

POLAND

As the fourth largest oilseed producer in Europe, Poland's rapeseed output has risen significantly over the past few years. However, the ongoing war in Ukraine is impacting its import and export patterns, along with tight EU environmental rules

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Breaking records

Poland, with its expansive fields of rapeseed, is the fourth largest oilseed producer in the EU, according to 2023 statistics from the European Commission.

The country's rapeseed production and crush have broken multiple all-time records in recent years but Poland's oils and fats sector also faces significant hurdles. Tight EU environmental regulations have impacted farm outputs and led to widespread demonstrations throughout the country. The past two years have also seen a significant increase in oilseed imports stemming from the ongoing war in Ukraine, which has led to international lawsuits.

Oilseed and oil production

Rapeseed is the undisputed leader when it comes to Polish oilseed production, with constant annual increases in harvests over the past few years, according to data from the Food and Agriculture Organization of the United Nations (FAOSTAT).

"Last year, we had the historically biggest rapeseed harvest in Poland," Adam Stępień, general director of the Polish Association of Oil Producers (PSPO), tells *Oils & Fats International (OFI)*. "Farmers harvested more than 3.7M tonnes of rapeseed."

In 2022, Poland's rapeseed harvest stood at 3.47M tonnes, while the preceding years saw harvests of 3.05M tonnes, 2.90M tonnes and 2.26M tonnes. The harvests in 2019 and 2018, however, were both below that of 2017, when farmers grew 2.69M tonnes of rapeseed.

Poland also grows sunflowerseed, production of which has grown significantly in the past few years. FAOSTAT data shows that the 2022 sunflowerseed harvest

reached 61,850 tonnes, nearly twice as much as the 32,660 tonnes harvested in 2021, which was also double the 15,130 tonnes from 2020. Just as with rapeseed, however, Poland saw a significant drop in production between 2018-2019, when the sunflowerseed harvest fell from 9,240 tonnes to 3,930 tonnes.

Poland is also a minor soyabean producer. In 2022, Polish soyabean production stood at 43,780 tonnes, up significantly from 20,970 tonnes in 2021 and 15,960 tonnes in 2020. Additionally, Poland produced 55,850 tonnes of other oilseeds in 2022. This category saw a significant jump, rising 18,000 tonnes from 37,240 tonnes in 2021.

Although rapeseed production in Poland is far above any other oilseeds, Stępień says Polish farmers do not have any particular real preference for the crop.

"In general, there aren't too many options for farmers in what to grow. In Poland, you have around 10M ha of agricultural land and you can't cover it only with maize and grains," Stępień says.

"Rapeseed is needed for proper soil management and it's still a good option for the farms' economy." Farmers also know PSPO members and other domestic vegetable oil refiners are there to purchase their entire harvest, he says.

Refining and consumption

When it comes to Poland's domestic oilseed processing, the country broke another rapeseed record in 2023 when processors crushed 246,000 tonnes more than in 2022 (another record year), reaching a total crush of 3.52M tonnes. "We're above the magic barrier of 3.5M tonnes of rapeseed. This is the highest

amount ever," Stępień says.

Out of those 3.52M tonnes of crushed rapeseed, 1.5M tonnes of crude rapeseed oil was produced, up 146,000 tonnes from 2022. This translates to a roughly 42.5% seed oil content, which Stępień says is also a historical record. Additionally, Poland refined 547,000 tonnes of crude rapeseed oil in 2023, the same as in 2022.

The five largest players in the Polish market include ADM (operating two sites), BestOil, Bunge Polska (on two sites), Komagra and Statoil (both part of the same group) and Viterra Polska.

Food consumption of vegetable oils is growing in Poland, albeit very slowly. According to Euromonitor International Data cited in the study "*Changes in the Vegetable Oil Market, with Particular Emphasis on Market Instability in Relation to the War in Ukraine*", Polish vegetable oil retail sales have grown from 150M litres in 2015 to roughly 160-170M litres in 2023.

Stępień would go so far as to say that the domestic Polish vegetable oil market is growing so slowly that in real market terms, the growth is negligible. "Bottled edible oil is a very stable market. There are some changes between, say, sunflower oil, olive oil and rapeseed oil but still, rapeseed oil is hugely dominant. But, in general, bottled oil sales are not growing – unfortunately."

Although total food use consumption of edible oils in Poland is seeing minimal growth, the industry's internal trends are shifting. The Euromonitor data indicates that the share of margarine and other solid fats in Poland's edible oil consumption is declining (down from roughly 47% in 2012 to 36% in 2020) and being taken over mostly by liquid

▶ vegetable oils, such as rapeseed oil. Olive oil is also seeing a small share increase.

With negligible growth in food consumption, it is the biodiesel industry which is absorbing Poland's increased rapeseed oil production.

"When you have such rapeseed oil volumes – some 1.5M tonnes of which around 400,000 tonnes is oil that we can consume as food in the internal market – and we're refining 550,000 tonnes, then you still have 900,000-plus tonnes for biodiesel," says Stępień. "In the last three or so years, we've produced more or less 1M tonnes of biodiesel, and around 90% of that is produced from rapeseed oil."

War impact on imports, exports

Although Poland's production of rapeseed and oil have been increasing over the past few years, it is a net importer of vegetable and animal oils and fats overall.

Typical market patterns have also been massively disrupted in the last few years due to the ongoing Russia-Ukraine war.

In terms of rapeseed, Poland is nearly self-sufficient, satisfying roughly 90% of its demand through domestic production, Stępień says. Some refining facilities were not able to access domestically-produced oil only because some PSPO members were exporting it as they were part of large international companies.

This trend, however, changed massively with Russia's invasion of Ukraine in February 2022. That year, Poland imported slightly over 1.03M tonnes of rapeseed, compared to roughly 500,000 tonnes in 2021, according to recently released figures from Statistics Poland. Of the 2022 total, nearly 670,000 tonnes originated from Ukraine. Poland's rapeseed imports then crashed in 2023 to around 380,000 tonnes due to both EU-wide and domestic import bans.

Poland's rapeseed exports did not initially see fluctuations outside the norm with the war – exported amounts rose from around 351,000 tonnes in 2021 to 364,000 tonnes in 2022. In 2023, however, there was an enormous jump, with rapeseed exports totaling around 850,000 tonnes, the second highest level surpassed only in 2015.

Germany was responsible for the majority of the increase, purchasing around 660,000 tonnes of Polish rapeseed in 2023, compared to roughly 310,000 tonnes in 2022. Other new importers that had not bought Polish rapeseed previously included the Netherlands (around 82,500 tonnes in 2023) and Belgium (just under 40,000 tonnes).

The significant changes in rapeseed have not been seen with sunflowerseed,



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Poland's food use consumption of edible oils is seeing minimal growth

another significant import from Ukraine.

According to FAOSTAT, Poland's sunflowerseed imports increased from roughly 60,200 tonnes to 67,300 tonnes between 2021-2022. While 2023 statistics on sunflowerseed imports were not available at the time of writing, *Agricensus* indicates that Ukraine's sunflowerseed exports fell to zero in 2023. Meanwhile, Poland's sunflowerseed exports more than doubled, jumping from 24,100 tonnes in 2021 to 52,600 tonnes in 2022.

Other significant oilseed and oils and fats imports to Poland include soyabean cake (2.7M tonnes in 2022); crude rapeseed oil (289,000 tonnes); crude sunflowerseed oil (268,700 tonnes); palm oil (247,000 tonnes); crude safflower seed oil (240,800 tonnes); soyabean oil (228,000 tonnes); soyabeans (148,000 tonnes); coconut oil (31,700 tonnes); and olive oil (20,800 tonnes). On the export side, the top products include rapeseed cake (664,200 tonnes); crude rapeseed oil (132,900 tonnes); crude safflower seed oil (111,200 tonnes); crude sunflowerseed oil (95,300 tonnes); soyabean oil (93,400 tonnes); linseed (63,100 tonnes); and pig fat (48,700 tonnes).

Transport and logistics

When it comes to transportation, Stępień states that most oilseed cargoes – especially to Germany – move in and out of Poland by truck. That said, there are two significant Baltic Sea ports in Poland

– Gdynia and Gdansk. Gdynia is the larger of the two, with an annual agricultural product throughput of 4-5M tonnes, which includes oilseeds.

Gdania is also a respectable agriproduct port, handling roughly 3.1M tonnes of grains in 2023, up from 1.9M tonnes in 2022. However, although some oilseed exports go through the ports, Stępień says they are not the main avenue for Polish oilseeds to move out of the country. "The ports are mainly used right now for the export of grains."

Stępień adds that the ports have signed some agreements with new investors so their capacity will be developing.

Challenges ahead

Polish oilseed farmers may be setting new records but they, along with processors, face a few significant challenges, including the ongoing war in Ukraine.

When Russia's 2022 invasion blocked Ukraine's traditional grain and oilseed shipment routes through the Black Sea, these products began moving into Central and Western Europe overland. The glut of grains and oilseeds depressed prices for local farmers, prompting the EU to ban imports of Ukrainian agricultural products.

The EU-wide ban expired in September 2023 but Hungary, Poland and Slovakia introduced their own import restrictions immediately afterwards.

In Poland, the import ban still stands and, according to Stępień, the new Polish government sworn in in December 2023 does not plan to lift it.

"The new Polish government is similarly interested in maintaining the ban as the previous one because of the hard situation for farmers. They are more or less keeping the same line, trying to defend farmers' interests. We expect they will continue the same approach we've seen in the past two years," says Stępień.

Poland has not shut its borders entirely. Shipments of Ukrainian oilseeds and grains are still allowed to move through the country, provided that they are not sold in the country.

"Europe – not Poland – needs Ukrainian oilseeds. The Ukrainian market is not as large as some people imagine so the impact is rather local. We don't intend to block everything from Ukraine just because of the war. We need to find some solution, which isn't easy, but I think that if all things go correctly in line with regulations, then it should work," Stępień says.

Ukrainian grains and oilseeds going through Poland, however, have drawn the ire of Polish farmers. Like their counterparts virtually all over Europe, Polish farmers took to the streets in late

2023 and the protests are continuing. In addition to Ukrainian imports pushing European agriproduct prices down, the farmers are protesting against the EU's various environmental regulations that are making farming difficult due to increasing red tape and restrictions on pesticides, land use, and other matters.

"All these so-called 'green regulations' in the Common Agriculture Policy are negatively affecting production and the economy, and pushing Europe to be more orientated towards imports which, at the same time, are not produced in line with the same regulations. It is totally crazy, in terms of climate policy and climate change mitigation," Stępień says.

The tense situation has led to some legal and illegal altercations. In September 2023, Ukraine filed a lawsuit against Poland's import ban with the World Trade Organization although, at the time of writing, the case appears to have stalled. Meanwhile, Polish farmers have stopped and deliberately spilled shipments of Ukrainian grain on the border between the two countries. According to a *Reuters* report from February 2024, Ukraine's Deputy Prime Minister Oleksandr Kubrakov said some 160 tonnes of Ukrainian grains had been destroyed in the protests. Polish

Agriculture Minister Czeslaw Siekierski has apologised for the vandalism and Polish police have reportedly opened investigations. The EU has announced new plans to curb Ukrainian farm imports to appease angry farmers throughout the continent.

Stępień, for his part, is waiting to see the practical effects of any new legislation. "Polish farmers are very active and try to show their problems to the new government. For example, last year, farmers didn't harvest their maize in many regions because the cost of drying was so high that even previous relatively high prices didn't meet this cost. The situation is not improving so they are angry," he says.

Future outlook

Although the Polish oils and fats industry faces various challenges, Stępień remains optimistic. Poland's farmers grow primarily winter rapeseed so they have already planted their 2024 crops. Stępień expects a good harvest but keeps a realistic outlook on the prospects of yet another record year.

"I'm not expecting another record as it's not possible to beat production every year. Still, I think that we can expect a good harvest, taking into account the 1.1M ha

production area. Farmers know how to do their jobs so I'm not expecting the harvest to decline under 3.5M tonnes next season."

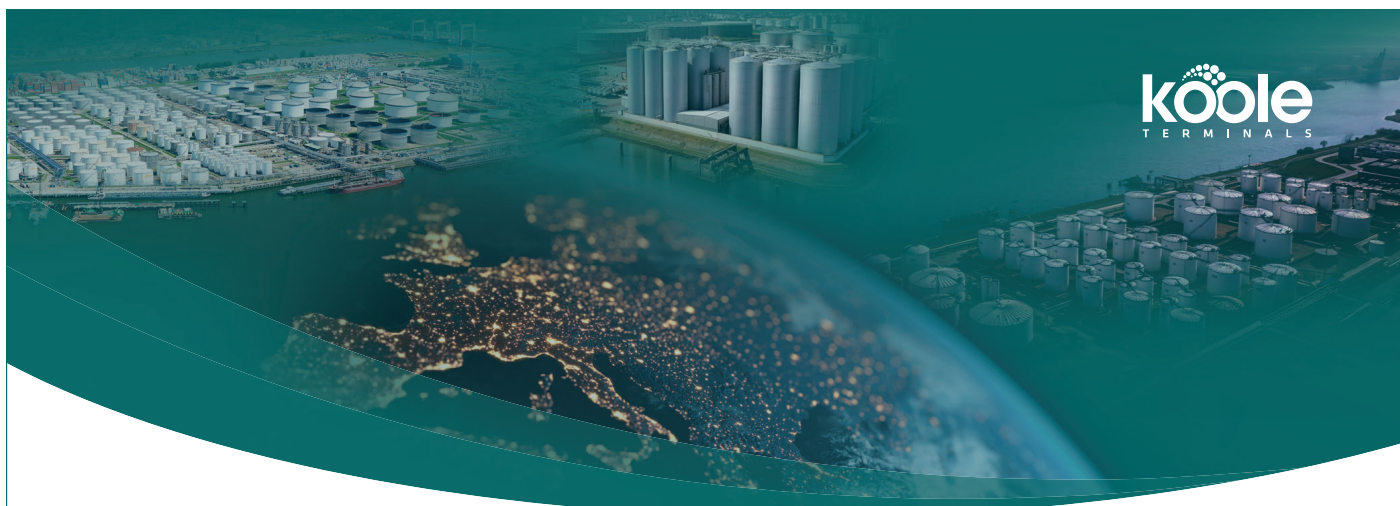
Stępień's longer-term forecast is also positive, assuming Polish farmers can keep producing similar levels of rapeseed and soybeans. According to him, biofuels remain a significant part of the EU's goal of decarbonising the transport sector, allowing producers and processors to continue to enjoy a growing market. Additionally, Stępień believes Poland may have a future in becoming a protein meal producer on a larger scale.

The main challenge in Stępień's view is not Ukraine but complying with the EU's environmental requirements, together with mitigating the Polish oilseed sector's emissions and environmental footprint.

Stępień says Polish vegetable oil producers are constantly improving their processes both in effectiveness and environmental standards. As long as they and farmers are able to resolve their issues with EU legislation, Poland's vegetable and animal oil industry will continue developing.

"I think the future is bright and stable. As the food and energy industry, we will always be needed," Stępień concludes.

Ile Kauppila is a former assistant editor of Oils & Fats International



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