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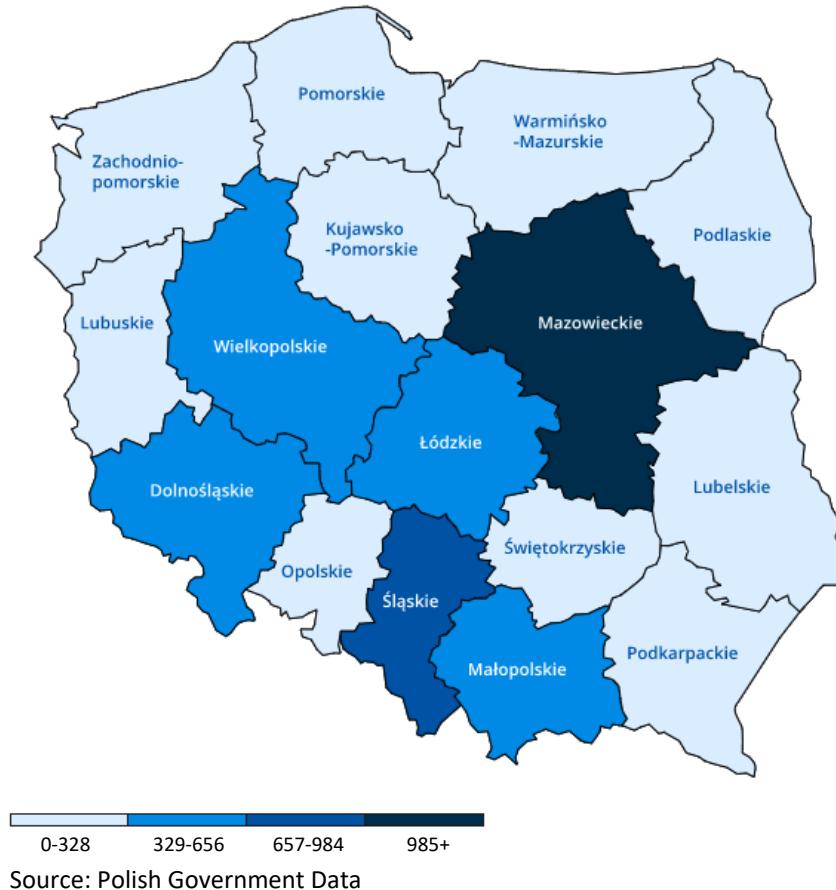
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Report Highlights:

The Government of Poland (GOP) introduced strict social distancing measures including closure of borders, limiting commercial air traffic, and restricting cross-border rail travel. Border clearances for imported food and feed products are functioning without major obstacles. On March 31, 2020 the GOP announced an economic support program to mitigate the negative affects of the pandemic. Poland's hotel, restaurant, and institutional (HRI) sectors were severely affected by COVID-19 and subsequent business closures. Retail sales for staple products remain robust, while sales of high-value product sales are lower.

Poland's first COVID-19 case was reported on March 4, 2020. As of April 13, 2020, Poland had about 6,700 total cases, including 232 deaths.

Map 1: COVID-19 Infections in Poland as April 9, 2020



According to the GOP, food production and stocks are currently sufficient to ensure food security for Poland's population. COVID-19 has affected Polish agricultural sectors and regions differently. The HRI sectors have been the most severely affected. Poland is a net food and agricultural exporter and its agricultural economy may be more negatively affected because of trade and transportation disruptions. Poland's poultry, beef, pork, fish, and dairy industries rely heavily depend on exporting to Western Europe and will be affected the most by COVID-19 restrictions.

During the first weeks of social distancing in early March/April 2020, food retailers reported a surge in shelf-stable foods, canned goods, and staple-product sales. Despite logistical challenges, farmers, transportation firms, and food retailers generally kept store shelves well-stocked. Shopping patterns also changes, as people bought more products in bulk, as well as less expensive products. Consumer concerns about unemployment and reduced incomes are factoring in to their purchasing decisions.

On March 11, 2020, the GOP closed schools, shopping malls, restaurants, bars, and limited movement outside of home to essential activities (shopping for food, medical appointments, caring for dependent

people, caring for pets). As a result, Poland's food service sector saw business operations plummet. Although many restaurants are making innovative attempts with take-out and home delivery options, many businesses face an existential crisis.

On March 31, 2020, the Prime Minister and Minister of Health announced additional restrictions to combat the spread of COVID-19, closing most hotels, beauty salons, public parks, and beaches. The March 31 announcement restricted the number of customers allowed in grocery stores, pharmacies, and other retail establishments. It also closed home improvement and building supply stores during weekends, established dedicated shopping times for senior citizens, instructed employers to provide workers at least 1.5 meters of social distancing whenever possible, and provide personal protective equipment as needed.

Also on March 31, President Andrzej Duda signed three economic stimulus bills which make the GOP's Anti-Crisis Shield (ACS), its economic and financial assistance package to counter the economic fallout of COVID-19. The ACS budget is estimated at PLN 212 billion (\$50 billion).

COVID-19 Impact on Priority Agricultural Sectors:

Grains: Polish grain farmers are hopeful for an abundant winter grains harvest coming up. However, spring grains like barley and mixed grains, could potentially be negatively affected by the pandemic. Spring planting is currently underway and some farmers initially reported issues with purchasing planting seeds due to supply chain problems, particularly following the closure of Poland's borders on March 15. Post sources now report that seed supplies are back to normal, and farmers are generally supplied with seeds, fertilizers, and plant protection products. Some distributors report concerns about maintain stocks of agricultural inputs due to an increasing deficit in commercial truck drivers.

Polish grain exports, particularly wheat, increased significantly in March 2020 over the same month in previous years. The surge in Polish grain exports is largely due to the weaker Polish zloty and export restrictions by big regional competitors like Russia and Ukraine. Polish grain exports are currently at capacity and local grain stocks have been reduced considerably.

Oilseeds: The mild 2019/20 winter and early 2020 spring weather created favorable conditions for winter rapeseed. The rapeseed crop looks to be favorable, despite dry field conditions. The rapeseed harvest is on-track to start in June because of the early crop development. The COVID-19 crisis will lower total demand for diesel because of quarantine and traffic restrictions, thereby reducing demand for biodiesel in 2020. Demand for imported protein meals, particularly soybean meal, may be adversely affected if poultry production decrease in 2020.

Dairy, Livestock, and Poultry

Pork: Poland's pork industry continues to operate at full capacity. The GOP announced new COVID-19 related social distancing restrictions requiring 1.5 meters between workers on March 31, 2020. The meat processing industry strongly opposed these measures, as large slaughter plants would see lower productivity. In response, on April 1, 2020, the GOP exempted these facilities, provided that slaughter

plants provide additional sanitary and protection measures for employees. Farm-gate prices for live hogs on April 1 were about PLN 5.85 per kilogram of live weight (\$1.40), unchanged from the previous week, down by five percent from March 1, but 21 percent higher than on April 1, 2019.

Beef: During the first three weeks of March 2020, farm-gate prices for Polish slaughter cattle decreased by six percent. The Polish beef industry is export oriented, as domestic beef consumption remains low. In 2019, Polish beef exports were valued at \$1.9 billion, over half of which went to Italy, Germany, France and Spain. Because these countries are severely affected by COVID-19, export demand in those markets for Polish beef is reduced considerably. Moreover, Polish beef exporters are experiencing major shipping difficulties, as many Polish truck drivers are refusing to go to areas with severe COVID-19 outbreaks. Farm-gate beef prices will depend on how quickly West European markets can recover, and will likely remain low over the coming months.

Dairy: The dairy sector continues to operate normally. So far, only one dairy processing plant has restricted milk purchases, although other plants have lowered raw milk prices paid to farmers. Higher milk production may have a negative impact on farm-gate milk prices in the coming weeks. Dairy processors which are exporting dairy products to other EU markets are facing reduced demand and logistics challenges, particularly in those countries more severely affected by COVID-19. Conversely, dairy plants shipping fluid UHT milk and cream to China are struggling to meet demand, and are even facing raw milk shortages for processing. The Polish Federation of Milk Producers and Cattle Breeders announced that it will resume recording milk yields in dairy herds, which was temporarily suspended under COVID-19 restrictions.

Poultry: Poland is the EU's largest poultry meat producer and exports almost half of its production. Over 80 percent of Polish poultry exports are normally shipped to other EU markets, although with the COVID-19 crisis, export demand within the EU has dropped. According to the internet portal 'Farm Prices', which monitors market prices paid to producers by major slaughter plants, during the last week of March and the first week of April, farm-gate price for chicken broilers dropped by 35 percent. Some slaughterhouses have stopped buying live chickens from producers because of lower demand from other EU countries. Moreover, Ukrainian poultry meat competes strongly with Polish poultry meat within the EU. Also, since December 2019, the Polish poultry industry has struggled with highly pathogenic avian influenza (HPAI) outbreaks in commercial poultry farms, which has resulted in the losses of important non-EU markets. The combination of these factors is straining the Polish poultry industry. According to media reports, broiler producers are complaining that current farm-gate prices are below the brake-even point.

Fish and seafood: According to industry sources, Polish fish processors are operating at full capacity. Demand remains strong and some plants have added an additional shift to meet the domestic and export demand for frozen and canned fish. Demand for fresh and smoked fish has dropped and some plants are switching restructure lines away from fresh or smoked products to canned and frozen fish products. Fish processors have sold their Easter stocks, as they do not expect any demand spikes associated with the Easter holidays due to the national social distancing requirements. Polish fish processors import 95 percent of raw material and industry contacts report that raw fish stocks are sufficient to last for a two-month period. The weakening Polish zloty against

the U.S. dollar may become a constraint for U.S. fish exports to Poland. The Baltic Sea fishing season is open and the sardine and herring are reportedly good, even exceeding processing capacity. However, the Baltic catch covers only five percent of demand from Poland's fish processing industry.

Horticulture: To date, fruit and vegetable producers are generally minimally affected by the COVID-19 outbreak and are continuing to produce. However, Polish horticultural producers are concerned that many Ukrainian workers returning to Ukraine because of the COVID-19 outbreak could severely disrupt Poland's fruit and vegetable harvest. According to the Association of Fruit and Vegetable Producers, seasonal workers account for about 40 percent of total on-farm labor.

COVID-19 Impact on Poland's Food and Distribution Sectors:

Consumers: According to a recent Nielsen Company survey, 32 percent of Polish consumers report shifting to online grocery shopping versus buying in retail outlets. Over 40 percent of survey respondents report buying cheaper products and 53 percent of responders report purchasing products in larger economy packaging. Nielsen's survey shows that 98 percent of Poles are worried about how pandemic will affect their families and predict that it will last for the next two to six months. Retail data confirms that shopping patterns have changed, with home cleaning and personal hygiene products accounting for upwards of 40 percent of market baskets, staple food products at 26 percent, alcoholic beverages at around 20 percent, and sweets and snacks at around 11 percent.

Food Processing: According to Post industry contacts and media reports, most Polish food processors have ingredient stocks for the next two to three months. Current orders are up 30-40 percent over the last quarter. Many food processors report they can no longer source food processing ingredients from traditional suppliers in Spain, Italy, and France, as overland truck transportation in and out of those countries has become cost prohibitive and unpredictable. Companies are looking to source ingredients from suppliers in areas less affected by Covid-19, although input costs will likely increase as a result. As processors attempt to re-stock, companies are worried about future demand due to consumer unemployment or limited wages, and therefore lower demand in coming months.

Retail: As of April 2, 2020, most stores and wholesalers reported to be well stocked. Despite the surge in sales, store shelves are being replenished quickly and retailers report consistent access to new stocks. Retailers report concerns about staff shortages and increased absenteeism due to self-isolation. The retail sector is also concerned about movement restrictions to counter COVID-19.

Even before Poland's first COVID-19 case on March 4, 2020, Poles flocked to stores in search of shelf-stable food and personal hygiene products. Ever since, demand has remained strong and stores are working to meet the needs of consumers. Some stores rationed certain items. Shop owners estimate that their orders are up 30-40 percent versus last quarter sales.

Many Polish retailers already offered e-commerce platforms, although others were forced to quickly set up online sales, as many consumers quickly shifted to buy groceries online. Polish industry experts report that e-commerce in 2020 will increase by 15-20 percent.

Other additional measures currently being implemented by Polish food retailers include:

- Retail chains are actively recruiting additional staff;
- Employees are working alternating one-week-on/one-week-off schedules;
- Stores are limiting customers to no more than 20, or three people per open cash register;
- Store business hours are expanded, with some leading discounters remaining open for 24 hours through the Easter holiday;
- More and more stores are avoiding cash transactions;
- Store personnel at cash registers are working behind plastic protection shields; and
- Stores are obligated to provide protective gloves to customers.

HRI: On March 11, 2020, Polish Prime Minister Morawiecki announced that all restaurants, bars, nightclubs, casinos and other related business would suspend operations. While eating in restaurants is no longer allowed, restaurants can offer delivery and take-away services. Many restaurant chains report a 90-percent sales reduction during March 14-31, 2020 period.

HRI stakeholders are looking for government assistance, notably tax and rent freezes. Home delivery and take-away are still allowed and are a lifeline for many restaurants. While not all restaurants are “delivery ready”, Uber Eats and other internet-based food delivery services have helped to bridge this gap. Uber Eats stated it would provide medical and financial assistance for up to 14 days to any driver and/or supplier diagnosed with COVID-19.

Retail Prices: Currently no substantial price increases are reported for retail products. Many e-retailers are offering more expensive alternatives (rice, pasta, etc.) versus their regular and more basic products. In some cases, the price differences are between 50-200 percent. If supply chains become fragmented, retail prices can be affected over the next two to three months. Another factor which will affect the retail sector is the devaluation of Polish zloty versus the euro and the dollar, which will increase the costs of many imported food products.

Policy and Government Support Programs

On March 31, 2020, President Andrzej Duda signed into law three economic stimulus bills which together make up the ACS, the GOP’s economic assistance package to counter negative impact of COVID-19. The ACS was published in *Dziennik Ustaw* (Journal of Law) on April 1, and most provisions were immediately enforced, although some provision are scheduled to come into force on July 1 and January 1, 2021. The ACS budget is estimated at PLN 212 billion (\$50 billion) and includes health insurance, retirement contributions for small companies or those who are self-employed, some payroll co-financing, rent assistance for some businesses in shopping malls, work permit extensions for foreigners labor. The ACS also allows stores to receive, unload, and stock products on Sundays, despite Poland’s ban on retail activities on Sunday. Finally, the ACS includes language by which the GOP can enforce price caps for staple products, although to date, those provisions have not been enforced.

Attachments:

No Attachments.