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Report Highlights:

Since its accession to the EU in 2004, the number of organic farms and total organic acreage has increased substantially in Poland. These increases are due in part to the structural composition of Polish agriculture, where small farms, which are easily convertible and are often ‘organic by default’, but chiefly driven by EU greening policy objectives through subsidization for organic operations. The rapid rates of land conversion are not reflected entirely in the retail sector, where low consumer confidence reflects the sector’s need to better educate retailers and consumers to help drive consumer demand. The 2012 EU-U.S. Organic Equivalency Cooperation Agreement is expected to further reduce barriers to entry of organic high quality U.S. products.

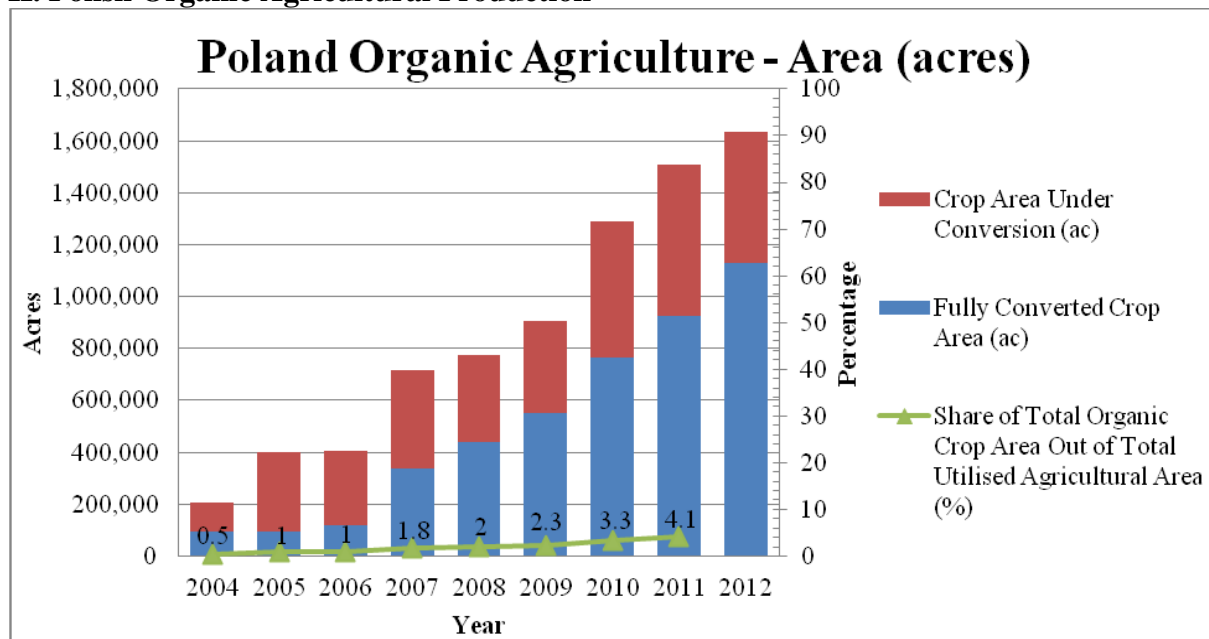
General Information:

I. Introduction

The Polish organic sector has evolved vigorously since Poland's accession to the EU in 2004. In that timeframe, certified organic acreage and organic food processing facilities have increased tenfold and seven times as many farms are certified organic. In 2011, there were 23,449 total organic farms, certified and under conversion, cultivating 1.5 million acres. By contrast, in the same year the U.S. had 12,880 certified organic farms managing 5.4 million acres. Polish organic production consists of low-processed cereal products, dairy, meat, fruit, vegetables, and specialty products such as lactose and gluten free, and is marketed in Poland and the EU; however, no reliable disaggregated production data is available.

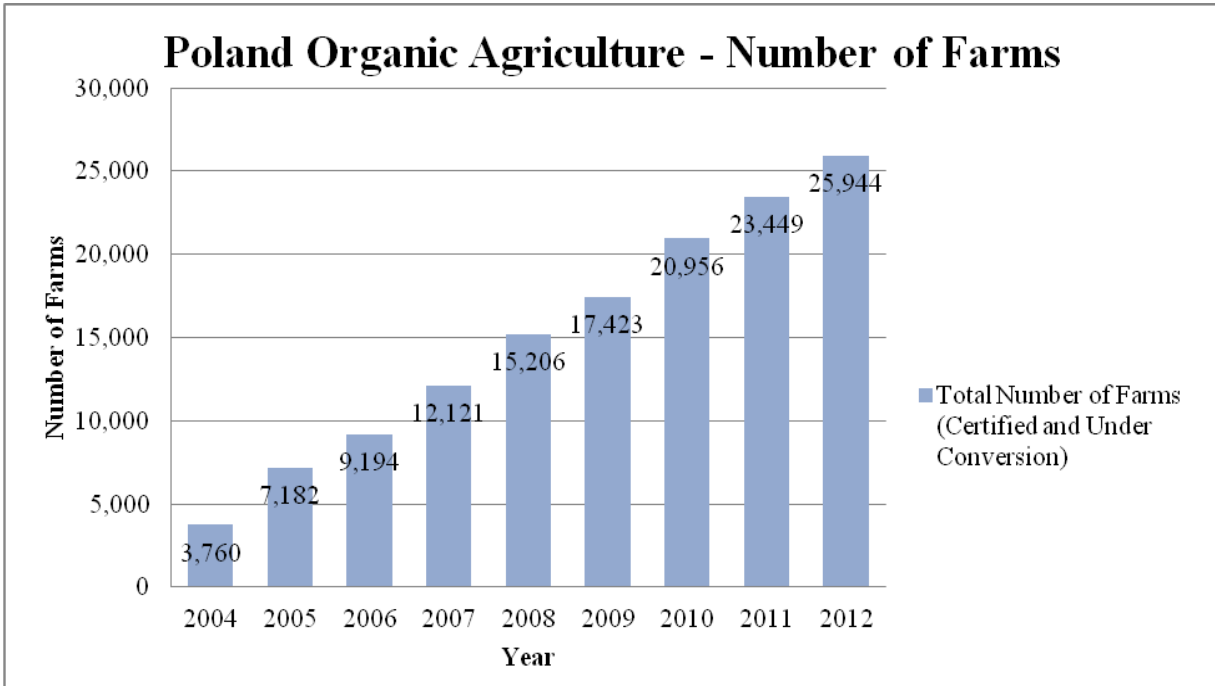
The organic retail market in Poland is developing, slowly, and continues to face similar problems the U.S. had in developing its own organic market. The Polish organic market has supply side issues, where offerings are limited by geography, variety, and low productivity. Consumer demand is constrained by the price premium for organic products, indicating that organic certification and labeling in Poland does not effectively signal to consumers the benefits of organic products, which through education of retailers and consumers may be ameliorated. This is evident through the consumer market structure where specialty stores, health/natural foods, dominate, while supermarkets and conventional outlets have only marginal sales, reflecting a similar market structure to the U.S. organic market as recently as 1998¹ (Dimitri, 2005).

II. Polish Organic Agricultural Production



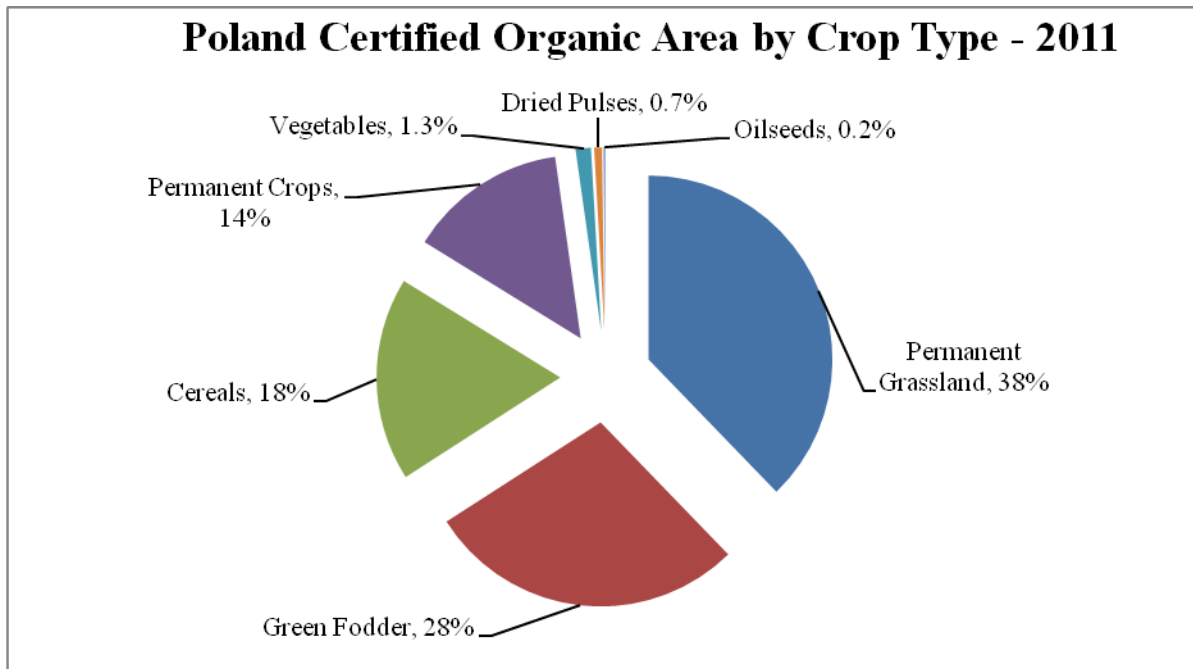
Source: Eurostat

¹In 1998, organic food sales were distributed 63 percent through natural product and health food stores, 31 percent through conventional retail stores, and 6 percent were direct sales and exports. By 2005, sales channels had changed to 47 percent, 44 percent, and 9 percent, respectively, and it is expected that Poland develop similarly.



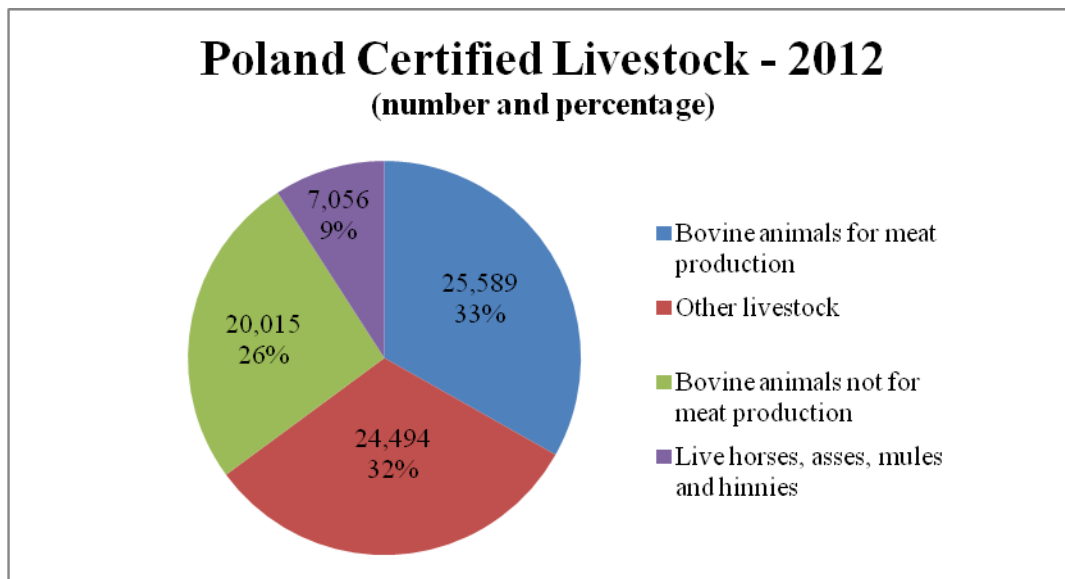
Source: Polish Ministry of Treasury

From 2007 to 2010, on average, 40 percent of the total number of organic farms was under conversion. In 2005, one year after accession to the EU as many as 73 percent of farms were under conversion, up from 55 percent in 2002 (Main Inspectorate of Agricultural and Food Quality). In 2012, the average organic farm was 63 acres compared to 25 acres for the average conventional farm.



Source: Eurostat

In 2011, 66 percent of certified organic acreage produced green fodder or was permanent grassland, both important sectors for the organic certified livestock industry, see chart below. In 2012, milk production from cows was estimated at 376,000 hectoliters. Eighteen percent of certified organic land was used for cereal production while permanent crops covered fourteen percent of certified organic land in 2011. Typical permanent crops in Poland include: apples, raspberries, cherries, strawberries, walnuts, and pears. Vegetables, dried pulses, and oilseeds were planted on the remaining two percent of certified organic land in Poland. Total vegetable and fruit production was estimated in 2009 to be 94,000 tons and in 2010 to be 42,000 tons. The dramatic decrease in production in 2010 was due to crop loss from severe flooding.



Source: Eurostat

Polish organic farmers receive subsidies in the form of direct payments depending on crop type and acreage and through reduced cost of certification for organic standards. Production output data is not available making productivity difficult to quantify. However, based on the size of the retail market, the number of farms, and total acreage, it is expected to be low, and therefore the structure of organic farms and the sector in its current form, is highly dependent on these subsidies. Purposefully, these subsidies may be so distortionary that organic farm production is constrained to producing the minimum to receive a subsidy rather than maximizing output due to marginal increases in profit. See the Appendix for information on Polish subsidies and authorized organic certification control bodies.

III. Market Sector Opportunities and Threats

Retail & HRI Market Sector

1) Entry Strategy

Contacting the right importer will help U.S. exporters enter the Polish organic market. Most specialty shops, supermarkets, and hypermarkets, buy their organic products through wholesalers. Wholesalers work both with large importers and independently, and have their own distribution channels and marketing contacts.

Additionally, contact through trade shows such as the annual BioFach tradeshow in Nuremberg, Germany, the largest organic tradeshow in the world, is an excellent way to enter the market. The next show is set for February 12-15, 2014. Poland will host the Organic Marketing Forum in Warsaw, a European East-West Organic Trade Exhibition and Networking Conference in June 1-2, 2014. Please refer to Section IV of this report for the Office of Agricultural Affairs at the U.S. Embassy in Warsaw contact info to obtain a list of current importers and for information regarding upcoming organic products tradeshows.

2) Market Size, Structure, and Trends

Data reporting for the organic retail market in Poland is limited or if available, highly aggregated which makes the heterogeneous sector difficult to analyze. However, based upon U.S. export data and trends in organic markets in the EU a generalized analysis of the market is constructed.

In 2012, the Polish Press Agency estimated the value of the Polish organic market at 194 million USD, with an expected increase to 226 million USD by 2015. One third of Poles have tried organic products, however, division of regular and occasional customers is unknown. Estimates indicate that there are 200 natural food shops that specialize in organic products in Poland and several limited online retailing outlets. These natural food shops tend to have several hundred different items, where in more established EU or U.S. markets, there are several thousand. Additionally, Warsaw currently hosts an outdoor organic food market every Saturday featuring primarily Polish products.

According to USDA BICO data, by September 2013, the only U.S. organic export to Poland was organic tomato sauce excluding ketchup (HS 2103.20.4010) valued at 9,500 USD. While current market presence in the organic sector is minimal, potential for U.S. organic exports to Poland exists through the well established dried fruit and nut category, wine, and raw imports for processing. The U.S. is the largest exporter of almonds, walnuts, and pistachios to Poland, and also exports a significant portion of raisins. These products are largely associated with healthy eating and a lifestyle consistent with most organic consumers. U.S. organic exporters of these products can develop their market using the consumer confidence in U.S. products bolstered by their conventional counterparts. A similar approach could be implemented with U.S. organic wine exports as demand for conventional U.S. wine in Poland holds the highest market share for imports in containers under two liters. Export potential for processing grade U.S. organic commodities may also exist. In September 2012, Poland opened the largest organic fruit processing plant in Central and Eastern Europe (Oneco), and while exact potential for U.S. organic exports remains unclear, seasonality differences in production may prove lucrative to entry.

Consumer knowledge is a key component to expansion of the organic sector in Poland. For many consumers, the difference in prices between organic and conventional goods may be too great, for those facing budget constraints, or not fully understood and therefore greater than their willingness to pay. Regular consumers of organic products typically cite: health, safety, taste, and environmental impact as factors for choosing organic products. However, these are all unobservable characteristics at the time of purchase, and without effective signaling, a price premium is hard to justify. Universal EU labeling standards, which were adopted much later than in the U.S., help signal this premium and build consumer confidence, however, this is a slow process. Additional training for retailers, increased consumer exposure, and tradeshow promotions will help the organic sector develop more rapidly in Poland.

3) Labeling Requirements

The U.S. is one of eleven countries with EU organic equivalency agreements. In Poland and the EU, U.S. organic products must use the new European Organic Food Label; see the Additional Information section for exact rules regarding labeling:



Only products that contain 95 percent or more organic content are allowed to be labeled in the EU. Therefore only U.S. products that are labeled “100 Percent Organic” or “Organic,” which contain the USDA Organic label are permissible for EU labeling.



4) Additional Information:

Import/Export HS Codes

http://www.fas.usda.gov/http/organics/2011_List_of_Organic_Trade_Codes.pdf

USDA National Organic Program: International Trade Policies

<http://www.ams.usda.gov/AMSV1.0/NOPTradeEuropeanUnion>

European Organic Food Label Requirements:

http://ec.europa.eu/agriculture/organic/files/eu-policy/logo/FAQ_logo_en.pdf

http://ec.europa.eu/agriculture/organic/files/eu-policy/logo/user_manual_logo_en.pdf

Poland Dried Fruits and Nuts Product Brief – 2013:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Product%20Brief%20-%20Dried%20Fruits%20and%20Nuts_Warsaw_Poland_10-28-2013.pdf

Poland Wine Product Brief – 2013:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Product%20Brief%20-%20Wine_Warsaw_Poland_10-31-2013.pdf

Section IV. Trade Shows and Contact Info

BioFach2014, Nuremberg, Germany

February 12-15, 2014

<http://www.biofach.de/en/>

Organic Marketing Forum, Warsaw, Poland

European East-West Organic Trade Exhibition and Networking Conference

June 1-2, 2014

<http://www.organic-marketing-forum.org/>

For more information concerning market entry and a current importer list contact:

Office of Agricultural Affairs, Warsaw, Poland

Embassy of the United States of America

Office of Agricultural Affairs

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Section V. Appendix

1) EU Pillar II Subsidies to Polish Organic Farms for CAP 2007-2013

Description	Certified Organic	Ongoing Conversion Process
Crops	790 zł (202.4 euro)	840 zł (215.2 euro)
Permanent Grassland	260 zł (66.6 euro)	330 zł (84.5 euro)
Vegetable Production	1 300 zł (333 euro)	1 550 zł (397 euro)
Herb Production	1 050 zł (269 euro)	1 150 zł (294.6 euro)
Horticultural and Fruit Production	1 540 zł (394.5 euro)	1 800 zł (461.1 euro)
Other Horticultural and Fruit Production	650 zł (166.5 Euro)	800 zł (204.9 Euro)

December 13, 2013 – (USD = 3.04 zł)

2) Authorized Organic Certification Control Bodies - conduct control and issue as well as withdraw certificates of conformity with Council Regulation (EC) No 834/2007.

Nine authorized control bodies in organic farming that operate in Poland (August 2013)

Names and Office Address of the Control Bodies	Code Numbers
EKO GWARANCJA PTRE Sp. z o. o. 21-008 Tomaszowice, Dąbrowica 185 P www.ekogwarancja.pl	PL-EKO-01
PNG Sp. z o. o. Jednostka Certyfikująca 26-021 Daleszyce, Cisów 77A www.png.ecofarm.pl	PL-EKO-02
COBICO Sp. z o. o. 31-203 Kraków, ul. Grzegorzeczka 77 www.cobico.pl	PL-EKO-03
BIOCERT MAŁOPOLSKA Sp. z o. o. 31-503 Kraków, ul. Lubicz 25A www.biocert.pl	PL-EKO-05
PCBC S.A. Oddział Badań i Certyfikacji w Pile 64-920 Piła, ul. Śniadeckich 5 www.pcbc.gov.pl	PL-EKO-06
AGRO BIO TEST Sp. z o. o. 02-786 Warszawa, ul. Związku Walki Młodych 5 www.agrobiotest.pl	PL-EKO-07
TÜV Rheinland Polska Sp. z o. o. 02-146 Warszawa, ul. 17 Stycznia 56 www.tuv.pl	PL-EKO-08
Centrum Jakości AgroEko Sp. z o. o. 03-216 Warszawa, ul. Modlińska 6 lok. 207 www.agroeko.com.pl	PL-EKO-09
SGS Polska Sp. z o. o. 01-233 Warszawa, ul. Bema 83 www.pl.sgs.com	PL-EKO-10

Source: Main Inspectorate of Agricultural and Food Quality

References:

Dimitri, Carolyn and Oberholtzer, Lydia. 2005. "Market-Led Versus Government-Facilitated Growth," *Development of the U.S. and EU Organic Agricultural Sectors*. WRS-05-05. U.S. Department of Agriculture, Economic Research Service. August.