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Poland

Exporter Guide

Exporter Guide for Poland and the Baltic Countries

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Report Highlights:

Opportunities exist for U.S. agricultural products in Poland, Lithuania, Estonia, and Latvia but there are challenges in light of the region's EU membership and the Euro zone situation. Poland has been described as an oasis of economic performance in a turbulent Euro zone while the Baltic States have begun a recovery from a crisis that was felt very deeply. This region highly regards America and products displaying their American heritage with a flag or geographic emphasis are popular. However, among some consumers American cuisine's image is defined as fast food laced with genetically modified ingredients.

The regions' HRI and Food Processing sectors are expanding, providing room for investment by American companies and opportunities for U.S. suppliers of a wide variety of ingredients. Many consumer-ready and high-value food products, such as confectionary products, are performing well.

The primary challenge for U.S. products remains access to the European market. With joining of the EU in 2004 Poland and the Baltic States adopted the EU tariff structure for agricultural products and food regulatory standards. U.S. beef and poultry trade were most affected by their accession.

Post:
Warsaw

Executive Summary:

Opportunities exist for U.S. agricultural products in Poland, Lithuania, Estonia, and Latvia but there are challenges in light the region's EU membership and the Euro zone situation. U.S. exporters should first determine if their commodity has market access to the EU. Poland has been described as an oasis of economic performance in a turbulent Euro zone. Indeed, real GDP growth is expected to be 4.4 percent in 2012, a half percentage point increase on the previous year. ^[1] The Baltic States have begun a recovery from a crisis that was very deeply felt: the region experienced a double digit recession in 2009 but growth was positive on average in 2011. This region highly regards America and products displaying their American heritage with a flag or geographic emphasis are popular. However, American cuisine has a negative image among some consumers as being of unhealthy fast food and of genetically modified ingredients (Note: In September 2011 Polish President Bronislaw Komorowski vetoed proposed legislation that had proposed cultivation of GM crops for not being based on sound science.)

The HRI sectors in Poland and the Baltic states are expanding, providing room for future investment by American companies. The region's expanding food processing sector also provides opportunities for U.S. suppliers of a wide variety of ingredients. Many consumer ready and high value food products, such as confectionary products, are performing well on the Polish market. The country also imports baking ingredients, seafood, wine and spirits, pet food, almonds, pistachios, sunflower seeds, protein isolates, grapefruit and cranberries in large quantities.

The primary challenge for U.S. products remains access to the European market. With their joining of the EU in 2004 Poland and the Baltic States imposed a higher tariff on agricultural imports and modified their food safety standards to comply with EU regulations. U.S. beef and poultry trade were affected the most. Poland is one of the largest beneficiaries of centralized EU subsidies: by 2016, €68 billion is to be spent on infrastructure, human resources, innovation, environmental protection, and the modernization of agriculture. ^[2] Translation: U.S. products will face additional scrutiny as for meeting EU regulations and conforming to EU societal agendas, as competitive forces seek to narrow domestic competition in the Polish and Baltic markets.

^[1] Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic Forecast Poland

^[2] Rising demand for confectionary in Poland Euromonitor

SECTION I - MARKET OVERVIEW

POLAND

Poland is the only country not to experience a fall in GDP throughout the ongoing economic crisis. Growth is forecast to resume its pre-crisis pace by 2012, when the economy could grow by nearly 5 percent. The trade balance is forecast to worsen meaning that Poland will look to importing products to satisfy growing internal demand: from 2010, imports are set to more than triple by 2012. Though this may put pressure on Poland's budget, analysts predict that the government will stick by its plans of fiscal consolidation and see the deficit narrow to 3.2 percent of GDP, reassuring investors.

Poland's population of 38.3 million is increasingly concentrated in cities with 61 percent living in urban centers. The median age is 38 years of age and increasing. A trend toward smaller families is becoming more apparent in Poland's 13.3 million households, with an average household size of 3.07. Polish families eat together and households buy for only a few days to stock the house. Convenience foods are growing more popular, but traditional women roles to shop and cook remain in place.

Although Poland has a strategic position at the centre of Europe, the poor state of its roads, as well as financial pressures, have prevented the country from fully capitalizing on its geographical position.

Exports accounted for 32.5 percent of GDP in 2009 and this share has been falling for several years.

Overreliance on a few trade partners is a significant concern: in 2009, 79.2 percent of all exports went to the EU. In 2009, machinery and transport equipment accounted for 42.5 percent of Poland's total export goods. The current account deficit was 4.5 percent of GDP in 2010 and is set to reach 5.5 percent in 2011. ^[1]

Basic economic indicators for Poland are as follows:

	POLAND			
	2009	2010	2011f	2012f
Population, mln	38.2	38.3	38.3	38.3
Nominal GDP, PLN bn	1,343.4	1415.4	1549.8	1613.1
GDP per capita, US \$	12,262	12,294	14,302	15,167
Real GDP growth, % change y-o-y	1.6	3.8	4.6	3.5
Budget balance % of GDP	(7.3)	(7.8)	(6.2)	(4.3)
Consumer prices % y-o-y, eop	3.5	3.1	3.4	2.5
Exchange rate PLN/US\$, eop (November 2011)	3.05	2.96	2.79	2.74
Exchange rate PLN/EUR, eop (November 2011)	3.87	3.96	3.99	3.67
Goods Imports, EUR bn	107.2	131.0	151.8	171.6
Goods Exports EUR bn	101.8	122.4	138.3	156.6
Balance of Trade in Goods, EUR bn	(5.4)	(8.6)	(13.5)	(15.0)
Current account, % of GDP	(3.6)	(4.5)	(5.5)	(5.4)
Foreign reserves ex gold, US\$bn	75.9	88.8	99.7	102.7
Total external debt stock, % of GDP	59.9	67.7	65.6	69.4

Source: Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic Forecast Poland

Advantages and Challenges of the Polish Market for U.S. Exporters

Advantages	Challenges
Central Europe's most populous country with a domestic consumer market of nearly 40 million people.	U.S. products face high transportation costs as compared to many European competitors.
A strategic location within a dense, major international market offering re-exports potential.	Complicated system of product registration in some cases delaying or even preventing products from entering the Polish market that are new to the EU.
Transshipment from other EU countries of import now possible with Poland's EU integration.	Poland's EU Accession puts United States products at a competitive disadvantage versus EU-27 duty-free EU internally traded products.
A very productive, young, and skilled labor force therefore, good potential for finding trading partners and favorable conditions for establishing joint ventures.	Despite rising incomes, Polish consumers indicate that price is still the primary purchasing factor for food and beverage products in at least 75 percent or more of their retail food purchases.
Polish consumers associate United States products with good quality.	Food recalls in the EU have had a negative impact on Polish consumer views of imported products, and GMO issues hamper imports of United States products.
Market niches exist in consumer ready food products - i.e. dried fruits, nuts, wine and distilled spirits, and microwavable products.	Foreign investment in the Polish food processing industry results in local production of many high quality products that were previously imported.
Economic growth has been rising	While the export of some U.S. goods has been encouraged by EU trade regulations, some goods, namely poultry and beef, remain limited due to EU sanitary restrictions.

BALTIC STATES

The Baltic economies seem to be back on track with an average GDP growth rate of above 4 percent forecasted for 2011, but they have a lot of ground to make up after having contracted by more than 15 percent on average between 2008-2010. Latvia and Lithuania need to work hard to improve their finances as their budget deficits are above the EU target, 8.1 percent, and 7.1 percent of GDP respectively. The situation will only improve if these countries fulfill their growth prospects. All Baltic States look about to increase their imports in 2012 but exports will grow in tandem as the trade balance stays stable, at a healthy rate of between 0 and 1 percent of GDP in Lithuania and Estonia.

Estonia and Latvia are also experiencing a slowdown in birth rate and diminishing household size due to the same cultural changes happening in Poland, which is tied to economic advancement of younger people after the countries, joined the EU market. In Lithuania, natural increase has accounted for the majority of population growth, which is at a level to offset the ageing of its population unlike its neighbors. It is worth noting that both Estonia and Latvia include a substantial Russian minority, 25.6 percent and 27.8 percent respectively. In Lithuania, 6.1 percent of the population is of Polish origin, due to the shared history of these nations.

Basic economic indicators for the region are as follows:

	LITHUANIA			
	2009	2010	2011f	2012f
Population, mln	3.3	3.3	3.3	3.3
Nominal GDP,	91.3	94.5	102.7	107.9
GDP per capita, US \$	11,032	10,904	12,919	13,228
Real GDP growth, % change y-o-y	(14.7)	1.3	2.0	2.2
Industrial production index, % y-o-y, avg.	(5.8)	6.6	10.8	7.0
Budget balance, % of GDP	(9.2)	(7.1)	(5.0)	(3.8)
Consumer prices, % y-o-y, eop	1.3	3.8	2.5	3.0
Exchange rate LTL/US\$, eop (November 2011)	2.4	2.6	2.4	2.6
Exchange rate LTL/EUR, eop (November 2011)	3.1	3.5	3.5	3.4
Goods Imports, EURbn	12.6	16.9	19.8	21.3
Goods Exports EURbn	11.8	15.7	18.5	19.7
Balance of Trade in Goods, EURbn	(0.8)	(1.2)	(1.2)	(1.7)
Current account, % of GDP	4.3	1.9	0.5	-0.6
Foreign reserves ex gold, US\$bn	6.7	6.8	5	5.5
Total external debt stock, % of GDP	90.1	86.2	59.9	54.6

Source: Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic forecast Lithuania 2011

	ESTONIA			
	2009	2010	2011f	2012f
Population, mln	1.3	1.3	1.3	1.3
Nominal GDP, EURbn	13.9	14.5	15.6	16.8
GDP per capita, US \$	14,478	14,354	16,649	17,375
Real GDP growth, % change y-o-y	(13.9)	1.9	5.0	4.7
Industrial- production index, % y-o-y, avg.	(26.0)	24.0	25.0	6.0
Budget balance % of GDP	(1.8)	0.1	(0.6)	(0.2)
Consumer prices % y-o-y, eop	(1.7)	5.4	3.5	3.0
Exchange rate EUR/US\$, eop (November 2011)	0.79	0.75	0.7	0.75
Goods Imports, EURbn	7.1	9.0	12.5	13.3
Goods Exports EURbn	6.5	8.8	12.3	13.0
Balance of trade in Goods, EURbn	(0.6)	(0.2)	(0.2)	(0.3)
Current account, % of GDP	4.5	3.5	1.0	(0.1)
Foreign reserves ex gold, US\$bn	3.5	3.93	2.67	2.7
Total external debt stock, % of GDP	124.5	113.7	102.4	95.7

Source: Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic forecast Estonia 2011

	LATVIA			
	2009	2010	2011f	2012f
Population, mln	2.3	2.3	2.2	2.2
Nominal GDP, LVLbn	12.6	11.8	12.5	13.4
GDP per capita, US \$	11,054	9,885	11,364	11,783
Real GDP growth, % change y-o-y	(18.0)	(0.3)	2.9	3.5
Industrial production index, % y-o-y, avg	(15.7)	14.0	9.0	7.5
Budget balance, % of GDP	(9.5)	(8.1)	(5.0)	(2.5)
Consumer prices, % y-o-y, eop	(1.2)	2.5	3.2	3.4
Exchange rate LVL/US\$, eop (November 2011)	0.56	0.54	0.49	0.53
Exchange rate LVL/EUR, eop (November 2011)	0.71	0.72	0.71	0.71
Goods Imports, EURbn	6.6	8.0	8.5	9.0
Goods Exports, EURbn	5.3	6.8	7.3	7.9
Balance of trade in Goods, EURbn	(1.3)	(1.2)	(1.2)	(1.1)
Current account, % of GDP	6.5	3.9	3.6	4.0
Foreign reserves ex gold, US\$bn	6.9	7.9	8.3	8.8
Total external debt stock, % of GDP	123.8	113.8	89.4	84.7

Source: Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic forecast Latvia 2011

Advantages and Challenges of the Baltic States Market for U.S. Exporters

Advantages	Challenges
Consumer market of 7 million people.	U.S. products face high transportation costs as compared to many European competitors.
A strategic location offering re-export potential to The Russian Federation, Ukraine, and the Balkans.	Complicated system of product registration in some cases delaying or even preventing the product from entering the Baltic States' market.
Transshipment from other EU countries of import now possible with Baltic's EU integration.	Baltic States' EU Accession puts United States products at a competitive disadvantage versus EU-27 duty-free EU internally traded products.
A very productive, young, and skilled labor force therefore, good potential for finding trading partners and favorable conditions for establishing joint ventures.	Given the current economic conditions the Baltic States indicate that price is still the primary purchasing factor for food and beverage products in at least 75 percent or more of their retail food purchases.
Local consumers associate United States products with good quality.	Food recalls in the EU have had a negative impact on Baltic States consumer views of imported products, and GMO issues hamper imports of United States products.
Market niches exist in consumer ready food products - i.e. dried fruits, nuts, wines, and microwavable products.	Foreign investment in the Baltic States food processing industry results in local production of many high quality products that were previously imported.
Despite an economic slowdown sales of high end goods continue.	European exporters tend to offer credit term (30-90 days) payments; while many of the U.S. exporters require pre-payment.

SECTION II - EXPORTER BUSINESS TIPS

POLAND

The best way to understand the Polish market is to visit and speak to importers and distributors in order to prepare the best entry strategy for your product. Personal contact is considered very important when conducting business in Poland as most purchases are made after meeting an exporter or their representative in person. English is increasingly common as the language of commerce, but it is important to check in advance to see if translation service may be necessary. It is customary for business people to shake hands upon meeting.

Poland is a rather formal and hierarchical culture. As a result first names are rarely used initially in the business context. Address people with Pan (Mr.) and Pani (Mrs.) followed by their surname. A relationship may warm up to the degree where first names can be used but the Polish party signal that is the case. Business cards are the norm and are generally given to each person at a meeting; therefore U.S. visitors should bring plenty of business cards to a meeting, although cards printed in Polish are not necessary. Business attire is formal, including a suit and tie for men and a suit or dress for women.

Technical regulations including documentation, sanitary and phytosanitary requirements and labeling have changed since Poland's EU-27 accession. Poland amended most of its import requirements to conform to EU regulations. For detailed information on product import certificates please refer to the EU 27 Consolidated Food and Agricultural Regulations and Standards (FAIRS) Report, GAIN E60015, date 3/13/2011, available at:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Certification%20Brussels%20USEU%20EU-27%203-23-2011.pdf>

For details on Poland specific regulations, such as labeling, refer to Poland's Food and Agricultural Regulations and Standards (FAIRS) Report, GAIN PL1023, date 12/21/2010, available at:

<http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative%20Warsaw%20Poland%2012-21-2010.pdf>

The Polish consumers are becoming more sophisticated and increasingly value variety and availability of food products. Imports are rising steadily to cater to such demands and compensate for Poland's seasonal production. EU Member States satisfy the majority of this demand with meats primarily supplied by Germany and Denmark. Non-EU member states Poland sources products from include Turkey and the Ukraine for mainly nuts and seeds, and sunflower seed oilcake.

BALTIC STATES

The importance of personal contact, the rise of English as the "lingua franca" when doing business, and somewhat antique personal greeting formalities also apply in the Baltic States.

More specifically, one may notice that Latvians are fairly reserved and do not have a problem with 'awkward silences.' Lithuanians, Latvians, and Estonians are very courteous in their communication and perceive interrupting others as bad manners. It is important therefore, that one give meeting attendee's ample time to complete their statement before speaking. Many are fairly direct in their communication;

however, they will also moderate what they say to avoid potential offense. When doing business in Latvia one should follow suit, not say anything that could be perceived as critical of another individual. It is also the norm in Latvia not to furnish speech with non essential information, but to be succinct and to the point.

American products are not yet well known to Baltic consumers. This situation is compounded by a negative fast-food image of American products. To counter-act, an active promotion campaign of American food ingredients and products, in cooperation and collaboration with local wholesale suppliers and distributors should help turn the market situation around for U.S. products. The quality of U.S. products and unique ingredients should be attractive to regional food processing enterprises and local consumers.^[2]

With accession into the European Union, the Baltic States have updated their technical regulations to conform to EU requirements, including documentation, sanitary and phytosanitary requirements, and labeling. For detailed information on product import requirements please refer to the EU-27 Consolidated Food and Agricultural Regulations and Standards (FAIRS) Report, GAIN E57011, date 12/22/2010, available at:
http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Brussels%20USEU_EU-27_12-21-2010.pdf

Lithuania is a net exporter of food products. Lithuania's major agricultural exports include wheat, cheese, and dog and cat food. Major imports include milk, wine, tomatoes, coffee, and fresh fruit.

Estonia is a net importer of food products. Wood and wood product exports dominate Estonia's agricultural exports, which also include cheese, shrimps, and prawns. The most significant agricultural imports included wine, coffee, pork, cane/beet sugar, animal feed, beer, and cocoa preparations.

Latvia is a net agricultural products exporter. Key Latvian exports include sawn timber and wood products, wine, seafood and dairy products. Latvian agricultural imports include wine, wheat, cane/beet sugar, soybean oilcake, coniferous wood, salmon, cheese, and dog and cat food.

In the Baltic States the quest for fresh and natural foods is driving the force in the food sector. Brand names, such as McCormick, Hackman, Procter & Gamble, Nestle, Kellogg's, Santa Maria, Heinz, Kraft, Master Foods, etc., engender a positive response. However, a shift in demand towards healthier and less processed foods and ingredients is opening the door for less well-known products onto the market.

SECTION III - MARKET SECTOR STRUCTURE AND TRENDS

POLAND

Wholesale Sector

Poland's wholesale market structure has five categories: national chains, regional chains, regional wholesalers, local wholesalers, and buying groups (consisting of regional chains and regional wholesalers). The national chains are the least numerous and operate several branches throughout Poland with central management. Regional chains have recently grown through consolidation and

purchase of bankrupt firms; they cover specific areas, usually several provinces, and supply mainly retailers. Regional wholesalers have a strong presence in local markets and offer a wide range of products and greater service than centralized companies. However, local wholesalers are feeling the pressure of larger firms that now primarily deal in cash and carry. Buyer groups operate in several market segments and are increasing their integration with specific retailers.

In Poland, the cash and carry format has gained popularity quickly, as small, traditional retailers (of which there are many) appreciate the wide selection of products sold at competitive prices. Indeed, most of the major chains in the cash and carry channel target small, traditional retailers, HORECA outlets, and institutions. Consolidation of the market is highly likely in coming years but new entrants should be expected given its attractiveness to small retailers. Jeronimo Martins Dystrybucja SA, the owner of the ubiquitous Biedronka discount supermarket chain, is considering launching a cash and carry outlet line. Major players are likely to strengthen their positions, as sales are predicted to rise due to the growing number of outlets. The main companies operating in the cash and carry market are: Makro Cash and Carry Polska SA, Selgros Cash & Carry Sp zoo, Eurocash SA, and Emperia Holding SA.^[3]

Retail Sector

The distribution system for consumer ready food products, as with all other branches of the Polish economy, is still undergoing a rapid transformation and remains one of the most dynamic and fastest growing areas of the Polish economy. The retail sector is much diversified. It ranges from small family operated stores, through medium-sized stores to large distribution centers which can be easily compared with those found in other countries in Western Europe and the United States. Annual disposable income is expected to rise by 17 percent between 2010 and 2014. As income grows, Poles are becoming more fastidious buyers, which are forcing retailers to pay more attention to issues such as quality of product and customer service, the availability of additional services as well as store design, to make shopping more pleasant and convenient.^[4]

Foreign investors are attracted to the retail sector. As of 2009, there were over 293 hypermarkets nationwide along with many super-stores. The vast majority of hypermarkets are foreign owned, with traditional small-scale and predominantly Polish-owned shops facing steadily decreasing sales. There are approximately 30.9 shops per 10,000 inhabitants. Large retail chains are projected to gain control of as much as 80 percent of the Polish market within the next five years with only 8 major players remaining. However, market analysis also shows that almost 40 percent of confectionary retail sales occur via distribution by small grocery retailers: market consolidation appears still to be off a few years.^[5]

Since 2005, E-commerce has developed at a pace of over 40 percent annually. The increasing number of Internet users and their positive attitude towards on-line shopping translates to expanding opportunities in this market channel. Mostly young people shop on-line now. Older consumers are the brake on more rapid expansion in e-commerce as they distrust this form of shopping. However, with greater familiarity with the internet and the competitiveness of products offered on-line versus traditional outlets, future prospects appear bright. By the end of 2011, it is projected that the number of e-shops will have double and that growth in turn-over will have expanded 40-50 percent since 2005.^[6]

For additional information on the Polish retail sector please refer to the previous GAIN report PL1021, date 12/27/2010, available at:

[http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods Warsaw Poland 12-21-2010.pdf](http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Foods%20Warsaw%20Poland%2012-21-2010.pdf)

Food Processing Sector

The sector is varied with both domestic and international companies represented on the market. There are also a number of small companies operating in the fruit, vegetable, meat processing, and baking sectors located throughout Poland. The most important sectors of the food processing industry are meat, dairy, and alcohol, followed by confectionery, food concentrates, sugar, fruits and vegetables, juices and non-alcoholic beverages production. The proportion of food industry products considered to be value-added increases constantly.

The confectionary sector can be viewed as an example of the trends associated with the modernization of the Polish market. In 2010 chocolate confectionery sales grew by 10 percent in current value terms to reach US\$ 2 billion (2010 exchange rate) and benefits from a steady demand and rising consumer expectations. More Poles, particularly affluent ones, are reaching for sophisticated lines that offer additional value and excellent quality. Sugar confectionery fared well even during times of economic slowdown as such products are seen as affordable indulgences. Gum sales grew by 4 percent (calculated using fixed 2010 exchange rate) in current value terms in 2010 to reach US\$300 million. Growing numbers of Polish consumers are seeking added value in gum, these consumers are open to novelties and eagerly try out products with active ingredients.^[7] A growing demand for variety is reflected by the fragmentation of the confectionary market: there are over 170 different brands offered with none controlling more than a 6.7 percent of the market.^[8]

For additional information on Poland's processing sector please refer to the previous GAIN report PL6026, date 4/28/2006, available at: <http://www.fas.usda.gov/gainfiles/200604/146187598.pdf>

Hotel, Restaurant & Institutional Sector

With more Poles working longer hours, Polish eating habits have altered with eating out becoming more common. Polish, Italian, Chinese, Mexican, and Indian restaurants can be found in almost every Polish city. American chains have also started to appear in larger cities like Warsaw. These chains include T.G.I. Friday's, Champions, Mc Donald's, Pizza Hut, and KFC. In addition, many of the international hotel chains such as the Marriott, Radisson, Sheraton, Hyatt, Hilton, and Holiday Inn are present in Polish cities. Many local entrepreneurs, too, have invested heavily in this sector.

Despite the fact that Poles still prefer home-made meals, they are gradually moving towards ready meals and American style fast-food outlets. This is particularly true of the young professional crowd. A hectic lifestyle that combines intensive professional duties with household chores, allow little free time which is preferred to be spent in leisure rather than in the kitchen cooking. Consequently, sales by food outlets offering traditional meals are increasing. Furthermore, exotic meals offered by restaurants and other food outlets are gaining in popularity as an outcrop of the increasing interest in foreign cuisine by Poles who have travelled abroad.

Poland's hosting of the European Football Championships in 2012 will have a positive impact on the hotel market. New accommodations are being built rapidly in those cities where events are scheduled to

accommodate the large numbers of fans and tourists expected. The benefits from building new hotels will not be limited only to the time of the competition, but will continue afterwards. New, modern hotels will stimulate the growth of Poland's tourism sector as the competition will increase interest from both tourists and investors in the country. ^[9]

Several larger domestic producers have set up separate distribution channels specifically for this sector. While the other sectors of Polish food distribution are already very competitive, the HRI sector still sees excellent opportunity for growth. An HRI-targeted promotion campaign may offer U.S. exporters good opportunities for sales to Poland.

For additional information on Poland's HRI sector please refer to GAINS PL9012, date 12/29/2009, available at:

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/HRI%20FOOD%20SERVICE%20SECTOR_Warsaw_Poland_12-23-2009.pdf

BALTIC STATES

Wholesale Sector

The Baltic States' wholesale sector can be divided into the following categories: international chains, national chains, regional chains, regional wholesalers, local wholesalers, and buying groups. International chains, mostly Scandinavian, are likely to dominate the markets in the future. National chains operate branches in individual countries (Lithuania, Estonia, and Latvia). Regional chains, located in individual countries, are territorial and usually serve several provinces. Regional wholesalers have a strong presence in local markets and offer a wide range of products and services, supply mainly smaller retailers. Local wholesalers, feeling the pressure from larger firms in the industry, now primarily operate in cash and carry. Buying groups operate in several market segments and are increasing their integration with specific retailers.

Retail Sector

The Baltic States' retail sector is much diversified. It ranges from small family operated stores, through medium sized stores to large distribution centers which can be easily compared with those found in the Scandinavian countries (RIMI chain operating in all three Baltic States).

In **Lithuania** the economic recovery has not necessarily been reflected by a parallel recovery in consumer purchasing power. This has led the retail sector to record only minor sales increases during this period. Among the more positive contributors in this sector, Grocery retail sales are growing steadily while internet retailing is developing rapidly. E-commerce is a key driver behind the growth in retail sales, and given its underdevelopment, expansion opportunities exist. ^[10]

Latvian consumers, meanwhile, continue to review spend habits and avoid unnecessary purchases. The "economization" trend underway is forcing many retailers to adjust their strategies to cater for the limited purchasing power of Latvians.

Supermarkets/hypermarkets continued to diversify their product lines to economize including scrutinizing more closely consumer interest in private label products. A majority of retailers now offer

as many temporary discounts as possible to attract consumers. ^[11]

In Estonia, the retail landscape is moving in the opposite direction rapidly, as modern retail channels, such as supermarkets and hypermarkets, are growing increasingly more influential. Discounters that benefitted from changing consumer habits in the wake of the global financial crisis are now seeing consumer shift away. Internet retailing is experiencing strong sales growth, as consumers discover the convenience of this non-traditional channel. The retail sector performance is expected to continue strongly as consumer purchasing power expands in the country's economic recovery. ^[12]

Food Processing Sector

The food processing sector reflects in many ways the development of the Baltic States economy since the collapse of communism. The sector is varied with both domestic and international companies represented on the market. A number of small companies operate in the fruit, vegetable, meat processing, and banking sectors located throughout the Baltic region. The most prominent sectors of the food processing industry include: dairy, confectionery, bakery, cereal, alcohol, sugar, fruits and vegetables, juice and non-alcoholic beverage production. The proportion of food industry products considered to be value-added is constantly increasing.

For the Baltic region on whole, the slower economic recovery, unemployment, and low disposable income per household will lead consumers to look for economical food options. Dried fruit and nuts will increasingly become part of such a diet, fulfilling the need for balanced nutrition on a limited budget. Ready-to-eat healthy meals will be in demand by bargain seeking consumers and the busy working single population, predicted to increase. ^[13] Health and sports drinks could find a niche in the Baltic market. However, promotional campaigns may be required to familiarize consumers with such American products. A gap exists in the HRI sector for organic products, although the market is most likely to remain quite small. ^[14]

Hotel, Restaurant & Institutional Sector

In Estonia, the number of HRI establishments has grown continuously since 2001, with 392 accommodations then, to triple that number by 2010. The 2008/9 global economic crisis drove HRI management teams in Estonia to reexamine business practices. Improvements in hotel services and amenities, brand marketing, availability of conference facilities and catering to business events were all pursued in effort to attract clients and overcome the recession. ^[15]

In Estonia, French, Italian, Mediterranean, Russian, Asian, Japanese, and Indian restaurants account for the international cuisine. KFC, McDonalds, pizza, and steak restaurants represent American cuisine.

American steak restaurants seem to have a particularly bright future in this market. Gourmet foods (dried, processed, canned, and frozen), unique cuisine, food products, and beverages supplemented with vitamins and minerals intended to promote health, all promise increasing sales if current trends continue. Introducing American gourmet cuisine (e.g. Cajun-Creole) to HRI establishments could be a way of entering the Estonian market. ^[16]

Latvia's first quarter 2011 GDP totaled 3,070.86 million lats (LVL), with hotels and restaurants accounting for 32.03 million LVL. Per capita income in 2010 totaled 3,580 LVL as compared to 2008

of 4,670 LVL. The economic downturn's influence on the market resulted in declining consumer expenditures on goods and services. Over the 2006-2010 period, consumer expenditures decreased 20 percent. In 2010 unemployment stood at 19. Optimism persists though as total consumer expenditure for Latvia is projected to rise to 8.5 billion LVL in 2015 and 9.9 billion by 2020. ^[17]

SECTION IV- BEST SALES PROSPECTS

POLAND- Please also refer to Table in the attachment

Best prospects include:

- Almonds
- Wine
- Whiskey
- Salmon
- Pistachios
- Sunflower Seeds
- Raisins
- Ground Nuts
- Protein Isolates
- Grapefruit

BALTIC STATES

The high quality and long shelf life of U.S. agricultural products and beverages make these competitive in the Estonian market as in other Baltic states. Demand of fish and fish products (salmon, mackerel, surimi, and lobster), dried fruits (cranberry, apricots, prunes) and nuts (almonds, hazelnuts, pecans) is set to increase. In the HRI sector, the supply of Angus beef could be prosperous as it gains popularity. ^[1]

Frozen fish and fish products are another avenue to explore for U.S. businesses. Interest in salmon, herrings, surimi, mackerel, shrimps, and lobster is likely to attract local consumers as well as food processing companies. However, most fish products supplied to Estonia come from Norway and other Baltic states, competition from local and EU suppliers are very strong.

The introduction of U.S. wine and spirits requires marketing and promotion of these beverages since Baltic consumers are not familiar with U.S. alcoholic beverages. Wine is growing in popularity in this region though wine aficionados are still limited in number. American liquor is well known for its historical merit and is sought for by locals and Scandinavian tourists. ^[2]

Strong consumer preference for local tastes and products might obstruct introduction of new products and ingredients to the Baltic food market. Another important factor for the Baltic food market is the limited purchasing power of local consumers.

SECTION V - KEY CONTACTS AND FUTHER INFORMATION

POLAND and the Baltic Countries

One of the goals of the Foreign Agricultural Service (FAS) office in Warsaw is to assist in the market development and promotion of U.S. food and agricultural products in Poland and the Baltic States. There are a wide variety of ways in which to approach these markets and many key contacts such as importers, distributors, and retailers. Please contact FAS Warsaw if you would like additional information on any of these markets if your company is interested in selling U.S. food and beverage products to this region.

There are several U.S. commodity groups, called cooperators, who partner with FAS to promote U.S. agricultural products in the region. Those cooperators who are particularly active in Poland include: Pear Bureau Northwest, California Pistachio Commission, Raisin Administrative Committee, Northwest Wine Coalition, American Hardwood Export Council, U.S. Wheat Associates, Cranberry Marketing Committee, and Food Export USA Northeast. The California Wine Institute, Cranberry Marketing Committee, Almond Board of California, and the U.S. Soybean Board-American Soybean Association have representatives based in Warsaw.

Staff contacts for marketing:

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^[1] Demand for confectionary in Poland Euromonitor

^[2] Food processing report Estonia

^[3] Retailing in Poland

^[4] Retailing in Poland

^[5] Pricing confectionary Poland Euromonitor

^[6] Consumer lifestyles Poland

^[7] Rising demand for confectionary in Poland Euromonitor

^[8] Brand shares confectionary Poland Euromonitor.

^[9] Consumer lifestyles Poland

^[10] Euromonitor: Retailing in Lithuania

^[11] Euromonitor: Retailing in Latvia

^[12] Euromonitor: Retailing in Estonia

^[13] Euromonitor: Retailing in Latvia

^[14] Euromonitor: Retailing in Estonia

^[15] Food processing Estonia

^[16] FAS/HRI Estonia report

^[17] FAS/HRI Estonia report

^[18] FAS/HRI Estonia report

^[19] HRI Latvia report

APPENDIX- STATISTICS

A. KEY TRADE & DEMOGRAPHIC INFORMATION

POLAND

Agricultural, Fish and Forestry Imports From All Countries (US\$Mil)/U.S. Market Share (%) ^[1] – 2010	16,604/1.35
Consumer Food Imports From All Countries (US\$Mil)/U.S. Market Share (%) – 2010	7,893/0.47
Edible Fishery Imports From All Countries (US\$Mil)/U.S. Market Share (%) - 2010	1,446/1.64
Total Population (Millions)/Annual Growth Rate (%)	38.3/0.05
Urban Population (Millions)/Annual Growth Rate (%)	23.3/0-1
Number of Major Metropolitan Areas ^[2]	4
Size of the Middle Class (Millions)/Growth Rate (%) ^[3]	4/1
Gross Domestic Product growth (forecast for 2011)	3.8
Unemployment Rate (% , forecast for 2011)	11.5
Average Monthly Food Expenditures (US\$)	210
Females in Workforce (%)	46
Exchange Rate (US\$1.00, Annual Average 2010)	2.96

BALTIC STATES

Agricultural, Fish and Forestry Imports From All Countries (US\$Mil)/U.S. Market Share (%) – 2010	6,650/1.51
Consumer Food Imports From All Countries (US\$Mil)/U.S. Market Share (%) – 2010	2,900/0.8
Edible Fishery Imports From All Countries (US\$Mil)/U.S. Market Share (%) – 2010	830/4.0
Total Population (Millions)/Annual Growth Rate (%)	6.8/(0.51)
Urban Population (Millions)/Annual Growth Rate (%)	4.62/0.2
Number of Major Metropolitan Areas ^[4]	2
Size of the Middle Class (Millions)/Growth Rate (%) ^[5]	0.7/0.1
Gross Domestic Product (average expected growth in the region, %, 2011)	3.2
Unemployment Rate (% , forecast for 2011)	17.1
Average Monthly Food Expenditures (US\$)	210
Females in Workforce (%)	47
Exchange Rate (US\$1.00, Annual Average 2010)	Lithuania – Litai 2.60 Estonia – Euro 0.75 Latvia – Lati 0.54

- [1] Global Trade Atlas, data from 2008.
 [2] Population in excess of 1,000,000.
 [3] These are unofficial estimates due to the lack of reliable statistics.
 [4] Population in excess of 500,000.
 [5] These are unofficial estimates due to the lack of reliable statistics.

Author Defined:

BEST SALES PROSPECTS - POLAND

Product Category	2010 Market US \$ miln.	2010 Polish imports US \$ miln.	5 Yr Avg. Imp Growth Year-over-Year (Percent)	Import tariff Rate (Percent)	Key constraints	Market attractiveness for USA
Salmon	\$550.9	\$348.9	82.5	2 & 8	US product is considered to be expensive. Polish importers are interested in less expensive varieties. Great competition exists from European suppliers.	Polish market is interested in the following varieties (H&G): salmon (beta, garbusha).
Wine	\$205.4	\$198.7	17.4	9.9-32.6/ Hl depending on alcohol content	US product is considered to be expensive. Great competition exists from European suppliers.	Polish market is interested in the wines from the New World.
Almonds	\$25.0	\$21.8	0.5	3.50 but 0 for bitter almonds	US product is considered to be expensive. Active competition from Spain.	Polish importers consider US product to be of high quality and import it for usage in high end food products. Each year value of transshipments is increasing.
Pistachios	\$16.0	\$15.8	1.56	1.60	US product is considered to be expensive. Active competition from Iran.	Polish importers consider US product to be of high quality and import it in order to supply delicatessen customers. Recently hypermarkets also expressed interest in this product.
Sunflower Seeds	\$33.2	\$29.2	2.12	0	US product is considered to be expensive. Active competition exists from Hungary and China.	Polish bakery industry is becoming increasingly interested in using this product.
Raisins	\$30.7	\$29.1	2.18	2.40	US product is considered to be expensive. Active competition exists from Iran.	Polish bakery industry is becoming increasingly interested in using high quality product from the U.S.
Ground Nuts	\$49.3	\$48.1	4	19.42	US product is considered to be expensive. Active competition exists from Argentina.	Polish food processing is interesting in using US product in high end products.
Protein isolates	\$41.3	\$40.8	1.86		Active EU competition exists.	Polish food processing industry as well as producers of supplies for body building is increasingly interested in the US products.
Whiskey (incl. Bourbon)	\$67.7	\$64.7	9.24	61.29	UK producers are actively promoting their product on the Polish market.	US product popular in niche market.
Grapefruit	\$36.8	\$35.4	2.4	14.49	Competitively priced imports available, esp. from Turkey	Strong position of American suppliers, growing market.

U.S. Exports to Poland and the Baltic States

U.S. Exports of Agriculture, Fish & Forestry Products To "Poland"
CY 2004 - 2010
(In Thousands Of Dollars)

Export Market: "Poland"

Product	Calendar Years (Jan-Dec)							% Change
	2004	2005	2006	2007	2008	2009	2010	
Bulk Total	4,627	14,463	20,071	30,082	36,963	28,861	20,168	-30.12
Coarse Grains	0	19	0	4,109	0	0	0	-
Rice	385	35	15	34	59	73	269	270.39
Soybeans	0	0	44	0	21	0	0	-
Cotton	0	0	0	42	111	71	3	-95.18
Tobacco	3,232	12,390	18,398	23,526	33,844*	25,514	15,712	-26.66
Pulses	0	0	0	0	0	0	22	-
Peanuts	0	0	0	134	714	282	0	-100.0
Other Bulk Commodities	1,010	2,020	1,614	2,237	2,236	2,922*	1,161	-60.28
Intermediate Total	13,252	16,635	21,133	29,131	40,236	73,852	136,713	85.12
Soybean Meal	0	87	36	134	11,457	48,321	108,875*	125.32
Soybean Oil	0	0	0	0	0	20	13	-37.50
Vegetable Oils (Ex Soybean)	113	453	650	94	149	198	417	110.88
Feeds & Fodders	0	20	140	252	662	382	640	67.64
Live Animals	43	316	247	285	25	176	163	-7.50
Hides & Skins	2,179	3,229	3,649	3,800	2,408	1,554	618	-60.21
Animal Fats	15	253	3	0	0	0	0	-
Planting Seeds	593	746	436	832	2,708	1,203	1,160	-3.54
Sugar, Sweeteners, Bev Bases	410	362	441	374	536	55	61	9.43
Other Intermediate Products	9,899	11,170	15,531	23,359	22,300	21,944	24,767	12.86
Consumer Oriented Total	66,702	52,819	55,809	47,522	68,877	46,648	45,387	-2.70
Snack Foods	1,006	731	332	548	1,599	1,401	1,050	-25.02
Breakfast Cereals	119	53	78	110	142*	0	15	-
Red Meats, FR/CHFR	19,231*	12,394	8,264	7,894	1,328	3,455	668	-80.66
Red Meats, Prep/Pres	148	0	96	0	0	0	0	-
Poultry Meat	24,975	21,079	20,527	2,021	2,831	1,881	63	-96.67
Dairy Products	7,872	6,244	8,921	11,536	17,404	9,250	6,245	-32.49
Eggs & Products	155	0	0	66	0	38	231	505.94
Fresh Fruit	588	304	404	514	1,133	1,223	1,151	-5.87
Fresh Vegetables	3	0	0	7	0	0	0	-
Processed Fruit & Vegetables	3,010	2,679	4,220	4,395	7,810	5,667	7,180	26.71
Fruit & Vegetable Juices	81	28	78	280	304	234	365	55.75
Tree Nuts	4,971	4,624	2,540	4,392	3,132	3,367	4,438	31.82
Wine and Beer	333	522	457	1,018	1,063	10,175	14,254	40.09
Nursery Products	59	32	87	91	47	0	17	-
Pet Foods	718	1,041	1,065	1,745	1,395	1,190	942	-20.81
Other Consumer Oriented	3,435	2,887	8,741	13,604	30,689*	8,767	8,769	0.03
Forest Products	4,858	7,389	6,086	9,130	8,768	5,151	5,705	10.77
Logs and Chips	1,004	2,718	3,091	5,882*	3,952	2,938	1,530	-47.92
Hardwood Lumber	696	2,599	1,004	661	1,479	1,034	3,121	201.67
Softwood and Treated Lumber	8	78	0	0	65	48	0	-100.0
Panel Products (Incl Plywood)	2,279	1,571	1,663	2,406	2,508	365	275	-22.48
Other Value-Added Wood Prod	871	423	327	481	765	775	780	0.57
Fish Products	4,870	6,751	13,866	11,932	16,641*	15,615	12,505	-19.92
Salmon Whole or Eviscerated	2,636	1,039	4,485	5,689	6,636	9,849*	9,677	-1.75
Salmon Canned	145	35	335	135	277	0	291	-
Surimi (Fish Paste)	69	0	3	124	394*	237	0	-100.0
Roe & Urofin (Fish Eggs)	0	51	0	200*	0	0	56	-
Other Edible Fish & Seafood	1,820	5,627	9,043	5,783	9,333*	5,529	2,482	-55.11
Agricultural Products	84,581	83,917	97,013	107,135	146,096	149,361	202,268	35.42
Ag, Fish & Forest Prods	94,309	98,057	116,965	128,196	171,505	170,127	220,479	29.60

Analysis by: Office of Global Analysis/FAS/USDA
Source: U.S. Bureau of the Census Trade Data
Note: * Denote Highest Export Levels Since at Least CY 1970

For More Information Visit The GATS Web Site
At <http://www.fas.usda.gov/GATS>
Or Email FAS At GATSHelp@fas.usda.gov

U.S. Exports of Agriculture, Fish & Forestry Products To "Baltic States"
CY 2004 - 2010
(In Thousands Of Dollars)

Export Market: "Baltic States"

Product	Calendar Years (Jan-Dec)							% Change
	2004	2005	2006	2007	2008	2009	2010	
Bulk Total	13,236	31,807	46,828	16,480	15,427	20,645	14,868	-27.98
Coarse Grains	4	9	0	0	0	0	0	-
Rice	7	17	36	111	183	91	47	-48.11
Cotton	4,854	4,211	4,824	4,661	503	0	0	-
Tobacco	8,072	27,118	41,319	10,367	12,979	19,734	14,079	-28.66
Pulses	0	0	19	0	608	195	0	-100.0
Peanuts	0	0	0	0	0	0	164	-
Other Bulk Commodities	300	451	629	1,341*	1,154	625	578	-7.55
Intermediate Total	8,121	6,607	8,133	17,068	30,309*	25,715	20,627	-19.78
Wheat Flour	0	0	0	0	4	11	0	-100.0
Soybean Meal	0	0	0	18	5,065	6,367	10,679	67.73
Soybean Oil	220	0	0	0	0	0	0	-
Vegetable Oils (Ex Soybean)	200	371	528	184	135	147	180	22.76
Feeds & Fodders	105	222	28	6	19	472	2,023	328.04
Live Animals	0	0	0	0	0	0	117	-
Hides & Skins	101	0	139	55	150	204	636	212.21
Animal Fats	0	0	0	0	60	110	3	-97.24
Planting Seeds	232	269	211	1,236	1,016	1,752	101	-94.26
Sugar, Sweeteners, Bev Bases	385	290	402	982*	437	84	137	63.42
Other Intermediate Products	6,876	5,456	6,826	14,582	23,422*	16,570	6,751	-69.26
Consumer Oriented Total	69,612	78,043	78,000	153,379	189,666	145,608	165,601	13.73
Snack Foods	519	246	541	715	1,247	971	774	-20.26
Breakfast Cereals	0	0	14	67	0	75	223	197.80
Red Meats, FRI/CHFR	1,537	2,353	1,325	814	17,053*	3,622	4,892	35.05
Red Meats, Prep/Pres	48	0	129	7	357	0	0	-
Poultry Meat	48,828	48,639	57,414	110,388	102,104	116,473	126,494	8.60
Dairy Products	51	21	132	7,545*	7,539	390	5,587	1330.7
Eggs & Products	87	160	63	0	0	0	0	-
Fresh Fruit	40	79	0	59	433*	128	51	-60.27
Fresh Vegetables	16	12	50	0	99	188	99	-47.52
Processed Fruit & Vegetables	3,139	1,634	1,643	5,418	5,721*	2,322	1,583	-31.84
Fruit & Vegetable Juices	0	61	0	19	15	2,021	4,085	102.14
Tree Nuts	12,479	21,286	13,013	23,804	47,595*	14,053	12,907	-8.16
Wine and Beer	627	761	904	166	260	473	1,465	209.40
Nursery Products	85	22	37	59	21	0	373*	-
Pet Foods	604	1,032	1,239	1,703	1,655	1,156	1,103	-4.62
Other Consumer Oriented	1,551	1,738	1,497	2,614	5,566	3,735	5,966	59.75
Forest Products	3,123	4,092	6,071	10,267	10,129	7,178	15,545*	116.57
Logs and Chips	194	121	268	3,068*	3,039	1,843	2,181	18.37
Hardwood Lumber	1,712	2,032	3,940	3,518	4,189	2,767	7,684	177.66
Softwood and Treated Lumber	0	128	184	418*	112	108	141	30.43
Panel Products (incl Plywood)	813	742	959	2,355	2,088	964	2,451	154.34
Other Value-Added Wood Prod	404	1,069	721	907	701	1,496	3,087*	105.40
Fish Products	25,303	33,554*	20,705	21,336	30,946	10,201	15,408	51.04
Salmon Whole or Filleted	1,197	2,802*	2,561	1,458	1,586	1,414	1,583	11.98
Salmon Canned	62	0	92	0	0	118*	20	-83.07
Surimi (Fish Paste)	13,639	15,725*	5,899	9,991	12,687	2,878	2,588	-10.11
Roe & Urchin (Fish Eggs)	1,157	3,400	3,950	6,350	7,477	2,477	5,178	109.06
Other Edible Fish & Seafood	10,248	11,627*	8,203	3,537	9,197	3,314	6,039	82.23
Agricultural Products	50,970	116,456	132,961	186,927	235,402	191,968	201,096	4.76
Ag, Fish & Forest Prods	120,396	154,102	159,736	218,530	276,477	209,347	232,049	10.84

Analysis By: Office of Global Analysis/FAS/USDA
Source: U.S. Bureau of the Census Trade Data
Note: * Denote Highest Export Levels Since at Least CY 1970

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