

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Required Report - public distribution

Date: 12/18/2014

GAIN Report Number: PL1418

Poland

Exporter Guide

Annual

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Report Highlights:

Opportunities exist for U.S. agricultural products in Poland, but there are challenges in light of its EU membership and the Euro zone situation. Poland has been described as an oasis of economic stability in a turbulent Euro zone. Poland's Retail, Hotel/Restaurant/Institutional and Food Processing sectors are expanding, providing opportunities for U.S. suppliers of a wide variety of ingredients. Many consumer-ready and high-value food products, such as confectionary products, are performing well. The primary challenge for U.S. products remains access to the European market. With joining of the EU in 2004, Poland adopted the EU tariff structure for agricultural products and EU food regulatory standards.

Post:

Warsaw

Executive Summary:
Section I – Market Overview

Poland

In 2014 and 2015 GDP growth is expected to remain stable and account for 2.9 and 3.1 percent respectively. The trade balance is forecast to worsen, meaning that Poland will look to import products to satisfy internal demand: in 2013 imports accounted for U.S. \$ 224 billion and they are expected to increase to U. S. \$243 billion in 2015. In 2013 Poland imported agricultural and fishery products from in the U.S. worth U.S. \$594 million.

Poland's population of 38.2 million is increasingly concentrated in cities with 61 percent of people living in urban centers. The median age is 38 years old and climbing. A trend toward smaller families is becoming more apparent in Poland's 13.3 million households, with an average household size of 3.07. The fertility rate in Poland is one of the lowest in Europe. The typical Polish family eats together and households buy food stocks for only a few days at a time. Convenience foods are growing more popular, but the traditional for women role to shop and cook remains in place. Aggregate consumer expenditures on food are predicted to increase from U.S. \$49 billion recorded in 2013 to U.S. \$50 billion estimated for 2014.

Although Poland has a strategic position at the center of Europe, the poor state of its roads, as well as financial pressures, have hindered the country from fully capitalizing on its geographical position. Overreliance on a few trade partners is a significant concern: in 2013 77 percent of all exports went to the EU.

Basic Economic Indicators for Poland:

	POLAND			
	2012	2013	2014f	2015f
Population, mln	38.2	38.2	38.2	38.2
GDP per capita, US \$	13,049	13,790	13,543	15,023
Real GDP growth, % change y-o-y	2.0	1.6	2.9	3.1
Budget balance % of GDP	(3.9)	(4.4)	(3.5)	(3.1)
Consumer price inflation % y-o-y	3.5	0.7	1.5	2.7

**Source: Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic Forecast Poland 2014*

Advantages and Challenges of the Polish Market for U.S. Exporters

Advantages	Challenges
Central Europe's most populous country with a domestic consumer market of nearly 40 million people.	U.S. products face high transportation costs as compared to many European competitors.
A strategic location within a dense, major international market offering re-export potential.	Complicated system of product registration in some cases delaying or even preventing products from entering the Polish market that are new to the EU.
Economic growth has been rising, and in conjunction with the fact that major international food processors established factories in Poland; this market offers great potential for ingredients from the U.S.	Poland's EU Accession puts United States products at a competitive disadvantage versus EU-28 duty-free internally traded products.
A very productive, young, and skilled labor force therefore, good potential for finding trading partners and favorable conditions for establishing joint ventures.	Despite rising incomes, Polish consumers indicate that price is still the primary purchasing factor for food and beverage products in at least 75 percent or more of their retail food purchases.
Polish consumers associate United States products with good quality.	Food recalls in the EU have had a negative impact on Polish consumer views of imported products, and GMO issues hamper imports of U.S. products.
Market niches exist in consumer ready food products - i.e. dried fruits, nuts, wine and distilled spirits, and microwavable products.	Foreign investment in the Polish food processing industry results in local production of many high quality products that were previously imported.
Transshipment from other EU countries of imported U.S. products are possible with Poland's EU integration.	While the export of some U.S. goods has been encouraged by EU trade regulations, some goods, namely poultry and beef, remain limited due to EU sanitary restrictions.

Section II – Exporter Business Tips

Poland

The best way to understand the Polish market is to visit and speak to importers and distributors in order to prepare the best entry strategy for your products. Personal contact is considered very important when conducting business in Poland as most purchases are made after meeting an exporter or their representative in person. English is increasingly common as the language of commerce, but it is important to check in advance to see if translation service may be necessary. It is customary for business people to shake hands upon meeting.

Poland is a rather formal and hierarchical culture. As a result first names are rarely used initially in the business context. Address people with Pan (Mr.) and Pani (Mrs.) followed by their surname. A relationship may warm up to the degree where first names can be used but the Polish party signals that this is the case. Business cards are the norm and are generally given to each person at a meeting; therefore U.S. visitors should bring plenty of business cards to a meeting, although cards printed in Polish are not necessary. Business attire is formal, including a suit and tie for men and a suit or dress for women.

Technical regulations including documentation, sanitary and phytosanitary requirements, and labeling have changed since Poland's EU-28 accession when Poland amended most of its import requirements to conform to EU regulations. For detailed information on product import certificates please refer to the EU 28 Consolidated Food and Agricultural Regulations and Standards (FAIRS) Report available via www.fas.usda.gov - Attaché Reports link.

For details on Poland specific regulations, such as labeling, refer to Poland's Food and Agricultural Regulations and Standards (FAIRS) Report available via www.fas.usda.gov - Attaché Reports link.

Polish consumers are becoming more sophisticated and increasingly value variety and availability of food products. Imports are rising steadily to cater to such demands and compensate for Poland's seasonal production. EU Member States satisfy the majority of this demand. Poland sources products from Non-EU member states including Ukraine, Argentina and Turkey.

Section III – Market Sector Structure and Trends

Poland

Wholesale Sector

Poland's wholesale market structure has five categories: national chains, regional chains, regional wholesalers, local wholesalers, and buying groups (consisting of regional chains and regional wholesalers). The national chains are the least numerous and operate several branches throughout Poland with central management. Regional chains have recently grown through consolidation and purchase of bankrupt firms; they cover specific areas, usually several provinces, and supply mainly retailers. Regional wholesalers have a strong presence in local markets and offer a wide range of products and at times a better service than companies operating on nationwide scale. However, local wholesalers are feeling the pressure of larger firms that now primarily concentrate on cash and carry operations. Buyer groups operate in several market segments and are increasing their integration with specific retailers.

In Poland, the cash and carry format has gained popularity quickly, as small, traditional retailers (of which there are many) appreciate the wide selection of products sold at competitive prices. Indeed, most of the major chains in the cash and carry channel target small, traditional retailers, HRI outlets,

and institutions. Consolidation of the market is highly likely in coming years but new entrants should be expected given its attractiveness to small retailers. Jeronimo Martins Dystrybucja SA, the owner of the ubiquitous Biedronka discount supermarket chain, is considering launching a cash and carry outlet line. Major players are likely to strengthen their positions, as sales are predicted to rise due to the growing number of outlets. The main companies operating in the cash and carry market are: Makro Cash and Carry Polska SA, Selgros Cash & Carry Sp zoo and Eurocash SA.

Retail Sector

The distribution system for consumer ready food products, as with all other branches of the Polish economy, is still undergoing a rapid transformation and remains one of the most dynamic and fastest growing areas of the Polish economy. The retail sector is much diversified. It ranges from small family operated stores, through medium-sized stores to large distribution centers which can be easily compared with those found in other countries in Western Europe and the United States. Poland's per capita annual disposable income in 2013 was U.S. \$8,252. During the period 2012 – 2020 it is projected that total disposable income will increase by a cumulative 29.6 percent in real terms. As income grows, Poles are becoming more fastidious buyers, which force retailers to pay more attention to issues such as quality of product and customer service, the availability of additional services as well as store design, to make shopping more pleasant and convenient.

Foreign investors are attracted to the retail sector. The vast majority of hypermarkets are foreign owned, with traditional small-scale and predominantly Polish-owned shops facing steadily decreasing sales. There are approximately 31 shops per 10,000 inhabitants. Large retail chains are projected to gain control of as much as 70 percent of the Polish market within the next five years. The largest retail chains in Poland are: Jeronimo Martins Dystrybucja S.A., Tesco Polska Sp.z.o.o., Carrefour Polska Sp.z.o.o., Auchan Polska Sp.z.o.o., Lidl Polska Sp.z.o.o., and Netto Polska Sp.z.o.o. However, market analysis also shows that almost 40 percent of confectionary retail sales occur via distribution by small grocery retailers. The role of private labeling is increasing in Poland as consumers seek value. Their confidence in private label products is growing due to quality improvements made by retailers. Discounters remain the main distribution channel of private label goods.

Since 2005, E-commerce has developed at a pace of over 40 percent annually. Consumers appreciate the convenience of shopping, lower prices, and home delivery. The expansion of various internet retailers and increasing number of internet users (in 2013 the share of households equipped with internet access was 65 percent) translates to growing opportunities in this market channel. In 2015 E-retail in Poland is expected to rise by 30 percent which is the fastest growth in Europe. Online sales will constitute about 4 percent of overall retail revenue. Mostly young people shop on-line now. Older consumers are the brake on more rapid expansion in E-commerce as they remain wary of this form of shopping. However, with greater familiarity with the internet and the competitiveness of products offered on-line versus traditional outlets, future prospects appear bright. What is interesting, 44 percent of villages' habitants uses the internet for shopping. That is the second biggest group, just after E-consumers from big cities (46 percent). Internet retail sales rose by 16.5 percent in 2012 and are expected to increase in the future. The new trend of using smart phones for shopping can be observed in Poland. It is expected that mobiles in Poland will play very important role in shopping: informing about products, discounts, giving possibility to compare prices and pay. The discount supermarket chain Biedronka has already introduced the system of payments with mobile phones.

For additional information on the Polish retail sector please refer to the FAS/Warsaw GAIN report available via www.fas.usda.gov - Attaché Reports link.

Food Processing Sector

The sector is varied with both domestic and international companies represented on the market. There are also a number of small companies operating in the fruit, vegetable, meat processing, and baking sectors located throughout Poland. The most important sectors of the food processing industry are meat, dairy, and alcohol, followed by confectionery, food concentrates, sugar, fruits and vegetables, juices and non-alcoholic beverages production. The proportion of food industry products considered to be value-added increases constantly.

The confectionary sector can be viewed as an example of the trends associated with the modernization of the Polish market. It has been reported that almost 42 percent per cent of Poles consume at least one chocolate bar a day, and at least 36 percent have one or more wafer bars. Chocolate confectionary is expected to grow at constant value of 2 percent and it will reach U.S. \$2 billion in 2016. More Poles, particularly affluent ones, are reaching for sophisticated products that offer additional value and excellent quality. Sugar confectionery fared well even during times of economic slowdown as such products are seen as affordable indulgences. The demand for chocolate may be hampered by trends for healthy lifestyles and reducing sugar consumption. This may result in increase of consumer interest in dark chocolate and lighter versions of chocolate products.

For additional information on Poland's processing sector please refer to FAS/Warsaw GAIN report available via www.fas.usda.gov - Attaché Reports link.

Hotel, Restaurant & Institutional Sector (HRI)

According to a survey conducted by MAKRO Cash & Carry, almost 77 percent of Poles do not dine out. This tendency is slowly changing in urban areas where employees work longer hours and eating out has become more common. Polish, Italian, Chinese, Mexican, and Indian restaurants can be found in almost every city. American chains have also started to appear in larger cities like Warsaw. These chains include T.G.I. Friday's, Champions, McDonald's, Pizza Hut, and KFC. In addition, many of the international hotel chains such as Marriott, Radisson, Sheraton and Hilton are present in Polish cities. Many local entrepreneurs have invested heavily in this sector.

Despite the fact that Poles still prefer home-made meals, they are gradually moving towards ready meals and American style fast-food outlets. This is particularly true for the young professional crowd. A hectic lifestyle combining intensive professional duties with household chores allows little free time which is preferred to be spent in leisure rather than in the kitchen. Consequently, sales by food outlets offering traditional meals are increasing. Furthermore, exotic meals offered by restaurants and other food outlets are gaining in popularity as an outcrop of the increasing interest in foreign cuisine by well-travelled Poles.

Poland's hosting of the European Football Championships in 2012 had a positive impact on the hotel market. New accommodations were built rapidly in those cities where events were scheduled to accommodate the large numbers of fans and tourists expected. In 2012 the number of hotel rooms increased by 7,000 against 2011. The benefits from building new hotels are not only limited to the time of the competition, but will still continue now, after European Championships. During the first two quarters of 2013, 80 new hotels were opened.

Several larger domestic producers have set up separate distribution channels specifically for this sector. While the other sectors of Polish food distribution are already very competitive, the HRI sector still sees excellent opportunity for growth. An HRI-targeted promotion campaign may offer U.S. exporters good opportunities for sales to Poland.

For additional information on Poland's HRI sector please refer to FAS/Warsaw reports available via www.fas.usda.gov - Attaché Reports link.

Section IV- Best Sales Prospects

Poland - Please also Refer to the Table on 2013 Trade Imports in the Appendix Section

Best prospects include:

- Nuts (Almonds, Peanuts, Pistachios)
- Wine
- Whiskey and other distilled spirits
- Salmon
- Alaskan Pollock
- Soybean oilcake
- Dried fruit (prunes, cranberries, raisins)
- Protein Isolates
- Grapefruit
- Animal genetics

Despite the fact that consumption of seafood products per capita fell by 2.5 percent from 2011 to 2013, overall imports increased and are expected to grow in the future. That shows market potential for U.S. seafood exports. Strong potential for U.S. exporters can be observed in the domain of distilled spirits as well. Sales of whiskey are increasing in Poland. In 2009 they accounted for 9 percent of distilled spirits and they are expected to grow to 12 percent in 2017. Moreover, from 2011 to 2013 imports of U.S. whiskey increased by 40 percent. Consumption of wine is increasing in Poland too. It is forecasted that in 2017 wine will stand for 10.4 percent of the value of all alcoholic beverages. However it should be kept in mind that most consumers in Poland are unwilling to spend more than U.S. \$10 on a bottle so they are looking for value and economical brands and formats. Nuts are very popular snack item. The most popular nuts consumed in Poland are: almonds (44.9 percent), pistachios (27.2 percent), hazelnuts (19 percent), walnuts (3.9 percent) and macadamia nuts (3.3 percent). Nuts originating from the U.S. represent nearly one third of market share for nuts in Poland.

Section V – Key Contacts and Further Information

Poland

One of the goals of the Foreign Agricultural Service (FAS) office in Warsaw is to assist in the market development and promotion of U.S. food and agricultural products in Poland. There are a wide variety of ways in which to approach this market and many key contacts such as importers, distributors, and retailers. Please contact FAS Warsaw if you would like additional information on any of these markets if your company is interested in selling U.S. food and beverage products to this region.

There are several U.S. commodity groups, called cooperators, who partner with FAS to promote U.S. agricultural products in Poland. Those cooperators who are particularly active in Poland include: Wine Institute (California), U.S. Meat Export Federation, American Hardwood Export Council, U.S. Wheat Associates, Cranberry Marketing Committee, and Food Export USA Northeast. The California Wine Institute, Cranberry Marketing Committee and the U.S. Soybean Board-American Soybean Association have representatives based in Warsaw.

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A. Key Trade and Demographic Information

Poland

Agricultural, Fish and Forestry Imports From All Countries (U.S. \$ M)/U.S. Market Share (%) [1] – 2013	\$20,686/2.52
Consumer Food Imports From All Countries (U.S. \$ M)/U.S. Market Share (%) – 2013	\$9,969/1.28
Edible Fishery Imports From All Countries (U.S. \$ M)/U.S. Market Share (%) – 2013	\$1,913/2.58
Total Population (Millions)/Annual Growth Rate (%)	38.4/(0.075)
Urban Population (Millions)/Annual Growth Rate (%)	23.4/(0.1)
Number of Major Metropolitan Areas [2]	4
Size of the Middle Class (Millions)/Growth Rate (%) [3]	4/1
Gross Domestic Product growth (forecast for 2014)	3
Unemployment Rate (% , forecast for 2014)	10
Average Monthly Food Expenditures (US\$)	140
Females in Workforce (%)	46
Exchange Rate (U.S. \$1.00, Annual Average 2013)	3.31

[1] Global Trade Atlas, data from 2013

[2] Population in excess of 1,000,000.

[3] These are unofficial estimates due to the lack of reliable statistics.

Description	HS code	Total imports of agri-food products by Poland (U.S. \$)	Direct imports from the USA* (U.S. \$)	Share of US imports in total imports (%)	Main Foreign competitors
Frozen Fish	0303	217,942,742	13,022,135	5.98	Norway, Denmark, Netherlands, Russia,
Fish Fillets	0304	598,038,639	38,450,440	6.43	China, Norway, Germany, Iceland, Vietnam, Denmark
Almonds	080212	43,140,205	16,756,763	38.84	Spain, Germany
Pistachios*	080250	13,287,812	7,887,544	53.36	Iran, Slovakia
Dried Grapes, Raisins	080620	32,418,998	1,761,499	5.43	Iran, Turkey, Germany, Chile, China
Prunes	081320	22,697,838	4,234,602	18.66	Chile, Argentina, France
Coffee	0901	445,603,962	9,753	0.00	Germany, Vietnam, Brazil
Peanuts	1202	60,429,160	11,031,216	18.25	Argentina, Brazil, China
Vegetable Saps And Extracts Of Licorice	130212	3,578,067	2,517,778	70.37	Denmark, Japan, Israel, Germany, UK
Mucilage & Thickeners	130239	29,419,892	2,473,999	8.41	Germany, Philippines, China, Spain, Denmark, Belgium
Cranberries	200893	17,893,119	10,077,190	56.32	Canada, Ecuador, Germany
Food Preparation Nesoi	210690	460,240,190	23,932,732	5.20	Germany, Netherlands, France, Italy, Austria
Wine	2204	260,486,047	34,781,432	13.35	Italy, France, Spain, Germany
Alcohol Beverages	2208	239,537,170	22,771,329	9.51	Finland, UK, Germany
Soybean Oilcake	2304	915,215,434	208,507,880	22.78	Argentina, Brazil, Netherlands

*Source: Global Trade Atlas Data / *Data for pistachios available for 2012 only.*