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**BSE Update – Wednesday, January 28, 2004**

Depopulation Activities

On Tuesday, Jan. 27, 2004, 15 animals of interest were euthanized and sampled from the Moxee, WA, facility. In addition to this facility, USDA has previously conducted selective depopulation activities at these facilities:

Sunnyside, WA (bull calf premises) - a total of 449 animals depopulated

Mabton, WA (index premises) - a total of 131 animals depopulated

Mattawa, WA - a total of 39 animals depopulated

Connell, WA - a total of 15 animals depopulated

Boardman, OR - a total of 20 animals depopulated

Quincy, WA – a total ofVoluntary Report - public distributionDate: 7/16/2004GAIN Report Number: PL4022PL2004PolandProduct BriefDried Fruits and Nuts2004Approved by:Charles Rush, Acting Agricultural CounselorU.S. EmbassyPrepared by:Jolanta Figurska, Marketing SpecialistCharlene Kastanek, Agricultural InternReport Highlights:Overall Polish imports of dried fruits and nuts increased 6.5 percent in 2003. US exporters have more opportunities to enter the market due to the May 1, 2004, accession of Poland to the EU. Demand for these products generally increased between January and May, stimulated by the Carnival SeasonIncludes PSD Changes: NoIncludes Trade Matrix: NoUnscheduled ReportWarsaw [PL1][PL]Section I. Market OverviewQuick snacks and foods are showing continued expansion in the Polish food industry. Polish consumers perceive dried fruit & nuts as a positive, healthy form of food "on the go." As a result, this sector shows overall growth. Total imports of dried fruit & nuts in 2003 were 77,286 MT, a 6.5 percent increase from 2002. This developing market has brought forth a variety of changes, including bulk packaging. While bulk packaging brings in a higher quantity of product, it has proven to decrease overall quality. The lack of a tariff for raw shelled and unshelled peanuts and newly decreased tariffs for walnuts, pistachios, raisins, dried prunes, and mixed nuts due to the May 1, 2004, EU accession, may offer U.S. dried fruit and nut suppliers the opportunity to capture a larger market share in Poland.Market research shows that about 32 percent of the Polish population buys a variety of nuts and dried fruits throughout the year. Nearly 65 percent of the Polish population purchases nuts once a month, 25 percent purchases nuts once a week, and 7 percent purchases nuts more than once a week. Among the nuts available on the Polish market, the following are the most popular: peanuts, walnuts, hazelnuts, almonds, and pistachios. No detailed data on dried fruit consumption is available. The most popular dried fruits on the Polish market are: raisins, prunes, dates, apricots, figs, apples, and pears. Dried cranberries are occasionally offered on the market, however; due to the implementation of an ad valorem tari 18 animals depopulated

Tenino, WA – a total of 4 animals depopulated

Samples taken from the 15 animals depopulated in Connff which is being applied to certain US products in retaliation for unfair trade activities by the US; the potential for expansion in this area has been limited. Demand for these products greatly increases between January and May. This is stimulated by Carnival season, Easter holidays, and a decrease in fresh fruit consumption during this period. Polish consumers, ages 15 to 19, are the biggest consumers of dried fruit and nuts. This age group likes the health food aspect and use of nuts and dried fruit as snacks. In addition, these products are also quite popular with the 20-49 year old age group. Consumption in the age group above 50 years is very marginal. Consumption decreases at this age mainly due to low-income levels and no tradition of using nuts and dried fruit as snacks. Market research results show that these products are most popular in medium (population above 500,000 people) and larger cities among consumers with at least high school education and college degrees within the medium and high-income levels.
Section II. Market Sector Opportunities and Threats1) Entry StrategyLarger firms have traditionally distributed products in this sector through wholesalers. However, more dried fruit & nut importers are tending toward direct distribution to the retail market. Direct distribution reduces overall cost and avoids the loss of product freshness that results in declining sales. Larger firms have also introduced sales representatives in the field to process orders and to disseminate market information back to the firm. The smaller, less capital accessible firms still rely on the wholesaler link to the market. These firms do not have the capital necessary to distribute their product internally.Exporters of U.S. dried fruit and nuts may obtain a list of current Polish importers by contacting the Office of Agricultural Affairs at the U.S. Embassy in Warsaw (see Section V).2) Market Size, Structure, TrendsThe retail centers for dried fruit & nut sales are broken into several segments. They include hypermarkets, supermarkets and discount stores, convenience stores, traditional stores, and kiosks. Hypermarkets have been growing in number throughout Poland and offer the largest variell, WA have tested negative. All 170 samples from the index herd and the Mattawa herd have completed testing; results were negative for BSE. The final test results for the samples taken at Boardman, OR; Quincy, WA; Tenino, WA; and Moxee, WA are not yet available.

Investigation Acety and shelf space of any segment. Supermarkets and discount stores also offer a large variety of dried fruit & nuts and shelf space. Convenience stores are a new and growing distribution channel located at railway, bus, and gas stations throughout Poland. The number of these stores is expected to double over next few years and will likely offer the greatest potential for market growth in snack products such as dried fruit & nuts. In addition, Poland’s vehicle sales increased sharply in the 1990's. Although this trend does not continue, sales continue to increase slightly, which makes the gas stations with food stores an increasingly attractive retail outlet. Traditional stores and kiosks offer the least amount of variety and shelf space for dried fruit & nuts but make up the largest percentage of stores.In terms of substitutes, the potato chip/snack food industry competes heavily with the dried fruit and nuts sector. Firms involved in this industry advertise heavily through TV and billboards to increase their sales of these products. Fresh fruit and vegetables compete with dried fruit and nuts during the months of June through August. Consumption of dried fruit and nuts is the strongest during the months of September through May.While overall imports of dried fruits and nuts have grown 6.5 percent, new trends in market development have promoted an increase in bulk packaging from grams to kilograms, which has dampened quality. In addition, foreign retail outlets in Poland often demand the same product terms and prices as occur among their Western European outlets. The following tables show a break down of the dried fruit and nuts imported to Poland.Table I. Dried Fruit & Nuts Import Tables
\* Denotes information that is unavailable.Source: World Trade Atlas3.) Market PreferencesFlavored peanuts, almonds, and hazelnuts have recently become popular among Polish consumers. Spicy flavors tend to be most appealing. Coated peanuts, referred to as double crunch peanuts, are also rather popular among Poles, and are available salted or flavored. Energy bars produced from grains, nuts, and dried fruits are becoming more visible on the market as the society moves towards becoming more health conscious. Prodtivities

At this time, 28 of the 81 animals that came from Canada have been located:

1 of the 81 is the BSE-positive cow and was located in the Index herd in Mabton, Washington.

9 of the 81 were located in the Index herd in Mabton, Washington.

3 were located at a facility in Tenino, Washington.

6 were located at a facility in Connell, Washington.

1 was located at a facility in Quincy, Washington.

3 were located at a facility in Mattawa, Washington.

1 was located at a facility in Moxee, Washington.

3 are located at a facility in Burley, Idaho.

1 is located at a facility in Othello, Washington.

Guidelines on bovine spongiform encephalopathy (BSE) issued by the World Organization for Animal Health (OIE), the international animal heath standard setting organization, state that animals born on a premises within one year (before or after) of a BSE-affected animal can be considered of significant interestucts from companies outside of Poland primarily dominate the energy bar market, however; Polish companies are starting to produce these bars under their own brands. Chocolate manufacturers are also starting to look for high quality ingredients to ensure longer shelf life of their products. This has led to an increased demand for high quality nuts as raw materials. Due to increased local demand, Polish importers have become more interested in larger orders increasing the demand for direct shipments from the US.Section III. Costs & PricesCosts of dried fruits and nuts vary by the market in which they are sold (upper, middle, lower income), in addition to the brand they carry. However, overall price fluctuation is moderate. The following depicts retail prices for dried fruit and nuts in July 2004. Table II. Retail Prices
Source: FAS Warsaw Field ResearchPoland’s import tariffs on dried fruit and nuts are drastically reduced due to the May 1, 2004, EU accession. As a result of the accession, EU member states receive duty free market access. Table III. Dried Fruits and Nut Tariffs
\*Other Almonds, in shell and shelled, have a quota of 900,000 tons, with a tariff quota 2%.\*\*In addition to this tariff an ad valorem tariff is being applied to this product. The additional tariff for the month of July 2004, is 9%, and will increase by 1% each month until it reaches 17% in March 2005. On March 1,2005, this additional tariff is subject to revision.Section IV. Market AccessThe Polish government works to ensure the safety and quality of food for Polish consumers through a number of regulatory means. Information specifically pertaining to Poland may be obtained from FAS’s Food and Agricultural Import Regulations and Standards (FAIRS) report for Poland, which will be updated to reflect the new EU regulations in August 2004. Most of the newer measures are the same as those observed in the European Union. The most important EU regulations can be found in FAS’s FAIRS report for the European Union, which can be found at the following address http://www.useu.be/agri/usda.html. - Registration of a new imported product:All imported products must be approved for sale or use on the Polish market. Registration and to the country reporting the BSE detection. As such, USDA is focusing on 25 of the 81 animals also born into the birth herd of the index animal. Based on normal culling practices of local dairies, USDA’s Animal and Plant Health Inspection Service estimated that the Agency would be able to locate approximately 11 of these animals. APHIS has definitively located 14 of these animals.

Trade Issues

Specific trade information can be found at http://www.aphis.usda.gov/lpa/issues/bse/bse\_trade\_ban\_status.html.

Other Issues

Additional information on BSE can be obtained by visiting the USDA website at http://www.usda.gov. Past BSE updates can also be found at http://www.aphis.usda.gov.

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