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MILK PROCESSING PROBLEMS IN POLAND

Summary: Despite the official doctrine, the economies of Communist countries experience from time to time over-production in certain branches. This is a fairly new phenomenon, unknown in the period of a general shortage of goods which characterized the economy a few years ago.

Particularly troublesome -- both economically and politically -- is the overproduction and resulting waste in certain branches of the food industry, in view of the generally insufficient supply of foodstuffs. In the last two or three years, these difficulties have increased and begun to spread to an ever larger number of industrial branches. A most recent example is the problem of using up the available milk. This is a particularly glaring problem in view of the fact that there is a simultaneous demand for milk products which is not being fully satisfied. As in other branches of the food industry(*) the majority of the reasons behind the present stage of the "overproduction crisis" lie in a basically unplanned economic policy. The difficulties in the milk branch are only one of the many examples of this anomaly, but a closer examination of them will provide some insight into the concrete situation in which such "crises" are possible.

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Basic Data

According to data of June 1965, there were 5,920,000 cows in Poland. The figure has remained almost unchanged (with fluctuations of no more than two per cent) since 1958. According to a cow census of December 1966, the number of cows had increased by 1.7 per cent and can thus be estimated at about six million. Calculated per 100 hectares of farmland, a figure of 30 cows has been maintained over the last few years. It can be estimated that about 5,250,000 cows, or 85 per cent, are privately owned.

(*) For instance, in the fish, fruit and vegetables, eggs and poultry or noodle production branches. In all these areas, the sales difficulties are of a similarly subjective nature.

The average yield in the 1960-1964 period was around 2,050 liters and rose somewhat more significantly only in 1965, reaching 2,180 liters. By comparison, the average yield in 1963 in other European countries was:

GFR	3,500 liters
Great Britain	3,660 liters
Holland	4,100 liters
Austria	2,710 liters
GDR	2,650 liters
Hungary	2,307 liters.

In 1966 there were about 850 dairies in Poland, the number having decreased steadily in the previous years (890 in 1963). To a certain extent, this decline is justified by the concentration of the dairy industry, and especially by the closing of small, obsolete dairies. In the 1960-1964 period, the value of dairy products (including the egg and poultry industry) did not show any significant increase. During that time, the total milk production fluctuated around 12.25 milliard liters annually. Only in the last two years (1965-1966) was there any decisive increase in milk production, bringing it close to the 14 milliard liter mark.

After a similar period of stagnation, milk purchases (by the cooperative purchasing apparatus) began to increase in 1965. Nevertheless, cooperative purchases cover only around 35 per cent of total milk production. About two milliard liters are sold annually on the free market.

The Situation on the Milk Market up to 1964

It emerges from the above data that there was an almost complete stagnation in the period 1960-1964 as far as the number of cows, milk production and milk purchases were concerned. This stagnation followed a reactivation of dairy farming in the years 1957-1959, after the revival of milk cooperatives. These cooperatives, which enjoy an old tradition in Polish farming, were nationalized in the Fifties and reactivated in 1957. The increase in the production and processing of milk in the years that followed was due largely to the better organized system of cooperative milk purchasing and processing. Naturally, in this as in other economic areas, a major part was played by the overall political and economic changes introduced after October 1956 (one of which was precisely the reactivation of the milk cooperatives, an economic organization based on broad farmer masses).

Beginning with 1960, however, the previous rate of increase of milk production slowed down, beginning a period of five years of stagnation. There were many reasons for this, the main one, however, being the smaller supply of fodder, resulting from several consecutive

years of poor yields (including both potatoes and green fodder). The main cause was bad weather which reduced grass yields. As a result, the number of cows remained stationary and the milk yield decreased due to inadequate feeding of livestock.

This, in turn, resulted in a shortage of milk available for consumption. Because of this situation, it was considered advisable to give the milk supply priority over the supplies of butter and cheese.

Against this background, a decision contrary to even the most elementary rules of planning for the future was made in 1963. On the premise that, given the then current level of production and purchases of milk, there was no reason for developing the network of dairies and processing plants, the construction of 28 (out of a planned 66) such plants was eliminated from the plan. As a result, any chance of getting out of a blind alley once milk production improved was lost. This decision was made with full awareness of the fact that such a low supply of milk would be impossible to maintain over a longer period of time, in view of the general shortage of foodstuffs.

Ironically enough, the purchase price of milk and the retail price of milk and milk products was raised later the same year. Thus, additional incentives for raising milk production were created, while at the same time the means for taking advantage of the increase were reduced. After a brief delay, it became obvious to all that it would be extremely difficult and take a long time to get out of this vicious and absurd circle.

The Repercussions of the Increased Milk Supply in 1965-1966

After a substantial improvement of the fodder supply and with the incentive of a higher purchase price, the supply of milk rose rapidly. The breakthrough came in 1965-1966. The purchases of milk, which for years had been maintained below 30 per cent of total milk production, exceeded 33 per cent in 1966, reaching over 4.6 milliard liters, while the average in the period 1960-1964 was 3.8 milliard liters annually.

The present rate of increase in milk purchases is more rapid than the increase in the number of cows; this is the result, on the one hand, of a greater yield and, on the other, of higher milk sales. In 1966, the increase of milk purchases covered 80 per cent of the increase in milk production, although -- as we have mentioned -- the overall purchases covered only 33 per cent of total milk production. Thus, at present, the farmer is much more interested in selling milk to the cooperative than he was before the price increase. A certain influence is also exerted by the increased fertilization of meadows and fodder plantations, which makes milk production profitable.

This basically small (for it does not exceed 20 per cent)

increase in milk supply has resulted in a general reversal of the situation: instead of a "serious" shortage of milk, there was an oversupply which no one knew what to do with. One can disregard the higher retail prices, for they did not influence the level of milk consumption. One can, at worst, speak of a certain deceleration of the growth of milk and milk product consumption. The basic reason behind the "milk jam" on the market is the inability of the dairies to process even slightly increased amounts of milk. Their processing facilities are barely capable of dealing with the low-level supply of 1960-1964, due, among other things, to the investment cuts of 1963.

To what degree the increased supply caught the dairies unaware is shown by an article published in December 1964, literally "on the eve" of the increased milk supply: "The main problem facing the national dairies today is not the insufficient processing facilities but the lack of raw materials." (Emphasis added.)(1)

Some months later, one of the dailies announced: "A milk flood! Hundreds of thousands of liters! One liter in six brought to the milk collection centers is rejected. In one of the voivodships, the irritated farmers poured several hundred liters of milk into a ditch. At the same time, we feel no glut of milk in towns."(2)

Other material shows that more than half of the available whey (a precious raw material for animal fodder) is being poured down the drain in the dairies, because of lack of processing facilities.

After a while, a milk glut became apparent also in the towns. The only possibility of improving the situation would have been to increase the supply of cheeses and butter. However, the possibilities here were restricted by the inadequate dairy facilities. With the antiquated equipment on hand, any increase in quantity automatically meant a decline of quality. Zycie Gospodarcze of 22 January 1967 wrote: "In the first quarter of 1967, the deliveries of hard cheeses are expected to rise by 14 per cent over the first quarter of last year. At the same time, a decrease in quality was noted." There was a certain improvement in butter supply. It is difficult, despite official reassurances, to agree that the demand has been fully satisfied. This emerges from a consumer poll conducted by the Spolem consumer cooperative in January 1967, from which it appears that the demand for butter is at present 89 per cent satisfied.(3)

Under these circumstances, it was decided to increase the program of milk cooperatives for the period of the current five-year plan. But this did not prove to be so simple. As a result of investment cuts in 1963, a number of drafting workshops making up plans for dairies had been shut down. Now there is no office where an order for a dairy can be placed, and, moreover, there is also a shortage of builders. Besides, even the increased dairy development plan

(1) Tygodnik Demokratyczny, 1 December 1964.

(2) Slowo Powszechne, 9 August 1965.

(3) Gazeta Handlowa, 31 March 1967.

is based on the milk supply estimated for the current five-year period. Several critical statements have made it clear that this estimate is too low. The plan anticipates that, in 1970, the annual milk purchases will amount to 5.1 milliard liters, while in 1966 the purchases have already amounted to 4.6 billion liters. Since in 1965 and 1966, the annual increase was about 1.1 billion liters, these fears seem quite justified.

The rate of increase of milk purchases continues to rise. Thus, in January 1967, purchases were eight per cent above those of the previous January. The planned increase for that period was one per cent. Obviously, the present milk purchase plans are intended to slow down purchases, rather than -- as public interest would require -- encouraging them. Particularly telling here is the December 1966 livestock census, from which it appears that the number of heifers had risen 28.5 per cent in one year. Thus, the increase in the number of milk cows in 1967 and 1968 should be much greater than the planned increase of milk production.

Prospects of Increased Milk and Dairy Product Consumption

It is clear now that the milk supply is too great in terms of current processing facilities. How can the present and immediate supply of milk be compared with the desirable level of milk consumption?

In 1965, the consumption of milk and milk products (calculated in milk) amounted to 356 liters per capita. This is not a very low level, compared with consumption in other countries, but it is far below the barely sufficient "B nutrition norm" (562 liters), not to mention the optimal, "D nutrition norm" (763 liters). The comparison of the nutrition norms in the consumption of butter and cheeses with the actual consumption is worse still. In 1965, butter consumption amounted to 35 per cent of "D norm" and the total milk consumption to about 45 per cent of it. Worse, the long-range plan (up to 1985) does not anticipate any outstanding improvement in this area. "In the fats group, the hypothetical demand is almost identical with norm D, but the demand for butter is below that established by the norm... Hypothetical demand for milk and milk products appears to be much below that of the optimal norm..." (4)

Particularly low is cheese consumption. This arises, to a certain extent, from food habits, but even then a serious increase in consumption could be anticipated if the market were better supplied.

All in all, without going into further details, one may conclude that there are real possibilities of increasing milk consumption and especially the consumption of milk products, provided the supply is increased. This would be possible even while maintaining the current prices. With slight changes in price relation, the demand could be greatly intensified.

(4) Zycie Gospodarcze, 4 December 1966.

Thus, we have on the one hand signs of over-production (wastage of precious raw materials) and on the other -- unsatisfied consumer demand and the possibility of increasing demand further. The only reason behind this almost classic anomaly was the abandoning in 1963 of necessary investments. The absurdity of this state of affairs is particularly glaring if one considers the general situation on the food market in Poland. As we know, one of the greatest difficulties on that market is the satisfaction of the demand for meat and meat products. This is a particularly sensitive spot, causing constant social tension. It is all the more striking that the economic leaders in Poland have failed to take advantage of the opportunity of lowering the demand for meat and its products by increasing the supply of milk and milk products which can serve as a meat substitute (cheese to replace sausage). Even more strikingly, the same mistake was made in the case of the fish supply and in the poultry and egg branch.

Against this background, it would appear that the lack of planning, to an extent threatening the planners' interests, is now one of the significant characteristics of the market situation in Poland.

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