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## Poland

### Grain and Feed

### Annual

### 2003

Approved by:

**Wayne Molstad, Agricultural Counselor**

**U.S. Embassy**

Prepared by:

Charles Rush, Agricultural Attache/WFM

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#### **Report Highlights:**

**Poland's grain imports should rebound moderately in MY 2003/04 up to 0.8 MMT as a result of reduced domestic production while wheat exports will substantially decline.**

**U.S. grain continues to be blocked entry due to Poland's zero tolerance regulation on Ambrosia spp., which Poland's government seeks to continue after EU accession.**

**Grain producer incomes should increase after Poland's EU accession which is expected in May 2004.**

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
Annual Report  
Warsaw [PL1], PL

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## Executive Summary

While MY 2002/03 feed grain imports were minimal, significant wheat exports were recorded due to a large and good quality domestic crop. These exports however, almost exclusively consisted of Government wheat stocks. Because of

the need to free up storage before the new harvest and low domestic prices, grain was sold to exporters at below market prices.

Total Grain imports are projected to increase to 810,000 tons in MY 2003/04 due to reduced grain acreage and lower grain yields and production. Total grain output in 2003 is forecast to be about four percent less than last year. Domestic feed grain use is expected to decline 5 percent in MY 2003/04. The fast growth of poultry production has slowed to a couple of percentage points annually because of depressed prices. A significant decline is forecast for MY 2003/04 pork production which is attributable to the downswing in the swine cycle as well to very low current swine prices and pork production profitability. Reduced current MY stocks should remain at a low level during the forecast year and thereby strengthen grain prices.

Relatively large duty free wheat imports from the EU together with duty free imports of corn from some Central European Free Trade Agreement (CEFTA) countries result in grain imports primary from these sources. The Polish government is attempting to continue its zero tolerance Ambrosia spp. barrier to U.S. grain after EU accession by appealing to Brussels while concurrently seeking addition of Ambrosia spp. to the European Plant Protection Organization (EPPO) quarantine list. Based on finalized EU accession conditions, grain producers in Poland should have larger incomes after accession which is expected in May 2004.

Following table summarizes the current total grain situation in Poland (000 hectares/000 metric tons):

	MY 2001/02	MY 2002/03	MY 2003/04		MY 2001/02	MY 2002/03	MY 2003/04
Area Harv.	8,819	8,263	8,365	MY Export	46	624	24
Beg. Stocks	2,190	3,316	2,457	Feed Use	16,736	17,616	16,726
Produc- tion	26,960	26,610	25,510	Tot.Dom Consum.	26,418	27,096	26,116
MY Import	630	251	810	Ending Stocks	3,316	2,457	2,637
Tot. Supply	29,780	30,177	28,777	Total Distr.	29,780	30,177	28,777

**WHEAT****- Wheat PS&D Table**

PSD Table						
Country	Poland					
Commodity	Wheat					(1000 HA)(1000 MT)
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	2627	2627	2550	2422	0	2400
Beginning Stocks	1150	1094	1100	1136	750	816
Production	9283	9283	9300	9300	0	8400
TOTAL Mkt. Yr. Imports	281	310	300	80	0	550
Jul-Jun Imports	281	310	300	80	0	550
Jul-Jun Import U.S.	0	0	0	3	0	5
TOTAL SUPPLY	10714	10687	10700	10516	750	9766
TOTAL Mkt. Yr. Exports	41	39	600	600	0	0
Jul-Jun Exports	41	39	600	600	0	0
Feed Dom. Consumption	4100	3950	3800	3600	0	3500
TOTAL Dom. Consumption	9573	9512	9350	9100	0	9000
Ending Stocks	1100	1136	750	816	0	766
TOTAL DISTRIBUTION	10714	10687	10700	10516	0	9766

**Production**

The MY 2003/04 wheat crop is forecast to decline by almost 10 percent due to smaller acreage and lower yields. Last year's crop size was similar to crops in previous years and only 2.5 percent smaller than the record 1998 wheat harvest.

According to official reports, almost 1.9 million hectares of winter wheat were planted in fall 2002, which was about 3 percent less than the previous year. Low grain prices after the harvest were the major reason for smaller winter planting. As winter began, crops were in slightly poorer conditions than in previous years. Winter came relatively early last year and was unusually long with temperatures often causing winter killing. Crop evaluations conducted in March showed lower (4 percent) live plant rates on wheat fields than a year ago. Possible winter kill losses increased by early April because of low temperatures and heavy snow. As a result of the long winter, higher than usual winter losses are

estimated to be 5 percent of the winter wheat area. Additionally, this year's spring planting and crop vegetation is significantly delayed. Although the winter wheat area losses will be partly compensated by increased spring sowing, total wheat area will be slightly reduced. Additionally, smaller yields can be expected because of significant areas of less productive spring wheat and some winter damaged wheat fields.

Two consecutive bumper crops reduced prices as supplies and stocks increased, although in general, domestic grain prices have been relatively strong in recent years. Over the past few years favorable prices for grain on the domestic market, supported by large government programs, resulted in a relatively large grain area, currently 70 percent of total arable land. Almost one-third of the total grain area is wheat of which 75 percent is winter wheat. Nevertheless, high fertilizer and pesticide prices reduced production leading to smaller yields and poorer crop quality. Wheat prices last season were down significantly in Poland which will result in further reduction of herbicide, pesticide and fertilizer use leading to lower yields. Also declining grain prices during the last two seasons resulted in reduced planting, last year a 6 percent decline for all grains and an 8 percent decline in wheat planting. The current average wheat procurement price is about zlotys 480 (\$123) and zlotys 400 (\$103) for rye, only slightly down from the same period a year ago. For the first eight months of the current MY grain prices were significantly lower than for the same period a year ago. However during the later part of the current MY prices rose because of reduced supplies. The Main Statistics Office reported that average wheat procurement prices for January-March, 2003 were 7.4 percent lower than for the same period a year ago and rye procurement prices were 4.4 percent lower. In April 2003 grain prices rose reflecting market shortages; imports may be necessary although this is not confirmed.

#### - Wheat Price Table

Prices Table			
Country	Poland		
Commodity	Wheat		
Prices in	zlotys	per uom	metric ton
Year	2001	2002	% Change
Jan	581	477	-17.90%
Feb	585	488	-16.58%
Mar	576	482	-16.32%
Apr	573	478	-16.58%
May	563	469	-16.70%
Jun	558	466	-16.49%
Jul	527	434	-17.65%
Aug	489	430	-12.07%
Sep	491	429	-12.63%
Oct	494	433	-12.35%
Nov	465	422	-9.25%
Dec	475	431	-9.26%

Exchange Rate	3.89	Local currency/US \$	
Date of Quote	04/24/03	MM/DD/YYYY	

Note: Above table represents average wheat procurement price; Source: Main Statistical Office.

## Consumption

Milling wheat consumption remains relatively stable in Poland, competing only with rye which is used for bread. Food wheat accounts for around 4.3 million tons or 74 percent of the 5.8 million tons of grain consumed annually in Poland.

Nearly 80,000 tons of imported durum wheat is used annually for pasta production. Annual pasta production is close to 110,000 tons, but it is difficult to estimate the total amount of durum used to produce pasta. High quality pasta producers use 100 percent durum, other local pasta production blends durum and common wheat while the lowest quality does not use durum.

A relatively large amount of wheat, up to about 4 million tons annually (approximately 40 percent of total domestically used wheat) is used in feed. It often replaces corn in poultry rations. Estimated wheat feed use, however, has been reduced for the current MY because of large wheat exports and the availability of other grains for feed.

As a result of foreign investment, the amount of wheat processed into isoglucose sweeteners and gluten increased last year. The U.S. imported \$9.3 million worth of wheat gluten from Poland in 2002. Total isoglucose production capacity is 120,000 tons per year for which 200,000 tons of wheat would be needed for processing. However, a 2001 sugar market regulation created isoglucose production quotas which are set annually. MY 2003/04 quota A (production for sale on the domestic market) is 60,000 metric tons of dry product in 42% isoglucose solution and quota B (for subsidized export) is 2,200 tons of isoglucose (dry product, in 42% concentrate solution). These quotas were 40,000 metric tons and 4,400 tons respectively for MY 2002/03. According to the regulation, isoglucose production must be produced from domestically grown wheat.

In December 2002 Poland signed its EU accession agreement conditions. The total isoglucose production quota for Poland was set at 26,781 tons of which 1,870 tons is quota B. In the final stage of its negotiations, Poland requested a 40,000 ton isoglucose production quota. Poland had reportedly originally sought a much higher isoglucose production quota but the effort was rejected by the EU.

## Trade

Forecast wheat imports in MY 2003/04 are estimated to be 550,000 tons. This is more than double compared to the current MY because of reduced production and expectations of lower quality. Imports likely will consist largely of durum and high-quality bread wheat for blending. Reduced ending stocks in current MY 2002/03 may result in actual imports being even higher than currently forecast. Significant imports can enter Poland duty free from the EU, within the WTO tariff rate quota, and within some quotas or tariff preferences for Central European Free Trade Agreement (CEFTA) countries (see Policy section for more information).

Large wheat stocks and a good 2002 harvest are the basis for the Agricultural Market Agency's (AMA) decision to sell 2001 wheat for export below its actual cost. This decision also created storage space before the new harvest. Additionally, the AMA decided to export significant quantities of the good 2002 crop because domestic prices were below the minimum intervention price for an extended period of the season. The AMA was not able to sell wheat on the domestic market at minimum program price plus storage expenses until April 2003. Because of low world market prices, AMA sales to export companies were at a price of about PLN 100 (\$25.6) below market prices. Estimated total MY 2002/03 exports reached 600,000 tons. These exports were mainly to Brazil, Malaysia, South America, Germany and Indonesia. The GOP did not allow exports of AMA wheat to the EU. The reported 2002 wheat exports to Germany possibly reflect intermediate transactions.

Current MY wheat imports are very low because large domestic supplies remain from the last harvest. Total wheat imports for the July 2002 - March 2003 period were only 52,400 tons. In CY 2002 wheat was mainly imported from Germany (almost 60 percent) and other EU countries, these imports are within the EU duty free quota. Significant imports were also reported from CEFTA countries (Czech Republic, Slovakia and Hungary) as well as from Canada and Russia. There were 2,400 tons of wheat imported of U.S. origin.

Poland continues to be a very price sensitive market which favors supplies from European countries which enjoy tariff preferences, low transportation costs, and the ability to frequently sell small quantities of grain per shipment. EU wheat imports became dominant on the Polish market after the establishment of the duty free quota. Significant imports of feed wheat are also reported from CEFTA countries under preferential tariff quotas.

**- Wheat Import Table**

Import Trade Matrix			
Country	Poland		
Commodity	Wheat		
Time period	Jan.-Dec.	Units:	metric tons
Imports for:	2001		2002
U.S.	0	U.S.	2400
Others		Others	
Germany	128270	Germany	137145
France	67344	France	27892
Canada	58258	Slovakia	15683
Denmark	20671	Canada	14375
United Kingdom	19397	Hungary	12713
Hungary	15712	Russia	7234
Czech Republic	16448	Denmark	7010
Russia	5263	Czech Republic	7441
Sweden	3919		
Total for Others	335282		229493
Others not Listed	12248		6439
Grand Total	347530		238332

Note: Figures in the Trade Matrix table are for CY based on data from the Global Trade Atlas -WTA, CY 2002 data are only for January-November

**- Wheat Export Table**

Export Trade Matrix			
Country	Poland		
Commodity	Wheat		
Time period	Jan.Dec.	Units:	metric tons
Exports for:	2001		2002
U.S.	373	U.S.	0
Others		Others	
Czech Republic	144	Brazil	74869
Russia	94	Malaysia	62551
Germany	65	South Africa	55659
Hungary	31	Germany	54736
Belarus	25	Indonesia	66310
Ukraine	93	Netheralnds	23699
Norway	24	Sudan	22500
Slovakia	10	Egypt	20185
Total for Others	486		380509
Others not Listed	421		70854
Grand Total	1280		451363

Note: Figures in the Trade Matrix table are for CY based on data from the Global Trade Atlas -WTA, CY 2002 data are only for January-November.

**Stocks**

Estimated beginning MY 2002/03 wheat stocks were 1.1 million tons, around 12 percent of domestic annual consumption. The AMA, which is responsible for stocks used for market intervention purposes and for strategic government stocks is the major grain stock holder. The agency increased its large food grain intervention stocks to approximately one million tons after the 2001 harvest and even somewhat more after the good 2002 harvest. Stocks were partly released in MY 2002/03, mainly for export while only a small portion was sold on the domestic market. Consequently, estimated end of MY 2002/03 stocks dropped 28 percent. Current AMA stocks are smaller compared to a year ago and more storage is available for new purchases. With reduced wheat production projected in MY 2003/04, stocks should drop further, about 6 percent by the end of MY 2003/04.

## Policy

### - Government Intervention Program Dominates Local Grain Market

The AMA is responsible for managing Government stocks and intervention programs which support farmers' incomes by maintaining minimum prices. Minimum prices (in effect only for food wheat and food rye) were set for the 2003 harvest at PLN 440 (\$112) per ton for food wheat and PLN 325 (\$83) per ton for food rye (VAT not included). The 2003 Government of Poland (GOP) program price levels are the same as for grains harvested in 2002. The Grain Chamber (grain industry organization) suggested that the new crop intervention price be reduced to PLN 410 (\$110) per ton of wheat and direct farm payments increased. According the Grain Chamber, lower wheat prices would make the grain milling industries more competitive with foreign flour suppliers.

The AMA will pay farmers a direct subsidy of PLN 110, 120 or 130 per ton of food wheat sold under the program depending on the time of sale (July - October) and zlotys 75, 80 and 85 per ton of food rye (Exchange rate U.S. \$1 = 4 PLN). The grain intervention program (including direct AMA purchases) will cover procurement of about 5.0 MMT of wheat and rye harvested in 2003, which will be about 0.5 MMT more than the 2002 harvest. The total domestic marketable grain is nearly 7 million tons, therefore about 70 percent of marketable grains or about one-fifth of total grain produced is eligible for the program. Companies which participated in the 2001 program experienced serious losses due to relatively high grain procurement prices (minimum fixed under the program) and declining market prices. Since last season, for the first time, the GOP intervention program also includes compensation for trading companies participating in the program if grain prices fall. The companies would receive compensation if the price for grain sold after January 1, 2003 falls below the intervention price increased by average cost of storing. This subsidy for costs of storage, under specific conditions, is also available to grain producers. Direct storage support for farmers is estimated for the upcoming year to cover up to one MMT. Among 2003 harvested grain, wheat and rye will be procured according to EU quality standards, which are less restrictive than previously used for food grains in Poland.

### - Government Loan Rate Subsidies

Grain buyers, who purchase at the minimum price or higher, are eligible for bank financing which is guaranteed by AMA. The banks are further subsidized by direct payments from the government to lower interest rates on loans used to purchase grain at levels below normal commercial rates.

### - AMA Grain Procurement and Stock Policy

The AMA conducts direct grain procurement in November and December. The AMA will procure 270,000 tons of food wheat and 30,000 tons of rye after the 2003 harvest to replenish stocks. These purchases, however, are at the minimum price and farmers do not receive subsidies. In January 2003 the AMA began selling grain from its stocks. These sales were very small until the latter part of March 2003, because AMA prices are higher than market prices. Since April, local market sales of AMA stocks increased because wheat prices on the market exceeded AMA prices. Meanwhile, significant quantities of AMA stocks from the 2003 harvest (about 0.3 MMT) were sold to various companies at about PLN 100 (\$25) per ton below the market price for export other than to EU countries. At the end of CY 2002, AMA wheat operating stocks were 860,000 tons in addition to an undisclosed quantity of GOP strategic stocks.

### **- EU Accession Grain Production Condition and Quotas**

Poland will likely join the EU on May 1, 2004. Final results of negotiations on EU accession resulted in less favorable terms than originally requested by Poland. The basic area for major supported crops (grains, oilseeds, flaxseed and pulses) was set at 9.454 million hectares as a total for all crops based on average level for the years 1994/95 - 1998/99 while average reference yield was set at 3.0 tons per hectare to establish equal support per hectare for each crop. The equivalent of 25 percent, 30 percent and 35 percent of the support provided to current EU members will be allocated in 2004, 2005 and 2006 (100 percent by 2013) to all farmers in Poland based on their arable land. Supplemental support will bring the totals to 55, 60 and 65 percent compared to the level of direct payments to current EU farmers. However, the supplemental payments are production related for certain crops rather than on a per hectare farm land basis. For grain, supplemental amounts will be based on area planted. These supplemental funds will be derived from the EU structural readjustment program and the GOP's budget.

To date food wheat and food rye sold to the industry receives a minimum price plus direct price support. After accession this support will be eliminated and replaced with support based on total arable area and the supported crop area, which also applies to grain, rapeseed or other supported crops. It is estimated that only 58,000 of about 2 million farms in Poland participate in the government's current grain procurement program which accounts for less than 2.5 percent of total farms. Farmers will be able to sell wheat, rye, barley, and corn that was not sold on the market to the AMA. The current official program minimum price, different for wheat and rye, will be replaced with the intervention price, which is the same for wheat, rye, barley or corn. The current price is 101.31 EURO per ton of grain when delivered to the Government program institution. Currently, in Poland the intervention program procurement is conducted immediately after harvest through October. After accession, program purchases will be conducted from November through May. Grain delivered within the program to Government stocks will have to be of a specific quality. Although EU grain quality parameters seem to be less restrictive than parameters used currently in Poland for food grains procured within program, some analysts suggest that there are some methodological differences, which will be problematic for farmers. Some future CAP reforms suggest eliminating rye from the procurement program due to very large EU stocks. This would leave three basic grains protected by intervention price.

### **- Support for Farmers after EU Accession and Possible Production Changes**

Some indirect farmer and buyer supports, for grain, rapeseed, and sugar beets will be eliminated after EU accession. These include support for farm input credits, support for new variety breeding, and support for companies procuring grains. However, other sizable EU general agriculture and rural development funds are becoming available. For example, in July 2002, the EU declared Poland eligible for previously withheld SAPARD 2000 and 2001 funds totaling 347 million Euros. These funds additionally, will be administered by the Ministry of Agriculture's Agency for Restructuring and Modernization. Additionally these funds can be used for processing and marketing agricultural products, investing in farms, and developing and improving rural infrastructure.

The EU approved mixed farm support program (payments are on a per hectare farm land basis plus payments for producing certain crops) does not require Poland to eliminate part of the cultivated area from production as is the case in the single system payments for certain crops. Based on GUS data, in 2001 there were nearly 1.7 million hectares of idle land, which was 11.9 percent of total agricultural land in Poland. If direct crop production support is approved for Poland, it would require elimination of significant areas of grain or other crop production, particularly on large productive farms in Western and Northern Poland. The approved mixed system with the same reference yield (3.0

MT/ha) will give the same support per hectare to all grain farmers in Poland, regardless of their scale of production and the actual yields. This, however, reduces a potential larger support payment to efficient farmers.

According to analyses by the Institute of Agricultural Economics in Poland, if full support is implemented (55, 60 and 65 percent of the EU level in years 2004, 2005 and 2006), farm income from grain production in average scale farm production would increase more than 30 percent when compared with income from grain production average for years 1999-2001. This scenario is based on the current intervention price for grain of EURO 101.31 per ton and assumes an exchange rate of one EURO equals PLN 4.0. If the future intervention EU price falls to EURO 95.35 per ton of grain, estimated income from grain production would be increased 20 percent, 30 percent and 39 percent in 2004, '05 and '06 respectively. There is no calculation done for large scale grain producers in Poland as there are no comparable income measures conducted on these farms. However, assuming that these farms produce mostly wheat and rye, all of which was delivered within the current GOP program, their income per hectare would improve slightly by EURO 43 or PLN 170 per hectare of grain.

According to the Institute's calculations, the structure of grain production may change after accession. Currently, the price for wheat in the EU is lower than the price in Poland, while feed grain prices are higher due to the program. This trend is forecast to be the norm in the near future which will result in lower income from wheat production but higher income for barley, corn and rye. These income changes will influence production trends.

#### **- Trade Policy**

The Uruguay Round agreement provides the GOP with relatively high bound tariffs and tariff quotas to protect domestic grain producers and the milling industry. At the same time, a tariff rate quota for 388,000 tons of wheat per year has been in effect since CY 2000 with a 25 percent in-quota tariff (20 percent for durum wheat). Aside from wheat, there are maximum WTO allowable tariff rate quotas for 9,718 tons of wheat flour, 1,861 tons of non-wheat flour, 634.8 tons of groats, 9,000 tons of malt and 2,500 tons of starch which are also in effect for CY 2003 (same as for CY 2002). Reduced tariffs apply within the quotas: 25 percent for flour imports, 25 percent but minimum 0.2 EUR for groats, 10 percent for malt and 20, 30, or 35 percent minimum 0.2 EUR for starches. The WTO total annual wheat quota is divided into equal amounts for each quarter of the CY. Individual permits for imports within the quota cannot exceed 1,500 tons of grain or 100 tons of starch. Annual tariff quotas are divided into equal amounts for each quarter of the CY. The EU wheat quota can be used in the first half of CY 2003 based on the previous temporary quota suspension during the first part of the MY.

Poland reduced its tariff to zero for durum wheat imported from all sources for CY 2003 as was the case in CY 2002. Under the EU-Poland liberalization agreement, for MY 2002/03 there was a tariff free quota for 480,000 tons of wheat imported from the EU (this quota was 460,000 tons in MY 2001/02) and for CY 2003 there is a 12,500 ton wheat flour tariff free quota (11,500 tons in CY 2002). Tariff reductions for CEFTA countries in effect for CY 2003 are 30,000 tons wheat TRQ for the Czech Republic at a reduced 15 percent and 40,000 tons at 15 percent tariff for imported wheat from Slovakia. Also, unlimited imports from Hungary, Slovenia, Romania, Bulgaria and Lithuania face a 15 percent tariff.

CY 2003 applied tariffs for wheat and various grain products (tariffs for feed grains are in other sections of the report):

#### **- 2003 Applied Tariffs**

Tariff No.	Description	MFN Countries	EU	Developing Countries	Least Dev. Countries
1001.1	Durum	0	0	0	0
1001.9	Other than durum wheat, 1/	64, min. 0.1 EUR/kg			
1101	Wheat flour or w/rye, 1/, 2/	16 plus max. 0.17 EUR/kg	16 plus max. 0.17 EUR/kg	16.4	0
1102.20	Corn flour, 3/	16 plus max. 0.17 EUR/kg	16 plus max. 0.17 EUR/kg	16.4	0
1103.11	Groats, wheat 4/	25 or 16 plus max. 0.27 EUR/kg			
1103.13	Groats, corn 5/	25 or 16 plus max. 0.27 EUR/kg	25 or 16 plus max. 0.27 EUR/kg	16.4	0
1107	Malt, 6/	6.4 plus 0.18EUR/kg	6.4 plus 0.18EUR/kg	6.4 plus 0.18EUR/kg	6.4 plus 0.18EUR/kg
1108.11	Starch, wheat	30, min. 0.29 EUR/kg			
1108.12	Starch, corn	30, min. 0.29 EUR/kg			
1109	Gluten, wheat, 7/	20 or 12.8 plus max. 0.51 EUR/kg			

1/ see above text for wheat tariff reduction and quotas for various countries;

2/ tariff is reduced to 15 percent for all CEFTA countries and for Lithuania; tariff rate quota applies for imports from WTO and EU countries (see above);

3/ tariff is reduced to 15 percent for all CEFTA countries and for Lithuania; zero tariff applies for corn flour from Latvia;

4/ tariff is reduced to 20 percent for durum wheat groats imported from Romania and down to 20 percent for other than durum wheat groats if imported from Czech and Slovak Republics and from Romania;

5/ tariff is reduced to 15 percent for all CEFTA countries; zero tariff applies for corn groats from Latvia;

6/ tariff is reduced to 5 percent for imports from Czech and Slovak Republics and down to 10 percent for non-roasted malt and zero for roasted malt if imported from Lithuania. There is a 45,000 ton malt annual import quota for the EU at 10 percent tariff and a 9,000 ton quota for all WTO members with a 10 percent tariff. There is an 800 ton quota available for Estonia at 3.2 percent plus 0.09 EUR/kg tariff.

7/ tariff is reduced to 14 percent for all CEFTA countries and down to zero for Latvia.

## **Marketing**

All grain shipments require a phytosanitary certificate from the exporting country. The Polish quarantine list includes a number of common weed seeds, including ragweed, that are often found in shipments from the United States and other countries. The zero tolerance policy on common weed seeds such as ragweed limits wheat and other grain imports from the United States. U.S. wheat and corn have been virtually blocked access to this market since 1997 because of Poland's zero tolerance regulation on the presence of *Ambrosia* spp. in grain shipments. The U.S. has long sought an end to this non-scientifically justifiable non-tariff barrier (NTB) to U.S. products. Nevertheless, Poland continues to seek EU approval in Brussels to keep this barrier in existence following EU accession as well as to add it to the European Plant Protection Organization (EPPO) quarantine list. If Poland is unsuccessful in these efforts, which should become clear late in 2003, new opportunities could open for U.S. grain upon EU accession. Pursuing policy efforts to discourage EU and EPPO adoption of this NTB combined with increasing grain industry technical support for Polish flour and feed mills if the NTB is dropped, would enhance renewed exports to Poland of U.S. grain. Specifically durum and hard red winter wheat would have great potential to fill periodic needs of the domestic grain milling industry.

**FEED GRAINS****- Corn PS&D Table**

PSD Table						
Country	Poland					
Commodity	Corn				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	224	224	250	305	0	350
Beginning Stocks	280	285	448	467	448	472
Production	1362	1362	1500	1950	0	2100
TOTAL Mkt. Yr. Imports	156	133	100	15	0	10
Oct-Sep Imports	123	133	100	15	0	10
Oct-Sep Import U.S.	0	1	0	0	0	0
TOTAL SUPPLY	1798	1780	2048	2432	448	2582
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	1250	1210	1500	1860	0	2020
TOTAL Dom. Consumption	1350	1313	1600	1960	0	2130
Ending Stocks	448	467	448	472	0	452
TOTAL DISTRIBUTION	1798	1780	2048	2432	0	2582

**- Barley PS&D Table**

PSD Table						
Country	Poland					
Commodity	Barley					
					(1000 HA)	(1000 MT)
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	1071	1071	1100	1069	0	1100
Beginning Stocks	119	195	181	292	281	292
Production	3330	3330	3400	3400	0	3300
TOTAL Mkt. Yr. Imports	132	167	100	150	0	150
Oct-Sep Imports	143	167	100	150	0	150
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	3581	3692	3681	3842	281	3742
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	2700	2700	2700	2850	0	2750
TOTAL Dom. Consumption	3400	3400	3400	3550	0	3450
Ending Stocks	181	292	281	292	0	292
TOTAL DISTRIBUTION	3581	3692	3681	3842	0	3742

**- Rye PS&D Table**

PSD Table						
Country	Poland					
Commodity	Rye					
					(1000 HA)	(1000 MT)
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	2002	2002	1600	1648	0	1580
Beginning Stocks	169	384	354	481	229	337
Production	4863	4863	4000	3800	0	3600
TOTAL Mkt. Yr. Imports	23	20	150	6	0	100
Oct-Sep Imports	25	20	150	6	0	100
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	5055	5267	4504	4287	229	4037
TOTAL Mkt. Yr. Exports	1	1	0	0	0	0
Oct-Sep Exports	1	1	0	0	0	0
Feed Dom. Consumption	2300	2520	1875	1850	0	1800
TOTAL Dom. Consumption	4700	4785	4275	3950	0	3800
Ending Stocks	354	481	229	337	0	237
TOTAL DISTRIBUTION	5055	5267	4504	4287	0	4037

**- Oats PS&D Table**

PSD Table						
Country	Poland					
Commodity	Oats					
					(1000 HA)	(1000 MT)
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	531	531	600	486	0	550
Beginning Stocks	46	50	99	72	74	72
Production	1305	1305	1400	1500	0	1500
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	1351	1355	1499	1572	74	1572
TOTAL Mkt. Yr. Exports	2	3	20	20	0	20
Oct-Sep Exports	3	3	20	20	0	20
Feed Dom. Consumption	975	1000	1130	1200	0	1100
TOTAL Dom. Consumption	1250	1280	1405	1480	0	1380
Ending Stocks	99	72	74	72	0	172
TOTAL DISTRIBUTION	1351	1355	1499	1572	0	1572

**- Mixed Grain PS&D Table**

PSD Table						
Country	Poland					
Commodity	Mixed Grain				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	2309	2309	2300	2288	0	2340
Beginning Stocks	300	176	948	862	1398	462
Production	6758	6758	6800	6600	0	6550
TOTAL Mkt. Yr. Imports	0	0	0	0	0	0
Oct-Sep Imports	0	0	0	0	0	0
Oct-Sep Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	7058	6934	7748	7462	1398	7012
TOTAL Mkt. Yr. Exports	0	0	0	0	0	0
Oct-Sep Exports	0	0	0	0	0	0
Feed Dom. Consumption	5470	5350	5690	6250	0	5550
TOTAL Dom. Consumption	6110	6072	6350	7000	0	6300
Ending Stocks	948	862	1398	462	0	712
TOTAL DISTRIBUTION	7058	6934	7748	7462	0	7012

Note: this table summarizes data for mixed grains and triticale.

**Production**

Although forecast total grain production will decline 4 percent in MY 2003/04, we project that feed grain production will decline marginally. Although rye area will be smaller due to smaller winter planting and some winter losses, the total feed grain area will be compensated by increased barley and corn area. Total feed grain production will be slightly smaller than last year due to somewhat reduced yields. Nevertheless, an increase in corn area and production is anticipated for the 2003 crop. Corn and barley will primarily replace winter wheat, winter barley, and rye losses. Additionally, increasing feed grain prices will encourage farmers to increase spring planting.

Due to favorable weather conditions, 2002 total grain production exceeded 26.6 million tons, which was only 250,000 tons less than the large 2001 production and six percent above average 1996 - 2000 production. The majority of feed grain produced in Poland is sown during the spring.

Because Polish soils are light and well suited for rye, winter-sown rye accounts for a relatively large area, almost 19 percent of total grain area. However, in recent years rye area has been significantly reduced. Wheat has become the largest grain crop in recent years in Poland, about 30 percent of total grain area, in part, because of a shift in feed demand from imported corn to wheat. The feed wheat increase is spurred by high government food wheat intervention prices which stimulated high overall wheat production. However, a large portion of wheat is of low, feed quality (except 2002 harvest). Barley accounts for about 13 percent of the total area sown. Triticale and mixed grain account for 27 percent and oats for seven percent of the total grain area. Corn production (4 percent of total grain area) is concentrated mainly in the south and has limited production because of the short growing season in Poland.

In 2002 corn production reached its seventh consecutive record level, an increase of almost 2 million tons, 43 percent above the previous year's record. This resulted from significantly increased area and good yields. Since CY 1996, corn area and production have grown rapidly in Poland. The area is four times as large and production is six times as much as 1996 levels. Attractive corn prices and the introduction of early varieties (shorter growing season varieties) encouraged larger planting area and a resultant production increase. While production has risen, Polish climatic conditions continue to impede substantial long-term increases.

Although last year's production was large, high swine inventories and large poultry production resulted in large feed use in MY 2002/03 and strong grain prices. Prices began to increase in January 2003, however, the increase in prices became particularly strong in April, 2003 as demand outpaced supply.

## **Consumption**

Feed grain consumption in MY 2003/04 is forecast to decline five percent or more compared to MY 2002/03's level. Forecast demand for feed should significantly decline. While poultry production increased last year by 10 percent, its growth is expected to slow to about two percent in 2003 and remain at that level in 2004. A significant decline, about 10 percent, is forecast for MY 2003/04 pork production. This is attributable to a decline in the swine cycle as well as very low swine prices and pork production profitability.

MY 2002/03 feed grain use is estimated to increase by 5.3 percent to 17.6 million tons due to increased pork production and high inventories. In spite of relatively cheap grains during most of MY 2002/03, profits in pork production declined because of low pork producer prices, the result of over production. In Poland, a significant amount, more than 10 million tons of potatoes continue to be used as hog feed. The 2002 potato crop declined 20 percent from 2001 and was 35 percent below the average for 1996 -2000. Smaller potato availability for feed use resulted in larger feed grain use. As a result, by the end of the current MY, feed grain market supplies were low and feed grain prices high resulting in a further reduction in profits from pork production.

Total commercial feed production in CY 2002 remained (4.58 million MT), down slightly from the CY 2001 level of 4.63 million MT. Although production of compound feed declined slightly, down an estimated 2 percent, concentrated feed production increased by 9 percent. Concentrated protein feeds were used in hog production in CY 2002, as a result production increased to 500,000 tons. The remaining feed industry products consisted of energy concentrates, over 5,000 tons; milk replacers for calves, 10,000 tons; mineral mixes and speciality feeds, 10,000 tons; and premixes, 55,000 tons. Compound feed production for the poultry sector accounted for about 67 percent of all compound feeds in 2002. The feed industry benefitted from low raw material prices during most of MY 2002/03. This was due to grain

surpluses and a relatively large demand due to high livestock inventories. Demand, however, is forecast to decline during the second half of CY 2003 and the beginning of 2004. The Polish feed industry, which is largely private, invested heavily in recent years in modern production technology to improve feed quality. In addition to local feed companies, there is a big presence of companies with foreign capital. Provimi (formerly Central Soya), Rolimpex, Cargill, and Land O'Lakes are the major commercial feed producers in Poland.

### - Prices

Immediately after harvest and until the beginning of 2003, feed grain prices were more than 10 percent lower than the same period a year ago. The low feed grain prices lifted livestock production profits. There was a significant decline in prices when meat production was too high. Low local grain prices prevented feed grain imports from entering the market.

### - Rye Price Table

Prices Table			
Country	Poland		
Commodity	Rye		
Prices in	zlotys	per uom	metric ton
Year	2001	2002	% Change
Jan	470	382	-18.72%
Feb	463	374	-19.22%
Mar	470	374	-20.43%
Apr	440	374	-15.00%
May	434	371	-14.52%
Jun	431	373	-13.46%
Jul	402	323	-19.65%
Aug	345	320	-7.25%
Sep	345	320	-7.25%
Oct	349	324	-7.16%
Nov	356	335	-5.90%
Dec	365	334	-8.49%
Exchange Rate	3.89	Local currency/US \$	
Date of Quote	04/24/03	MM/DD/YYYY	

Note: Above table represents average rye procurement price; Source: Main Statistical Office.

## Trade

In addition to wheat imports, there may also be imports of malting barley and rye in MY 2003/04. Wheat imports are estimated at 260,000 tons, up 50 percent from the low MY 2002/03 level. If needed, some duty free corn can enter the market from various Central European Free Trade Agreement (CEFTA) countries due to CEFTA or bilateral agreements. Feed grain exports are almost zero during MY 2002/03.

During the current MY the only significant imports were barley for the brewing industry. High grain stocks and low domestic market prices almost eliminated the need for feed grain imports in the current MY, this was in spite of the availability of duty free quotas and preferential tariffs (see 2003 Applied Tariffs table). Small imports may occur as current price levels become higher.

### - Corn Import Table

Import Trade Matrix			
Country	Poland		
Commodity	Corn		
Time period	Jan.-Dec.	Units:	metric tons
Imports for:	2001		2002
U.S.	847	U.S.	675
Others		Others	
Brazil	154550	Hungary	88352
Paraguay	31330	Slovakia	21162
Hungary	29312	Czech Republic	5719
Czech Republic	12385	France	2294
Austria	4055	Argentina	210
France	3516	Canada	171
Ukraine	2016	Austria	167
Slovakia	1658	Yugoslavia	163
Total for Others	238822		118238
Others not Listed	1264		284
Grand Total	240933		119197

Note: Figures in the Trade Matrix table are for CY based on data from the Global Trade Atlas -WTA, CY 2002 data are only for January-November.

**- Barley Import Table**

Import Trade Matrix			
Country	Poland		
Commodity	Barley		
Time period	Jan.-Dec.	Units:	metric tons
Imports for:	2001		2002
U.S.	0	U.S.	
Others		Others	
Denmark	86809	Denmark	66343
Sweden	23053	United Kingdom	25322
France	19359	Sweden	22365
United Kingdom	16526	France	17780
Germany	12737	Lithuania	4252
Ukraine	8898	Netherlands	4200
Czech Republic	1914	Austria	3001
Lithuania	351	Hungary	2523
		Finland	2000
		Ukraine	1748
Total for Others	169647		149534
Others not Listed	19		1496
Grand Total	169666		151030

Note: Figures in the Trade Matrix table are for CY based on data from the Global Trade Atlas -WTA, CY 2002 data are only for January-November.

**- Rye Import Table**

Import Trade Matrix			
Country	Poland		
Commodity	Rye		
Time period	Jan.-Dec.	Units:	metric tons
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Germany	314159	Ukraine	8092
Denmark	14219	Germany	4630
Lithuania	1434	Slovakia	311
France	1054	Hungary	150
Ukraine	975	Sweden	150
Total for Others	331841		13333
Others not Listed	100		0
Grand Total	331941		13333

Note: Figures in the Trade Matrix table are for CY based on data from the Global Trade Atlas -WTA, CY 2002 data are only for January-November.

**Stocks**

Because of increased feed use, the estimated current MY grain ending stocks will decline more than 25 percent to 2.5 million tons. A seven percent stock increase is forecast by the end of MY 2003/04 because of reduced feed grain demand.

**Policy**

The Polish Government has no specific policies for feed grain production or marketing. Government grain support and intervention programs solely exist for food grain (food wheat and rye). Although there is no direct payment for feed grain production in Poland, the price support program for food grain (wheat and rye) together with tariff protection

strongly influences the domestic feed grain market which tends to follow food grain prices. The policy for food grain support will change when Poland joins the EU. The EU support policy will be the same for wheat and major feed grains. Consequently, it is expected that feed grain prices will follow the higher EU price levels, contrary to wheat prices. This will likely result in increased barley, rye, and corn production.

(See "Wheat, Policy" section regarding EU accession grain production quota issue.)

For the last few years applied tariffs on feed grain have been below maximum levels allowable under Poland's WTO commitments. Additionally, based on the CEFTA agreement, tariffs are significantly reduced on feed grain imported from CEFTA countries.

#### - 2003 Applied Tariffs:

Tariff No.	Description	MFN Countries	EU	Developing Countries	Least Dev. Countries
1002.00	Rye 1/	20	20	20	20
1003.00	Barley 2/	20	20	20	20
1004.00	Oats 1/	20	20	20	20
1005.10	Corn for seed 4/	10	0 3/	10	10
1005.90	Other corn (food & feed) 5/	20 or 12.8 plus 0.1 EUR/kg			
1007.	Sorghum 6/	8	8	6.4	0
1008.	Buckwheat/millet/triticale and other 6/	20 or 12.8 plus 0.09 EUR/kg			

1/ under the Central European Free Trade Agreement (CEFTA), there is a 15 percent tariff for rye and oats imported from all CEFTA countries and from Lithuania.

2/ under CEFTA there is a 18 percent tariff for barley imported from all CEFTA countries and 15 percent from Lithuania.

3/ zero applies to hybrid seeds but 10 percent to non-hybrid seeds imported from EU countries;

4/ there is no tariff for all corn seeds imported from all CEFTA countries, from Lithuania and from Latvia.

5/ Under CEFTA, there is a 15 percent tariff for non-seed corn imported from Romania and no tariff for non-seed corn imported from Hungary, Lithuania and Latvia. Poland also has granted duty free corn quotas of 40,000 tons for Slovakia and 15,000 tons for the Czech Republic in 2003;

6/ Under CEFTA, there is a zero tariff for sorghum, buckwheat, millet, canary seeds, triticale and other grains imported from all CEFTA countries and Lithuania. Latvia enjoys the same duty free access for all of these grains except for triticale.

**Marketing**

Poland's zero tolerance for common weed seeds, such as ragweed, constitutes a serious barrier to U.S. corn exports. See "Wheat, MARKETING" for more information regarding the status of the weed seed issue which effectively blocks entry of U.S. wheat and corn into Poland. In addition, if the weed seed non-tariff barrier were removed, U.S. corn would still face a difficult competitive situation because of preferential duties and lower transportation costs for corn from neighboring countries. Also, Polish corn production continues to increase.