Developments, strategies and challenges of Polish dairy sector

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Outlay of the presentation

- Dairy market characteristics and recent developments in Poland
- Future strategies, prospects and its determinants according to interviewed experts and farmers
Poland is one of the largest milk producing countries in EU

Collection of cows’ milk by dairies, 2014
(% share of EU-28 total, based on tonnes)

Germany 21,2 %
France 17,1 %
Poland 7,2 %
Netherlands 8,4 %
United Kingdom 10,0 %
Italy 7,1 %
Others 29,0 %

Source: Eurostat (online data code: apro_mk_pobta)
## Basic statistics 2014/15

<table>
<thead>
<tr>
<th></th>
<th>Poland</th>
<th>Italy</th>
<th>Netherlands</th>
<th>UK</th>
<th>France</th>
<th>Germany</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014/2015</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk deliveries</td>
<td>10,5</td>
<td>10,9</td>
<td>12,4</td>
<td>14,8</td>
<td>25,0</td>
<td>31,3</td>
</tr>
<tr>
<td>(mln.t)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farms (n) (x1000)</td>
<td>130</td>
<td>30,5</td>
<td>17,6</td>
<td>13,5</td>
<td>66,6</td>
<td>72,6</td>
</tr>
<tr>
<td>Milk production</td>
<td>80</td>
<td>360</td>
<td>702</td>
<td>1097</td>
<td>376</td>
<td>431</td>
</tr>
<tr>
<td>(tonns per farm)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Milk yield (kg per cow)</td>
<td>5777</td>
<td>5754</td>
<td>7747</td>
<td>8013</td>
<td>6973</td>
<td>7541</td>
</tr>
</tbody>
</table>

**Note:** All values are approximate and subject to change.
Concentration and modernisation - main developments 2004-2015

- Decline of number of farms by 60% (2004 - 2015)
- Average production per farm delivering to processing increased by 296% (2004 - 2015)
- Small scale - 52% of farms have > 10+ cows

- Modernisation processes, quality improvements
- 30% of milk production is exported
- Self sufficiency - 121% in 2015
Milk production in Poland is continuously growing

Milk deliveries in 2016 compared to 2015 (%) (Jan-June 2016/2015)

Source: MS' Communications to Eurostat, FEGA, AGEA, Reg.479/2010.1(a)1
Milk production in Poland is continuously growing

Source: Estat, Newcronos

Jan-Jun 2016/15: +5.1%
Farmers’ and experts’ questionnaire - database

Farmers
- Panel data
  - 2011 - 339 farmers
  - 2016 - 60 farmers

 Experts
- 30 experts in 2015/16
  - Advisory service
  - Science
  - Processing associations
  - Farmer Associations
Experts’ opinion on dairy sector’s

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good natural conditions, availability of grasslands, large production potential</td>
<td>Still small production scale and crumble structure of farms</td>
</tr>
<tr>
<td>Modern technologies and new investments in processing, unused processing powers,</td>
<td>Low technical and labour efficiency at farm level</td>
</tr>
<tr>
<td>Costs advantage - still lower costs of production (eg. labour) create competitive advantage of polish dairy and potential for export</td>
<td>Low level of cooperation, marketing, management and long term planning skills of farmers</td>
</tr>
<tr>
<td>Large Potential for efficiency improvement</td>
<td>Still too low concentration of processing, small share of the own “export brands”, cooperative structure</td>
</tr>
</tbody>
</table>
Future strategies from farmers’ perspective

- We asked a question about farmers’ strategies for the future
- Three choices: 1st priority, 2nd, and 3rd choice

Strategies:
- Extend milk production / specialise in dairy
- Reallocate or start a new farm
- Passive - “Wait and see”
- Downscaling
- Diversification to other agric. production or work outside farm
- Cooperation (horizontal or vertical)
### Future strategies from farmers’ perspective

<table>
<thead>
<tr>
<th>strategy</th>
<th>Structure of first chosen strategy</th>
<th>Structure of all choices</th>
<th>% p. change 2016-2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2016</td>
<td>2011</td>
</tr>
<tr>
<td>extend dairy/specialise</td>
<td>77,0</td>
<td>61,7</td>
<td>56,4</td>
</tr>
<tr>
<td>reallocate/start a new</td>
<td>0,0</td>
<td>0,0</td>
<td>0,6</td>
</tr>
<tr>
<td>&quot;wait and see&quot;</td>
<td>8,2</td>
<td>8,3</td>
<td>4,7</td>
</tr>
<tr>
<td>downscaling</td>
<td>0,0</td>
<td>0,0</td>
<td>0,6</td>
</tr>
<tr>
<td>diversification</td>
<td>4,9</td>
<td>28,3</td>
<td>9,9</td>
</tr>
<tr>
<td>cooperation</td>
<td>9,8</td>
<td>1,7</td>
<td>27,9</td>
</tr>
</tbody>
</table>
Future prospects

- Rather positive prospects

- Moderate growth of production

- Further and faster concentration and restructuring of production,
  - "production economics"
  - due to exposure to global markets dynamics - lower prices, decreased CAP protection, export demand affected by situation in China, Russia, production growth in some countries etc.

- Small scale: shortening the chain and on-farm processing
Supporting farmers in making strategic choices: the method and implementation of Interactive Strategic Management in Lithuania, Poland and Slovenia.

- A. Beldman,
- A. Malak-Rawlikowska
- A. Stalgiene
- M. Klopcic
- A. Kuipers
- et al.