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Report Highlights:

The Polish retail sector continues to develop registering 4 percent value growth in 2014 with the total number of stores remaining at over 354,000. Price competition remains the most important factor impacting grocery retailers operating in Poland, with discounters constituting as much as 27 percent of value share in 2014. Hypermarkets and supermarkets, with 73 percent value share, remain the dominate categories. While the majority of Polish consumers remain price-sensitive, there is a continuously growing number of end customers willing to pay higher prices for products of superior quality. U.S. exports of agricultural and consumer oriented products to Poland amounted to U.S. \$306 million in 2014 and are expected to increase by 20 percent in 2015. U.S. food exports with best sales potential include: tree nuts, wine, distilled spirits, fish and seafood, dried fruit, sauces, spices and snacks.

General Information:**SECTION I. MARKET SUMMARY**

During 2014 Poland's economy recovered from the slowdown of 2012-13, growing by 3.3 percent thanks to continuously increasing domestic demand. A slight slowdown in real GDP growth to 3.2 percent is expected for 2015. The forecast slowdown in 2016-17 will result from unexpected deterioration in economic policy, applied by Poland's new Government, which was sworn in November 2015, as it tries to deliver on its costly populist election declarations.

Table 1. Basic Economic Indicators

	2015 ^a	2016 ^b	2017 ^b	2018 ^b	2019 ^b	2020 ^b
Real GDP growth	3.2	2.8	2.8	3.2	2.9	2.9
Unemployment rate (av)	11.1	10.6	10.1	9.7	9.2	8.7
Consumer price inflation (av. National measure)	-0.9	1.8	2.6	2.3	1.9	2.1
Exports of good fob (U.S. \$)	170.4	176.4	194.2	218	241.9	266.1
Imports of goods fob (U.S. \$)	161.9	173.3	195.5	219.1	245.9	272.1
Exchange rate Zl:U.S. \$ (av)	3.78	4.05	3.89	3.64	3.47	3.4

Source: Economist Intelligence Unit ^a estimates and ^b forecasts.

In 2014 Polish imports of consumer oriented food products amounted to U.S. \$10 billion; with imports worth U.S. \$136 million originating from the United States, compared with U.S. \$127 million for 2013. Polish imports of consumer oriented food products in 2015 are forecast to increase by 20 percent. Polish exports of consumer oriented food products amounted to U.S. \$19 billion; with U.S. \$271 million worth exported to the United States, compared to exports worth U.S. \$208 million for 2013.

Poland's 38 million consumers constitute the single largest market for food and beverages within the Central Eastern Europe region. Based on Euromonitor data in 2014 grocery retailers registered 4 percent current value growth reaching PLN 195 billion (U.S. \$52 billion); with total number of stores remaining at over 354,000. Hypermarkets and supermarkets, with 73 percent value share, remain the dominating categories; while discounters constituted 27 percent of value share in 2014.

Table 2. Poland – Data on Internal Trade in 2014

Specification	2014
Sales area of shops in thous. m²	34964
of which:	
Department stores	330
Trade stores	227
Supermarkets	4960
Hypermarkets	3802

Total number of shops^b	354775
of which:	
Department stores	66
Trade stores	217
Supermarkets	6509
Hypermarkets	593
Petrol stations	8905
Population per 1 shop^b	108
Total number of marketplaces	8939
Number of permanent marketplaces	2210
Number of seasonal marketplaces	6729

Source: Poland Internal Market 2014, Report by Polish Statistical Office

The current market share division is expected to continue as traditional grocery retailers are forecast to lose market share through 2019. Within the 2014-2019 period Modern Grocery Retailers are forecast to grow some 27 percent, while Traditional Grocery Retailers are forecast to decline by over 8 percent.

Table 3. Poland Forecast Grocery Retailers Outlets by Channel: % Unit Growth 2014-2019

		2014-19 Compound Annual Growth Rate	
% unit growth	2014/15		2014/19 Total
Modern Grocery Retailers	3.8	5.0	27.4
- Convenience Stores	4.8	6.4	36.2
- Discounters	4.0	5.2	29.1
- Forecourt Retailers	-0.4	-0.2	-1.2
-- Chained Forecourts	1.3	1.5	7.6
-- Independent Forecourts	-4.1	-3.7	-17.0
- Hypermarkets	2.2	2.5	13.4
- Supermarkets	3.0	3.7	19.9
Traditional Grocery Retailers	0.8	-1.7	-8.4
- Food/Drink/Tobacco Specialists	-2.2	-3.1	-14.7
- Independent Small Grocers	2.0	-1.2	-5.8
- Other Grocery Retailers	-2.8	-3.0	-14.2
Grocery Retailers	1.7	0.1	0.7

Source: Euromonitor International from trade associations, trade press, company research, trade interviews, trade sources

Some of the factors that characterized the Polish retail market in 2014 were strong competition, consolidation and market saturation. This sector is dominated by multinational retail hypermarkets including Tesco (UK), Auchan (France), Carrefour (France) and discounters Lidl (Germany) and

Biedronka (Portugal). Major chains face slim margins due to fierce competition. However, in recent years there has also been a trend in consumer preference toward smaller grocery formats, including convenience stores, small grocery retailers and independents. Leading players in convenience store and small grocery store sectors include: Chata Polska (Poland), Eko Holding (Poland), Chorten (Poland), LD Holding (Poland), Małpka (Poland), Polska Grupa Supermarketów (Poland), PSH Nasz Sklep (Poland), PHU Topaz (Poland), Spar Polska (The Netherlands) i Żabka Polska (Mid Europa Partners – Private Equity).

During 2014 all Polish retail operators increased their competitiveness by offering attractive price levels and sales promotions. Polish consumers are known for their smart shopping behavior, which is reflected in continuous search for attractive prices. As this behavior is accompanied by expectation of good quality of purchased products, the purchase demand tends to be directed at branded products and private label.

Annual disposable income in Poland continues to grow, yet constitutes just over 40 percent of that recorded in countries of Western European Union.

Table 4. Consumer expenditures and Annual Disposable income

Poland			
	2013	2014	2015
Consumer Expenditure (U.S. \$ million)	318	327	334
Annual Gross Income (U.S. \$ million)	428	443	455
Annual Disposable Income (U.S. \$ million)	321	331	340

Source: Euromonitor 2015

Over 61 percent of Poland’s population lives in urban areas. The median age, 38 years, is rising. A trend towards smaller families is becoming more apparent in Poland’s 13 million households, with an average household size of 3 people. The typical Polish family eats together at meal times and households buy food stocks for only a few days at a time. Poland’s GDP per capita increased from U.S. \$13,829 in 2013 to U.S. \$14,422 in 2014 according to World Bank data.

Trends in food retailing

The following changes are expected in Polish retail trade:

- Increased importance of large-area trade outlets in the structure and revenue of the retail trade; with continued mergers and buy-outs among large chains;
- Increased importance of companies owning chains of stores, with continued integration among small and medium companies;
- A decreasing number of specialized shops which represent just over 5 percent of the total number of shops. These shops will close, or will enlarge their product lines with new items;
- Corner and Mom & Pop Shops located in large cities will continue to close, because of

increasing competition from super/hypermarkets and service sectors (e.g. Banks, which present higher rent offers);

- An increasing number of small shops continue to be opened in rural areas. Those small shops are bound to face competition from foreign chains introducing smaller shop formats e.g. Carrefour Express outside of central urban areas;
- Increasing importance of private label goods;
- Polish consumers will increasingly expect high quality food products, at the same time remaining very price sensitive;
- Increase of preference for convenience, health (incl. organic as well as “free from ...” products), as well as high end products, among emerging Polish upper class consumers (10 percent of 38 million population) is likely to impact future of food retailing in Poland;
- Polish consumers, following the European Union tendency, are becoming interested in various ratings and tests conducted by consumer organizations and individual bloggers involved in investigating and comparing goods and services in an unbiased way. Opinions expressed by consumer organizations and bloggers are likely to influence purchasing decisions in Poland.

Advantages and Challenges of the Polish Retail 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. e.g. at Cash&Carry stores.	Poland’s EU Membership puts United States products at a competitive disadvantage versus EU-28 duty-free internally traded products.
Poles travel extensively and bring back home opens to new tastes and knowledge of internationally promoted United States products.	Retailers operating on the Polish market in most cases do not conduct direct import; extending distribution chain to include an obligatory importer.
Products from the United States enjoy good reputation on the polish market.	Listing fees required by retailers and funding needed for creation of brand awareness hamper the introduction of new brands from the United States.

SECTION II. ROAD MAP FOR MARKET ENTRY

Entry Strategy



Market Structure

A. ENTRY STRATEGY- HYPERMARKETS, SUPERMARKETS, DISCOUNT STORES

The majority of retail chains operating on the Polish market do not conduct direct imports and rely on local importers and wholesalers to obtain products. Retailers such as Alma and Auchan have their own import departments but in many cases still rely on independent importers as a source for niche market products. In this segment, the successful introduction of new products depends to large extent on local representatives, importers, and distributors.

Market Structure

- Products may be imported either by an importer or a representative office, which may also be a wholesaler and / or distributor;
- The representative office deals only with your product, and so pays much more attention to the promotion, advertising, and marketing activities than an importer who buys many, sometimes even competitive, products;
- Some hypermarkets/supermarkets are direct importers (e.g. Auchan, Alma Delicatessen Chain);
- Importers are distinctly separated into dry goods, refrigerated items, fruits and vegetables, alcohol, etc.;
- Importers or representative offices may use nation-wide logistic organizations for the storage and distribution of imported products;
- Importers also have their own distribution networks.

Typical conditions for a supplier when entering retail chains operating on the Polish market:

- Entry fees (amounting to tens of thousands of Polish zlotys), which are not paid back if the agreement is canceled;

- 30-60 day terms of payment;
- Considerable price discount - about 10 percent of regular price;
- Obligatory participation in promotional activities, which are held 3-5 times a year and last for 1-3 weeks.
- Obligatory participation in covering the cost of advertising of promoted products;
- Slotting fees (U.S. \$250-5,000) for placing each type of product on the shelf;
- Fees for the “display area”;
- No opportunity to influence the “shelf price” level;
- Very strict delivery terms (exact date and time frame e.g. March 2, 2008 12:00-14:00).

Supplier contracts may vary from one to another and all clauses depend on negotiations of the interested parties.

Company Profiles

This sector is dominated by multinational retail hypermarkets incl. Tesco (UK), Auchan (France), Carrefour (France) and discounters Lidl (Germany) and Biedronka (Portugal). Major chains face slim margins due to fierce competition. In the coming year’s retail industry experts envisage further consolidation within current operators.

Table 5. Top 10 Retailers on the Polish Market in 2014

No.	Operator's Name	Store Name		Sales	Number of Stores
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			Country of Origin	revenue in U.S. \$ Billion	
1	Jeronimo Martins Dystrybucja SA	Biedronka	Portugal	10.009	2587
2	Schwarz-Gruppe	Lidl and Kaufland	Germany	5.340	729
3	Eurocash	ABC, IGA, Delikatesy Centrum	Over 40 percent owned by Portuguese Capital	4.306	3583
4	Tesco	Tesco	United Kingdom	2.844	400
5	Leviatan	Leviatan	Poland	2.283	2860
6	Auchan*	Auchan/Real	France	1.945	120
7	Carrefour	Carrefour	France	1.885	702
8	Metro Group.	Macro Cash&Carry	Germany	1.712	41
9	Polomarket	Polomarket	Poland	1.311	439
10	Zabka	Zabka	Poland	1.238	3710

*in 2014 Auchan purchased Real stores from Metro Group – Stores are currently being re branded.

Data source: Planet Retail – August 2015

B. CONVENIENCE STORES, GAS MARTS, KIOSKS

There are two ways to place new products on shelves depending on the type of product. Either an exporter should use an importer or representative for direct personal contact with the shops, or shop managers supply themselves from the wholesalers who may import the products. In this case goods should be available in several regional wholesale units, where smaller wholesalers and retailers collect them.

Company Profiles

Convenience stores, gas station marts, and kiosks are very fragmented sectors, with each retail outlet often having a different owner even within one chain or a brand due to franchising and licenses. Over the last ten years the traditional kiosk operator Ruch (currently owned by private equity company) gained strong competition in form of over 400 Inmedio and 1 Minute kiosks (Eurocash Company holds over 51 percent of shares). Kiosks/small convenience stores mostly carry newspapers and magazines, snacks, drinks and other convenience products that take up increasingly greater shelf space. This sector consists of small units employing up to 5 people. Since Polish law does not obligate entities employing

fewer than 5 people to deliver statistical information, it is difficult to illustrate in detail the market situation.

There are about 6,750 petrol stations in Poland. A majority of these stations also offer gas marts. Polish refinery Orlen is the market leader, holding over 55 percent of the market share. The remainder of the gas station market is controlled by the Polish Refinery Lotos and foreign companies including BP, Shell, Statoil and Lukoil.

Convenience stores in Poland are increasingly popular. Leading players in convenience store and small grocery store sectors include: Żabka Polska (Mid Europa Partners – Private Equity), Chata Polska (Poland), Eko Holding (Poland), Chorten (Poland), LD Holding (Poland), Małpka (Poland), Polska Grupa Supermarketów (Poland), PSH Nasz Sklep (Poland), PHU Topaz (Poland) and Spar Polska (The Netherlands).

The flagship of the sector, Zabka, has been on the market for over 10 years and now has over 3000 stores operating on a franchising base, with other companies also investing in convenience stores. Carrefour, a hyper and supermarket chain, also noticed the trend and opened smaller format stores for fast shopping of most basic products integrated into their hypermarkets.

C. TRADITIONAL MARKETS – “MOM and POP”, SMALL INDEPENDENT GROCERY STORES AND WET MARKETS

There are two ways to place new products on shelves depending on the type of product. Either an exporter should use an importer or representative for direct personal contact with the shops, or shop managers supply themselves from the wholesalers who may import the products. In this case goods should be available in several regional wholesale units, where smaller wholesalers and retailers collect them.

Sub-Sector Profiles

“Mom and Pop” shops are very common in Poland. They are currently facing growing competition from supermarkets, which are opening in smaller cities and towns. “Mom and Pop” shops are present throughout the county, and are not limited to small towns and villages, being very popular in large Polish cities. Little independent stores often lose the competition with big foreign supermarkets and hypermarkets chains. A Polish Parliament regulation (from August 24th, 2007) protects these small independent shops, because only stores run by the owner may work on 13 Polish official holidays, during which time hypermarkets and all larger stores are closed.

Traditional Markets vary significantly in size and facilities. In 2014 there were 2,210 registered regular traditional markets. Additionally there were 6,729 seasonal traditional markets. Usually they consist of open air and/or kiosk facilities in an area of 200-400m² (2,150 – 4,305 square feet).

SECTION III. COMPETITION

In 2014 Polish imports of consumer oriented food products amounted to U.S. \$10 billion with imports

for the value of U.S. \$136 million originating from the United States. Polish exports of consumer oriented food products amounted to U.S. \$19 billion, with U.S. \$271 million designated for the United States.

Table 6. Poland Import of consumer oriented food products (U.S. \$ Thousands)

Poland (Customs) Import Statistics							
Commodity: Consumer Oriented Agric. Total, Group 32 (2012)							
Year To Date: January - December							
Partner Country	Thousands United States Dollars			% Share			% Change
	2012	2013	2014	2012	2013	2014	2014/2013
World	8768195	9969182	10438343	100.00	100.00	100.00	4.71
United States	105946	127885	136132	1.21	1.28	1.30	6.45

Source: Global Trade Atlas

Table 7. Poland Export of consumer oriented food products (U.S. \$ Thousands)

Poland (Customs) Export Statistics							
Commodity: Consumer Oriented Agric. Total, Group 32 (2012)							
Year To Date: January - December							
Partner Country	Thousands United States Dollars			% Share			% Change
	2012	2013	2014	2012	2013	2014	2014/2013
World	15749487	18241784	19281837	100.00	100.00	100.00	5.70
United States	214714	208983	271842	1.36	1.15	1.41	30.08

Source: Global Trade Atlas

Domestic producers and exporters from the European Union (mainly Germany, France, Italy, Great Britain, Spain, Finland, and the Netherlands, which make up 50 percent of total Polish food imports) are the main competitors for American food exporters. Dynamic development, of Polish producers and foreign investors in the Polish food industry resulted in an increased variety of high quality product being produced locally. Even classic American products like chewing gum, Coca-Cola or Pepsi are produced in Poland. **It should also be noted that Polish customers prefer Polish products over imported ones, influencing shoppers to purchase products made in Poland.** Many chains advertise the fact that they offer Polish vegetables or other products to increase sales.

Table 8. Examples of import of consumer food products and ingredients to Poland in 2014.

Product Category	HS code	Total imports of agri-food products by Poland (U.S. \$ million)	Direct imports from the USA (U.S. \$ million)	Share of US imports in total imports (%)	Main Foreign competitors	Strengths of Key Supply Countries	Advantages and disadvantages of Local Suppliers
Frozen Fish	0303	241	4	1.71	1.Norway, 2.Denmark, 3.United Kingdom, 4.Netherlands, 5.Russia,	1-4.Distance, availability and regional products. 5.Price/quality	Developed fish processing industry.
Fish Fillets	0304	653	45	6.93	1.China, 2.Germany, 3.Iceland, 4.Russia, 5.Norway, 6.Vietnam, 7.Denmark	1.4.6.Price/quality. 2,3,5,7. Distance, availability and regional products.	Developed fish processing industry.
Almonds	080212	54	18	33.87	1.Spain, 2.Germany, 3.Australia	1.Distance, availability and regional products. 2.Traditional re-exporter. 3. Flexibility of suppliers – aiming to gain new market.	No local production due to unfavorable climate conditions.
Dried Grapes, Raisins	080620	33	3	9.90	1.Iran, 2.Germany, 3.China, 4.Chile, 5.Turkey	1.2.4.5. Price/quality. 2.Traditional re-exporter.	No local production due to unfavorable climate conditions.
Prunes	081320	26	4	19	1.Chile, 2.France, 3.Slovakia, 4.Serbia,	1.5.Price/quality. 2.3.4.Distance, availability	Local production of different type of

					5.Argentina, 6.Germany	and regional products. 6. Traditional re-exporter.	prune – not competing with imported varieties.
Peanuts	1202	65	7	1.17	1.Argentina, 2.Brazil, 3.China	1.2.3.Price/quality.	No local production due to unfavorable climate conditions.
Mucilage & Thickeners	130239	29	2	8.17	1.China, 2.Philippines, 3.Germany, 4.Denmark, 5.Belgium, 6.Spain	1.2. Price/quality. 3.4.5.6. Distance, availability and regional products.	Developed food processing industry.
Cranberries	200893	17	12	70	1.Canada, 2.Germany, 3.Chile	1.3. Price/quality. 2. Traditional re-exporter.	Local production of different type of cranberry – not competing with imported varieties.
Food Preparation	210690	506	26	5.14	1.Germany, 2.France, 3.Netherlands, 4.Italy, 5.Austria	Distance, availability and regional products.	Developed food processing industry.
Wine	2204	269	35	13.35	1.Germany, 2.Italy, 3.France, 4.Spain	Distance, availability and regional products.	Limited local production due to unfavorable climate conditions.
Alcohol Beverages	2208	201	29	14.72	1.Finland, 2.UK, 3.Germany	Distance, availability and regional products.	Developed local production industry – e.g. vodka

							production.
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Source: Global Trade Atlas Data

SECTION IV. BEST PRODUCT PROSPECTS

Category A: Products Present in the Market That Have Good Sales Potential

- Tree nuts
- Wine
- Alcoholic beverages
- Dried fruit
- Snack foods
- Cranberries and cranberry products

Category B: Products Not Present In Significant Quantities but Which Have Good Sales Potential

- High quality beef (hormone free)
- Health food, organic food
- Seafood and seafood products
- Innovative sauces, condiments and confectionary products

Category C: Products Not Present Because They Face Significant Barriers

- Poultry (non-tariff barrier)
- Processed food with GMO ingredients (non-tariff barrier)

SECTION V. POST CONTACT AND FURTHER INFORMATION

One of the goals of the Foreign Agricultural Service (FAS) office in Warsaw is to assist in 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. Suppliers of U.S. food products and ingredients can contact FAS Warsaw if additional information regarding selling U.S. food and beverage products to Poland is required.

There are several U.S. commodity groups, called cooperators/regional groups, who partner with FAS to promote U.S. agricultural products in Poland. Those cooperators who are particularly active in Poland include: Wine Institute (California), Cranberry Marketing Committee, California Prune Board, California Walnut Commission and Food Export USA Northeast. The California Wine Institute, Cranberry Marketing Committee, California Walnut Commission and California Prune Board have representatives based in Warsaw.

For additional information regarding the Polish market please contact:

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 Foreign Agricultural Service
 Al. Ujazdowskie 29/31
 00-540 Warsaw, Poland

Phone number: +48 22 504 23 36
E-mail: AgWarsaw@fas.usda.gov
Website: <http://polish.poland.usembassy.gov/Poland-pl/agric.html>

Please also visit the Foreign Agricultural Service home page (www.fas.usda.gov – *Data and Analysis* link – *GAIN Reports Category*) for more information about exporting U.S. food products to Poland, including “The Exporter Guide”, “The HRI Food Service Sector Report”, “Food Processing Sector Report”, product briefs on the market potential for the U.S. wine, dried fruit, nuts and other agricultural products. For information on exporting U.S agricultural products to other countries please visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov> – *Countries and regions* link.
End of the Report.