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Poland

Agricultural Situation

Polish Agriculture at the turn of the Century

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Report Highlights:

Poland will begin integration negotiations with the European Union in 2000. Also in 2000, the EU will begin providing an annual 168 million Euro to Poland to improve the agri-food sector prior to EU membership.

Includes PSD changes: No

Includes Trade Matrix: No

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Summary.

As Poland enters the new century, its agriculture sector is at a crossroads. Negotiations on membership in the European Union, expected to begin in Fall 2000) will have a profound effect on the character and future of Polish agriculture. Agricultural interests may also play a key role in the Presidential elections scheduled for the fall of 2000. Despite the economic growth in Poland in the 1990s, farm incomes have failed to keep pace with urban areas.

The Economy.

Despite various economic problems including the Russian crisis, Poland's economy grew by approximately 4.0% in 1999. This marked, however, a decrease from the 4.8% growth experienced in 1998. Economic output improved during the second half of 1999. According to Polish officials, the economy may grow by 5.4% in 2000, followed by 6.3 percent growth in 2001. Total industrial output in 1999 increased by 4.3% compared with 1998. The inflation rate was 11% in 1999. Some analysts higher inflation at least partially to poor harvest results, the state's intervention, in the agricultural markets to support prices, a weaker zloty and an extremely sharp increase in consumer demand. Inflation is expected to reach 9.2% in 2000 due to slower growth in government-sector pay and social benefits.

Direct foreign investment dropped in 1999 to approximately \$9 billion or \$1.1 billion less than in 1998. Polish analysts predict record investment levels in 2000 due to Poland's continued economic growth, major privatization projects and overall economic and political stability. Approximately 36% of foreign investment in Central and Eastern Europe was in Poland. Germany became the leading foreign investor in Poland in 1999 followed by the United States and France.

The growth in domestic demand slowed in 1999 to 4.9%. Unemployment increased to 13% in 1999 after steadily declining in previous years. At the end of 1999, the number of unemployed was 2.3 million. The unemployment rate is not expected to decrease until 2001. Polish researchers reported that the growth in real disposable income for Polish households slowed to 2% in 1999 due to slower economic growth, increased unemployment and slower wage increases. The 1999 current account deficit exceeded 7.2 percent of GDP. Experts predict that the current account deficit will improve during the first half of 2000, as a result of a more restrictive economic policy.

Agriculture in Review.

Support for Polish farmers, which was evident in early 1999, has diminished somewhat. Farmers began 1999 with country-wide protests demanding greater assistance from the government. The protests, which resulted in blockades of major roads throughout Poland, eventually led to the dismissal of the Minister of Agriculture. Additional protests were planned and announced throughout the year but were not very effective. This could have been the result of various factors including public apathy, stronger police action, and wavering support for farmers. Agricultural processing firms which provided transportation and other support for the blockades are less sympathetic. The economic inefficiencies of the Polish agricultural sector have not been addressed over the past year. Complaints against foreign investors will preclude the influx of needed capital and technology to permit farmers to compete within the European Union. As Polish agriculture inevitably lumbers toward EU membership, the lack of modernization will only add to the demise of inefficient agricultural facilities. However, the agricultural community still has some valid economic concerns.

The agricultural sector had mixed results in 1999. Production results were worse in 1999 compared with the previous year. Overall output is initially estimated to have decreased 5.6 percent, with crop production falling 8.4 percent and livestock production decreasing 2.1 percent. The decline in crop production reflects lower harvests of grains, potatoes, sugar beets, fruit and vegetables. In the case of animal products the main factors were lower production of beef and milk. Low profitability in the livestock sector resulted in a sharp decline in swine and cattle herds and a sharp increase in the price of pork and dairy products in 1999 compared with prices at the end of 1998. However average prices for agricultural products during 1999 were lower than in 1998. At the same time, however, prices of farm inputs and services farmers increased.

The Pact.

As a result of rural protests and public support for farmers, the Polish government negotiated the "Pact for Agriculture and Rural Areas" in 1999. The Pact is expected to be completed in April 2000. The pact will attempt to address demands of the rural sector to improve economic conditions for farmers. The Pact will focus on a long-term strategy for the support of agriculture through market intervention, provision of rural credits, taxation. At the same time, the pact attempts to create a better environment to attract rural investment by improving rural infrastructure and education. While the "Pact" is a good attempt to address these issues funding will be extremely problematic.

Value Added Tax for Farmers.

The draft Agricultural VAT Act, developed jointly by the Sejm's Public Finance Committee and Agriculture Committee, is supported by all major parties. According to the new legislation, farmers would be able to choose between two methods of paying VAT: general VAT for farmers who claim more than zł 80,000 in annual turnover in 1999; and a lump sum VAT which would require farmers to add 3% in tax to all products they sell. In the latter case, however, farmers would be unable to claim tax deductions for such farming inputs, machinery, fertilizer and seeds. A 7% VAT on agricultural products is expected to be introduced in 2002.

Farm Structure.

The average farm size in Poland remains between 7 HA and 8 HA with 93% of farms smaller than 15 HA. Farm size differs from region to region in Poland with farms in the north-west larger (18 HA on average) than in the south (4 HA on average). More than 85% of dairy farms have fewer than 5 cows which is illustrative of the inefficiency of the dairy sector. The EU estimates that between 400,000 and 500,000 of Poland's estimated 2 million farms actually produce for the commercial sector. Only 0.5% of all Polish farms sell more than PLN 100,000 (\$30,000) of produce annually. Retirement and disability benefits remain the primary source of income of 14% of rural households.

Nearly 40% of Poland's population or about 15 million people reside in Poland's countryside. Approximately 27% of the total working population and half of the rural population work on Poland's farms. The farm population is aging and most young people are seeking higher wages and better living conditions in urban areas. The Ministry of Agriculture and Rural Development estimates that the number of farms could drop by half by 2015. Education levels in rural areas are lower than in urban settings. Approximately 16% of the rural population are high school or college graduates compared with twice that level in urban areas. This educational divide could hamper investors seeking a well-educated

work force.

EU Integration.

Poland completed its screening process to ensure that all Polish laws have been reviewed for EU compliance upon membership in the European Union. In December 1999, Poland submitted its negotiating position to Brussels. Although Polish officials have publicly stated that they expect Poland to obtain membership in the EU with all the privileges under the CAP, Poland has applied for “temporary approval for the production of meat and meat products” for sale on the Polish market and for export to third countries which do not meet EU standards. Polish officials expect a reply from the European Union sometime in April. Polish officials have estimated that it will cost close to PLN 25 billion (approximately \$6 billion) to meet the EU’s strict phytosanitary and veterinary standards.

Polish officials have stated that Poland will be fully prepared for membership by January 1, 2003 while most experts believe 2005-2006 is more likely. On the other hand, EU officials have recently made some sobering remarks regarding agriculture. Franz Fischler, the EU agriculture commissioner, recently remarked that Central and East European aspirants to EU membership face an 11-year wait before receiving the full benefits of the EU's Common Agricultural Policy (CAP). Fischler noted that while more and more people were talking about January 2004 as the date for the first EU expansion, transition periods of five to seven years would be expected before these countries could be fully integrated into the CAP. This will clearly be of concern to Poland given its insistence that Polish farmers receive all the benefits of the CAP with all the associated rights immediately upon membership. Some Polish farmers question the benefits of EU membership. According to a recent poll, some 46% of Polish farmers oppose membership while only 23% have voiced their support.

The European Commission will provide modernization and restructuring funds to Poland under the SAPARD program. Beginning in 2000, 168 million Euro in SAPARD funds will be available each year until 2006 or Poland becomes a full EU member. SAPARD funds not fully used in one year can be carried over to the following year. The first funding approvals are expected to address farm restructuring projects in July of this year. Until then, the Commission will review the projects submitted, assess them, and then choose the appropriate body to disburse the grants.

Agricultural Trade.

Poland is a net importer of agricultural products, with total imports of \$4.7 billion in 1998 and exports of \$4.4 billion. Leading imports were fresh fruit (\$407 million), coffee (\$233 million), oil meal (\$223 million), fresh fish and fish fillets (\$277 million), tanned leather (\$222 million), vegetable oils (\$203 million) and tobacco (\$197 million). Leading exports were processed meat products (\$297 million), frozen fruit (\$252 million), dairy products (\$206 millions) and sawn wood (\$180 million). According to Polish statistics, the United States exported \$376 million to Poland in 1998, including raw tobacco (\$45 million), poultry products (\$25 million) and oil meal (\$18 million).

Polish agriculture has still not recovered fully from the Russian financial crisis in August 1998. Russia and the other FSU countries, prior to the crisis, had been growing and lucrative markets for Polish agricultural exports, particularly meat and dairy products as well as sugar. Poland has attempted with only a limited degree of success to reorient these lost exports to other markets including the Polish domestic market. Polish officials have noted, however, that continued

EU pork subsidies to third-country markets and Poland have only exacerbated the problem. The EU did remove its restrictions on exports of Polish dairy products to the European Union in 1999.

TABLES

Macroeconomic Situation

	1995	1996	1997	1998	1999	2000
						forecast
Gross Domestic Product (GDP) flat prices of 1997	392,461	418,231	444,749	470,446	495,766	522,537
In current prices, million PLN	288,701	362,814	444,749	526,088	595,953	670,850
Annual Inflation Rate (percent)	27.8	19.9	13.7	8.6	9.8	6.8
Exchange Rate (PLN/US\$) /average annual	2.4244	2.6965	3.2808	3.5271	3.97	4.11
Source: Main Statistical Office						

Production of Selected Agricultural Products

Production of selected agricultural products					
(000 MT)					estimated
	1995	1996	1997	1998	1999
Red Meat, CWE	1,890	2,026	1,944	2,086	1,178
Poultry, dressed	367	410	460	478	418
Eggs, fresh, mln pcs	37	444	486	424	450
Milk, billion liters	12,606	13,561	13,397	13,504	12,667
Butter	122	132	139	146	133
Cheese	123	137	158	164	148
Sugar, white	1,595	2,220	2,146	2,102	1,809
Veg.oils&fats, edible	550	568	642	690	699
- Margarine	374	368	395	309	367
- Oil, table/salad	149	170	208	208	220
Potato starch	78	136	75	127	100
Milled grain	2,940	3,012	3,162	3,016	2,353
- Wheat	2,404	2,385	2,569	2,460	2,400
- Rye	388	428	402	358	350
Flour, total	2,159	2,302	2,441	2,402	1,715
Flour, wheat	1,849	1,969	2,105	2,065	1,536
Groats	64	60	67	68	45
Oat flakes	15	13	15	16	13
Pasta	74	105	112	119	82
Compound feeds	3,635	4,023	4,248	4,029	3,842
Cigarettes, mln pcs	100,627	95,293	95,798	96,741	94,600
SOURCE: Industrial Production, 1996, 1997, 1998 and 1999 estimates.					

Production of Major Crops

Production of Major Crops						
(000 MT)						
Crop:		1995	1996	1997	1998	1999
Grains, total		25,860	25,244	25,348	27,100	25,780
- Wheat		8,668	8,576	8,193	9,529	9,098
- CORN		240	350	416	466	590
- Barley		3,278	3,437	3,866	3,643	3,432
- Rye		6,287	5,652	5,300	5,696	5,227
- Oats		1,495	1,581	1,630	1,461	1,456
- Triticale		2,048	2,130	1,841	2,061	2,089
- Mixed grain		3,844	3,520	4,105	4,228	3,888
- Other grains		0	(2)	(3)	16	0
Potatoes		24,891	27,212	20,800	25,900	20,800
Sugarbeets		13,309	17,800	15,900	15,171	12,983
Rapeseed		1,377	449	595	1,099	1,124
Grass hay		11,850	13,791	13,450	13,600	n/a
Source: 1996, 97, 98, 99 Statistical Yearbook, 1997, 98 Crop Results and estimates for 1999						

Production of Fruits and Vegetables

Production of Fruits and Vegetables (000 MT)						
		1995	1996	1997	1998	1999
Crop:						
Vegetables, total		5,928	5,423	5,283	6,288	5,736
- Field vegetables, total		5,643	5,104	4,936	5,919	5,365
- - Cabbage		1,866	1,832	1,770	2,020	1,870
- - Cauliflower		253	242	239	286	245
- - Onions		760	646	611	756	660
- - Carrots		814	794	799	992	900
- - Table beets		524	503	481	542	490
- - Cucumbers		406	310	335	400	393
- - Tomatoes		401	231	219	356	298
- - Other		619	546	482	567	509
- Greenhouse crops		285	319	347	369	371
Deciduous fruit, total		1,654	2,315	2,471	2,091	1,843
- Apples		1,288	1,951	2,098	1,687	1,516
- Pears		83	52	58	83	55
- Plums		89	111	127	107	90
- Sour cherries		145	149	136	156	130
- Sweet cherries		36	37	36	41	37
- Other		13	15	16	17	15
Berries, total		461	467	416	429	409
- Strawberries		211	181	163	150	170
- Currants		155	193	162	175	145
- Raspberries		40	36	40	45	41
- Other		55	57	51	59	53

Source: Main Statistical Office - 1996, 1997, 1998; The Institute of Agroecology - estimates for 1999.

Livestock Inventories

Livestock Inventories					
(000 head)					
	1995	1996	1997	1998	1999
Cattle	7,120	7,193	6,958	7,029	6,455
- - of which cows	3,715	3,432	3,550	3,496	3,471
Swine	19,138	20,343	17,697	18,498	19,275
- - of which sows	1,770	1,856	1,637	1,757	1,879
Poultry	51,700	56,300	54,700	54,250	n/a
- - of which layers	39,800	45,900	44,600	43,386	n/a
Horses	636	569	544	550	n/a

Meat Production, Trade and Consumption

Meat Production, Trade and Consumption					
(000 MT)					
(CARCASS WEIGHT EQUIVALENT)					
	1995	1996	1997	1998	1999
Production					
- - Total	2,155	2,364	2,407	2,631	2,607
- - - Beef and veal	405	368	404	407	365
- - - Pork	1,358	1,580	1,540	1,690	1,700
- - - Mutton	12	6	3	4	2
- - - Poultry	380	410	460	530	540
Consumption					
- - Total	2,248	2,218	2,173	2,346	2,408
- - - Beef	434	385	361	325	336
- - - Pork	1,390	1,440	1,319	1,477	1,530
- - - Mutton	8	6	3	4	2

Meat Production, Trade and Consumption					
(000 MT)					
(CARCASS WEIGHT EQUIVALENT)					
	1995	1996	1997	1998	1999
- - - Poultry	416	387	490	540	540

Dairy Production, Trade and Consumption

Dairy Production, Trade and Consumption					
(000 MT)					
	1995	1996	1997	1998	1999
Production					
- - - Milk	11,420	11,720	11,980	12,500	11,880
- - Total (excl.milk)	414	413	456	469	462
- - - Butter	163	160	178	183	181
- - - Cheese	123	133	158	164	157
- - - NFDM	128	120	120	122	124
Consumption					
- - Total (excl.milk)	285	320	349	347	356
- - - Butter	143	160	172	181	184
- - - Cheese	112	120	155	149	149
- - - NFDM	30	40	22	17	23

Crop Land Use by Crops

Crop Land Use by Crops					
	1995	1996	1997	1998	
	----- 1,000 Hectares -----				
Total cultivated					
crop land	12,892	12,297	12,485	12,589	
- grain	8,523	8,651	8,822	8,759	
- corn, incl.for silage	181	223	225	231	
- pulses, edible	48	46	48	53	
- potatoes	1,522	1,342	1,306	1,295	

Crop Land Use by Crops					
		1995	1996	1997	1998
		----- 1,000 Hectares -----			
- industrial crops		1,023	757	758	888
- fodder crops		1,099	863	907	918
- other crops		495	415	418	446
Idle crop land		1,321	1,799	1,595	1,473
Source: Agricultural Census 1995, 1996, 1997 and 1998					

Land Use by Broad Categories

Land Use by Broad Categories					
(000 HA)					
		1995	1996	1997	1998
Total area		31,268.5	31,268.5	31,268.5	31,268.5
Agric.land		18,622.2	18,474.7	18,457.0	18,442.7
Crop land		14,285.6	14,087.1	14,059.0	14,114.1
Orchards		289.9	262.0	261.8	265.2
Meadows		2,417.3	2,759.9	2,709.5	2,615.7
Pastures		1,629.3	1,365.1	1,426.7	1,447.7
Forests		8,821.8	8,814.4	8,880.9	8,918.1
Other & barren		3,824.5	3,980.0	3,930.5	3,907.7
Source: Agricultural Census 1995, 96, 97 and 1998					

Fertilizer and Pesticide Supplies and Use

Fertilizer and Pesticide Supplies and Use					
		1995	1996	1997	1998
FERTILIZERS:					
Total supply, N,P2O5,K2O, 000 tons		1,429.0	1,511.0	1,575.0	1,640.0
Use, total N, P2O5,K2O kg/ha		79.7	84.5	88.3	89.7

PESTICIDES, tons:					
Total supply, (active substance)		6,962.0	8,534.0	9,502.0	8,750.0
- insecticides		445.0	439.0	334.0	n/a
- fungicides & seed treatment		2,272.0	2,624.0	2,443.0	n/a
- herbicides & hormone substances		3,940.0	5,005.0	4,439.0	n/a
- other		306.0	466.0	544.0	n/a
Use per ha of arable land, kg		0.5	0.6	0.7	0.6

Value of Total Foreign Trade

Value of Total Foreign Trade					
(MLN USD)					six months
	1995	1996	1997	1998	1999
IMPORTS					
- Total	29,049.7	37,136.7	42,307.5	47,053.6	18,691.8
- - From the U.S.	1,136.9	1,639.8	1,901.6	1,766.4	795.2
- - - non-agricultural	1,022.0	1,374.0	1,674.0	1,584.4	752.2
- Agricultural Imports					
- Total	2,987.0	3,989.1	5,309.8	4,708.3	3,294.4
- - From the U.S.	114.6	265.0	227.6	182.0	43.0
- - - livestock & animal prod.	32.0	49.0	54.9	43.1	2.0
- - - crop products	33.0	144.0	38.7	25.4	12.0
- - - processed products	7.0	12.0	92.7	93.3	5.4
- - - other products	43.0	60.0	15.6	4.7	19.8
- - cotton	0.3	0.3	6.4	0.6	0.0
- - wood products	0.7	22.7	19.3	14.9	3.8
EXPORTS					
- Total	22,894.9	24,439.8	25,751.3	28,228.9	10,342.6
- - To the U.S.	621.1	559.6	663.0	756.0	360.4
- - - non-agricultural	566.0	500.0	581.2	651.4	318.1
- Agricultural Exports					
- Total	2,510.7	2,757.0	4,589.5	4,417.9	3,443.5
- - To the U.S.	55.5	60.5	81.8	104.6	42.3
- - - livestock & animal prod.	43.0	39.0	16.3	23.6	18.3
- - - crop products	0.2	0.2	3.8	3.8	0.0
- - - processed products	14.0	18.0	55.0	72.4	17.6
- - - other products	7.8	2.8	0.2	0.1	5.1
- - wood products	0.4	4.6	6.5	4.7	1.3
Source: Foreign Trade Statistical Yearbook 1996, 1997, 1998, 1999 (preliminary data)					

Commercial Imports and Exports of Selected Agricultural Products

Commercial Imports and Exports of Selected Agricultural Products						
(000 MT)						
						estimates
		1995	1996	1997	1998	1999
						full year
IMPORTS:						
Oilcake and meal		708.7	907.1	719.6	987.8	610.6
Wheat		976.6	2,187.5	664.1	662.2	157.2
Corn		199.0	609.3	443.3	409.0	133.0
Citrus fruit		279.3	298.2	311.2	358.3	222.6
Veg.oils		184.6	215.3	252.8	303.4	136.2
Coffee beans		94.6	100.6	111.4	113.2	85.4
Rice		73.2	99.3	108.0	87.2	69.4
Wine (000 liters)		43.0	59.5	71.1	78.3	50.9
Cotton		86.5	80.6	80.1	75.7	42.5
Rapeseed		290.0	284.4	147.0	60.8	
Red meat, fresh/frozen		55.4	59.9	36.2	57.8	33.4
Poultry meat		33.6	45.0	65.6	51.1	16.1
Tobacco		44.5	42.1	47.3	48.0	51.0
Cocoa beans & pulp		35.3	36.6	39.7	36.9	22.7
Tea		32.5	33.2	34.4	36.6	23.8
Cheese		8.8	6.6	7.5	7.1	2.5
EXPORTS:						
Slaughter cattle, 000 head		432.2	347.9	405.6	519.2	387.0
Molasses		412.2	316.9	456.6	508.3	400.0
Sugar		4.0	160.4	523.5	339.9	370.0
Slaughter sheep, 000 head		324.0	266.0	203.0	207.8	192.0
Fruits, prepared		119.0	135.6	167.4	124.3	125.0
Apple juice concentrate		85.2	103.8	138.0	104.0	70.0
Nonfat dry milk		97.7	76.8	61.0	100.9	95.0
Meat, fresh/frozen		97.6	58.9	65.8	90.8	85.0
Potatoes		122.1	71.8	44.8	86.9	274.0
Rapeseed		369.6	48.5	n.a.	84.0	329.5
Strawberries		73.1	113.8	107.4	83.8	72.0
Poultry, dressed		16.9	20.4	24.4	25.9	47.5

Source: Foreign Trade Statistical Yearbook 1996, 1997, 1998, 1999 (preliminary data)

