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Poland

Fresh Deciduous Fruit

Apples and Concentrated Apple Juice

2004

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Report Highlights:
MY2004/2005 apple production is estimated to be similar to that of MY 2003/04 reaching 2.4 million tons. Concentrated apple juice production will also be similar although the export value may drop by 20 percent due to higher world apple and CAJ supplies. As a new EU member state, Polish apple producers will receive per hectare subsidies. Producers and processors, when eligible, can also receive EU co-financing funds for investments.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Despite a cool wet flowering period, apple production is projected to remain high in CY 2004 due partially to a mild winter. This large crop will stimulate high concentrated apple juice (CAJ) production. Final apple production in CY 2003 was 3 percent above CY 2002 production.

MY 2003/2004 apple exports were slightly lower than in the previous season due to an increase in world CY 2003 production. Fresh apple exports are expected to continue to gradually decrease from the previous year due to high apple production in the European Union, Brazil, Thailand, United States and China. Imports were much higher in MY 2003/2004 than in the previous season due to an increase in world production as well as an increase in apple processing in Poland. Apple processing is expected to continue to expand leading to projected larger imports in MY 2004/2005. New to Poland EU agricultural/rural support funds are contributing financial assistance to fruit processing companies.

Polish MY 2003/2004 CAJ exports earned higher than normal profits because of lower worldwide CAJ production yet stable demand. MY 2004/2005 CAJ export quantities are expected to be virtually the same as in MY 2003/2004 but profits are expected to decline because of higher anticipated world CAJ production.

Production

Apples:

According to Government of Poland (GoP) official data, CY 2003 apple production of 2.43 million tons was up 12% from CY 2002. The average price that farmers received for industrial and fresh consumption apples in MY 2003/2004 was PLN 0.60 (US$ 0.17) per kilogram. This price did not cover their production costs of PLN 0.66-0.7 (US$ 0.18-0.20) per kilogram. Nevertheless, large producers with storage facilities earned more since they were able to store their apples for periodic market sales up through May-June 2004.

A cool and wet spring caused little damage to the blossoms, and the winter was mild leaving very little damage. Therefore, the Institute of Rural Economics estimates that CY 2004 apple production will be down very slightly from in CY 2003 and will reach 2.4 million tons.

Production of all varieties of apples (excluding McIntosh) increased in commercial orchards. The main varieties in Poland are Cortland, Champion, Idared and Lobo.

Concentrated Apple Juice

It is estimated that concentrated apple juice (CAJ) production in MY 2003/2004 was approximately 220,000 metric tons compared to 215,000 of MY 2002/2003. There were 1.6 million tons of apples processed, almost 300,000 tons more than in the previous season. In MY 2002/2003 and MY 2003/2004 CAJ represented 13 percent of total processed fruit. Since the MY 2004/05 apple crop is estimated to be virtually as high as the previous season's, the production of CAJ will also be high.

Consumption

CY 2003 total fruit and processed fruit product consumption was slightly lower than in CY 2002 and represented 54.5 kg per person (55.5 kg in 2002). Nevertheless, compared to the old EU-15, fresh and processed fruit consumption is still very low, representing 50 percent of the average EU-15 consumption. Only apple consumption is similar to other

European countries and even higher than in France and Spain. Apples remain the dominant horticultural fruit in Poland. In MY2003/2004 the consumption of apples remained at 23 kilogram per person. It is expected that the consumption of fruit and fruit products would not change much in MY 2004/2005, and the consumption of apples may increase. The share of apples in relationship to the total consumption of fruit increased up to 66 percent in CY2003 (3 percent increase).

Consumption of apple juice increased to 23,000 tons in MY2003/2004, 4.5 percent higher than in MY2002/2003.

Trade

Fresh Apples:

It is estimated that fresh fruit exports in MY2003/2004 decreased by 3 percent from the previous season while exports of processed fruit increased by 4 percent. The value of apple exports in MY2003/2004 continued to climb reaching US$70 million after reaching a very high value of US$68.8 million in MY2002/2003. However, due to an increased abundance of CAJ, export values decreased as quantity increased.

Fresh apple exports, supplied in CY 2003 mainly to Russia, Belarus, Lithuania, Moldova and Slovakia, increased from 334,000 up to 353,000 tons, while its value increased 36 percent from US$51 million up to US$69 million.

Projected MY2004/2005 apple imports, relatively small in comparison to exports, are expected to increase from 14,000 tons in MY2002/2003 to 18,000 tons in MY2004/2005. This is due to improving local storage facilities and an increasing portion of local apple production for processing.

Concentrated Apple Juice:

Virtually all Polish CAJ production is exported. MY2003/2004 CAJ exports were worth US$210 million, compared to US$156 million in MY2002/2003. The increased quantities and higher value of exported CAJ resulted mainly from lower world production.

Estimated higher production in Poland, as well as in other CAJ producers like the United States and China, could put downward pressure on Polish CAJ prices, although the Institute of Rural Economics estimates Polish CAJ prices could average US$0.8 per kilogram in MY2004/2005. The average price of Polish CAJ in MY2003/2004 US$0.9 and in MY2002/2003 US$0.7.

Policy

Since September 2001, farm producer group support legislation has been in force. However, only in 2002 and 2003 did farmers receive subsidies for apples withdrawn from the market. When Poland joined the EU on May 1, 2004, these subsidies were canceled. Apple producers, like other farmers, can apply for per hectare subsidies, preferential credit (part of the interest rate is paid by the GoP's Agency for the Restructuring and Modernization of Agriculture) from local banks, and EU co-financing funds for producer investments.

In April 2004, the act on organization of the fruit and vegetable market was adopted. This adapts Polish law to EU regulations. According to this act, officially recognized producer groups would have a right to intervene on the market in specific conditions by withdrawing apples from the market (not more than 8.5 percent of the previous year quantity supplied to the market) and donating them to charity organizations. In such cases, the groups will receive financial compensation. Government authorities do not believe these policy changes will impact production. Farmers are not very optimistic about producer group activities and want to change the law. They are afraid that the new entity, as the producer group will be, could have problems with selling their produce. Farmers have their individual market channels, so they would accept the obligation to provide the groups with a half of their production, istead of all production. To encourage farmers to create producer groups, the government promised to cover the expenses of the registration of the group and its administrative costs for the first five years. Also, the producer groups can apply for preferential investment credits at 0.25 percent interest rate.

Marketing

Most imports are handled by private companies. Large processors such as Agros or Hortex focus primarily on export sales. Most of the distribution of fruit in the Polish market is done through farmers' markets or commodity exchanges. There is still a deficit of modern storage facilities for apples in Poland. It is estimated that only 50,000-60,000 tons of apples are stored in modern storage facilities. Only large apple producers can afford the price of such facilities. The average Polish orchard is less than 5 hectares.

Economic potential of an average processor in Poland is much lower than in the old EU-15. However, a group of processing industry leaders was created whose economic potential, production scale and productivity are comparable to that of European leading producers. Their share in Polish production of most processed fruit products is much lower than the average in the EU, however, in terms of production of juices and drinks, jams and confitures, it's over 50 percent. Sector leaders, as well as other smaller producers, reportedly comply with EU food safety and hygiene requirements.

Tariffs

Import duties changed upon Poland's EU accession May 1, 2004. EU external rates are noted in the table below for non-EU imports. EU-25 member states have duty free access. Given Poland's substantial apple production, no significant import impact is expected despite some lower than pre-accession CAJ EU external duty rates.

Poland Import Duty Rates after EU Accession

HS Code	Product	Months	Tariff	Entry Price	Entry Price/100kg net weight
0808.10.20 0808.10.90	Golden Delicious & Other Apples, Fresh	January 1-February 14	11.2%	Not less than €56.8	4%
				Not less than €55.7 but less than €56.8	6.4%+1.1€
				Not less than €54.5 but less than €55.7	6.4%+2.3€
				Not less than €53.4 but less than €54.5	6.4%+3.4€

				Not less than €52.3 but less than €53.4	6.4%+4.5€
				Less than €52.3	6.4%+23.8€
		February 15- March 31	11.2%	Not less than €56.8	4%
				Not less than €55.7 but less than €56.8	6.4%+1.1€
				Not less than €54.5 but less than €55.7	6.4%+2.3€
				Not less than €53.4 but less than €54.5	6.4%+3.4€
				Not less than €52.3 but less than €53.4	6.4%+4.5€
				Not less than €51.1 but less than €52.3	6.4%+5.7€
				Not less than €50 but less than €51.1	6.4%+6.8€
				Less than €50	6.4%+23.8€
		April 1- June 30		Not less than €56.8	Free*
			3% + 1.1€/100 kg/net	Not less than €55.7 but less than €56.8	4.8%+1.1€*
			3% + 2.3€/100 kg/net	Not less than €54.5 but less than €55.7	4.8%+2.3€*
			3% + 3.4€/100 kg/net	Not less than €53.4 but less than €54.5	4.8%+3.4€*
			3% + 4.5€/100 kg/net	Not less than €52.3 but less than €53.4	4.8%+4.5€*
			3% + 5.7€/100 kg/net	Not less than €51.1 but less than €52.3	4.8%+5.7€*
			3% + 6.8€/100 kg/net	Not less than €50 but less than €51.1	4.8%+6.8€*
			3% + 8€/100 kg/net	Not less than €48.8 but less than €50	4.8%+8€*
			3% + 23.8€/100 kg/net	Less than €48.8	4.8%+23.8€*
		July 1- July	12.8%	Not less than	Free

		15	MIN 2.4€ /100 kg/net	€45.7	
				Not less than €44.8 but less than €45.7	4.8%+0.9€*
				Not less than €43.9 but less than €44.8	4.8%+1.8€*
				Not less than €43 but less than €43.9	4.8%+2.7€*
				Not less than €42 but less than €43	4.8%+3.7€*
				Not less than €41.1 but less than €42	4.8%+4.6€*
				Not less than €40.2 but less than €41.1	4.8%+5.5€*
				Not less than €39.3 but less than €40.2	4.8%+6.4€*
				Less than €39.3	4.8%+23.8€*
		July 16- July 31	12.8% MIN 2.4€ /100kg/net	Not less than €45.7	Free
				Not less than €44.8 but less than €45.7	4.8%+0.9€*
				Not less than €43.9 but less than €44.8	4.8%+1.8€*
				Not less than €43 but less than €43.9	4.8%+2.7€*
				Not less than €42 but less than €43	4.8%+3.7€*
				Less than €42	4.8%+23.8€*
		August 1- December 31	11.2%	Not less than € 45.7	9%
				Not less than €44.8 but less than €45.7	11.2%+0.9€
				Not less than €43.9 but less than €44.8	11.2%+1.8€
				Not less than €43 but less than €43.9	11.2%+2.7€

				Not less than €42 but less than €43	11.2%+3.7€
				Less than €42	11.2%+23.8€

- From April 1-July 31 there is a quota of 600 tons, which allows for the ad valorem tariff to be reduced to 0.

Poland Import Duty Rates before EU Accession

HS Code	Product	Import tariff for WTO members, incl. USA and EU members	Czech & Slovak Rep.	Lithuania	Latvia
0808.10.10.0	Apples for juice, from Sept.16 till December 15	0.3 EUR/kg	10 %	10 %	0 %
0808.10.20	Golden Delicious varieties:				
0808.10.20.1	-from January 1 till March 31	0.33 EUR/kg	10 %	10 %	10 %
0808.10.20.3	-from April 1 till June 30	0.12 EUR/kg	0 %	10 %	0 %
0808.10.20.5	-from July 1 till July 31	10 %	0 %		0 %
0808.10.20.7	-from August 1 till December 31	0.3 EUR/kg	10 %	10 %	15 %
0808.10.50	Granny Smith varieties:				
0808.10.50.1	-from Jan 1 till March 31	0.33 EUR/kg	10 %	10 %	10 %
0808.10.50.3	-from April 1 till June 30	0.12 EUR/kg	0 %	10 %	0 %
0808.10.50.5	-from July 1 till July 31	10 %	0 %		0 %
0808.10.50.7	-from August 1 till December 31	0.33 EUR/kg	10 %	10 %	15 %
0808.10.90	Other varieties:				
0808.10.90.1	-from Jan 1 till March 31	0.33 EUR/kg	10 %	10 %	10 %
0808.10.90.3	-from April 1 till June 30	0.12 EUR/kg	0 %	10 %	0 %
0808.10.90.5	-from July 1 till July 31	10 %	0 %		0 %
0808.10.90.7	-from August 1 till December 31	0.3 EUR/kg	10 %	10 %	15 %

Poland's tariff rate for CAJ before May 1, 2004 was 50 percent or 44 percent plus 0.2 EUR/kg with a maximum 120 EUR/hl plus sugar-content tax. In order to protect the local sugar industry, in 1993 Poland introduced a sugar-content tax. This tax applied to all products which contain sugar. The sugar tax applicable to CAJ was 0.0049 EUR per each 10 grams or each 1 percent of sugar in 1 kilogram of the product. The tariff rate for CAJ with no added sugar content was 35 percent. There was a 12 percent preferential tariff rate on all kinds of CAJ imported from the Czech and Slovak Republics, Hungary, Slovenia, Romania, Bulgaria and Latvia, under a series of bilateral agreements.

Poland's situation after the EU accession

Integration with the EU did not significantly affect the level and structure of Polish foreign trade in horticultural products, including apples and CAJ. Import duties on Polish exports to the EU-15 had been abolished January 2001. Ending the system of threshold prices can lead to an increase in sales of apples to the EU market. Lower import duties (in selected seasons) can increase the possibility of imports of U.S. apples to Poland (former Polish rate was 9-11.2%).

Farmers, as well as local CAJ producers, unanimously confirm that Polish accession to the EU structures on May 1, 2004 did not significantly change their position on local and EU markets. Actually, exports of fruit juices are higher due to higher demand (hot weather) and the Euro exchange rate. CAJ producers are not afraid that they cannot sell their production in Europe this year, but anticipate that due to higher apple production worldwide, and especially very cheap Chinese offers, their profits will decline.

Farmers complain that they would prefer to get some subsidies on their apples as can their old EU-15 counterparts. However according to the accession treaty, Poland as a new EU-25 member state will receive decoupled agricultural land per hectare subsidies rather than fruit production related subsidies.

Despite such farmer complaints, there will likely be some stimulation of commercial production and processing because of EU investment subsidies for farmers and processors. Registered food producers are entitled to receive EU subsidies and can submit applications for co-financing of investment projects on their farms. Such EU investment refunds can amount to 55 percent of the investment value.

Food processing companies can also apply for EU investment co-financing. For example, as reported in an August 23, 2004 Polish press report, "93 fruit and vegetable" processing plants will be allowed to tap into some of 105 million Euros in EU agricultural sector financial assistance. Beyond this, the same report indicates that overall under SAPARD agricultural sector EU development funds which largely assist adjusting agricultural/food processors, there have been 1,778 applications in Poland of which 1,341 were granted support worth 1.7 billion zloties (3.6 zloty = US$ 1, Aug. 24, 2004).

Fresh Apples, PSD

PSD Table							
Country	Poland						
Commodity	Apples, Fresh				(HA)(1000 TREES)(MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2002		07/2003		07/2004	MM/YYYY
Area Planted	168500	168500	170000	159300	0	260000	(HA)
Area Harvested	100000	100000	100000	100000	0	100000	(HA)
Bearing Trees	77000	77000	79000	78000	0	78000	(1000 TREES)
Non-Bearing Trees	22000	22000	22000	20000	0	20000	(1000 TREES)
Total Trees	99000	99000	101000	98000	0	98000	(1000 TREES)
Commercial Production	2028000	2028000	2100000	2282000	0	2260000	(MT)
Non-Comm. Production	150000	140000	150000	145800	0	140000	(MT)
TOTAL Production	2178000	2168000	2250000	2427800	0	2400000	(MT)
TOTAL Imports	5000	7500	5000	14000	0	18000	(MT)
TOTAL SUPPLY	2183000	2175500	2255000	2441800	0	2418000	(MT)
Domestic Fresh Consump	664000	500100	685000	515100	0	500000	(MT)
Exports, Fresh Only	230000	386400	270000	340000	0	310000	(MT)
For Processing	1289000	1289000	1300000	1586700	0	1608000	(MT)
Withdrawal From Market	0	0	0	0	0	0	(MT)
TOTAL UTILIZATION	2183000	2175500	2255000	2441800	0	2418000	(MT)

Fresh Apples, Exports

Export Trade Matrix			
Country	Poland		
Commodity	Apples, Fresh		
Time Period	Jan-Dec	Units:	MT
Exports for:	2002		2003
U.S.		U.S.	
Others		Others	
Russian Federation	135192	Russian Federation	140703
Lithuania	21141	Belarus	38424
Moldova	19326	Moldova	25277
Slovakia	18452	Lithuania	24053
Romania	17539	Romania	21299
Yugoslavia	15445	Slovakia	17421
Latvia	15142	Latvia	15189
Belarus	13569	Estonia	11040
Czech Republic	12892	Germany	10557
Croatia	12762	Bulgaria	10507
Total for Others	281460		314470
Others not Listed	52173		38177
Grand Total	333633		352647

Fresh Apples, Imports

Import Trade Matrix			
Country	Poland		
Commodity	Apples, Fresh		
Time Period	Jan-Dec	Units:	MT
Imports for:	2002		2003
U.S.	96	U.S.	4
Others		Others	
Argentina	2397	Lithuania	4827
Austria	1040	Argentina	3448
Chile	815	Austria	1671
Netherlands	537	Netherlands	1498
Italy	401	Chile	910
Russian Federation	259	Italy	474
France	192	South Africa	311
Belgium	152	Belgium	231
South Africa	130	France	221
Uruguay	101	Slovakia	75
Total for Others	6024		13666
Others not Listed	282		393
Grand Total	6402		14063

Concentrated Apple Juice, PSD

PSD Table							
Country	Poland						
Commodity	Apple Juice, Concentrated				(MT)		
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		07/2002		07/2003		07/2004	MM/YYYY
Deliv. To Processors	1289000	1289000	1300000	1586700	0	1608000	(MT)
Beginning Stocks	5000	3000	3000	3000	3000	3000	(MT)
Production	200000	215000	205000	220000	0	225000	(MT)
Imports	5000	2600	5000	2500	0	2500	(MT)
TOTAL SUPPLY	210000	220600	213000	225500	3000	230500	(MT)
Exports	185000	197600	187000	201500	0	206000	(MT)
Domestic Consumption	22000	20000	23000	21000	0	21500	(MT)
Ending Stocks	3000	3000	3000	3000	0	3000	(MT)
TOTAL DISTRIBUTION	210000	220600	213000	225500	0	230500	(MT)

Concentrated Apple Juice, Exports

Export Trade Matrix			
Country	Poland		
Commodity	Apple Juice, Concentrated		
Time Period	Jul-Apr	Units:	MT
Exports for:	2002		2003
U.S.	7945	U.S.	1383
Others		Others	
Germany	145892	Argentina	142529
Austria	10163	Lithuania	15989
Denmark	9503	Austria	9463
Italy	3843	Netherlands	4299
Netherlands	2259	Chile	3949
Norway	1979	South Africa	2150
Canada	1218	Italy	1383
United Kingdom	1101	France	1276
Czech Republic	1018	China	699
France	918	Belgium	668
Total for Others	177894		182405
Others not Listed	2916		2134
Grand Total	188755		185922

Concentrated Apple Juice, Imports

Import Trade Matrix			
Country	Poland		
Commodity	Apple Juice, Concentrated		
Time Period	Jul-Apr	Units:	MT
Imports for:	2002		2003
U.S.		U.S.	
Others		Others	
China	812	China	443
Lithuania	276	Germany	149
Hungary	99	United Kingdom	73
Germany	98	Iran	47
Yugoslavia	50	Turkey	40
France	10	France	26
Austria	3	Lithuania	25
		Belgium	14
		Italy	9
		Austria	2
Total for Others	1348		828
Others not Listed	0		0
Grand Total	1348		828