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U.S. – Poland Agricultural Trade Balance

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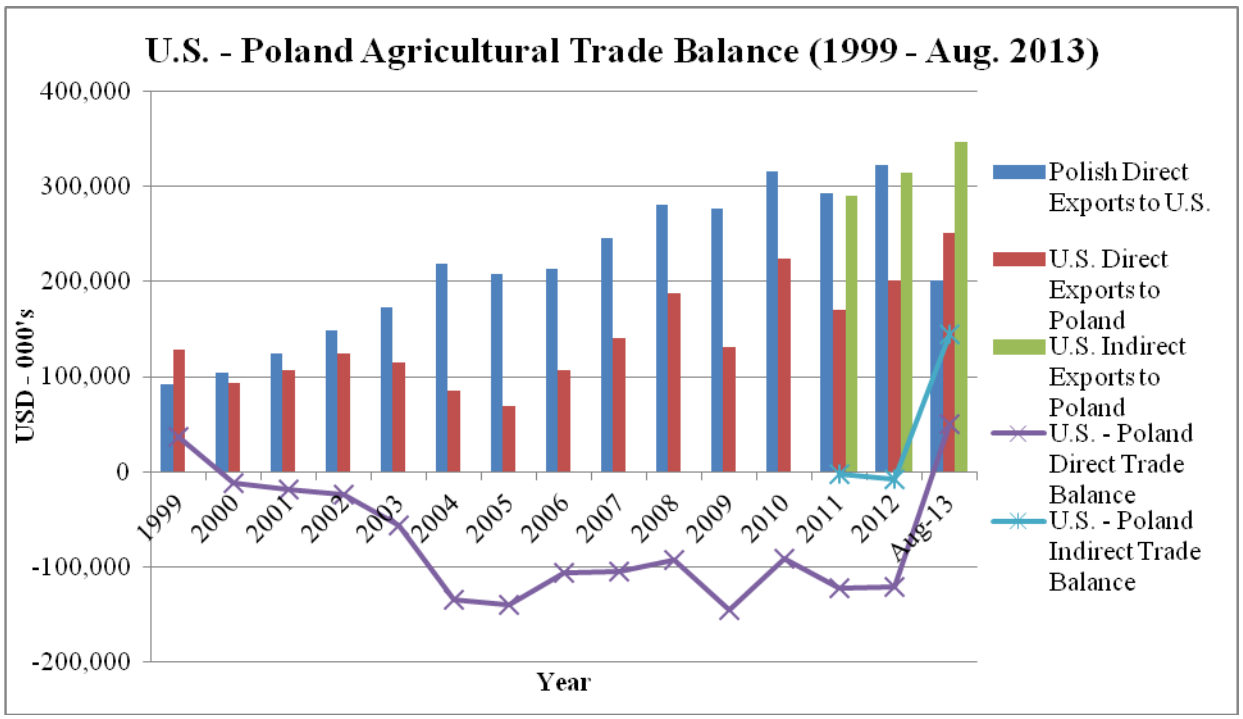
Report Highlights:
In 2013, for the first time since 1999, the U.S. is expected to achieve a positive trade balance with Poland. While the trade deficit between 2000 and 2012 expanded significantly after Poland's EU accession, in 2004, the increase in the deficit was due in part to the emergence of indirect trade, where products were shipped through more established Western EU markets and then transshipped to Poland. Indirect trade data indicates positive outlook for total value of U.S. agricultural exports to Poland and improved U.S. market share. Future U.S. agricultural trade advances will depend on the outcome of the continuing restructuring of the Polish agricultural and food sectors.

I. Introduction

The U.S. has experienced a trade deficit in agricultural products with Poland since 2000. Between 2003 and 2004, Poland joined the European Union (EU) May 1, 2004, this deficit more than doubled from 57 million USD to 134 million USD. The reason for this huge increase in trade deficit is due in part to the emergence of indirect trade with Poland. EU accession effectively reduced barriers to entry for U.S. agricultural products in Poland by using Western EU member states as a transshipment point. For more information on Indirect and Direct trade please refer to GAIN_PL1330.

Indirect trade occurs for multiple reasons. Bulk shipments for example, make products cheaper to transport, but may exceed the consumption capability of a single market; this is especially true for high value or new products to the market. Indirect trade involves dividing bulk shipments and redistributing them across several markets. Indirect trade may also be induced due to higher transaction costs due to lack of infrastructure, insufficient transportation networks, or Port Customs bottlenecks that inhibit market access, indicating the need for further investment and development. The longer time period over which direct and indirect trade data is available may provide insight into key development factors of economies.

II. U.S. – Poland Agricultural Trade



Source: Global Agricultural Trade Statistics (GATS)

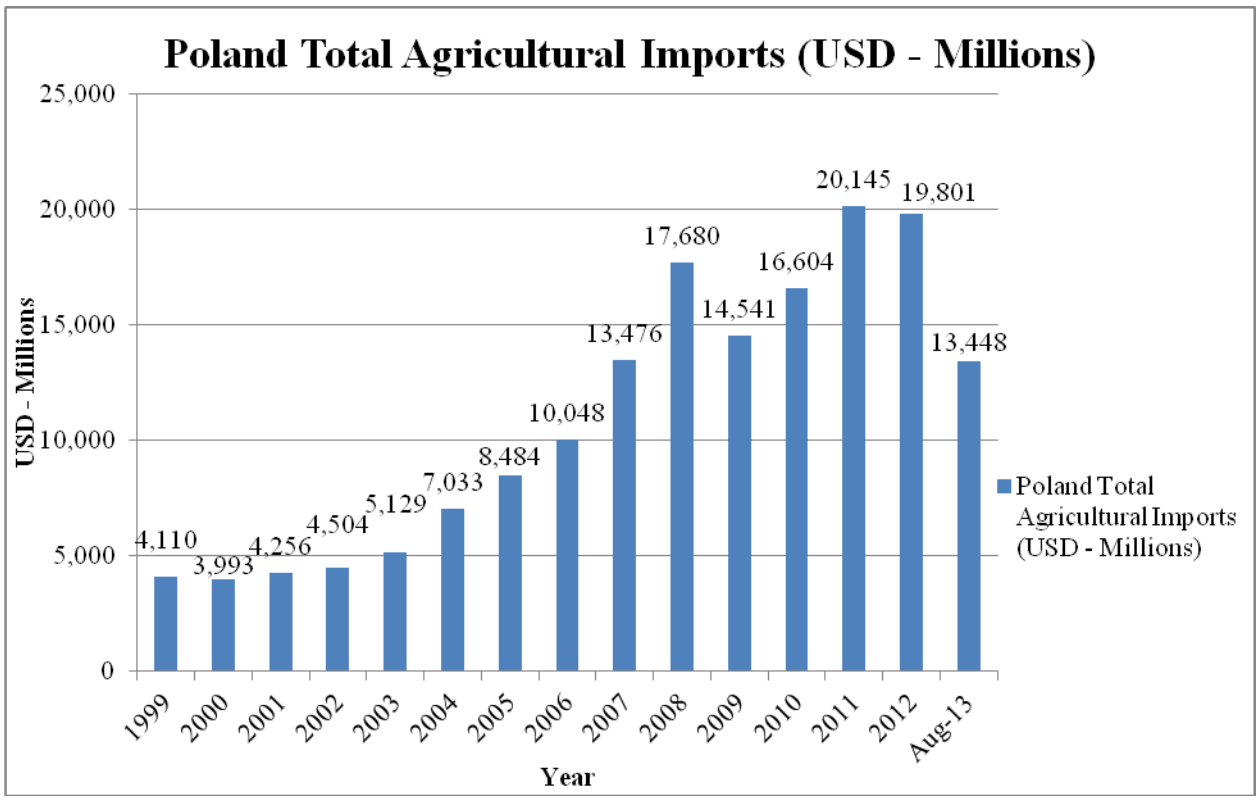
From 1999 to 2012, Polish agricultural exports to the U.S. more than tripled from 91 million USD to 322 million USD. Direct exports from the U.S. to Poland, have not increased nearly as significantly, exacerbating the trade deficit. U.S. direct exports to Poland were valued at 128 million USD in 1999 and 201 million in 2012, and were at their lowest level in 2005 at 69 million USD. The U.S. experienced a positive direct trade balance in agricultural products with Poland in 1999, but has faced a

deficit throughout the 21st century.

The U.S. agricultural trade deficit with Poland is significantly lower when indirect trade is included indicating that trade in 2011 and 2012, for which data is available, is nearly balanced. For 2011, the direct trade deficit for the U.S. was 123 million USD, however, when including indirect trade, the U.S. trade deficit shrunk to only 2.3 million USD. In 2012, the direct trade deficit was 121 million USD, while with indirect U.S. trade the deficit shrunk to 8 million USD. As of August 2013, the U.S. has experienced its first agricultural trade surplus with Poland since 1999. Direct trade exhibits a positive balance at nearly 50 million USD and, when including indirect trade, the trade surplus exceeds 144 million USD. While the trade surplus for the U.S. is not expected to remain as high by the end of 2013, there is clear indication for continued expansion of U.S. agricultural exports to Poland.

Source: GATS

While U.S. direct market share of Polish agricultural imports eroded up until 2005, it has maintained on average a share of one percent through 2012. Market share nearly doubled by August 2013 due in part to large increases in U.S. soybean exports, but it remains to be seen whether this a sporadic event or a continuing trend. U.S. indirect market share indicates slightly more than 0.6 percent premium in market share for 2011 and 2012. As of August 2013, U.S. agricultural products, including indirect trade, accounted for nearly 2.65 percent of total Polish agricultural imports.



Source: GATS

Since 1999, Poland's imports of agricultural products have increased fivefold. The increase can be decomposed across many factors including improved market access due to EU accession and revised trade policy, changing consumer preferences driven by increases in income, changes in prices, and changes in Polish agricultural structure among many others.

Since 2000, Polish agricultural structure has changed regarding land use, improved yields, structure of output, and farm structure. From 2000 to 2012, nearly 2.8 million hectares have been taken out of production, most of which was likely of marginal quality as production continues to increase. Improved yields are a key factor to increased production. Yields have increased by 48 percent for sugar beets and 46 percent for cereals from 2000 to 2012. Over the same time period yields improved by 26 percent for potatoes, 19 percent for oilseeds, and 8 percent for fodder. Gross agricultural output during this time period has seen the decline in production of potatoes and pigs, two Polish staples, as well as decreased milk production. Vast increases in gross output occurred in cereals, poultry, and to a lesser extent, fruit, vegetables, and hen eggs. Finally, farm structure is changing. Small farms are the rule in Poland, and despite policy designed to override market forces, they are slowly consolidating, a difficult prospect in the only country to successfully ward off numerous collectivization attempts under communist rule. From 2000 to 2012, total number of private farms decreased by 404,000, with decreased number of farms in all categories except those with greater than 15 hectares, with an increase of 15,700 farms. In the same group, over the same period, agricultural land area increased by 1.8 million hectares, and total agricultural land area increased from 7.2 to 9.2 hectares (GUS).

These factors along with other non agricultural specific macroeconomic factors will be the driving force

behind U.S. – Poland agricultural trade balance in the future. The Polish agricultural sector is rapidly rebuilding the institutional knowledge base lost during the many attempts to implement poorly functioning collectivization. Great untapped potential lies in improved yields for Polish agriculture, but until greater market pressure is exerted on the industry, change will be slow to come. U.S. – Poland agricultural trade has changed since Poland's accession to the EU, with the greater prevalence of indirect trade. It remains to be seen if the U.S. will have its first trade agricultural trade surplus with Poland since 1999.

III. Contact Info

Review the following GAIN Reports for more information on Direct and Indirect trade and changes in Polish agricultural structure:

PL1330 – Direct vs. Indirect Imports of U.S. Agricultural Products to Poland
PL1339 – Organic Products and Production

For more information about exporting agricultural products to Poland please contact:

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