

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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2017 Dairy and Products Report.

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Dairy and Products

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Report Highlights:

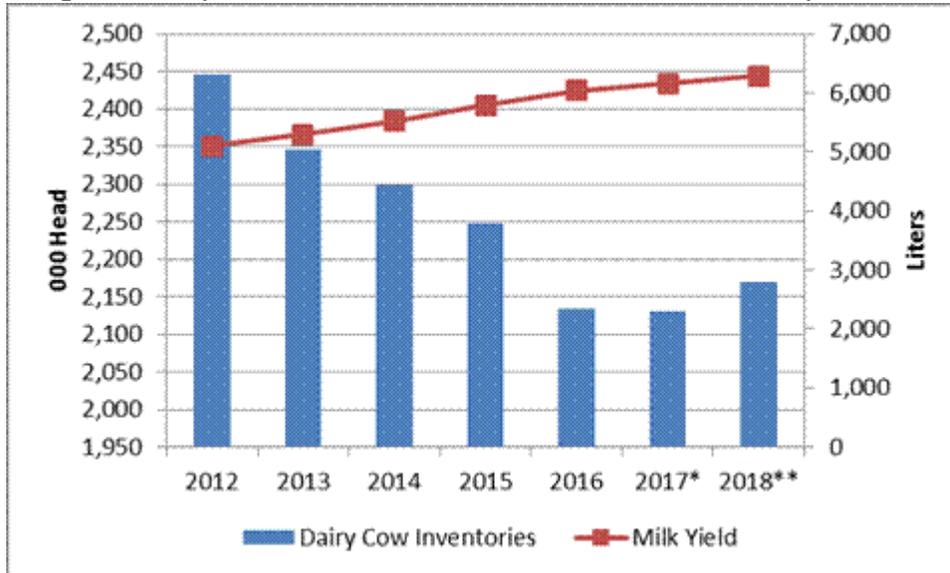
2017 milk production in Poland will increase by five percent over 2016 because of higher farm-gate prices and favorable feed supplies. Post expects that higher milk supplies in 2017 will mainly be processed into cheese. Non-fat dry milk (NFDM) and whole dry milk (WDM) output will decline due to limited milk available for processing. Despite strong domestic and global demand, butter production is expected to remain at last year's level.

General Information:

Production

Poland is the fourth largest milk producer in the EU-28. In 2017, raw milk output in Poland will be upwards of 13,800 million metric tons (MMT), a five-percent increase over 2016. In 2017, 86 percent of milk will be delivered to the dairy industry. The remaining 14 percent will be consumed on-farm or sold at the local level.

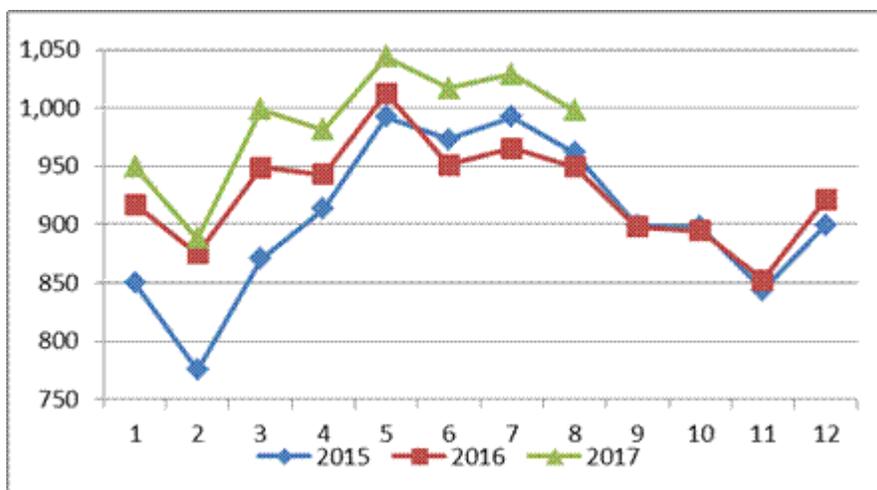
Graph 1: Dairy cows inventories and the evolution of milk yields



The dairy-herd contraction is expected to change in 2017. At the beginning of 2017, cow inventories were 2.130 million head and were almost at last year's level. However, higher yields per cow will increase milk production in 2017 over 2016. The average 2016 yield per cow was 6,037 kilograms, a five-percent increase over 2015. Post expects 2017 milk yields will continue to grow because of the increasing share of large farms, which tend to invest in better genetics and technology. Large dairy farms widely use imported, genomically-tested Holstein semen from the United States, which results in higher yields.

In the first eight months of 2017, milk deliveries in Poland increased by 4.5 percent over the same period in 2016. The production increase stems from higher milk prices and ample feed supplies. In August 2016, average farm-gate prices for milk were €33 per 100 kilograms of milk, a 30-percent increase over August 2016. Poland continues to increase milk production, despite the European Commission's efforts to limit production during the last quarter of 2016 and the beginning of 2017 through the Milk Production Reduction Program. During the last quarter of 2016 and first half of 2017, Polish farmers were incentivized to increased milk production because they were paid under 2014 and 2015 EU credits, which came due. These farmers were able to expand production prior to the EU terminating its EU milk-quota program.

Graph 2: Monthly milk deliveries to dairies (1,000 MT)



Source: Eurostat

Following high raw-milk supplies, low milk prices, and sluggish export markets for dairy products, milk prices recovered during the first eight months of 2017 and are expected to remain strong into 2018.

Table 1: Production of milk and milk products (1,000 MT)

	2014	2015	2016	2017 (estimate)	2018 (forecast)
Milk Production	12,986	13,236	13,244	13,800	14,000
Milk Deliveries	10,648	10,986	11,125	11,870	12,000
Milk products:					
• Fluid milk	1,604	1,646	1,657	1,680	1,700
• Cheese	800	834	871	925	930
• Butter	180	191	204	205	210
• Non Fat Dry Milk	180	162	163	160	165
• Whole Dry Milk	57	46	44	40	40

Source: Milk Market (October 2017), Institute of Rural Economics and FAS Warsaw estimates

Most milk in 2017 will be used for cheese production, which remains in high-demand both domestically and internationally. Production of WDM is expected to decrease in 2017 because of a significant decrease in German demand. Post expects butter output to remain stagnant in 2017, despite record-high, world-market prices for butter. This is because most milk supplies will continue to be directed toward cheese production.

Consumption

In Poland there are 175 dairy processing plants employing over 32,000 people. In the first half of 2017, the financial situation for these processors improved because prices for processed dairy products increased domestically and in international markets.

In 2016, average consumption of dairy in milk-equivalent was 222 liters per capita, a four-percent increase over 2015. Post estimates that 2017 consumption will increase an additional three percent over

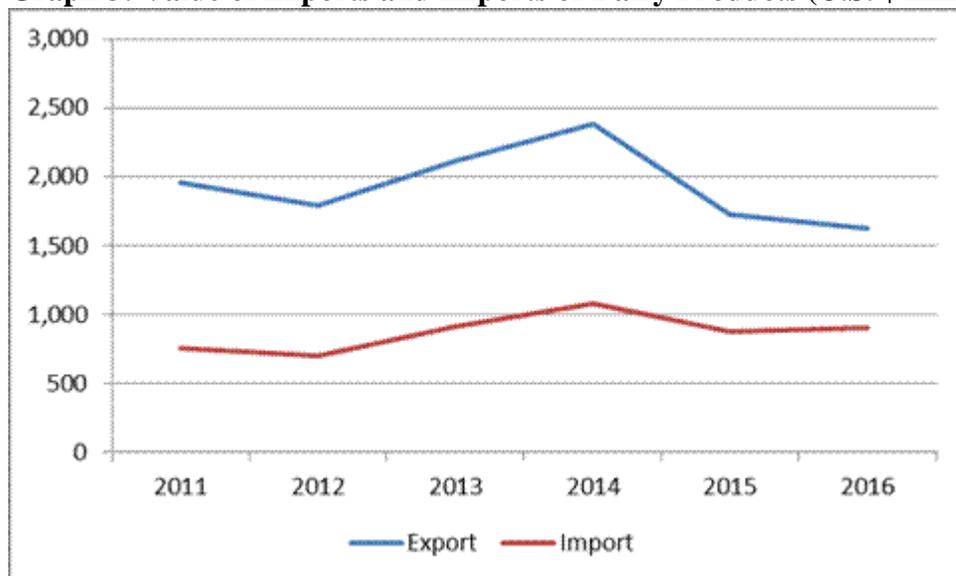
2016, mainly because of cheese. Consumption of fresh dairy products is expected to decline slightly due to higher prices and the increasing substitution of meat instead of dairy. Post expects that 2017 butter consumption will decline from 2016 because of higher retail prices. On-farm dairy consumption in 2017 is expected to remain at last year's level.

Trade

Poland is a net exporter of dairy products. In 2016, Polish dairy exports were valued at \$1.625 billion, while imports were \$ 0.905 billion. Germany, the Czech Republic, and the UK are Poland's main dairy export markets. In the first six months of 2017, dairy exports were valued \$1.068 billion, a 34-percent increase over the corresponding period in 2016. This jump in exports is attributed to the growing demand for dairy products on the world market.

During the first half of 2017, Poland exported fluid milk mainly to Germany, South Africa, and the UK. Polish cheese was shipped mainly to Germany, the Czech Republic and Italy. Ice cream mostly went to Germany. During the first half of 2017, Poland's main butter markets were the Netherlands, Germany, and Slovakia. Poland also exported NDFM to Algeria, Vietnam, and the Netherlands. WDM was exported mainly to Cuba and Germany. In 2016, the value of exports of dairy products to the United States was upwards of \$30 million, of which \$6.3 million was cheese. Within the EU, Poland imports dairy products mainly from Germany and Lithuania. In the first six months of 2017, the value of imports was roughly the same level as the corresponding period in 2016.

Graph 3: Value of Exports and Imports of Dairy Products (U.S. \$ millions)



Source GTA

Stocks

Through August 2017, Poland's total public NDFM stocks were 36,323 metric tons (MT), of which

3,958 MT were procured in 2017. Although prices for NFDM remain below the intervention threshold (€1,698/MT), the European Commission decided against procuring additional NFDM for public stocks after September 30, 2017. As a result, Post expects Poland's 2017 NFDM ending stocks of to remain at the current level.