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Poland

HRI Food Service Sector

Hotel, Restaurant, Institutional Food Service Sector

2001

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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 the exporters of food and agricultural products. During the past several years food demand for Poland's hotel/restaurant/institutional (HRI) sector had experienced especially high growth.

Includes PSD changes: No
Includes Trade Matrix: No
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I. EXECUTIVE SUMMARY

Poland is a market for diverse food products. The population of the country, reaching almost 40 million, spends over 1/3 of its income on food and beverages. The value of food and beverages sold by the retail trade and the Hotel and Restaurant Industry sector in 1998 totaled $34.3 billion. However, the portion of income spent in restaurants and the overall food service sector, represents only 5% of the total expenditures on food. This is significantly less than other European countries, e.g. Germany - 40% and the United States - 52%.

Traditionally, Poles prefer dining at home rather than in restaurants. Low incomes and relatively high prices in restaurants limited the 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%. Since 1996, this trend has been reversed, particularly in urban areas where incomes and employment levels are much higher compared with rural areas.

Today the variety and sheer number of restaurants reflect changes in demographics. In the past, restaurants were frequented by foreigners or Polish officials. Weddings were probably the one special occasion that families visited restaurants and those were mainly located in hotels. This is no longer the case, particularly in large cities where about 30% of the population lives. Employment in the larger Polish cities reaches almost 100% and attracts workers from as far as 100 km from the center of cities. The number of two or more-income households in urban areas is high (about 56% of all households). Restaurants come in all shapes and sizes as well as costs. Warsaw, for instance, boasts a variety of low-cost eateries to those “fit for kings”. 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 neighbourhoods as well as well-travelled spots. Demand for fast food is growing particularly quickly. Visiting traditional or fast food restaurants is now considered a form of entertainment by many families.

The increase in demand for HRI food service has been stimulated by the growth of income, the increased employment rate among women, and the development of tourism. In 1998 the real value of personal income was 23.5% higher than in 1994. During the same period the average net salary in the country increased in real terms by 22%. The average gross income per inhabitant in 1998 was $ 2,928. The average annual growth of income in 1998 was 5.4%. Women constitute 52.4% of the adult population and 45.1% of the workforce. At the end of 1998, 7,878,000 women were working. Of all the countries in Central Europe, Poland is the one most frequently visited. The number of foreign visitors during 1994-1998 increased from 82.2 million to 88.6 million and the number of tourists and businessmen using staying overnight by 23.3% (annual growth rate 5.4%).

Imports of processed food and inputs are mainly from Western Europe. Processed products represent over 50% of Polish imports of food and agricultural products. U.S. exports of food products to Poland amounted in 1998 to $165 million or 4.3% of total food imports. Most imports from the United States are raw materials and semi-finished products for further processing such as unprocessed tobacco, soybeans and soybean meal, protein concentrates, etc.

These raw materials are used in the food processing industry but not in the food service business.

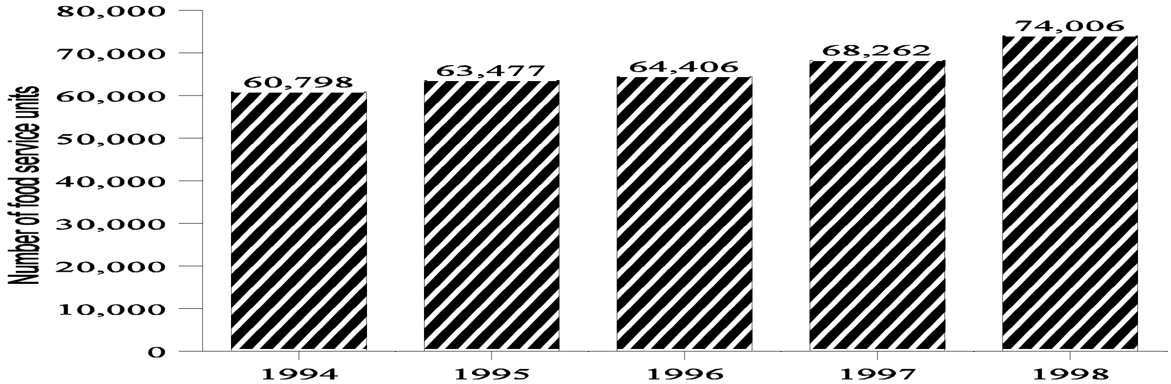
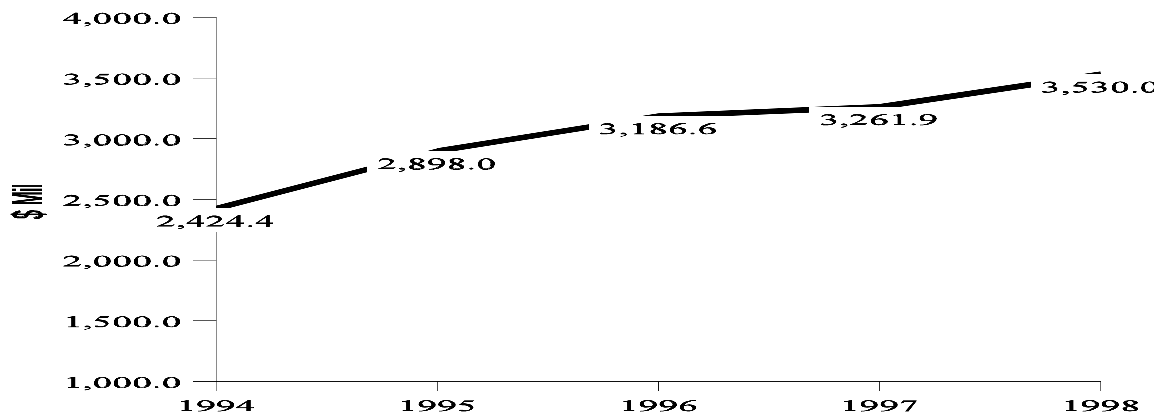


Chart 1. ***Number of food service units 1994-1998***



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hart 2. ***Total income from food service business***

No statistical data exist showing the proportion of imported food products, either processed food or raw materials, directly purchased by food service establishments. From 1994 to 1998, the Polish food servicesector grew by 22%. Small kiosk-sized restaurants predominated in the early 1990s. However, their numbers and importance have begun to decrease.

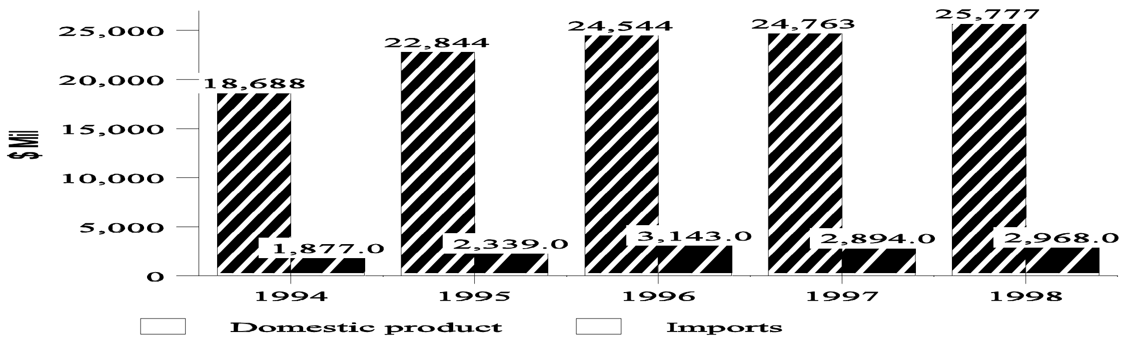


Chart 3. Value of imported food vs. domestic products

The average sales growth in the HRI sector during 1994-1998 was about 9.8%. It is expected that sales will grow about 7% annually during the next five years. The highest growth rates, 8% to 9%, are expected for hotels, resorts and restaurants. The growth in sales to institutional establishments (schools, hospitals, factory/business cafeterias) is expected to grow 1 to 2% per year over the next five years.

From 1994-1998, imported food constituted 10% to 12.5% of total food sales in Poland (excluding beverages and alcohol). The location of food service establishments in Poland is varied. The most common breakdown is by Voivodship* which have an average of 101 to 200 establishments each. In the Warsaw, Katowice and Krakow Voivodships there are more than 500 establishments per voivodship. In parallel with the growth of the number of food service establishments, sales have grown 22% from 1994-1998.

The dynamic development of the Polish food service sector which began at the beginning of the nineties was triggered by the entry to the Polish market by international corporations (primarily American) specialising in fast food, such as: Burger King, McDonald's, Pepsico (KFC, Pizza Hut), Domino's Pizza, and Telepizza. It is projected that the 2000-2004 average growth rate will be similar to that of 1995-1998 (i.e. it will amount to 6-7%). This refers to the total expenditures related to construction of buildings for food services which in 2004 may reach $ 4.7 to $5.0 billion.

* Poland has 16 Voivodships which are administrative divisions similar to counties.

Chart 4. The structure of food service establishments 1994-1998

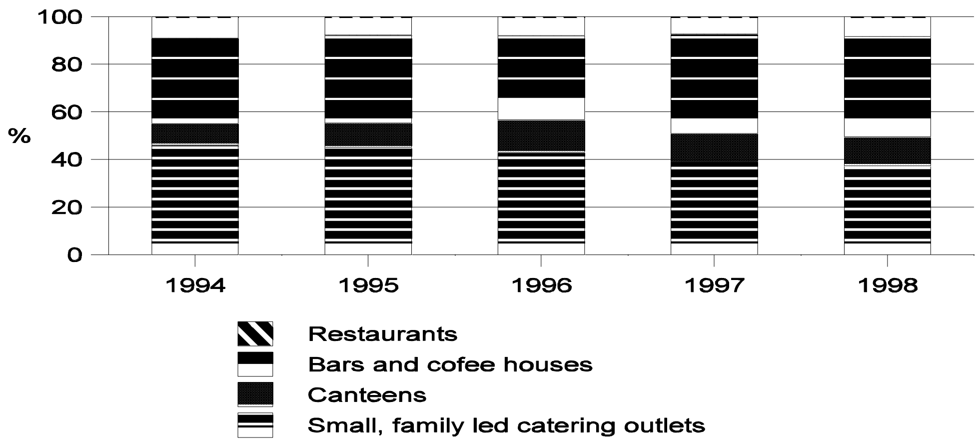


Table 1. Advantages of and Challenges to American products on the Polish market

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

II. MARKET STRUCTURE, COMPANY PROFILES & SUB-SECTOR

TRENDS

A. DISTRIBUTION CHANNELS

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

We can identify the following methods of supply in imported food ingredients:

I. Fast food chains belonging to major foreign corporations have their own supply channels in the form of trade or representative offices in countries where materials or products are purchased.

II. Some of the largest organizations in the food service sector (mainly hotel chains) have their own supply units.

III. Importation of materials, semi-processed products and commodities for other food service firms is carried out by local wholesalers.

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 on 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, and non-tariff barriers which can best be accomplished 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 the use of consulting companies working in Poland for market research.

B. MARKET STRUCTURE

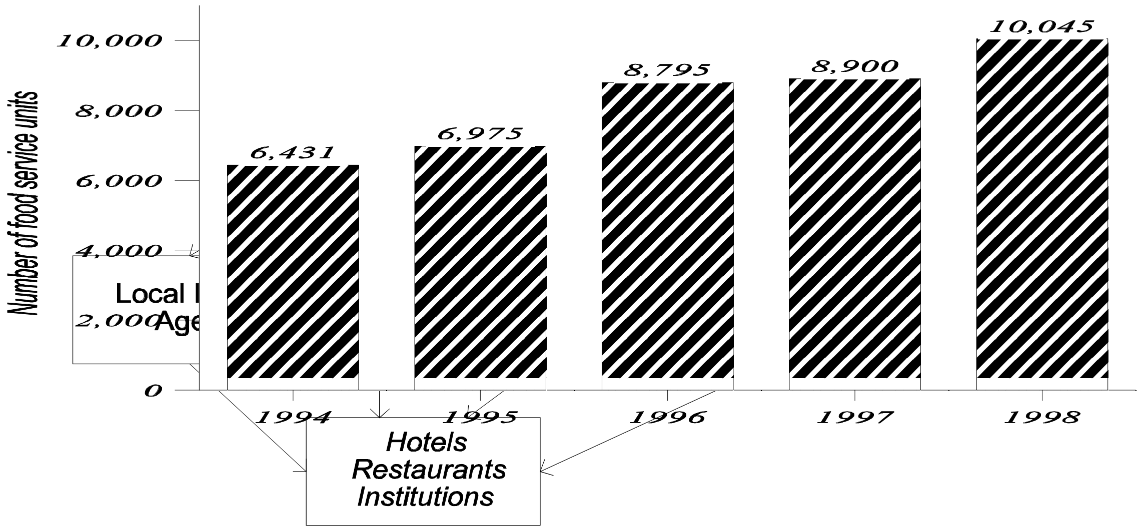


Chart 5. Food components distribution chart

Among the distribution channels for food service products and materials shown above supplying products through local wholesalers has been developing the quickest.

The largest domestic companies involved in trading food products are AGROS S.A. and Rolimpex S.A. Their annual sales in 1998 were almost $1 billion.. While these giants can serve as intermediaries for the U.S. exporters to handle imports of food ingredients, many smaller companies are prospective partners, as well.

C. SUB-SECTOR PROFILES

1. Hotels and Resorts

Five times more people visited Poland in 1998 (88.6 million) than in 1990. Poland has the largest number of foreign visitors in Central Europe. Most visitors are from neighbouring countries - Germany, the former Soviet Union, Czech and Slovak Republics. Tourists from other countries constituted 15% of the total number of visitors. Foreign tourists usually stay in larger towns. The number of business trips to Poland and business trips abroad by Polish citizens has also grown rapidly during the last few years.

Chart 6. Food service units, permanent and seasonal, in hotels, resorts, camping sites and temporary lodgings

There are 13,000 various establishments providing 792,000 beds in Poland. A wide range of services and standards targeted at different consumers is available which covers everything from camping sites to luxury hotels. Since 1990, the number of hotels has grown by almost 70 %. In 1998 there were 909 hotels, 135 motels, 532 pensions and 335 shelter-houses and transit hostels. These currently offer 141,000 beds and 2,978 food service units (restaurants, bars, cafes, etc.).

In 1998 the number of traditional sanitariums, training-recreational centers and camping sites was 3,542 and accounted for 4,258 food service establishments.

The number of food service establishments in hotels and resorts in 1994-1998 grew by 11.8%. The fastest growth rate, 14.4%, was for restaurants. The number of bars and coffee shops grew at a rate of 12.6 % and the number of canteens (in holiday centres, pensions, shelter-houses, and excursion hostels) at a rate of 9.8 %.

The number of food service establishments in hotels, motels, pensions, shelter-houses and transit hostels, during 1994-1998, grew by 9.9%, while permanent and seasonal establishments grew by 12.0%.

Table 2. Hotel and Resort Company Profiles

Company Name & Sub-Sector Type	Sales ($ Mill)	Outlet Name, Type & Number of Outlets	Location	Purchasing Agent(s)
Orbis S.A. (H)	60 (1998)	Hotel Restaurants (R) (74)	National	Direct; Importers
Gromada (H)	10 (1998)	Hotel Restaurants (R) (14)	National	Direct; Importers
Bau Holding Aktiengesellschaft (H)	5 (1998)	Syrena Hotel Restaurants (R) (8)	Warsaw	Direct; Importers
Holiday Inn (H)	n.a.	Hotel Restaurants (4)	Warsaw; Gdañsk	Direct; Importers
LIM Joint Venture (H)	n.a.	Hotel Restaurants (R) (10)	Warsaw	Direct; Importers
Sheraton (H)	n.a.	Hotel Restaurants (R) (4)	Warsaw	Direct; Importers
Budimex S.A. (H)	n.a.	Hotel Restaurants (R) (3)	National	Direct; Importers
PAZIM Sp. z o.o. (H)	2.5 (1998).	Radisson Hotel Restaurants (R) (4)	Szczecin	Direct; Importers
PUHiT Sp. z o.o.	3 (1998)	Hotel Restaurants (R) (9)	Warsaw	Direct

The hotel and resort industry is the leading market for food service sales, accounting for about 25% of the total sales in 1998. Ownership of Polish hotels and resorts is very fragmented. The only big nationwide chain of hotels is Orbis which is a state-owned travel office and owner of a chain of 55 medium and above-medium class hotels. Orbis S.A. is expected to be privatized in 2001.

The next largest chains are :

C the domestic cooperative "Gromada", with 13 medium and small hotels, 1 of which is in Berlin
C Austrian Bau Holding Aktiengesellschaft, owner of 6 medium-class hotels in Warsaw (former Syrena hotels).

There are also luxury hotels belonging to world chains, such as the Marriott and the Sheraton (in Warsaw), Holiday Inn (in Warsaw and Gdansk), and the Radisson (in Szczecin). Currently, a Hyatt Hotel in Warsaw and a Hilton in Wroclaw are under construction. In addition, there are several European hotels. Each of these hotels has at least one large restaurant (usually two) and some sort of snack bar. Often times, these larger hotels have restaurants which specialize in certain types of international cuisine. There are a number of smaller hotels which normally have a café or small restaurant on the premises.

2. Restaurants

Since 1996 the number of food service establishments (excluding the hotel industry) has been growing steadily. This increase has been fuelled by the growing number of bars, cafes, and restaurants. The number of small family-owned establishments, usually operating as kiosks in bazaars and on busy streets (including small bars specializing in Asian, Turkish and Polish cuisine) are increasing slowly.

Chart 7. Number of food service establishments (without hotels and resorts)

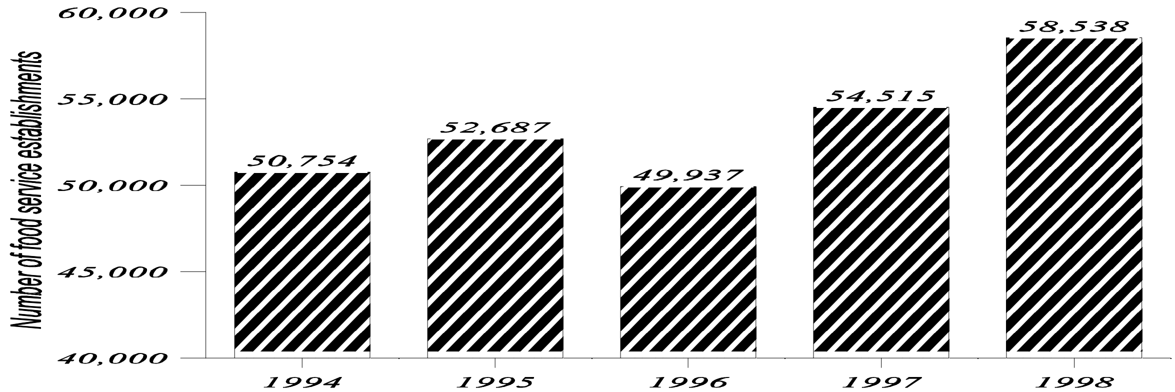
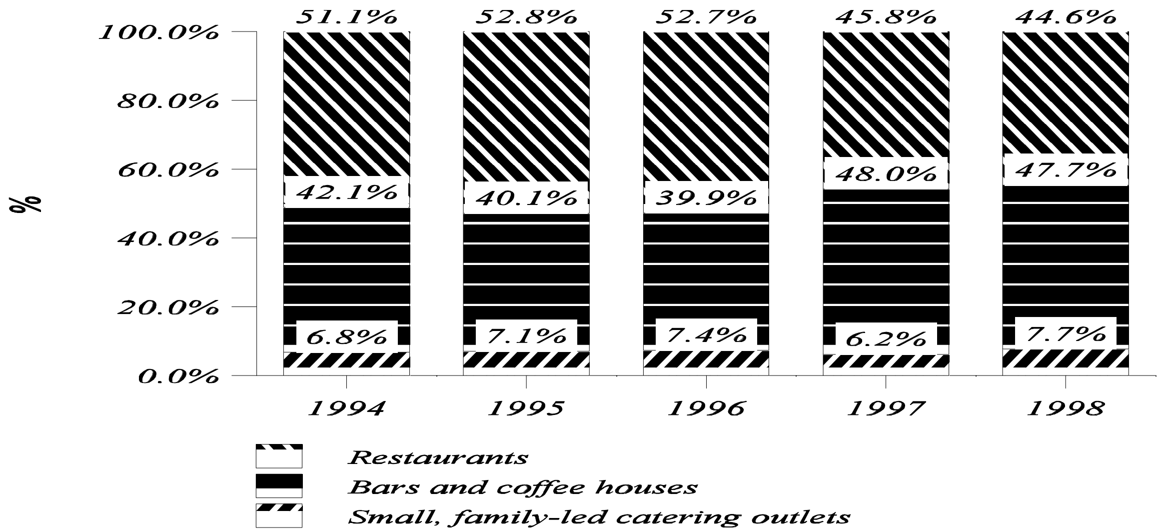


Chart 8. Structure of food service establishments (without hotels and resorts)



The annual growth in the number of food service establishments (excluding hotels and resorts) from 1994-1998, was 3.6%. The fastest growing sub-sector was in restaurants and bars. Their annual growth rates were, respectively, 6.7 and 7.0%. The number of small catering establishments grew by 0.7% annually.

Table 3. Restaurant Company Profiles

COMPANY NAME & SUB-SECTOR TYPE	SALES ($ MILL)	OUTLET NAME, TYPE & NUMBER OF OUTLETS	LOCATION	PURCHASING AGENT(S)
MCDONALD'S POLSKA SP. Z O.O. (R)	97 (1998)	MCDONALD'S (FF) (130)	NATIONAL	DIRECT; IMPORTERS
PEPSICO RESTAURANTS INTERNATIONAL POLSKA SP. Z O.O. (R)	85	TRICON (PIZZA HUT, KFC) (FF) (68)	NATIONAL	DIRECT; IMPORTERS
INTERNATIONAL FAST FOOD CORPORATION POLAND SP. Z O.O. (R)	N.A.	BURGER KING (FF) (16)	NATIONAL	DIRECT; IMPORTERS
DOMINO'S PIZZA INT. SP. Z O.O. (R)	N.A.	DOMINO'S PIZZA (D) (20)	NATIONAL	DIRECT; IMPORTERS

TELEPIZZA SP. Z O.O. (R)	N.A.	TELEPIZZA (D) (26)	NATIONAL	DIRECT; IMPORTERS
FAST FOOD DEVELOPMENT POLSKA SP. Z O.O. (R)	N.A.	NEW YORK CITY PIZZA (FF) (40)	NATIONAL	DIRECT; IMPORTERS

Fast food is the most dynamically developing and the only concentrated sub-sector of restaurant food service. The ownership of the remainder of the restaurant sector is varied. Among the fast food sector the most dynamically developing are restaurants belonging to McDonald's and Pepsico (Pizza Hut and KFC). New York City Pizza restaurants, belonging to the US company Fast Food Development, are mainly located at petrol stations. Telepizza and Domino's Pizza restaurants only offer home delivery. There is only a dozen or so family run companies in Poland which own more than one restaurant, cafe or bar.

3. 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 has steadily been decreasing as companies, particularly in large urban areas, no longer provide this service for employees. However, due to the gradual commercialization and privatization of the Polish economy a growing supply of commercial catering services may be expected.

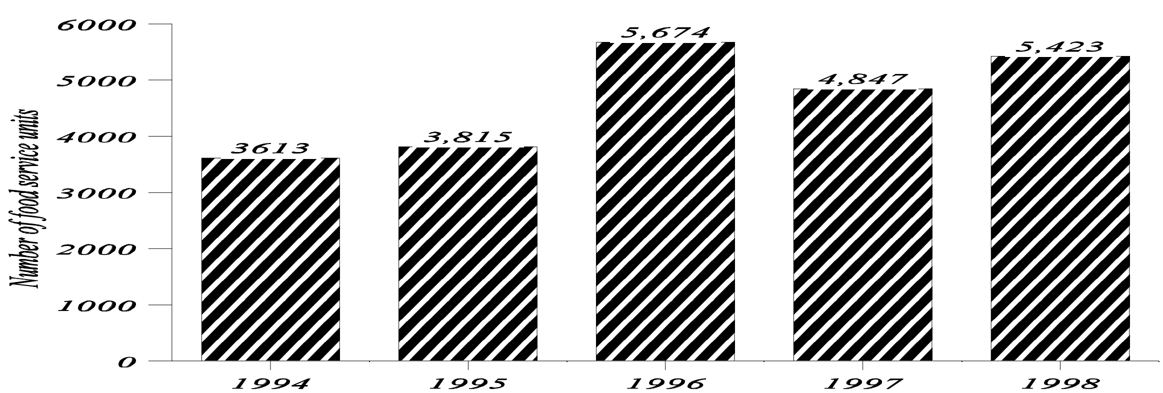


Chart 9. Number of institutional food service units (canteens)

The most common institutional food establishments services are cafeterias operating in educational establishments (schools, universities and to a lesser extent kindergartens and nurseries). It is estimated that educational facilities represent about 40% 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% 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 organised in-house. However, specialized professional firms (e.g. contract caterers) are becoming more common. There are at least five catering companies which operate nationally in Poland. There are two Polish enterprises: WARS, catering for Polish trains (PKP), and LOT Catering Sp. z o.o. supplying LOT Polish Airlines. The Danish Fast Food Products company delivers semi-finished products to restaurants, including fast food, and to bars and cafes. Besides these specialised companies larger hotels like e.g. Marriott or Sheraton also offer catering services.

Table 4. Institutional Company Profiles

Company Name & Sub-Sector Type	Sales ($ Mill)	Outlet Name, Type & Number of Outlets	Location	Purchasing Agent(s)
Danish Fast Food Products (I)	6 (1998)	Dania Fast Food (CS) (100)	National	Direct; Importers
WARS (I)	8 (1998)	Restaurants & bars in trains (CS)	National	Direct; Importers
LOT Catering Sp. z o.o.	25 (1998)	"LOT" Polish Airlines (CS)	National	Direct; Importers
Sodexho	4.5 (1998)	Sodexho Catering (CS) (40)	National	Direct; Importers
Eurest	n.a.	Eurest Catering (CS) (25)	National	Direct; Importers

The French companies Sodexho and Eurest deliver meals to firms. Sodexho has contracts with 200 companies and in 1998 prepared 2.5 million meals. The range of activity of Eurest is similar to that of Sodexho.

III. COMPETITION

American and West European companies are the most active in the HRI sector. Fast food services are dominated by companies from the USA. The competition for this subsector is from small family-run restaurants and bars.

Ownership of hotels, restaurant and resorts is dispersed. The biggest hotels belong to international hotel chains. The majority of restaurants and resorts are Polish owned.

Currently operating in Poland catering services mostly have Polish and West European owners. There are still good prospects for growth in catering sector targeting hotels, restaurants and resorts.

The majority of imported foods for HRI services comes from the European Union. Due to lower tariff rates and logistical advantages imports from the European Union are often less expensive than imports from the United States. Poland's integration with the European Union will strengthen the competitive position of imports from EU countries in comparison to imports from the United States.

IV. BEST PRODUCT PROSPECTS

A. PRODUCTS PRESENT IN THE MARKET WHICH 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 continue to grow. Sales opportunities for these products are good. Fast foods like sandwiches, snack foods, fish, meat and vegetable dishes served at shops and bars or delivered to the office or the home have a very good sales potential.

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

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

There are opportunities to develop restaurants offering meals based on health and organic foods. Snacks with low-fat or low-sugar content and made with natural ingredients have good sales potential. Vegetarian cuisine may also enjoy growing demand. Microwaveable and ready-to-cook products may also have a good sales potential, particularly for institutional food services. About 300,000 Polish families have microwaves. Since these products would be intended mainly for less affluent segment of the population, they should be lower priced. It should also be kept in mind that Polish consumers are not accustomed to very spicy food.

C. 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 and import tariffs. Products with a high-sugar content, semi-processed microwavable goods, high quality wines, high quality seafood products and processed grains, apart from grains grown in Poland, such as rice (brown), sorghum and maize for human consumption.

This group also includes products which are not officially certified as acceptable for consumption in Poland, mainly because of certain additives. Poland uses "positive" list of additives. Polish regulations tend to be stricter than in other developed countries (this especially concerns 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 may alleviate some additive limitations which 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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agwarsaw@it.com.pl
homepage: http://www.usaemb.pl/usfas.htm

Please see our own home page 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, snack foods, ready-to-eat and health products, spices and food additives, wines and beverages, and a complete list of upcoming activities designed to promote your products in Poland. Importer lists are also 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.