USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 7/15/2005

GAIN Report Number: PL5016

Poland

HRI Food Service Sector

Annual

2005

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Report Highlights:
Poland is a significant market for diverse food products. The population of the country, reaching almost 40 million, spends about 30 percent of its income on food and beverages. this is significantly less than in other Western countries, in Germany it is 40 percent and in the United States 52 percent.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Warsaw [PL1]
[PL]

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Executive Summary

Poland is a significant market for diverse food products. The population of the country, reaching almost 40 million, spends about 30 percent of its income on food and beverages. The value of food and beverages sold by the retail and the Hotel and Restaurant Industry (HRI) sectors in 2003 totaled $43 billion, a 16 percent increase from 2001. However, the portion of income spent in restaurants and the larger food service sector has remained constant at 6-8 percent of total food expenditures. This is significantly less than in other Western countries, in Germany it is 40 percent and the United States 52 percent.

Traditionally, Poles prefer dining at home rather than in restaurants. Low incomes and relatively high prices in restaurants limited growth in this sector. Prices in restaurants and food service establishments in the early nineties grew much faster than the retail prices for food. In fact, between 1993-1996 expenditures on catering services decreased by 16 percent. Since 1996, this trend has changed, particularly in urban areas where incomes and employment levels are higher.

Today the variety and sheer number of restaurants reflect changes in demographics. In the past, foreigners or Polish officials frequented restaurants. Weddings were the one occasion that families visited restaurants and the majority of which were located in hotels. This is no longer the case, particularly in large cities where approximately 30 percent of the population lives. In urban areas 56 percent of households have two or more incomes. Restaurants come in all shapes and sizes, as well as price ranges. Warsaw, for instance, boasts a variety of low-cost eateries and high-end restaurants. Consumer tastes in these areas are becoming similar to those of Western Europe and the United States. Mediterranean, French, Middle Eastern, and Asian cuisines are becoming more popular and more readily available in local neighborhoods as well as well-traveled locations. Demand for fast food is growing quickly. Many families now consider visiting traditional or fast food restaurants a form of entertainment.

During the last decade, the increase in demand for HRI food service was stimulated by increasing GDP, growth in employment among women, higher per capita incomes, and development of tourism. All these factors developed rapidly until 2000 when a significantly lower rate of growth of the Polish economy began, which continued through 2002. This resulted in higher unemployment, lower per capita income, and reduced tourism in Poland. Gross Domestic Product growth dropped from 4 percent in 2000 to 1.2 percent in 2001 and near 1 percent again in 2002. Unemployment increased from 15 percent to 17.4 percent, mainly affecting women. As a result, development of the HRI sector has slowed. Nevertheless, this drop was not as dramatic as in other sectors of the Polish economy.

The situation reversed in 2003 when the economy started to recover and growth continued throughout 2004. Although GDP growth rose to 3.8 percent and 5.3 percent respectively, the unemployment rate increased, reaching a level of 19-20 percent. The unemployment rate is still higher as regards women (20.3 percent) than in the case of men (18.4 percent). In 2004 women constituted 51.6 percent of adult population and 45.2 percent of the total workforce.

In 2004, imports of agri-food products formed 6 percent of total import value (US$4.6 billion), which was 30 percent higher than in 2003. The majority of food and feed products imported to Poland were fruits, animal feed, fish, and seafood. The majority of these products originated in Germany, Holland, Italy, France, and Denmark.

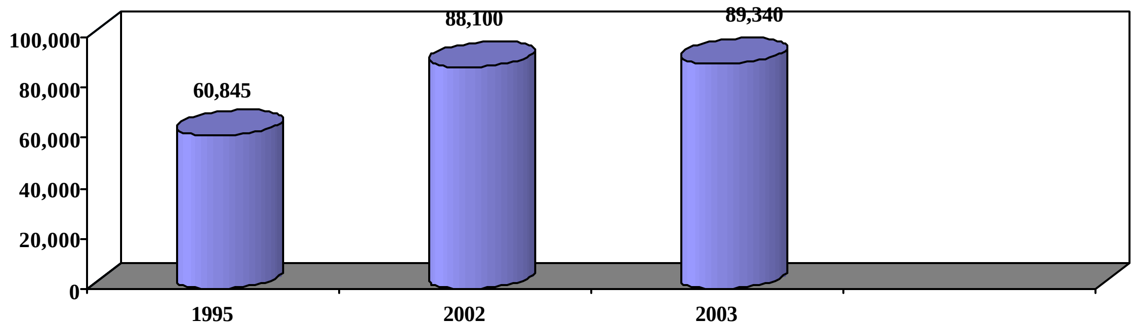
Processed food products made up 43 percent of total food and agricultural imports in 2004. Food imports from the United States were valued at US$91.5 million, accounting for 2.3 percent of all Polish agricultural imports. Key products imported from the U.S. include red meat and tripe, fresh fruits, and fish.

U.S. exports face stiff competition from EU suppliers and from domestic processors. There has been rapid development of local production due largely to foreign investments in food processing and the food production sector.

I. THE HRI MARKET DESCRIPTION

At the end of 2003 there were more than 89,000 food service establishments (permanent and seasonal) in Poland, a 4.4 percent increase from 2002. The number of food service establishments has been growing for many years and this tendency is expected to continue. As a result of rapid privatization in this sector, more than 96 percent of eateries are privately owned and operated (98.2 percent restaurants, 98.7 percent bars, 73.4 percent cafeterias, and 97.7 percent food stands). Food service establishments include 38,400 bars, 33,700 food stands, 8,800 restaurants, and 7,200 cafeterias.

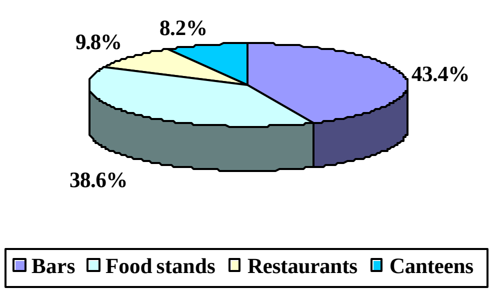
Number of Food Service Establishments 1995, 2002, and 2003 (permanent and seasonal)



Source: GUS (Central Statistical Office)

In 2004 the highest increase in food service units was in bars (5.4 percent) and food stands (4 percent). Bars are the most common food service establishments representing 43 percent of all such establishments.

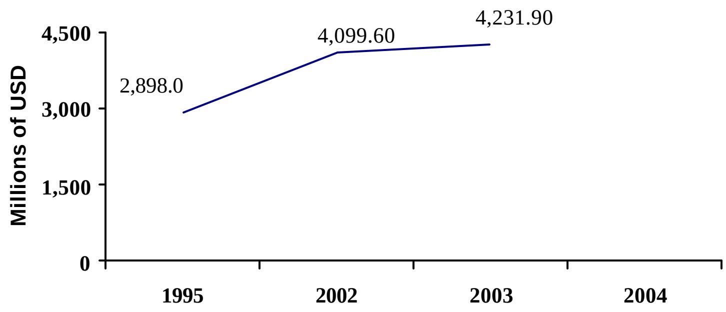
Food Service Unit Breakdown



Source: GUS

Revenues from food service activities increased rapidly during the nineties and have remained stable, slightly exceeding US$4 billion, during the period 2001-2004. As much as 53 percent of the total income is generated from food service production and almost 28 percent from sales of commodities.

Total Income From Food Service Business
(in current prices)



Source: GUS

No statistical data exists showing the proportion of imported food products, either processed food or raw materials, directly purchased by food service establishments. Between 1994-2004, imported food constituted 10-13 percent of total food sales in Poland (excluding beverages and alcohol).

A dynamic development of the Polish food service sector began in the nineties when international corporations (primarily American) specializing in fast food entered the Polish market. These companies included, but are not limited to: Burger King[1], McDonald's, Pepsico (KFC, Pizza Hut), Domino's Pizza, and Telepizza.

[1] No longer operates in Poland

Advantages of and Challenges to American Products on the Polish Market

Advantages	*Challenges*
? Low level of risk when investing in the food service sector in Poland compared with the fierce competition on world markets; ? Growth in personal income and changes in consumption, life, and work standards will support development of food services; ? Economic growth and development of tourism, to and from Poland, makes western food consumption standards more popular.	? The trend by major food chains to use mainly materials and semi-products of Polish origin lowers the demand for imported commodities; ? Demographic changes resulting from a drop in the birth rate will decrease the population of the primary fast food consumers (i.e. children and young people); ? Integration with the European Union has made food ingredients from this area easily accessible and has limited the demand for imports from other countries including the USA.

II. MARKET STRUCTURE, COMPANY PROFILES & SUB-SECTOR TRENDS

DISTRIBUTION CHANNELS

Entering the Polish market is a challenge for exporters of raw materials in the food service sector. The main obstacle is the desire to use lower cost Polish products. Imports are indispensable only when these products are not otherwise available.

Methods of supply for imported food ingredients:

- Subsidiaries of fast food chains have their own supply channels in the form of trade or representative offices in countries where materials or products are purchased.
- Some of the largest organizations in the food service sector (mainly hotel chains) have their own supply units.
- Local wholesalers and importers import materials, semi-processed products, and commodities for other food service firms.

Regardless of the route to the Polish market, success requires establishing a local representative or agent and personal contacts with Polish businesses. A solid position in the market may only be achieved by exporters who have a thorough knowledge of current legal, tax and customs regulations, market structures, local exhibitions and trade fairs, implications of EU accession, and non-tariff barriers to trade. These obstacles are best overcome by working with an experienced local representative. The type of representation depends primarily on the exporter’s goals, product types, and distribution channels in Poland. Relations between an exporter and local partner should be well established before contracts or long-term agreements are considered. Exporters should consider using consulting firms working within Poland for market research.

MARKET STRUCTURE

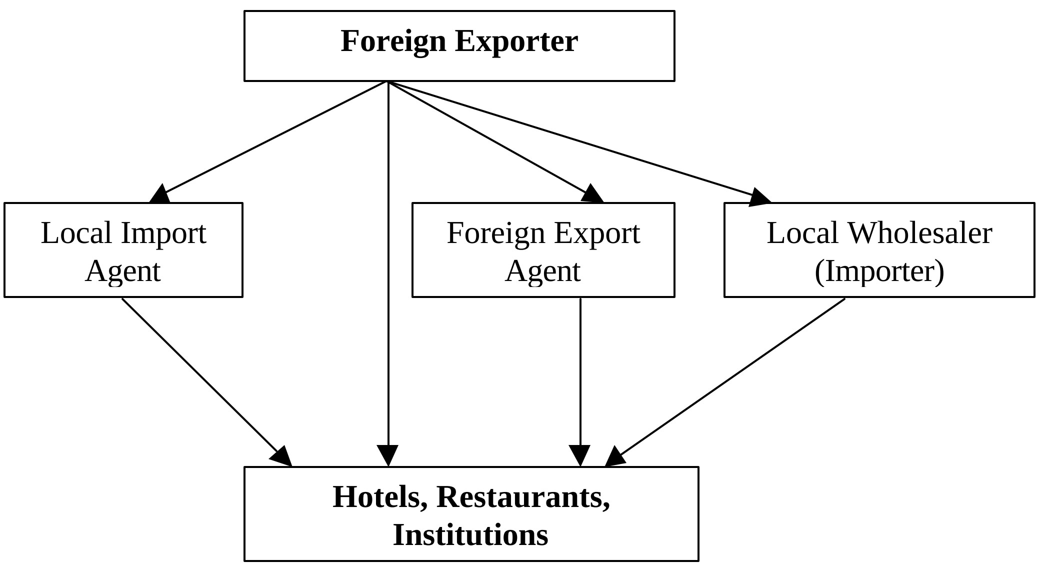
Among the aforementioned distribution channels local wholesalers have experienced the most rapid growth.

For many years, large former state-owned companies such as Agros, Rolimpex, and Animex monopolized food imports. Since the beginning of the nineties three main trends have been observed:

- Large companies have been privatized and, in many cases, their new owners have focused on other areas of activity (production of food, alcoholic beverages, soft drinks, animal feed, or exports).
- A free-market economy has allowed many newly-established private businesses to carry out and develop import/export activities; most of these operate on a local scale and specialize in specific groups of products.
- Large food producers, both Polish and foreign, as well as hypermarkets purchase commodities from abroad using their own import departments.
- Former “giants” have lost their importance and are only one of many companies operating in this area.

The Majority of Polish imports are semi-products and components necessary for further processing. The most important foreign commodities are: fruits and nuts (15 percent of total agri-food imports), animal feed (12 percent), fish (9 percent), cocoa and chocolate (5 percent), fats, oils, and cereals (5 percent), as well as processed fruits and vegetables (5 percent).

Food Components Distribution Chart



SUB-SECTOR PROFILES

Hotels and Resorts

In 2003 there were 7,116 various establishments providing 596,500 beds in Poland. They provide a wide range of services and standards targeted at different consumers, including everything from camping sites to luxury hotels. Both the number of establishments and beds decreased compared to 2002 when they amounted to 7,948 and 610,900 respectively. The decrease mainly affected private pensions, tourist inns, camping sites, and leisure centres formerly owned by the state. In 2003 there were 1,155 hotels, 132 motels, 260 pensions, and 169 shelter-houses and transit hostels, providing 144,700 beds.

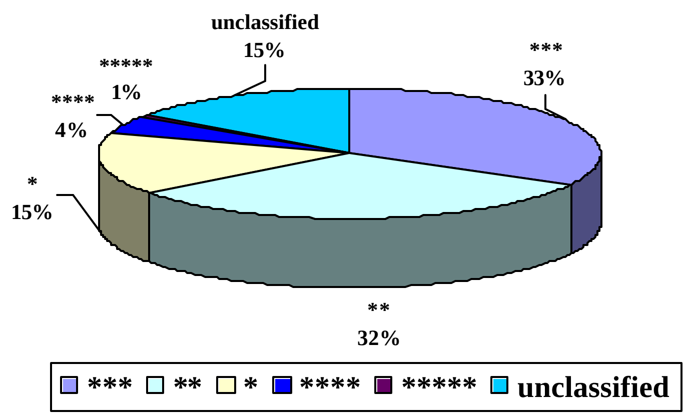
Compared to the European Union, Poland has an extremely low ratio of hotel beds to per 10,000 inhabitants. Poland has 33 hotel beds per 10,000 inhabitants compared to 574 in Greece and 699 in Austria. However, the number of hotels in Poland is growing rapidly. In 2003 there was an 8 percent increase in hotels and a 6 percent increase in beds compared to 2002. Since 1994 the average yearly increase in the number of hotels (7 percent) outpaced the average yearly increase in beds (5.2 percent). The most significant increase in this area was in four-star hotels, which experienced 13 percent growth since 1994.

In 2003 there were 1,155 hotels in Poland with 61,200 rooms and 117,100 beds, of which two and three-star hotels had the highest number of beds, 22 percent and 42 percent respectively. Also, their share in the total number of hotels is dominant. Nevertheless, this dominant position is threatened by continuously developing chains of lower-standard hotels. On the other hand, there are only eight five-star hotels in Poland.

According to the forecast of the Institute of Tourism the number of hotels and motels will grow significantly. It is expected that in 2007 there will be 1,400 hotels in Poland; the most rapid increase will be in one and two-star hotels.

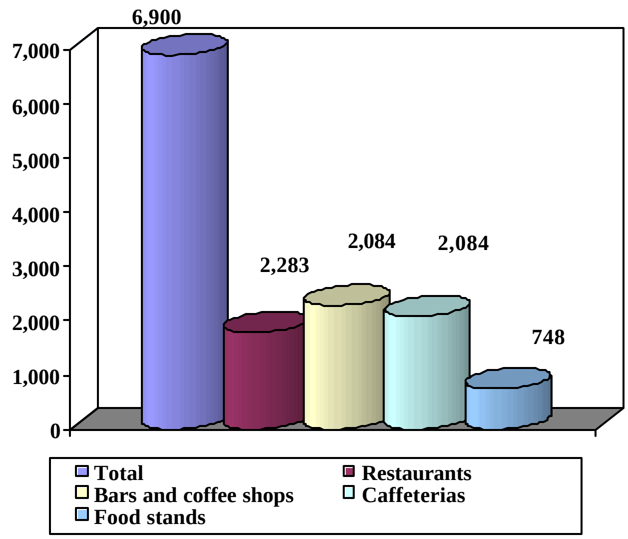
Hotels, motels, pensions, shelter-houses, and transit hostels run over 2,700 food service establishments (restaurants, bars, cafes, etc.). Another 4,200 food service establishments were located at spas, training and recreational centres, camping sites, and unclassified outlets.

Hotel Breakdown by Category in 2004



Source: Author's calculation based on GUS data

Food Service Units, Permanent and Seasonal, in Hotels, Resorts, Camping sites, and Temporary Lodgings

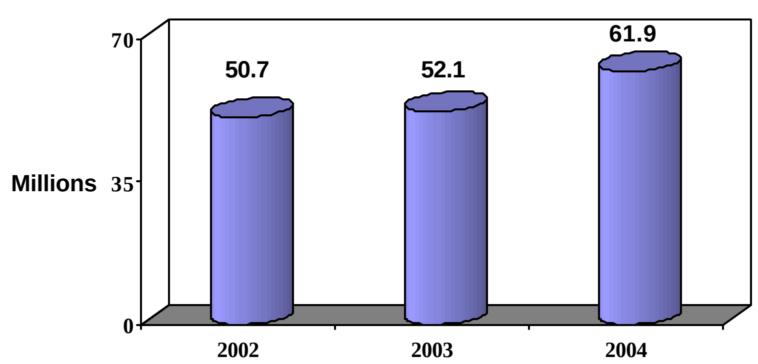


Source: GUS

Poles prefer staying with friends or relatives rather than staying in a hotel. This is true for 59 percent of short-term and 46 percent of long-term trips. During 2003 about 6.9 million people stayed in hotels, which is a 7 percent increase from 2002. The highest number of hotel reservations was in the Mazowieckie, Malopolskie, and Dolnoslaskie provinces.

In 2004, almost 62 million foreigners visited Poland, 19 percent more than in 2003. A significant decline observed at the borders with Belarus and Ukraine was compensated by remarkable growth in tourists from EU countries.

Number of Foreign Visitors



Source: GUS

Polish citizens account for the majority of hotel reservations. In 2004 foreign tourists constituted 38 percent of the total number of hotel reservations.

Most visitors are from neighbouring countries: Germany, the former Soviet Union, and the Czech and Slovak Republics. Tourists from other countries constitute about 10 percent of the total number of visitors. Foreign tourists usually visit larger towns and stay in hotels there.

Country and Number of Tourists (in thousands)

Group of countries	2002	2003	2004
Total	*50,734.6*	*52,129.8*	*62,000*
Germany	23,654.7	25,456.5	34,122.1
Russia, Belarus, Ukraine	11,939.0	10,193.9	9,466.2
EU-15 (excluding Germany)	1,700.3	1,681.9	1,834.4
New EU members	12,582.1	13,898.6	15,465.7
Other European	261.7	276.9	297.9
Main overseas	311.1	333.8	405.1
Other CIS	108.1	112.1	116.9
Other overseas	177.6	176.0	209.5

Source: GUS

Poland has developed neither a tourist infrastructure nor an appropriate promotion of high-quality resorts, which might attract western visitors. A lack of significant improvement in these areas is the main reason that Poles travel abroad and that foreign tourists spend their holidays in other countries. A majority of foreign visitors come on business and stay in hotels. The number of businessmen traveling to Poland has increased in the last few years. Currently, only 40 percent of all visitors come to Poland for vacation.

The growth rate of hotel rooms has been faster than that of the number of visitors. This is reflected in the index of the average use of hotel rooms, which has dropped below 50 percent. Concurrently, the profitability of the entire sector has declined almost 20 percent. This has also precipitated a fall in average hotel prices. Currently, the average price of a hotel room in Warsaw is about US$ 150.

Occupancy rate by hotel category (percentage)

HOTEL CATEGORY	**OCCUPANCY RATE**	
	2002	**2003**
Total	**36.0**	**36.0**
* * * * *	51.3	49.5
* * * *	44.8	43.3
* * *	37.9	38.7
* *	34.3	32.8
*	29.1	31.1

Source: GUS

Corporate clients generate the highest demand for hotel rooms in large cities. For this reason the occupancy rate is highest from Monday to Friday. Four and five-star hotels are primarily occupied by foreign visitors; Poles prefer three-star hotels where they account for about 60 percent of guests.

Key players in the Hotel market have already invested in Poland. In addition, hotels owned with Polish capital have been continuously built as an alternative to international unified standards. There are many foreign hotel chains operating in Poland. These hotels are mainly located in Warsaw, Krakow, and other large cities. Until recently foreign businesspeople primarily used these hotels. For some time, medium rated hotels targeting lower-income tourists and businesspeople have been constructed.

Top 10 hotels in Poland by turnover in 2000 and 2001*

HOTEL	LOCATION	CHAIN	NUMBER OF		AVERAGE ROOM PRICE US$	ROOM USE IN 2001 (%)	REVENUE US$ M	
			ROOMS	BEDS			2000	2001
Marriott	Warsaw	Marriott Lodging	523	1046	356	56	40.7	38.1
Sheraton	Warsaw	ITT Sheraton	352	704	380	60	30	29.1
Sobieski	Warsaw	Orbis	418	777	280	58	26.9	24.8
Forum	Warsaw	Orbis	733	1310	170	53	25.1	24.1
Sofitel Victoria	Warsaw	Orbis	313	530	290	54	20	18.2
Holiday Inn	Warsaw	Orbis	336	630	240	53	17.1	15.4
Le Royal Meridien Bristol	Warsaw	Le Meridien	206	384	400	51	17.4	15.2
Poznan	Poznan	Orbis	489	664	120	61	12.7	13.1
Mercure	Warsaw	Accor	250	500	230	56	11.7	11.9
Radisson SAS	Szczecin	Radisson	369	738	155	54	10.7	11.3

** Data for 2002,2003, and 2004 are not available*

The rapid development of the Polish hotel sector has been stimulated by international hotel chains, which intensified their activity during the nineties. The most important of these are:

- Qubus Hotel Holding, a Norwegian company, has nine hotels in Zielona Góra, Gorzów Zlotoryja Wroclaw, Glogów, Legnica, Gliwice, Walbrzych, and Katowice. They are also planning to open hotels in Warszawa, Kraków, Lodz, and Poznan.

- A French group, Envergure Hotels, has seven two-star hotels affiliated with the Campanile chain, one Kyriad hotel, and one hotel affiliated with the Premiere Classe chain.
- Global Hotels Development Group (six hotels), a franchisee co-operating with the English owned Bass Hotels & Resorts, is building and managing Holiday Inn hotels in Poland. Currently, they have hotels in Gdansk, Wroclaw, and Kraków and are planning to open 20 hotels in the next 10 years. They also intend to develop a chain of Express by Holiday Inn economy class hotels. Two have already been opened in Kraków and Warsaw. Bass Hotels & Resorts also operates the Inter Continental Hotel in Warsaw.
- Best Western International, an American company, operates four hotels in Wroclaw, Bialystok, Bialowieza, and Warsaw. Future investments are planned for Gliwice and Poznan.
- Radisson-SAS has four four-star hotels in Poland, including Warsaw, Szczecin, Wroclaw, and Kraków. They also plan to build hotels in Katowice and Lublin.
- Hyatt Hotels & Resorts has one five-star hotel in Warsaw and is not considering further developments in Poland.
- Starwood Hotels and Resorts operates the Sheraton and Westin Hotels in Warsaw. They are planning a new Sheraton hotel in Poznan.
- The Marriott and Le Royal Meridian are represented in Poland; however, both chains have only one hotel and no further development plans have been revealed.

Apart from the international chains there are chains belonging to Polish companies, which enjoy strong positions in terms of the number of hotels.

Orbis S.A., with funding from the French hotel giant Accor, is the market leader in three, four, and five-star hotels, with a 40 percent market share. They manage 77 hotels in 33 cities within Poland and one in Lithuania. The Orbis chain includes: one Sofitel, 10 Novotels, 12 Mercures, one Holiday Inn, eight Ibis, and 33 Orbis hotels.

OST "Gromada" is the second largest company managing mainly three-star hotels. This chain includes 21 hotels, of which one is in Berlin and one in Capetown, eight leisure and camping centres, and offers 5,000 beds.

Hotele Warszawskie "Syrena", bought out by Austrian Bau-Holding, operates on the Warsaw market and offers 1,600 beds in six two and three-star hotels.

PUHiT Ltd., manages one and two-star or unclassified hotels, established as a result of the privatisation process of former worker hotels. Currently, this company has several dozens facilities.

Hotel and Resort Company Profiles

Company & Sub-Sector Type	Type & Number of Outlets	Location	Purchasing Agent (s)
Orbis, hotels with restaurants	Hotels - 77 Hotel Restaurants - 130	Nationwide	Direct; Importers, Local suppliers
Gromada, hotels with restaurants	Hotels - 19 Hotel Restaurants - 21	Nationwide	Direct; Importers, Local suppliers
Qubus Hotels, hotels with restaurants	Hotels - 9 Hotel Restaurants - 9	South-West Poland	Direct; Importers, Local suppliers
Envergure Hotels (H -9)	Hotels - 9 Hotel Restaurants - 9	Warsaw, Kraków, Poznan, Lublin, Szczecin, Katowice, Wroclaw	Direct; Importers, Local suppliers
Best Western International, hotels with restaurants	Hotels - 4 Hotel Restaurants - 4	Nationwide	Direct; Importers, Local suppliers
Radisson SAS, hotels with restaurants	Hotels - 4 Hotel Restaurants - 10	Warsaw, Szczecin, Wroclaw, and Kraków	Direct; Importers, Local suppliers
Sheraton, hotels with restaurants	Hotel – 1 Hotel Restaurants - 4	Warsaw	Direct; Importers, Local suppliers

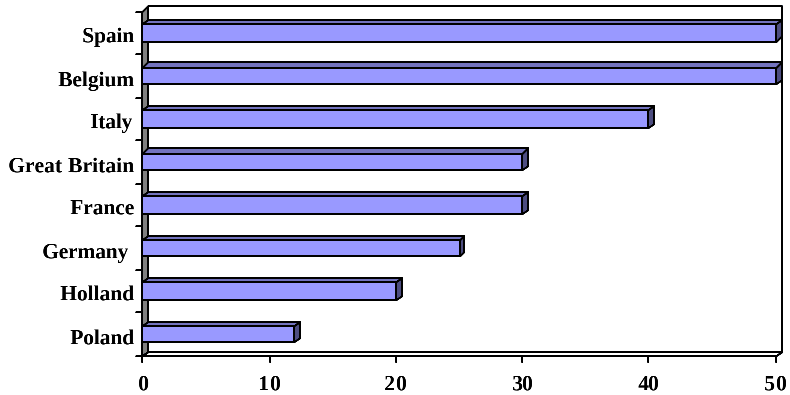
Each hotel has at least one large restaurant (usually two) and a snack bar. Often larger hotels have restaurants that specialize in international cuisine. There are a number of smaller hotels that normally have a café or small restaurant on the premises. It is estimated that there are slightly more than 1,000 hotel restaurants in Poland.

Restaurants

The density of the restaurant sector in Poland has been growing steadily; however, compared to other European markets Poland has a low density of food service networks.

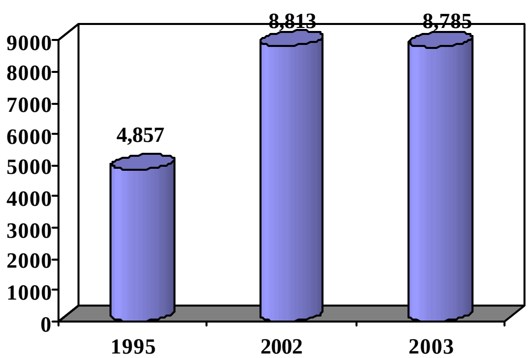
Polish consumers also visit restaurants and snack bars less often than other European nations. About 40 percent of Poles eat out whereas in the Czech Republic 76 percent of the population does. Nevertheless, the restaurant sector is expected to develop rapidly. This is mainly due to increased income and better paying jobs. An increasing number of cheaper restaurants appearing in shopping centres will continue to influence consumers.

Number of Food Service Units (per 10,000 inhabitants)



Source: Food Service 3/2004

Number of Restaurants



Source: GUS

According to the report prepared by GfK Polonia, there are also 8,700 pubs, 4,500 nightclubs, and over 8,000 other outlets at gas, railway, and bus stations.

Total sales in the foodservice sector in 2004 were estimated at US$ 4.3 million. Restaurants accounted for 21 percent of sales. Fast food restaurants accounted for a relatively small proportion of sales, 9 percent, considering they make up 14 percent of all eateries. Nightclubs represent the least significant share at 6 percent.

Although price plays a significant role in deciding if and where to eat out, food quality is becoming increasingly important. Consumers have higher requirements and expect new and more diversified dishes; nevertheless, 93 percent of the population prefers to eat Polish cuisine. There are virtually no chain-restaurants in Poland outside of the fast food sector. Their development started in 1991-1992, when the largest international chains established franchises in Poland. These consist of bars, restaurants, and carryout establishments.

The major exception is the Sphinx restaurant chain, which has operated in Poland since 1995. The company is Polish owned and since 2002 Enterprise Investors has been the majority shareholder. For the first seven years they developed slowly but continuously. Rapid growth took place in 2003 when they opened 18 restaurants and continued in 2004 with another 15 new establishments. They have 67 restaurants and plan to have 150 by the end of 2006.

The fast food sector is developing dynamically and is the only restaurant sub-sector forming chains. The ownership of the remainder of the restaurant sector is varied. There are only a dozen or so family run companies in Poland which own more than one restaurant, café, or bar. McDonald’s, Pizza Hut/KFC, Telepizza, and Pan American Pizza are major market players in this segment. Each of these has more than 60 restaurants and employs a few thousand people. They have chains in all major cities and are now expanding their activities by opening new restaurants in towns with populations ranging between 80,000 and 100,000. Most of these chains operate on a franchise basis. Pizza Dominium is the largest fast food chain solely of Polish origin. They have 31 units in Poland, one in Prague, and one in Moscow. This year they plan to open 10 restaurants and sell 15 franchises. Burger King was part of this group but withdrew from the Polish market four years ago.

A second group includes chains with up to 20 restaurants. These are: New York City Pizza, San Marzano, Subway, Positano, Akasaka, Tao-Tao, and the Polish chain Lesne Runo. A third group is made up of food stands, located mainly in big cities. These are: Oscar, A-petit, Tukan Salad Bar, Dania Fast Food, and Picnic. Kiosks and bars with Vietnamese and Chinese food form a separate group. There are 150-200 units in Warsaw and over 2,000 in Poland.

There are more than 1,000 restaurant owned by food service chains in Poland. Most of these operate by selling franchises. In addition, there are a large number of individual fast food restaurants (selling mainly pizzas), with reasonable financial standing. Major menu items at fast food restaurants include hamburgers, hot dogs, sandwiches, salads, pizzas, and french fries. All chains, including Polish branches of international companies, use Polish suppliers.

Food Courts and other types of food service establishments, situated in modern shopping and entertainment centres, are a new phenomenon in Poland. They attract a continuously growing number of customers. Fast food chains, restaurants, and cafeterias consider such places very promising locations.

The HRI sector will continue to grow despite the low purchasing power of Poles. Every year Polish consumers are more health conscious; thus, fast food restaurants have changed their menus and serve a wider range of vegetarian and other healthy dishes. The HRI industry is an important market for food sales and in 2004 it accounted for 20 percent of all fast moving consumer goods (FMCG).

Most restaurant owners (80 percent) buy from wholesalers offering transport services. They also buy products at macro cash and carry or directly from producers. The remainder purchase food products from wholesalers in super and hypermarkets, open markets, or other retail outlets.

Among local suppliers Boduelle Polska Sp. z o.o. is one of the biggest. They supply the best restaurants and hotels, offering frozen and boiled vegetables. Hortino is another important market player; however, their products are cheaper and of lower quality. Lannen Polska is a company that supplies top quality food products. They offer a wide range of soups, meat, and vegetables. Hortex markets their products to individual hotels and restaurants;

however, the range of products for this market segment is more limited than that offered for the retail trade. Oerlemans Foods Polska specializes in the production of a wide range of high-quality frozen fruits and vegetables offered for restaurant and industry use.

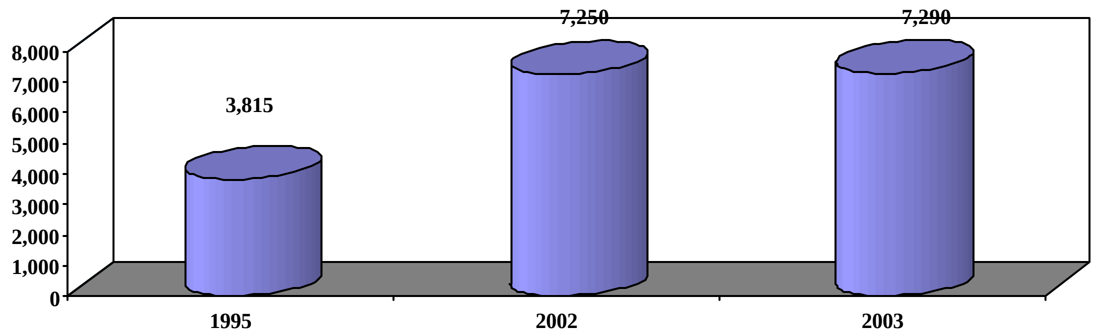
Top Food Service Chains by Number of Restaurants

Chain	Owner	2000	2001	2004
Mc Donald's	Mc Donald's Polska (American capital)	167	200	206
		Restaurants		
Pizza Hut/KFC*	American-Restaurants (Dutch capital)	106	130	126
		71 KFC and 55 Pizza Hut restaurants in 2004		
TelePizza	TelePizza Poland (Spanish capital)	60	72	91
		Restaurants		
Sphinx	Sphinx Polska (Polish capital + Enterprise Investors)	n.a.	24	67
		Restaurants		
Pan American Pizza	Pan American Pizza (Polish capital)	-	2	46
		Restaurants, food stands, pubs, and night clubs		
Mr. Hamburger	Mr. Hamburger (Polish capital)	30	35	50
		Bars located in the Silesia region		
Da Grasso	Da Grasso (Polish capital)	-	6	53
		Pizza restaurants		
Pizza Dominium	Pizza Dominium (Polish capital)	n.a.	n.a.	31 pizza restaurants
Pizza Marzano	Pizza Express Polska (international capital)	6	9	9
		Pizza restaurants		

Institutional

Institutional food service establishments consist primarily of cafeterias in public buildings and private companies. In the past, companies provided cheap, subsidized meals and products to employees. The demand in the institutional food sector had been steadily decreasing. However, a growing supply of commercial catering services has been noted, and the decreasing tendency has reversed. In 2003 there were almost 7,300 cafeterias, which is 0.5 percent more than the year before.

Number of Institutional Food Service Units (Cafeterias)



Source: GUS

The most common institutional food service establishments are cafeterias operating in educational establishments (schools, universities, and, to a lesser extent, kindergartens and nurseries). It is estimated that educational facilities represent 40 percent of total sales in the institutional food service sector.

The educational sector is followed by food services provided for office and factory workers. This constitutes 20 percent of the total value of institutional food services. The smallest area is that of institutional food services in the health care, the armed forces, and social welfare institutions.

Food services in the commercial area are generally organized in-house. However, specialized professional firms (e.g. contract caterers) are becoming more common. A significant growth in companies dealing strictly with food service (party service, office food service, and operating canteens) was noted until 1995. At this point restaurants began offering institutional food service as an alternative source of income. Currently, this market is stagnant as regards large companies offering this type of services, but the number of small, local firms is increasing.

French Sodexho, British Eurest, German Dussmann, and Polish Impel are the only companies that operate nationwide food service activities in Poland. These organizations provide their services to people working in office buildings, factories, schools, and hospitals.

Sodexho Polska Sp. z o.o., founded in 1993, is a subsidiary of Sodexho Alliance, the worldwide leader in food and management services. They employ more than 1,000 people in Poland and provide food service to over 70 contractors. They offer catering for company employees and government funded institutions (schools, hospitals etc.), private and state-owned companies, health care units, and schools. Sodexho also organises banquets and large events and maintains vending machines.

Eurest, a member of the Compass Group Corporation, has been active in Poland since 1993. It employs 700 people and operates restaurants and cafeterias at more than 70 locations, offering complex food services.

Dussmann has been operating in Poland since 1993. Since 1990 Polish Impel has been providing a wide scope of services to production companies, financial institutions, health service, social service, and public administration. They employ over 20,000 people and operate 21 branch offices all over the country. Institutional catering services are carried out by 900 employees who operate over 100 food service units. Such companies as LOT Food Service and WARS also offer catering services on a national basis.

LOT Food service Sp. z o.o. has the largest catering production site in Poland. They employ 750 people and produce over 18,000 meals a day. They deliver their products to different market segments; however, supplying airlines generates over 77 percent of total sales. Institutional catering accounts for about 6 percent of their income. WARS, food service for Polish trains (PKP), focuses solely on this market segment.

Institutional Company Profiles

COMPANY & SUB-SECTOR TYPE	**OUTLET NAME, TYPE & NUMBER OF OUTLETS**	**LOCATION**	**PURCHASING AGENT(S)**
Sodexho Polska, institutional catering	Sodexho Food Service (CS) (51)	National	Direct; Importers, Local suppliers
Impel Catering, institutional catering	Impel Food Service (CS) (100)	National	Direct; Importers, Local suppliers
Eurest Poland, institutional catering	Eurest Food Service (CS) (70)	National	Direct; Importers, Local suppliers
Dussmann Poland, institutional catering	Dussmann Food Service		Direct; Importers, Local suppliers
LOT Food service Sp. z o.o., institutional catering	"LOT" Polish Airlines (CS)	National	Direct; Importers, Local suppliert
WARS , institutional catering	Restaurants & bars in trains (CS)	National	Direct; Importers, Local supplier

III. COMPETITION

American and Western European companies are the most active in the HRI sector. Companies from the U.S. dominate fast food services. Competition for this sub-sector comes from small family-run restaurants, bars, food-stands, and recently developing "underground" bars. Ownership of hotels, restaurants, and resorts is dispersed. The best hotels belong to international hotel chains. The majority of restaurants and resorts are Polish owned.

The cumulative value of foreign investments in the hotel and restaurant sector by the end of 2004 amounted to US$ 885 million.

Hotel and Restaurant Companies with Foreign Capital

Investor	capital invested (Millions of US$) as of December 31, 2004	Origin	Activities
Accor	280.0	France	hotels and motels, with restaurant
McDonalds	148.0	USA	restaurants
Envergure Hotels	76.1	France	hotels and restaurants
Trusthouse Forte	60.0	United Kingdom	Hotel with restaurant
BRG Holding Developments	53.7	USA	Hotel with restaurant
Sheraton Warsaw Corporation	45.0	USA	Hotel with restaurant
Cosmar S.r.l	45.0	Italy	Hotel with restaurant
Am-Rest Holding	25.0	USA	restaurant
Qubus Hotel System	22.3	Norway	Hotel with restaurant
Porr International	20.0	Austria	Hotel
Min Hoong Development	20.0	China	hotels and motels, with restaurant
International Fast Food Corporation	17.5	USA	Burger King restaurants
Intersnack Knabber Gebaeck	15.0	Austria	hotels and motels, with restaurant
TelePizza	14.0	Spain	restaurant
Rogner	13.6	Germany	Hotel with restaurant
Pan Smak Pizza	7.5	Canada	Hotel with restaurant
Scanpol International	6.4	Denmark	Hotel with restaurant
Marriott	5.0	USA	Hotel with restaurant
Ceneu Pizza	3.5	The Netherlands	restaurant
Kochloeffel	3.0	Germany	fast food restaurant
Sven von der Heyden	2.6	Germany	hotels and motels, with restaurant
Best Eastern Plaza Hotels International	2.1	Luxemburg	hotels and motels, with restaurant

Currently, the majority of food service companies operating in Poland have Polish and/or Western European owners. There are still good long-term prospects for growth in food service targeting hotels, restaurants, and resorts.

The majority of imported foods for HRI services come from the European Union. Due to the open market and logistical advantages, imports from the EU are often less expensive than imports from the United States. Poland's integration with the EU has strengthened the competitive position of imports from EU countries in comparison to imports from the United States.

IV. BEST PRODUCT PROSPECTS

PRODUCTS PRESENT IN THE MARKET THAT HAVE GOOD SALES POTENTIAL

Fast food chains have demonstrated the fastest growth in sales in the HRI sector. It is expected that during the coming years the number of fast food restaurants and franchises will continue to grow.

Polish consumption of vegetables, fruit, wine, fish, seafood, and beer continues to grow. Sales opportunities for these products are good. Fast foods such as sandwiches, snack foods, fish, meat, and vegetable dishes served at shops and bars or delivered to the office or the home have good sales potential.

PRODUCTS NOT PRESENT IN SIGNIFICANT QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL

This group consists of all of restaurants and bars offering international cuisines, which are present in a limited range on the food service market, such as some European cuisines (e.g. Italian, Greek, Spanish) and Middle Eastern. American cuisine restaurants such as TGI Friday's are gradually appearing but still not in significant numbers.

There are also opportunities for health food and organic restaurants. Snacks with low-fat or low-sugar content and made with natural ingredients have good sales potential. Vegetarian cuisine is also enjoying growing demand. Microwaveable and ready-to-cook products also have good sales potential, particularly for institutional food services (schools, hospitals, nurseries etc.). As only about 300,000 Polish families have microwaves in the home, these products would be intended for institutional food service. It should also be kept in mind that Polish consumers are not accustomed to very spicy food.

PRODUCTS NOT PRESENT BECAUSE THEY FACE SIGNIFICANT BARRIERS

This group consists of products whose access to the Polish market is limited by high customs duties, including: products with high-sugar content, semi-processed microwavable goods, high quality seafood products, processed grains (apart from grains grown in Poland), and brown rice. This group also includes products that are not certified as acceptable for consumption in Poland, mainly because of certain additives. Poland uses a positive additives list. Polish regulations tend to be stricter than in other developed countries (especially for dyes and preservatives). Information concerning these materials is available from Panstwowy Zaklad Higieny (State Hygiene Institute) and the Ministry of Health. Harmonization of regulations with the EU directives will alleviate some additive limitations that are currently in place.

V. POST CONTACT INFORMATION

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

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e-mail: agwarsaw@usda.gov or

agwarsaw@wp.pl

Homepage: http://www.usaemb.pl/usfas.htm

For more information on exporting U.S. food products to Poland, including "The Exporter's Guide", "The Food Processing Sector Report", "The Retail Food Sector Report", product briefs on the market potential for U.S. fruit, wine, and dried fruits and nuts, please visit the Foreign Agricultural Service home page: http://www.fas.usda.gov. Importer lists are also available from our office to exporters of U.S. food products.