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Direct vs. Indirect Imports of U.S. Agricultural Products to Poland

Report Categories:
Trade Policy Monitoring

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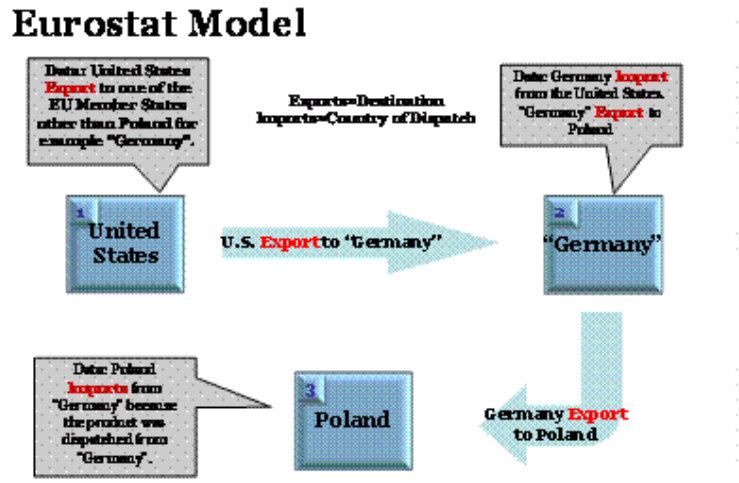
Report Highlights:
For many U.S. food and agricultural products, Poland as an export destination is significantly undervalued. This undervaluation is evident through comparison of direct and indirect trade data, which show that in 2012, 115 million USD worth of U.S. food and agricultural products, more than a third of the value of direct trade, entered Poland indirectly through other European points of entry. The data reveals for U.S. firms that market growth opportunities may lay in more earnest attention in Poland and other new member states as Western European markets mature. U.S. food and agricultural exporters and investors, equally, must factor in indirect trade to Poland to properly evaluate its true market potential.

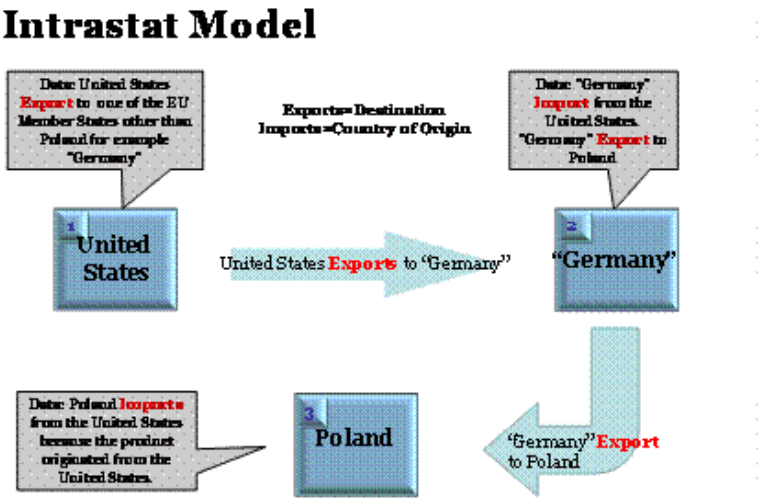
General Information:
Direct vs. Indirect Imports of U.S. Food and Agricultural Products into Poland

In response to information received from trade sources about large volumes of U.S. food and agricultural products flows into Poland through other EU member states FAS Warsaw analyzed the following three sources of trade data statistics.

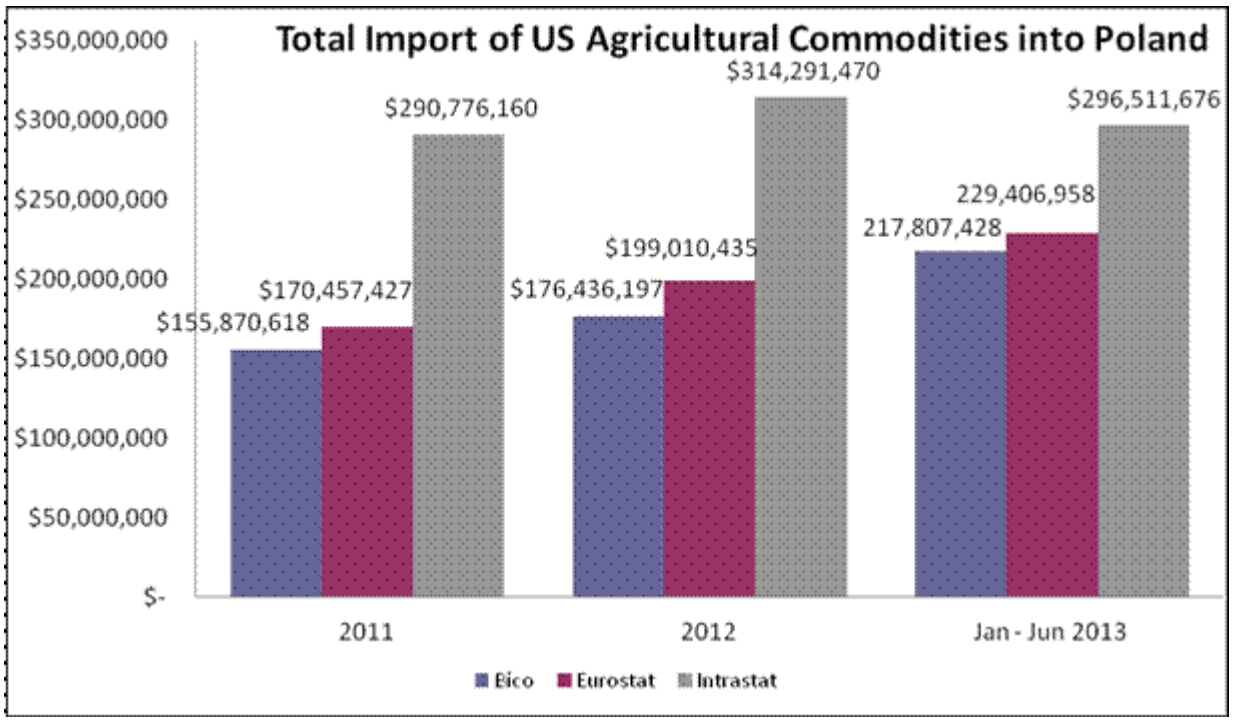
1. **Bico** – U.S. export statistics based on U.S. customs data. (Source: Global Agricultural Trade System - GATS)
2. **Eurostat** - EU-28 import statistics based on country of export dispatch data. Direct trade only. (Source: Global Trade Atlas-GTA)
3. **Intrastat** – EU-28 import statistics based on country of origin customs data. Combined direct and indirect trade. (Source: Global Trade Atlas-GTA/Customs, Polish Statistical Office-GUS).

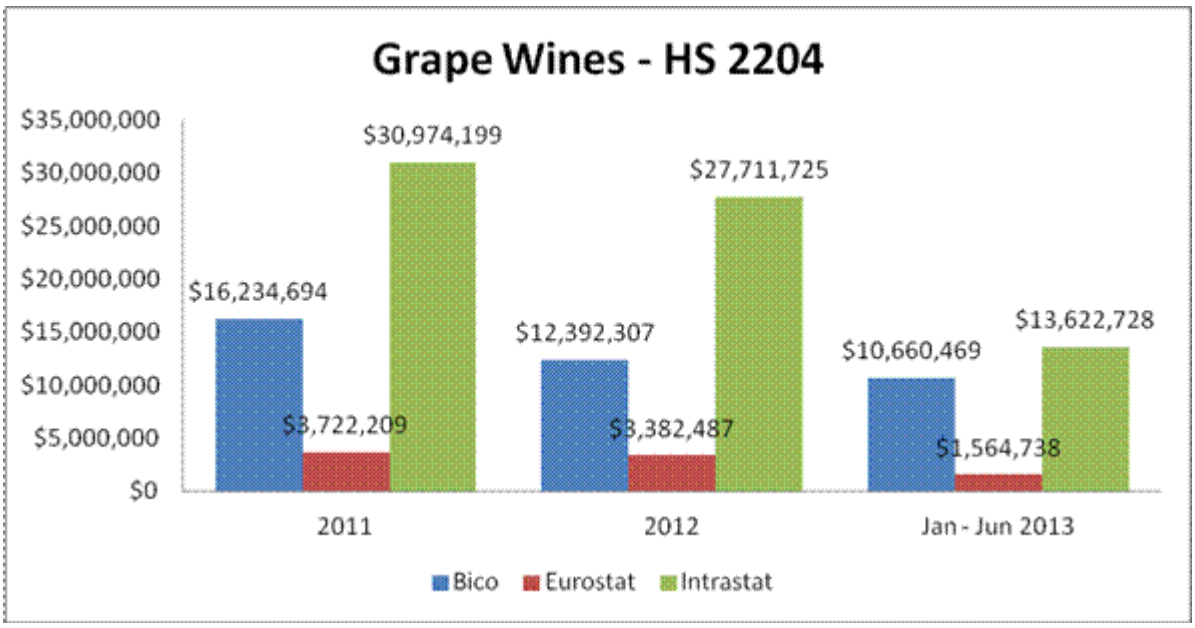
The comparison is based on two models of trade data statistics presentation.



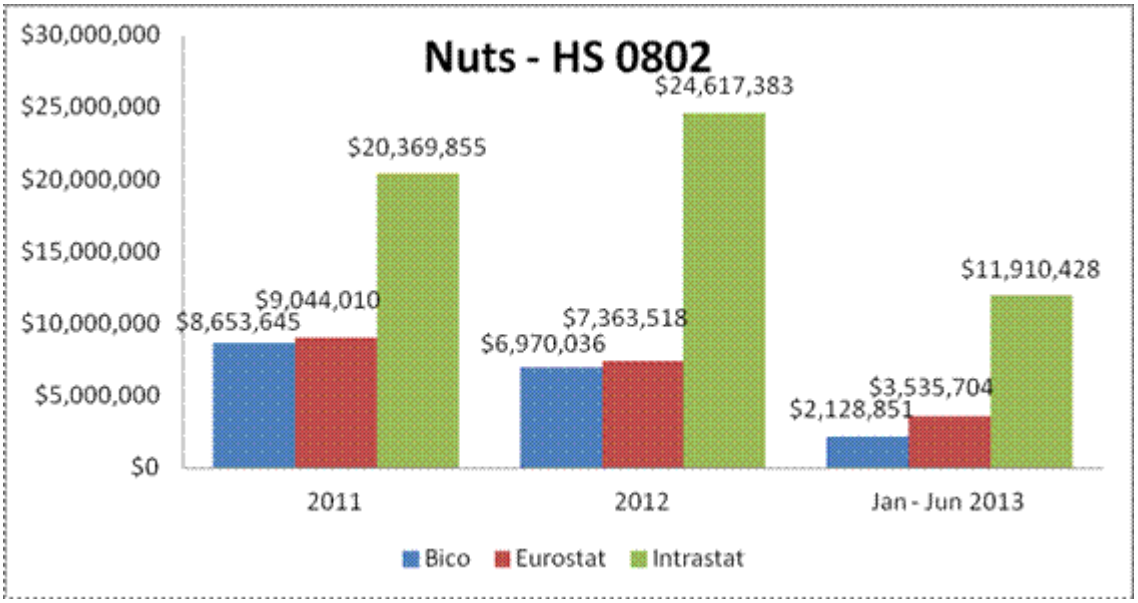


The analysis shows that Polish imports of U.S. food and agricultural products represent a much larger value than direct trade data sources Bico and Eurostat indicate, due to indirect trade. Indirect trade occurs for various reasons. Bulk shipments for example, make products cheaper to transport, but may exceed the consumption capability of a single market; this is especially true for high value commodities. When a bulk shipment is divided and redistributed across several markets, indirect trade occurs, leading to a distorted valuation of a market if only direct trade data is consulted. In comparing Eurostat (direct) and Intrastat (indirect) trade data for 2011, it is evident that the Polish market is undervalued by 120 million USD, as 41 percent of total Polish imports of U.S. food and agricultural products arrived through an intermediary. In 2012, the Polish export market was valued at $314 million USD when indirect trade was included. This is a 115 million USD increase over the value reported with direct trade. Finally, in the first six months of 2013, indirect trade, the difference between Eurostat and Intrastat, was valued at 67 million USD.



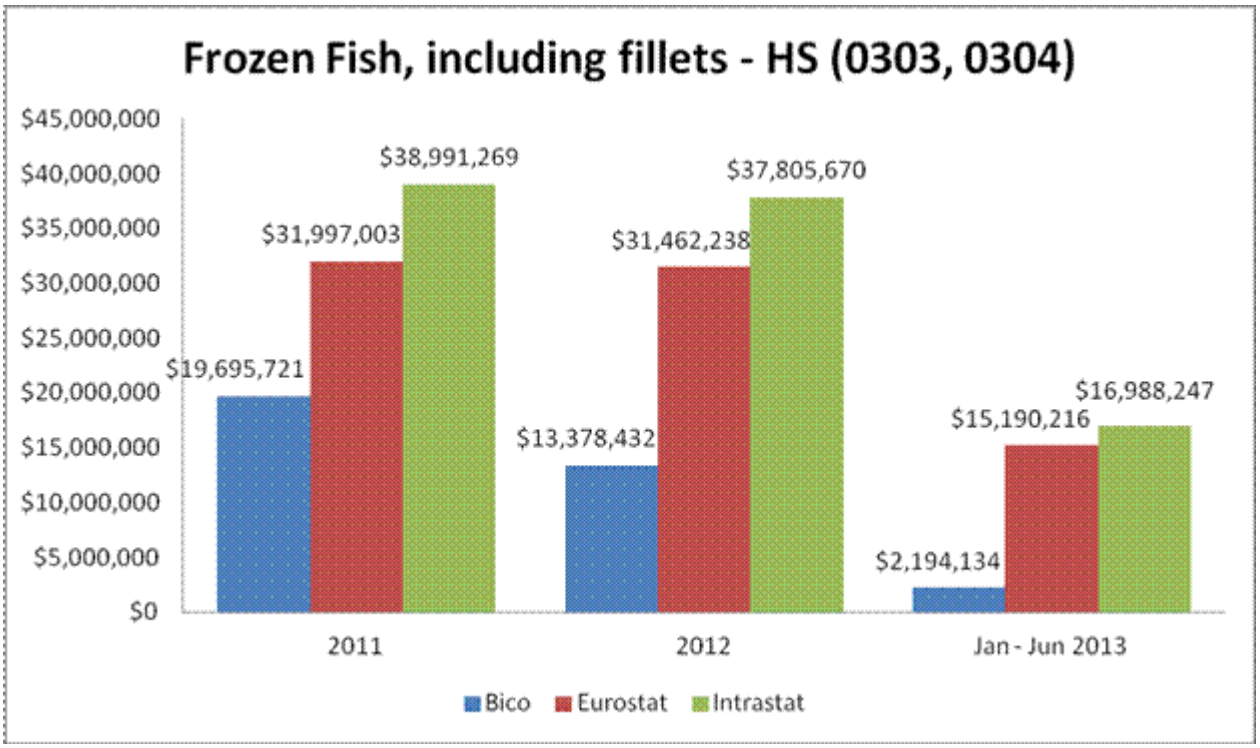


In 2011, Intrastat trade data shows that the value of U.S. wine imported into Poland was double that indicated by Bico direct trade data and nearly nine times that of Eurostat data. That is, 27 million USD worth of U.S. wine was shipped indirectly into Poland. Similarly in 2012, Bico and Eurostat data value US wine exports to Poland at 45 and 12 percent, respectively, of the value of Intrastat data, when 24 million USD worth of U.S. wine was indirectly imported by Poland. For the first six months of 2013, Bico data undervalues U.S. wine exports by three million USD, compared to Intrastat data, while Eurostat data reports only a tenth of the actual value of U.S. wine imports to Poland. In 2011 and 2012, 83 percent of U.S. wine imported by Poland arrived through Germany, explaining the significant difference between Bico, Eurostat, and Intrastat data.

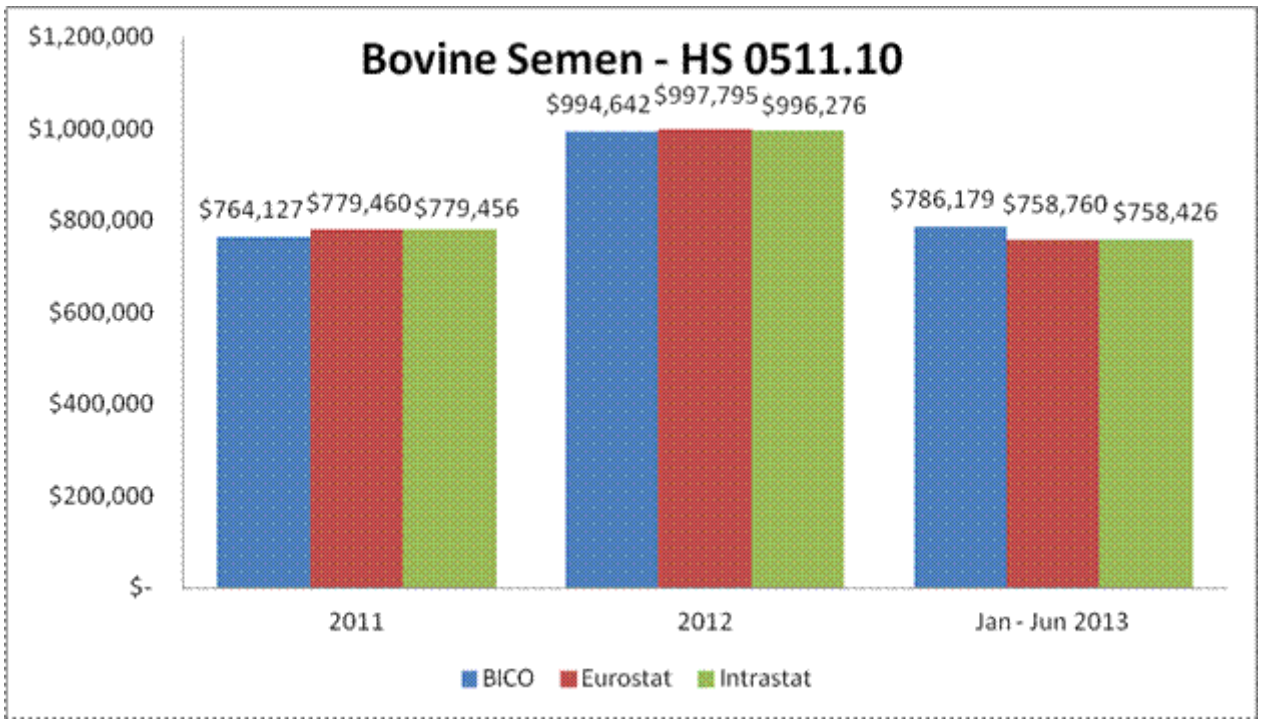


Ninety eight percent of U.S. nut (HS-0802) exports to Poland are almonds and pistachios. Bico and

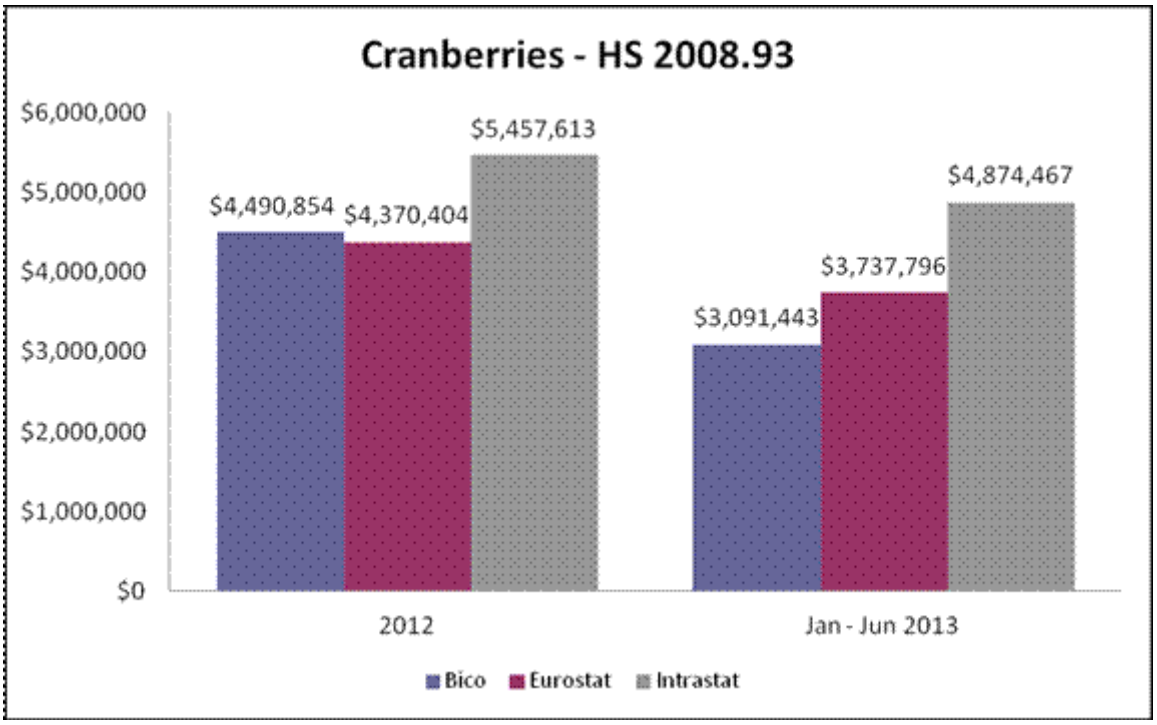
Eurostat values for U.S. exports of nuts to Poland in 2011, 2012, and through June 2013, are very similar. The slight differences in the values are explained by delays in transport between the U.S. and Poland. However, these values are significantly lower than total actual imports after indirect trade is considered. In 2011, nearly 11 million USD worth of U.S. nuts were indirectly imported to Poland. Since only direct trade is evaluated with Bico and Eurostat data, they each report 43 percent of the actual value of imports of US nuts by Poland. For 2012 and the first six months of 2013, both sources for direct trade value the market at less than 30 percent of its actual value. In 2011 and 2012, the largest individual share of nuts was directly exported to Poland from the U.S., and indirectly through Spanish, Dutch, and German intermediaries.



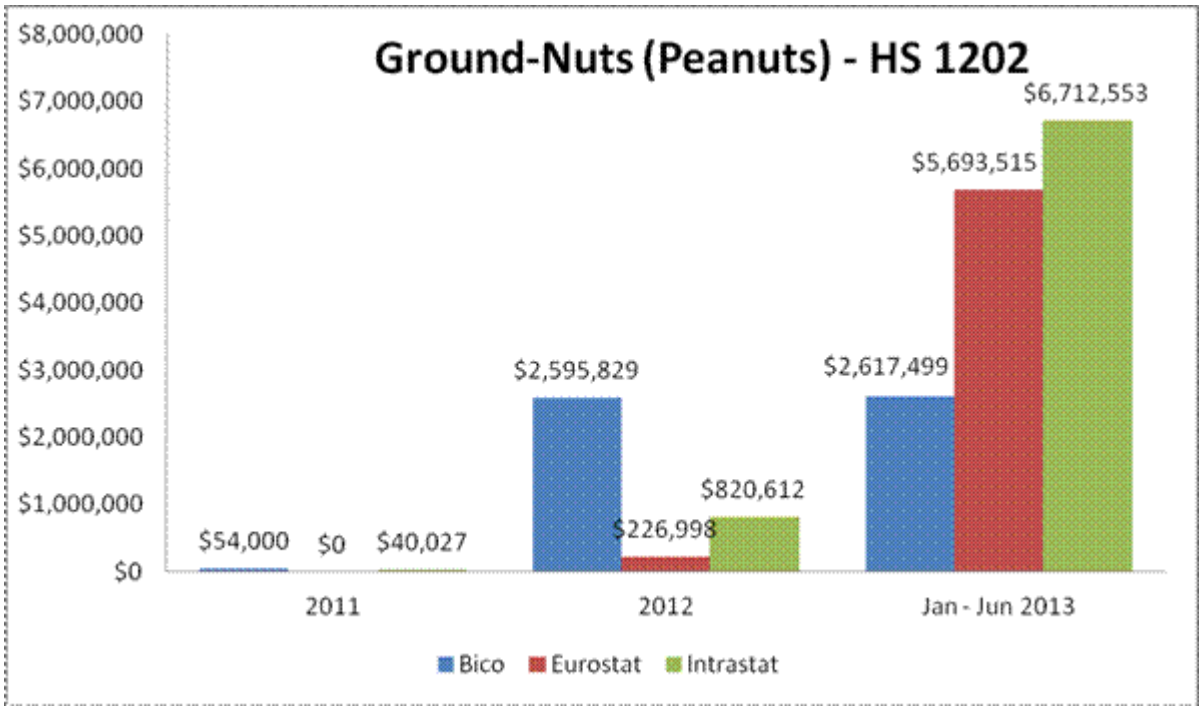
Whole Sockeye Salmon and filleted Alaskan Pollack account for nearly 80 percent of U.S. exports of frozen fish to the Polish market. As with wine from grapes and nuts, the value of indirect trade exceeds direct trade for U.S. frozen fish. In 2011, Bico and Eurostat direct trade data valued imports nearly 19 million and seven million USD, respectively, below indirect Intrastat values. While direct trade values from Eurostat data encroached on indirect values in 2012, Bico values for U.S. exports fell. In the first half of 2013, the trend continued, where Bico values for U.S. exports of fish fell to 13 percent of indirect trade values. It is unclear why the differences between Bico and Eurostat data are so drastic over this time period; the values exceed any rational adjustment for transit delays.



From January 2011 until June 2013, trade values from Bico, Eurostat, and Intrastat were nearly identical for U.S. exports of bovine semen (HS 0511.10) to Poland. When compared to the previous commodities, the close proximity of these values signals the way the market functions in the absence of indirect trade.



Data for 2011was unavailable for U.S. cranberries, however data from 2012 and the beginning of 2013 indicate strong direct exports to the Polish market. Intrastat data shows that in 2012, indirect trade accounted for nearly one million USD of imports of U.S. cranberries into Poland. Data from all three sources indicate a similar trend for 2013, although trade values for the first half of 2013 are fairly close to 2012, indicating the growing market for U.S. cranberries.



Indirect and direct trade values for peanuts (HS 1202) have changed significantly since 2011, as rapid growth occurs in the market. In 2011, Polish direct import of U.S. peanuts was zero according to Eurostat. In 2012, most peanuts were directly introduced to the market, but in the first half of 2013, indirect shipment of peanuts accounted for an additional one million USD in trade.

Our analysis shows the severe undervaluation of Poland as an export market for U.S. food and agricultural products when only direct trade is considered. In 2012, the Polish export market was valued at $314 million USD when indirect trade was included. This is a 115 million USD increase over the value reported with direct trade. Indirect trade for grape wine and nuts was valued at 42 million USD, representing 37 percent of indirect trade in 2012. Continued oversight of indirect trade may lead to further saturation of mature Western European markets, while neglecting the potential of emerging markets. U.S. food and agricultural product exporters should consult both direct and indirect trade data to best understand the dynamics and potential for their products in the Polish marketplace.

The following tables provide data for the ten U.S. food and agricultural products that reflect the greatest difference between Intrastat and Eurostat figures, representing the greatest value of indirect trade. The

final column (Difference) is the difference between Intrastat and Eurostat figures. For each of the three time periods, the top ten commodities explained nearly 70 percent of total indirect trade of U.S. food and agricultural products into Poland.

Table 1: 2011

HS Code	Description	BICO	Eurostat	Intrastat	Difference
2204.21	Wine, Grape	$15,464,115	$3,459,781	$30,708,484	$27,248,703
2401.20	Tobacco	$43,761,732	$12,088,275	$35,400,368	$23,312,093
2106.90	Food Preparations	$8,995,893	$16,253,153	$24,962,694	$8,709,541
3504.00	Peptones	$2,162,272	$3,121,027	$9,253,881	$6,132,854
0802.12	Almonds, Shelled	$6,767,642	$7,245,916	$11,745,522	$4,499,606
3302.10	Mix Odoriferous Subs.	$15,645,749	$15,919,726	$19,922,679	$4,002,953
0303.11	Sockeye Salmon, Frozen	$8,889,544	$15,608,852	$18,367,857	$2,759,005
0805.40	Grapefruit	$1,316,322	$0	$2,531,834	$2,531,834
2309.90	Animal Feed Prep.	$818,282	$426,104	$1,752,887	$1,326,783
3507.90	Enzymes	$84,440	$56,143	$1,252,337	$1,196,194

Table 2: 2012

HS Code	Description	BICO	Eurostat	Intrastat	Difference
2204.21	Wine, Grape	$11,026,715	$3,293,136	$27,619,582	$24,326,446
2401.20	Tobacco	$46,368,824	$19,334,481	$36,661,729	$17,327,248
2106.90	Food Preparations	$6,409,661	$12,737,665	$23,876,458	$11,138,793
0802.51	Pistachios, In Shell	$457,760	$653,964	$8,339,398	$7,685,434
0802.12	Almonds, Shelled	$6,512,276	$6,709,555	$13,379,924	$6,670,369
3504.00	Peptones	$299,021	$1,385,409	$6,364,784	$4,979,375
3302.10	Mix Odoriferous Subs.	$17,076,636	$17,694,957	$22,025,980	$4,331,023
2309.90	Animal Feed Prep.	$481,557	$395,103	$2,991,460	$2,596,357
0802.52	Pistachios, Shelled	n/a	$0	$2,255,962	$2,255,962
3507.90	Enzymes	$92,670	$55,612	$2,022,832	$1,967,220

Table 3: 2013 (Jan-Jun)

HS Code	Description	BICO	Eurostat	Intrastat	Difference
2401.20	Tobacco	$16,707,697	$9,165,368	$23,055,957	$13,890,589
2204.21	Wine, Grape	$9,641,447	$1,534,937	$13,590,301	$12,055,364
2106.90	Food Preparations	$3,301,206	$5,316,045	$10,339,685	$5,023,640
0802.12	Almonds, Shelled	$1,666,271	$3,237,341	$7,354,778	$4,117,437
0802.51	Pistachios, In Shell	$311,850	$209,833	$2,902,223	$2,692,390
3302.10	Mix Odoriferous Subs.	$12,258,768	$8,164,219	$10,480,772	$2,316,553
0805.40	Grapefruit	$356,104	$137,739	$2,113,944	$1,976,205
2309.90	Animal Feed Prep.	$371,268	$109,230	$1,877,341	$1,768,111
3504.00	Peptones	$291,010	$595,976	$1,979,607	$1,383,631
0802.52	Pistachios, Shelled	n/a	0	1,272,757	1,272,757