Voluntary _ Public

Date: 10/25/2012
GAIN Report Number: PL1219

Poland

Post: Warsaw

Potato Market in Poland - Agricultural Situation

Report Categories:
Potatoes and Potato Products

Approved By:
Michael Henney, Agricultural Attaché
Prepared By:
Mira Kobuszynska, Agricultural Specialist

Report Highlights:
In MY 2012/13 Poland’s exports of frozen potato products is forecast at 148 MMT, with exports of french-fries leading the growth. The consumption trend for fresh potatoes is floating downward while that for processed products, like french-fries, and chips, is moving upward. 2013 potato production is expected to contract 10 percent as low profitability provides farmer incentive to produce other commodities.

July 1, 2012, ushered in deregulation of the potato starch market.

Executive Summary:

In 2012, the area of potato cultivation decreased to 373,000 HA, approximately an 8.2 percent decline in area compared to 2011. Favorable weather conditions during the growing season led to record yields.

Poland is fresh potato market with about 20 percent of total supply (country crops plus import) consumed by the processing industry – for both human consumption and industrial usage. Production of both frozen potato products and potato chips has been on an upward trend the last several years that is expected to continue in the coming years. Growing foreign demand is the main driver for the development of this sector.

In MY 2012/13 Poland's export of frozen potato products is forecast at 148 thousand MT, a 7 percent growth in comparison against MY 2011/12. Export of potato fries has been growing in recent years – by 12.6 percent in MY 2010/11 and 9 percent in MY 2011/12. Growing demand from Russia and Ukraine are the major drivers for Polish export of frozen potato products.

Poland is also an importer of frozen potato products, mainly from the Netherlands (over 50 percent) and Belgium (over 30 percent). In MY 2012/13, total import of this commodity is forecast at 41 thousand MT.

General Information:

Policy

Starting from July 1, 2012, regulations controlling the potato starch market operation ceased, in the process removing the quota on potato starch production and eliminating the minimum price set for starch potatoes. The quota for starch production had been set at 145 thousand MT. In recent years, starch production had been lower than the allocated quota amount. Full decoupling of supplementary payments has been introduced for starch potato producers. Potato producers are still eligible for direct payments which amounted in 2011/12 to 711 PLN/HA (222.20 USD/HA), and in 2010/11, to 562 PLN/HA (175.60 USD/HA). Decoupled supplementary payments will be maintained for those farmers who cultivated starch potatoes during the historical reference period. In MY 2012/13, the supplementary payment will amount to 503 PLN/MT of starch (157.20 USD).

Note: Polish National Bank Rate of Exchange on October 24, 2012 (1 USD=3.1996 PLN Zloty)

Potato production

The production forecast for potatoes in 2013 is for a 10 percent decrease from that registered in 2012. It is expected that very low price on both fresh and industrial potatoes and diminished profitability of potato cultivation will further discourage farmers planting of potato area. Acreage is expected to diminish by 6 percent for total area of 350 thousands HA. Declining production of hogs and resulting lower demand for feed will contribute to the reduction in cultivated potatoes.

In 2012, the area of potato cultivation decreased to 373,000 HA, approximately an 8.2 percent decline in area compared to 2011. Very low profitability on potatoes spurred the decline in acreage in 2011.

Favorable weather conditions during the growing season led to record yields in 2012 with average yields estimated at 24.4 MT/HA compared to 21.1 MT/HA over the five previous years. Potato production in 2012 is estimated at 9,100 thousand MT, a three percent decrease in comparison to 2011.

Table: Area, yields, production of potatoes in Poland

Poland	Area (HA)	Yield (MT/HA)	Total Production (MT)
2009/10	508,000	19.1	9,703,000
2010/11	401,000	21.1	8,448,000
2011/12	406,000	23.1	9,362,000
2012/13	373,000	24.4	9,100,000
2013/14*	350,000	23.7	8,600,000

Source: Main Statistical Office

* forecast of Institute of Agricultural and Food Economics

The 2012 crop quality is judged to be low, due to the low usage of certified plant sprouts by farmers and to the reduction in use of plant protection measures due to their relatively high cost in relation to the sales price received. Specialized plantations that produce for the french-fries, and potato chips industry are the exception given the high standards required.

The level of ware potato production is relatively low in Poland. About 50 percent of the harvest is sold through market channels (wholesale, local markets, exports). The rest of the crop remains on-farm for use as: seed (25 percent), animal feed (35 percent), and personal supply for direct human consumption (40 percent).

Table: Total and ware potato production in Poland, MT

Poland	2009/10	2010/11	2011/12	2012/13
Total	9,703,000	8,448,000	9,362,000	9,100,000
Ware	4,077,000	3,891,000	4,100,000	4,095,000*

Source: Main Statistical Office

*FAS/Warsaw Forecast

Consumption

Poland is fresh potato market with about 20 percent of total supply (country crops plus import) consumed by the processing industry – for both human consumption and industrial usage. For MY2011/12 consumption of potato products (potato equivalent) totaled 16.0 kg per capita, while consumption of fresh potatoes totaled 97.3 kg per capita. For MY2012/13 consumption of processed potatoes is expected to be stable while that for fresh potatoes will be lower based on recent trends.

Potato Processing

Production of both frozen potato products and potato chips has been on an upward trend the last several years that is expected to continue in the coming years. Growing foreign demand is the main driver for the development of this sector. Domestic demand is also growing, though at a much slower rate of around 2.5 percent during recent years. Driving consumption of processed potato in Poland is developments in the fast food and HORECA sectors.

A Long-term decline is underway in Poland's potato non-food processing industry (dry potatoes and alcohol). Abolition of financial support for the sector will likely hasten this decline further in 2012.

Table: Poland's output of Potato Products, 1.000 MT

	CY 2009	**CY 2010**	**CY 2011**	**CY 2012***
Frozen potato products (fries)	**161.3**	**178.4**	**173.5**	**185.0**
Chips	75.5	72.9	66.5	68.0
Dry potato	15.1	14.7	15	16.0
Potato starch	100.9	76.9	111.0	115.0

Source: The Main Statistical Office Poland

*FAS/Warsaw Forecast

Fresh Potato Trade and Outlook

Table: Poland's Exports of Fresh Potatoes, MT (year ending June) – HS 070190

	MY 2009/10	**MY 2010/11**	**MY 2011/12**	**MY 2012/13***
Total Exports	**29,322**	**90,799**	**22,068**	**40,000**
EU-27	*5,612*	*9,786*	*8,249*	*10,000*
Non-EU 27	23,710	81,013	13,819	30,000

Source: Global Trade Atlas
* FAS/Warsaw Forecast

Table: Poland Imports of Fresh Potatoes, MT (year ending June) – HS 070190

	MY 2009/10	**MY 2010/11**	**MY 2011/12**	**MY 2012/13***
Total Imports	**212,050**	**228,518**	**127,053**	**110,000**
EU-27	*212,050*	*228,353*	*126,967*	*80,000*
Non-EU 27	0	165	86	30,000

Source: Global Trade Atlas
* FAS/Warsaw Forecast

Poland imports fresh potatoes for human consumption – both for fresh and for processing. A large majority of imports is sourced from the EU countries like Germany (30 percent of total import), France (20 percent), Spain (9 percent), The Netherlands (7 percent), and Belgium (7 percent). Potatoes sourced supplied from these countries usually are directed into processing for French fries mostly. The major export markets for Polish fresh potatoes includes: Russia (26 percent of total export), Belarus and Moldova.

Frozen Potato Products Trade and Outlook

In MY 2012/13 Poland's export of frozen potato products is forecast at 148 thousand MT, a 7 percent growth in comparison against MY 2011/12. Export of potato fries has been growing in recent years – by 12.6 percent in MY 2010/11 and 9 percent in MY 2011/12. Growing demand from Russia and Ukraine are the major drivers for Polish export of frozen potato products.

Traditionally Poland is the leading supplier to Russia among the EU-27 countries. Almost 40 percent of Polish frozen potato products are directed to Russia and over 8 percent to Ukraine. Among biggest buyers of French fries are the EU-27 countries which buy 38 percent of the total Poland exports of this product. In MY 2009/10 Sweden appeared as a new export destination with growing export potential for Poland, however, initial expectations proved somewhat optimistic. The Polish potato processing industry is forecasting stable growth of exports to Russia and Ukraine, although the rate of growth is expected to diminish.

Poland is also an importer of frozen potato products, mainly from the Netherlands (over 50 percent) and Belgium (over 30 percent). In MY 2012/13 the total import of this commodity is forecast at 41 thousand MT.

Table: Poland's Exports of Frozen Potato Products, MT (year ending June) – HS 200410

	MY 2009/10	**MY 2010/11**	**MY 2011/12**	**MY 2012/13***
Total Exports	**112,607**	**126,888**	**140,718**	**148,130**
EU-27	*46,903*	*50,265*	*56,948*	*56,000*
Non-EU 27	**65,704**	**76,623**	**83,770**	**92,130**

Source: Global Trade Atlas
* FAS/Warsaw Forecast

Table: Poland's Major Export Destinations. Frozen Potato Products, MT (year ending June) – HS 200410.

	MY 2009/10	**MY 2010/11**	**MY 2011/12**	**MY 2011/12 Exports as % Share**
Russia	43,415	46,561	52,777	37.7
Ukraine	8,119	11,586	11,594	8.3

Czech Republic	11,189	10,130	9,447	6.7
Hungary	3,366	3,946	7,794	5.6
Romania	6,809	4,814	5,800	4.1
Slovakia	6,148	5,277	5,647	4.0
Netherlands	590	2,407	4,381	3.1
Sweden	3,887	4,465	4,253	3.0

Source: Global Trade Atlas
* FAS/Warsaw Forecast

Table: Poland Import of Frozen Potato Products, MT (year ending June) – HS 200410

	MY 2009/10	**MY 2010/11**	**MY 2011/12**	**MY 2012/13***
Total Imports	**32,944**	**47,201**	**40,748**	**41,000**
EU-27	*32,866*	*46,686*	*39,552*	*40,000*
Non-EU 27	78	515	1,196	1,000

Source: Global Trade Atlas
* FAS/Warsaw Forecast