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GENERAL AGREEMENT ON TARIFFS AND TRADE

Group on Dairy Products

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POLAND

The following information has been submitted by the delegation of Poland in accordance with the programme of work laid down in document TN.64/DP/5.

I. Existing dairy policies

General characteristic[1]

Milk production has an important place in the Polish agriculture economy; its share in the total value of agricultural production amounts to 13 per cent and in the total value of animal production to about 30 per cent.

Milk in Poland is produced mainly on privately owned farms, which account for 90 per cent of total milk production; the average cow population on these farms which rear cows is two.

Marketable production amounts to 47 per cent of total milk production. The rest is used for human consumption on the farms (about 43 per cent) and to feed animals.

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[1] To answer the questionnaire in a way required by the Group, the Polish reply contains inter alia information on internal prices. In this respect, and referring to the statements of the delegate of Poland at the preliminary stage of the Kennedy Round of negotiations, the Polish delegation would like to reiterate that:
- Poland does not consider the discussion on internal prices as feasible;
- the existing rate of exchange is used for accounting purposes only and its application for conversion of domestic prices into foreign equivalents would be meaningless.

Dairy product prices constitute a part of the whole system of internal prices. Generally the rôle of prices with respect to production and consumption policies as well as their mutual relations are different in Poland, a country with a centrally planned economy, from what they are in market economy countries.

Milk for sale is produced on State and co-operative farms (25 per cent) and principally on those privately owned farms where the number of cows is higher than the average.

Cattle raising in Poland has a double purpose, i.e. to increase milk as well as meat production. The growth of production has a positive incidence on farmers' incomes.

Growth in milk output is achieved through increases in milk yields.

The State policy with regard to promotion of cattle raising is realized first of all through better supply of concentrated foodstuffs and other production means and improvement in the quality of livestock (better breeds) and finally through enforced control over animal diseases.

(i) (a) The levels and methods of maintaining the guaranteed or supported prices including direct price supports

The Central Union of Milk Co-operatives, which associates (in 1965) 543 co-operatives with a total membership of 877,000, is responsible for the milk economy in Poland. The regional milk co-operatives purchase all milk offered by producers at guaranteed prices. The deliveries to the co-operatives are voluntary. Recently milk has been supplied almost exclusively by the members of co-operatives (in 1960 members of co-operatives were only 69 per cent of the total number of suppliers).

The suggestions as to the level of milk purchase prices were prepared by the Central Union of Dairy Co-operatives. The final decision on this matter remains with the Government, milk being an important product both for producer and consumer.

The prices under the system of purchases are fixed at levels which make it possible to recoup the average cost of production. Since November 1963 they have been differentiated according to the grade of milk (A, B, C), to the region of higher or lower milk consumption (two areas) and to the season (winter or summer). These prices are expressed in zlotys per fat and protein content. The price paid for milk of category B, as shown below[1], constitutes the basic price.

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[1] The price which the producer gets for one litre of milk of category B delivered to the co-operative is calculated in the following way:
For 100 litres of milk containing 3 per cent of fat and one unit of protein the producer in the second zone will receive in winter:
- 300 per cent of fat x 0.65 = 195 zlotys
- 100 units of protein x 0.70 = 70 zlotys
- Total = 265 zlotys: average per litre = 2.65 zlotys.

For milk of the grade A the producer will receive 0.20 zlotys per litre more, and for milk of grade C 0.25 zlotys per litre less than for milk of grade B.

Area	Winter 1.9-30.4		Summer 1.5-31.10	
	Protein zl./unit	Fat zl./1%	Protein zl./unit	Fat zl./1%
I.	0.85	0.65	0.70	0.55
II.	0.70	0.65	0.55	0.55

Up to the end of October 1963 the prices for protein and fat content were fixed by local authorities and differentiated for two grades of milk.

In the period 1960-November 1963 the average national prices for fat and proteins were as follows:

Grade of Milk	Winter		Summer	
	Protein zl./unit	Fat zl./1%	Protein zl./unit	Fat zl./1%
I.	0.61	0.61	0.47	0.51
II.	0.54	0.54	0.40	0.44

(i) (b) The average level of returns to milk producers

The major part of milk designated for sale is delivered to dairy co-operatives. Therefore these sales represent the main returns to milk producers. Direct sales to the consumers of some quantities of milk and milk products processed on the farms constitute the additional returns. These sales are carried out at free market prices.

TOTAL RETURNS TO MILK PRODUCERS (AVERAGE LEVEL)

	Total[1]	Index	From deliveries to milk co-operatives	Index
	zl./kg.	%	zl./kg.	%
1960	2.44	100.0	2.27	100.0
1961	2.37	97.1	2.25	99.0
1962	2.39	97.9	2.27	100.0
1963	2.50	102.4	2.31	102.0
1964	2.61	107.0	2.50	110.0
1965	2.65	108.6	2.52	112.0

[1]This position comprises the value of deliveries to milk co-operatives and also the returns from direct sales of milk and milk products (in terms of milk) to consumers.

In 1961-1963 some fraction of co-operative profits were distributed among the co-operative members (in proportion to quantities of delivered milk). These dividends which increased the returns of milk producers - members of milk co-operatives fluctuated between zl.0.02-0.08 per litre.

In the current year these cash payments for milk suppliers have been restored.

(i) (c) The system of arriving at returns to milk producers, including pooling total receipts from all milk products, pooling of domestic and export returns from butter etc.

The system of arriving at returns to milk producers is explained under point (b). No pooling system of receipts exists in Poland and the prices in domestic retail trade and for export have no direct incidence on returns for milk producers. The prices paid for milk by co-operatives are uniform, independent of further utilization of the milk.

(i) (d) The level of producer subsidies

No subsidies are paid to producers.

(i) (e) Other forms of aid

Like many other countries Poland maintains several forms of indirect aid to farmers. The milk producers benefit from some of these aids to a smaller or greater extent. In respect of the milk economy the aid consists mainly of promoting improvement in conditions of breeding.

The specialized State agencies keep animal diseases under control, organize the insemination and coition stations and evaluate milk yields. The State grants credits to enable producers to buy high quality cattle (for breeding as well as for normal utilization) and to build sheds and silos.

The co-operatives distribute seeds of fodder crops and supply milk producers with other production means (electric milkers, electric shepherds, building materials for construction of cow-sheds, machines for hay making). They provide some advising services (mainly advising on feeding animals).

The suppliers of milk are entitled to buy certain quantities of concentrated foodstuffs (8.7 kilos per 100 litres of delivered milk).

(ii) Statement on actual levels of butterfat content of butter and milk sold for liquid consumption, any regulations governing or influencing these levels, and any significant changes in the past five years

The fat content and other quality characteristics of milk, cream, butter and other dairy products are prescribed by the Polish Committee of Standards by means of norms. The quality of products processed in co-operative dairies is systematically examined by plant laboratories which are supervised by the Central Union of Dairy Co-Operatives. Moreover, dairy products are subject to control by State laboratories belonging to the Ministry of Internal Trade in the case of products designated for the home market or by the Quality Inspection Office of the Minister for Foreign Trade when the products are designed for export. If the fat content of the product is lower than that prescribed by the norms it cannot be sold to domestic or foreign consumers.

Up to September 1963 the major portion of milk delivered to retail shops contained 2.5 per cent of fat. Milk of 3.2 per cent fat content was also supplied but principally for hospitals, crèches etc.

Since autumn 1963 milk containing 2 per cent of fat has been the most traded quality. After the recent decisions of the Central Union of Dairy Co-operatives the supplies of milk of 3.2 per cent fat content have been considerably increased already during the current year.

The fat content of standard quality cream is 18 per cent (it was 20 per cent until autumn 1963). Also, thick cream of 30 per cent fat content and coffee cream of 9 per cent fat content are produced and sold by co-operative dairies.

All grades of Polish butter have had 83 per cent fat content during the whole post-war period.

The fat content of cheeses depends on norms for different brands. Generally, the share of fat cheeses has increased gradually; it represented 63 per cent of the total cheese output (curd excluded) in 1965, compared with only 19 per cent in 1960 (fat cheeses are cheeses of more than 45 per cent fat content).

(iii) (a) Retail and wholesale prices of milk sold for liquid consumption, butter, cheese and other milk products, including major seasonal variations

The retail prices of dairy products suggested by the Central Union of Dairy Co-operatives are subject to approval by the State Price Board, which also determines commercial margins for retail trade. The retail prices for dairy produc products are not seasonally differentiated.

The products are supplied by processing plants of dairy co-operatives to retail shops at retail prices reduced by the determined margins.

The margin covers marketing costs at the retail level. The difference between the margin and the costs represents the profit of the retail trade enterprise.

The prices at which the dairy co-operatives sell their products to the retail trade (i.e. retail prices less retail margins) cover the average processing costs of the dairy processing plants.

RETAIL PRICES AND COMMERCIAL MARGINS IN STATE AND CO-OPERATIVE TRADE

Product	Unit	Up to mid-September 1963		Since mid-September 1963		Margin (retail)
		Fat content %	Price zlotys	Fat content %	Price zlotys	
Milk	litre(bulk)	2.5	2.50	2.0	2.70	0.15 zl.
Milk	litre (in bottles)	2.5	2.70	2.0	2.90	0.08 zl.
Milk	litre(in bottles home delivered)	2.5	2.90	2.0	3.30	0.08 zl. + 0.40 zl. for the carrier
Milk	litre(bulk)	3.2	2.70	3.2	3.30	-
Butter[1]						
normal						
choice	kg.(packed)	83.0	64.00	83.0	64.00	7%
extra						
choice	kg.(packed)	83.0	70.00	83.0	70.00	7%
best						
choice	kg.(packed)	83.0	75.00	83.0	75.00	7%
for						
cooking	kg.(bulk)	83.0	50.00	83.0	50.00	7%
Cream not homogenized	kg.(bulk)	20.0	19.00	18.0	21.00	10%
Curd fat	kg.(bulk)	42.0	27.00	42.0	28.00	10%
medium	kg.(bulk)	30.0	20.00	30.0	23.00	10%
skimmed	kg.(bulk)		10.00		12.00	10%
Tilsit						
cheese	kg.(bulk)	40.0	35.00	40.0	42.00	10%
Milk powder	kg.(packed)	25.0	32.00	25.0	38.00	8%
Concentrated milk not sweetened	kg.(canned)	7.5	17.50	7.5	22.50	8%

[1]The quality of butter which is reflected in its prices depends on taste and organoleptic characteristics.

(iii) (b) Retail and wholesale prices of margarine

As in the case of other products traded in socialized shops, margarine is delivered to retail shops at retail prices less commercial margin. Margarine prices have not been changed in recent years. The prices of most popular brands of margarine are 28 and 34 zlotys per kg. Margarine is sold in 250 gramme packages.

(iv) Consumer subsidies

Since the prices paid to milk producers were increased, the State have granted a consumer subsidy for processed liquid milk sold to consumers, in order to maintain the consumption of milk at least at the previous level.

The retail prices indicated under point (iii) (a) are the effective prices paid by the consumers, i.e. they were arrived at after taking into account the level of the above-mentioned consumer subsidy - thus far zlotys 0.35 per litre.

(v) Use of dairy products in domestic and foreign welfare schemes

Persons working under conditions dangerous for health (miners, workers in heavy industry, printing houses etc.) and also those who carry out special activities in other institutions and enterprises, e.g., workers in laboratories and persons working duplicators, are granted every day during the work hours certain quantities of milk; these quantities depend on the kind of work.

There is also a so-called school programme.[1]

Being badly damaged during the war and needing all her resources for reconstruction, Poland has never participated in foreign welfare schemes involving the use of dairy products. Poland has been assisted by UNICEF, but this aid was devoted exclusively towards modernization and expansion of the Polish milk processing industry

In 1946-1960 Poland received from UNICEF $1.2 million which were spent on equipment for several milk processing plants (principally on equipment necessary for milk powder production) and for cold storage and pasteurizing equipment.

In 1961-65 UNICEF aid amounted to $1.2 million and was mostly utilized for purchases of equipment for production of processed milk (pasteurizing and bottling).

[1] Although the benefits provided for under the health assurance system do not fall under the welfare schemes in the sense of this questionnaire, it is worthwhile to mention that the persons insured have the right to buy milk powder for infants at a reduced price amounting to one third of the normal retail price.

Moreover, within the last four years, Poland bought, by the intermediary of UNICEF, equipment for the milk processing industry of the total value of about $1 million.

(vi) Other measures to stimulate domestic consumption

Domestic consumption of dairy products has been stimulated by the steady increase in the range of products and by the improvement of their quality as well as of the forms of their presentation. All these efforts have been undertaken jointly with an advertising campaign carried out by the press and broadcasting media.

Self-service milk bars, where milk and other dairy products are used as basic raw materials to prepare cheap meals, and the specialized shops selling exclusively dairy products have contributed to the increase in consumption as well.

The results of measures to stimulate domestic consumption are indicated in chapter II below.

(vii) Measures of protection at the frontier

No measures of protection at the frontier exist in Poland in respect of commercial imports and exports.

Imports are governed by plans[1] which are flexible enough to enable the purchases of certain products which could not have been foreseen earlier, but appeared necessary later to meet actual market requirements.[2]

II. Information on each country's production, consumption, imports, exports, end-season stocks of dairy products, cow numbers and yield per cow

Information on national production, consumption and trade trends over the next five years, assuming the continuation of existing national policies:

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[1] Foreign trade plans (imports and exports) constitute a part of the so-called National Economic Plan. They are elaborated on the basis of estimated balances of production and consumption.

[2] For example, most butter in recent years, was imported as a result of revisions of import plans.

PRODUCTION OF PRINCIPAL DAIRY PRODUCTS IN POLAND

('000 metric tons)

Product	1960	1961	1962	1963	1964	1965[1]
Milk	11,725	12,003	12,099	11,892	11,846	12,432
Pasteurized milk		998	1,080	1,142	1,147	1,147
Butter	94.6	94.8	91.1	81.2	87.4	104.8
Cream for consumption	46.2	46.2	55.0	48.6	53.5	57.8
Milk powder	7.2	8.5	10.3	12.8	17.7	19.9
thereof: whole milk powder	6.9	7.3	7.7	8.2	10.2	11.3
Cheese (more than 20% fat content)	16.9	16.2	18.8	17.7	23.4	26.4
Cheese (less than 20% fat content)	0.7	0.6	0.4	0.7	0.3	0.4
Curd	26.4	27.2	31.5	31.8	36.3	39.1
Milk drinks	6.4	9.0	18.7	16.9	14.1	24.4
Ice cream	2.8	3.2	3.6	4.9	3.8	4.6
Casein	18.6	18.1	14.8	11.7	9.9	16.5

[1] Provisional data.

All the data with the exception of milk production (first item), relate exclusively to industrial production.

PER CAPITA CONSUMPTION OF MILK AND DAIRY PRODUCTS

(in kilos)

Product	1960	1961	1962	1963	1964	1965[1]
Milk and dairy products in terms of milk	341	343	342	338	332	342
thereof: Milk and dairy products without milk processed for bu	220	223	225	223	221	224
butter	4.7	4.7	4.6	4.6	4.6	5.0

[1] Provisional data.

IMPORT OF PRINCIPAL DAIRY PRODUCTS

(tons)

Product	1960	1961	1962	1963	1964	1965[1]
Butter	323.5	3,033.0	-	4,736.8	8,405.6	2,048.0
Cheese	304.5	532.1	325.3	238.7	294.5	440.0

[1]Provisional data.

EXPORTS OF PRINCIPAL DAIRY PRODUCTS

(tons)

Product	1960	1961	1962	1963	1964	1965[1]
Butter	28,598.6	26,690.8	27,461.3	18,562.7	20,021.7	18,340.0
Milk powder	-	-	11,159.7	1,620.1	2,108.4	1,975.0
Cheese	1,104.6	1,207.8	1,249.9	1,217.2	1,848.3	986.0
Casein	-	9,129.0	8,468.0	2,912.0	2,901.0	3,458.0

[1]Provisional data.

STOCKS IN DAIRY CO-OPERATIVES

(beginning of the year - tons)

Year	Butter	Cheese	Casein
1960			
1961	1,111	162	965
1962	4,016	282	1,279
1963	1,547	191	708
1964	3,318	132	1,758
1965	3,517	384	569

COW POPULATION AND YIELDS PER COW

Year	Cow population '000 heads	Yields per cow in litres	Yields per cow in kgs.
1960	5,884.7	2,060	1,996
1961	5,915.4	2,094	2,029
1962	6,022.4	2,073	2,009
1963	6,070.3	2,022	1,959
1964	6,013.1	2,033	1,970
1965[1]	5,920.3	2,180	2,112

[1] Provisional data.

According to the projections of the Central Union of Dairy Co-operatives, total farm production of milk would increase by 1970 to 13 per cent above the 1965 level. The production of the dairy products is expected to increase over the same period as follows: milk for consumption, 22 per cent, butter, 10 per cent, cheese, 50 per cent, curd, 42 per cent, milk powder (whole and skimmed), 65 per cent and ice-cream, 160 per cent.

The general line of the policy in respect of the milk economy can be described as the constant effort to utilize growing quantities of milk which remain after the requirements for liquid milk are covered for the production of dairy products other than butter and to increase the range of manufactured products and to improve their quality.

In the past, the part of butter in total production of dairy products was very high for the reason that the equipment of the dairy industry was not adequate to produce greater quantities of different products. Actually, with improved equipment the production of cheese, curds, milk powder, concentrated and condensed milk etc. would increase at a much higher rate than that of butter.

According to the same estimate the per capita consumption of milk and milk products (in terms of milk) would in 1970 reach the level of about 354 kgs. that is 4 per cent more than in 1965, the respective figures for butter being 5.2 kgs., or 2 per cent increase, and for cheeses and curds together, 6.1 kgs., or an increase of 20 per cent. Sales of bottled milk would increase during the same period by about 70 per cent and those of bottled cream by about 30 per cent.

These projections are, on the one hand, based on the progress already achieved in the technical capacity of the dairy industry and, on the other hand, on the planned further development in this field. In 1965 the average production capacity of one dairy processing plant was 7,455 tons, as compared with about 594 tons only in 1938. The capacity to process proteins had been considerably increased. Also the processes of pasteurization and homogenization were introduced on a relatively important scale. Cold storage capacities and specialized transport means were increased as well.

In spite of these developments the technical capacities and the equipment of the dairy industry have to be further expanded and improved because they still do not correspond to the needs of the economy.

Among the important investments which are foreseen for the near future are the following: construction of twenty-two new dairies with the processing capacity of more than 100 tons of milk per day each; expansion and modernization of the existing processing plants; expansion of cold storage capacities and of specialized transport means.

III. International prices and price stabilization in international markets

(i) Information on the levels of international prices

It has always been butter which constituted the essential item in exports of dairy products. Poland has exported butter for several decades, the United Kingdom being its main market. Butter from Poland has been principally used for blending.

The prices of Polish butter have generally been at the level of prices of butter delivered by other suppliers. (The quotations of Polish butter at the Butter Provision Exchange in London are to be found in the Annex.)

The average yearly prices of Polish butter exported in 1960-1965 to the United Kingdom were as follows (in United States dollars per metric ton f.o.b. basis):

1960	697.0	1963	890.3
1961	579.0	1964	854.8
1962	737.5	1965	801.7

(ii) Exchange of data on the conditions of price formation in international markets

Since 1962 the British butter market has been regulated by a quota system (the basic quotas and possible additional quotas). Poland takes part in this system.

The mechanism of the Common Agriculture Policy in European Economic Community countries forces exporters to observe certain levels of export prices. After the regulation on dairy products came into force Poland did not export butter to the member countries because this export ceased to be profitable.

Poland wants free access to markets for dairy products, especially for butter, as it expects to have some surpluses for export also in the future.

On the other hand, taking into account the importance of butter exports for her agriculture based chiefly on privately-owned farms, Poland is for the stabilization of the dairy market. This attitude was demonstrated on several occasions in the past, i.e. in the previous stages of the Kennedy Round of negotiations.

Poland collaborated with the Food and Agriculture Organization when solutions to the problems of the butter market were looked for at the beginning of the sixties. She participated in the multilateral discussions carried out in the GATT in 1961-1962, even though not a GATT Member, and later attended the talks with the United Kingdom which resulted in Poland accepting and observing certain discipline in her exports.

Consequently Poland is ready to join discussions aiming at the regulation of markets of main dairy products, especially of butter and, if it appears useful, to take part in the negotiations on the price levels to be kept in international trade, provided the problems of quality differences, forms of presentation, trade marks, etc., are taken into consideration.

Poland, because of her system of foreign trade, can maintain any international prices to which she subscribes. This has been already proved by past experience.

(iii) Concrete data on export subsidies

No export subsidies exist in Poland.

(iv) Stock management policies in relation to export practices

As a rule, only products delivered for sale immediately after they are produced have been exported thus far. Therefore, there was no need to carry out any special storage policy with regard to dairy products for export.

VI. Exchange of technical information on various possibilities for using dairy surpluses as international food aid

Poland has no practical experiences in these problems.

ANNEX

QUOTATIONS OF POLISH BUTTER AT THE BUTTER PROVISION EXCHANGE IN LONDON

(in £ per long ton ex quay)

1963		1964		1965	
3 January	320	2 January	351	7 January	378
10 January	320	9 January	352	14 January	378
17 January	320	16 January	354	21 January	370
24 January	358	23 January	-	28 January	-
31 January	358	30 January	350		
7 February	355	6 February	338	4 February	370
14 February	355	13 February	336	11 February	353
21 February	355	20 February	330	18 February	345
28 February	320	27 February	326	25 February	345
7 March	320	6 March	328	4 March	345
14 March	320	13 March	330	11 March	345
21 March	320	19 March	330	18 March	347
28 March	320	26 March	330	25 March	346
4 April	320	2 April	340	1 April	345
11 April	320	9 April	342	8 April	345
18 April	-	16 April	342	15 April	345
25 April	-	23 April	346	22 April	344
		30 April	346	29 April	320
2 May	-	7 May	340	6 May	330
9 May	330	14 May	339	13 May	330
16 May	330	21 May	335	20 May	320
22 May	-	28 May	-	27 May	323
30 May	353				
6 June	-	4 June	321	3 June	324
13 June	-	11 June	319	10 June	323
20 June	360	18 June	310	17 June	323
27 June	350	25 June	312	24 June	308
4 July	350	2 July	312	1 July	298
11 July	339	9 July	312	8 July	298
18 July	335	16 July	307	15 July	295
25 July	335	23 July	307	22 July	303
		30 July	307	29 July	306

1963		1964		1965	
1 August	335	6 August	304	5 August	310
8 August	334	13 August	308	12 August	310
15 August	333	20 August	313	19 August	301
22 August	335	27 August	322	26 August	301
29 August	330				
5 September	332	3 September	330	2 September	298
12 September	332	10 September	337	9 September	298
19 September	335	17 September	345	16 September	293
26 September	335	24 September	345	23 September	293
				30 September	305
3 October	344	1 October	358	7 October	305
10 October	360	8 October	365	14 October	305
17 October	360	15 October	370	21 October	305
24 October	360	22 October	385	28 October	303
31 October	355	29 October	-		
7 November	354	5 November	380	4 November	302
14 November	354	12 November	380	11 November	302
21 November	355	19 November	380	18 November	382
28 November	358	26 November	380	25 November	310
5 December	355	3 December	385	2 December	312
12 December	355	10 December	385	9 December	314
19 December	353	17 December	-	16 December	314
26 December	350	24 December	-	23 December	314
		31 December	-	30 December	316