Koninkrijk der Nederlanden

Structural changes in the Polish pig sector

Martijn Homan
Agricultural Counsellor

27 February 2018

Agricultural representation of the Netherlands abroad

Agricultural counsellors operate from Dutch embassies and consulates

- Worldwide **51** branches
- Coverage of **70** countries
- Representation at important international organizations such as the **FAO, EU** and **OECD**

Tasks: *Trade & Policy*

- Bilateral contacts with government
- Providing tailor-made market information
- Obtaining information about local laws and regulations
- Solving veterinary and phytosanitary trade barriers

Dutch interest in the Polish agricultural sector

	2015		2016	
	Export	Import	Export	Import
All sectors	11,1	7,7	11,6	8,0
Agriculture	2,0	1,5	2,1	1,5
% Agriculture	**18**	**19**	**18**	**18**

in billion Euro

Support Dutch companies:

- **Inform** government and companies about local developments
- **Facilitate** Dutch companies in doing business
- **Positioning** of companies in the Polish market

Poland: Country Profile

Poland

- Area:312 679 km2
- Population: 38,5 mln
  - 33,2% living in Cities
  - 24,5% in suburbs
  - 42,3% in rural areas

Agriculture:

- 3,4% of GDP
- 2,2 mln. employees (12% of total workforce)
- 2,3 mln. farms (average 6,8 ha)

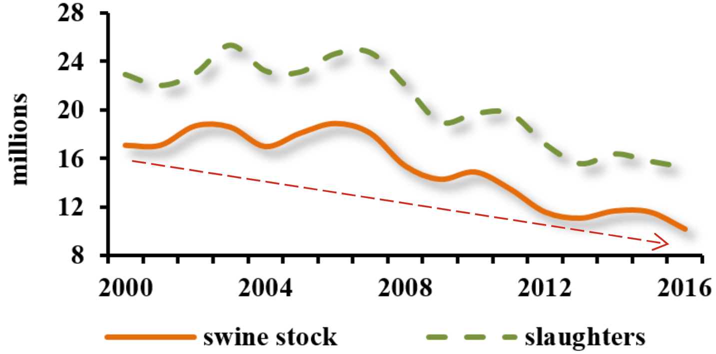
Structure of agricultural market output in Poland

Years	2000	2005	2010	2015
Crop output in %	37,4	38,7	44,0	41,5
Animal output in %	62,6	61,3	56,0	58,4
Pigs	**23,5**	**19,4**	**13,8**	**13,3**
Cattle and calves	6,1	6,0	6,1	7,1
Poultry	7,5	10,4	11,2	14,5
Cows' milk	20,1	19,8	18,0	16,5
Hen eggs	4,1	4,6	5,9	6,1
Others	5,4	5,7	6,9	7,0

→ 2,5-2,8 million ton pig meat produced annually

Structure of pig farming

- Total number of pigs decreasing
- The process of concentration of pig breeding in large farms in Poland enhanced.
- Farms with over 200 pigs kept 66.2% of domestic pig livestock.
- 39.4% of domestic pig livestock was kept in very large farms (>1,000 pigs).
- Increased concentration in the structure of pig farms → share of the smallest farms (1-19 pigs) decreased to 56%, while that of the large farms (>200) increased to 6%.

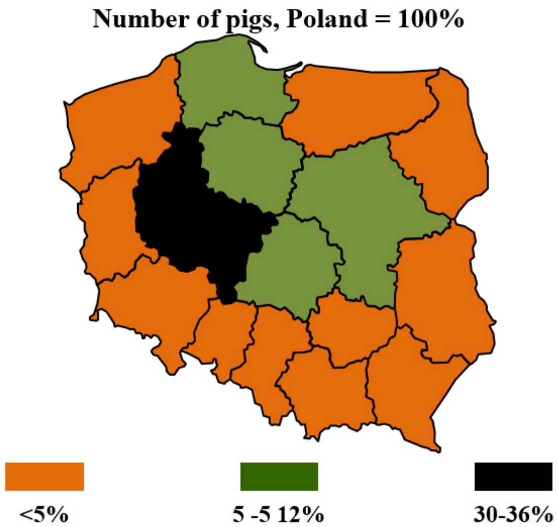


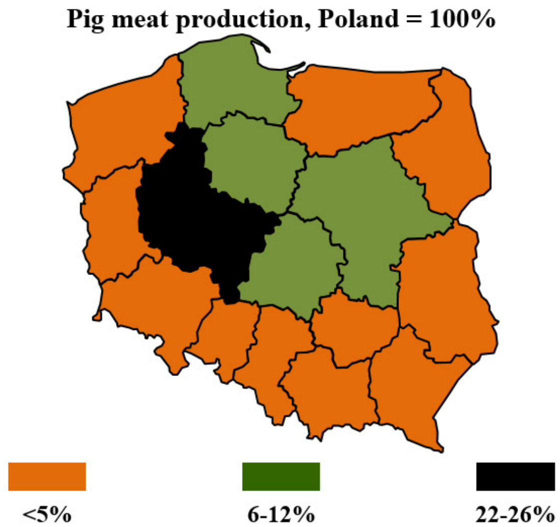
Herd size in items	2000		2010		2016	
	per cent of farms	per cent of swine stock	per cent of farms	per cent of swine stock	per cent of farms	per cent of swine stock
1-19	72,4	23,4	67,3	11,0	56,0	5,7
20-49	18,5	26,8	18,5	14,7	22,0	8,7
50-99	6,0	19,4	7,8	13,9	10,1	9,1
100-199	2,3	14,7	3,8	13,4	5,9	10,3
>200	0,8	15,7	2,5	47,0	6,0	66,2

Regional differentiation of pig meat production

Share of large pig farms has increased

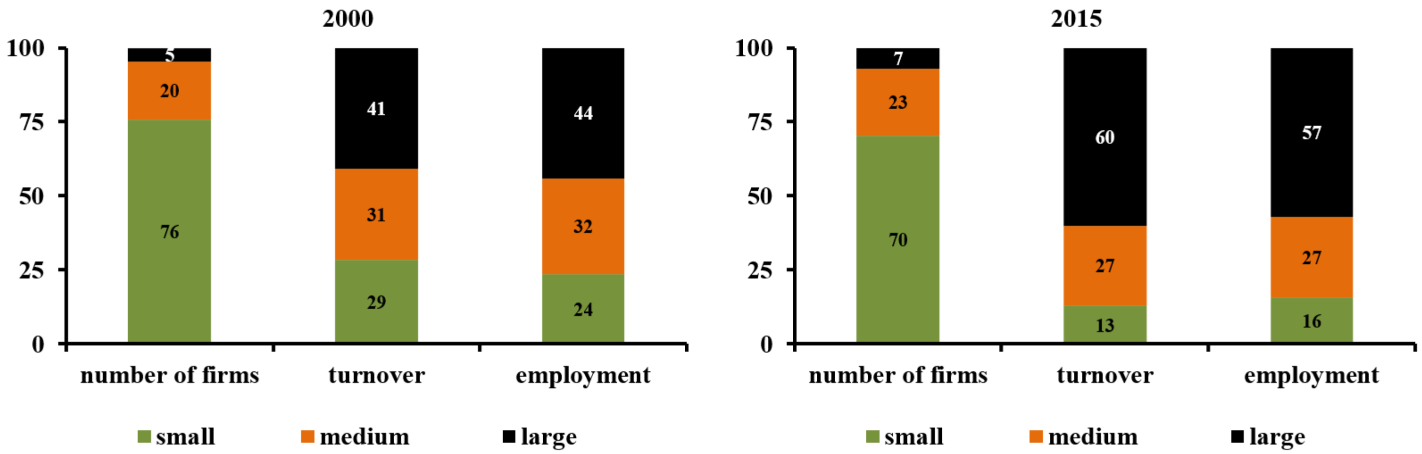
- BUT still large regional variations





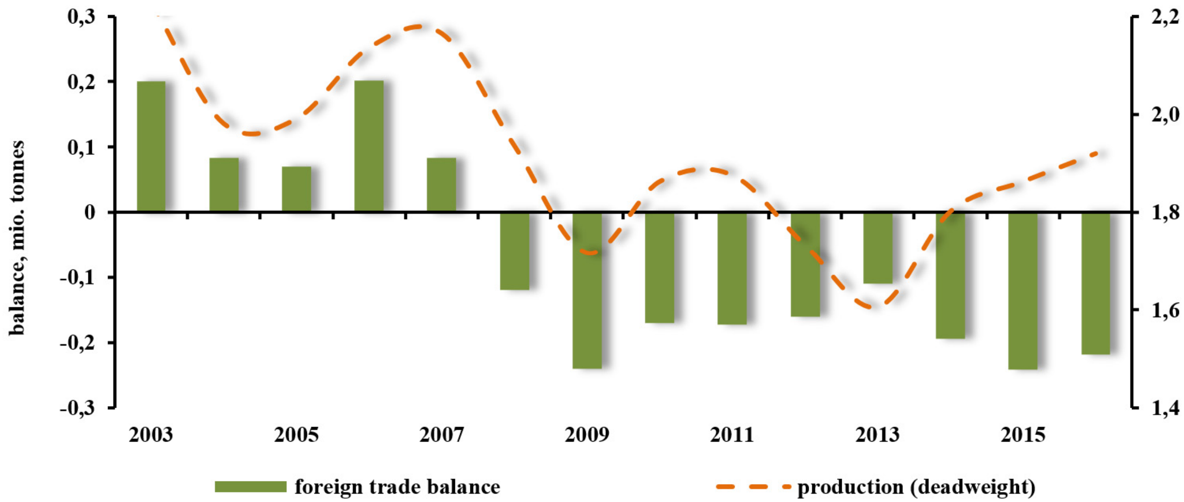
Industrial processing of pork

- Processing of red meat is an important segment of the Polish food industry.
- In 2015, the share of meat was **25% of the food industry**
- Changes in market conditions, as well as production requirements as regards sanitary and veterinary standards, have resulted in intensive structural and modernization changes in slaughter and pork processing.
- In 2000-2015, the number of large companies (>24 employees) operating in the meat sector increased 25%.
- The increased concentration in the meat sector is reflected in changes in the sales revenue structure.
- In 2000-2015, the **sales value in the meat industry increased two and a half times** to approx. PLN 45 billion
- The structure of the Polish meat **industry is extremely fragmented** compared to those in the EU-15 Member States, and not (vertically) integrated with farms.



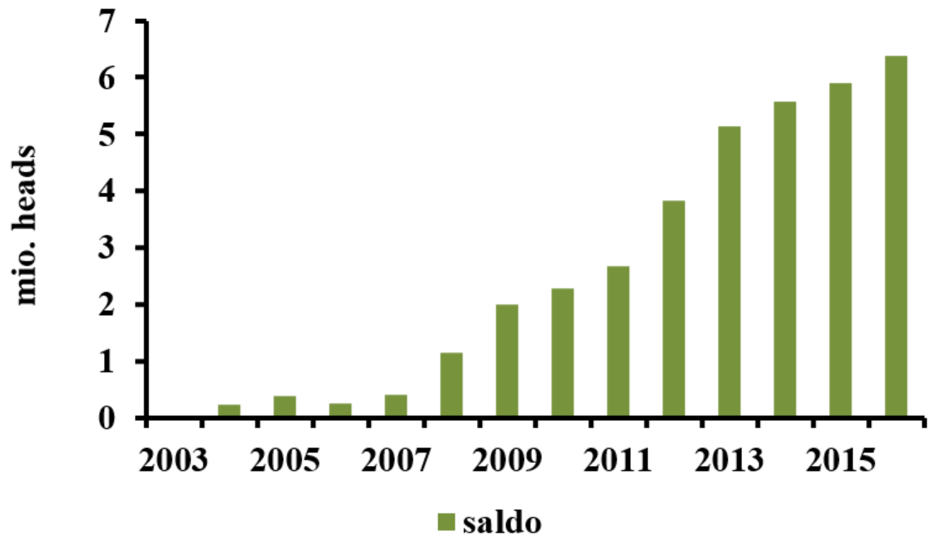
Pork meat production and foreign trade balance

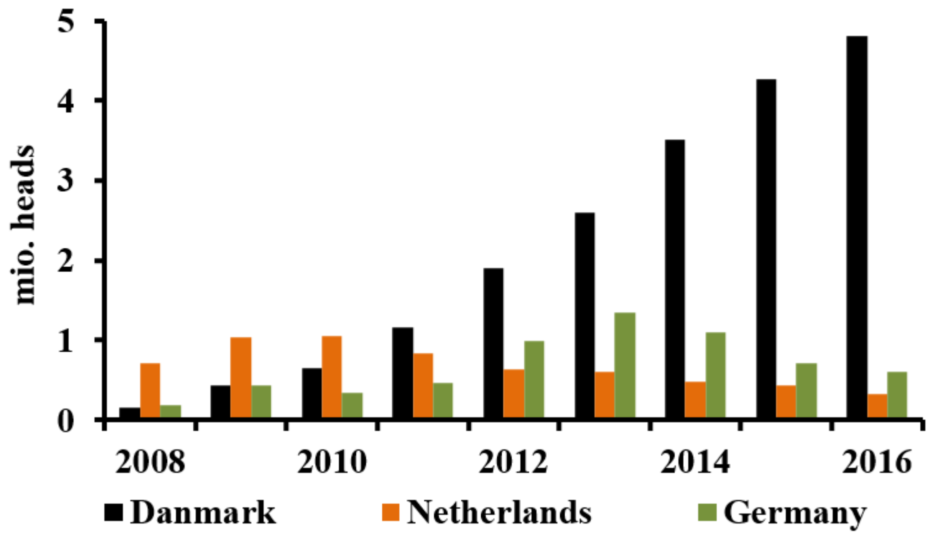
- Between 2003-2016, the self-sufficiency of Poland in pork production decreased from 110% to 91% → **negative foreign trade balance**.



Import of pigs

- **Import of pigs increased** to 6.4 million heads in 2016, and their share in the pig population increased to 62.5%.
- Live pigs (mainly piglets) are imported mainly from Denmark (4,8 mio. heads), Germany (0,6 mio. heads) and the Netherlands (0,3 mio. heads).





Consumption of pork

- Meat is one of the most important sources of protein in the diet of the Polish population.
- In 2016, the total meat and offal consumption amounted to approx. 76 kg per capita (in meat equivalent)
- In 2000-2016, total meat and offal consumption increased by 15%.
- **Pork consumption increased** by 5% to 41 kg per capita, **while poultry consumption doubled** to 28 kg per capita.

Year	Total meat with offals	Pork	Beef and veal	Poultry
2000	66,1	**39,0**	7,1	14,7
2005	71,2	**39,0**	3,9	23,4
2010	73,7	**42,2**	2,4	24,6
2011	73,4	**42,5**	2,1	25,0
2012	71,0	**39,2**	1,6	26,1
2013	67,5	**35,5**	1,5	26,5
2014	73,6	**39,1**	1,6	28,2
2015	75,0	**41,4**	1,2	27,1
2016	76,0	**41,0**	1,3	28,5

Legal changes in Poland

In 2018 a new law concerning **slurry disposal and slurry storage** is likely to be implemented.
The new law would:

1. Extend slurry storage from 4 till 6 months
2. Shorten the time of spreading slurry by one month (currently only winter months are excluded)

- Polish government drafted the regulation which is now under review by associations in the pig sector.

This law would have a **large impact** because it would apply to all farmers, big and small. For small farmers this will be very difficult because investments are needed.

BUT, the new law gives farmers time to fulfill the obligation → larger transition time for small farms.

Questionable if this proposal would be approved by the EU, since usually the EU does not allow laws which distinguish between small and big farms.

SWOT analysis pig sector Poland

STRENGTHS	WEAKNESSES
▪ Large domestic market, pork consumption at a stable level. ▪ Favourable agro-climatic conditions, significant resources of land, labour force and capital. ▪ Considerable raw material base, a well-developed, upgraded processing sector which meets the EU standards as regards to health and sanitary safety, as well as environmental protection. ▪ Active organizations representing the sector, taking action to improve the quality and promote quality standards. ▪ Skilled farmers, managers and technologists working in the meat processing industry. ▪ Great potential in pork production resources without threat for environment.	▪ High fragmentation, in particular in agricultural production, but also in processing. Absence of horizontal and vertical integration. ▪ Excessive production capacity ▪ Poor performance of the supply chain as a consequence of lack of links in the supply chain and reluctance to cooperate by market players. ▪ Domination of a strategy of fierce price competition, resulting in non-compliance with quality standards, falsification of meat preparations while compromising their quality. ▪ Lack of industry involvement in EU and national programs and strategies, as well as limited cooperation with consumer and health-promoting organizations. ▪ No widely recognized brands, poorly developed marketing and no well-thought-out long-term promotion strategy.

OPPORTUNITIES	THREATS
▪ Investments in pig sector, integration (Breeding, production, slaughter) ▪ Polish consumers favour pork and pork products as the key element of the daily diet; ▪ The increase in consumers' income and the increasing demand for highly processed high-quality products, as well as traditional, regional and ecological products. ▪ Engagement of science and innovation in processing to meet high health-oriented requirements of today's consumers; ▪ Development of catering and production of ready-to-cook dishes containing high-quality pork. ▪ Popularization of national quality systems used in pork production, developed by scientific institutions supported by local government organizations involved in the pork sector (PQS, QAFP). ▪ Opportunity to take advantage of EU and Polish financial support for marketing and outreach activities under Council Regulation (EC) 501/2008, RDP 2007-2013 and Pork Promotion Fund.	• Problems in the feed sector (GMO discussion). • Poor coordination of cooperation and competition between organizations of pig producers, pork producers and pork processing operators. • Strong competition from the poultry sector due to lower prices of poultry, considered to be healthier than pork. • Decreased consumer confidence in processing industry due to concerns about meat products containing additives enhancing flavour, colour, aroma and preservatives. • Negative stereotypes associated with pork, enhanced by dietary recommendations (reduction of the consumption of animal fats and fatty meat), diverting consumers' preferences towards poultry meat. • Declining sow population due to import from Denmark, Germany, Belgium and the Netherlands • African Swine Fever (ASF) • Difficult to obtain a construction permit

Thank you for your attention

Martijn Homan
Agricultural Counsellor

Embassy of the Kingdom of the Netherlands
Agriculture, Nature and Food Quality
Warsaw - Budapest – Bratislava - Vienna

T +48 22 559 1269
M +48 603 961 924
E: war-lnv@minbuza.nl
Twitter: @HomanMAC
I: www.nlembassy.pl
www.agroberichtenbuitenland.nl
www.landbouwraden.nl