INTERNATIONAL DAIRY PRODUCTS COUNCIL

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

POLAND

General data

Acreage of arable land in Poland - 19,066,000 hectares in 1981

Structure of agricultural farms:
- 5,026,000 hectares - State sector
- 707,000 hectares - co-operative sector
- 13,333,000 hectares - private ownership sector

Milk cows stock (June 1981) - 5,757,000

Milk production (1981) - 14,880 million litres

Average milking capacity (1981) - 2,604 litres

Fresh milk consumption:

<table>
<thead>
<tr>
<th></th>
<th>1981</th>
<th>1982</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>2,922,188 thousand litres</td>
<td>2,788,438 thousand litres</td>
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<tr>
<td>per capita</td>
<td>81.0 litres</td>
<td>76.6 litres</td>
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Milk processing:

Skimmed Milk Powder

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<thead>
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<th>1981</th>
<th>1982</th>
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<tbody>
<tr>
<td>Total</td>
<td>944,022.8 thousand litres</td>
<td>1,166,700.6 thousand litres</td>
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<td>per capita</td>
<td>26.2 litres</td>
<td>32.0 litres</td>
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Whole Milk Powder

<table>
<thead>
<tr>
<th></th>
<th>1981</th>
<th>1982</th>
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<tbody>
<tr>
<td>Total</td>
<td>326,911.2 thousand litres</td>
<td>347,142.4 thousand litres</td>
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<tr>
<td>per capita</td>
<td>9.1 litres</td>
<td>9.5 litres</td>
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Ripening cheese

<table>
<thead>
<tr>
<th></th>
<th>1981</th>
<th>1982</th>
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</thead>
<tbody>
<tr>
<td>Total</td>
<td>928,315.5 thousand litres</td>
<td>982,936.5 thousand litres</td>
</tr>
<tr>
<td>per capita</td>
<td>25.7</td>
<td>27.0</td>
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1. **Organization of purchase and milk-purchase contracts**

- number of contractors (deliverers) in 1981 1,491,221
- number of purchasing centres in 1981 10,128
- number of carters of which 5,272 in mechanical transport 33,402
- purchasing centres workers in 1981 13,842
- number of milk-processing plants of which 322 District Dairy Co-operatives 737

The organization of purchases from the socialized economy units is the following: milk is directly transported from producer plants. Milk from individual contractors is collected by carters who deliver their cargo to the purchasing centres from where it is transported to milk-processing plants.

The contractors whose farms are close to the purchasing centres deliver milk themselves. In each case the transport costs are covered by co-operatives. In order to increase the production of whole milk and its products, production dairy co-operatives have initiated since 1971 a close co-operation with individual farmers concluding with them long-term contracts on milk production.

These contracts are concluded with farmers who are already engaged in milk production or can be in future. The Voivodeship National Councils, on the basis of a motion by the Voivodeship Dairy Co-operatives Union defines the criteria for eligibility for these contracts as regards farm size and cow numbers. Those long-term contracts are updated annually in appended annexes defining the quantity of milk to be delivered in a given year.

Under the concluded contract, a dairy co-operative is obliged to:

- provide veterinary supervision and permanent care of cows stock belonging to a milk producer;
- collect milk from a producer's farm at its costs;
- pay the established price for the milk thus collected;
- supply the producers with, in conformity with the regulations in force and commensurate with availabilities:
  (a) milk products (butter, cheese, cottage cheese, whey, buttermilk),
  (b) facilities to ensure hygiene in milk production,
  (c) concentrated fodders, mineral admixtures and milk substitutes,
(d) other means of production, i.e. milk refrigerators, mechanical milkers, ancillary equipment for hand milking, etc.,

(e) heifers, cows and cow-calves for further breeding.

- cover repair costs of milkers and milk refrigerators for five years after their guarantees have expired;
- instruct and advise milk producers on the organization of fodder production, cattle feeding, improvement of breeding conditions as well as hygienic milking and preserving milk;
- organize a special training for farmers on production intensification schemes and milk hygiene.

The equipment, heifers, fodders and other means of production are provided by dairy co-operatives on the basis of commodity credit paid off with milk deliveries. The producer is obliged to:

- increase milk production continuously;
- sell the whole amount of marketed milk produced in his farm to a dairy co-operative;
- produce and deliver milk meeting the requirements defined in the Polish Standard of Raw Milk Purchase;
- follow the recommendations of specialized service of the dairy co-operative regarding cattle breeding and milk production.

The deliveries of milk from State farms are based also on the long-term contracts concluded by a dairy co-operative and State farm. However, this has the character of a commercial contract.

Out of 1,491,221 individual farmers delivering milk in 1981, 554,548 concluded long-term contracts on milk production. These farmers delivered 49.3 per cent of a total milk purchase. The contribution of State farms in 1981 amounted to 15.7 per cent.

2. Prices of purchase

There are two kinds of prices applied in the milk purchase. The so-called summer price is binding from 1 June to 31 October and amounts to Zł 14.85 for one litre while the winter price - Zł 18.00 - applies from 1 November to 31 May. This discrepancy is mainly due to the varying costs of production as well as its seasonal character. (The relation between the smallest and the biggest daily purchase in 1981 was 1:1.89).
The above-mentioned prices relate to milk of basic class B, containing 3.5 per cent of fat. For each 0.1 per cent Zl 0.50 is added or subtracted in winter and Zl 0.41 in summer.

For each litre of milk belonging to class A Zl 2 are added. If the milk delivered is neither classified to class A nor B the basic price is reduced by Zl 2.

Moreover, in thirteen south voivodeships the so-called mountain allowance is applied and it amounts to 15 per cent of a basic price.

3. Subsidizing of milk production

The milk and dairy production is subsidized in Poland in a twofold way. The first method consists in subsidizing purchases of the agricultural machinery and equipment.

The second and more interesting one is based on subsidizing the prices for dairy products. The subsidies producers receive depend on the level of prices fixed centrally, as a rule, on the one hand and on the costs of production and marketing born by producers, on the other.

State budget subsidies become indispensable whenever the official prices of dairy products fixed by the State administration organs do not allow for profitable sales. The same necessity arises also in cases when the producer is put under the obligation by these organs to sell his products at a so-called regulated price which although fixed independently does not generate incomes sufficient to guarantee rentability. Both official and regulated prices are uniform in the whole country. There is no need for subsidies in case of the so-called contractual prices set by producers themselves, which comprise costs of production and sale and ensure profits on a socially acceptable level. At present, the following dairy products are not being subsidized:

(a) produced for market supply:

- condensed milk;
- melting cheese;
- yoghurt and kefir cultures;
- skimmed milk, whey, buttermilk sold to contractors in purchasing centres.

(b) produced for industry supply:

- acid and textile casein;
- sodium casein;
- sodium albuminate.
(c) semi-manufactured products traded among dairy co-operatives and processed further on:

- whole and skimmed milk;
- sour cream;
- curds and casein cottage cheese;
- cheese of ewe's and cow's milk;
- acid casein.

Global subsidies are allotted to the respective voivodeship unions of dairy co-operatives which in turn determine the subsidy levels for the affiliated co-operatives. The redistribution process is proportionate to their turnover. Accordingly, the co-operatives decide on their own, how to use the financial resources they received for subsidizing their products whenever necessary. Starting from the projected costs and turnover values, as contained in the co-operatives' plans it is possible to assess for 1982 the magnitude of global subsidies and their distribution for various product groups which must be supported financially.

4. Representative retail and wholesale prices in the home market

Prices of dairy products are uniform throughout the country, with the exception of these products which are traded at the contractual prices. The share of those products in the overall turnover has been marginal so far, and for this reason their prices are not the subject of analysis by the Central Union.

Wholesale prices do not exist in the dairy co-operative system. Wholesale turnover is carried out by specialized units operating within this system. All the costs incurred form then, an element of cost (commission) and eventually influence the levels of both prices and subsidies. Accordingly, in internal settlements the selling prices (retail price minus profits) are the same as those offered for retail network and other co-operatives units of the socialized sector of economy.

The above-mentioned exceptions for which wholesale prices are applicable are milk-based fodder mixtures (Mlekopan and Mlekomix). These products, however, are not really marketed freely. In an attempt to present the representative retail and selling prices, the sample was made up of these dairy products which have been turned out by the dairy co-operatives for quite a time already, with their sizeable turnover testifying to their firm position and lasting presence in the market.