

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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POLICY

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Annual Livestock Report.

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Report Highlights:

Post forecasts Polish swine inventories to increase by three percent in 2017 due to the favorable farm-gate prices and reduced feed costs. Swine inventories will continue to grow in 2018, although at a slower pace than 2017. African Swine Fever (ASF) detections in eastern Poland will hamper production growth because of import bans imposed on Polish pork by some trading partners. Pork production in 2017 is expected to decrease by one percent as a result of reduced slaughter. 2017 piglet imports from Denmark, Germany, and the Netherlands will grow and supplement domestic production. Cattle inventories will increase in 2017 by about three percent, driven mainly by an increase in Poland's beef herd. Beef production is expected to increase by eight percent in 2017 because of higher cattle inventories and expanding beef slaughter. The Polish dairy herd will remain stable.

Executive Summary:

Post estimates that 2017 swine inventories will increase by three percent due to the favorable level of farm-gate prices and stable feed costs. Swine inventories are expected to continue to grow in 2018, albeit at slower pace than 2017. 2017 pork production should decrease by one percent as a result of lower slaughter. Imports of gilts and sows from Denmark and Germany in 2016 increased by 180 percent in comparison to the previous year, which helped to quickly rebuild sow herd and reverse downward trend in swine inventories observed from mid-2015 to mid-2016. Higher 2016 imports of piglets from Denmark, Germany and the Netherlands also supplemented domestic production of piglets. However, detections of African Swine Fever (ASF) in eastern Poland hamper swine production growth because of import bans imposed on Polish pork by some trading partners. Cattle inventories are expected to increase in 2017 and 2018, although at a slower pace than the second half of 2016. Beef production is expected to increase by eight percent in 2017, mostly due to growing herd sizes increasing slaughter rates.

General Information:**Swine****Production**

In January 2017, swine inventories were five percent higher over last year. Farm-gate swine prices recovered in June 2016 and favorable feed prices drove swine-inventory growth during the second half of 2016 and first half of 2017. 2016 average farm-gate swine prices increased by nine percent over 2015. This growth trend emerged in June 2016 and then remained high through August 2017. Higher farm-gate prices for hogs during the second half of 2016 and first eight months of 2017 reflected an EU-wide trend, which was driven by reduced slaughter and higher demand in China.

Post estimates that farm-gate prices for hogs will decline during the last quarter of 2017 because of high domestic stocks and reduced export demand. Moreover, 2018 swine inventories should continue to grow, albeit at a slower rate because of stabilizing farm-gate swine prices.

Consumption

Post estimates that swine slaughter in 2017 will be one percent lower from last year. The average slaughter weight in 2016 was two percent higher over 2015 because of hog procurement delays by farmers in the ASF-affected areas. Post expects 2017 slaughter weights will remain consistent with 2016. On-farm slaughter in 2017 will decrease to seven percent of total slaughter, down from 11 percent in 2016. Average farm-gate prices as of September 2017 were PLN 5.28 (\$1.47) per kilogram, and almost flat compared to September 2016. During the first half of 2017, high prices stimulated Polish swine production. Slaughter in 2018 is forecast to grow, although growth rates will depend on international demand and the status of ASF in Poland.

Trade

In 2016, Poland imported 6.2 million live pigs. Denmark was the major supplier of pigs to Poland (77 percent), followed by Germany and the Netherlands. In 2016, piglet imports were supplemented by imported breeding gilts and sows. In 2016, Poland imported 740,000 head of breeding stock, a 180-percent increase over the previous year. Imported breeding stock from Denmark and Germany in 2016

and the first half of 2017 helped swine inventories recover and improve genetics. Post expects that breeding stock imports will continue be strong in 2018.

Policy

ASF detections in eastern Poland moderated the recovery of swine production. At the end of October 2017, 103 cases of ASF were detected in domestic swine and 555 cases in wild boars. Most cases occurred in the provinces bordering Belarus, Ukraine, and Lithuania. Although the disease remains confined to eastern Poland, it has negatively affected the entire pork industry because of import bans imposed by some trade partners, particularly in Asia.

Pork

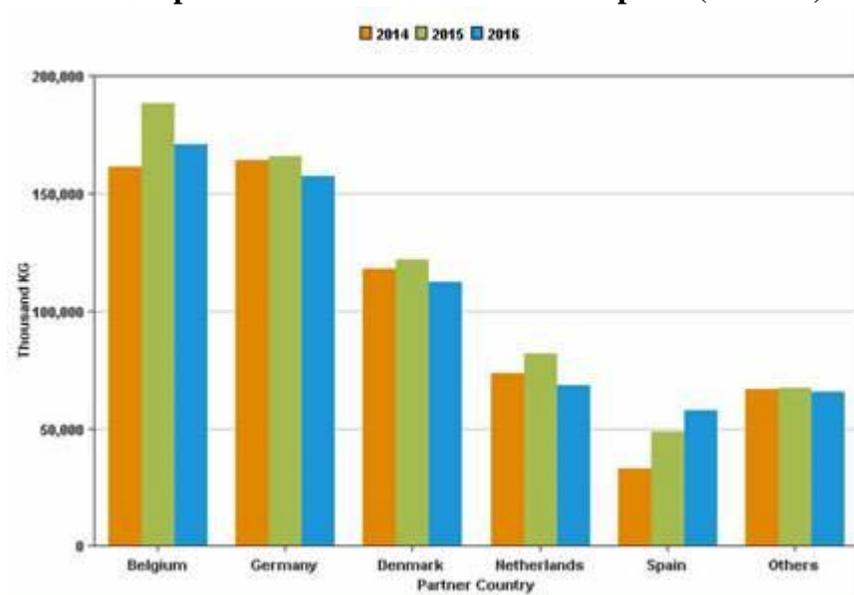
Production

Post estimates that pork output in 2017 will be 1.86 million MT, a one-percent decrease from 2016. Higher pork production during the second half of 2017 will not offset the reduction experienced during the first six months of 2017. Pork production is forecast to grow in 2018 because of higher inventories and higher slaughter.

Consumption

Per capita pork consumption in 2017 is estimated at 41 kilograms, almost unchanged from 2016. Post expects that pork consumption in 2018 will grow because of higher domestic production. Pork meat and related products make up over 50 percent of total meat consumption in Poland. Polish consumers prefer pork over beef and poultry meat, which stimulates imports.

Graph 1: Pork and Pork Product Imports (000 MT)

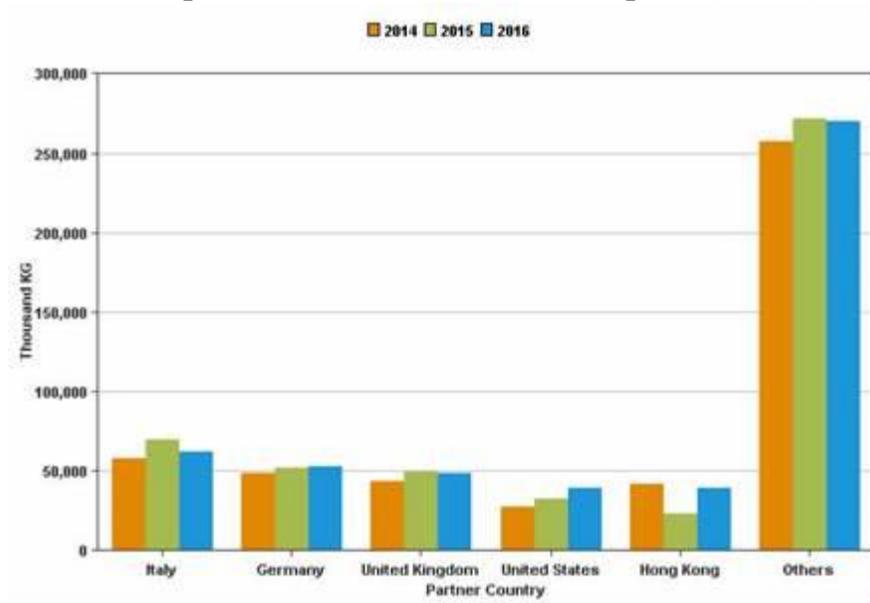


Trade

Poland remains a net pork importer. 70 percent of total 2016 pork imports (633,000 MT) came from Belgium, Germany, and Denmark. In 2016, overall Polish exports were 512,000 MT (a three-percent

increase over 2015) because of export growth to the United States and Hong Kong, which offset reduced market share within the European Union. In 2017 and 2018 pork and related product exports are expected to grow. Italy, Germany, and the United Kingdom are the major intra-EU markets. Major markets outside of the EU for Polish pork will be the United States and Hong Kong. In the first six months of 2017 Poland imported 320,000 MT of pork, which was unchanged from the corresponding period in 2016. Almost all imports came from within the EU. In the first half of 2017, Polish pork exports increased by 10 percent, driven by higher U.S. shipments, which amounted to 34,900 MT, a 40-percent increase over same period in 2016.

Graph 2: Pork and Pork Product Exports (000MT)



Cattle

Production

Polish cattle inventories in January 2017 were 5.97 million head, a four-percent increase over last year. Higher milk prices during the second half of 2016 and first half of 2017 decreased dairy-cow slaughter. The increase in the overall cattle herd is also attributed to growth in beef cattle production. In January 2017 inventories of dairy cows amounted to 2.1 million head and were unchanged compared to January 2016. Cattle inventories are expected to remain stable in 2017. Continuing interest in beef cattle and improvement in farm-gate milk prices should further stimulate cattle inventories in 2018.

Consumption

Post estimates that cattle slaughter in 2017 will increase by eight percent compared to the last year's level. Moreover, slaughter levels should increase in 2017 due to better prospects for beef producers. On-farm slaughter in 2016 will likely remain at about five percent of total slaughter.

Trade

In 2016, Poland became a net importer of cattle following a 25-year run as net exporter of fattening calves to Western Europe. Polish farmers may begin to focus more on fattening cattle domestically

instead of exporting calves to Italy or France. 2016 Polish cattle exports were 38 percent lower from 2015 and amounted to 82,000 head. Poland exported cattle mainly to Italy and the Netherlands within the EU and Bosnia and Herzegovina outside of the EU. It is estimated that exports of cattle in 2017 will further decrease in comparison to 2016 due to growing interest among Polish farmers in raising beef cattle. During the first six months of 2017, Poland exported 28,946 live calves, a 36-percent decrease from the same period in 2016. In the same period imports of live cattle to Poland decreased by four percent.

Beef

Production

Post estimates that beef production in 2016 was upwards of 25,000 MT, a six-percent increase over 2015. Higher beef output stemmed from an increased slaughter of dairy cows in the first half of 2016. Production of beef is expected to increase by an additional eight percent in 2017 because of higher slaughter.

Consumption

In 2016 average annual beef consumption amounted to 1.3 kilogram per capita, up from 1.2 kilograms per capita in 2015. Domestic consumption of beef in Poland remains low due to high prices and cultural preferences for pork. Polish consumers often substitute beef with cheaper (and perceived as healthier) poultry meat.

Trade

Poland is a net exporter of beef. In 2016 Poland imported 23,567 MT of beef mainly from Italy, Germany, and Ireland. Beef is imported from within the EU and used mainly for processing. Imports of high-quality beef are limited because of high prices and the lack of a steak-eating tradition. However, demand for high-quality beef imported from the United States (via German middlemen) and from South America is growing. High-quality beef is mostly distributed through hotels and high-end restaurants.

Post estimates that in 2016, Polish beef exports were 348,000 MT, a five-percent decrease from 2015. Italy, Germany, the Netherlands, Spain, and France were major importers of Polish beef within the EU, while Israel and Bosnia and Herzegovina and Turkey were the major buyers outside of the EU.