

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

DPC/INV/3/Add.13
3 November 1986

International Dairy Arrangement

Original: English

INTERNATIONAL DAIRY PRODUCTS COUNCIL

Reply to Questionnaire 5 Regarding Information on Domestic Policies and Trade Measures

POLAND

- The area of cultivable land in Poland - circa 19,000 thousand hectares
- The structure of agricultural farms:
 - Circa 4,000 thousand hectares - State sector - State farms
 - Ca 700 thousand hectares - co-operative sector
 - Ca 14,000 thousand hectares - individual family farms
- Population of milk cows/1985 year - june/ - 5,2 million
- The total production of milk in 1985 year - 15,955,000,000 litres
- The average milking capacity per cow in 1985 year - 2,897 litres
- Destination of milk for - consumption of fresh milk:

	<u>1982 year</u>	<u>1985 year</u>
in general	2,788,438,000 ltr	2,542,614,000 ltr
for 1 inhabitant	76.6 ltr	68.4 ltr

- processing for - skimmed powdered milk:

	<u>1982 year</u>	<u>1985 year</u>
in general	1,166,701,000 ltr	1,852,449,000 ltr
for 1 inhabitant	32.01 ltr	49.8 ltr

- full cream powdered milk:

	<u>1982 year</u>	<u>1985 year</u>
in general	347,142 ltr	415,571 ltr
for 1 inhabitant	9.5 ltr	11.2 ltr

- ripening cheeses:

	<u>1982 year</u>	<u>1985 year</u>
in general	982,937 ltr	1,282,226 ltr
for 1 inhabitant	27.0 ltr	34.5 ltr

The principles of purchasing and contracting of milk

- the number of suppliers in 1985 year 1,335,029
- the number of purchasing centres in 1985 year 9,991
- the number of workers at purchasing centres in 1985 year 14,263
- the number of dairy plants 737
- of this: the number of District Dairy Co-operatives 322

In order to increase both: total production of milk and production of milk for commercial purposes, the dairy co-operatives established direct co-operation with individual farms concluding with them long-term agreements on production and delivery of milk. The criteria determining size of farms and number of cows, which the farmers should possess to be able to conclude a/m agreements, are fixed by the people's provincial councils upon application of provincial unions of dairy co-operatives. These agreements are concluded with such farms, which have already directed or have the possibility to direct their farms for production of milk. The agreements are signed for many years and each year they are renewed by an annex, in which the parties state the delivery of milk anticipated by the producer for a given year. Within the frames of concluded agreements the dairy co-operative is obliged to:

- take steady control and veterinary charge of producer's herd of cows,
- collect milk from producer's farms at co-operative's own expense,
- pay for collected milk according to fixed prices,
- deliver to the producers in conformity with regulations in force and existing possibilities:
 - (a) dairy products (butter, cheeses, cottage cheese, whey, buttermilk),
 - (b) means for hygienic production of milk,
 - (c) protein fodders (mineral additives for fodders and milk substitutes),
 - (d) other means of production as: refrigerating machines for milk, milking machines, small utensils for manual milking etc.,
 - (e) heifers heavy with young, cows and female calves for further breeding
- bear costs of repair services of milking machines and refrigerators for milk within five years after the expiration of warranty,
- give competent advice to the producers as regards organization of production of fodders and feeding of cattle, improvement of conditions of breeding and hygienic milking and storage of milk,
- conduct specialist training for farmers on intensification of production and hygiene of milk.

The supply of utensils, heifers, fodders and other means of production to the farms is carried on by the dairy co-operatives on the principle of goods credit paid back with deliveries of milk.

The producer obliges himself to:

1. assure constant increase of milk production,
2. sell to dairy co-operatives the whole quantity of milk for commercial purposes produced on his farm,

3. produce and supply the milk in conformity with conditions determined in the Polish Standard for raw milk delivered to purchasing centres,
4. to follow the orders of raw material service of the dairy co-operatives on breeding of cattle and production of milk.

The deliveries of milk from State farms are also based on long-term agreements concluded between the co-operative and the State farm, this agreement, however, is a commercial agreement. From the total number of suppliers of milk amounting to about 1.5 million, the number of individual farms, with which long-term agreement for production and delivery of milk were concluded, amounts to above 600,000. These farms deliver almost 50 per cent of milk from the total economy, the share of State farms in purchase makes totally ca 15 per cent.

The prices of purchase

In purchase of milk there is applied so-called "summer price" from 1 May till 31 October and "winter price" from 1 November till 30 April higher by 46 per cent from summer price. Such differentiation results mainly from the diversified cost of production of milk and still persisting considerable seasonality (the proportion between minimum and maximum one day purchase in 1985 year made in country 1:1,79). The above prices relate to milk in basic class - contents of fat 3.5 per cent - for each 0.1 per cent is added or deducted 3 per cent of ground price.

For each litre classified to first class there is applied additional payment amounting to 30 per cent of ground price, and in second class - 22 per cent of ground price per one litre. Besides in thirteen south provinces there is applied so-called "mountain additional pay" amounting to 30 per cent of the ground price.

The subsidization of dairy production

The production of milk and milk products in Poland is subsidized with use of two methods. The first one is based on use of additional payment to the price of sale of dairy production. These additional payments are granted to the producers in the amount depending from one side on the level of prices fixed mainly centrally and from the other side on the amount of costs of production and sale borne by the separate producers.

Those dairy products, the retail prices of which are fixed with allowance made for one's own expense of production and sale in such a way as to ensure to them profit at the level accepted socially, do not require any subsidization. The following dairy products or their groups are at present exempted from subsidization:

- (a) produced for market supply:
 - condensed milk,
 - processed cheeses,

- ice-cream,
- kefir and yoghurt culture,
- skimmed milk, whey and buttermilk sold to the suppliers in the centres of milk purchasing,
- sweets "Krowki",
- spice for soups

(b) produced for industrial supply:

- acid and textile caseine,
- sodium caseinate,
- sodium albuminate.

(c) semi-finished products being the subject of internal turnover between dairy-co-operatives and destined for further processing:

- full fat and skimmed milk,
- sour cream,
- industrial curds and caseine curds,
- sheep cheese and sheep-and-cow cheese of "Bundz" type,
- acid caseine.

The level of subsidization to be granted to dairy co-operatives in 1986 year for additional financing of sale of dairy products on internal market shall make above Zl 180 milliard - US\$1 = Zl 200.

The representative retail prices and wholesale prices on internal market

As it was mentioned above, the prices for dairy products are the same in all the country. The exception is made for those articles, the sale of which is performed at so-called "free" prices, the share of these articles in the total value of sales is quite minor and thus the level of these prices has not been so far analysed by the Central Union.

There do not exist any wholesale prices in dairy co-operatives (with one exception). The wholesale turnover of market articles is done through the intermediary of the divisions of trade turnover acting within the frames of dairy co-operatives.

So the expenses connected with running of wholesale turnover are one of the elements of costs (commission) and are taken into consideration when fixing both retail prices and subsidization. In internal settlements there are applied the same selling prices (retail prices reduced by trade profit margin) as in the case of prices fixed for retail trade or for collectivized economic units except dairy co-operatives.

The above-mentioned exception, for which wholesale prices are applied, are milk fodder mixtures for calves (MLEKOPAN and MLEKOMIX) these articles are not however of entirely market character.

In order to present representative and selling prices we choose from dairy products those articles, which have been produced for many years. The size of their sales speaks for their stable position at the market.

And so for example:

the nutritive milk with contents of fat 2 per cent costs in retail trade Zl 11/1 litre,

sour cream with contents of fat 9 per cent costs in retail sale Zl 43/0.5 litre bottle,

cottage cheese "KRAJANKA" with contents of fat 30 per cent costs in retail trade Zl 82/kg.,

fresh extra butter costs in retail trade Zl 425/1 kg. in blocks,

ripening cheese (in average costs in retail trade Zl 270/kg./US\$ 1 = Zl 200).

The general policy - in view of desired further increase of the level of consumption of milk and its products - is grounded on aspiration for keeping profitableness of breeding of cows and agricultural production of milk enabling to receive its superior purchasing with simultaneous formation of the level of retail prices conformed to the level of purchasing power of the population in such a way as to guarantee unflinching, steady increase of consumption.

The measures applied at the border

When importing dairy products the following customs duties are applied:

- full fat powdered milk	20 per cent ad valorem
- skimmed powdered milk	20 per cent ad valorem
- butter	5 per cent ad valorem
- ripening cheese	25 per cent ad valorem

Other charges do not exist. There are also no non-tariff restrictions. The value of import depends on the needs of home market and the balance-of-payments situation of the country.

Imported goods must correspond with the sanitary rules of the Ministry of Health.