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Poland

Retail Food Sector

Report

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Report Highlights:

Poland's food retailing sector continues to undergo radical transformation as consumer incomes grow in this modernizing country of 38.6 million people. This change is led by new foreign hypermarkets which increased from 27 in 1996 to 216 in 2002. They are projected to expand to between 220 - 240 by 2005 and will account for about 50 percent of retail food sales within the next five years. Prospects for U.S. sales are hampered by stiff Polish and EU competition, comparatively high import duties, stringent food ingredient regulations, and costly terms of business to get product onto large retailer's shelves. Nevertheless, there are select opportunities outlined in section V, "Best Prospects".

Includes PSD Changes: No
Includes Trade Matrix : No
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I. MARKET SUMMARY

General Information

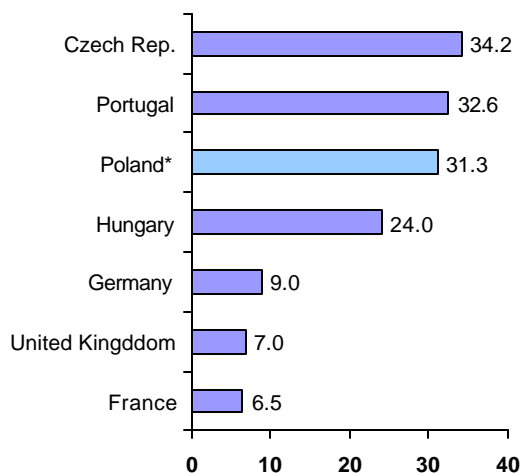
The transformation of the Polish economy into a market economy has resulted in a significant development of retail trade since the late nineties. Dynamic changes in the domestic market have occurred, resulting in increased competition in both the production and trade sectors; companies trading in food products have been undergoing particularly strong pressure, as this segment of the market has become an area of intense interest to foreign competitors.

The appearance of foreign capital and new standards of distribution and trade have not only shown the Polish retailers new ways of running their businesses, but have also become a challenge inspiring them to create their own methods to attract customers and meet their requirements so that they stay loyal and will not look for other shopping opportunities.

Polish retail trade companies have also realized that they cannot ignore the globalization process that has begun in line with foreign capital inflow, and have engaged themselves in concentration and consolidation processes aimed at strengthening their market position.

All these new phenomena and retail market changes have resulted in the conversion of a producer market into a consumer market, which means continuous efforts to increase revenues. However, compared to western Europe, the Polish retail trade is still very much dispersed, due to the fact that 38 percent of the Polish population lives in over 50,000 villages.

Chart 1. Number of shops per 10 000 inhabitants



*

excluding open markets

The year 2002 was a successful year of growth for a number of retail outlets. At the end of 2002 there were almost 450,000 shops in Poland, which is twice as many as in Spain and six times more than in the United Kingdom. In addition, there were about 400,000 other retail outlets such as small kiosks, stands, stalls, etc. The total number reached about 854,000 retail outlets. However, the increasing tendency was not as strong as in the nineties, and only reached 4.2 % in relation to 2000, and hardly 0.2% compared to 2001.

Continuous economic growth, which started in 1991, has resulted in considerable improvement in Poland's labor market, its domestic financial situation, and in increased

incomes. Every year the real consumption value, covered by personal income in the domestic sector, has increased. The situation has changed to a certain extent since 2000, when the Polish economy started to suffer from the effects of a recession. In 2001 the GDP rate of growth dropped to 1 percent, and in 2002 amounted to 1.3 percent. This has resulted in a slower pace of development of all sectors of the economy, including retail trade.

A monetary policy aimed at decreasing the inflation rate led to a substantial decrease in consumption and investment demand. The demand was lower than that of the GDP. This phenomenon, combined with high interest rates, have been the main factors negatively influencing economic progress.

Such a low rate of growth meant poor financial results for business entities operating in all sectors of the economy. In the case of food products, 62 percent of companies did not generate a net profit. This reduced their ability for investment and debt redemption. Also, unemployment has grown continuously over the last 4 years, and currently ranges between 17 and 18 percent.

All these factors negatively influence the buying potential of Polish customers. This will certainly cause difficulties in the retail food sector, at least until the economy revives.

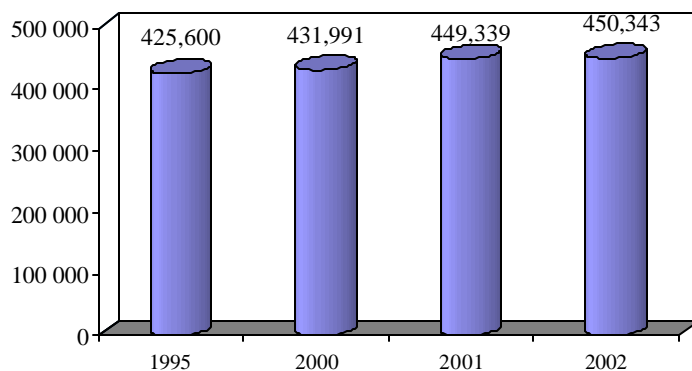
Description of the retail trade

In 2000 it was estimated that, on average, hardly 35 customers did their shopping in one traditional shop, spending less than PLN 100 (\$ 25.00). The situation was even worse in rural areas, where the number of customers was three times lower. In 2002 the average daily number of customers, doing their shopping in all types of traditional shops, decreased by another 10-15%, regardless of their location, and the unit transaction value was also lower.

The growing popularity of hypermarkets is reflected in their increasing number of customers. They are becoming, more and more, the main source of household supplies. In 2001 the number of people shopping there more often than once a week increased by over 100% compared to 1999 (from 18 percent to 39 percent). A further, but not so spectacular, increase took place in 2002. As a result, the share of monthly spending in large shopping centers has been increasing.

The average purchase of a customer, shopping in a hypermarket, is estimated at PLN 172 = \$ 41.00 (PLN 203 in Warsaw and PLN 260 in Gdansk). On the other hand, the average value of the transaction in traditional shops has dropped by 10-15%, and this decrease has mainly affected shops located in places inhabited by less than 10,000 people.

The increase in the total number of entities dealing with the retail trade was solely due to activities carried out by private shop owners. The retail trade was the first sector of the Polish economy to be almost entirely privatized at the very beginning of the transformation period. At present there are only a few co-operative companies and an insignificant number of state-owned retail units; their total number continuously decreases (from 2,330 in 2000 to 1,792 in 2002), and their present share in the total number of shops is lower than 0.4 percent.

Chart 2. Number of shops

Source: Statistical Yearbook 2001,2002

About 77% of shops are located in urban areas, and this index has remained at the same level for the last three years.

During the last decade a rapid increase in the market share of chains of super/hypermarkets, in most cases with foreign capital, has been noted.

Table 1. Number of shops with foreign capital

| Description | 1995 | 2000 | 2001 | 2002 |
|--|------|-------|-------|-------|
| Number of shops with foreign capital | 748 | 2,975 | 3,250 | 3,321 |
| The % share of shops with foreign capital in the total number of shops | 0.18 | 0.69 | 0.72 | 0.74 |

Source: Statistical Yearbook 2001,2002

Due to a lack of capital, weak financial situation and low profitability, Polish companies have lost the first battle for access to the food retail market. However, the last two years have witnessed a more active approach towards regaining lost positions.

Still, given incomparably higher capital potential, foreign companies are expected to play a particularly strong role in trade development during the coming years.

Over the past three years, three main trends have characterized the Polish retail trade. Traditional retail business (shops with an area below 300 sq.m.) are gradually losing their importance, the FMCG market has been stabilizing, and strong competition has surfaced within modern distribution channels. The latter is taking place at the expense of the turnover of the traditional distribution channel, whose financial situation is systematically becoming worse.

The fact that 98.7 percent of retail companies have no more than two shops also shows the dispersed structure of the trade. Organizations owning more than 20 shops form less than 0.1 percent of the total number of companies active in this sector.

Table 2 Companies and number of chains

| Specification | 2001 | 2002 |
|----------------|----------------|----------------|
| Total | 408,481 | 409,721 |
| up to 2 shops | 402,788 | 404,335 |
| 3-10 shops | 4,665 | 4,350 |
| 11-20 shops | 770 | 756 |
| 21-50 shops | 225 | 239 |
| 51-100 shops | 26 | 30 |
| 101-200 shops | 5 | 9 |
| over 200 shops | 2 | 2 |

Source: Statistical Yearbook 2002

A dominant share of small shops (below 50 m²), in terms of quantity, is characteristic of the Polish retail trade. Their number decreased 3-5 percent in 1999, 1 percent in 2000, and a further 3.6 percent in 2001. In 2002 their number was maintained at the same level as the year before and formed over 92 percent of the total number of shops.

In 2002, for the first time since the beginning of the nineties, the rate of growth of the number of shops with a selling space exceeding 400m² decreased (an increase of about 4% compared to 13% one year before).

In 2002 the average selling space amounted to 70 sq.m.

Table 3. Shops by operating area in 1996-2001

| Years | Total number of shops | Number of shops by operating area | | | | | |
|---------------------|-----------------------|-----------------------------------|--------|---------|---------|---------|-------------------------|
| | | below 50 m ² | 50-100 | 101-200 | 201-300 | 301-400 | over 401 m ² |
| 1996 | 405,563 | 369,926 | 20,661 | 8,929 | 2,377 | 1,110 | 2,560 |
| 1997 | 424,362 | 390,311 | 18,193 | 9,175 | 2,570 | 1,255 | 2,858 |
| 1998 | 451,785 | 414,684 | 20,795 | 9,371 | 2,655 | 1,182 | 3,098 |
| 1999 | 450,232 | 417,772 | 16,925 | 8,014 | 2,529 | 1,479 | 3,513 |
| 2000 | 431,991 | 399,767 | 16,297 | 7,872 | 2,567 | 1,551 | 3,937 |
| 2001 | 449,339 | 415,017 | 16,871 | 8,500 | 2,817 | 1,680 | 4,454 |
| 2002 | 450,434 | 417,391 | 15,933 | 8,089 | 2,780 | 1,616 | 4,625 |
| <u>2002</u> 2001 | 100.2 | 100.6 | 94.4 | 95.2 | 98.7 | 96.2 | 103.8 |
| <u>2001</u> 2000 | 104.0 | 103.8 | 103.5 | 108.0 | 91.1 | 108.3 | 113.1 |
| <u>2000</u> 1999 | 95.9 | 95.7 | 96.3 | 98.2 | 101.5 | 104.9 | 112.1 |

Source: Statistical Yearbook, 2001, 2002

Table 4. Selling space of shops with foreign capital

| 2000 | | 2001 | | 2002 | |
|----------------|-----------------------|----------------|-----------------------|----------------|-----------------------|
| m ² | % of total sale space | m ² | % of total sale space | m ² | % of total sale space |
| 1,763,974 | 6.5 | 2,609,039 | 8.5 | 2,756,453 | 8.5 |

Source: Statistical Yearbook, 2001, 2002

Although Poland is the largest country in Central Europe in terms of area and population, the selling area in trade centers per 1000 persons (62 m²) is one of the lowest in Europe, where the average amounts to 143 m².

During the last three years, fewer new shops within the modern distribution channel have been opened, with a simultaneous insignificant decrease in the number of traditional shops.

The rapid growth in a number of super and hypermarkets that was noted in the nineties (95 outlets at the end of 1999 meant an increase of 67 percent in relation to 1998) has slowed down to a significant extent. There were 216 hypermarkets in 2002, which is less than 14% more than in 2001. As regards supermarkets, their number increased from 1,739 in 2001 to 1,863 in 2002 (by 7%). On the other hand, traditional trade and department stores reduced their number from 647 to 605, i.e. by 6.5 %.

It is estimated that retail sales in 2002 reached PLN 385.3 billion (\$ 96.3 billion) in current prices compared to PLN 376.5 billion (\$ 94.1 billion) in 2001 and to PLN 361.8 billion (\$ 90.5 billion) in 2000. The sales realized by retail outlets equaled PLN 369.4 billion (\$ 92.3 billion), out of which food and non-alcoholic products amounted to PLN 113.4 billion (\$ 28.3 billion).

The total turnover of this sector is shown in the Table5.

Table 5. Retail sales (current prices) in million dollars calculated at average annual exchange rate.

| Years | Food products | Alcoholic beverages and tobacco |
|-------|---------------|---------------------------------|
| 1996 | 25,227 | 7,908 |
| 1997 | 24,629 | 7,318 |
| 1998 | 26,719 | 7,646 |
| 1999 | 26,945 | 9,448 |
| 2000 | 27,924 | 8,930 |
| 2001 | 30,286 | 9,532 |
| 2002 | 21,124 | 9,659 |

Source: Statistical Yearbook, 2001, 2002

The structure of the retail trade is dominated by non-food products; the second group consists of foods and soft drinks.

Table 6. Structure of retail sales in Poland in 1996-2001 by % (current prices)

| Description | 1998 | 1999 | 2000 | 2001 | 2002 |
|-----------------------------|------------|------------|------------|------------|------------|
| TOTAL | 100 | 100 | 100 | 100 | 100 |
| Fruits and vegetables | 1.7 | 2.4 | 2.1 | 2.1 | 2.2 |
| Meat and processed meats | 5.1 | 4.8 | 5.9 | 5.4 | 5.7 |
| Fish and fish products | 0.9 | 1.0 | 1.1 | 1.1 | 1.1 |
| Alcoholic beverages | 9.1 | 8.7 | 6.5 | 6.0 | 6.9 |
| Non-alcoholic beverages | 1.5 | 1.6 | 2.1 | 2.3 | 2.4 |
| Milk, cheese, and eggs | 2.8 | 3.4 | 2.9 | 2.8 | 2.9 |
| Bread and processed cereals | 2.1 | 3.0 | 3.3 | 3.1 | 3.2 |
| Sugar and confectionery | 5.8 | 5.4 | 5 | 4.9 | 4.9 |
| Coffee, tea, and cocoa | 1.6 | 1.9 | 1.4 | 1.3 | 1.4 |
| Other food products | 11.1 | 8.9 | 8.5 | 8.5 | 6.9 |
| Non-food products | 65.7 | 58.9 | 61.2 | 62.5 | 62.4 |

Source: Statistical Yearbook, 2001, 2002

Structure of retail stores in 2002

There are 183,136 (40% of the total number of retail outlets) shops that sell different types of food (including gas stations).

Table 7. Points of retail trade¹⁾ and gas stations in Poland in 1997-2002

| Item | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|-------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Shops | 424,362 | 451,785 | 450,232 | 431,991 | 449,339 | 450,434 |
| <i>including:</i> | | | | | | |
| Food stores | 140,811 | 147,207 | 147,366 | 142,257 | 145,934 | 145,238 |
| Fruit and vegetable shop | 6,470 | 6,935 | 6,974 | 6,678 | 5,251 | 5,308 |
| Meat shops | 14,315 | 15,056 | 14,879 | 14,045 | 14,714 | 15,041 |
| Fish shops | 1,508 | 1,619 | 1,574 | 1,506 | 1,572 | 1,570 |
| Confectionery shops | 3,520 | 3,773 | 3,630 | 3,681 | 4,101 | 4,374 |
| Alcoholic beverage shops | 2,830 | 2,731 | 2,539 | 2,350 | 2,335 | 2,294 |
| Gas stations | 6,548 | 7,253 | 7,607 | 7,744 | 8,901 | 9,311 |
| Number of people per one shop | 91 | 86 | 86 | 88 | 86 | 85 |

The statistical data covers: shops, open market stores, stores, market stalls, and movable points of sale.

Source: Statistical Yearbook, 2001, 2002

Both the total number of shops and number of different types of shops have not changed in a significant way for the last two years.

In 2002 there were 450,434 shops including:

- 173,825 retail outlets selling food, i.e. 38.6 percent of the total number of stores (38.7 percent in 2000);
- 83,416 non-food stores (18.5 percent compared to 18.4 percent in 2001);
- 14,608 automotive stores (3.2 in 2002 and in 2001);
- 178,585 other stores (39.6 percent in 2002 compared to 39.7 percent in 2001).

This structure confirms the growing trend to offer a wide range of food and non-food products in one selling point (supermarket + other shops). The continuous concentration in the Polish food trade has resulted in four main tendencies currently noticed in Poland:

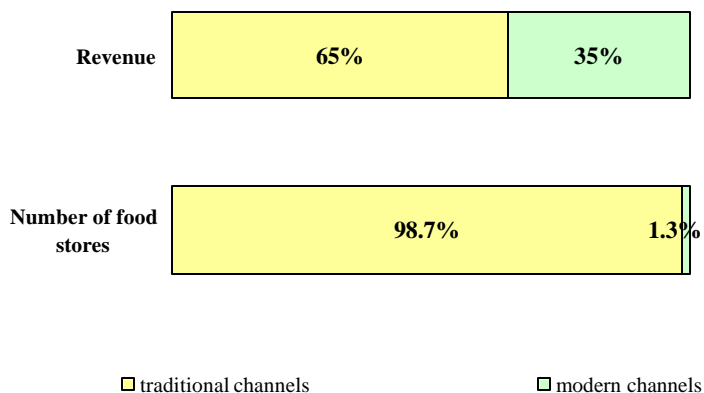
- A decreasing number of specialized shops which form about 5% of the total number of shops (from 24,000 in 2001 to 23,600 in 2002). These are either closed or enlarging their product selection.
- Shops located in large cities are being closed because of increasing competition from super and hypermarkets.
- An increasing number of small shops are opening in areas of high unemployment and in rural areas.
- An increasing share by large trade organizations in the total revenue.

The structure of food shops has not changed much compared to previous years; small shops still dominate Polish trade.

The increasing popularity of modern distribution channels is proved by their share in the domestic revenue in food, tobacco, and alcoholic beverages trade.

Supermarkets, hypermarkets, and discount shops form 35 percent of the total revenue in those products (compared to 29% in 2001) despite the fact that these organizations constitute only 1.3 percent of the total number of stores dealing with retail food trade. More than half of this revenue is realized by hypermarkets. Traditional distribution channels: large, medium, and small grocery shops, and specialized outlets constitute 98.7 percent of the total number of food shops and 65 percent of the turnover in food products, cigarettes, and alcoholic beverages.

Chart 3. Structure of sales in 2002



Hypermarkets appeared in Poland ten years ago. Today this is a normal way of shopping for most of the people who live in big towns. The recent years, hypermarkets have undergone very dynamic development. The first, 27 hypermarkets were opened between 1993-1996. These were individual outlets with an average area of 2,500 to 5,000 sq.m. During the period 1997-98, thirty new hypermarkets were opened. It became a common market practice for part of a shopping center to be designated to small boutiques, restaurants, and other outlets. The average selling space of a hypermarket ranged between 6,000 and 14,000 sq.m, with the area of the neighboring outlets amounting to 2,000 – 8,000 sq.m. However, one-third of the Polish population declares not to have done any shopping in shopping centers and has no intention to do so. This means that traditional channels will still play a very important role in the future.

Open-air markets still play a significant role in the Polish retail trade. In 2001 there were 2,367 permanent markets (1% more than a year before) and about 125,000 points of sale registered and operating (a decrease of 1.3%). This means that a considerable part of the domestic turnover is achieved by outlets selling in markets. The structure of markets in terms of the scope of activities has not changed for many years. Over 85 percent of the markets carry out retail activities, the remainder dealing with the wholesale trade. The majority of goods sold in the markets is supplied by local producers. In central Poland 40 percent of shops belong to the producers. In the western part of the country this share is definitely lower.

Retail Market Situation during 2002

During the last year the Polish retail trade market witnessed a tough competition battle among foreign chain owners, aimed at achieving the leading market position. Currently,

building a new shopping center has become quite difficult due to new legal restrictions; therefore, mergers and acquisitions are the main method for achieving this target. However, the number of hypermarkets dealing with the food trade increased by 25% in 2002, reaching 170 shops. In fact, these are not supermarkets, but discount shops, characterized by the most significant growth. At the end of 2002 they reached 1,200 outlets, i.e. 150 more than a year before. Currently, shops of this type operate not only in large cities (as super and hypermarkets) but are also open in small towns. Many discount chains continue development of their activities. Biedronka, for instance, plans to have another 150 shops during the next three years, Plus Discount is planning to have 1000 outlets in Poland, Leader Price has already opened 108 shops, the German company Lidl&Schwarz started its activity in Poland in 2001 by opening the first Kaufland discount shops (presently fifteen operate in Poland), and in April 2002 by opening a chain of about 36 Lidl outlets.

Among shops owned by foreign capital, supermarkets are the least rapidly-developing segment. Compared to 2001 their number increased by only 5%.

Since 2000 the rate of growth of foreign retail chains has slowed down. This has been caused by the following factors:

- increasing level of market saturation,
- difficulties in finding an appropriate location (distant from competitors),
- buy-outs of existing companies instead of building new shops,
- legal restrictions

In 2002 two spectacular buy-outs took place. Ahold bought Jumbo hypermarkets from Jeronimo Martins, and Tesco acquired the HIT chain of shops. This transaction has made Tesco the largest retail chain in Poland (28 hyper and supermarkets with a total area of 250,000 sq.m).

In 2003 the Royal Markets Company acquired the Edeka chain.

It is predicted that in coming years the average selling space of hypermarkets will increase to 8,000 – 18,000 sq.m., and the area of the shopping centers, where supermarkets will be located, will reach 10,000 – 35,000 sq.m.

Foreign chains in Poland (hypermarkets, supermarkets, and discount shops) have in total 3,321 shops with an area of 2,756,453 sq.m.

For some time, Polish traders have made significant efforts to compete with foreign chains and build their market position. For instance, the Polomarket chain has already opened 99 supermarkets and increased their income by 21% compared to 2001. They are ranked 14th on the list of TOP 50; a Polish company, Royal Markets, has bought 100% of shares in the German Edeka chain, owning 44 discount shops, and intends to open another six in the near future; the Eko company owns 74 shops; the Groszek chain includes 214 outlets run on a franchise basis; the Lewiatan chain, operating nation-wide on a franchise basis, consists of about 1000 shops. There are also several chains operating on a local scale. Polish traders have also realized that joining forces would help them to compete with western “giants”. Therefore, in February 2000, eleven Polish organizations established the Union of Polish Retail Chains. Currently, this organization represents thirteen companies, operating either locally or regionally, or all over the country (Polka, Rabat Katowice, Nasze Sklepy, Berti, Rydz, 6 chains belonging to the Lewiatan Group, and Unia Detal).

Its potential equals the most important foreign chains operating in Poland, as it consists of more than 1,500 shops.

The total income in 2002 of the 50 largest companies (owning both wholesale and retail trade units) was \$ 13.1 billion, which is 12% more than in 2001. The German concern

Metro, comprising Makro Cash & Carry, Real, Praktiker, and Media Markt is an unquestioned leader (thanks to Macro Cash & Carry activity) with revenues totaling about \$ 2.6 billion.

Expected changes in the retail trade

It is expected that the next five years will show very dynamic changes in the retail trade, which will lead to deeper structural changes.

The following changes are expected in the retail trade:

- increased importance of large-area trade outlets in the structure and turnover of the retail trade;
- increased importance of companies owning chains of stores;
- decreased number of small retail outlets;
- integration process among small and medium companies;
- mergers and buy-outs among large chains of shops;
- further consolidation of retail companies will strengthen the best of these, and increase the gap between them and weaker traders;
- the considerable importance of traditional retail trade in small cities and rural areas

It is expected that the pace of development of supermarkets and discount shops will be higher than that of other shops. In five years time hypermarket, supermarket, and discount chains will become the leaders in the retail trade in food products. Given the limited investment possibilities for local companies, a rapid growth in market share by foreign companies seems to be inevitable.

According to the report prepared by Cushman & Wakefield Healey & Baker, during the coming two years the trade area in Europe will increase by 9,000,000 m², and Poland is estimated to be a leader, achieving an area increase of 1,685,000 m².

On the other hand, this development will be limited to a certain extent by new legal regulations which are either already in force or planned to be implemented. Amongst these are:

- restrictions concerning location of super and hypermarkets,
- new regulations related to trade agreements,
- new regulations concerning prices, promotion, and advertising,
- restrictions concerning margin levels.

Import conditions

According to Polish statistics in 2002, food articles bought from the United States, amounted to \$ 99.0 M, which is about 22% more than in 2001. The import share slightly increased from 2.5 to 2.8 percent of all agricultural products imported into Poland.

Table 7. Import of some food products in 2002

| Description | Total import of agri-food products to Poland (\$ thousand) | Import from the USA (\$ thousand) | Share of US import in total import (%) | Main Competitors |
|--|--|-----------------------------------|--|--|
| Total import | 3,531,000.0 | 99,000.0 | 2.8 | |
| Rice | 27,427.0 | 904.0 | 3.3 | Thailand, India, Pakistan, Vietnam |
| Red meat (fresh, chilled, and frozen) | 126.0 | 108.0 | 85.7 | - |
| Pork and poultry meat (fresh, chilled, and frozen) | 97,078.0 | 8,804.0 | 9.1 | Denmark, Holland, Belgium |
| Fresh fruit and nuts | 488,158.0 | 9,367.0 | 1.9 | Spain, Ecuador, Italy, Greece, Turkey |
| Fruit and vegetable juices | 57,926.0 | 1,092.0 | 1.9 | Brazil, Israel, Italy, Germany, Holland, Spain |
| Alcoholic beverages | 104,699.0 | 4,235.0 | 4.0 | France, Italy, Bulgaria, Germany, Hungary |

US exports are not growing to a significant extent due to the rapid development of local production resulting, among other factors, from huge foreign investments in food processing and the food production sector. Out of a cumulated value of about \$ 65 billion invested by foreign companies by the end of 2002, \$ 6 billion was invested in the food processing industry (for comparison, investments in the electrical machinery and equipment industry amounted to \$ 1.6 billion).

A list of companies that have invested in the agri-food industry is attached as Table I..

The significant interest in this sector results from the following:

- Poland is a big market, open to new goods,
- considerable opportunities for export to east European countries,
- workforce still cheaper than in western countries,
- opportunities to take over privatized companies with relatively low capital involvement,
- customs fees and additional payments for food are higher for imports from the USA than from the European Union,

- permanent pressure on the government by farmers to limit the import of food,

The latter two factors have crucial significance for American export opportunities.

During this period over \$ 6 billion was invested in retail and wholesale trade. This sector occupies the third position in terms of total foreign investment value.

It is worth highlighting that companies dealing with retail trade form a strong group among the top 20 foreign investors, and occupy leading positions. This refers to Casino, Carrefour, Tesco, and Metro.

Some examples of customs fees for food products are shown in Table II.

In addition, the necessity of obtaining different types of certificates is another factor making export activities difficult. The procedure for getting such certificates is very complicated, time-consuming, and expensive.

Advantages and Challenges facing US products in Poland

| Advantages | Challenges |
|--|---|
| Population of 38.6 million people; increasing number of those who can afford high-quality food products. | Rapid development of local production (supported by foreign, and in many cases American, investments) has significantly reduced demand for imported products. |
| The growing retail industry and the growing demand for more sophisticated and diversified products. | Importers, retailers, and consumers lack awareness of American brands, Polish consumers prefer to purchase products produced in Poland. |
| Well-experienced and increasingly reliable importers. | Imported products are more expensive because of many certificates, high tariffs, short period of payment. |
| Opportunity for different kinds of market promotion with retailer participation. | Third-country competition is significant, especially from west European countries. Poland joining the EU, which will result in the same restrictions as those in other countries belonging to the Union. |
| | Registration process is slow, expensive, and inefficient; Polish language labels are required. |
| | Alcohol tariffs and excise tax are very high, and license for distribution is necessary. |
| | There are quotas for meat and poultry, and some other products. |

| | |
|--|--|
| Growing popularity of international travel exposes Polish consumers to new products. | The farmers' position is very strong and they influence government policy concerning import regulations. |
|--|--|

II. ROAD MAP

A. *Hypermarkets, Supermarkets, Discount Shops*

Entry Strategy

Success in introducing new products in this segment of the market depends to a large extent on local representation and personal contacts. The local representative may or may not also be the importer and /or distributor, but due to the very tough conditions dictated by this type of outlet, this is a key person if the product is going to be sold there.

Here are some typical conditions that have to be fulfilled by a supplier when entering foreign retail chains:

- Entry fees (amounting to tens of thousands of Polish zlotys), which are not paid back if the agreement is canceled.
- 30-60 day period of payment.
- Considerable price discount - about 10 percent.
- Obligatory participation in promotional activities, which are held 3-5 times a year and last for 1-3 weeks. This requires another price decrease (of about 5 percent).
- Obligatory participation in covering the cost of advertising promoted products.
- Separate fees (\$ 250-3,500) for placing each type of product on the shelf.
- Fees for the "display area".
- No opportunity to influence the price level
- Very strict delivery terms

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 supermarkets carry out direct imports.
- 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.

Company Profiles of the most important retail chains in 2001

| Retailer Name and Outlet Type | Sales (\$Mil) | Ownership | No. of Outlets | Location | Purchasing Agent Type | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------|----------------------|------------------|-----------------------|----------------------------|--------------------------------|---------------------|-------|---------------|-----|----------------------------|--------------------------------|------------------------|-------|------------------------|-------|--------|---------------|----------------------------|--------------------------------|---------|---------------|--------------------------------|--------------------------------|------------------------|------------------------|-----------------------|-------|---------------|---------------|----------------------------|--------------------------------|---------------|--------------------------------|--------------------------------|--------------------------------|------------------------|----------------------|----------------|---------------|---------------|---------------|----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------|------------------------|----------------|---------------|---------------|---------------|----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------|----------------------|----------------|---------------|---------------|---------------|----------------------------|--------------------------------|--------|--------------------------------|--------------------------------|---------------|----------------------|----------------|-------|---------------|---------------|----------------------------|--------------------------------|-----|-----------------|--------------------------------|---------------------|-------|----------------------|-------|--------|---------------|----------------------------|--------------------------------|---------|-----|-----------------|--------------------------------|---------------|-----|----------------|-------|--------|
| 1. METRO | 2,600 | Germany | 20 | whole country | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Makro Cash and Carry, wholesaler | 1,740 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Real, hypermarket | 650 | | 25 | | | 2. JERONIMO MARTINS | 1,230 | Portugal | 638 | whole country | Direct, importers, wholesalers | Biedronka, discount | 885 | Jumbo, hypermarket* | 55.2 | 5 | Poznan | 3. CARREFOUR | 875 | France | 13 | Warsaw and other big towns | Direct, importers, wholesalers | Carrefour, hypermarket | 600 | Champion, supermarket | 275 | 55 | 4. AUCHANT | 871 | France | 15 | whole country | Direct, importers, wholesalers | Auchant, hypermarket | 772.5 | Elea, supermarket | 98.5 | 11 | 5. GEANT | 814.2 | France | 15 | whole country | Direct, importers, wholesalers | Geant, hypermarket | 625 | Leader Price, discount | 189 | 106 | 6. TESCO | 743 | Great Britain | 34 | whole country | Direct, importers, wholesalers | Tesco, hypermarket | 673 | Savia, supermarket | 70 | 32 | 7. AHOLD | 62 | Holland | 24 | Warsaw | Direct, importers, wholesalers | Hypernova, hypermarket | 312.5 | Albert supermarket | 312.5 | 160 | whole country | 8. REWE | 581 | Germany | 8 | Warsaw | Direct, importers, wholesalers | Selgros, wholesaler | 421.5 | Minimal, supermarket | 159.5 | 27 | whole country | 9. TENGELMANN | 532.5 | Germany | 137 | Southern Poland | Direct, importers, wholesalers | Plus Discount | 276 | 10. E. LECLERC | 343.5 | France |
| 2. JERONIMO MARTINS | 1,230 | Portugal | 638 | whole country | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Biedronka, discount | 885 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 3. CARREFOUR | 875 | France | 13 | Warsaw and other big towns | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Carrefour, hypermarket | 600 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Champion, supermarket | 275 | | 55 | | | 4. AUCHANT | 871 | France | 15 | whole country | Direct, importers, wholesalers | Auchant, hypermarket | 772.5 | Elea, supermarket | 98.5 | 11 | 5. GEANT | 814.2 | France | 15 | whole country | Direct, importers, wholesalers | Geant, hypermarket | 625 | Leader Price, discount | 189 | 106 | 6. TESCO | 743 | Great Britain | 34 | whole country | Direct, importers, wholesalers | Tesco, hypermarket | 673 | Savia, supermarket | 70 | 32 | 7. AHOLD | 62 | Holland | 24 | Warsaw | Direct, importers, wholesalers | Hypernova, hypermarket | 312.5 | Albert supermarket | 312.5 | 160 | whole country | 8. REWE | 581 | Germany | 8 | Warsaw | Direct, importers, wholesalers | Selgros, wholesaler | 421.5 | Minimal, supermarket | 159.5 | 27 | whole country | 9. TENGELMANN | 532.5 | Germany | 137 | Southern Poland | Direct, importers, wholesalers | Plus Discount | 276 | 10. E. LECLERC | 343.5 | France | 9 | Warsaw and other big towns | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | |
| 4. AUCHANT | 871 | France | 15 | whole country | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Auchant, hypermarket | 772.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 5. GEANT | 814.2 | France | 15 | whole country | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Geant, hypermarket | 625 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 6. TESCO | 743 | Great Britain | 34 | whole country | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Tesco, hypermarket | 673 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| 7. AHOLD | 62 | Holland | 24 | Warsaw | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Hypernova, hypermarket | 312.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Albert supermarket | 312.5 | | 160 | whole country | | 8. REWE | 581 | Germany | 8 | Warsaw | Direct, importers, wholesalers | Selgros, wholesaler | 421.5 | Minimal, supermarket | 159.5 | 27 | whole country | 9. TENGELMANN | 532.5 | Germany | 137 | Southern Poland | Direct, importers, wholesalers | Plus Discount | 276 | 10. E. LECLERC | 343.5 | France | 9 | Warsaw and other big towns | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. REWE | 581 | Germany | 8 | Warsaw | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Selgros, wholesaler | 421.5 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Minimal, supermarket | 159.5 | | 27 | whole country | | 9. TENGELMANN | 532.5 | Germany | 137 | Southern Poland | Direct, importers, wholesalers | Plus Discount | 276 | 10. E. LECLERC | 343.5 | France | 9 | Warsaw and other big towns | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9. TENGELMANN | 532.5 | Germany | 137 | Southern Poland | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Plus Discount | 276 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10. E. LECLERC | 343.5 | France | 9 | Warsaw and other big towns | Direct, importers, wholesalers | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

* Jumbo was taken over by Ahold at the end of 2002. These figures include data gathered by the date of sale.

Source: Handel 12/03

It is important to note that “cash and carry” outlets are becoming more and more popular. Some of these operate solely as wholesale units and only serve retailers, and some also sell to individuals, but under the condition that a certain quantity of goods is purchased.

Table 8 Ten leading food chains in 2002

| Name of chain | Income from sales (\$ Mil) | Share in the income of TOP 50 (%) |
|---------------|----------------------------|-----------------------------------|
| Biedronka | 885 | 6.7 |
| Auchant | 772.5 | 5.9 |
| Tesco | 673 | 5.1 |
| Real | 650 | 5.0 |
| Geant | 625 | 4.7 |
| Carrefour | 600 | 4.6 |
| Leclerc | 343.5 | 2.6 |
| Hypernova | 312.5 | 2.4 |
| Albert | 312.5 | 2.4 |
| Plus Discount | 276 | 2.1 |

Table 9. Top chains in Central Europe (Poland compared to other Central European countries)

| Company (country of origin) | Revenue in 2002 Eur million | Share in total turnover | | | |
|--|-----------------------------|-------------------------|----------------|----------|---------|
| | | Poland | Czech Republic | Slovakia | Hungary |
| Metro (Germany) | 5,171.8 | 52.9 | 20.3 | 5.1 | 21.7 |
| Tesco (Great Britain) | 2,926.9 | 26.5 | 20.7 | 13.5 | 39.3 |
| Rewe (Germany) | 2,105.2 | 28.8 | 32.8 | 9.1 | 29.3 |
| Tengelmann (Germany) | 1,771.5 | 31.3 | 29.6 | - | 39.1 |
| Ahold (Holland) | 1,751.6 | 37.2 | 56.6 | 6.2 | - |
| Carrefour (France) | 1,428.2 | 63.9 | 25.2 | 10.9- | - |
| Auchan (France) | 1,370.3 | 66.3 | - | - | 33.7 |
| Jeronimo Martins Distribution (Portugal) | 1,284.0 | 100.0 | - | - | - |
| Schwarz Group | 1,087.6 | 15.6 | 68.9 | 15.5 | - |
| Geant (France) | 848.7 | 100.0 | - | - | - |

Source: Handel 13/03

Almost all large chains sell goods under their own brands. These products are usually cheaper. This practice began two years ago.

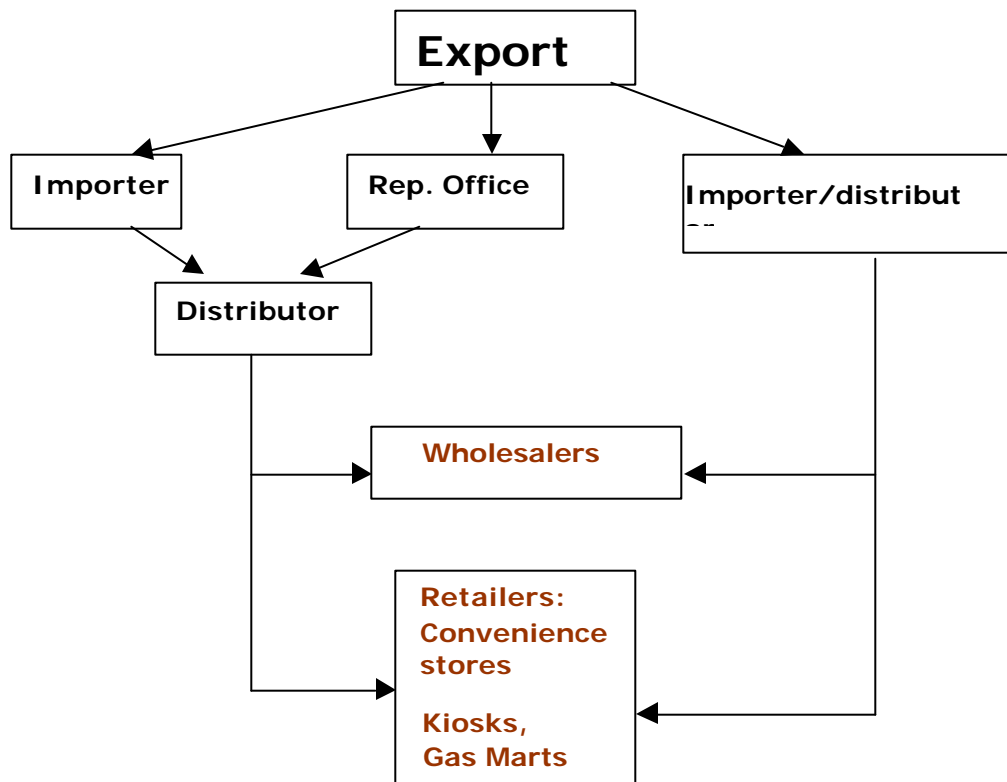
B. Convenience Stores, Gas Marts, Kiosks

Entry strategy

All these types of stores operate in a similar way. There are two ways of placing new products on their shelves, depending on the type of product. Either an exporter should use a representative for direct personal contact with the shops, or shop managers supply themselves from the wholesalers who may import the products as well.

In this case goods should be available in several regional wholesale units, where smaller wholesalers and retailers collect them. They should also be delivered to the cash and carry outlets.

Market structure



Company Profile

There are no chains of shops of this type, each retail outlet has a different owner; these are usually small units employing up to 5 people. According to Polish statistical law provisions, business entities employing less than 5 people are not obliged to deliver any statistical information, and so there are no data available in this respect.

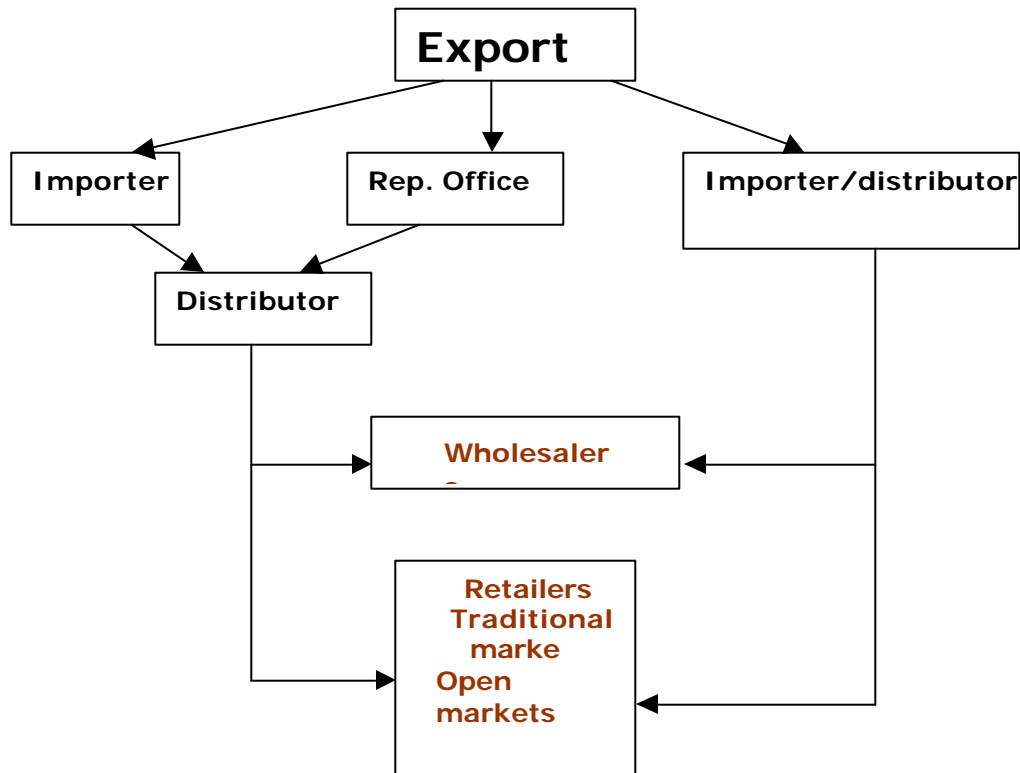
The biggest share (about 70 percent) in gas station marts is held by the Polish company Orlen. The remaining part of the market belongs to the Polish Refineries Plock and Gdansk, and foreign Companies (e.g. Agip, Shell, Nestle, Aral, Elf, etc).

C. Traditional markets – “Mom and Pop” small independent grocery stores and farmer’s markets

Entry strategy

This group of traders usually buys supplies from wholesale units located close to the shop site. Therefore it is important for the entity dealing with the import of goods to have a sufficient distribution system, and access to different wholesalers (including cash and carry) all over the country.

Market structure



Company Profiles

There are about 121,000 outlets that may be regarded as traditional markets.

Small retail outlets - the majority of the stores have different owners and there are no chains or franchises. Many of the firms are family-run businesses. These stores are usually modest in size with an average area of 15-25 sq.m.

Farmer’s Markets - such markets greatly vary in size and facilities which offered to traders and customers. In most cases they consist of open air and/or kiosk facilities located in an area of 200- 400 sq.m.

III. COMPETITION

Local production and exporters from countries belonging to the European Union, mainly Germany, France, Italy, Great Britain, Spain, Finland and the Netherlands (50 percent of total Polish food imports) are the main competitors for American exporters. Even such “American” products as chewing gum, Coca-Cola, or Pepsi-Cola are produced in Poland. It should also be taken into consideration that Polish consumers show a very strong tendency

to prefer Polish products to imported goods. This obviously influences the shops to purchase products made in Poland. Many chains use the fact that they offer Polish goods as an advertising slogan, in order to create a better image for consumers. A year ago even Tesco started a “Buy Polish products” campaign, and is considering a stronger promotion of Polish goods in the UK.

Table 10. Main competitors in terms of import from the USA

| Product category | Major import supply sources | Strength of Key Supply Countries | Advantages and Disadvantages of local suppliers |
|---|--|--|--|
| Meat and edible meat offal, chilled or frozen Net imports: \$ 9,889,000 Beef/poultry tripe Net imports: \$ 68,530,000 | 1. Denmark – 34.5% 2. Holland – 16.8% 3. Belgium – 9.3% 4. USA – 9.1% 1. China – 60% 2. Germany – 9.8% 3. USA – 9.5% 4. Argentina – 4.2% | These three European countries have been considered for a long time as producers of high-quality meat, are price competitive, and geographically close. Price competition | Although local producers are very strong in meat production. some quantities are imported because of lower prices in western countries resulting from subsidized agricultural production. Not sufficient local production |
| Fish fresh, chilled or frozen, and fish fillets Net imports: \$ 281,655,764 Atlantic Salmon Net imports: \$ 823,095 Pacific salmon Net imports: \$ 29.0 M | 1. Norway – 40.2% 2. Russia – 15.4% 3. China – 9% 4. Netherlands – 5.2% 1. Norway – 60.3% 2. Chile – 13.3% 3. USA – 11% 1. Norway – 99.4% | The most important fish suppliers have been exporting to Poland for many years and are well-recognized by Polish consumers. They are also price competitive | Polish fishery is limited in terms of a fishing area and fish varieties. Besides, some fishing companies suffer from insolvency problems. Imported fish is much more expensive. |
| Crustaceans Net imports: \$ 10,545,000 | 1. Germany – 70.6% 2. Netherlands – 8.4% 3. Greenland – 6.8% | Price competition | There are no Polish suppliers |
| Molluscs Net imports: \$ 1,819,078 | 1. Thailand – 15.7% 2. India – 13.0% 3. Spain – 11.5% | Price competition | There are no Polish suppliers |
| Rice Net imports: \$ 27,427,000 | 1. Thailand – 29.4% 2. India – 26.7% 3. Pakistan – 19.9% | Price competition | Poland does not produce rice |

| | | | |
|---|---|---|--|
| | 6. USA – 3.3% | | |
| Maize Net imports: \$ 33,804 ,000 | 1. Hungary – 55.8% 2. France – 22.0% 3. Slovakia – 12.1 % 4. Czech Rep. – 2.9% 5. USA – 2.0 | Price competition and market proximity | Poland imports maize in years when there is a significant requirement for feed grain imports. |
| Grapefruit, fresh or dried Net imports: \$ 18,151,000 | 1. Turkey – 33.1% 2. USA – 17.4% 3. Israel – 16.9% 4. Spain – 15.1% | Price competition | Poland does not produce grapefruit |
| Alcoholic beverages Net imports: \$ 104,699,000 <i>including</i> wine Net imports: \$58,188,000 | 1. France – 16.6% 2. Italy – 16.0 3. Bulgaria – 11.4 8. USA – 4.0 | France and Italy are considered in Poland as producers of highest quality wines. Some original varieties, like cognac or champagne are available only from France. Bulgaria has supplied wine for over forty years and its wines are still regarded as very good, and much cheaper than those from western countries. | Polish companies are very strong in vodka and beer production. Imports of these products are mainly regarded as market supplementing. Wines are produced in Poland from imported stum by two large companies; their market position is quite strong in the medium-price segment.. |
| Dried fruits and nuts <i>Including</i> cranberry Net imports: \$ 585,000 | 1. Thailand – 24.1% 2. China – 20.8% 3. Germany – 13.7% | Price competition | Polish suppliers have a strong position in the market and their goods are cheaper than imports. |
| dried grapes, including raisins Net imports: \$ 11,182,000 | 1. Iran – 41.9% 2. Greece – 27.7% 3. Turkey – 16% 4. USA – 9.5% | Price competition | Polish supply of raisins is o an insignificant importance. |
| dried prunes Net imports: \$ 4,253,000 | 1. USA – 41.0% 2. Chile – 34.0% 3. Argentina – 20.0% | Price competition | Polish suppliers have a strong position in the market and their goods are cheaper than import. |
| almonds Net imports: \$ 6,459,000 | 1. USA – 49.3% 2. Spain – 48.7% | Price competition | There are no Polish suppliers of almonds |
| peanuts | 1. China – 59.4% | Price competition | There are no Polish suppliers of peanuts |

| | | | |
|--|---|-------------------|---|
| Net imports: \$20,114,000 | 2. Argentina – 17.5% 3. USA – 14.8% | | |
| pistachios Net imports: \$ 3,235,000 | 1. Iran – 93.1% 2. Turkey – 3.0% | Price competition | There are no Polish suppliers of pistachios |

IV. INTEGRATION WITH THE EUROPEAN UNION

The Polish retail market has been open to foreign investors for over ten years and all major European market players have been present in Poland for quite some time. This is why the integration process will not affect this sector of the economy in a negative way. On the contrary, some producers who will be accepted by foreign chains may profit from access to the international market.

Polish authorities are obliged to adjust Polish law to the requirements of EU regulations and to respect decisions made by the European Justice Tribunal.

The amendment of Polish law mainly refers to the protection of confidential information (company secrets), elimination of sales at glaringly low prices, banning of bonus sales, and promotional lotteries.

According to research carried out by Eurostat, retail prices of food and tobacco products in Poland are lower by ca 30% than those in the European Union, and much higher than in other candidate countries

Table 11. Price level of food, beverages, and tobacco products, Poland = 100

| Country | Price level |
|---------------------------|-------------|
| <i>Average for the EU</i> | 161 |
| Denmark | 205 |
| Ireland | 194 |
| Great Britain | 191 |
| France | 164 |
| Austria | 156 |
| Germany | 152 |
| Portugal | 130 |
| Hungary | 89 |
| The Czech Republic | 84 |
| Slovakia | 80 |

Some experts predict that the fact that prices in Poland are significantly lower than in western countries may result in their increase after accession. In such a case a demand for many consumer goods may be considerably lower.

V. BEST PRODUCTS PROSPECTS

A. Products Present in the Market Which have Good Sales Potential.

As mentioned before, the following markets have developed and will continue to grow:

- dried fruits and nuts (prunes, raisins, cranberries, almonds, peanuts, pistachios)
- food for the HRI food service sector, (seafood: salmon)
- various non-alcoholic beverages, wine and beer,
- “healthy food” produced from natural agricultural products with a low level of pesticides, mineral fertilizers, and other chemicals applied for their cultivation,
- processed meat, fish, fruits and spices (ethnic).
- food consisting of many ingredients, highly processed, convenient, and easy to cook, i.e. ready-to-cook products,

All these products are known to Polish consumers. The demand for them changes in line with different phases of development. These products will be in most cases produced in Poland, but imported ingredients will often be used. Such development of this sector will result in further growth of demand for the import of basic elements necessary for food production (hard wheat, processed soya, sunflower, palm oil, and juice concentrates) as well as for various additives.

Table 12. Products present in the market, which have good sales potential.

| Product category | 2002 Market size | 2002 Imports | 2-Yr. Avg. Annual Import Growth | Import Tariff Rate | Key Constraints Over Market Development | Market Attractiveness for USA |
|---|---------------------------|--------------|---------------------------------|--------------------|--|--|
| fish (fresh, chilled, frozen dried, salted, smoked, and others) | 246,000tons/ \$ 379 M | \$ 282 M | 12% | 10-20% | Price competition from local producers and European countries. | Growing market. |
| Salmon | 11,450 tons/ \$ 29.9 M | \$ 29.9 M | 26% | 5-10% | | |
| Crustaceans | 4,300 tons/\$11.1M | \$10.5 M | 0% | 30% | Price competition from European countries. | Not significant, but continuously growing market. |
| Molluscs | 450tons/ \$1.8M | \$ 1.8M | 14.5% | 10 or 30% | Price competition from other exporting countries. | Not significant, but continuously growing market |
| Beef/poultry tripe | 55,000 tons/\$ 88M | \$ 68.5M | 2002/2001 11% | 29% | None | Insufficient local production, competitive prices. |

| | | | | | | |
|---------------------------------|------------------------|--------------|------|-------------------------------------|--|---|
| Snack Foods | 54,000 tons/\$ 250 M | n.a | n.a | 25-40% | Strong competition from foreign companies operating in Poland. | Growing market. |
| Wine | 65M L/\$ 240 M | \$58,188,000 | 8.5% | 25-75% depending on alcohol content | Strong position of French, Italian and other suppliers. | Good reputation of Californian wines, growing market. |
| Coffee | 500 000 tons/\$ 360 M | \$ 164 M | - | 10-20% | Well-established positions of present suppliers | Growing demand for more varieties of high-quality coffee. |
| Chocolate, sweets | 146,000 tons/\$ 1.3 bn | \$ 47 M | 20% | 30-35% | Large number of western companies who have bought out Polish producers. Price competition from local producers and European countries. | Growing market. |
| Grapefruit | 38,000 tons/\$ 18.2 M | \$18.2 M | 19% | 15% | None | Strong position of American suppliers, growing market |
| Dried cranberries | n.a. | \$585,500 | 10% | 25% | Large number of local and foreign suppliers offering much lower prices | Product new to the market. |
| Dried grapes, including raisins | 14,800 tons/\$ 11.6 M | \$11.2 M | -6% | 9% | Price competition from other suppliers | Given still developing market for cakes and sweets, opportunities for further development of this segment |
| Dried prunes | \$6 M | \$4.2 M | 14% | 25% | Price competition from local and other foreign suppliers | High quality and strong position of Californian prunes, opportunity for further growth |
| Pistachios | 1,000 tons/\$3.2 M | \$ 3.2 M | 35% | 16% | Increasing importance of other suppliers, relatively high prices compared to other nuts | Growing market |
| Peanuts | 31,000 ton/\$20.1 M | \$ 20.1 M | 3.5% | 15% | Higher prices offered by competitors | Growing market |
| Almonds | 2,000 tons/\$ 6.5M | \$ 6.5 M | 28% | 16% | none | Growing market |

B. Products Not Present in Significant quantities but which have Good Sales Potential

This group mainly includes:

- ready-to-cook dishes and snacks (excluding chips)
- “luxury” food and drinks, produced from exotic raw materials for people with the highest incomes, who consider consumption of such products as proof of their high social position,
- food ingredients for special use, e.g. vegetable fat for different branches of secondary processing, sweeteners replacing sugar, protein or vitamin preparations necessary for the production of diet foods.

The market for these products is very shallow, but changes in eating habits and development of higher income classes create opportunities for rapid increase of demand.

C. Products Not Present Because They Face Significant Barriers

This group mainly consists of additives, which are not allowed in Poland, The list of such products, dyes and preservatives in particular, is very long, as Polish legislation in this respect is much stricter than in other countries. Information on such products is available from Panstwowy Zaklad Higieny (State Hygienic Office) and from the Ministry of Health (for details please see Posts’ report no PL3022 at the following internet address www.fas.usda.gov). Integration with the European Union will allow some of those additives to be admitted for use in food production.

This group also includes constituents made from products and spices growing in other climatic zones (mainly vegetables, fruits, sea food).

V. POST CONTACT INFORMATION

If you have any questions or comments regarding this report or need assistance exporting to Poland, please contact the Office of Agricultural Affairs in Warsaw at the following address:

Office of Agricultural Affairs

American Embassy

Al. Ujazdowskie 29/31

00-540 Warsaw

Poland

ph: 4822-504 23 36

fax: 4822-504 23 20

e-mail: agwarsaw@usda.gov

homepage: <http://www.usinfo.pl/agri/>

Please contact Foreign Agricultural Service home page (www.fas.usda.gov) for more information on exporting U.S. food products to Poland, including “The Exporter Guide”, “The

HRI Food Service Sector Report”, “The Retail Food Sector Report”, products briefs on the market potential for U.S. fruit, snack foods, ready-to-eat and health products and a complete listing of upcoming activities designed to promote your product in Poland. Importer lists are available from our office to exporters of U.S. food products.

For more information on exporting U.S. agricultural products to other countries please visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov>.

Table I Largest foreign investment projects in food-processing industry (\$ million. December 2002)

| Investor | Branch | Capital Invested | Origin |
|---------------------|---------------------------------------|------------------|------------------|
| Coca Cola | Beverages | 500.0 | USA (UK, Greece) |
| Nestle | Sugar confectionery | 347.6 | Switzerland |
| Harbin B.V | Brewery | 325.9 | Netherlands |
| Heineken | Brewery | 220.8 | Netherland |
| Pepsico | Beverages, salted snacks | 293.0 | USA |
| Mars Inc. | Sugar confectionery, pet food | 160.0 | USA |
| BSN Gervais Danone | Milk products, sugar confectionery | 135.5 | France |
| Cadbury's Schweppes | Sugar confectionery | 126.5 | UK |
| British Sugar | Sugar production | 90.0 | UK |
| Ferrero Holding | Sugar confectionery | 80.0 | Italy |
| Wm Wrigleys Jr. Co. | Chewing gum | 78.7 | USA |
| Brau Union | Brewery | 76.5 | Austria |
| Pernod Ricard | Vodka production | 73.2 | France |
| Unilever | Fish processing, ice cream, margarine | 70.0 | International |
| Carlsberg | Brewery | 69.7 | Denmark |
| Cargill | Animal feeds, glucose production | 60.0 | USA |
| McCain Foods | French fries factory | 54.0 | Canada |
| EBSMontendinson | Oils and fats | 53.8 | Italy |
| Palm | Brewery | 50.4 | Belgium |
| Provimi Holding BV | Fodder production | 48.0 | Netherlands |

Source. - Polish Agency-for Foreign investment (PAIZ)

Total foreign investment in Poland in 1990-2002 amounted to \$ 68 billion and another \$ 8 billion is predicted for the near future.

Poland has attracted the highest number of investors in this sector in Europe. In 2002 there were 15 western retail food companies operating in Poland, whilst in Spain there were 14 foreign firms, 13 in France, and 12 in the Czech Republic.

Table II Some examples of customs tariffs*

| Description of goods | Tariffs for US Imports | Tariffs for UE Imports | Tariffs for CEFTA Imports | Excise tax |
|---|------------------------|------------------------|---------------------------|----------------------------|
| Processed meats | 40% | 40% | 15% | |
| Frozen pork meat | 76% | 76% | 25% | |
| Frozen beef meat | 19% | 19% | 25% | |
| Frozen fish* | 10- 15% | 10- 15% | 0% | |
| Shellfish | 30% | 10% | 0% | |
| Milk | 40% | 40% | 0% | |
| Yogurt | 35% | 25% | 20- 25% | |
| Cheese | 35% | 35% | 5. % | |
| Olives, maize | 9- 15% | 0- 4% | 0% | |
| Frozen and dried vegetables | 10- 25% | 10- 25% | 0% | |
| Nuts | 10- 25% | 0% | 0% | |
| Bananas | 20% | 0% | 0% | |
| Dates, pineapples, avocado, mango, fresh or dried | 9% | 0% | 0% | |
| Oranges, lemons, mandarins, fresh or dried | 10- 20% | 0% | 0% | |
| Tea, coffee | 10- 15% | 0% | 0% | |
| Herbs and spices | 5- 19% | 0% | 0% | |
| Rice | 10% | 0% | 0% | |
| Sweets, chewing gum | 30- 35% | 4- 25 | 12% | Depends on sugar content |
| Soups | 25% | 25% | 4% | |
| Champaign, wines** | 25- 75% | 25- 75% | 25- 75% | Depends on alcohol content |
| Brandy, cognac, gin, liqueurs | 268% | 75% | 75% | Depends on spirit content |
| Beer | 20- 30% | 6.0% | 6.0% | Depends on alcohol content |
| Mineral water | 20% | 20% | 0% | |

| | | | | |
|-----------|-----|--------|--------|--|
| Chocolate | 30% | 15-30% | 10-12% | |
|-----------|-----|--------|--------|--|

* Please note that the import duties included in this table will be applicable only until May 2004, when Poland will join the EU and EU external tariffs will become effective. In order to check the EU duties applied to product of interest after May 2004 please refer to the following EU internet site:

http://europa.eu.int/comm/taxation_customs

** The import duty for wine has been reduced to 20% as regards wine with alcohol content up to 13%, and for fish to 0% till the end of 2003.