Gerd Boeckenhoff
General Manager of Rabobank Polska S.A.

Challenges of the Polish F&A industry
Rabobank—The Financial Link in the Global Food Chain

- the leader in providing global full range financial services to F&A companies
- strong retail banking in Netherlands, Ireland, Poland (Bank BGŻ), California, Australia and New Zeland
- the only privately held bank awarded with the highest possible credit rating (AAA)
Challenges (1): EU Accession

5 years of fundamental change

- **Structural funds**
  - EUR 2.5 bn per year for Polish F&A

- **Direct payments**
  - Until today, a total of ca. EUR 10 bn received by 1.4 m Polish farmers
  - Created development barriers
  - Quotas for: milk, sugar, isoglucose, potato starch

- **Production quotas**
  - Domestic Competition increased due to Common Market.

- **Competition**
  - Upgrade of Food Industry
Challenges (2): Market Volatility

*Unexpected changes against long-term strategies*

- Common Agricultural Policy and EU programs to make economic conditions for agriculture more stable

- But the main challenge remains - currency and product prices volatility

---

**Currency fluctuations 2000-2009 (2000=100)**

- **EUR/PLN**
  - +14.4%
  - -19.4%
  - +18.0%
  - -29.4%
  - -50.9%

- **USD/PLN**

Source: Oanda

**Price fluctuations 2000-2009 (2000=100)**

- **wheat**
  - +12%
- **milk**
  - +15%
- **pork**
  - +5%

Source: IERiGŻ
Post-accession situation in F&A industry

F&A sector grows faster than the economy overall

- Mainly as a result of direct payments, higher per capita income of farmers:

- lower labour costs still remain the major competitive advantage

- Polish F&A producers continue to play important role in unregulated markets (fruits, vegetables)

- Build a position in dairy and meat markets

Source: GUS, Eurostat
Growth Drivers of Polish F&A: Domestic

**Attractive market in a supportive environment**

- (I) Large domestic market (over 38 millions consumers)
- (II) High share of traditional retail
- (III) Local food brands sentiment
- (IV) Supportive economic reforms
  - Easy access to equity
  - Competitive banking industry
  - Special Economic Zones

**Retail structure – shares of top3 retailers**

<table>
<thead>
<tr>
<th>Country</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poland</td>
<td>15%</td>
</tr>
<tr>
<td>Germany</td>
<td>60%</td>
</tr>
<tr>
<td>Denmark</td>
<td>90%</td>
</tr>
</tbody>
</table>

**Most valuable Polish F&A brands**

- Pudliszki
- EWedel
- Winiary
- Hortex
- Łowič
- Bakoma

**F&A on Warsaw Stock Exchange**

At the end of 2007:
21 F&A companies listed
with market cap of over EUR 4 bn

Source: GUS, Eurostat
Growth Driver of Polish F&A: Foreign Trade

Still strong outlook for foreign trade

- Increasing share of export in Polish F&A production
- Increasing role of F&A trade
- Trade Surplus in F&A

Polish foreign trade of F&A products (in EUR bn)

Structure of F&A exports (in value)

Source: GUS, Eurostat
Strenght and Potential of Polish Agriculture

Large and Efficient vs. Small and Subsistence

- Nearly 2.6m farms in Poland
- 70% with size of 5 ha or less
- The largest farms (100 ha or more) cover 19% of Poland’s arable land
- Low specialization
- Below-average yields

Average farm sizes in regions (in ha)

Source: IERIGŻ 2007/08

Source: Eurostat data for 2008

Average cereals yields (Poland=100%)

Source: Eurostat data for 2008
Outlook (1): Positive but variations among sectors

1. **Key Driver: Domestic Income Growth, Consumption Patterns**
   - Processed Food
   - Beverages
     - *stable growth rates*

2. **Key Driver: Global Market Prices**
   - Grain
   - Oilseeds
     - *stable growth rates, some variability*  
       *(Prices, Exchange rates, Harvest)*
Outlook (2): Positive with variations among sectors

3. Key Driver: Sector Integration and Consolidation

- Dairy
- Meat
- Fresh Fruit
- Grain Milling

⇒ stable growth rates, high variability

Major Drivers leading to Variability:

- Lack of Market Consolidation
- Lack of Horizontal and Vertical Integration / Cooperation
- Lack of Distribution/ Logistics
- Lack Certification/Tracing
Thank you for your attention