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Poland

Strawberries

Annual Report

2000

Approved by:

James Higgiston, Agricultural Counselor

U.S. Embassy

Prepared by:

Stan Phillips, Agricultural Attache/JG

Report Highlights:

Additional area is expected to boost Poland's 2000 strawberry harvest to 200,000 tons.

Despite increased production in 1999, low quality and a lack of beginning stocks decreased exports of frozen strawberries to 72,000 tons in CY 1999. Frozen strawberry exports are expected to increase to 99,000 tons in CY 2000.

Includes PSD changes: Yes

Includes Trade Matrix: Yes

Annual Report

Warsaw [PL1], PL

Table of Contents:

Fresh Strawberries	Page 3 of 11
Production	Page 3 of 11
PSD Table	Page 5 of 11
Consumption	Page 6 of 11
Price Table - Retail	Page 6 of 11
Policy	Page 6 of 11
Tariff Tables	Page 7 of 11
Trade	Page 8 of 11
Export Table - Fresh Strawberries	Page 8 of 11
Import Table - Fresh Strawberries	Page 8 of 11
Marketing	Page 8 of 11
Frozen Strawberries:	Page 8 of 11
Production	Page 8 of 11
PSD Table	Page 9 of 11
Consumption	Page 9 of 11
Price Table - Retail	Page 10 of 11
Stocks	Page 10 of 11
Trade	Page 10 of 11
Table - Export Strawberries Frozen	Page 11 of 11
Table - Import Strawberries Frozen	Page 11 of 11
Marketing	Page 11 of 11

Executive Summary

Poland's strawberry production increased over 20% in 1999 compared with the previous year. Potentially, production could have reached a much higher level given the fact that as much as 20% of the fields were not harvested due to increased rainfall. Poor genetic stock, lack of funds to purchase sufficient plant protection chemicals combined with unfavorable weather conditions produced very low quality berries. As a result, purchase prices for fresh strawberries in 1999 were slightly lower than those obtained in 1998. Despite these factors, strawberry production was profitable for the Polish farmers for a second year in a row. Poland exported 7% of its fresh production mostly to the European Union (Germany, Austria). Minimal quantities of table varieties were imported from Spain and Italy.

The increase in production of fresh strawberries in 1999 made larger amounts of berries available to the processing industry. However, the low quality of the crop resulted in higher than normal (15%) waste. Due to the lack of ending stocks in CY 1999, export prices in CY 1999 remained reasonably high at approximately DM 2000/ton (USD 1,070). Availability of frozen stocks reduced prices sharply beginning in October '99 with prices reaching DM 1,600-1,500/ton at the end of December 1999. Polish exports of processed product (including frozen, canned, preserved and jams) were about 85 TMT. Frozen strawberries accounted for 72 TMT of Polish processed strawberry exports. The European Union remains Poland's biggest export market, with Germany the single largest importer of frozen Polish strawberries.

The profitability of strawberry cultivation in 1998 and 1999 could encourage production of up to 200 TMT tons in 2000. This could eventually result in over-supplies and lower farmgate prices and profitability.

Fresh Strawberries

Production

Attractive prices encouraged Polish farmers to plant more strawberry seedlings in autumn of 1998. Area under strawberry cultivation in 1998/99 was almost 58,000 THA and could increase to 60 THA in 1999/2000 season. Increased area, could result in a crop of over 200 TMT in 2000; a 35 percent increase from 1997. Any projected increase would depend greatly on weather conditions, which have adversely affected production during past years.

In 1999, despite the increase in production, unfavorable weather hurt producers. Frost destroyed some plants during in early May while continuous rain at the end of June and beginning of July resulted in up to 20% of fields being inaccessible during the harvest. Despite these conditions, the average 1999 yields improved to 3.07 tons/hectare compared with 2.85 tons/hectare in 1998.

According to the Polish Institute of Agricultural Economics, strawberry production was profitable in 1999 for a second year in a row. Production costs (including labor) were estimated at PLN 2.25 per kilogram (USD 0.53). The profitability index for strawberry cultivation $[(\text{price}/\text{costs}) \times 100\%]$ in 1999 was to 107 % compared with 137 % in 1998 and 94 % 1997.

Purchase Prices for Strawberries:

During early June 1999, the purchase price paid by the processing industry for strawberries with leaf stalk removed was PLN 2.43 per kilogram (USD 0.60). Low quality resulted in price decreases at the end of June to PLN 2.11-2.02 per kilogram (USD 0.52-0.50). By the middle of July, farm-gate prices decreased to PLN 1.88-1.85 (USD 0.47-0.46).

At the beginning of June the price paid for strawberries with leaf stalk was PLN 3.43 per kilogram (USD 0.85), dropping to PLN 1.61 per kilogram (USD 0.40) by the middle of June and ending at PLN 2.80 per kilogram by the middle of July (USD 0.70). The average purchase price paid for strawberries with leaf stalk was PLN 2.20 per kilogram (USD 0.55) as compared with PLN 3.15 per kilogram (USD 0.90) in 1998.

Poland's negotiating position for EU membership (submitted to Brussels in December 1999) includes a request that a minimum purchase price for fresh strawberries be established. This mechanism would be utilized by processing plants which would get reimbursed for any price differences. Funding would be obtained from general EU agricultural subsidy funds. EU authorities have yet to comment on the Polish request.

Poland's most popular varieties continue to be Senga Sengana (60% of crop) and Dukat. The quality of the Senga Sengana variety has been decreasing steadily in recent years due to poor farming practices. Farmers have been attempting to reduce costs by using cuttings from older fields rather than investing in new seedlings. Any diseases present in older plants are more easily spread thus greatly

reducing yields. Farmers reportedly prefer Dukat to Senga Sengana due to its resistance to diseases. However, the processing industry does not like this variety because its tolerance to cold storage has not been proven. Polish farmers tend to have different varieties on each field.

There has been increased interest in the cultivation of fresh table varieties including Dukat, Kent and especially Elsanta in recent years. Polish farmers are aware that fresh table varieties attract higher prices and could increase the profitability of their operations. By introducing more varieties not only are they able to prolong the strawberry harvest season but also could offer a new product for Polish markets and exports since the majority of Polish strawberry production is processed and not sold fresh.

PSD Table

PSD Table						
Country	Poland					
Commodity	Fresh Strawberries				(HA)(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	53000	50200	58000	58000	0	60000
Area Harvested	53000	50200	58000	58000	0	60000
TOTAL Production	150000	149900	175000	178000	0	200000
Imports, Fresh	1000	700	1000	900	0	900
TOTAL SUPPLY	151000	150600	176000	178900	0	200900
Exports, Fresh	15300	14700	17000	12300	0	15900
Domestic Fresh Market	25700	20000	29000	41600	0	50000
For Processing	110000	115900	130000	125000	0	135000
TOTAL UTILIZATION	151000	150600	176000	178900	0	200900

* Production area and figures are the official Polish Statistical Office figures. Polish statistics do not include some smaller farms and non-industry plantations. The Statistical Office plans to change its calculation procedure in 2000 to more fully reflect small farm production.

Consumption

During the past several years, consumption of fresh strawberries has remained constant at 1.5-2.00 kg/per capita and is expected to remain at a similar level in 2000.

Price Table - Retail

Prices Table			
Country	Poland		
Commodity	Fresh Strawberries		
Prices in	PLN	per uom	kilogram
Year	1998	1999	% Change
Jan	n/a	n/a	??
Feb	n/a	n/a	??
Mar	23.01	n/a	-100.00%
Apr	18.18	n/a	-100.00%
May	14.92	n/a	-100.00%
Jun	4.43	4.52	2.03%
Jul	5.53	4.03	-27.12%
Aug	9.62	n/a	-100.00%
Sep	9.12	n/a	-100.00%
Oct	n/a	n/a	??
Nov	n/a	n/a	??
Dec	n/a	n/a	??
Exchange Rate	4	PLN/US \$	

Policy

The Polish government through the Ministry of Agriculture and Rural Development's Agency For Restructuring and Modernizing of Agriculture offers the following preferential agricultural investment credits:

Basic investment credit (utilized primarily for the construction of new buildings, food processing activities): GOP subsidizes provides loans to farmers at half the commercial agricultural credit rate which can be as high as 35%. Loans under this program average 11.60-12.50%

Credits for new farmers below age 40 (utilized for land purchase as well as construction of new farm buildings): Farmers meeting the program criteria receive loans with 5% interest.

Credits for purchase of additional land: Farmers can obtain loans at 5% interest.

Loans for creation of agricultural farms within the settlement program approved by the Minister of Agriculture for areas owned by Government Treasury: 5.75 %-6.25 %

Tariff Tables

PCN Code	Product	Preferential tariffs for:				
	Fresh Strawberries	MFN Tariff	Czech Slovak Republic	Hungary	Lithuania	Latvia
081010001	Strawberries, Fresh, imported 1 Jan-30 Apr	20%	0	15%	10%	0
081010103	Strawberries, Fresh, imported May1-31 July*	40%	5%	15%	10%	15%
081010809	Strawberries, Fresh, imported 1 Aug-31 Dec	20%	0	15%	15%	0

* Please note that a tariff rate quota for fresh strawberries is in effect between May 1 - July 31. Imports made within the quota of 19 tons are assessed lower tariff of 20 percent.

PCN Code	Product	Preferential tariffs for:			
	Frozen Strawberries	MFN Tariff	Czech, Slovak Reps Hungary, Slovenia	Romania Bulgaria	Latvia
0811 10	Strawberries containing added sugar or other sweetening matter:				
0811 10 11	Strawberries boiled/frozen with sugar content of more than 13%	30%	9%	9%	0
0811 10 19	Other	30%	9%	9%	0
0811 10 90	Other	25%	9%	9%	0
0812 20 00	Preserved strawberries not for immediate consumption	25%	0	0	0

Trade

Poland exports anywhere from 12-20 TMT annually of fresh and/or chilled strawberries. The European Union (Germany, Austria) imports almost all of the product. During MY1998/99, exports were 12,300 tons and are expected to slightly increase in MY 1999/2000. Polish analysts expect exports of fresh product will increase within the next 5-10 years as Polish farmers increase production of table varieties. Polish product is exported by small Polish private firms as well as branch offices of foreign (German) firms.

During the off season, limited quantities of fresh strawberries are imported by air from Spain and Italy. High prices (two, three times higher than that of Polish strawberries during harvest season) limit sales.

For the following tables, please note that the Polish statistics combine both fresh and chilled strawberries.

Export Table - Fresh Strawberries

Export Trade Matrix			
Country	Poland		
Commodity	Fresh Strawberries		
Time period	12 months	Units:	tons
Exports for:	1998		1999
U.S.		U.S.	
Others		Others	
Germany	8000	Germany	5520
Austria	3200	The Netherlands	2080
The Netherlands	2200		
Belgium	850		
Great Britain	100		
Switzerland	35		
Total for Others	14385		7600
Others not Listed	315		4700
Grand Total	14700		12300

Import Table - Fresh Strawberries

Import Trade Matrix			
Country	Poland		
Commodity	Fresh Strawberries		
Time period	12 months	Units:	tons
Imports for:	1998		1999
U.S.		U.S.	
Others		Others	
Spain	430	Spain	526
Italy	260	Italy	262
		The Netherlands	47
		Germany	41
		Austria	10
Total for Others	690		886
Others not Listed	10		14
Grand Total	700		900

Marketing

Traditionally, during the harvest season vendors sell fresh strawberries in wooden baskets containing 2 kg of fruit from the back of trucks or from temporary stands. The dynamic growth of the supermarket/hypermarket retail outlets has resulted in a consolidation of wholesale suppliers. Hypermarkets tend to contract with individuals or supplier groups.

Polish exports of fresh and chilled strawberries are made by private Polish firms as well as foreign companies seasonally operating in Poland. The foreign companies (mostly German) either set up purchasing points or pre-contract with Polish farmers. Product is purchased directly from farms and either pre-cooled before transport or transported in temperature-controlled trucks to Germany for further processing. Polish traders and representatives of local freezers also purchase fresh product from farmers. However, lacking financial resources, Polish companies often find it difficult to compete with the foreign firms. Limited quantities of imported fresh strawberries, which appear during the off season, are mostly sold in supermarkets and on vegetable stands in larger cities.

Frozen Strawberries:

Production

Sixty to seventy percent of strawberry production is sold as frozen product annually. Out of the 115

TMT of fresh strawberries delivered to processors in 1999 only about 97 TMT of frozen product was produced. In 1999, some of the fresh product delivered to processors was unsuitable for freezing due to the high sand and moisture content as well as mold damage caused by rains in the middle of June. Polish processors complained about unusually large waste.

PSD Table**

PSD Table						
Country	Poland					
Commodity: Frozen Strawberries					(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Deliv. To Processors	105000	110000	130000	115000	0	120000
Beginning Stocks	0	10000	0	0	0	12000
Production	95000	85000	115000	97000	0	106000
Imports	700	305	500	955	0	500
TOTAL SUPPLY	95700	95305	115500	97955	0	118500
Exports	80150	83800	91000	72000	0	99000
Domestic Consumption	15550	11505	24500	13955	0	17000
Ending Stocks	0	0	0	12000	0	2500
TOTAL DISTRIBUTION	95700	95305	115500	97955	0	118500

** Please note that 1997/1998/1999 data has been revised. Deliveries to processors no longer includes deliveries which are processed by means other than freezing such as canning and other preserves (jams, compotes etc.). Polish authorities only began reporting this data in 1999. Post's figures are based on export data. This table only includes processed frozen strawberries. Please note that exports of processed strawberries (excluding frozen strawberries) are expected to reach 13,000 tons in 1998/99.

Consumption

Consumption of frozen strawberries in Poland is only about 0.2 kg per capita. Poles prefer purchasing fresh product during the harvest season as well as consuming products processed at home. (jams, compotes etc.).

Price Table - Retail

Prices Table			
Country	Poland		
Commodity: Frozen Strawberries			
Prices in	PLN	per uom	kilogram
Year	1998	1999	% Change
Jan	7.6	11.22	47.63%
Feb	7.8	11.42	46.41%
Mar	8	11.54	44.25%
Apr	6.6	11.6	75.76%
May	8.4	11.58	37.86%
Jun	8.6	11.5	33.72%
Jul	8.7	11.52	32.41%
Aug	9.8	11.48	17.14%
Sep	9.84	11.42	16.06%
Oct	10.4	11.4	9.62%
Nov	10.76	11.38	5.76%
Dec	10.92	11.02	0.92%
Exchange Rate	4	PLN/US \$	

Stocks

No official data on stocks is available. Post uses estimates obtained from the Institute of Agricultural Economy and the Polish Ministry of Agriculture and Rural Development. Carryover stocks of frozen strawberries depend on the total supply and price in any given year. The lower the price and the higher the quantity, the more likely some frozen product will be stored. Stocks are held in cold storage facilities throughout Poland.

Trade

Poland continues to be the major supplier of frozen strawberries to the European Union. Germany is Poland's largest market. During the last quarter of 1999, export prices dropped to the level of DM 1,500 (USD 803.00) per ton as compared with DM 2,000 (USD 1,070) offered during summer of 1999.

In the past, Hortex was responsible for the majority of Polish exports. Hortex's share of the export

market has dropped to about 20 % in recently percent and continues to decrease. Other exporters now include: Freezing Company in Bialystok, Agros/Lowicz, Agros/Bialystok, Agros/Lublin, Miedzychod S.A., Chlodnia Poznan, Freezing Company Olsztyn, Freezing Company Tolkmicko, Siemiatyce, Plonsk, Warminskie Fruit Processing Facility, Miedzychod Fruit Processing Facility and Cal frost Company, among others.

Many “seasonal” companies with foreign investment (mostly German) also purchase fresh product locally, by signing contracts with Polish freezers for processing fruits and then transporting frozen strawberries to destination markets.

Limited imports of frozen strawberries enter Poland from countries such as Spain, China and Germany.

Table - Export Strawberries Frozen

Export Trade Matrix			
Country	Poland		
Commodity Frozen Strawberries			
Time period	12 months	Units:	Tons
Exports for:	1998		1999
U.S.		U.S.	20
Others		Others	
Germany	36000	Germany	32000
The Netherlands	11000	The Netherlands	12000
Denmark	6500	France	4100
Great Britain	5500	Denmark	3690
France	4700	Sweden	3650
Belgium	3600	Belgium	2900
Austria	3750	Great Britain	2820
Finland	3700	Austria	2190
Switzerland	3617	Norway	1980
Norway	3400	Finland	1970
Total for Others	81767		67300
Others not Listed	2033		4680
Grand Total	83800		72000

Table - Import Strawberries Frozen

Import Trade Matrix			
Country	Poland		
Commodity	Frozen Strawberries		
Time period	12 months	Units:	tons
Imports for:	1998		1999
U.S.		U.S.	
Others		Others	
Spain	150	Germany	488
China	140	The Netherlands	107
Germany	15	Austria	102
Total for Others	305		697
Others not Listed			258
Grand Total	305		955

Marketing

There has been a tremendous change recently in methods of distribution of frozen products, including strawberries, in Poland. The appearance of new retail outlets throughout Poland has created a demand for national distribution of frozen products. In the past, Hortex was the only company capable of delivering their products at the national level. Currently, two distribution groups have established themselves on the Polish market - Frozen Food Group and KFD.

Both of these associations are composed of several large distribution firms which work closely with individual freezing companies and frozen food producers. Transportation is conducted by a specialized fleet of freezer trucks contracted from transportation companies. Both organizations often provide smaller shops with storage freezers used for storage of many different frozen products including strawberries. Some of the recently privatized freezing companies are trying to serve local markets with their products. Often, they also provide their own transportation.