



Foreign Agricultural Service

**GAIN Report**

Global Agriculture Information Network

Required Report - public distribution

Date: 03/09/2001

GAIN Report #PL1007

## Poland

## Food Processing Sector

## Report

## 2001

Approved by:

**Jim Higgiston, Agricultural Counselor**  
**U.S. Embassy, Warsaw**

Prepared by:

Business Analysts & Advisers, Warsaw, Poland

---

### Report Highlights:

**FUNDING FOR THIS RESEARCH WAS PROVIDED THROUGH THE EMERGING MARKETS PROGRAM. With a population of nearly 40 million and one of the fastest growing economies in Central Europe Poland is an attractive market for exporters of food and agricultural products. This report provides an overview of the situation concerning Poland's food processing sector.**

---

Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Warsaw [PL1],PL

# TABLE OF CONTENTS

MARKET SUMMARY .....	<a href="#">Page 1 of 13</a>
ROAD MAP FOR MARKET ENTRY .....	<a href="#">Page 2 of 13</a>
COMPETITION .....	<a href="#">Page 8 of 13</a>
BEST PRODUCT PROSPECTS .....	<a href="#">Page 10 of 13</a>
POST CONTACT INFORMATION .....	<a href="#">Page 11 of 13</a>

## MARKET SUMMARY

Poles spend nearly one third of their income on food and beverages. Since food consumption is growing at the rate of 3 to 4 percentage points below the growth rate of personal income (1 percent vs. 4 to 5 percent), food products are becoming relatively cheaper. At the same time consumption of animal, fruit, vegetable and highly processed foods is increasing.

This creates a good environment for the development of the food processing industry. From 1993-1998, the total value of processed-food sales, calculated in fixed prices, increased by almost 10% a year (by 7.1% in 1998), reaching PLN 83.5 billion (excluding VAT) in 1998, which at the exchange rate of 1998 (PLN 3.50 to 1 US dollar) is US\$ 23.8 billion.

The food processing sector in many ways reflects the development of the Polish economy since the fall of communism. The sector is varied with both large domestic companies and international companies dominating the market. There are also a number of small plants concentrating on fruits and vegetables processing which are located throughout Poland. In general, most Polish plants need to be modernized, primarily through foreign investment in order to become competitive. The most important subsectors of food processing sector are meat, dairy, fish, and alcohol (altogether 52% of sold production value) followed by confectionery, food concentrates, sugar, fruits and vegetables, juices and non-alcoholic beverages production.

The European Union is the major supplier of processed food products to Poland. Total imports of processed food products in 1998 totaled about \$ 1.8 billion of which \$ 1.1 billion (61%) was imported from the European Union. The most important food products from the European Union are dairy products (cheese, yoghurt and ice-cream), fish and processed meat, alcoholic and non-alcoholic beverages, confectionery, processed fruits and vegetables, spices and condiments.

The Polish food processing industry uses primarily domestic raw materials inputs for processing. During 1998 the average value of inputs was PLN 24 billion (about \$ 7 billion). Imports of raw materials in 1998 totaled \$ 1.3 billion or about 20% of total inputs. The food processing industry also uses significant quantities of additives and packaging inputs. The value of these materials is estimated at \$ 2-2.5 billion. These are mainly domestic products, although often produced from imported materials.

Raw materials for processing are imported primarily from the European Union and CEFTA countries. The Polish processing industry also utilizes considerable amounts (valued at over \$1 billion) of imported fresh and processed fruits and vegetables from the developing countries.

In 1988 imports of food (processed and unprocessed) from the United States were only \$165 million, which represented 4.3% of all Polish imports. Imports from the United States are dominated by raw materials and semi-processed products, such as non-processed tobacco, soybean meal, animal feed, protein concentrates, etc. Imports of these products are not limited by quotas.

The majority (about 85%) of the processed food produced in Poland is also consumed domestically. The breakup of the centrally planned economic system spurred economic growth and consumer demand and incomes. Increasing demand for high quality processed food attracted foreign investments. Growing competition on the domestic market forced food processing enterprises to increase productivity and reduce costs.

Direct foreign investments have played an important role in the development process. Initially foreign investors

were involved primarily in the beverages and beer, confectionery, food concentrate, tobacco and poultry-meat processing subsectors. During 1997-1999 processing foreign companies (Smithfield, the Swedish Farmers Union) are becoming dominant in the meat industry.

Foreign companies have a majority ownership in Polish tobacco, beer, non-alcoholic beverage, confectionery, food concentrate, oil, and snackfood industries. Foreign investments in the sugar refining, ice-cream production, meat, milk, fruit and vegetables processing is also increasing considerably. The food processing sector is becoming more concentrated as less efficient companies are closing down particularly in the fruit and vegetable, red and poultry meat, and animal food processing sectors.

Foreign investment is playing an important role in these industries.

**Table 1. Advantages and challenges for American products in the Polish market.**

Advantages	Challenges
<p>8 Increasing personal income and changes in the structure of consumption lead to the development of high-end food products of very good or best quality.</p> <p>8 Open nature of Polish economy and integration with the European Union helps to promote Western patterns of consumption of food.</p> <p>8 Direct foreign investments increase use of imported additives and other components.</p> <p>8 Good location indicates increased export of food products to Eastern and Central Europe and the Former Soviet Union (after the Russian crisis is over).</p>	<p>8 The US faces tough competition from food ingredients of Polish origin and those imported from European Union.</p> <p>8 Integration with the European Union (possible in year 2004 or 2005) will make the access for European goods to the Polish market easier. This will limit imports opportunities for food ingredients from the US.</p> <p>8 Instability of the Polish economy resulting from the transformation of the system and from links with the economies of east European countries may slow down the economic development of Poland and reduce the demand for imports.</p>

## ROAD MAP FOR MARKET ENTRY

### A. ENTRY STRATEGY

Access to the Polish market is limited by custom tariff. Lower tariffs are applied to products originating from Developing Countries as well as Least Developed Countries. In addition as a result of international agreements, products from certain countries enter the Polish market on preferential terms. Poland signed such agreements with the European Union (0 duty for most products as of January 1, 2001), CEFTA and EFTA countries, Israel, Turkey, Slovenia, Romania, Bulgaria, Lithuania, Latvia, Estonia and The Faroe Islands. Introduction of standards and regulations applied in the European Union will affect the hygiene and safety requirements that have to be met by importers.

Entrance to the Polish market, for imported food ingredients is diverse and not yet very stable. However, some patterns are emerging. These are:

- Polish processing companies and foreign owned supermarkets mainly use their own supply channels, i.e. their own commercial or representative offices in countries where they purchase raw materials, or final products.
- The biggest Polish food processors (with annual turnover of \$50 to \$100 Million) buy directly from

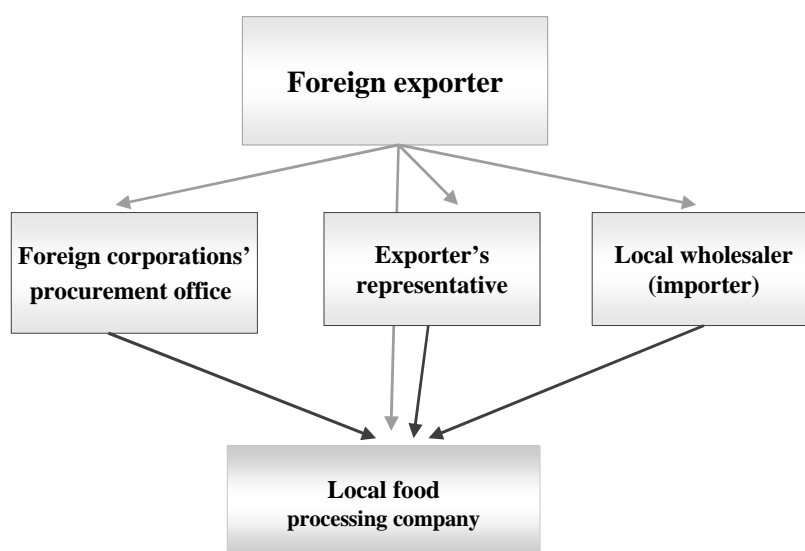
exporters. Some of them have their own representatives in exporting countries.

- c. Imports of food ingredients for medium or small companies handled by local wholesalers of imported products.
- d. The Polish food processing industry is supplied with additives and condiments directly by foreign companies or by local producer or wholesalers.

Direct contacts with producers, importers and wholesalers is essential to entering the Polish market. Only those exporters who have current information on legal, fiscal, and sanitary requirements and those who participate in regional and national fairs and exhibitions, may hope to be successful on this market. The choice of representative depends on the exporter's products and existing distribution channels. It is very important to recognize import conditions and gather as much information as possible about a potential partner (importer) before any contract or long-term agreement is signed.

## B. MARKET STRUCTURE

The chart below (Figure 1) shows the flow of product through the distribution chain.



**Figure 1. Distribution system of food production constituents**

Many large Polish food processors are establishing their own procurement offices. The biggest food processing companies<sup>1</sup> more frequently procure foreign inputs from exporter. Small and medium processing companies are most frequently supplied with imported food ingredients by local wholesalers.

Wholesalers supply their customers with both locally-produced and imported materials for processing. The distribution of final products is dominated by the diverse retail sector, i.e. small and medium shops offering a usually wide assortment of food products with limited choice. This structure was formed at the beginning of the 1990s. For several years there has been a concentration in the retail trade and the development of large foreign chains. Their number and market share have continued to increase. At the same time small specialized shops and outlets run by producers are decreasing. The size of the HRI (Hotel, Restaurant, Institutional) food service sector is still very limited.

Large chains and specialized shops are usually supplied directly by food producers. Small shops which sell

<sup>1</sup> According to the Polish Statistical classification large food processors are those employing more than 200, medium 50 to 200 and small up to 50 workers.

perishable products also receive direct deliveries. Other products are delivered to outlets by the wholesalers, who may be divided into two groups:

- C Wholesale distribution network created by the biggest food processors (usually employing more than 500 people) in a form of: trade centers, brand name wholesalers, distribution companies, and commercial representatives of the producer.
- C Independent wholesalers linking producers, retailers and HRI food service.

Wholesale trade in food products is very diversified. Generally, wholesalers distribute a very narrow range of products. This sector has been undergoing a concentration, but at a very slow rate.

### C. COMPANY PROFILES

The Polish food processing industry is very large. In 1997, there were 24,450 companies operating in this sector. These included:

- 510 large companies employing over 200 people,
- 1,140 medium companies employing between 50 and 200 people,
- 22,800 small companies.

The meat processing sector (about 6,500 companies), has the largest number of producers followed by bakery and confectionery (over 5,000 each), flour milling (over 2,000 mills), and fruit and vegetable processing. The highest level of concentration is seen in the vegetable oil processing, production of food concentrates, and beer.

Table 1 shows the state of the main sub-sectors of the food processing industry. These refer only to companies employing over 50 people on a permanent basis. Present statistics do not allow the estimation of similar data for companies employing less than 50 workers. Table 2 shows information about the most important companies in each sub-sector.

**Table 2. Basic Information on the Polish food sector (companies employing over 50 people)**

Sub-sector of food processing industry	Number of companies	Employment	Sales in 1998 (\$ Mil)	Annual average growth during the period 1995-1998
Meat	329	74,500	3,060	6,0 %
Poultry	38	12,700	690	11,0%
Fish	68	10,300	325	15 %
Dairy	296	53,700	2,750	8 %
Potatoes, vegetables, and fruits	154	29,700	980	9 %
Cereals and starch	78	12,400	650	3 %
Vegetable oils	9	4,800	580	6 %
Fodder	47	6,100	820	8.5 %
Production of sugar	75	26,400	960	9.5 %
Production of bread and spaghetti	174	18,800	400	7.5 %
Confectionery products	115	35,400	1,350	13.5 %
Non-alcoholic drinks	80	15,600	950	15.0 %
Beer and wine	74	19,800	1,200	12.5 %
Alcoholic drinks	28	8,400	600	15 %
Others <sup>a/</sup>	89	16,200	1,200	13 %
Total <sup>b/</sup>	1.654	344,800	16,515	8.8 %

a/ production of concentrates, ice creams, and tea, coffee, and spices processing

b/ excluding production of tobacco industry.

**Table 3. The most important companies operating in the food industry**

Company (Product Types)	Sales in 1998 (\$ Mil.)	End-Use Channels	Production Location	Procurement Channels
Animex S.A. (meat and poultry)	560	Wholesale; Retail; Export	Poland (7)	Direct
Sokolów S.A. (meats)	170	Wholesale; Retail; Export	Poland (2)	Direct
Indykpol S.A. (poultry meat)	80	Wholesale; Retail;	Poland (1)	Direct
Agros S.A. (fruit & vegetable confectionery, meat, alcoholic and nonalcoholic beverages)	420	Wholesale; Retail; Export	Poland (8)	Direct; Importers
Hortex S.A. (fruit & vegetables)	250	Wholesale; Retail; Export	Poland (4)	Direct
Superfish Ltd. (fish & seafood)	80	Wholesale; Retail; HRI	Poland (2)	Direct; Importers
Wilbo S.A. (fish & seafood)	39	Wholesale; Retail; HRI	Poland (3)	Direct; Importers
Danone Poland Ltd. (milk, dairy products, confectionery)	190	Wholesale; Retail	Poland (2)	Direct; Importers
Bakoma S.A. (yoghurts)	85	Wholesale; Retail	Poland (1)	Direct
Master Foods (confectionery)	190	Wholesale; Retail	Poland (2); Europe	Direct; Importers
Kraft Jacobs Suchard (confectionery, coffee, milk)	175	Wholesale; Retail	Poland (3); Europe	Importers; Direct
Nestle Poland (dry goods and condiments, corn flakes, confectionery)	260	Wholesale; Retail	Poland (3); Europe	Importers; Direct
CPC Amino S.A. (dry goods and condiments, specialized food ingredients)	150	Wholesale; Retail	Poland (1); Europe	Importers; Direct
Frito Lay (snack foods)	110	Wholesale; Retail	Poland (2)	Direct
Pepsi Cola Poland (snack foods, beverages)		Wholesale; Retail	Poland (4); USA; Europe	Importers; Direct
Polmos Poznań (spirit distilling & alcoholic beverages)	360	Wholesale; Export	Poland (2)	Direct
Brewpol S.A.	415	Wholesale; HRI; Export	Poland (3)	Direct; Importers
Ambra (Wine)	55	Wholesale; Retail; HRI	Poland (2)	Importers
Coca-Cola (non-alcoholic beverages)	165	Wholesale; Retail; HRI	Poland (3); Europe; USA	Importers; Direct
Kruszwica S.A. (vegetable oils and margarines)	162	Wholesale, Retail	Poland (1)	Direct; Importers
NZPT Brzeg S.A. (vegetable oils and margarines)	135	Wholesale; Retail	Poland (1)	Direct; Importers
Rolimpex (cereal, cereal products, fodder)	315	Wholesale; Export	Poland (8)	Direct; Importers
Tchibo S.A. (coffe)	127	Wholesale; Retail	Poland (2); Europe	Importers

## D. SECTOR TRENDS

Further development of the food processing industry in the next 5-10 years will be stimulated by the increased demands of the local as well as export (E.U. and Former Soviet Union countries) food markets:

- C increased demand for processed fruits, vegetables, milk, fish, and meat, (perserved, frozen and microwavable foods),
- C increased demand for convenience products (highly processed, easy to cook, ready to eat),
- C further reduction of small local processing and domination by large plants.

Food processed by small plants is generally of lower quality and higher price than larger plants.

The influence of western consumption habits and increased income are:

- C Increased demand for organic foods, produced without use of chemicals.
- C Development of the HRI food service market, which is presently less insignificant for the Polish consumers, but is expected to develop with increased incomes and changes in lifestyle of Polish families. The food processing industry will be influenced by fast food and catering industries. The need for convenience food will be stimulated by high (nearly 40%) share of households with more than one income.

Membership in the European Union will create new opportunities for domestic food processors. Undoubtedly, this will also increase competition from food imported from modern and efficient food producers in the countries already in the European Union. However, this will at the same time increase export opportunities in those segments of food processing industry where Poland has some advantages compared to EU countries. This refers mainly to the production of processed milk (cheese and youghurt) and frozen fruits and vegetables. Significant opportunities may appear for the producers of organic food, mainly due to the very low level of use of chemicals in Polish agriculture.

In time, the Polish food industry should regain its traditional markets - Russia as well as countries of the Former Soviet Union (especially Lithuania, Latvia and Estonia) which were adversely affected by the economic crisis in the FSU in 1998/99. The Polish food processing industry will undergo changes in the structure of food products offered, but also in further modernisation and concentration of food processing. These changes will be forced by market and economic factors as well as by activities adjusting the Polish food industry to European Union standards (hygiene, veterinary, quality, and wholesomeness of food).

Membership to the European Union will be preceeded by the completion of privatization of the food processing sector. At the end of 1999 the entire spirit industry, 70% of the sugar and dairy industries, and about 40% of cold storage houses were not privatized. The remaining subsectors (e.g. meat) are privatized completely or nearly completely.

Foreign investments have played a significant role in the process of development and modernization of the Polish food processing industry. Up to the end of 1998 total foreign investments exceeded US\$ 5 billion.

American companies are the largest foreign investors. The following companies have involved their capital in the food processing sector:

- C Pepsico: production of beverages, snacks, confectionery products,
- C Smithfield: meat processing,
- C Mars Incorporated: production of confectionery products and animal feeds,



- C Schooner Capital Corporation: vegetable oil processing,
- C McDonalds: fast food,
- C Cargill Inc: production of animal feeds
- C Bestfoods: production of food concentrates,
- C Gerber: fruit and vegetable processing.

Increased levels of foreign investment are expected during the coming years, particularly in the spirit and sugar industries as well as meat, dairy, fish, fruit and vegetable subsectors.

## COMPETITION

European Union companies are and will be the main competitors in the food processing sector for U.S. exporters and investors. Currently, over 50% of food products (processed and raw materials) imports come from the EU countries particularly, Germany. Companies from the EU and the United States are the most significant foreign investors. This includes Germany, Great Britain, France, Italy, the Netherlands, and Switzerland.

Against US products compete European Union dairy products (cheese, youghurt, ice-cream), processed fruits (preserved and dried), alcoholic (wine and beer) and non-alcoholic beverages, fish and seafood, vegetable fats, condiment, snacks and food additives.

**Table 4. Estimation of market share of the U.S. versus foreign competitors by major processed food types in 1998**

Type of food	Market share of the U.S. in %	Market share of foreign competitors in %	Main Competitors
Red meat	0.8	3.3	EU, CEFTA
Poultry meat	0	0	-
Fish and seafood products	0.2	42.2	Norway, Denmark, Sweden
Dairy products	0	3.1	Germany, Holland, France
Prepared fruit, prepared vegetables, oilseed products	0.8	18	Greece, Turkey, Israel, EU
Confectionery products	0.1	3.5	EU
Beverages, including alcohol	0.1	3.2	EU, CEFTA, Bulgaria
Dry goods, condiments, snacks and specialized food ingredients	0.8	16	EU, China

## BEST PRODUCT PROSPECTS

### A. PRODUCTS PRESENT IN THE MARKET, WHICH HAVE GOOD SALES POTENTIAL.

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

- C highly processed, convenient i.e. ready-to-cook and ready-to-eat products, and a wide range of snacks (chips, sweets, yogurts, cheeses, etc.),
- C food for the HRI food service sector (frozen and ready to cook products, beverages),
- C organic food produced from food ingredients cultivated without or with limited use of pesticides, mineral fertilisers, and other chemicals,
- C processed meat, fish, milk, and fruits and vegetables.

All these products are known to Polish consumers. The demand for them is growing with the increase in personal incomes. These products will be, in most cases, produced in Poland, but imported ingredients will often be used. This will result in further growth of demand for the importation of basic products necessary for food production (durum wheat, processed soybeans, sunflower, palm oil, and juice concentrates) as well as various additives.

### B. PRODUCTS PRESENT IN SMALL QUANTITIES BUT WHICH HAVE GOOD SALES POTENTIAL

This group mainly includes: processed vegetables, ready-to-cook dishes and snacks (excluding chips). Local production is limited and demand, while showing potential, is still small.

- C "high quality" food (including seafood) and non-alcoholic beverages for people with the highest incomes,
- C food ingredients for special use, e.g. vegetable fat for processing sector, sweeteners replacing sugar, protein or vitamin preparations necessary for the production of diet and health foods.

The market for these products is very small, but changes in eating habits and higher incomes create an increase in demand.

***C. PRODUCTS WHICH ARE NOT PRESENT IN THE MARKET***

This group mainly includes foods which contain additives not permitted in Poland. Polish legislation in this respect (concerning dyes and preservatives in particular) is much stricter than in the developed countries. Information on such products is available from Państwowy Zakład Higieny (State Hygienic Office) and from the Ministry of Health. Integration with the European Union will allow some of those additives to be admitted for use in food production.

This group also includes products made from products and spices grown in other climatic zones (mainly vegetables, fruits, seafood), which make the highly processed products more attractive to consumers.

## **POST CONTACT INFORMATION**

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

Office of Agricultural Affairs

American Embassy

Al. Ujazdowskie 29/31

00-540 Warsaw

Poland

ph: 4822-6213926

fax: 4822-6281172

e-mail: [agwarsaw@fas.usda.gov](mailto:agwarsaw@fas.usda.gov)

or [agwarsaw@it.com.pl](mailto:agwarsaw@it.com.pl)

homepage: <http://www.usaemb.pl/usfas.htm>

Please refer to our home page for more information on exporting U.S. food products to Poland, including “The Exporter Guide”, “The HRI Food Service Sector Report”, “The Retail Food Sector Report”, products briefs on the market potential for U.S. fruit, snack foods, ready-to-eat and health products, spices and food additives, wine and beverages and a complete listing of upcoming activities designed to promote your product in Poland. Importer lists are available from our office to exporters of U.S. food products. For more information on exporting U.S. agricultural products to other countries, please visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov>.

**Enclosure 1. Foreign investors operating in agri-food sector as of the end of 1998**

Sector and name of the Company	Investments in m. US\$		Country of origin
	Realized	Planned	
<b>CONFECTIONERY</b>			
Nestle	309 <sup>1/</sup>	43	Switzerland
Mars Incorporated	163	30	USA
Cadbury Schweppes	126	-	Great Britain
Ferrero Holding	80	10	Italy
Craft Jacobs Suchard AB	31	39	International
Stolwerck AG	30	10	Germany
United Biscuits Investments	25	25	Great Britain
<b>BEER</b>			
Harbin BV	326	-	the Netherlands
Heineken	181	-	the Netherlands
Carlsberg	70	-	Denmark
Brewpole Ltd.	40	50	Australia
Diepensteyn NV	40	45	Belgium
Bitburger Brauerei GmbH	31	14	Germany
<b>BEVERAGES</b>			
Coca-Cola Beverages Plc	360	-	Great Britain
Pepsico	203	380	USA
<b>EDIBLE OILS</b>			
Schooner Capital Corporation	8054	5040	USA
E.B.S. Montedis			Italy
<b>DAIRY PRODUCTS AND ICE CREAM</b>			
Schoeller	43	-	Germany
BSN Gervais Danone	80	-	France
Hochland	17	7	Germany
<b>SUGAR</b>			
British sugar	41	200	Great Britain
Pfeifer und Langen	41	-	Germany
<b>POTATO</b>			
Mc Cain Foods	54		Canada
Farm Frites Beheer BV	38		Holland

<b>MEAT</b>			
Campofrio Alimentacion	35	-	Spain
Globe Meat Technology A/S	3234	-50	Denmark
Smithfield Foods			USA
Epstein	50	n/a	USA
<b>FRUIT AND VEGETABLE</b>			
Gerber Finance Company	30	-	USA
Orkla Foods A.S.	14	-	Norway
Eckes-Granini Int.	11	-	Germany
Alione Industria Alimentare	10	4	Italy
<b>FOOD CONCENTRATE</b>			
Best Foods (KNORR – N�hrmittel)	52	7	USA
Dr Oetker	12	-	Germany
Kruger GmbH	11	-	Germany
Nestle			Switzerland
<b>COFFEE</b>			
Tchibo	42	-	Germany
Union Cafe Confectionery Group BV	13	-	Holland
<b>SALTED SNACKS</b>			
Bahlsen	17	11	Germany
Intersnack Knabber Gebaeck GmbH	15	15	Germany
<b>CEREAL</b>			
Michel Marbot	10	-	France
Bering Netherlands Company	7	6	Holland

1/ Data for Nestle refers to total investments: confectionary, food concentrates and cornflakes.