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Poland - Fresh Potatoes and Products. Annual 2015

Report Categories:

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Agricultural Situation

Vegetables

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Report Highlights:

In 2015 potatoes production was lower by 13 percent compared to last year due to average unfavorable weather conditions. Poland's total crop is estimated at 6.7 MMT (million metric tons), of which ware production accounts for 3.7 MMT. The potato production in 2016 is forecast to increase in comparison with 2015 despite stable planting area. Average yields are expected higher. In 2016 upward trend in production of French fries and chips is expected. Production of fresh potatoes dedicated for processing will increase.

Potato production

In MY 2015/16 the area of potato plantings in Poland increased by 11.2 percent compared to MY 2014/15, and amounted to 308,000 hectares. Potato acreage increased due to the higher profitability of potato production after very low farm gate prices in the 2014/15 MY.

In 2015 average weather conditions were not favorable for potato plantings and were very diverse, depending on the region of Poland. Weather conditions were better for early potatoes and less favorable for later varieties. Average yield was estimated at 21.7 MT (Metric Tons) per HA (hectares). In 2015 the total domestic potato production amounted to 6,680,000 MT, 13.1 percent lower as compared to 2014. Crop quality was very diverse according to the region. August 2015 was a decisive month for harvest results and quality of the crop. Due to heavy drought, average potatoes were smaller than normal and had below normal moisture. 25 percent of the fields dedicated to processed product are irrigated. In some regions there was no water supply even with irrigation systems. About 55 percent of the harvest is expected to be sold through market channels (wholesale, local markets, exports). The rest of harvest is used on farms for both human and animal consumption.

Area, yields, production of potatoes in Poland

Poland	**Area (Thousand HA)**	**Yield (MT/HA)**	**Total Production (Thousand MT)**
2009/10	508	19.1	9,703
2010/11	401	21.1	8,448
2011/12	406	23.0	9,362
2012/13	373	24.2	9,040
2013/14	346	21.4	7,290
2014/15	277	27.8	7,690
2015/16*	308	21.7	6,680
2016/17*	310	27.0	8,370

Source: Main Statistical Office

** estimate and forecast of Institute of Agricultural and Food Economics in Warsaw*

Total and ware potato production in Poland, thousand MT

Poland	**2011/12**	**2012/13**	**2013/14**	**2014/15**	**2015/16**
Total	9,362	9,040	7,290	7,690	6,680
Ware*	4,000	4,200	3,900	4,200	3,700

Source: Main Statistical Office

**FAS/Warsaw estimation*

Consumption

Poland is a fresh potato market. Human consumption shows a constant downward trend due to changes in lifestyles and food consumption patterns. Processed potato products consumption is increasing. The processing industry – for both human consumption and industrial usage - consumes about 20 percent of total supply (country crops plus imports). For MY 2014/15 consumption of potato products (potato equivalent) is estimated at16.6 kg per capita, while consumption of fresh potatoes is at 84.4 kg per capita. For MY 2015/16 the consumption of processed potatoes is expected to increase while that for fresh potatoes will be much lower based on recent trends. Despite the downward trend in fresh potato consumption Poland still holds the highest per capita consumption in Europe.

Potato Processing

In 2014 production of both frozen potato products and potato chips in Poland increased in comparison with 2013, after some years of stable production in 2012-13. For calendar year 2014 French fries production was 8 percent higher and chips 12 percent higher than in 2013. Foreign demand has been the main driver for the development of this sector so far, although it has fluctuated in recent years. In 2012-14 domestic demand was stable. The crisis affected the demand from fast food and HRI sector in Poland during 2012-13, but in 2014 there was a small recovery. In 2014/15 MY French fries exports diminished in comparison with previous two years. In the coming years, domestic demand for this product is expected to show growing tendency again. For 2015 production of French fries is forecast 2 percent higher than in 2014 and is expected to reach 225,000 MT.

Potato Products Output, thousand MT

	CY 2011	**CY 2012**	**CY 2013**	**CY 2014**	**CY 2015***
Frozen potato products (fries)	173.5	209.0	204.5	220.5	225.0
Chips	66.5	77.5	77.3	86.2	88.0
Dry potato	14.6	23.7	24.1	25.2	25.0
Potato starch	110.5	127.8	112.3	140.6	125.0

Source: The Main Statistical Office Poland

** Forecast of Institute of Agricultural and Food Economics*

Fresh Potato Trade and Outlook

Fresh Potato Exports, MT (market year ending June) – HS 070190

	MY 2011/12	**MY 2012/13**	**MY 2013/14**	**MY 2014/15**
Total Exports	**22,212**	**66,599**	**36,813**	**20,611**
EU-28	8,414	44,433	12,498	4,969
Non-EU 28	13,798	22,166	24,315	15,642

Source: Global Trade Atlas

** FAS/Warsaw Forecast*

Fresh Potato Imports, MT (market year ending June) – HS 070190

	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
Total Imports	**124,473**	**76,326**	**178,621**	**115,813**
EU-28	124,386	76,172	178,616	115,593
Non-EU 28	87	154	5	220

Source: Global Trade Atlas
** FAS/Warsaw Forecast*

Poland imports fresh potatoes for human consumption – both as fresh product and for processing. A large majority of imports are sourced from the EU countries like Germany, Spain, Italy Greece, Belgium, Netherlands and UK. Imported potatoes are usually used as raw material for the processing industry and processed into French fries mostly. In 2014/15 fresh potatoes import value totaled U.S. $23 million while export value amounted to U.S. $2.7 million.

Frozen Potato Products Trade and Outlook

In MY 2014/15 Poland's export of frozen potato products totaled 159,700 MT, representing a decline of 11 percent in comparison with MY 2013/14. This was due to the sudden drop in exports to Russia due to that country's import ban. Exports of potato fries has been growing in the last four years (2010/11 -2013/14) by an average of 12.4 percent yearly. Growing demand from Russia and Ukraine were major drivers for Polish frozen potato products exports.

Russia has been traditionally an important market for processed potato products, mostly French fries (HS 200410). In MY 2014/15 export of this product to Russia amounted to 64,000 MT (valued at U.S. $ 45 million). It represents a 40 percent share of the total export of French fries from Poland. Processed potatoes (200410) are not included in the list of banned products.

Frozen Potato Products Exports, MT (marketing year ending June) – HS 200410

	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
Total Exports	**140,652**	**163,482**	**179,157**	**159,653**
EU-28	56,938	67,971	69,693	64,632
Non-EU 28	83,714	95,511	109,464	95,021

Source: Global Trade Atlas

Poland Import of Frozen Potato Products, MT (year ending June) – HS 200410

	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
Total Imports	**41,214**	**37,462**	**66,442**	**53,813**
EU-28	40,018	37,344	66,406	53,600
Non-EU 28	1,196	118	36	213

Source: Global Trade Atlas

Poland's Major Export Destinations. Frozen Potato Products, MT (marketing year ending June) – HS 200410

	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15	MY 2014/15 Exports as % Share
Total Exports	**140,652**	**163,482**	**179,157**	**159,653**	**100.0**
Russia	52,777	58,577	72,190	63,980	**40.1**
Czech Republic	9,446	11,433	14,516	12,701	**8.0**
Ukraine	11,576	11,330	11,920	9,875	**6.2**
Hungary	7,794	10,675	10,680	9,491	**5.9**
Slovakia	5,651	6,329	7,907	7,816	**4.9**
Romania	5,793	6,320	6,060	7,368	**4.6**
Bulgaria	4,233	4,439	5,532	5,097	**3.2**
Latvia	3,749	4,319	4,421	4,347	**2.7**
Kazakhstan	1,997	2,528	3,654	4,182	**2.6**
Belgium	1,056	1,775	1,285	3,939	**2.5**
Others	36,580	45,757	40,992	30,857	**19.3**

Source: Global Trade Atlas

Poland's Major Import Destinations. Frozen Potato Products, MT (marketing year ending June) – HS 200410

	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15	MY 2014/15 Imports as % Share
Total Imports	**41,214**	**37,462**	**66,442**	**53,813**	**100.0**
Netherlands	21,816	17,980	29,566	24,040	**44.7**
Germany	1,798	3,904	8,407	12,275	**22.8**
Belgium	12,845	12,683			**21.9**

			17,685	11,788	
France	3,294	2,457	10,235	4,757	**8.8**
Denmark	-	-	117	325	**0.6**
Others	1461	438	432	628	**1.2**

Source: Global Trade Atlas

Seed Potatoes Trade

On August 29, 2014 Russian authorities excluded seed potatoes from the list of products banned in early August 2014. In 2014/15 despite an open market for seed potatoes, exports to Russia diminished significantly to only 220 MT, only some 10 percent of the volume of the previous year. In MY 2013/14 export of seed potatoes to Russia amounted to 2,200 MT (valued at U.S. $1.3 million). The reason for this sudden drop of demand was that Russian importers changed their sources of procurement and shifted to Egyptian supplies away from the Polish market.

Seed Potatoes Exports, MT (marketing year ending June) – HS 070110

	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
Total Exports	**2,453**	**2,636**	**4,001**	**1,693**
EU-28	1,295	1,452	1,488	1,270
Non-EU 28	1,158	1,184	2,513	423

Source: Global Trade Atlas

Seed Potatoes Imports, MT (marketing year ending June) – HS 070110

	MY 2011/12	MY 2012/13	MY 2013/14	MY 2014/15
Total Imports	**14,909**	**17,561**	**20,826**	**14,459**
EU-28	14,909	17,561	20,806	14,459
Non-EU 28	0	0	20	0

Source: Global Trade Atlas

Policy

The Russian food export ban imposed on the EU in early August 2014 did not affect Poland's potato producers or industry and exporters as unprocessed potatoes were not exported to Russia. Russia imposed the ban on imports of fresh potatoes (HS 070190) and seed potatoes (070110) from the EU countries much earlier, on July 1, 2013. As the result, Poland as well as the other EU countries did not export fresh potatoes (HS 070190) to Russia beginning in 2013/14 MY. Nevertheless, the ban was not a big burden for Polish producers as export of fresh potatoes from Poland to Russia was relatively small even before the restrictions and amounted to 1,400 MT in 2012/13 MY, just 2 percent of Poland's total potato exports (including the EU). In spring 2014 seed potatoes (070110) started to be exported again from Poland to Russia, after the Rossielchoznadzor equivalency audit.

On July 1, 2012, regulatory control over the potato starch market ceased and the starch market has operated as a free market. On that date the quota on potato starch production and the minimum price set for starch potatoes were eliminated. These changes were implemented as part of the next stage of the reform of the Common Agricultural Policy of the European Union (CAP) for the liberalization of agricultural markets. The Supplementary national payment for starch potato producers, decoupled from production, is the only remnant of the previous government support program. This supplementary scheme, initiated in 2008, is decoupled from production and is 100 percent financed from the Polish budget. These payments supplement farmers' income but are not intended to affect market prices or influence planting decisions. Payments are historical with the grant based on the reference year 2007/2008 season. Payments are directed to farmers who supplied starch potatoes to processing plants under contractual agreements during that period. Farmers had to register as having a right to receive the payment by March 14, 2012. To obtain the right to the payment a farmer had to meet specific verification conditions. The Agency for Restructuring and Modernization of Agriculture is a competent institution managing these payments. In 2015 the Agency paid PLN 36 million (U.S. $9.0 million) for 2014 to farmers under this mechanism.

Payment for certified seed potatoes use is another support mechanism for the potato market in Poland. Each year the Minister of Agriculture and Rural Development determines the amount of payment. For the year 2015 the payment amount was PLN 400.0 per Ha (U.S. $100.30). This subsidy is classified as de minimis aid in agriculture**. It is a national mechanism and its purpose is to motivate farmers to improve product quality. The legal basis for this system of payments by the Ministry of Agriculture and Rural Development is found in "The program of improving the quality of agricultural products by increasing the use of certified seed". In 2015 (until November), potato producers received 13.2 million PLN zloty (U.S. $3.3 million) under subsidies granted for 32,100 hectares of land sown with qualified material.

Since 2009 potato promotional and informational campaigns have been carried out in Poland. The purpose of these activities is to increase the consumption of vegetables both in Poland and abroad. Funds allocated for this purpose are derived from mandatory contributions from potato market stakeholders. This obligation was imposed on manufacturers by the domestic Act on Promotion of agri-food products (Journal of Laws No. 97, pos. 799, with amendments). Since 2009 July until 2015 September the fund was credited by PLN 38 million (U.S. $9.5 million).

Note*: Polish National Bank Rate of Exchange on November 23, 2015 (1 USD=3.9880 PLN Zloty)

Note**: de minimis aid is regulated by the Commission Regulation (EC) No 1998/2006 of 15 December 2006 on the application of Articles 87 and 88 of the Treaty to de minimis aid. The summary explanation of the mechanism can be found:
http://europa.eu/legislation_summaries/competition/state_aid/l26121_en.htm

End of Report