

## ANALYSIS OF THE DAIRY SECTOR IN POLAND



*Competitiveness of the Dairy Sector in  
New EU-Member States*

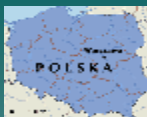
Nitra, SLOVAKIA - 2007.06.27

## OUTLINE OF THE PRESENTATION

- u Poland - the basic statistical data,
- u National reference quantity (milk quota),
- u Restructuring of milk farms,
- u Restructuring on processors level,
- u Raw milk and dairy products' prices,
- u Production, Foreign Trade, Support, Regionalisation
- u Main political dairy issues at the moment,
- u Challenges for the future.



## BASIC INFORMATION ABOUT POLAND



Capital: Warsaw

Language: Polish

Population: 38 million

Area: 312,685 km<sup>2</sup> (31,3 mln ha)

**Agricultural land:** 15,9 mln ha. of which meadows and pastures 3,4 mln ha in 2005 (approx. 11% of PL total area)

Political system: Parliamentary democracy

GDP growth: 5.7% in 2006

Currency: zloty PLN, 1€ = 3,8 PLN

Inflation rate: 1,9 % in 2007

## PL MILK PRODUCTION – RANKING

Production of milk: **11,9 million tonnes**

Milking cows: **2,6 million**

- u the **4th largest** in the EU following Germany, France and Great Britain,
  - u the **11th** in the world following USA, India, Russia, Germany, France, China, Brazil, Great Britain, New Zealand, Ukraine.
2. Milk production in Poland accounts for:
- \* **2,3 %** of the world production,
  - \* **5,9 %** of production in Europe,
  - \* **16,7%** of total agricultural production in Poland.

## PL MILK PRODUCTION VERSUS QUOTA

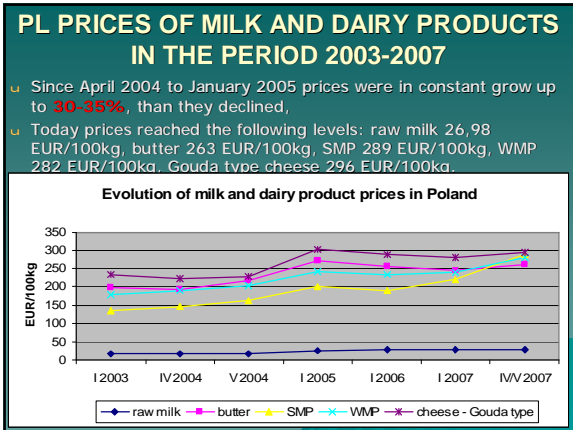
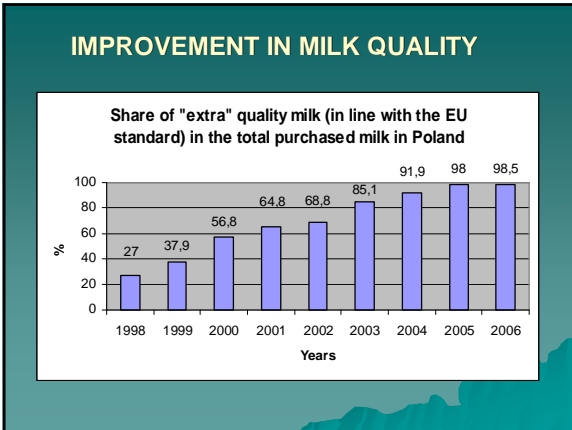
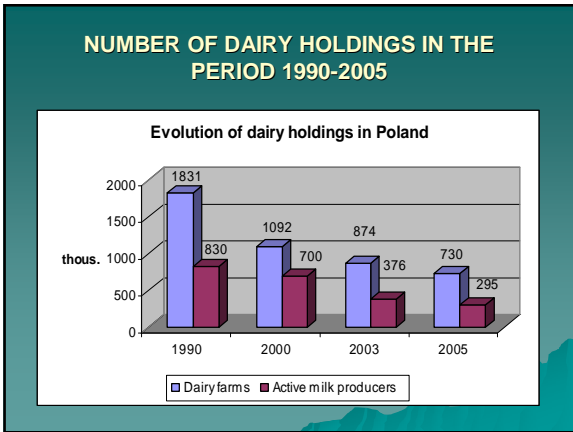
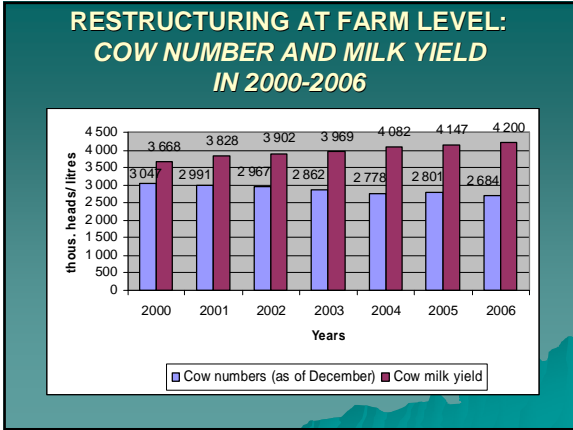
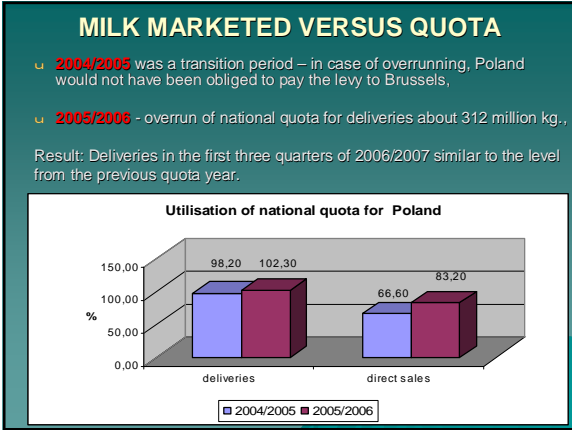
- u National quota (9,4 million tonnes) ranks Poland **on the sixth place** within EU-27 following Germany (27,9), France (24,3), Great Britain (14,6), the Netherlands (11,1), Italy (10,5).

Explanation:

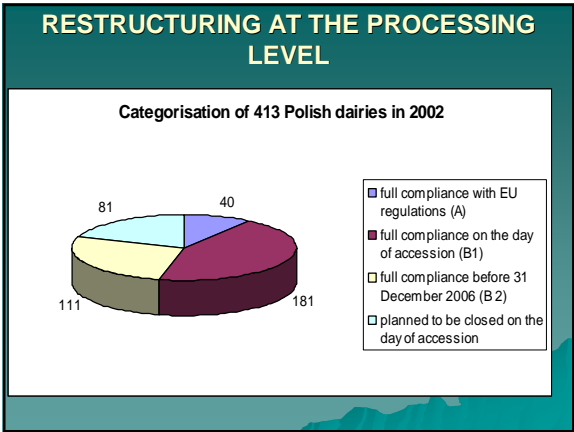
**relatively small percentage of milk marketed** in the 90s' (reference period) compared to the total milk production (approx. 70%).

## EVOLUTION OF QUOTA FOR POLAND

1. Treaty of Accession (2004/2005 quota year)
  - deliveries – **8 500 000 000 kg**,
  - direct sales – **464 017 000 kg** (5,2% of the total quota).
2. Restructuring reserve – **416 126 tonnes** granted fully for deliveries (starting from 2006/2007 quota year).
3. Significant quantities subject to sales and conversions.
4. Current situation - Commission Regulation (EC) No 607/2007 OJ L 141 p. 28
  - deliveries – **9 192 243 429 kg** (+8,1% compared to Treaty of Accession),
  - direct sales – **187 899 571 kg** (-59,5% compared to Treaty of Accession).



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### RESTRUCTURING AT THE PROCESSING LEVEL – Part II

- Decline in number of dairies since 2002 due to:
  - mergers,
  - closure.
- The average amount of milk processed is 35 million kg per year per dairy; the biggest Polish dairies (**200-800 million of milk purchased annually**) are relatively small by EU-15 standard;
- In 2005 processing capacity were used only **from 60 to 80%**.

### PRODUCTION OF MAIN DAIRY PRODUCTS (thous. tonnes)

Specification	1999	1990-1994	2005
Drinking milk	2598	1464	2233 ↑
Milk drinks	*	75	526 ↑
of which yoghurts	*	*	282
Powdered milk	226	190	185 ↓
of which WMP	49,8	44,2	93,3 ↑
SMP	175	146	146 ↓
Cheeses in total	413	312	591 ↑
of which white cheese (curd)	295	175	293
ripening	118	116	221
malted	*	21	64
Cream	335	172	306
Butter	290	177	184 ↓
Ice-creams	*	35	200 ↑
Casein	32,8	16,9	3,3 ↓

### POLISH TRADE IN DAIRY PRODUCTS

CN	Product	SALDO			
		Value [mln EUR]			
		2003	2004	2005	I-XII/2006*
Total dairy products		268,3	491,0	767,6	750,3
0401	Milk and cream, not condensed	-4,7	23,6	102,6	120,9
0402	Milk and cream, condensed	132,4	197,1	264,1	201,7
0403	Buttermilk, sour cream, yoghurt	16,6	34,4	66,1	78,5
0404	Whey, including condensed and sweetened	15,1	15,3	31,1	55,8
0405	Butter and other fats derived from milk	9,9	57,2	75,8	30,0
0406	Cheeses and curds	99,1	163,4	227,8	263,4

\* - preliminary data

### PUBLIC SUPPORT TO RESTRUCTURING

- CAP MARKET MEASURES — Mainly export refunds, buying-in of butter, PSA for butter and cheeses, school milk aid,
- EU SUPPORT FOR RESTRUCTURING AND MODERNIZATION — Mainly investment grants within SOP
- EU DIRECT PAYMENTS — Fully decoupled system SAPS since the beginning
- NATIONAL FUNDS FOR DEVELOPING OF DAIRY SECTOR — Brand scheme BR-15
- OTHER TYPES OF SUPPORT — Reserve of quota for free but under some conditions

### REGIONAL ASPECT

- Regional re-allocation of production and quotas in line with natural and structural conditions (role of national reserve in the process).
- It is NOT ALLOWED to trade individual quotas between voivodships.**
- Yet, having in mind the changes of situation on the world dairy market as well as new rules of quota trading introduced in some of the EU MSs, Polish authorities in the draft of the MILK LAW propose to **give up this requirement** in quota trading in the coming future.

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### REGIONAL ASPECT – Part II

VOIVODSHIPS	PRICES OF MILK QUOTA*	MILK PURCHASE PRICES**
DOLNOŚLĄSKIE	0,5	0,89
KUJAWSKO-POMIĘKOWE	1	1,05
LUBELSKIE	0,7	0,92
LUBUSKIE	0,65	0,92
ŁÓDZKIE	0,7	0,94
MALOPOLSKIE	0,25	0,86
MAZOWIECKIE	1	1,05
OPOLSKIE	0,6	1,01
PODKARPACKIE	0,2	0,86
PODLASKIE	1,3	1,03
POMORSKIE	0,6	0,95
ŚLĄSKIE	0,6	0,87
ŚWIĘTOKRZYSKIE	0,6	0,89
WARMIŃSKO-MAZURSKIE	1	0,94
WIELKOPOLSKIE	1	0,95
ZACHODNIO-POMORSKIE	0,5	1
<b>POLAND (average)</b>	<b>0,7</b>	<b>0,93</b>

### CHALANGES FOR THE FUTURE

**The CAP reform on dairy market is not finished**

The coming future will bring on the table decisions on the following issues,

- o **dairy mini-package,**
- o **CMO simplification,**
- o **Health-check** – debate on future of the milk quota system and other measures under CAP.

- u High prices on the world market are calling for the question „**Is there a need for the milk quota system anymore???**”.
- u Yet, the answer for this question seems not so easy while **MANY** thousand of milk farmers are concerned and the lasting of the boom is unknown.
- u In Poland there is upset expressed by some social partners about giving up quota system in the future.
- u On the other hand the debate starts what ought to be the conditions for soft-landing measures.

### Thank you for your attention



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