidizations under the new member state CAP implemented system and EU co-financed 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 dairy facilities to re-establish Russian authorization to export dairy products to Russia as a new EU member state.

Production

-Butter, Cheese, Yogurt and Ice Cream Up

General dairy product production is expected to increase even more due to CAP program subsidy implementation, more EU/Polish Government co-financed investments, and lower feed costs due to a record grain harvest. The majority of increases will be in hard cheese, butter, yogurts, and ice cream.

-Raw Milk, WDM and NFDM Slightly Down but Stabilizing

We estimate and forecast a slight reduction and stabilization of raw milk production due to discontinuation of production of many small farms due to veterinary sanitary requirements and higher than pre-accession EU required milk quality. Meanwhile, production of non-fat dry milk (NFDM) and whole dry milk (WDM) are also expected slightly decrease and stablilize.

Exports Dramatically Rise

-Food and Dairy Exports to Former EU-15 Jump

Total 2004 food exports from Poland to the former EU-15 countries are expected to exceed 5 billion Euro; in 2003 the value was 3.2 billion Euro. In the first six months of 2004, Polish exports of food products to the EU-15 countries, valued at $1.4 billion, increased by 50 percent in comparison to the first half of 2003. According to a report of the Polish Ministry of Agriculture, in May and June, 2004, the value of Polish food product exports to the former EU-15 countries amounted to 514 million Euro and were 77.5 percent higher than in the same period of 2003.

The total value of Polish Jan.-June 2004 dairy product exports increased 85 percent in comparison to the first six month of 2003. Exports of non-fat dried milk increased by 13 percent and butter was over 170 percent higher than a year ago. The majority of Polish diary products exports to the former EU-15 are to Germany, the Netherlands, and smaller amounts to France.

Poland's May 1, 2004 EU accession had a significant impact on dairy producers and the market. 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 three months after accession. There is continuing demand from the EU-15 countries for Polish hard cheeses and cream as a raw material for butter production.

-Exports to Russia Slowed by New Russian Requirements

EU accession stimulated Poland's trade with the EU-15 but caused problems in trade with Russia due to dairy plant Russian inspections and rising prices. Before EU accession, Russia used to be an important export market for Polish dairy products.

The Russian government decided that after May 1, 2004, 390 Polish dairy processing plants interested in exporting to Russia must be inspected by the Russian Veterinary Service (RVS). All export permits issued by the RVS expired as of September 1, 2004. Seven RVS inspectors were in Poland July 19 to August 13, 2004. The Polish government requested continuation of the veterinary audit and Russian veterinary inspectors returned to Poland to audit remaining plants starting September 27, 2004.

It is uncertain when or if Polish dairy product exports to Russia will fully resume. Rising Polish dairy product prices stimulated by EU accession may make such products less competitive on the Russian market resulting in less Russian demand.

Dairy Prices Quickly Rose

In June 2004, an average price for raw milk was over 5 percent higher than in March 2004 and 24 percent higher than in June 2003. Historically, raw milk prices always decreased during summers as a result of oversupplies while they rose in winter when supplies were lower. In summer 2004 after EU accession, for the first time, raw milk prices increased instead of going down. It was mainly a result of growing export demand for dairy products; domestic demand remained stable.

Limited output of dairy products caused by the fixed dairy quota allocated for Poland, strong EU intervention on the dairy market and continuing export demand are the major factors stimulating the increase of prices for dairy products. However, limited domestic consumption caused by higher prices and declining competitiveness of Polish dairy products on the former EU-15 market are expected to limit price increases in the last quarter of 2004 and in 2005.

Prices for dairy products increased after EU accession much more than expected. Analysts predict that the current price for dairy products 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 will increase 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 Dairy Sector

-Farm Subsidies

Most Polish farmers anxiously await 8.1 billion PLN in direct payments to farmers as early as October 16 to be 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 the full 2005, such subsidies are expected to amount to 2.9 billion EURO.

-Dairy Processing Upgrades, Subsidization and EU Transition

There is also EU and Poland Government funding of Poland's dairy processing plants. Much of this can be largely in the form of co-financing. 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 52 dairy and 217 meat plants. In all according to this article, there were 1,778 total SAPARD fund applications of which 1,341 were granted support worth 1.7 billion PLN. According to an early September Polish media report, over 130 dairies are expected to spend at least 350 million PLN on upgrading and modernizing their facilities in order to meet EU requirements. Approval to sell dairy products onto the EU common market was granted to 204 dairy cooperatives upon Poland's EU accession but 144 were granted adjustment transition periods up to December 2007.

Statistical Tables

Dairy, Milk

PSD Table

Country: Poland

Commodity: Dairy, Milk

	2003		2004		2005		UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin	**01/2003**		**01/2004**		**01/2005**		(MONTH/YEAR)
Cows In Milk	2,967	2,967	2,950	2,900		2,850	(1000 Head)
Cows Milk Deliveries to Dairies	11,966	11,810	12,170	11,800		11,800	(1000 MT)
Other Milk Production	30	30	30	30		30	(1000 MT)
Imports from NMS	8	3	8	0		0	(1000 MT)
Imports from EU15	0	0	0	0		0	(1000 MT)
Extra EU25 Imports	0	0	0	0		0	(1000 MT)
Total Imports	8	3	8	0		0	(1000 MT)
TOTAL SUPPLY	12,004	11,843	12,208	11,830		11,830	(1000 MT)
Exports to NMS	0	0	0	0		0	(1000 MT)
Exports to EU15	0	0	0	0		0	(1000 MT)
Extra EU25 Exports	0	0	0	0		0	(1000 MT)
Total Exports	0	0	0	0		0	(1000 MT)
Fluid Use Dom. Consum.	4,950	4,793	4,750	4,400		3,980	(1000 MT)
Factory Use Consum.	6,400	6,450	6,800	6,880		7,320	(1000 MT)
Feed Use Dom. Consum.	654	600	658	550		530	(1000 MT)
TOTAL DISTRIBUTION	12,004	11,843	12,208	11,830		11,830	(1000 MT)

Dairy, Cheese

PSD Table

Country: Poland

Commodity: Dairy, Cheese

	2003		2004		2005	UOM
	Old	New	Old	New	Old New	
Calendar Year Begin	**01/2003**		**01/2004**		**01/2005**	(MONTH/YEAR)
Beginning Stocks	0	0	0	0	0	(1000 MT)
Production	187	195	193	210	225	(1000 MT)
Imports from NMS	0	0	0	0	2	(1000 MT)
Imports from EU15	0	3	0	10	15	(1000 MT)
Extra EU25 Imports	2	2	0	2	2	(1000 MT)
Total Imports	2	5	0	12	19	(1000 MT)
TOTAL SUPPLY	189	200	193	222	244	(1000 MT)
Exports to NMS	0	12	0	10	10	(1000 MT)
Exports to EU15	0	12	0	25	40	(1000 MT)
Extra EU25 Exports	26	21	30	20	20	(1000 MT)
Total Exports	26	45	30	55	70	(1000 MT)
Human Dom. Consumption	163	155	166	167	174	(1000 MT)
Other Use, Losses	0	0	0	0	0	(1000 MT)
TOTAL Use	189	200	196	222	244	(1000 MT)
Ending Stocks	0	0	0	0	0	(1000 MT)
TOTAL DISTRIBUTION	189	200	196	222	244	(1000 MT)

Dairy, Butter

PSD Table

Country: Poland

Commodity: Dairy, Butter

	2003		2004		2005		UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin	**01/2003**		**01/2004**		**01/2005**		(MONTH/YEAR)
Beginning Stocks	6	6	4	4		0	(1000 MT)
Production	180	180	180	183		190	(1000 MT)
Imports from NMS	0	0	0	0		0	(1000 MT)
Imports from EU15	0	1	0	2		3	(1000 MT)
Extra EU25 Imports	5	0	4	0		0	(1000 MT)
Total Imports	5	1	4	2		3	(1000 MT)
TOTAL SUPPLY	191	187	188	189		193	(1000 MT)
Exports to NMS	0	0	0	0		0	(1000 MT)
Exports to EU15	0	0	0	5		7	(1000 MT)
Extra EU25 Exports	10	0	10	6		6	(1000 MT)
Total Exports	10	0	10	11		13	(1000 MT)
Domestic Consumption	177	183	176	178		180	(1000 MT)
Total Use	187	183	186	189		193	(1000 MT)
Ending Stocks	4	4	2	0		0	(1000 MT)
TOTAL DISTRIBUTION	191	187	188	189		193	(1000 MT)

Dairy, NFDM

PSD Table

Country: Poland

Commodity: Non Fat Dried Milk

	2003		2004		2005		UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin		**01/2003**		**01/2004**		**01/2005**	(MONTH/YEAR)
Beginning Stocks	40	40	36	23		0	(1000 MT)
Production	152	149	150	140		135	(1000 MT)
Inports from NMS	0	1	0	1		1	(1000 MT)
Imports from EU15	0	2	0	2		4	(1000 MT)
Extra EU25 Imports	4	3	2	5		2	(1000 MT)
Total Imports	4	6	2	7		7	(1000 MT)
TOTAL SUPPLY	196	195	188	170		142	(1000 MT)
Exports to NMS	0	4	0	4		2	(1000 MT)
Exports to EU15	0	20	0	30		30	(1000 MT)
Extra EU25 Exports	100	86	100	80		70	(1000 MT)
Total Exports	100	110	100	114		102	(1000 MT)
Human Dom. Consumption	0	0	0	0		0	(1000 MT)
Other Use, Losses	60	62	60	56		40	(1000 MT)
TOTAL Use	160	172	160	170		142	(1000 MT)
Ending Stocks	36	23	28	0		0	(1000 MT)
TOTAL DISTRIBUTION	196	195	188	170		142	(1000 MT)

Dairy, WDM

PSD Table

Country: Poland

Commodity: Dairy, Whole Milk Powder

	2003		2004		2005		UOM
	Old	New	Old	New	Old	New	
Calendar Year Begin	**01/2003**		**01/2004**		**01/2005**		(MONTH/YEAR)
Beginning Stocks	0	0	0	0		0	(1000 MT)
Production	30	27	30	26		25	(1000 MT)
Imports from NMS	0	0	0	0		0	(1000 MT)
Imports from EU15	0	2	2	4		4	(1000 MT)
Extra EU25 Imports	2	0	0	0		0	(1000 MT)
Total Imports	2	2	2	4		4	(1000 MT)
TOTAL SUPPLY	32	29	32	30		29	(1000 MT)
Exports to NMS	0	0	0	0		0	(1000 MT)
Exports to EU15	0	1	10	8		10	(1000 MT)
Extra EU25 Exports	13	3	0	0		0	(1000 MT)
Total Exports	13	4	10	8		10	(1000 MT)
Human Dom. Consumption	19	25	22	22		19	(1000 MT)
Other Use, Losses	0	0	0	0		0	(1000 MT)
TOTAL Use	32	29	32	30		29	(1000 MT)
Ending Stocks	0	0	0	0		0	(1000 MT)
TOTAL DISTRIBUTION	32	29	32	30		29	(1000 MT)