

POLAND

Poland is a low-risk, moderate-sized European agricultural equipment market that has grown steadily in recent years, despite the decline in global commodity prices. Poland is able to compete successfully in EU agricultural markets and has a strong position as a producer and exporter of a variety of crops. On-going modernization and consolidation of Poland’s agricultural economy continues to present opportunities for U.S. exporters.

Overall Rank:
2

Opportunities

- **Equipment for Produce and High-Value Crops** – Poland produces and exports a diverse selection of fresh fruits and vegetables. Equipment for this sector is a relatively small but very successful U.S. ag equipment export sub-sector.
- **Grain, Oilseed, and Other Commodity Crop Equipment** – The growing pork and poultry sectors will need more corn and other fodder in 2017-2018.
- **Tractor Components and Parts** – Domestic Polish tractor and other self-propelled equipment manufacturers present opportunities for U.S. manufacturers in this sub-sector.
- **Livestock Equipment** – The pork and poultry sectors are growing and present opportunities for U.S. exporters.
- **Precision Agriculture** – Technology to enhance productivity and optimize the use of ag inputs is needed across the Polish ag economy.

Data and Discussion

Exports of U.S. agricultural equipment to Poland have grown at a modest pace over the last decade. In 2015, U.S. exports were worth \$73.4 million. While still below the peaks reached in 2008 and 2010, they increased steadily from 2012 through 2015 and jumped by nearly 15 percent in the first half of 2016.

The United States was the country’s 10th-largest source of agricultural equipment imports in 2015 and had an import market share of 3.9 percent. Most Polish imports are from other EU countries and China. The country also has a small but dynamic ag equipment manufacturing industry that sells to both the domestic and export markets.

Poland’s agricultural economy has performed successfully since the end of communism in 1989 and adapted well to the country’s membership in the EU. The small size of Polish farms (average: 7.8 ha) and the ag sector’s relatively low productivityⁱ mean that this market has further room to grow as ag producers consolidate and modernize their operations.

Equipment for cultivating grain, oilseeds, and other commodity crops dominate U.S. exports to Poland, worth \$33.2 million and accounting for 45.2 percent of the total in 2015. Exports of these products have declined along with commodity prices, but at a noticeably slower rate than total U.S. exports in this category.

Exports of tractor parts worth \$17 million made up more than 23 percent of U.S. shipments in 2015. This follows a surge in U.S. exports of low- and medium-horse power tractors the previous year. Equipment for cultivating

produce and other high-value crops, worth \$4 million, has shown sustained double-digit growth through the last decade through the first half of 2016.ⁱⁱ

Although exports of equipment for livestock have declined overall in recent years, sales of poultry-keeping equipment have grown strongly and steadily for the last decade, into 2016.

Technology

The technology needs of Polish farmers are diverse. The country's ag economy is making on-going progress toward larger-scale commercial production and greater productivity—simultaneously shifting away from subsistence agriculture and labor-intensive farming practices.

Precision agricultural technologies increasingly will be in demand as Polish farms grow in size and technological sophistication. More

basic mechanization is still underway, as well, supporting the strong growth in exports of small- and medium-horsepower tractors. To remain competitive in EU agricultural markets, technology that will enable greater productivity and quality control in fresh produce, pork, and poultry production will also be needed.

Poland also has a small but increasingly sophisticated, export-oriented domestic agricultural equipment industry. Poland exported \$937 million worth of agricultural equipment in 2015. Major export markets for Polish ag equipment include Germany and Ukraine, other EU markets and Russia.ⁱⁱⁱ U.S. parts and component suppliers that can enhance the productivity, competitiveness of Polish equipment will likely find opportunities in Poland.

Local tractor manufacturers include Pronar, Farmtrac, Crystal Traktor, and Ursus. Polish

Poland: U.S. Exports at a Glance

Equipment Types	2015 Exports U.S.\$ Millions	Percent of Ag Equipment Exports	Change 2012-15	Change Jan.-June 2016
For Grain, Oilseeds, & other Commodity Crops ---	\$33.2	45.2%	-1.8%	-6.1%
Tractor Parts, Engines & Engine Pts. ---	17.0	23.2%	85.9%	186.1%
Mowers & Power Equipment ---	9.2	12.6%	-14.5%	16.2%
For Raising Livestock ---	6.9	9.3%	-4.4%	-18.4%
For Produce & High-Value Crops ---	4.0	5.4%	20.4%	44.5%
Low- & Medium-HP Tractors ---	2.8	3.9%	790.7%	-1.1%
Sprayers ---	0.2	0.3%	-4.6%	64.0%
<u>Other</u>	<u>0.1</u>	<u>0.1%</u>	<u>-38.0%</u>	<u>934.6%</u>
TOTAL	\$73.4	100.0%	3.3%	14.6%

companies produced 3,551 agricultural tractors in 2014, mostly in the 24-50 hp range. Production of larger tractors, above 120 hp, is small but growing.^{iv}

CNH Industrial manufactures combine harvesters in Poland for both the domestic market and for export. Other manufacturers produce specialized harvesters for vegetables and fruits; self-propelled, towed, and tractor-mounted sprayers; mowers; a variety of agricultural implements; and other equipment.^v

Ag Economy Fundamentals

Poland is a significant European producer of a diverse range of agricultural products. The country is the EU's largest producer of both poultry and apples, second-largest grower of potatoes—after Germany—and ranks third in sugar beets, rapeseed, and pork.^{vi} Other major crops include wheat, rye, triticale, oats, cruciferous vegetables, carrots, onions, and cherries. Poultry and milk are also produced in commercially significant quantities.^{vii}

The Polish agricultural economy is projected to grow modestly in 2017 and 2018, by 1.4 percent and 1.3 percent respectively. Private consumption—likely to support continued growth in the fresh produce sector—is projected to increase 2.7 percent in 2017 and 3.0 percent in 2018. Producer prices are expected to rise slightly over the same period, as well.^{viii} Production is expected to grow 10-15% annually over the 2017-2018 period, creating opportunities for equipment suppliers.^{ix}

Interest rates are projected to remain low, although not as low as they are currently in the Eurozone countries. The OECD projects a short-term interest rate of 1.8^x and a long-term interest rate of 3.1 percent for Poland for 2017.^{xi}

Poland is not heavily exposed to global markets for commodities such as corn, soybeans, wheat, cotton, or rice. Wheat is the country's largest

grain crop, but does not dominate the agricultural economy.^{xii} Corn production is rising and prices are likely to increase along

with expansion of Polish pork production.^{xiii} Poland is one of many countries affected by the 2015-2016 European dairy crisis, when production costs throughout the EU far exceeded the prices farmers receive for their milk. U.S. exporters have not shipped farm dairy equipment to Poland in recent years. Exports of parts have declined sharply as well, along with certain types of fodder management equipment.

Weak prices, overproduction, and low productivity have been major problems for the Polish dairy sector.^{xiv} In late 2016 however, the situation stabilized somewhat and milk prices began to grow. Due to low production costs, Poland may actually benefit from the elimination of EU dairy quotas as producers in higher-cost countries shift to other commodities. Also, Poland's growing number of larger dairy farms may create opportunities for suppliers of milking robots, which are currently sourced from elsewhere in Europe.^{xv}

In response to the current crisis—which followed on the elimination of EU dairy production quotas in 2015 and the imposition of Russian sanctions against EU dairy products—the European Commission in September 2015 and again in July 2016 announced aid packages for the dairy sector totaling €1 billion.^{xvi} Given the growing competitiveness of the pork and poultry sectors, it is likely that Polish farmers will follow their counterparts elsewhere in the EU and exit dairy production in favor of other ag products. Exports of U.S. pork, poultry, and fodder equipment may benefit from such a shift.^{xvii}

As an EU member state, Poland has duty-free access to the rest of the 28-country single market, and to EU rural development funds. Polish farmers have made extensive use of these funds in modernizing their operations.

Challenges and Obstacles

As a member of the European Union, Imports of agricultural equipment into Poland must comply with the extensive EU regulatory regime. U.S. agricultural equipment exporters must ensure their products receive the “CE” mark in order to sell in Poland. U.S. products must also comply with EU regulations such as REACH (Registration, Evaluation, Authorization and Restrictions of Chemicals), WEE (the Waste Electrical and Electronic Equipment Directive), RoHS (the Restriction of Hazardous Substances Directive), and others. See the links below for more detailed information.

The EU standards and conformity assessment regimes—integral to obtaining the CE mark—present a variety of challenges for U.S. exporters. Products sold in the EU must comply with relevant European legislation. If a manufacturer uses European regional standards (called European harmonized standards or ENs), its products are presumed to be in compliance with the requirements. The CE mark is applied to products that conform to the relevant EN standard, or to certain “international” standards as defined by the EU (from the ISO, IEC, or ITU).

The CE mark indicates that the product complies with EU legislation, and is able to move freely within the European single market. While it is possible, theoretically, to use other standards to meet essential requirements, U.S. manufacturers report that in practice the costs and uncertainty associated with not using an EN or EU-recognized international and demonstrating that the alternative standards fulfill essential requirements can be prohibitive.^{xviii}

Poland has made great strides towards improving its commercial climate, but U.S. and companies still encounter an inefficient commercial court system and a somewhat rigid labor code, as well as being faced with bureaucratic red tape and a burdensome tax system. Weak transportation infrastructure, in

particular the road and railway networks, increases the cost of doing business by limiting access to much of the domestic market and diminishing the country’s potential as a regional distribution hub.^{xix}

For more information, see the:

- **Country Commercial Guide for Poland:** https://www.export.gov/article?series=a0pt0000000PAuiAAG&type=Country_Commercial_kav
- **Country Commercial Guide to the European Union:** https://www.export.gov/article?series=a0pt0000000PAtkAAG&type=Country_Commercial_kav
- **The 2016 National Trade Estimate Report:** <https://ustr.gov/sites/default/files/2016-NTE-Report-FINAL.pdf>
- **Polish Chamber of Agriculture Machinery and Equipment:** <http://www.pigmiur.pl/>
- **Institute of Agricultural and Food Economics—National Research Institute:** <http://www.ierigz.waw.pl/>
- **Institute of Technology and Life Sciences:** <http://www.itp.edu.pl>

Trade Events – Domestic:

Agrotech 2017

Description: A large, indoor agricultural equipment exhibition attracting international numerous international exhibitors.

Location: Kielce, Poland

Dates: March 17-19, 2017

Website: <http://www.targkielce.pl/en/22nd-international-fair-of-agricultural-techniques-agrotech,7699.htm>

Centralne Targi Rolnicze CTR 2017

Description: Held for the first time in 2016, CTR features machinery and equipment for the crop and livestock production, processing and storage of agricultural products, as well as other goods and services for the agricultural sector, including logistics and financial services.

Location: Warsaw, Poland

Dates: October 2017; exact dates TBD.

Website: <http://centralnetargirolnicze.pl/pl/>

Trade Events – International

Agritechnica 2017

Description: The world's largest agricultural equipment exhibition, Agritechnica is an important event for the Polish market. The show features machinery, equipment, and related goods and services for use in raising in crops.

Location: Hanover, Germany

Dates: November 12-18, 2017.

Website: <https://www.agritechnica.com/en/>

EuroTier 2018

Description: A leading global exhibition for machinery, equipment, and related good and services for use in cultivating livestock, milling animal feed, and bio-mass energy production. Like Agritechnica, EuroTier is an important event for reaching the Polish agricultural equipment market.

Location: Hanover, Germany

Dates: Second week of November, exact dates November 13-16, 2018

Website: <https://www.eurotier.com/en/>

ⁱ Business Monitor Online; Agribusiness Service; SWOT – Poland – Q4; October 7, 2016.

ⁱⁱ United States Department of Commerce, Bureau of the Census, Foreign Trade Division, TPIS Database: USHS EXPORTS, Revised Statistics for 1989-2014, Unrevised for 2015-2016.

ⁱⁱⁱ U.S. Department of Commerce; United Nations COMTRADE Database TPIS Database: UNHS EXPORTS.

^{iv} Dr. Jan Pawlak, "Rynek maszyn rolniczych"; **Rynek Środków Produkcji dla Rolnictwa**. Instytut Ekonomiki Rolnictwa I Gospodarki Żywnościowej—Państwowy Instytut Badawczy (Institute of Agricultural and Food Economics—National Research Institute). Warsaw, Poland; April 2016.

^v Ibid.

^{vi} European Commission, Directorate General for Agriculture and Rural Development; **Agriculture in the European Union: Market Information**. Brussels, Belgium; December 2014

^{vii} Business Monitor Online, SWOT, op.cit.

^{viii} Economist Intelligence Unit; November 2, 2016.

^{ix} Commercial Section, U.S. Embassy/Warsaw; January 2017.

^x OECD, Short-term interest rates forecast. Short-term interest rates are the rates at which short-term borrowings are effected between financial institutions or the rate at which short-term government paper is issued or traded in the market. Short-term interest rates are generally averages of daily rates, measured as a percentage. Short-term interest rates are based on three-month money market rates where available. Typical standardized names are "money market rate" and "treasury bill rate". URL: <https://data.oecd.org/interest/short-term-interest-rates-forecast.htm#indicator-chart>.

^{xi} OECD, Long-term interest rates forecast. Long-term interest rates refer to government bonds maturing in ten years. Rates are mainly determined by the price charged by the lender, the risk from the borrower and the fall in the capital value. Long-term interest rates are generally averages of daily rates, measured as a percentage. These interest rates are implied by the prices at which the government bonds are traded on financial markets, not the interest rates at which the loans were issued. In all cases, they refer to bonds whose capital repayment is guaranteed by governments. Long-term interest rates are one of the determinants of business

investment. Low long-term interest rates encourage investment in new equipment and high interest rates discourage it. Investment is, in turn, a major source of economic growth. URL:

<https://data.oecd.org/interest/long-term-interest-rates-forecast.htm#indicator-chart>.

^{xii} OECD/FAO Agricultural Outlook

^{xiii} Business Monitor Online; Grains Outlook; op.cit.

^{xiv} Yvan Polet, **Global Agricultural Information Network**, "A Perfect Storm for EU Dairy Prices"; U.S. Department of Agriculture, Foreign Agriculture Service; August 4, 2015.

^{xv} Commercial Section, U.S. Embassy/Warsaw; January 2017. European Commission, Directorate General for Agriculture and Rural Development; **Short Term Outlook for EU arable crops, dairy and meat markets – Autumn 2016**. Brussels, Belgium; 2016.

^{xvi} Emmet Livingstone, "Europe offers €500 million to help dairy farmers"; **Politico**; July 15, 2016. URL: <http://www.politico.eu/article/europe-awaits-last-ditch-effort-to-save-its-milk-farms-commission-overproduction/>

^{xvii} **AgrarZeitung**, "Milchkrise weitert sich aus"; July 26, 2016; page 1.

^{xviii} Office of the U.S. Trade Representative, **2016 National Trade Estimate Report**, Pp. 23-36, 51-60, 387-394; Washington, DC, April 2016..

^{xix} U.S. Department of Commerce, U.S. Department of State; **2016 Country Commercial Guide for Poland**.