

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Poland

**Post:** Warsaw

### 2018 Dairy and Products Report

**Report Categories:**

Dairy and Products

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**Report Highlights:**

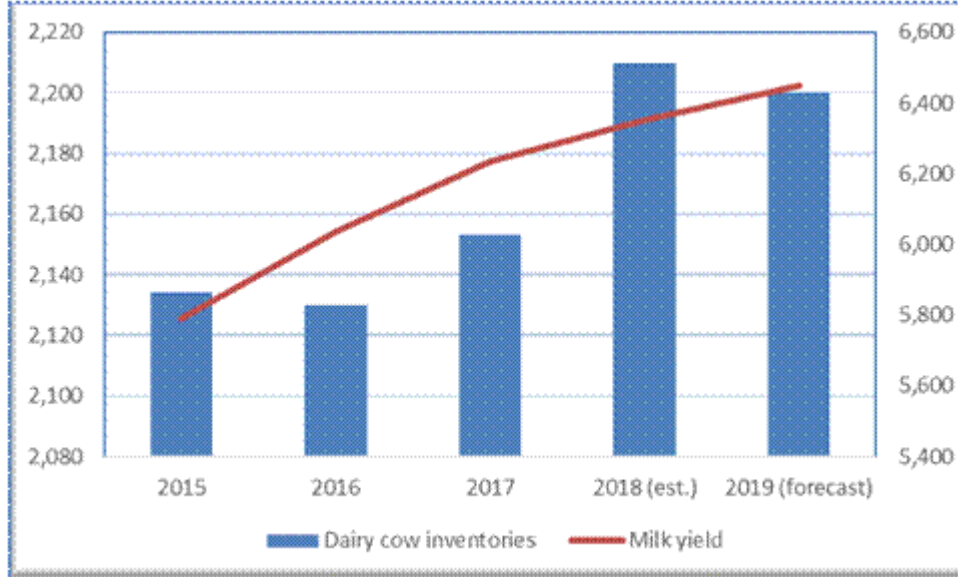
Post forecasts that Polish milk production in 2018 will increase by two percent over 2017. Higher output gains during the first half of the year will be somewhat offset by lower milk deliveries in the second half of the year. Throughout the spring and early summer of 2018, a severe regional drought adversely affected Polish grain and forage production. Higher milk supplies in 2018 will mostly be processed into cheese, as well as non-fat dry milk (NFDM) and butter. Production of whole dry milk (WDM) will decline due to lower export demand.

## General Information:

### Production

In 2018, raw milk output in Poland will amount to upwards of 14 million metric tons (MMT), a two percent increase over 2017. 85 percent of milk will be delivered to the dairy processors, with the remaining 15 percent consumed on-farm and/or sold informally within local communities.

**Graph 1: Dairy Cow Inventories and Milk Yield Progression (000 head, kilograms)**



Source: Eurostat and Post estimates

During the first half of 2018, Poland's dairy industry was pressured by low global dairy prices, which resulted in lower farm profitability. Moreover, unfavorable weather conditions in spring and early summer 2018 adversely affected feed supplies and forage quality. Despite unfavorable market conditions in the first half of 2018, cow inventories increased by almost four percent. The growth in Poland's dairy herd stems from industry consolidation and restructuring, which is shifting the balance toward Poland's larger dairy farms, and reducing herd sizes on smaller ones.

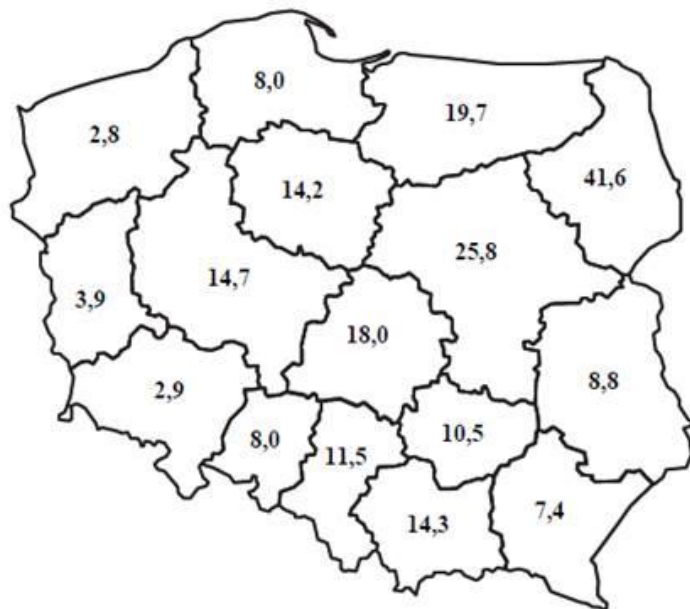
At the beginning of 2018, cow inventories were 2.15 million head, a one-percent increase over the previous year. In 2017, Poland's average-annual milk yield was 6,235 kilograms per cow, a three-percent increase over 2016. In 2018, milk-yield averages will continue to increase as larger farms with better genetics and on-farm practices offsets small-farm production. Large dairy farms widely inseminate with Holstein semen imported from the United States, which has significantly improved milk yields and the genetic value of the herds.

During the first seven months of 2018, milk deliveries increased by three percent over the same period in 2017. The increase of milk production in 2018 stems from higher inventories and growing productivity of dairy cows.

Poland has good natural conditions for milk production. Most commercial dairy herds are located in

northeastern Poland in the Podlasie, Mazowieckie and Warminsko-Mazurskie provinces. The dairy processing industry is also concentrated in this region.

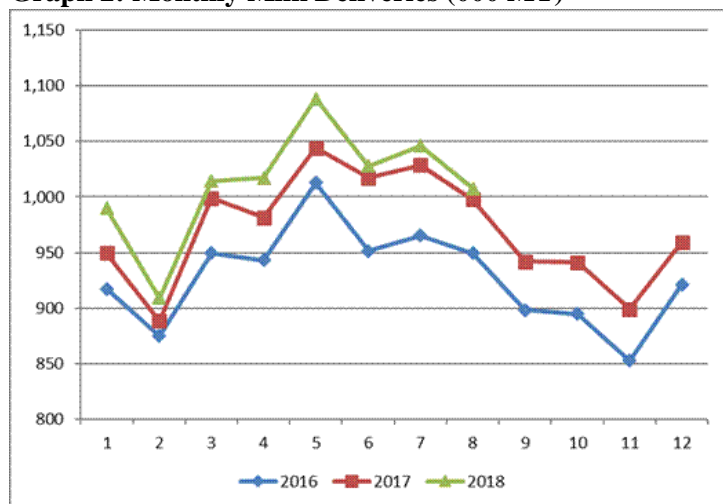
**Map 1: Number of Dairy Cows per 100/HA of Arable Land**



Source: Milk Market (October 2018), Institute of Rural Economics

In August 2018, the average farm-gate prices for milk was €31 per 100 kilograms, a six percent decrease from August 2017. However, lower milk deliveries during the second part of the year, due to lower feed supplies caused by the abovementioned drought, will limit production in 2018 to two percent. In fall 2018, farm-gate prices for milk started to increase due to stronger export prices. This trend should continue through the end of the year and into 2019.

**Graph 2: Monthly Milk Deliveries (000 MT)**



Source: Eurostat

**Table 1: Production of Milk and Related Products (000 MT)**

	2015	2016	2017	2018 (estimate)	2019 (forecast)
Milk Production	13,236	13,244	13,721	14,000	14,300
Milk Deliveries	10,870	11,130	11,650	11,900	12,200
Milk products:					
• Fluid milk	3,346	3,345	3,519	3,500	3,480
• Cheese	834	871	889	900	920
• Butter	191	204	211	219	224
• Non Fat Dry Milk	162	163	154	170	180
• Whole Dry Milk	46	44	43	40	40

*Source: Milk Market (October 2018), Institute of Rural Economics and FAS Warsaw estimates*

The forecast milk production increase in 2018 will mostly be used to produce cheese, although butter and NFDm also remain in demand domestically and internationally. WDM production will decline in 2018 due to lower export demand. Butter production and NFDm in 2018 will be limited because higher milk supplies will be mainly directed to manufacturing of cheese.

## Consumption

There are 175 Polish dairy processing plants which employ over 32,000 people. During first half of 2018, the dairy-processing sector struggled due to lower prices for dairy products on the domestic and international markets. Post estimates that in the second half of 2018 and through the first six months of 2019, the economic situation for dairy processors will improve because of higher prices for dairy commodities on the world market.

In 2017, the average per capita milk-equivalent consumption of dairy products was 218 liters, a two-percent decline from 2016. Post estimates that in 2018, the overall consumption of dairy products will increase another two percent over 2017, due to the increase in milk output. The trend toward lower fresh-dairy and fluid-milk consumption will continue in 2018, as cheese consumption will replace consumption of fresh products. Post estimates that butter consumption in 2018 will remain at last year's level because of stable prices and reduced exports. On-farm consumption of dairy products in 2018 will also remain at the previous year's level.

## Trade

Poland is a net exporter of dairy products. In 2017, the value of exports of dairy products amounted to \$2.23 billion, while imports were about \$1.0 billion. Germany, the Netherlands, the Czech Republic, and the UK are the main export markets for Polish dairy products. In the first seven months of 2018, the value of exports of dairy products amounted to \$ 1.45 billion, a 10-percent increase over the same period of 2017. This increase resulted from the growing shipments to Germany and the Czech Republic.

In the first seven months of 2018, Poland exported fluid milk mainly to Germany, China, and Lithuania, as well as cheese to Germany, the Netherlands, and Italy. Main destinations for Polish butter were the

Netherlands, Germany and Finland. Poland exported NFDM to Algeria, Vietnam, China, and Bulgaria. WDM was exported mainly to Germany, Italy, and United States. In 2017, the value of exports of dairy products to the United States amounted to almost \$13 million, of which over \$9 million was cheese. Within the EU, Poland imports dairy products mainly from Germany, the Netherlands, and Lithuania. During the first seven months of 2018, dairy imports were valued at \$585 million, a ten-percent increase over the same period in 2017.

## **Stocks**

Through the end of August 2018, Poland's intervention stocks of NFDM (within the EC's intervention program) were 22,576 MT, a 40-percent decrease from January 2018. Although prices for NFDM remain below the intervention threshold (Euro 1,698/MT), the EC decided not to intervene in the NFDM market, which would have started as of March 31, 2018.