

Food and beverage market in Poland

Flanders Investment & Trade - Poznan | March 2012



Flanders Investment & Trade
Vlaams Agentschap voor Internationaal Ondernemen

FOOD & BEVERAGE MARKET IN POLAND

MARCH 2012

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1. INTRODUCTION: A MACRO-ECONOMIC SURVEY

BASIC INFORMATION ABOUT POLAND

AREA	312,679 km ²
POPULATION	38.3 million
CAPITAL	Warsaw (1.7 million); Warsaw agglomeration (2.5 million)
ADMINISTRATIVE DIVISIONS	16 Voivodships, 314 Poviats, 2478 Municipalities
LEGISLATIVE BRANCH	Sejm (460 representatives), Senat (100 representatives)
EXECUTIVE BRANCH	President (5 year term); Council of Ministers (4 year term)
JUDICIAL BRANCH	Supreme Court, common courts, administrative courts, military courts
TIME ZONE	GMT +1
CURRENCY	1 Zloty (PLN) = 100 groszy

Source: www.paiz.gov.pl

GDP-GROWTH IN RECENT YEARS

In the recent years Poland, unlike other EU countries, has not experienced the recession. In 2009 while all other EU countries registered a decline in GDP in comparison to the previous year, Polish GDP increased by 1.8%. In 2010 GDP growth amounted to 3.9% and was one of the highest in the EU. Also in 2011 Poland was in the lead concerning the development dynamics - GDP growth reached 4.3%. According to the projection of the National Bank of Poland (NBP) in 2013 GDP growth will decrease to 2.3%.

INFLATION AND CONSUMER PRICE INDEX ("CPI")

In November 2011 the inflation rate amounted to 4.8% annually. In comparison to the previous month, prices grew by 0.7%. The inflation rate exceeded the inflation target determined by the Monetary Policy Council which amounts to 2.5%. NBP projections with regards to inflation are the following: 2012 – 4.1%, 2013 – 2.9% and 2014 – 2.0%.

UNEMPLOYMENT AND LABOUR MARKET

In November 2011 the registered unemployment rate in Poland amounted to 12.1% and was lower by 0.3 percentage points than at the end of the previous year. In February 2012 the unemployment rate increased to 13.4%. In general there were 2.2 million people remaining without a job. In 2013 NBP anticipates a decrease of an unemployment rate to 9.5%. The highest number of unemployed was in the warmińsko-mazurskie (19.4%) and zachodniopomorskie (17.0%) voivodeships. The lowest rate was registered in śląskie (9.9%) and mazowieckie (9.6%) voivodeships.

The average monthly remuneration in the private sector in January 2012 amounted to PLN 3,666.31 (around EUR 877).

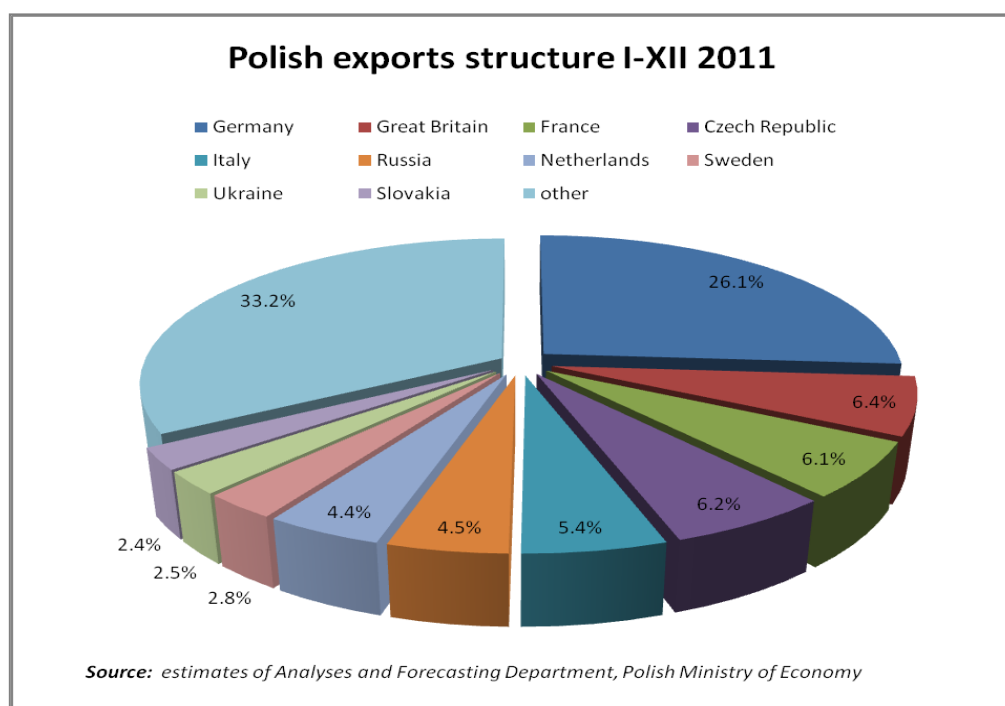
BUDGET DEFICIT, GROSS DEBT AND FOREIGN TRADE

According to preliminary information on the balance of payments published by the NBP, exports increased by 7.3% in November 2011 compared to the corresponding month of 2010. Imports grew at a slower rate and increased by 2.3%. However, the trade balance continued to be negative and amounted to EUR 749 million.

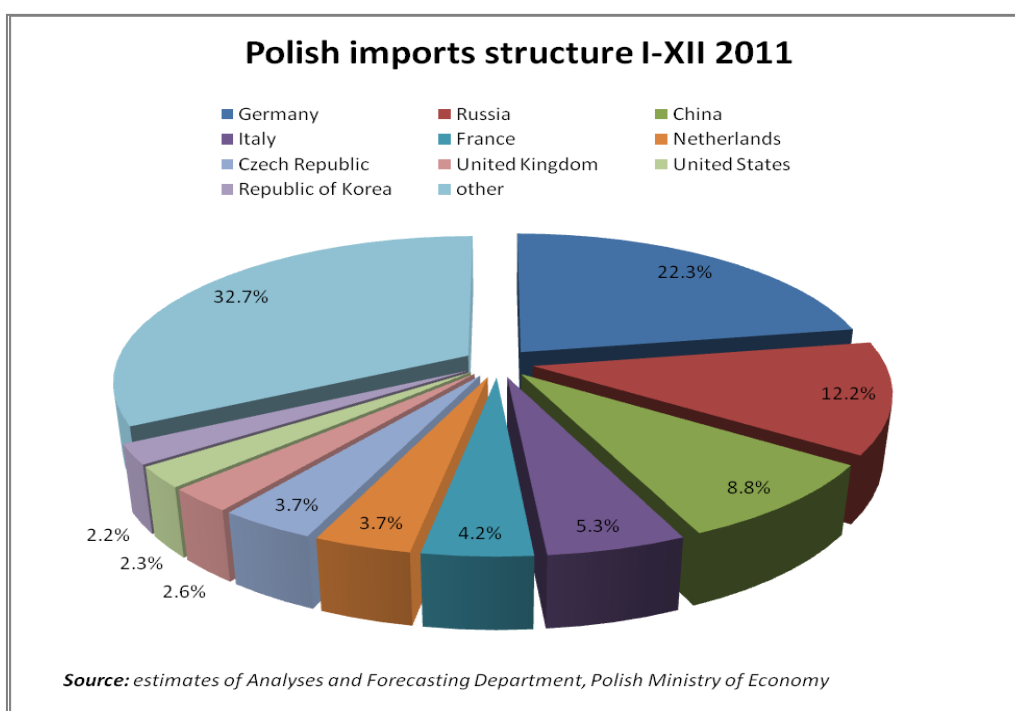
The balance on the income account was also negative, amounting to EUR 952 million, with a major negative contribution of investment income. In November 2011, the owners of direct investments in Poland posted income of EUR 772 million, of which EUR 461 million were reinvested earnings, EUR 132 million – dividends, and EUR 179 million – interest on debt financial instruments. As a result, the November deficit on the current account amounted to EUR 1,034 million and was lower than in October 2011.

Traditionally, a positive balance was recorded in the EU transfers. Poland paid EUR 256 million to the EU budget and received a total of EUR 455 million.

In the years 2000-2010 Poland's exports value increased nearly 3.5 times. Particularly high growth was registered in the first years after the EU accession. It exceeded then 20% per year. In 2009 Poland experienced a decline in foreign trade, due to the financial crisis. However, in the following year exports value once again increased by 20% year to year.



The fluctuations of Polish imports are similar to these of the exports. Over the last 10 years its value also increased considerably. In 2010 it exceeded 250% of its value in 2000. In 2009 the crisis caused a decline in the imports value by more than 24% but in the next year an increase amounted to 24.8%, which is the highest value that has been reached in the recent years.



MAIN FEATURES – POLAND

Variable	2006	2007	2008	2009	2010	2011
GDP (billion PLN)	1 060	1 177	1 275	1 344	1 415	1 522 ^{a)}
GDP growth (%)	6.2	6.8	5.1	1.8	3.9	4.3
FDI inflow (million EUR)	15,741	17,242	10,085	9,863	6,686	9,000 ^{b)}
Unemployment rate (%)	14.8	11.2	9.5	12.1	12.4	12.1
Exports (million EUR)	87,926	101,839	116,244	98,218	120,373	112,700 ^{b)}
Imports (million EUR)	100,784	120,390	142,448	107,529	134,188	124,300 ^{b)}
External trade turnover (million EUR)	188,710	222,228	258,692	205,747	254,562	237,000 ^{b)}
External trade balance (million EUR)	-12,858	-18,551	-26,204	-9,310	-13,815	-11,600 ^{b)}
Inflation rate (CPI, preceding year=100)	101.0	102.5	104.2	103.5	102.6	104.8

Source: www.paiz.gov.pl

(a) data for 1Q-3Q 2011

(b) data for Jan-Oct 2011

POLISH AND BELGIAN TRADE TURNOVER

The trade between Poland and Belgium in 2011 amounted to over EUR 8 bn and its balance of EUR 2.2 bn was negative for Poland. The exports grew by 12.3% and the imports by 11.37%. Despite

slackening trade with Belgium, the country has been an important partner for Poland for many years. The trade between Poland and Belgium is characterized by a strong concentration on Flanders. This region accounts for app. 85% of total trade between Poland and Belgium.

Trade between Poland and Belgium 2009 - 2011

Thousand EUR	2009	2010	2011	Dynamics 2009=100%	Dynamics 2010=100%
Turnover	6,109,759	7,204,984	8,048,617	17.92	11.70
Exports	2,279,028	2,600,957	2,920,967	14.30	12.30
Imports	3,830,731	4,604,027	5,127,650	20.19	11.37
Balance	-1,551,703	2,003,070	-2,206,683	-	-

Source: Institute of National Accounts (NBB)

The main products exported to Belgium in 2011 are:

- Mechanical vehicles – 24.86%,
- Machines and equipment, electrical equipment – 17.14%,
- Plastics and other industrial goods – 11.42%,
- Metallurgical goods – 10.22%.

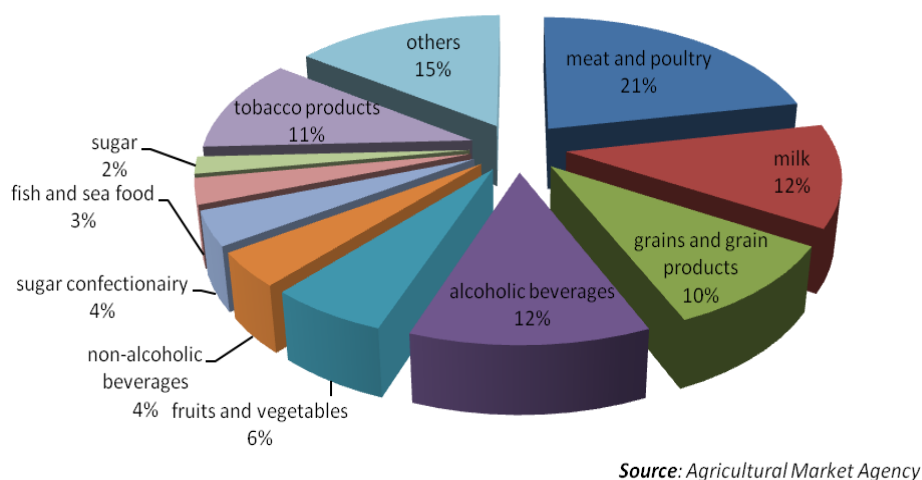
The main products imported from Belgium in 2011 are:

- Chemical industry goods – 17.92%,
- Plastics – 16.17%,
- Metallurgical goods – 15.40%,
- Mechanical vehicles – 12.49%.

2. FOOD AND BEVERAGE MARKET ANALYSIS

The Food industry is one of the strongest Polish economy sectors. The data of the Main Statistical Office (GUS) show that in 2011 it provided 413 thousand jobs, which is over 16% of all people employed in the enterprise sector. The sold production of the food and tobacco industry in 2010 was PLN 171 bn/EUR 43 bn, which is 22% of the total sold production of the Polish industry. The Polish food industry is mostly based on local materials and processes the products of Polish agriculture.

Sold production structure of Polish food sector in 2010

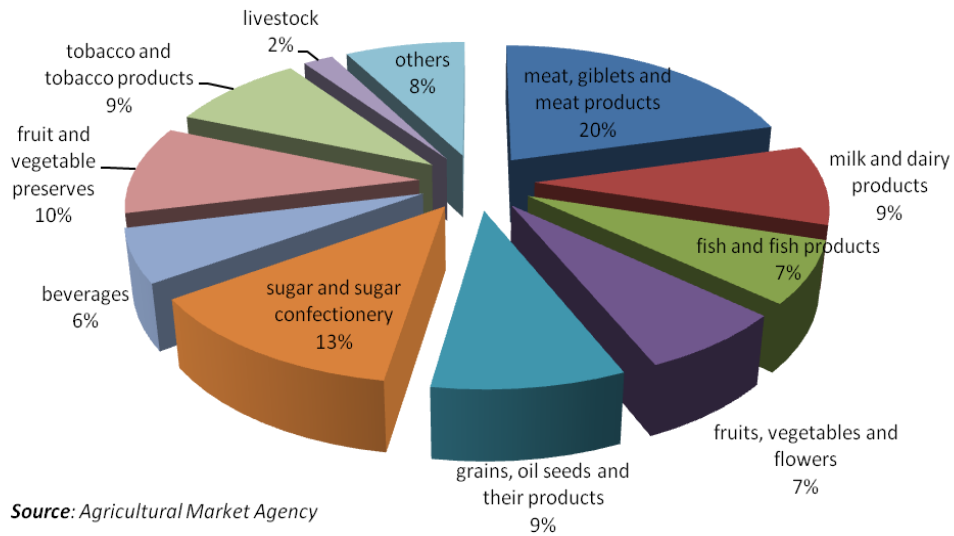


The Polish food industry and agriculture were not much affected by the financial crisis and forecasts for these sectors for upcoming months are optimistic in general. The period 2010-2011 was relatively good for cereals, dairy and poultry sectors. A bad economic situation persists in pig production and pork processing. Assuming normal economic conditions, in 2014 the value of the Polish food market may exceed PLN 270 bn/EUR 68 bn, which means an increase of over 10% within 3 years. The sectors where consumption is likely to rise include mineral waters, pasta and confectionery. The market of luxury food will also expand. The sectors of cold meat, juices, vodkas and coffee will remain unchanged.

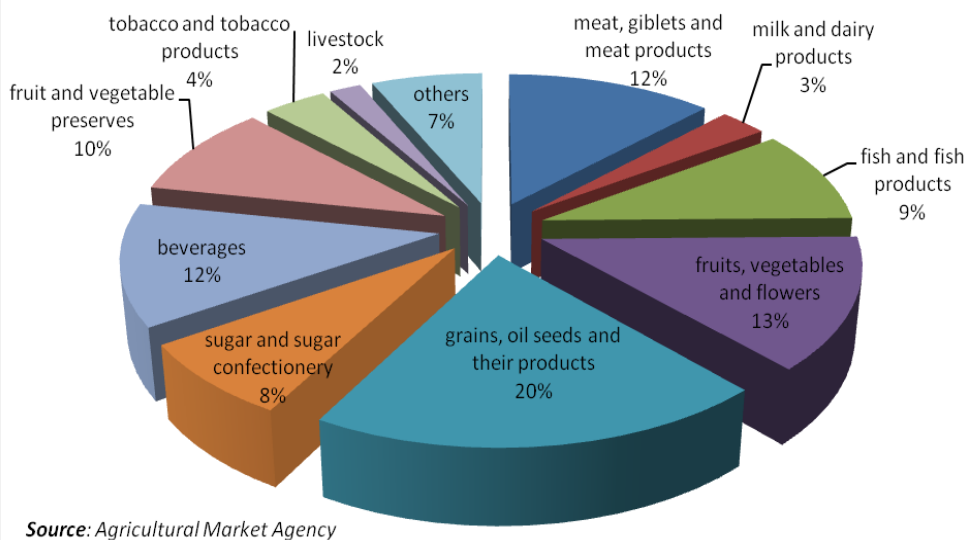
Forecasts show that small and medium food and beverage producers will struggle to stay in the market. It results from the instable situation and growing prices of materials. As the weakest players will disappear, the food sector, which is still very fragmented, will **consolidate** and increase its efficiency. These changes can be seen especially in the two biggest sectors: dairy and meat. Experts say that the process is still too slow.

In the first half of 2011, as compared with the same period of 2010, exports in the agriculture and food sector increased by 13.0% to EUR 7.1 bn and imports rose by 16.3% to EUR 5.9 bn. The surplus was EUR 1.1 bn against EUR 1.2 bn in the prior year. It is expected that the export of agricultural and food products in the first half of 2012 will amount to app. EUR 7.2 bn and will be over 1% higher than in the first half of 2011. Imports will go up by almost 0.4% to EUR 5.9 bn. A positive trade balance can amount to app. EUR 1.2 bn (EUR 1.1 bn in the same period of 2011).

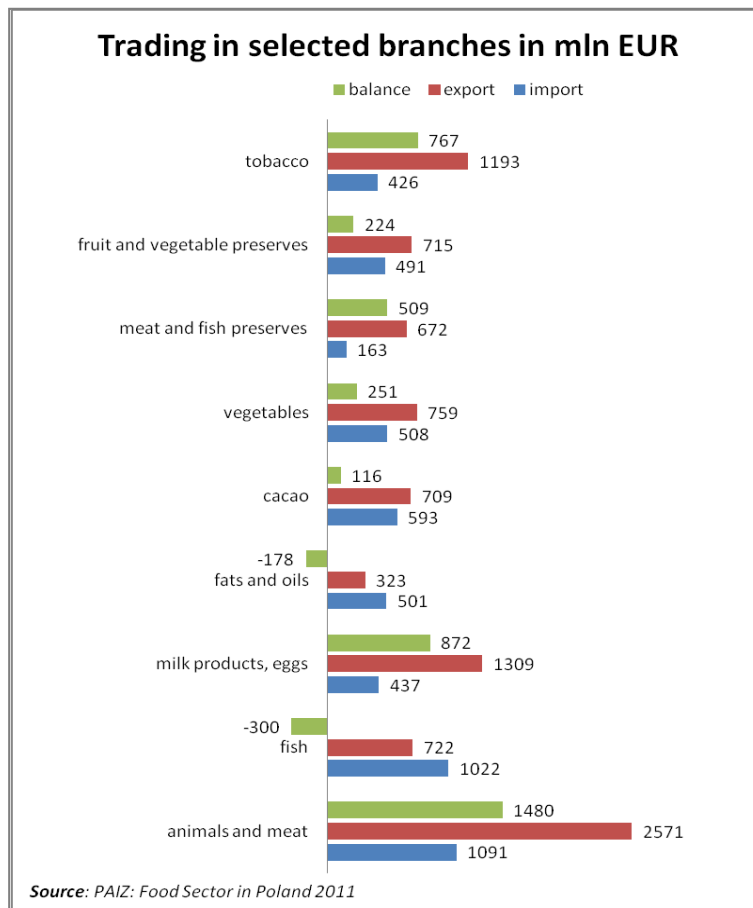
Structure of Polish agri-food exports in terms of goods in 2010 (value)



Structure of Polish agri-food imports in terms of goods in 2010 (value)



The largest share in the international trade was represented by the following categories: animals and animal meat, milk products and eggs, tobacco and fodder. A significant export surplus over import may be observed in the case of animals and meat, milk products and eggs, and tobacco. Poland's import exceeds export in the categories of fodder, fish, fats and oils.



The geographical structure of Polish foreign trade of agricultural and food products started to change in the second half of 2010 and this trend was continued in 2011. The process of diversifying the supply and sales markets became more intensive. National exporters were looking for new sales possibilities and importers for new supply markets. In exports the importance of CIS and developing countries grew at the cost of the EU and other developed countries, while in imports the role of the EU, CIS and developing countries gained in importance and the role of EFTA and other developed countries weakened. Like in previous years, Poland's main trading partners are the EU 27 (countries).

From Belgium Poland imports: meat, butter and other milk fats (fresh, chilled or frozen), rice, seeds, animal or vegetable fats and oils, margarines and other oils, other sugars (like lactose, glucose, syrups, artificial honey and caramel), chocolates and food products containing cocoa, bread, pastry and cakes, prepared vegetables and fruits, animal feed.

2.1 DAIRY PRODUCTS

With a production of 12.2-12.5 m tonnes of milk per year, Poland is ranked among the 6 largest milk producers in the European Union and in this regard is outdone only by Germany, France and Great Britain. In terms of the volume of milk production per capita (approximately 320 kg), Poland occupies the 14th place.

The production of the Polish dairy sector has been for many years far greater than the demand of the domestic market. That is why the sector heavily depends on exports, which takes 25% of total sales. The balance of foreign trade in dairy products rose from EUR 488 m in 2004 to EUR 889 m in

2008. Admittedly, in 2009 it decreased by almost 30% (to EUR 634 million) but in 2010 it increased again to EUR 760 m, mainly due to a significant rise in transaction prices. Import of dairy products is dynamically growing but as well it is still an insignificant supplement to the domestic supply (5-6%).

Import of dairy products

Specification	2004	2009	2010
	EUR million		
Milk powder	10.0	46.6	59.1
Cheese	27.7	106.6	121.8
Casein	45.6	36.8	47.0
Ice-cream	2.8	14.0	18.9
Butter and milk fats	9.1	25.6	41.7
Liquid milk and cream	5.3	28.0	35.2
Whey	5.7	16.5	19.8
Yoghurt	1.5	24.1	29.0

Source: Polish Food Spring 2011, publication of Ministry of Agriculture and Rural Development

The Polish dairy sector is one of the very few agricultural and food sectors still dominated by companies with Polish capital, of which the leaders are dairy cooperatives, whose share in the market worth almost PLN 30/EUR 7.5 bn is nearly 70%. The data gathered by the National Association of Dairy Cooperatives prove that today there are 157 dairy cooperatives in Poland while in 1989 there were over 600 of them. The change shows a progressive consolidation of this sector and the disappearance of small cooperatives. It can be expected that in 10 years there will be only a few big cooperatives which will further increase their market share. It may turn out that Poland will not be a profitable market anymore for foreign companies operating in this sector.

Today the main players which consolidate the dairy market are: **SM MLEKOVITA** (www.mlekovita.com.pl), **SM MLEKPOL** (www.mlekpole.com.pl), **SM ŁOWICZ** (www.mleczarnia.lowicz.pl), and **SM SPOMLEK** (www.spomlek.pl), **OSM KRASNOSTAW** (www.krasnostaw.eu) and **OSM PIĄTNICA** (www.piatnica.com.pl). The **yoghurt** market, which is the biggest of all markets in the dairy sector, is dominated by two companies: **DANONE** (www.danone.pl) and **ZOTT** (www.zott.pl). The third place goes to a Polish producer – **BAKOMA** (www.bakoma.pl).

Basic information on milk production

Specification	2004	2009	2010
	million EUR		
Milk powder	207.1	173.3	208.8
Cheese	191.1	368.5	402.8
Casein	285.0	16.1	22.7
Ice-cream	10.7	43.4	53.2
Butter and milk fats	66.2	43.3	81.5
Liquid milk and cream	28.9	123.0	144.1
Whey	21.0	61.5	95.7
Yoghurt	35.9	103.3	124.0

Source: Polish Food Spring 2011, publication of Ministry of Agriculture and Rural Development

The leaders on the **cheese** market, which is the second biggest market of the sector, are also dairy cooperatives. Industry experts expect a dynamic development of the **mould cheese** segment although the Polish market is still dominated by traditional Dutch-type cheese. The major national producers of mould cheese are: **SM LAZUR** (www.lazur.pl), **BONGRAIN Polska** (www.bongrain.pl), **ARLA FOODS** (www.arla.pl) and **HOCHLAND Polska** (www.hochland.pl).

The domestic dairy market has theoretically a big potential for development. With the milk consumption of 193 litres per capita, Poland is far below the EU average, which is 350 litres per person a year.

2.2 MEAT

The meat industry constitutes the biggest part of the Polish food sector. Its value is estimated at PLN 40/EUR 10 bn a year, which is $\frac{1}{4}$ of the value of the food market. There are over 1.3 thousand companies on the market which employ over 100 thousand people.

The data of the Institute of Agricultural and Food Economics show that the profitability of meat companies is among the lowest in the food sector. It is caused mainly by high prices of materials. In the first half of 2011 the average net profitability of companies specializing in red meat was only 1.9% and 1.2% in the poultry segment.

It is forecast that the problems with materials, low profitability, large market fragmentation and expansion of big commercial chains will cause many small and medium enterprises to disappear from the market. Only three business types will remain in operation: big companies with duplicate production, small companies supplying the local market and specialized companies (e.g. companies operating in the HoReCa market). In 10 years there will be app. 20%-50% of all companies operating today.

The company with the biggest share in the Polish meat and processed meat sector is **ANIMEX Capital Group** (www.animex.com.pl), followed by **SOKOŁÓW** (www.sokolow.pl), **Polski Koncern Mięśny DUDA** (www.pkmduda.pl) and **ZRP FARMUTIL** (www.farmutil-hs.pl). The market leaders have seen substantial sales dynamics of over 5%, which was driven by an intensive increase of their production capacities.

The level of meat consumption in Poland is one of the highest worldwide. The retail sale of meat is estimated at 74 kg per person a year. The meat type consumed most is **pork** (41 kg per person a year) and **poultry** (26 kg per person a year). In the last 20 years the consumption of **beef** has fallen substantially from 14 kg to only 3 kg per person. Beef has become too expensive for the Poles and increasing its consumption will largely depend on the increasing wealth of the society.

In recent years all **venison** has been exported, mostly to EU countries. Poland ranks sixth in Europe in the production of this meat type. However, the consumption of venison in Poland is very low and amounts to 0.08 kg per person in a year. There is only a very limited group of consumers who can appreciate the qualities of this type of meat and therefore there are only few companies offering it on the Polish market.

In the first three quarters of 2011 the export of unprocessed pork increased by 29% (by 51 thousand tonnes to 228.3 thousand tonnes). At the same time its import rose only by 7% (27 thousand tonnes). It means that the negative balance decreased from 206.7 thousand tonnes last year to 182.6 thousand tonnes this year. In the first three quarters of 2011 the export of unprocessed poultry and giblets was only 6% lower than last year. A slower export increase can also be seen in the case of beef. In the first three quarters of 2011 the export of beef equalled 203.4 thousand tonnes, which means an increase of about 7% year to year. Due to record prices the value of export is growing quickly. At the same time the import is low and in the first three quarters of 2011 it amounted to only 9.8 thousand tonnes (virtually the same as last year). That is why Poland has a substantial surplus in the beef trade.

Belgium comes as the third largest meat supplier for Poland, after Germany and Denmark. The Belgians consider the Polish market to have a great potential and the Poles are an important group of consumers of Belgian meat. In the next 10 years the consumption of meat in Poland is expected to go up even by over 10% and this increase will be driven mostly by poultry and pork. It will be fostered by the Poles' increasing wealth, increasing standards of living and the development of gastronomy.

2.3 FISH AND SEAFOOD

The **fish and fish products** market is estimated at app. EUR 1.1 bn, which is over 3% of the food market. There are about 420 enterprises, including 150 industrial corporations.

The demand on the Polish fish market is stagnated. Fish is considered a delicatessen due to its price which is determined by more and more expensive materials. Experts agree that only consolidation can alleviate the situation in the sector. The last few years have already seen certain transformations, which have created a group of several market leaders (**SEKO** www.rybki-seko.pl, **GRAAL** www.graal.pl, **LISNER** www.lisner.pl and **WILBO** www.wilbo.com.pl). This year SEKO and WILBO have decided to merge.

In the light of the data gathered by the Main Statistical Office the import of fish and seafood amounted to over EUR 1 bn in 2012 and was 11.7% higher than in the prior year. The exports totalled EUR 722 m and increased by 21.7% compared to 2011.

The value of fish harvest in Poland decreases and a growing number of fishes is imported (North Sea, Asia), mostly **salmon** (130 thousand tonnes a year) and also herring, walleye pollock, mackerel, tuna pangas and tilapia. The majority of imported fish which is processed is exported. For example, an annual salmon production is valued at EUR 550 m, of which 90% is exported. Currently the main players on the Polish salmon market are: **ALMAR** (www.almarfish.pl), **SUEMPOL** (www.suempol.pl) and **MORPOL** (www.morpol.com). This year a new company **LIMITO** (www.limito.pl) has entered the market.

The fish consumption in Poland is low and amounts to 12-13 kg per person a year. It is almost half of the average consumption in most European countries. The most popular fishes are herring and related processed products (21.5% of the market), followed by sprat, mackerel and tuna. Herring harvest in the Baltic Sea totals 28-30 thousand tonnes a year and the demand is for about 200 thousand tonnes. The rest is imported. Consumers prefer frozen fish or fish on trays, in jars or tins. Fresh fish is bought rarely. The demand for fish and fish products rises significantly at Christmas time, which stems from Polish traditions. Traditionally, for Christmas Eve Poles prepare carp. 17 thousand tonnes of carp comes from Poland and 4-5 thousand tonnes are imported.

Seafood makes a minor segment of the Polish food market. The data from 2009 show that its value is slightly above EUR 3.2 m. In Poland seafood is considered exclusive and difficult to prepare.

Annual consumption is app. 200-250 g per person. It results from high prices of these imported products and their poor presence in the Polish culinary traditions.

Almost all seafood on the Polish market is imported. Only a small share of snails has Polish origins. The majority of imports are unprocessed products – fresh, chilled or frozen, which are exported as processed products. The import is dominated by shrimps (mostly from Germany and Greenland) and they amount to app. 80% of total import. Seafood is imported mostly by such companies as **AAKERMAN** (www.aakerman.pl), **WILBO** and **INTERFOOD** (www.interfood.pl).

Experts say that in 2012 the situation on the fish market should improve. Prices are expected to stabilize, and fish and fish products will be among those products whose prices will go up the slowest. It is forecast that as the society gets richer and more aware of the qualities of fish and seafood their consumption will increase.

2.4 CEREAL (BAKERY) PRODUCTS

Cereal and cereal products make app. 10% of the food market in Poland. Although bread consumption has been declining in recent years, recession is an ally of the milling industry – the lower the consumers' income, the bigger the consumption of cereal products, such as bread, pasta or groats. The biggest dynamics can be observed on the pasta market. The market of breakfast cereal and rice is developing a bit more slowly while the market of flour and groats changes very little.

The Polish milling sector is dominated by big market leaders with a stable market position. These are **POLSKIE MŁYNY** (www.polskiemlyny.pl) and companies with German capital **GDAŃSKIE MŁYNY**

and **SPICHLERZE DR CORDESMEYER** (www.gdanskiemlyny.pl). They have gained at least a third market share of the Poland's flour milling potential. Despite on-going consolidation processes the market remains fragmented.

Back in 2007 a Pole used to eat about 63.5 kg of bread, including white and brown **bread**s, **baguettes**, **bread rolls** or **croissant rolls**. Experts estimate that this year the bread consumption will decrease by 3% per person compared to the previous year and amount to app. 54.1 kg. This fall results from changing life style and also price increases. Crisp bread is becoming more and more popular but still remains a niche product category. From August 2010 to July 2011 Poles spent EUR 67 m on crisp bread. This is by 12.4% more than in the previous year. The leaders of this market generate ca. 90% of total sales value and include: **HEALTHY FOOD PRODUCTION** (www.sonko.pl), **WASA** (www.wasa.com), **KUPIEC** (www.kupiec.pl) and **GOOD FOOD** (www.goodfood.pl).

When it comes to **pasta**, its consumption is growing steadily in spite of the price increases. Currently it amounts to 4 kg per person. From April 2010 to March 2011 the pasta market grew by 3% in terms of its volume and by 1% in terms of its value, compared to the similar period a year before. The sales value amounted to EUR 206 m. The market is highly fragmented and dominated by a few major producers: **MASPEKS – LUBELLA** (www.maspex.com), **BARILLA Poland** (www.barilla.com), **MAKARONY POLSKIE** (www.makarony.pl), **MIĘDZYBRODZKIE MAKARONY** (www.miedzybrodzki.pl).

Among cereal products, also **rice** and **groats** are popular. From April 2010 to March 2011 the sale of rice was over EUR 68 m in terms of its value. The rice market remains stable in terms of its volume and increased by over 4% compared with the similar period a year before. Barley, buckwheat and millet groats are rather popular with older Poles, however this sector has recently revived due to low prices and nutritional qualities of groats.

In the period from April 2010 to March 2011 the sales value of **breakfast cereal** (including muesli) was over EUR 17 m, which is 2.3% more than in the same period a year before. In terms of sales value breakfast cereal has the biggest market share (84.2%), while muesli about 15.8%. The breakfast cereal and muesli market is highly concentrated and has well-established brands.

2.5 FRUIT AND VEGETABLE PRESERVES

The Polish fruit and vegetable industry supplies the domestic market almost in half and works also for foreign markets, including saturated markets in Western Europe and dynamically growing markets of Poland's Eastern neighbours. In comparison with the EU average, the consumption of fruit and vegetable preserves in Poland is not high although Poland is one of the biggest suppliers on EU markets (second after Belgium). That is why foreign clients are highly important for the Polish fruit and vegetable industry as they buy over a half of our production. The imports are three times less than the exports.

The year 2010 was very difficult but in the year after the harvest was much higher. The value of ground vegetable harvest totalled 4.8 million tonnes and that of fruit harvest app. 3 million tonnes, thus increasing the prior year harvest by ca. 30%.

The production of **fruit preserves** in Poland depends on the harvest which in turn is conditioned by the weather. Fluctuating harvests and fruit purchase prices cause unsteady dynamics of preserves production. There is no category, except marmalade, for which a steady growth could be observed.

In 2011/2012 season the production of fruit preserves is expected to reach 775 thousand tonnes in terms of its volume, compared with 735 thousand tonnes in 2010/2011 season and 835 thousand tonnes in 2009/2010 season. The production of **juices, nectars and drinks** in Poland amounted to 1560 thousand tonnes in 2010/2011 season and 1590 thousand tonnes in 2009/2010 season. The forecast for 2011/2012 points to app. 1,570 thousand tonnes. This season, like every year, the Polish fruit processing industry will be dominated by **frozen fruits** (300 thousand tonnes against 310 thousand tonnes in 2010/2011 season) and **concentrates** of fruit juices (220 thousand tonnes compared to 175 thousand tonnes last season), mostly of **apple juice**, which is crucial to the Polish pressing sector. Moreover, the forecast for the production of **marmalades, conserves (povidl) and purees** points to 65 thousand tonnes (64 thousand tonnes last season); **jams** - 60 thousand tonnes (59 thousand tonnes last season); **dried fruits** - 5 thousand tonnes (4 thousand tonnes last season). The production of other fruit preserves will equal 125 thousand tonnes (123 thousand tonnes in 2010/11 season).

The production of **vegetable preserves** is more stable than that of fruit preserves. The volume of **frozen vegetables**, which is the biggest and the most promising sector, grows steadily. High dynamics can also be observed in the segment of **ketchups** and **tomato sauces**. The production of other preserves does not change substantially and so their share in the entire sector is declining, for example the share of **marinades** in the total production for the sector was 13% in 2001 and only 9% in 2008.

Production of vegetable preserves in thousands tonnes

Vegetable preserves	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012
	1005	985	1015	1035	1075
Tinned food	133	132	123	131	135
Pickles	132	141	147	150	149
Tomato puree	33	32	31	29	31
Frozen foods	530	485	515	528	550
Dried vegetables	24	25	26	24	27
Ketchup and tomato sauces	105	116	120	123	127
Other	29	32	34	34	35

Source: www.fresh-market.pl

From the beginning of January to the end of March 2012 Poland imported 67.3 thousand tonnes of fruit preserves and 66.1 thousand tonnes of vegetable preserves. Both fruit and vegetable preserves were mostly imported from the EU and third countries and mostly included fruit juices and tinned fruits. Processed vegetables were imported mostly from the EU countries and included tomato preserves, in particular tomato puree, frozen and tinned vegetables and French fries.

In Poland there are over 1,000 enterprises operating in the fruit and vegetable processing industry. The market leaders include: **HORTEX** (www.hortex.com.pl), **AGROS NOVA - Kotlin, Krakus** (www.agrosonova.pl), **ŁOWICZ** (www.dzemy.pl), **STOVIT** (www.stovit.com.pl), **BONDUELLE Polska** (www.bonduelle.com.pl), **PUDLISZKI** (www.pudliszki.pl), **ROLNIK** (www.rolnik.pl) and **NORDIS Chłodnie Polskie** (www.nordis.com.pl).

2.6 FATS, OILS AND SUGARS

Considering the type of material used for production, the Polish market of fats can be divided into three main categories: animal fats, plant fats and animal and plant fats, which include such mixes as for example butter and oil or margarine and butter.

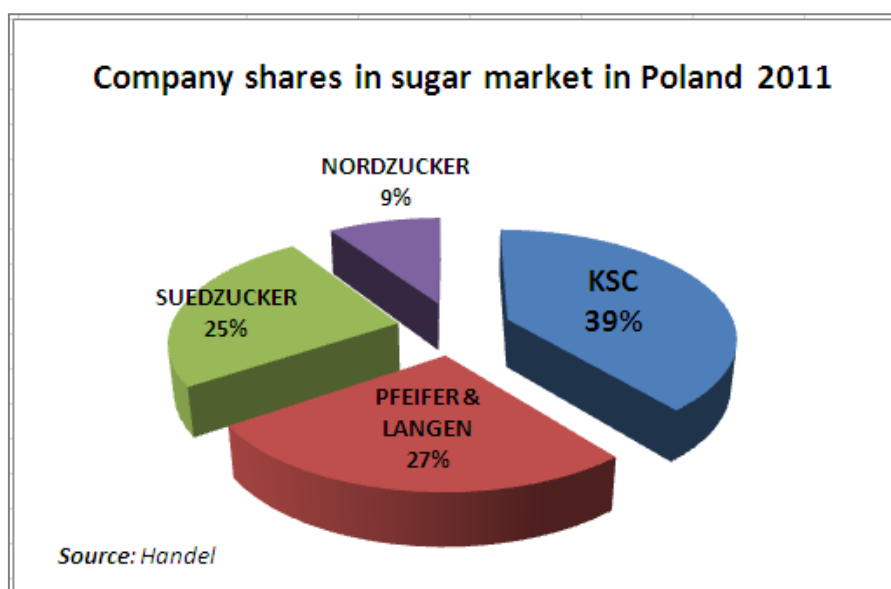
One of the most important and most commonly purchased categories is **solid plant fats**. Between April 2010 and March 2011 the Poles consumed over 198 thousand tonnes of solid plant fats and spent EUR 362 million on them. The market is stable and its value did not increase much year to year (0.6%), which with a non-substantial volume decrease (0.2%) made it possible to keep the prices on the same level.

In the period in question the entire market of **oils and olive oils** had a turnover of EUR 237 million and involved over 166 million litres. The market grew slightly –by 1.7% in terms of its volume and by 1% in terms of its value. In the Polish food industry oils are produced from the seeds of oil plants, including rape, sunflower, arachnid and soya oils. Among them rape oil is the most popular. Its consumption has been stable for years and amounts to app. 4.7 kg per person a year. Also, olive oil is gaining a well-established position on the Polish market.

The leaders on the fats market are: **Zakłady Przemysłu Tłuszczowego KRUSZWICA** (www.ztkruszwica.pl), **BUNGE Polska** (www.bunge.pl), **UNILEVER Polska** (www.unilever.pl), **Zakłady Tłuszczowe BIELMAR** (www.bielmar.com.pl).

In December 2011 the production of **sugar** was very high and totalled 509 thousand tonnes against 304 thousand tonnes in the previous year. The data of the Main Statistical Office show that in the period from September to December 2011 the total sugar production was 1,713 thousand tonnes, which means it was 31% bigger than in the previous year. Such a big sugar production was possible due to good harvest and bigger sugar content in harvested roots.

The Polish sugar market is divided among four producers: **NORDZUCKER** (www.nordzucker.pl), **SUEDZUCKER** (www.suedzucker.pl), **PFEIFER & LANGEN** (www.diamant.pl) and **KSC** (www.polski-cukier.pl).



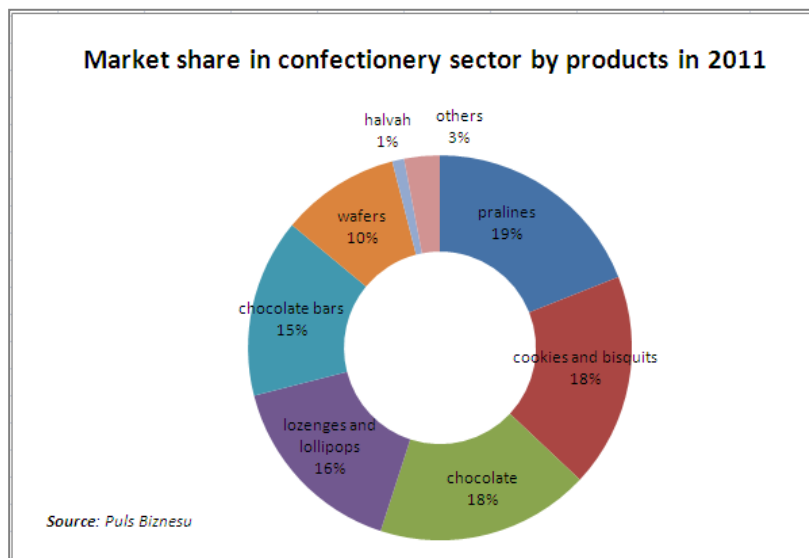
From January to November 2011 the export of sugar totalled 270 thousand tonnes, compared with 358 thousand tonnes in the same period of 2010. In November 2011 the import of sugar was very low, which resulted from lower import needs during the Polish sugar campaign of 2011/2012. However, during the first eleven months of 2011 a record amount of sugar was imported – 324 thousand tonnes with a value of EUR 181 million. The import was 69% bigger than in the same period of 2010. Sugar was imported from the EU (163 thousand tonnes) and also from third countries (161 thousand tonnes).

2.7 SUGAR CONFECTIONERY, CHOCOLATE, BISCUITS

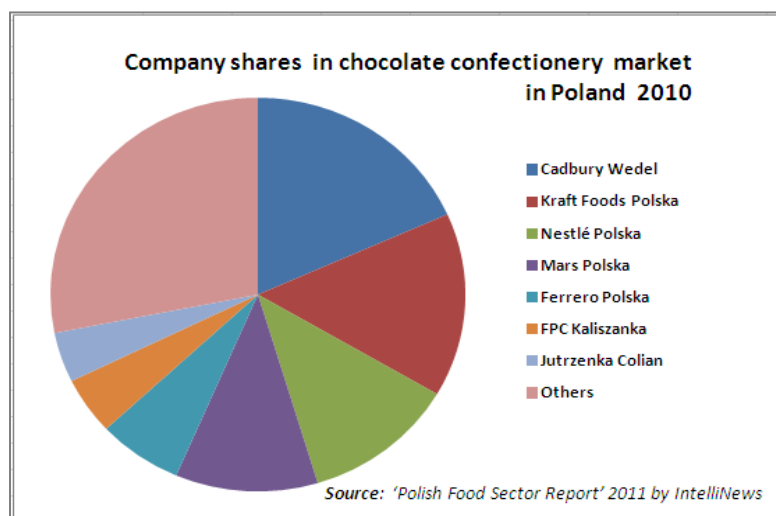
The confectionery market in Poland is worth EUR 1.7 bn. It is stable and without big demand fluctuations. The position of the Polish producers (JUTRZENKA COLIAN www.jutrzenska.com.pl, WAWEL www.wawel.com.pl, MIESZKO www.mieszko.pl, KOPERNIK www.kopernik.com.pl, SOLIDARNOŚĆ www.solidarnosc.pl) remains strong despite the expansion of foreign food corporations, which is attributed to the fact that the Poles are attached to Polish brands.

In 2011 the Poles spent on confectionery products almost 3% more than a year before. The biggest growth of almost 4% was seen in the segment of chocolate products where the sales exceeded EUR 1.2 bn, compared to EUR 1.1 bn in 2010. In the segment of candies the sales decreased by 2.6% in terms of its volume and by 3.2% in terms of its value to the level of EUR 258 bn. What is special about the candy market is its seasonal nature – the lowest sales come in summer months.

Pralines (pigeon milk, filled chocolates, jellies, candies in chocolate) make the biggest sector of the confectionery market. In recent years it has grown by over 10%.



The **biscuits** market generates the revenue of over EUR 375 m and has been dynamically developing in Poland for years. In addition to a few strong players, including **KRAFT FOODS** (www.kraftfoodscompany.com), **BAHLESEN** (www.bahlsen.pl), there is a big group of smaller, even local companies, which are successful in finding their own group of clients. However, the sector of **chocolate bars** has decreased, as compared 2011 to 2010 by 1.5% in terms of its volume and by 0.4% in terms of its value. The Poles definitely prefer milk chocolate bars, which constitute over 70% of the entire market. In the period from August 2010 to July 2011 the segment of **bars** and **wafers** had, in terms of its volume, 25% share in the confectionery market. This means that the Poles consumed 54.4 million kilograms of these products (app. 1.5 kg per person a year) and spent on them nearly EUR 320 m.



The **candy** market has been dominated for years by candies covered with milk, dessert or white chocolate in a variety of flavors and shapes. Popular products include also candies filled with jelly, alcohol or fruit mousse. The segment of solid candies is dominated by pear and caramel drops.

The year 2011 was difficult for confectionery producers due to high prices of ingredients and a decrease in operating profitability. However, the forecasts for 2012 are positive and indicate a sale growth of 5-7%. An important factor which stimulates the development of this market are the growing needs of consumers, especially young ones. It encourages the producers to work on new products, flavours and surprising combinations. The demand for top quality confectionaries with refined taste and luxury packaging is rising too.

2.8 CONVENIENCE FOODS (READY MEALS)

The market of convenience foods in Poland is developing very dynamically. It includes **instant** (pasta, puree, rice, etc.), **meat and vegetable** (fried and cooked meatballs, stuffed cabbage leaves, bigos, goulash, tripe, Breton beans, letcho, etc.) and **frozen** convenience foods. From June 2010 to March 2011 consumers bought almost 44 million kilograms kg of ready meals and spent over EUR 120 m. In comparison with the same period a year before the sales of these products is stable.

The market of meat and vegetable ready meals, which was worth over EUR 88 m last year, is the biggest. The most popular types of meat and vegetable convenience products include tripe (21.8% in terms of sales value), beans (21.4%), stuffed cabbage leaves (15.7%) and cooked and fried meatballs (12.6% and 9,9%, respectively). The biggest segment on the market of instant convenience products belongs to pasta (55.8% in terms of sale value), which decreased last year for the benefit of the purees segment, which increased its value by 6.9% to 43.9%. The biggest dynamics of development can be seen on the market of frozen ready meals, whose total sales value grew by 35% in 2011 and reached EUR 18 m. The Poles more and more frequently buy frozen ready meals due to their nutritional values and a price lower than, for example, the one of convenience products in jars. The share of frozen ready meals in the entire market increased throughout 2011 from 10% to 15%. The other segments shrank even by 7%. Despite that the consumption of frozen products in Poland is much lower than in the countries of the Western Europe.

Value of ready meals market in Poland 2011

Ready meals / Instant (in thousand PLN)	% share	% change
	64 178,30	-1.1
Pasta	55.8	-6.2
Puree	43.9	6.9
Rice	0.3	-0.7
In a bag	1.3	-0.7
In a plastic container	98.4	1.5
In a box	0.3	-0.7
0-100 g	97.3	1.9
101-200 g	1.8	-1.0
201-400g	0.9	-0.8

Source: www.portalspozywczy.pl

The leader on the wet ambient ready meals market is **HEINZ** (www.heinz.pl), followed by **PAMAPOL** (www.pamapol.com.pl). The first place on the market of instant convenience foods belongs to **UNILEVER** (www.unilever.pl) (app. 80% of total sales value), followed by **NESTLÉ** (www.nestle.pl). The market of frozen ready meals is dominated by **HORTEX**, followed by **HORTINO** (www.hortino.com.pl), **FROSTA** (www.frosta.pl), **D'AUCY** (www.daucy.pl) and **NORDIS**.

The consumption of ready meals in Poland will grow as the per capital income will increase. In recent years the market has been growing at a rate of ca. 8% a year. A similar rate of 5-10% is expected in the next years. The market is undergoing consolidation processes too. Experts say that the market of frozen and chilled ready meals has the biggest potential. In terms of consumption of ready meals per person Poland ranks 22nd worldwide.

2.9 BEVERAGES INCL. ALCOHOLS

The data for the end of 2010 show that the Poles bought 6 billion litres of non-alcoholic beverages for EUR 3.3 bn. Last year the sales grew by app. 1.5 %. The beverages market depends on the weather. Temperatures in summer months are the factor which determines the annual sales results.

MINERAL WATER

The sale of mineral water is growing very dynamically at the cost of drinks and juices. The greatest demand is for non-sparkling mineral water, which has 63.9% market share in terms of volume. In 2010 its consumption totalled 2.5 billion liters, of which over 73% was sold in bottles of 1.5 liters. The second place with a market share of 32.2% belongs to sparkling water. Medium sparkling mineral water has only 3.9% share in the market. The Poles definitely prefer regular mineral water (86.5% market share). Flavoured mineral water enjoys only the share of 13.5% in total sales.

The market of mineral water is especially competitive – over 150 different brands are sold, of which the most popular are: **Żywiec Zdrój**, **Cisowianka**, **Nałęczowianka** and **Kropla Beskidu**. The leaders on the Polish market of beverages are: **ŻYWIEC ZDRÓJ - GRUPA DANONE** (www.zywiec-zdroj.pl) – 19% market share, **NAŁĘCZÓW ZDRÓJ** (www.cisowiankaand) and **NESTLÉ WATERS** (www.darnatury.pl).

Industry representatives say that the mineral water market in Poland has a big potential and there is a place for new brands especially because the Poles still drink much less mineral water than people in the countries of Western Europe. The consumption of bottled mineral water in Poland is 70 litres per person while the EU average is 100 litres.

JUICES AND FLAVOURED DRINKS

The consumption of **juices**, **nectars** and **non-carbonated beverages** is decreasing. In the period from February 2010 to January 2011 their sale fell by 6% compared to the same period a year before, which was influenced by higher prices of these products. The economic situation has changed consumer purchasing habits for the benefit of cheaper substitutes, e.g. water. In the period in question a total of 81 million litres of juices, nectars and non-carbonated beverages was sold in Poland. For years the most popular flavours included orange and carrot, followed by apple and tomato. The situation on the market is made even more difficult by the growing position of private labels. Polish leaders in the production of juices are: **GRUPA MASPEX** – 31% market share, **HORTEX** – 12% and **AGROS NOVA** – 9%.

Industry representatives believe that the market of juices, nectars and non-carbonated beverages in Poland still has a potential of growth. The consumption of juices, nectars, fruit drinks and fruit and vegetable drinks in Poland is 35 litres per person while the European average is 211 litres.

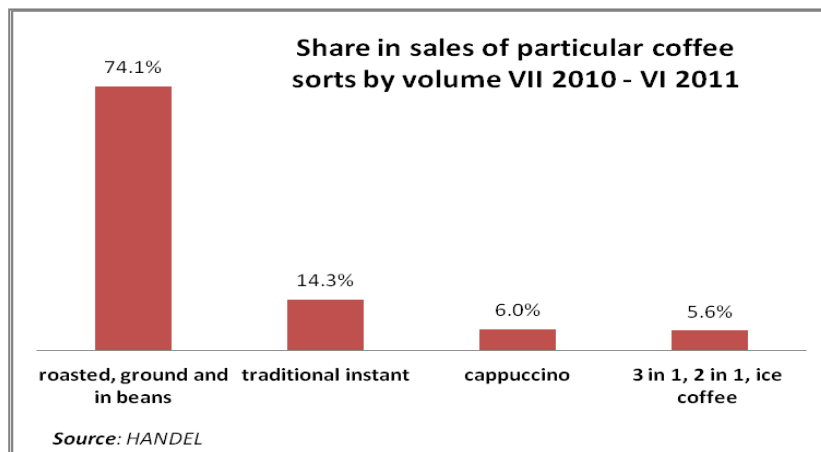
The market of **carbonated beverages** has stagnated. In 2011 the sale grew by only 0.6%. That year the Poles bought 1.6 billion litres of these products. The most popular carbonated beverages have cola flavour (53.5% market share), followed by lemon, orange and tonic flavours. The leader in this segment is **COCA-COLA HB Polska** (www.cocacola.com.pl).

The Polish market of **energy and isotonic drinks** is worth almost EUR 205 m. The sale of energy drinks constitutes 83% of the market, the remaining share goes to sports drinks. With 140 million litres of sold energy drinks, Poland is among the leaders in Europe. In terms of consumption (3.5 litres per person) Poland ranks sixth in Europe. The sale is still growing but the value of the market remained the same as in the previous year. The leaders in this sector are: **FOOD CARE – Tiger** (www.foodcare.pl), **RED BULL Polska** (www.redbull.pl), **HERBAPOL LUBLIN-Green-Up** (www.herbapol.com.pl), **PEPSI-COLA GENERAL BOTTLERS Poland-Mountain Dew** (www.pepsi.pl). Although the market of energy drinks in Poland is saturated, the American brand **Monster Energy** is planning to enter it soon.

The segment of **fruit syrups** is the smallest but developing very dynamically. From June 2010 to May 2011 sale of fruit syrups went up by 16.7% (35.4 million litres). For years the most popular flavour has been raspberry (49.1% market share), followed by cherry flavour (9.5%) and orange flavour (7.9%). Strawberry, cherry and especially raspberry flavours are most popular in winter time. In summer months the Poles prefer “light syrups” (lemon, orange, kiwi and similar flavours). The major syrup producers are: **HERBAPOL LUBLIN - Owocowa Spizarnia**, **HOOP Polska – Paola** (www.hoop.pl) and **POLSKA RÓŻA** (www.polskaroza.eu). When buying a fruit syrup, Polish consumers look at the brand, and only then at the flavour and price. They decide to buy the brands they know and trust.

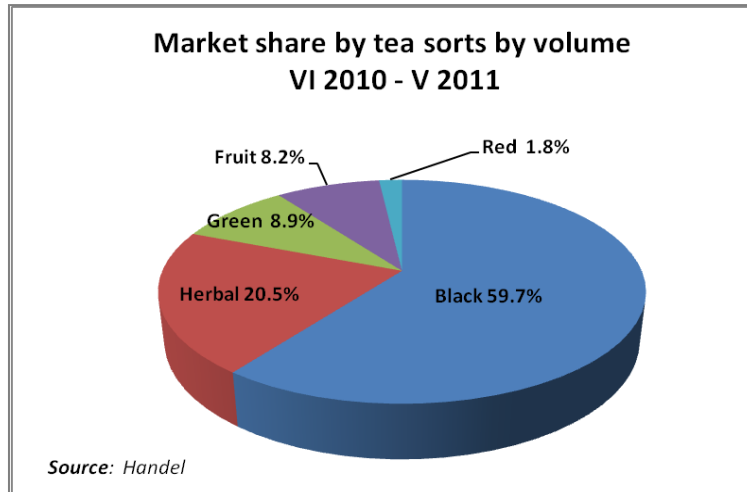
COFFEE, TEA AND COCOA

The **coffee** market has always developed dynamically, although recently it has slowed down slightly. From July 2010 to June 2011 the Poles bought coffee for EUR 725 m, which is 1.6% more than a year before. The consumption of coffee increases in winter months, especially at Christmas time. The Poles prefer ground and grain coffee. Typical of the coffee market in Poland is that consumers are attached to particular brands. This, and not the price, is the most important factor determining which coffee a consumer buys.



Producers expect that in the next years the sales of coffee will keep increasing. The main coffee suppliers on the Polish market are: **KRAFT FOODS**, **NESTLÉ Polska**, **TCHIBO** (www.tchibo.pl) and **STRAUSS CAFE** (www.strauss-cafeservice.pl).

The Poles are among the biggest **tea** lovers in Europe. Its consumption is ca. 1 kg per person a year while an average inhabitant of Western Europe consumes 0.7 kg of tea. From June 2010 to May 2011 Polish consumers bought almost 23 thousand tonnes of tea for the value of EUR 332 m. In terms of sales value the figure indicates a decrease of 3.5%. The influence of the bad economic situation on tea consumption is not substantial due to deeply rooted consumer habits, a big variety of teas and varied prices. The sale of black, earl grey, black flavored and fruit teas is stable throughout the entire season. Loose tea is gradually giving place to tea bags. In terms of value tea bags have a market share of 87% and it is still increasing.

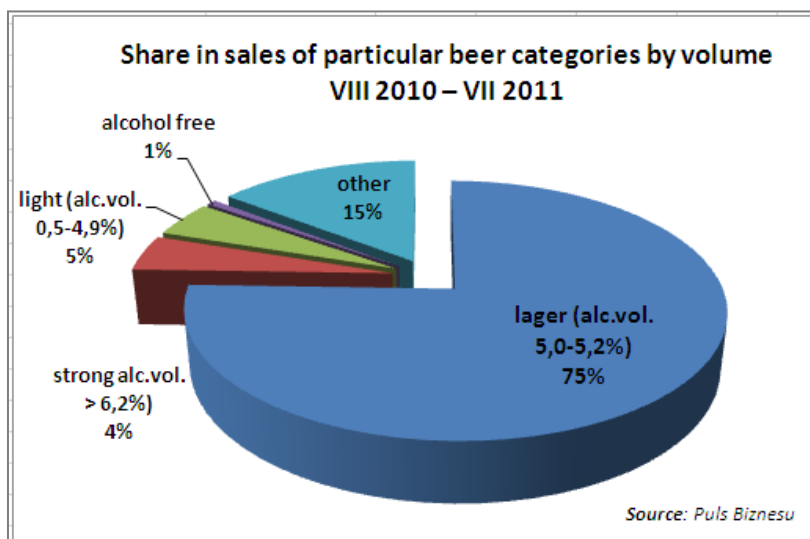


The market of green and white teas is the fastest growing segment. In 2010 its sales value grew by 27%. The segment of black teas is shrinking, although it still has a market share of app. 60%. From June 2010 to May 2011 Polish consumers spent EUR 197 m on tea. Functional teas, i.e. herbal blends and herbal fruit combinations, make the youngest segment of the tea market, with the biggest potential.

The leading tea suppliers in Poland are: **UNILEVER** (*Saga, Lipton*) (45% market share), **MOKATE** (www.mokate.com.pl), **GOURMET FOODS** (www.dilmah.pl), **AMBER SPARK** (www.irvingtea.com) and **POSTI** (www.posti.pl). The most popular herbal tea brand is **HERBAPOL**.

In the **cocoa** segment instant products are most popular. Their sales value is slightly over 60% of total sales. Traditional cocoa is considered mainly as an addition to cakes. Every year Poles spent only EUR 21 m on cocoa, which indicates the sales volume of app. 5 m kg. The sales growth dynamics is minor and amounts to ca. 3%. Cocoa for children is a separate category. The leader in this segment is the brand **Puchatek** (60% of sales volume). The main supplier of traditional coffee is **DecoMorreno**. Both brands are owned by **MASPEX Wadowice**. Other important cocoa suppliers on the Polish market are: **NESTLÉ Polska, WEDEL, WAWEL, FOOD CARE, MOKATE**. For the majority of producers cocoa is not a main but a complementary product.

The Polish **beer** market stagnated in recent years. Although the sales volume is slightly increasing (ca. 1%), the sales value is decreasing. This situation has been driven by a quick growth of discount chains. From August 2010 to July 2011 the Poles bought 25.75 m hectoliters of beer for the value of EUR 3.3 m.



The beer consumption is app. 90 litres per person a year. The sale of cheap and targeted brands is increasing, which results from the recent economic slowdown. The share of private labels in the market is growing. Big brands are losing their position for the benefit of wheat and regional beers. As the Polish consumers' knowledge about beer is growing, their interest for non-standard, even niche beers is strengthening. This is where the future of the beer industry is thought to be.

The leader of the beer market is **KOMPANIA PIWOWARSKA - Tyskie, Lech, Żubr** (www.kp.pl) with a share of 40% in the market, followed by **GRUPA ŻYWIEC - Żywiec, Warka, Tatra** (www.grupazywiec.pl) (app. 30%) and **CARLSBERG Polska** (www.carlsbergpolska.pl) (app. 15%).

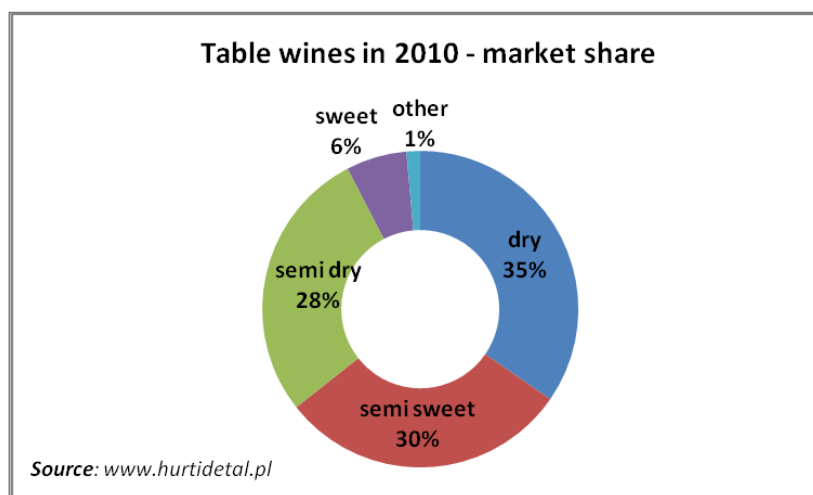
Beers produced with traditional methods in regional breweries are gaining in popularity but their share in the market is still low. The most widely known producers operating in this segment are: **Browar AMBER** (www.browar-amber.pl), **Browary Regionalne ŁOMŻA** (www.piwolomza.pl), **Browar SULIMAR** (www.sulimar.com.pl). The turnover of premium beer importers is growing too. Compared to 2010, the segment of imported beers has grown by 29% in terms of sales volume and its share in the Polish beer market has risen to nearly 3%. The biggest importer of Belgian beers in Poland is **BELGIUM'S BEST** (www.belgijskiepiwo.com), a company seated in Września. Its turnover increases by 5-10% per year and this growth rate is expected to continue in the next years.

The data from the Main Statistical Office show that Polish beer is still mostly exported to Hungary, followed by the Czech Republic, Slovakia, Ireland, Great Britain and Germany.

Poland has a very big potential of growth when it comes to the **wine** market. Until the end of 2010 the total consumption of wine (table wine, dessert wine, sparkling wine, vermouths, etc.) totalled over 100 m litres, and the market value was almost EUR 450 m, which means a growth of 3.8% as compared with the previous year. Experts expect that in the next 5 years the consumption will grow

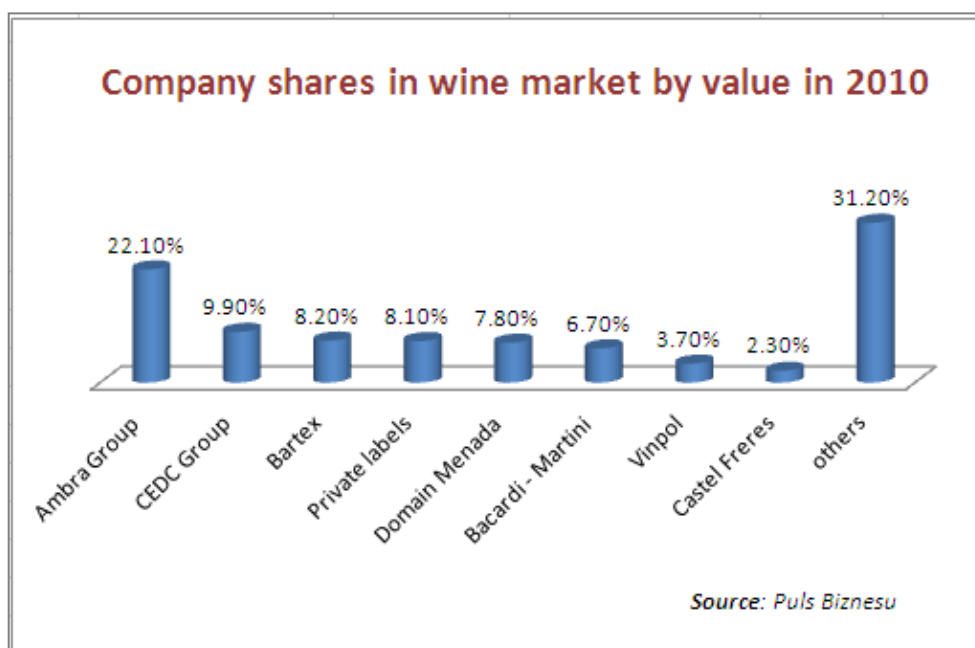
by 4.2% and even by 25% in the table wine segment. Despite that Poland has one of the lowest consumption rates per person in Europe. On average a Pole drinks 2.7 liters of wine a year, while for example a German consumes 24 litres.

Wine is imported to Poland mostly from the USA and Bulgaria. The best-selling brand in Poland is currently **Carlo Rossi** from the USA. Of all wines, table wines are most popular (61.2%), followed by dessert wines and vermouths (23%). Sparking wines and champagnes rank third (15.4%).



Among table wines, red wines (63.8%) are most popular, followed by white wines (27.2%) and finally rose wines (9%).

Contrary to the grape wine market, the market of fruit wines is disappearing in Poland. It results from the fact that Polish consumers do not want to buy cheap fruit wines anymore, which are stereotyped as low quality and low prestige. Their sales volume reaches ca. 108 m liters a year and is expected to decrease further until it disappears completely from the market in 10 years time.



The market of hard alcohols is worth over EUR 2.3 bn. Until the end of 2010 it decreased by 3.5% in comparison with the previous year. The biggest market share value belongs to **vodka** (89.6%). However, it has recently decreased by 1.3%. Whisky (5.4%), brandy and cognac (2.3%), liquors (1.5%), gin (0.7%), rum (0.5%) have maintained their position or increased their sales value.

There are four major players on the Polish vodka market: **STOCK** - *Czysta de Luxe, Lubelska, Żółdkowa Gorzka, 1906* (www.stock-polska.pl), **CEDC** - *Absolwent, Żubrówka, Biała, Bols* (www.cedc.com), **Grupa SOBIESKI** - *Krupnik, Starogardzka* (www.belvedere.pl) and **PERNOD RICARD** – *Luskusowa* (www.pernod-ricard-polska.com). Four out of ten biggest vodka brands are owned by Stock. The company is blamed for starting a price war, which has destabilized the vodka market for the last three years and led to price decreases.

The value of the Polish vodka market in 2011 amounted to app. EUR 2.5 bn and fell by ca. 4%. Representatives of the industry expect that in 2012 the market will continue to shrink.

3. COMPANIES IN THE MARKET - BIG INTERNATIONAL PLAYERS

TOP FOOD PRODUCERS

Major food producers in Poland by revenue in 2010

Name	Production	Sales revenue in thou. EUR	www
GK KOMPANIA PIWOWARSKA	beer	5,036,291	www.kp.pl
GK CEDEC Warszawa	alcohols	1,259,073	www.cedc.com
GK GRUPA ŻYWIEC	beer	1,183,923	www.grupazywiec.pl
UNILEVER Polska	various food products	907,772	www.unilever.pl
NESTLÉ Polska	various food products	839,936	www.nestle.pl
MASPEX Wadowice	beverages and pasta	652,314	www.maspex.pl
MLEKPOL SM	dairy products	629,588	www.mlekpole.com.pl
MLEKOVITA SM	dairy products	627,784	www.mlekovita.com.pl
CARGILL Polska	food ingredients	626,954	www.cargill.com.pl
FERRERO Polska	confectionery products	580,113	www.ferrero.pl
SOKOŁÓW	meat products	558,454	www.sokolow.pl
KRUSZWICA ZT	vegetable fats	557,982	www.ztkruszwica.pl
DANONE	yoghurts	476,365	www.danone.pl
POLSKI CUKIER KSC	sugar	431,164	www.polski-cukier.pl
MARS Polska	chocolate products	379,351	www.mars.com
PKM DUDA	meat products	370,993	www.pkmduda.pl
SOBIESKI	vodka	363,843	www.sobieski.eu
KOFOLA	beverages	355,181	www.kofola.pl

PEPSI-COLA GB Poland	beverages	309,791	www.pepsi.pl
OSM ŁOWICZ	dairy products	265,428	www.mleczarnia.lowicz.pl
INDYKPOL	meat products	254,398	www.indykpil.pl
HORTEX Holding	fruit and vegetable products	213,560	www.hortex.com.pl
ELSTAR OILS	vegetable fats	185,443	www.adm.com
GK DROSED	meat products	175,908	www.drosted.com.pl
HOCHLAND Polska	cheese	162,793	www.hochland.pl
JUTRZENKA Holding	confectionery products	160,170	www.jutrzenka.com.pl
INTERFOOD Polska	dairy products	155,398	www.interfood.com.pl
TCHIBO Warszawa	coffee	148,891	www.tchibo.pl
POLINDUS	dairy products	143,861	www.bistyp.com.pl
PAMAPOL	ready-made dishes	139,686	www.pamapol.com.pl
OSM Piątnica	dairy products	137,747	www.piatnica.com.pl
NUTRICIA	baby food	136,374	www.nutricia.pl
HJ HEINZ Polska	sauces	135,656	www.heinz.pl
GRAAL	fish products	123,227	www.graal.pl
POLSKIE MŁYNY S.A.	flour	123,050	www.polskiemlyny.pl
FOODCARE	various food products	111,008	www.foodcare.pl

Source: Ranking Top 500 by Polityka, www.lista500.polityka.pl

TOP FOOD TRADING COMPANIES

Major food trading companies in Poland by revenue in 2010

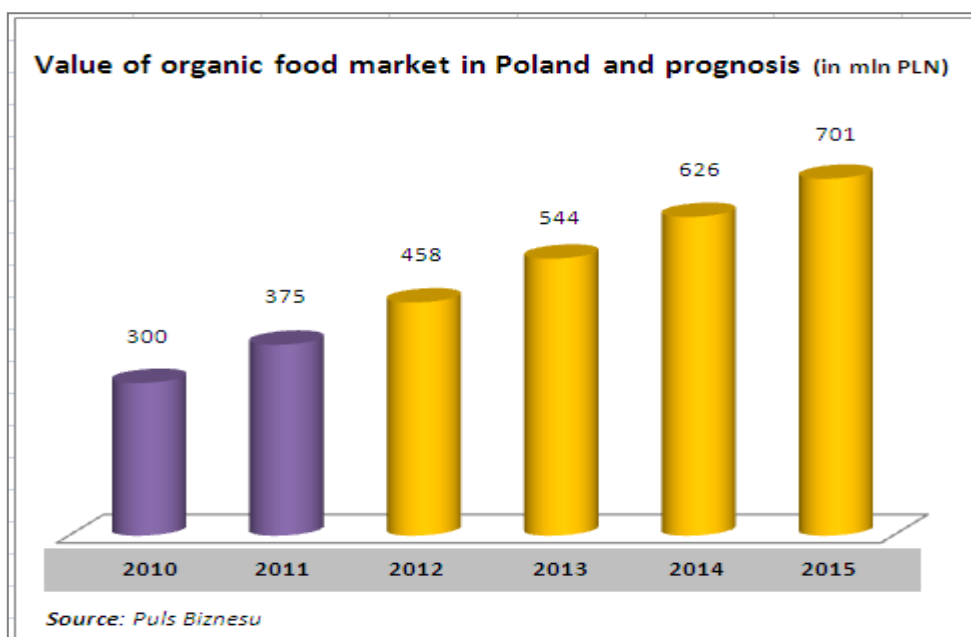
Name	Format	Sales revenue in thou. EUR	www
JERONIMO MARTINS DYSTRYBUCJA	discount stores	4,512,726	www.biedronka.pl
METRO GROUP in Poland	wholesale, grocery stores	3,828,200	www.metrogroup.pl
TESCO Polska	super-, hypermarkets	2,392,900	www.tesco.pl

CARREFOUR Polska	super-, hypermarkets	2,032,475	www.carrefour.pl
GRUPA EUROCASH	wholesale, grocery stores	1,740,281	www.eurocash.pl
LEWIATAN HOLDING	franchise chain	1,521,875	www.lewiatan.pl
AUCHAN Polska	hypermarkets	1,395,931	www.auchan.pl
EMPERIA HOLDING	wholesale, grocery stores	1,321,460	www.emperia.pl
GRUPA MUSZKIETERÓW	supermarkets	806,290	www.muszkietierowie.pl
SELGROS	wholesale	705,284	www.selgros.pl
POLOMARKET	supermarkets	647,711	www.polomarket.pl
E.LECLERC	super-, hypermarkets	562,169	www.e-leclerc.pl
ŻABKA Polska	convenience store	522,512	www.zabka.pl
NETTO	discount stores	459,721	www.netto.pl
GK BOMI	wholesale, grocery stores	319,495	www.bomi.pl
EKO Holding	supermarkets	280,908	www.ekoholdingsa.pl
GK ALMA MARKET	supermarkets	278,084	www.almamarket.pl
GK BAĆ-POL	wholesale, grocery stores	206,929	www.bacpol.com.pl
PIOTR I PAWEŁ	supermarkets	134,270	www.piotripawel.pl

Source: Ranking Top 500 by Polityka, www.lista500.polityka.pl

4. ORGANIC FOOD

The market of certified organic food in Poland is one of the fastest growing and the most dynamically developing. It is estimated that its value increased in 2011 by 25% to PLN 375 m/EUR 94 m against PLN 300 m/EUR 75 m in 2010. It is forecast that in the years to come the value of the organic food market will double and exceed PLN 700 m/EUR 175 m in 2015. In Poland there are almost 21 thousand ecological farms which cover the total area of over 400 thousand hectares, i.e. app. 2.5% of the total agricultural land in Poland.



The growth of the certified organic food market is driven by store chains, both specialist stores (**ORGANIC FARMA ZDROWIA** www.organicmarket.pl, **FREE DELIKATESY** www.freedelikatesy.pl, **BIO PLANET** www.bioplanet.pl) and groceries which expand their offer of organic food. However, the major driving force is a growing health, nutrition and ecology awareness of the Poles.

The market of organic food in Poland is still small – 0.3% of the entire food market. The average expenditure on organic food amounts to 3 EUR per person a year. In Germany this value equals EUR 71 and in Denmark EUR 123. The most common organic products include vegetables, fruits, bread, dairy and processed meat products. Organic food is more expensive than traditional food and a big part of Polish consumers prioritize cheaper products. Many people choose uncertified organic food from trusted suppliers. Regional and traditional products are a strong competition for organic food. Polish consumers commonly believe that Polish food is in general more natural and healthier than food from Western Europe. Other barriers to the development of organic food market include: insufficient supply and availability (especially in the case of meat), poorly developed distribution system, weak labeling and positioning. Representatives of the market highlight the need for a bigger promotion.

For this reason a cluster called **DOLINA EKOLOGICZNEJ ŻYWNOŚCI** (www.dolinaeko.pl) was established. It includes different entities supporting the promotion and the development of this segment. Its goal is to organize the distribution of organic food and to provide producers, processing companies and trading partners with the possibility to cooperate with each other.

The major producers of organic food in Poland are: **SYMBIO POLSKA** (www.symbio.pl), **OLEOFARM** (www.oleofarm.pl), **MATERNE** (www.materne.pl), **MAURER** (www.maurer.com.pl), **BIO FOOD** (www.biofood.pl), **POL-MAK** (www.pol-mak.pl), **BIOFLUID** (www.biofix.pl), **OSM LIMANOWA** (www.osm-limanowa.com.pl).

5. HORECA SECTOR OVERVIEW

Although the last two years were not very good, the HORECA sector still continues to develop. The analyses of PMR¹ prove that the majority of dining places in Poland, which constitute over 85% of the dining industry, are fast food bars (38%), restaurants (31%) and hotel restaurants (12%). 14% of all dining places do not offer warm meals and these are pubs, alcohol bars, clubs, discos, beer bars (10%) and cafes, tea rooms and ice-cream parlors (4%).

The data of the Main Statistical Office show that as at the end of 2010 there were 71,679 dining places in Poland. Within the last five years their number has decreased by ca. 20 thousand, which results from the economic slowdown. Due to the economic crisis almost every second Pole (47%) has limited its spending on restaurants and bars. The value of the catering industry has fallen most in the segment of cafes and bars (-7.5 m EUR), restaurants (-3.5 m EUR) and self-service canteens (-1.3 m EUR). A growth has been seen in the sector of fast food bars (by 5.1 m EUR), street dining places (4.3 m EUR) and take-away and home-delivery bars (4 m EUR).

The catering industry is characterized by a strong competition. New dining places with more and more competitive offers are being established. Despite that the Polish catering industry is still not saturated. The monthly spending of a Pole on hotels and restaurants (3.5% of the home budget) is still very low compared to the spending of people from Western Europe (9.5% of the home budget). The HORECA market in Poland has a big potential for development and the upcoming European Football Championships EURO 2012 are an additional stimulus.

The economic conditions on the Polish **hotel market** in 2010 remained good. The Polish hotel infrastructure includes 2,106 classified hotels with app. 201,360 sleeping places in app. 102,054 rooms. Compared to 2010, in 2011 the number of all rooms and sleeping places increased by about 6.5%. Three- and two-star hotels dominate. There are app. 26.7 rooms and 52.7 sleeping places per 10,000 inhabitants, which means a slight increase compared to 2010 but the result is still the lowest in the EU.

The biggest player on the Polish hotel market is **ACCOR** (www.accorhotels.com), which owns hotel chains as **Sofitel**, **Novotel**, **Mercure**, **Orbis**, **Ibis**, **Etap**. The Polish hotel infrastructure includes also **BEST WESTERN** (www.bestwestern.pl), **DE SILVA** (www.desilva.pl), **HILTON WORLDWIDE** (www.hiltonworldwide.com), **IBB HOTELS** (www.ibbhotels.com), **INTER CONTINENTAL HOTELS GROUP** (www.ichotelsgroup.com), **INTERFERIE** (www.interferie.pl), **LOUVRE HOTELS GROUP** (www.louvrehotels.com), **REZIDOR HOTEL GROUP** (www.rezidor.com), **STARWOOD HOTELS & RESORTS** (www.starwoodhotels.com) and thousands of individual hotels.

As the representatives of the hotel chains say, catering makes app. 30-40% of their total income. Therefore it is a very important part of hotel operation. The results of hotel's catering services are directly influenced by occupancy rates but the clients of hotel restaurants are not only travelers. Very often hotel restaurants are visited by inhabitants who look for original dishes, sophisticated seasoning and good quality.

¹ British-American company providing market information and research services to companies interested in Central and European countries and other developing countries.

Analysts say that the **market of cafes** in Poland is worth EUR 375 m and belongs to the most dynamically developing markets of this type in Europe. The market is very competitive and dominated by big players and strong brands. In addition to companies as **COFFEEHEAVEN** (www.coffeeheaven.pl), **STARBUCKS** (www.starbucks.pl), **DAILY CAFE** (www.dailycafe.pl), **WAYNE'S COFFEE** (www.waynescoffee.pl), **COSTA COFFEE** (www.costacoffee.pl), cafes are also opened by **BIEDRONKA** discount supermarkets (www.biedronka.pl), **EMPIK** bookshops (www.empik.com), **MCDONALD'S** restaurants (www.mcdonalds.pl) and petrol stations such as **ORLEN** (www.stopcafe.pl), **BP** (www.bp.com) and **STATOIL** (www.statoil.pl).

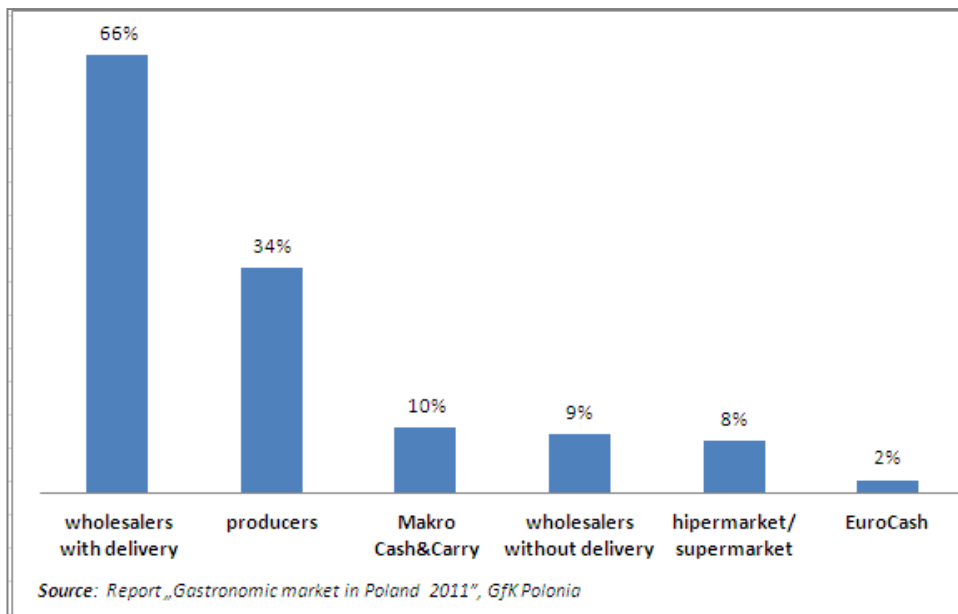
Although big chain operators are present on the Polish **market of restaurants**, it remains very fragmented. The biggest global players on the Polish market include: **MCDONALD'S** (over 220 restaurants) and **AMREST HOLDING** which owns brands as **PizzaHut** (www.pizzahut.pl), **KFC** (www.kfc.pl), **Burger King** (www.burgerking.com.pl), **Starbucks** (180 dining places in total). The Polish operators with the biggest number of dining places are: **DOMINIUM** (www.pizzadominium.pl), **DA GRASSO** (www.dagrasso.pl), **SFINX Polska** (www.sphinx.pl), **R&C UNION** (www.rcunion.pl), **PREMIUM FOOD RESTAURANTS** (www.sushi77.com).

The market of catering services is shared between **contract** and **licensed** services. The former type applies mostly to business. The biggest contract catering segments, which are dominated by big companies operating within capital groups, include hospitals, social welfare centers and canteens of industrial companies. The value of the contract catering market in Poland is estimated at roughly EUR 163 m a year but its potential can reach EUR 675 m a year (data from 2010). Licensed catering services are provided in office buildings and some industrial companies - buffets, bars, commercial centres, bus and train stations, restaurants with "go-away" sale of meals, and also during special events.

The biggest catering services companies in Poland include: **LOT Catering** (www.lotcatering.pl) and **SODEXHO Poland** (www.pl.sodexo.com), **EUREST Poland** (www.eurest.pl), **IMPEL CATERING** (www.impel.pl) and **GASTROPOL GROUP** (www.gastropolgroup.com.pl).

The Polish **market of HORECA suppliers** is very competitive. The most popular source of supplying dining places are wholesalers: (**WASPOL Gastronomia** www.wapol.info.pl, **FARUTEX** www.farutex.pl, **HELLMA Polska** www.hellma.pl, **IGLOKRAK** www.iglokrak.pl).

Suppliers with which restaurants cooperated most in 2011



Offers dedicated strictly to the catering sector are gaining in popularity. They have been developed by cash&carry chains, such as **SELGROS** (www.selgros.pl), **EUROCASH** (www.eurocash.pl) and **MAKRO** (www.makro.pl).

It is believed that the year 2012 will be full of challenges for the HORECA sector. Both restaurant owners and distributors are looking forward to the European Football Championships Euro 2012, which are supposed to give more life to this sector in Poland.

6. SUMMARY

The Polish food market will be shaped in the next years by the following trends:

- Growing demand for natural, healthy food produced with traditional production methods;
- Experimenting with and looking for new tastes and growing quality expectations;
- Looking for ready meals and convenience products, also convenient ways of shopping;
- Expansion of discount chain stores and growth of private labels.

Poland remains an attractive market for food producers and distributors. The most interesting opportunities on the food market in Poland are for pastry, confectionery, meat, ready-made and convenience food, sugar-free/healthy/bio/organic food and specialties, delicatessen, niche products.

Getting down to negotiations with potential importers/distributors and especially purchasing managers from hypermarkets and supermarkets in Poland, it is good to remember a few negotiation principles:

- Price concentration - negotiations in many cases concentrate on price – the lowest price – service and quality delivered by the supplier are not that important or NOT IMPORTANT at all.
- Negotiation, in particular relating to the FMCG market where the time pressure is greater than in any other sector, is an emotional process. Communication in English is not always at a sufficient level. In such cases we recommend to have an interpreter with you.
- Frequent changes of purchasing managers in hyper- and supermarket chains are a daily life in the Polish retail sector of today.
- It is recommended to delegate two representatives for a meeting. One of them can negotiate while the other observes and is not directly involved in the process, which makes it easier for him to keep distance.
- Payments terms – in case of Polish owned chains the payment terms delays reach up to 120 days.
- Delivery terms – in general the deliveries are realized to the central warehouse. However, in some cases every single shop/store has to be supplied directly by the exporter/supplier.
- Negotiations in chains sometimes are held in an atmosphere not very comfortable for suppliers. Do not take personally the purchasing manager's criticism of you. Always keep the negotiation focused on the subject. Negotiations are supposed to bring a profit, not satisfaction.
- Trade exchange should occur only when both parties are satisfied with its outcome. During each negotiation round the supplier must carefully analyse whether it will be profitable for him to cooperate with given conditions.

7. USEFUL CONTACTS

TRADE PRESS

- *Przemysł Spożywczy (Food Industry)* www.przemyslspozywczy.eu
- *Forum Mleczarskie (Dairy Forum)* www.forummleczarskie.pl
- *Gospodarka Mięsna (Meat management)* www.gospodarkamiesna.pl
- *Kalejdoskop Mięsny (Meat Kaleidoscop)* www.kalejdoskopmiesny.pl
- *Magazyn Przemysłu Rybnego (Fishing Industry Magazine)* www.mprfish.com
- *Przegląd Zbożowo – Młynarski (Cereals and Milling Review)* www.sigma-not.pl
- *Cukiernictwo i Piekarnictwo (Confectionery and Bakery)* www.cukiernictwo.elamed.pl
- *Przegląd Piekarski i Cukierniczy (Bakery and Confectionery Review)* www.sigma-not.pl
- *Przemysł Fermentacyjny i Owocowo-Warzywny (Fermentation, Fruit and Vegetable Industry)* www.sigma-not.pl
- *Gazeta Cukrownicza (Sugar Industry Magazine)* www.sigma-not.pl
- *Magazyn Rynki Alkoholowe (Alcoholic Markets Magazine)* www.rynki.pl
- *Biokurier Magazine* www.biokurier.pl
- *Horeca Magazine* www.horeca.pl
- *Przegląd Gastronomiczny (Gastronomical Review)* www.przegląd-gastronomiczny.pl
- *Nowości Gastronomiczne (Gastronomical News)* www.brog.pl
- *Poradnik Restauratora (Vademecum of Restaurateur)* www.poradnikrestauratora.com.pl
- *Świat Hoteli (World of Hotels)* www.brog.pl
- *Hotel Profit* www.hotelprofit.pl
- *Hotelarz (Hotelier)* www.e-hotelarz.pl
- *Detal Dzisiaj (Detal Today)* www.detaldzisiaj.com.pl
- *Wiadomości Handlowe (Trade News)* www.wiadomoscihandlowe.pl
- *Fresh&Cool Market* www.fcmarket.pl

TRADE PORTALS

- *Food Market in Poland* www.spozywka.pl
- *Food portal* www.portalspozywczy.pl
- *Polish dairy portal* www.mleczarstwo.com
- *Portal for dairy sector* www.forummleczarskie.pl
- *Meat portal* www.portalmiesny.com
- *Meat companies* www.firmymiesne.pl
- *Marine portal* www.portalmorski.pl
- *Portal for confectionery and bakery sector* www.piekarnie.pl
- *Ecological portal* www.ecoport.com.pl
- *Gastronomical portal* www.gastrona.pl
- *Portal for HoReCa sector* www.rynekhoreca.pl
- *Portal of Polish Traders* www.hurtidet.pl

TRADE ORGANIZATIONS, CHAMBERS AND ASSOCIATIONS

- Agricultural and Food Quality Inspection: www.ijhar-s.gov.pl
- Association of Polish Producers, Exporters and Importers of Meat ('Polskie Mieso'): www.polskie-mieso.pl
- Association of Private Dairy Processors: www.zppm.com.pl
- Association of Producers of Biological Food EKOLAND: www.ekoland.org.pl
- Association for Fishing Sector Development: www.srrr.org.pl
- Association of Frozen Food: www.mrozonki.org.pl
- Association of Confectionary, Ice-cream & Patisserie Producers: www.cukiernicy.pl
- Association of Polish Producers of Chocolate & Confectionary POLBISCO: www.polbisco.pl
- Association of Polish Fruit Growers: www.polskiesadownictwo.pl
- Association of Butchers & Meat Products Producers: www.srw.org.pl
- Association of Polish Regional Breweries: www.browaryregionalne.pl
- Association of Employees of the Brewing Industry – Polish Breweries: www.browarypolskie.pl
- Association of Producers of Sugar: www.cukier.org.pl
- Council of Food Industry: www.rgz.org.pl
- Chamber of Commerce “ Food Industry”: www.kig-ps.pl
- National Chamber of Business “Beverage Industry”: www.kigpr.pl
- National Poultry Council – Chamber of Industry: www.krd-ig.com.pl
- National Refrigeration Forum – Employees’ Association: www.forum-chlodnictwa.org.pl
- National Milkmen Association: www.mlekoland.com
- Organic Food Valley Cluster www.dolinaeko.pl
- Polish Association of Fish Producers: www.pspr.pl
- Polish Association of Juices Producers: www.kups.org.pl
- Polish Association of Producers & Breeders of Pig Flock POLSUS: www.polsus.pl
- Polish Association of Producers of Margarine: www.margaryny.pl
- Polish Chamber of Food Ingredients: www.idz.com.pl
- Polish Federation of Food Industry: www.pfpz.pl
- Polish Information and Foreign Investment Agency: www.paiz.gov.pl
- Polish Organization of Commerce and Distribution: www.pohid.pl

TRADE FAIRS

- **POLAGRA FOOD** International Trade Fair for Food in Poznań www.polagra-food.pl
- **FE POLAND** International Fair for Food and Beverages in Warsaw www.expoxxi.pl
- **EKOGALA** International Fair of Biological Food in Rzeszów www.ekogala.podkarpackie.pl
- **OPOLAGRA** Agricultural Exhibition in Kamień Śląski www.opolagra.pl
- **MLEKO-EXPO** Dairy Fair in Warsaw www.mleczarstwopolskie.kzsm.pl
- **MLECZNA REWIA** Dairy Fair in Gdańsk www.mlecznarewia.pl
- **GASTRO TRENDY** International Trade Fair for Gastronomy in Poznań www.polagragastro.pl

- **NATURA FOOD** Natural Food Fair in Łódź www.mtl.lodz.pl
- **GASTROFOOD** Food and Drinks for Catering Trade Fair in Cracow www.targi.krakow.pl
- **ENOEXPO** International Wine Trade Fair in Cracow www.targi.krakow.pl
- **REGIONALIA** Regional Products Fair in Warsaw www.regionalia.com.pl
- **Festiwal Podkarpackich Smaków** Traditional Food Fair in Górnó (podkarpackie voivodship) www.umwp.podkarpackie.pl
- **Powiatowe Święto Chleba** (Local Feast of Bread) in Przeworsk (podkarpackie voivodship) www.powiat.przeworsk.pl
- **Festiwal Kultur i Kresowego Jadła** (Festival of Cultures and Borderland Food) in Basznia Dolna (podkarpackie voivodship) www.kresowejadlo.pl
- **POWIDLAKI** Festival of Fruit Preserves in w Krzeszowo (dolnośląskie voivodship) www.krzeszowgok.pl
- **Podkarpackie Święto Miodu** (Feast of Honey) in Rzeszów (podkarpackie voivodship) www.wzp.rzeszow.pl
- **Nasze Kulinarne Dziedzictwo – Smaki Regionów** Festival of Regional Food in Lidzbark Warmiński (warmińsko-mazurskie voivodship) www.warmia.mazury.pl
- **E-GASTRO** Virtual Trade Fair - www.e-gastro.com

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- Kamil Koprowicz: „Czas na żniwa producentów słodczy”, *Puls Biznesu* 19/01/2012
- Wiktor Szczepaniak: „Tłuszczowy gigant szuka inwestora”, *Puls Biznesu* 1/09/2011
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