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# **Poland**

## **Retail Food Sector**

### **Report**

### **2002**

Approved by:

**Wayne Molstad, Agricultural Counselor**

**U.S. Embassy**

Prepared by:

Jolanta Ganczewska, Marketing Specialist

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#### **Report Highlights:**

**Poland's food retailing sector continues to undergo radical transformation as consumer incomes grow in this modernizing country of 38.6 million people. This change is led by new foreign hypermarkets which increased from 27 in 1996 to 136 in 2001. They are projected to expand to 200 - 220 by 2005 and will account for about 50 percent of retail food sales within the next five years. Prospects for U.S. sales are hampered by stiff Polish and EU competition, comparatively high import duties, stringent food ingredient regulations, and costly terms of business to get product onto large retailer's shelves. Nevertheless, there are select opportunities outlined in section IV, "Best Prospects".**

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## I. MARKET SUMMARY

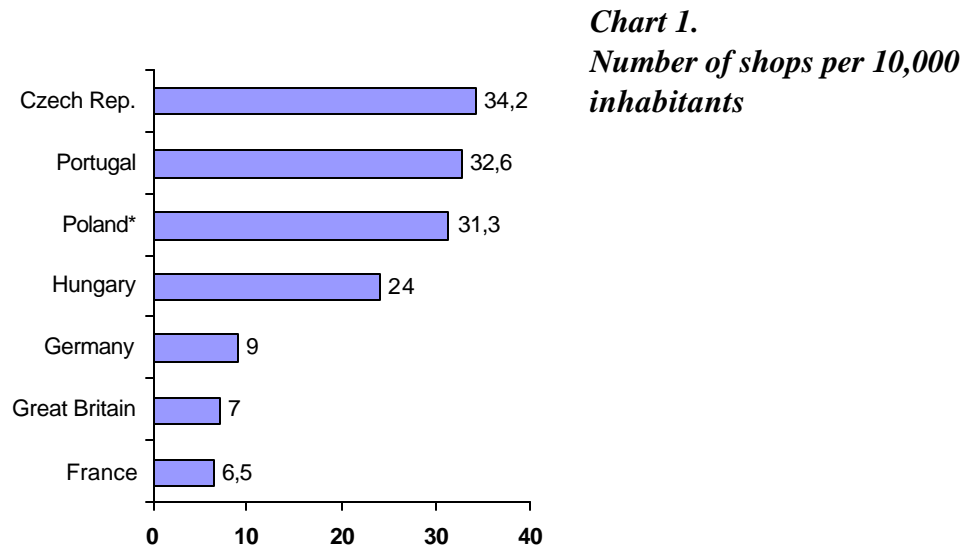
### General Information

Compared to western Europe, the Polish retail chain is still very much dispersed, and according to the opinion of international analysts, the development of its structure is at the stage of west European retail trade in the sixties.

Dynamic changes in the domestic market, resulting in increasing competition in both production and trade sectors, have taken place during recent years. Companies trading in food products are undergoing particularly strong pressure, as this segment of the market has become an area of intensive interest to foreign competitors.

A demographic structure is a particularly important factor influencing development and composition of the Polish retail trade. The fact that 38 percent of the Polish population lives in over 50,000 villages results in a very dispersed nature.

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\* excluding open markets

In 2001 there were about 449,000 shops in Poland, which is twice as many as in Spain and six times more than in Great Britain. In addition, there were almost 400,000 other retail outlets such as small kiosks, stands, stalls, etc.

At the same time a rapid increase in market share of a small group of chains of super/hypermarkets, in most cases with foreign capital, is being noted.

Table 1. . . . . Number of shops with foreign capital

Description	1995	1996	1997	1998	1999	2000	2001
Number of shops with foreign capital	748	925	1,295	1,657	2,535	2,975	3,250
A % share of shops with foreign capital in the total number of shops	0.18	0.23	0.31	0.37	0.56	0.69	0.72

Due to the lack of capital, weak financial situation and low profitability, Polish companies have lost the battle for the access to the food retail market. This may prevent them from using their own capital in order to modernize their future operations, which may lead to the mass liquidation of their businesses. This is why foreign companies are expected to play a particularly strong role in trade development during the coming years.

Continuous economic growth, which started in 1991, has resulted in considerable improvement in Poland's labor market, its domestic financial situation, and in increased incomes. Every year the real consumption value, covered by personal income in the domestic sector, increased.

However, a low rate of economic growth that has been noted since last year has created some threats for further development. During 2000, GDP rate of growth amounted to 4 percent while in 2001, it dropped to 1 percent only.

Monetary policy aimed at decreasing the inflation rate led to a substantial decrease in consumption and investment demand. Demand's rate of growth was lower than that of GDP. This phenomena combined with high interest rates have been the main factors negatively influencing economic progress.

Such a low rate of growth meant poor financial results for business entities operating in all sectors of the economy. In the case of food products, 62 percent of companies will not generate a net profit. This reduced their ability for investment and debt redemption. Also, unemployment has continuously grown over the last 4 years and currently ranges between 17 and 18 percent.

All these factors negatively influence the buying potential of Polish customers. This will certainly cause, at least until the economy revives, difficulties in the retail food sector.

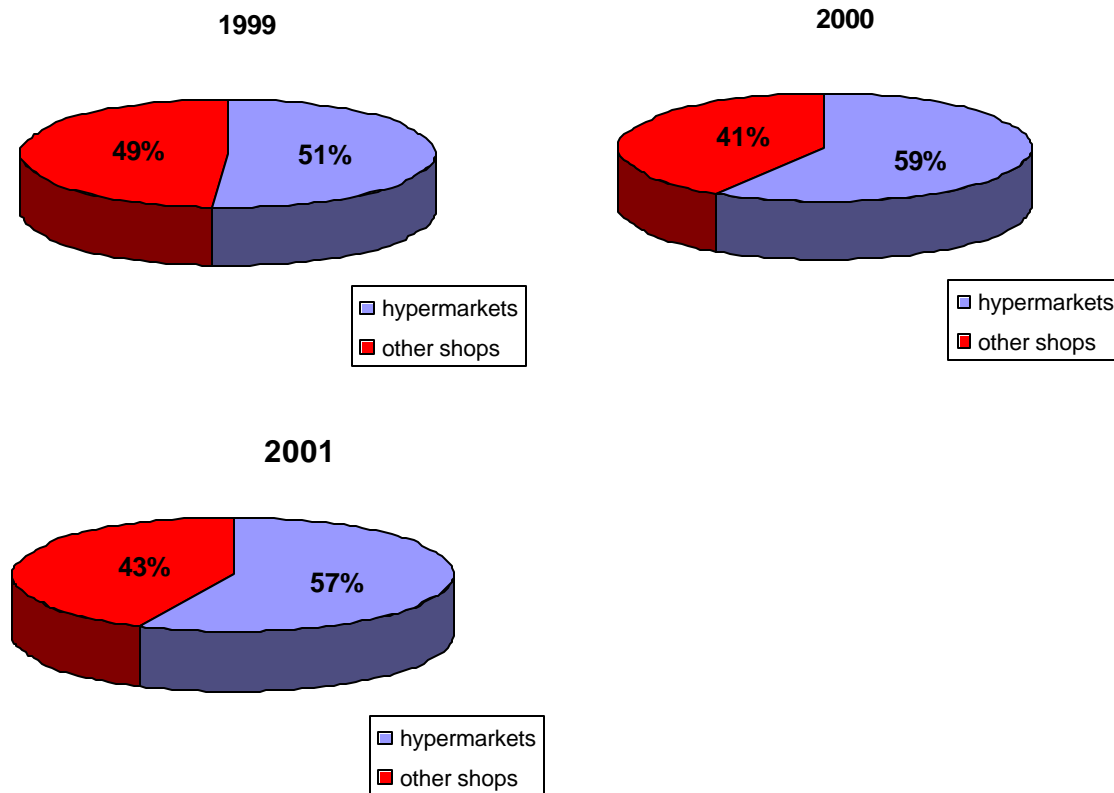
## **Description of the retail trade**

Over the recent three years three main trends have characterized the Polish retail trade. Their continuation is visible in 2002. Traditional retail business (shops with an area below 300 sq.m.) are gradually losing their importance, the fast moving consumer goods (FMCG) market has been stabilizing, and strong competition has surfaced within modern distribution channels. The latter is taking place at the expense of the turnover of the traditional distribution channel, whose financial situation is systematically becoming worse. The value of the FMCG market comprising food stuffs, detergents, cosmetics, tobacco, and alcohol was maintained in 2000 at the same level as in 1999, i.e. about USD 17 bn but reached USD 20 bn in 2001. At the same time the market share of the modern distribution channel has increased by 3 percent in 2001 to 29 percent.

In 2000 it was estimated that, on average, hardly 40 customers do their shopping in one traditional shop, spending less than PLN 100 (US\$ 25.00). The situation was even worse in rural areas, where the number of customers was three times lower. In 2001 the average daily number of customers, doing their shopping in all types of traditional shops, decreased by 10-15%, regardless of their location.

The growing popularity of hypermarkets is reflected in their increasing number of customers. They are becoming more and more frequently the main source of household supplies. In 2001 the number of persons shopping there more often than once a week increased by over 100% compared to 1999 (from 18 percent to 39 percent). As a result, the share of monthly spending in large shopping centers has been increasing.

The average purchase amount of a customer, shopping in a hypermarket, is estimated at PLN 172 = USD 41.00 (PLN 203 in Warsaw and PLN 260 in Gdansk). On the other hand, the average value of transactions in traditional shops has dropped by 10-15%, and this decrease has mainly affected shops located in places inhabited by less than 10,000 people.



**Chart 2. Structure of household expenses**

Source: Handel 3/2002

The fact that 99 percent of retail companies have no more than two shops also shows the dispersed structure of the trade. Organizations owning more than 20 shops form less than 0.1 percent of the total number of companies active in this sector.

During the last three years a slower pace of increase in the number of shops within the modern distribution channel was noted with a simultaneous insignificant decrease in the number of traditional shops.

The growth rate in the number of hypermarkets was 21 percent in 2001, 18 percent the year before,

and 67 percent in 1999.

The number of small and medium shops decreased by 2-3 percent in 1999, by 1-2 percent in 2000, and by almost 4 percent in 2001. In 1999 the number of shops below 50 sq.m. decreased by 3-5 percent, by 1 percent in 2000, and another 3.6 percent in 2001.

Despite these trends, ninety-two percent (415,017) of Polish shops are small outlets with an operating area of less than 50 sq.m. In 2001 the average operating area amounted to 70 sq.m.

**Table 2. Shops by operating area in 1996-2001**

Years	Total number of shops	Number of shops by operating area					
		below 50 sq.m.	50-100	101-200	201-300	301-400	over 401 sq.m.
1996	405,563	369,926	20,661	8,929	2,377	1,110	2,560
1997	424,362	390,311	18,193	9,175	2,570	1,255	2,858
1998	451,785	414,684	20,795	9,371	2,655	1,182	3,098
1999	450,232	417,772	16,925	8,014	2,529	1,479	3,513
2000	431,991	399,767	16,297	7,872	2,567	1,551	3,937
2001	449,339	415,017	16,871	8,500	2,817	1,680	4,454
2001 2000	104.0	103.8	103.5	108.0	91.1	108.3	113.1
2000 1999	95.9	95.7	96.3	98.2	101.5	104.9	112.1

Source: Statistical Yearbook, 2001

In 2001 there were 449,339 shops which is 4 percent more than in 2000 but slightly less than in 1999.





**Table 3. Points of retail trade<sup>1)</sup> and gas stations in Poland in 1996-2001**

Item	1996	1997	1998	1999	2000	2001
<b>Shops</b>	<b>405,563</b>	<b>424,362</b>	<b>451785</b>	<b>450232</b>	<b>431991</b>	<b>449339</b>
Including:						
Food stores	137,338	140,811	147,207	147,366	142,257	145,934
Fruit and vegetable shop	6,315	6,470	6,935	6,974	6,678	5,251
Meat shops	14,041	14,315	15,056	14,879	14,045	14,714
Fish shops	1,400	1,508	1,619	1,574	1,506	1,572
Confectionery shops	3,198	3,520	3,773	3,630	3,681	4,101
Alcoholic beverage shops	2,991	2,830	2,731	2,539	2,350	2,335
Gas stations	6,018	6,548	7,253	7,607	7,744	8,901
Number of people per one	95	91	86	86	88	86

<sup>1)</sup> The statistical data covers: shops, open market stores, stores, market stalls, and movable points of sale.

Source: Statistical Yearbook, 2001

It is estimated that retail sales in 2001 reached PLN 376.5 billion (USD 94.1 billion) in current prices, compared to PLN 361.8 billion (USD 90.5 billion) in 2000. The sales realized by retail outlets equalled PLN 360.7 billion (USD 90.2 billion), out of which food and non-alcoholic products amounted to PLN 110.2 billion (USD 27.6 billion).

The total turnover of this sector is shown in the Table 2.

**Table 4. Retail sales (current prices) in m. US\$ calculated at average annual exchange rate.**

Years	Food products	Alcohol
1996	25,227	7,908
1997	24,629	7,318
1998	26,719	7,646
1999	26,945	9,448
2000	27,924	8,930
2001	30,286	9,532

Source: Statistical Yearbook, 2001

The structure of the retail trade is shown in the Table 5.

**Table 5. Structure of retail sales in Poland in 1996-2001 in % (current prices)**

Description	1996	1997	1998	1999	2000	20001
TOTAL	100	100	100	100	100	100
Fruits and vegetables	1.9	1.8	1.7	2.4	2.1	2.1
Meat and processed meats	6	5.9	5.1	4.8	5.9	5.4
Fish and fish products	1.2	0.9	0.9	1	1.1	1.1
Alcoholic beverages	8	9.3	9.1	8.7	6.5	6.0
Non-alcoholic beverages	2	1.4	1.5	1.6	2.1	2.3
Milk, cheese, and eggs	2.6	2.6	2.8	3.4	2.9	2.8
Bread and processed cereals	3.5	2.6	2.1	3	3.3	3.1
Sugar and confectionery	5.9	6	5.8	5.4	5	4.9
Coffee, tea, and cocoa	1.7	1.9	1.6	1.9	1.4	1.3
Other food products	9.1	9.6	11.1	8.9	8.5	8.5
Non-food products	58.1	59.4	65.7	58.9	61.2	62.5

Source: Statistical Yearbook, 2001

### Structure of retail stores in 2001

Polish trade was privatized at the very beginning of the transformation period. In 2000, shops belonging to the public sector formed only 0.4 percent of the total number of outlets.

The total number of shops remains at roughly the same level as during 1999; also, numbers of different types of shop have not changed in 2001 in a significant way.

In 2001 there were 449,339 stores including:

- < 173,907 food stores, i.e. 38.7 percent of the total number of stores (39.5 percent in 2000);
- < 82,565 non-food stores (18.4 percent compared to 18.6 percent in 2000);
- < 14,423 automotive stores (3.2 percent compared to 3 percent in 2000);
- < 178,444 other stores (39.7 percent in 2000 compared to 38.9 percent in 2000).

Their structure confirms the growing trend to offer a wide range of food and non-food products in one selling point (supermarket + other shops). In 2001 there were only 24,000 (5.3 percent) specialized shops.

The continuous concentration in the Polish food trade has resulted in a decreasing number of specialized shops and in an increased share by large organizations in the total turnover. The share of

the largest shops in the total turnover of food products increased from 13 percent in 1997 to 29 percent in 2001. Other types of shops decreased their market share.

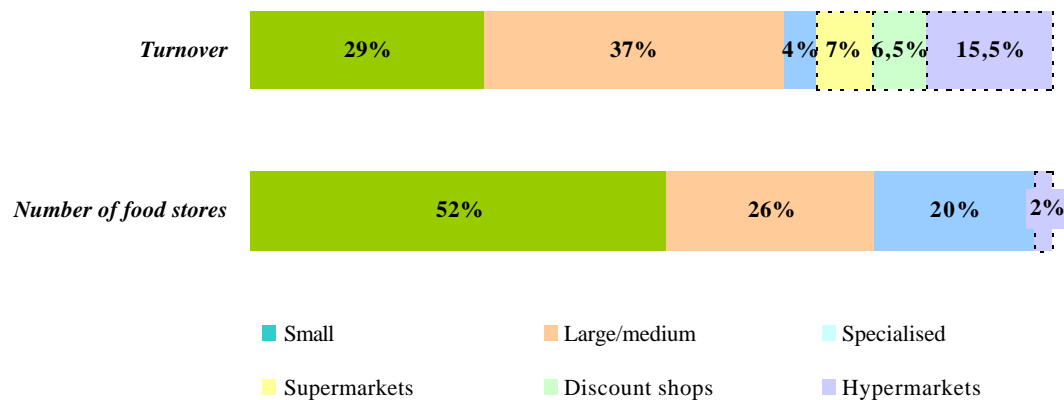
The structure of food shops has not changed much compared to previous years; small shops still dominate Polish trade.

**Table 6. Food shops in 2000 and 2001**

Type of food stores	Number of shops in 2000	Change compared to 1999 (in %)	Number of Shops in 2001	Change compared to 2000 (in %)
Small (below 40 sq.m.)	60,500	-1	61,000	+1
Specialized (selling only one product category)	24,500	-2	24,000	-2%
Medium (40-100 sq.m.)	24,000	-2	24,700	+3
Large (100-300 sq.m.)	5,400	-1	5,500	+2
Discount (300-1,000 sq.m.)	1,000	+9	1,050	+ 5
Supermarkets (over 300 sq.m.)	750	+3- 4	850	+13
Hypermarkets (over 2,500 sq.m.)	112	+18	136	+21

An increasing popularity of modern distribution channels is proved by their share in the domestic turnover in food, tobacco, and alcoholic beverages trade.

Supermarkets, hypermarkets, and discount shops form 29 percent of the total turnover in those products despite the fact that these organizations constitute only 1.7 percent of the total number of stores. More than half of this turnover is realized by hypermarkets. Traditional distribution channels: large, medium, and small grocery shops, and specialized outlets constitute 98.3 percent of the total number of food shops and 71 percent of the turnover in food products, cigarettes, and alcoholic beverages.



**Chart 3. Structure of sales in 2001**

Despite a rapid growth of market importance of modern distribution channels, the five largest chains: Metro, Jeronimo Martins, Carrefour, Geant, Auchan, and Tesco enjoy about a 13 percent share in the total market. By comparison, in France the top 5 have a 79 percent share, in Portugal 65 percent, and in the Czech Republic 33 percent.

Open air markets still play a significant role in Polish retail trade. In 2001 there were 2,340 permanent markets (less by 1.5% than a year before) and 126,000 points of sale registered and operating (a decrease by 11.6%). This means that a considerable part of the domestic turnover is achieved by outlets selling in markets. The structure of markets in terms of the scope of activities has not changed for many years. Over 85 percent of the markets carry out retail activities, the remainder dealing with wholesale trade. The majority of goods sold in the markets is supplied by local producers. In central Poland 40 percent of shops belong to the producers. In the western part of the country this share is definitely lower.

An opportunity to shop in hypermarkets appeared in Poland eight years ago. Today this is a normal way of shopping for most of the population living in big towns. During recent years hypermarkets have undergone a very dynamic development. At first, 27 hypermarkets were opened in 1993-1996. These were individual outlets with an average area of 2,500 to 5,000 sq.m. During the period 1997-98, 30 new hypermarkets were opened. It became a common market practice for part of a shopping center to be designated to small boutiques, restaurants, and other outlets. The average selling space of a hypermarket ranged between 6,000 and 14,000 sq.m, with the area of the neighboring outlets amounting to 2,000 – 8,000 sq.m. However, one-third of the Polish population, mostly older people, declares not to have done any shopping in shopping centres and having no intention to do so. This means that traditional channels still play a very important role in future.

## Retail Market Situation during 2001

During the last year the Polish retail trade market witnessed a tough competition battle among foreign chain owners aimed at achieving the leading market position. Currently, building a new shopping centre has become quite difficult due to new legal restrictions; therefore mergers and acquisitions are the main method for achieving this target.

In 2002 two spectacular buy-outs took place. Ahold bought Jumbo hypermarkets from Jeronimo Martins and Tesco has acquired the HIT chain. This transaction has made Tesco the largest retail chain in Poland (28 hyper and supermarkets with a total area of 250,000 sq.m).

On the other hand, many discount chains are further developing their existing market position (Biedronka for instance expects to have 700 shops by the end of 2002, Plus Discount opened thirteen new outlets in 2001, Leader Price opened 39 shops (out of which 19 operate on a franchising basis) in 2001.

## Number of permanent retail outlets in 2001

Total number of retail outlets: **±449,339**

grocery	chemical	alternative cosmetic	other channels
<b>173,907</b>	<b>21,500</b>	<b>82,474</b>	<b>172,458</b>
* Hypermarkets * Supermarkets * Discount stores * Grocery large * Grocery medium * Grocery small * Specialist food	* Chemical stores * Cosmetic stores * Perfumeries * Pharmacies * Natural + herbal stores	* HoReCa* * Kiosks (with press) * Convenience outlets * Petrol stations (with stores)	* All other retail outlets (excl. "service" outlets)

HoReCa - Hotels, Restaurants, Catering outlets  
Source: CAL Company Assistance

In 2001 foreign chains of supermarkets exceeded 100 outlets and one million square metres of operating area. Eight companies opened altogether 26 shops. Most of these, 7 shopping centres, were opened by Auchan, 6 Hypernova hypermarkets were opened by Ahold, 4 by Tesco, and 3 by Geant and Kaufland each. Carrefour, Real, and Leclerc opened one hypermarket each. The total selling space of 123 foreign hypermarkets amounts to 1.056 million sq.m, which is 210,000 sq. m more than in 2000 (in 1999 the selling space grew by 250,000 sq.m). Since 2000, the rate of growth of the number of foreign hypermarkets has slowed down. This has been caused by the following factors:

- increasing level of market saturation,
- difficulties in finding the appropriate location, not too close to a competitor,
- buy-outs of existing companies instead of building new shops,

- legal restrictions

It is predicted that in the coming years the average selling space of hypermarkets will increase to 8,000 – 18,000 sq.m., and the area of the shopping centers, where supermarkets will be located, will reach 10,000 – 35,000 sq.m.

All foreign chains in Poland (hypermarkets, supermarkets, and discount shops) have altogether 1,392 shops with an area of 1,846,000 sq.m.

Trying to face the competition of foreign chains, Polish traders have made some efforts to join forces and create larger organizations. As a **result, a Union of Polish Retail Chains has been established** by eleven Polish organizations. Its potential equals the most important foreign chains operating in Poland as it consists of 1,537 shops.

Total income achieved in 2001 by the 50 largest companies amounted to USD 11.7 billion which is 6 percent more than in 2000. The German concern Metro, comprising Makro Cash & Carry, Real, Praktiker, and Media Markt has taken the first position with revenues totaling about USD 2.5 billion.

### **Expected changes in the retail trade**

It is expected that the next five years will show very dynamic changes in retail trade, which will lead to essential structural changes.

The following changes are expected in the retail trade:

- increased importance of large-area trade outlets in the structure and in turnover of the retail trade
- increased importance of companies owning chains of stores
- decreased number of small retail outlets
- integration process among small and medium companies,
- mergers and buy-outs among large chains of shops.

It is expected that the pace of development of supermarkets and discount shops will be higher than that of other shops. In five years time hypermarket, supermarket, and discount chains will become the leaders in the retail trade in food products. Given the limited investment possibilities for local companies, a rapid growth in market share by foreign companies seems inevitable.

On the other hand, this development will be limited to a certain extent by new legal regulations which are either already in force or planned to be implemented. Amongst these are:

- restrictions concerning location of super and hypermarkets,
- new regulations related to trade agreements,
- new regulations concerning prices, promotion, and advertising,

- restrictions concerning margin levels.

### Import conditions

According to Polish statistics in 2001, food articles imported from the United States constituted about 2.5 percent of all imported food products. Per U.S. census data, imports of all agricultural products from the United States in 2001 totaled US \$ 89.5 million compared to the figure of US\$ 53.0 million achieved during 2000.

**Table 7. Import of some food products in 2001**

<i>Description</i>	<b>Total import to Poland</b>	<b>Import from the USA</b>	<b>Share of US import in total import</b>	<b>Main Competitors</b>
	Million US\$	Million US\$	%	
<b>TOTAL</b>	<b>3485</b>	<b>89.5</b>	<b>2.6</b>	
Including:				
Rice	22.9	0.3	1.3	Vietnam, India
Red meat (fresh, chilled, frozen)	30.6	5.1	16.7	EU
Fresh fruit	188.4	1	0.5	Spain, Morocco Israel, Turkey
Wine and beer	79.8	0.7	0.9	France, Italy, Hungary, Slovenia, Bulgaria, Germany

US exports are not growing in a significant way due to the rapid development of local production resulting largely from huge foreign investments in food processing and the food production sector. Out of a cumulated value of US\$ 56.8 billion invested by foreign companies by the end of 2001, \$ 5.5 billion was invested in the food processing industry (by comparison investments in machinery and the equipment industry amounted to \$ 1.7 billion).

A list of companies that have invested in the agri-food industry is attached as Enclosure 1.

The significant interest in this sector results from the following:

- Poland is a big market, open for new goods,
- considerable opportunities for export to east European countries, workforce still cheaper than in western countries,
- opportunities to take over privatized companies with a relatively low capital involvement,
- customs fees and additional payments for food, higher for imports from the USA than from the European Union,

- permanent pressure on the government by farmers to limit the import of food,

The two latter factors have a crucial significance for American export opportunities. Some examples of customs fees for food products are shown in Enclosure 2.

In addition, the necessity of obtaining different types of certificates is another factor making export activities difficult. The procedure for getting such certificates is very complicated, time-consuming, and expensive.

### Advantages and Challenges facing US products in Poland

Advantages	Challenges
Population of 38.6 million people; increasing number of those who can afford high quality food products.	Rapid development of local production (supported by foreign, and in many cases American, investments) has significantly reduced demand for imported products.
The growing retail industry and the growing demand for more sophisticated and diversified products.	Importers, retailers, and consumers lack awareness of American brands,
Well-experienced and increasingly reliable importers.	Polish consumers prefer to purchase products produced in Poland.
Opportunity for different kinds of market promotion with retailer participation.	Imported products are more expensive because of many certificates, high tariffs, long period of payment.
	Registration process is slow, expensive, and inefficient, Polish language labels are required.
	Alcohol tariffs and excise tax are very high, an import licence is necessary,
	Third country competition is significant, especially from west European countries.
	Poland is planning to join EU which will result in the same restrictions as those in other countries belonging to the Union.
	There are quotas for meat and poultry, and some other products.
	Farmers' position is very strong and they influence government policy concerning import regulations.

## II. Road Map for Market Entry



## **A. Hypermarkets, Supermarkets, Discount Shops**

### **Entry Strategy**

Success in introducing new products in this segment of the market depends to a large extent on local representation and personal contacts. The local representative may or may not also be the importer and /or distributor, but due to the very tough conditions dictated by this type of outlet, this is a key person if the product is going to be sold there.

Here are some typical conditions that have to be fulfilled by a supplier when entering foreign retail chains:

- 1 Entry fees (amounting to tens of thousands of Polish zlotys), which are not paid back if the agreement is canceled.
- 2 30-60 day period of payment.
- 3 Considerable price discount - about 10 percent.
- 4 Obligatory participation in promotion activities, which are held 3-5 times a year and last for 1-3 weeks. This requires another price decrease (for about 5 percent).
- 5 Obligatory participation in covering the cost of advertising promoted products.
- 6 Separate fees (US\$ 250-3,500) for placing each type of product on the shelf.
- 7 Fees for the "length of the shelf".
- 8 No opportunity to influence the price level
- 9 Very strict delivery terms

### **Market structure**

- 10 Products may be imported either by an importer or a representative office who may also be a wholesaler and/or distributor.
- 11 The representative office deals only with your product, and so pays much more attention to the promotion, advertising, and marketing activities than an importer who buys many, sometimes even competitive, products.
- 12 Some supermarkets carry out direct imports
- 13 Importers are distinctly separated into dry goods, refrigerated items, fruits and vegetables, alcohol, etc.
- 14 Importers or representative offices may use nation-wide logistic organizations for the storage and distribution of imported products.
- 15 Importers also have their own distribution networks.

*Company Profiles of the most important retail chains in 2001*

Retailer Name and Outlet Type	Sales (\$Mil)	Ownership	No. of Outlets	Location	Purchasing Agent Type
<b>1. METRO</b>	<b>2500</b>	<b>Germany</b>			Direct, importers, wholesalers
Makro Cash and Carry, wholesaler	1,500		19	whole country	
Real, hypermarket	750		25	whole country	
<b>2. JERONIMO MARTINS</b>	<b>1,100</b>	<b>Portugal</b>			Direct, importers, wholesalers
Eurocash, wholesaler	270		82	whole country	
Biedronka, discount	730		625	whole country	
Jumbo, hypermarket*	90		5	Poznań	
<b>3. CARREFOUR</b>	<b>750</b>	<b>France</b>			Direct, importers, wholesalers
Carrefour, hypermarket	425		9	Warsaw and other big towns	
Champion, supermarket	275		51		
<b>4. GEANT</b>	<b>735</b>	<b>France</b>			Direct, importers, wholesalers
Geant, hypermarket	610		15	whole country	
Leader Price, discount	125		60		
<b>5 AUCHANT</b>	<b>720</b>	<b>France</b>			Direct, importers, wholesalers
Auchant	570		14	whole country	
Billa/Atac**	100		11		
<b>6. REWE</b>	<b>520</b>	<b>Germany</b>			Direct, importers, wholesalers
Minimal, hyper	160		25	whole country	
Selgros, wholesaler	360		7	Warsaw and other big towns	
<b>7. AHOLD</b>	<b>505</b>	<b>Holland</b>			Direct, importers, wholesalers
Hypernova hypermarket	230		15	Warsaw	
Albert supermarket	275		146	whole country	

<b>8. TESCO</b>	<b>500</b>	<b>Great Britain</b>			Direct, importers, wholesalers
Tesco hypermarket	430		14	Big towns	
Savia supermarket	70		32	Southern Poland	
<b>9. HIT hypermarket***</b>	<b>490</b>	<b>Germany</b>	13	Warsaw and other big towns	Direct, importers, wholesalers
<b>10. TENGELMAN</b>	<b>450</b>	<b>Germany</b>		Southern Poland	Direct, importers, wholesalers
Plus discount, discount	250		121		

\* Jumbo hypermarkets will be finally taken over by Ahold by the end of 2002. The preliminary agreement has been already concluded.

\*\* Taken over by Auchan in 2002 and renamed as "Elea"

\*\*\* Bought out by Tesco in 2002.

It would seem that another major acquisition is likely on the Polish retail scene. The American Wal-Mart has been in conversations concerning the purchase of 15 Geant hypermarkets and over sixty Leader Price supermarkets belonging to the French Casino.

It is important to note that "cash and carry" outlets are becoming more and more popular. Some of these operate only as wholesale units and serve only the retailers, and some also sell to individuals, but under the condition that a certain quantity of goods is purchased.

**Table 8** Share of 10 leading food chains in the income of TOP 50 (%)

Name of a chain	2001
JMP	9.3
Real	6.4
Carrefour	6.4
Auchan	6.2
Geant	5.2
Rewe	4.5
Ahold	4.3
Tesco	4.3
HIT	3.9
E. Leclerk	2.9

Source: Supermarket Poland 4/01

The process of developing trade marks has just commenced, and it is expected that they will be widely used by foreign and local chains.

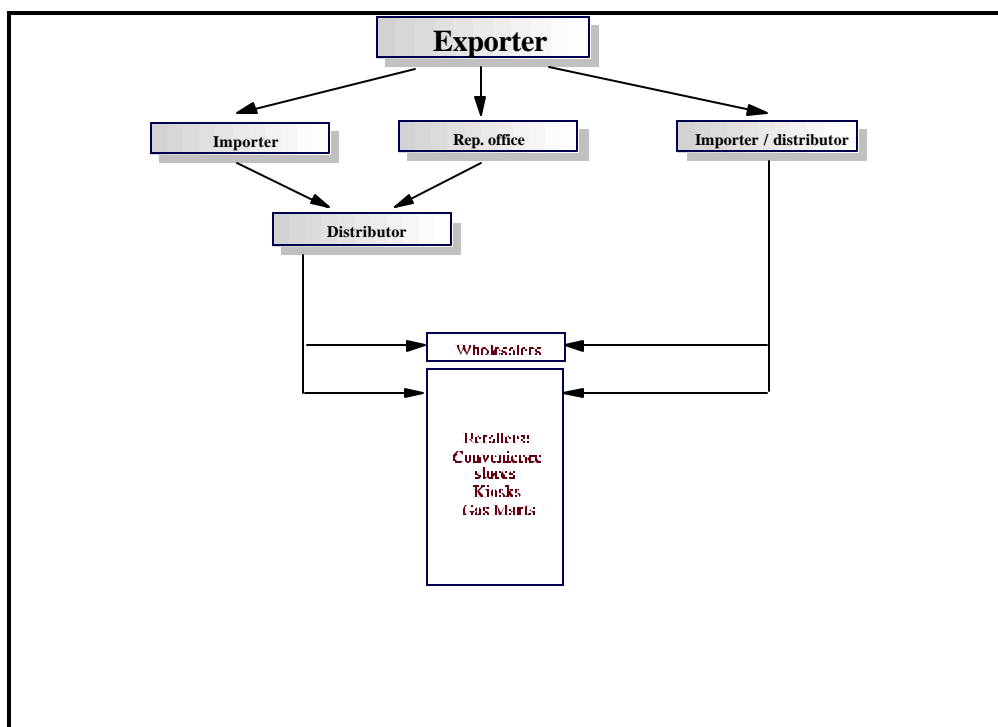
## B. Convenience Stores, Gas Marts, Kiosks

### Entry strategy

All these types of stores operate in a similar way. There are two ways of placing new products on their shelves, depending on the type of product. Either an exporter should use a representative for direct personal contact with the shops, or shop managers supply themselves from the wholesalers who may import the products as well.

In this case goods should be available in several regional wholesale units, where smaller wholesalers and retailers collect them. They should also be delivered to the cash and carry outlets.

### Market structure



### Company Profile

Apart from gas station outlets, there are no chains of such retail outlets and each shop has a different owner. The biggest share (about 70 percent) in gas station marts is held by the Polish company Orlen.

The remaining part of the market belongs to Polish Refineries Plock and Gdansk, and foreign Companies (e.g. Agip, Shell, Nestle, Aral, Elf).

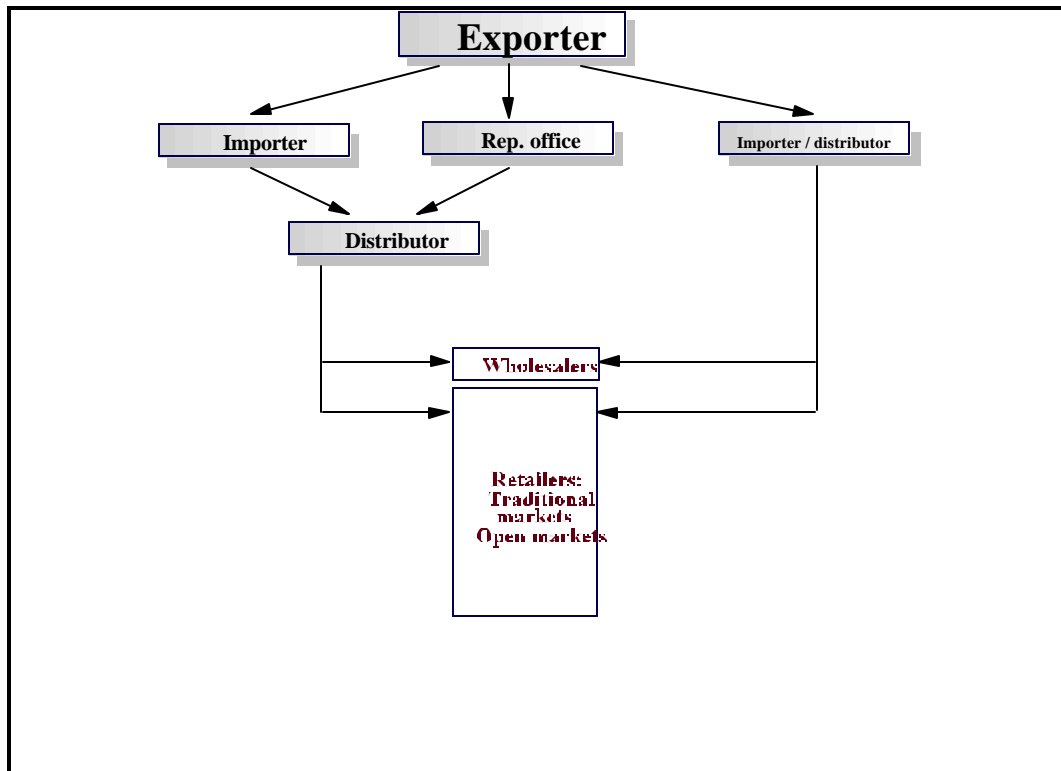
### **C. Traditional markets – “Mom and Pop” small independent grocery stores and farmer’s markets**

#### **Entry strategy**

There are two ways of placing new products in this type of store, depending on the type of product. Either an exporter should use a representative for direct personal contact with the shops, or shop managers supply themselves from the wholesalers who may import the products as well.

In this case goods should be available in several regional wholesale units, where smaller wholesalers and retailers may collect them. They should also be delivered to cash and carry outlets.

## Market structure



## Company Profiles

There are about 121,000 outlets that may be regarded as traditional markets.

**Small retail outlets** - The majority of the stores have different owners and there are no chains or franchises. Many of the firms are family-run business. These stores are usually modest in size with an average area of 15-25 sq.m.

**Farmer's Markets** - Such markets greatly vary in size and facilities which are being offered to traders and customers. In most cases they constitute of open air and/or kiosk facilities located over an area of 200/400 sq.m.

## III. Competition

Local production and exporters from countries belonging to the European Union mainly Germany, France, Italy, Great Britain, Spain, Finland and Netherlands (50 percent of total Polish food imports)

are the main competitors for American exporters. Even such “American” products as chewing gum, Coca-Cola, or Pepsi-Cola are produced in Poland. It should also be taken into consideration that Polish consumers show a very strong tendency to prefer Polish products to imported goods. This obviously influences the shops to purchase products made in Poland. Many chains use the fact that they offer Polish goods as an advertising slogan in order to create a better image to consumers. Recently, even Tesco has started the campaign “Buy Polish products” and is considering a stronger promotion of Polish goods in the UK.

The most important competitors are presented in Enclosure 1.

#### **IV. Integration with the European Union**

The Polish retail market has been open to foreign investors for over ten years and all major European market players have been present in Poland for quite some time. That is why the integration process will not affect this sector of the economy in a negative way. On the contrary, some producers who will be accepted by foreign chains may profit by achieving greater access to the expanded EU internal market.

Polish authorities are obliged to adjust Polish law to the requirements of EU regulations and to respect the decisions taken by the European Justice Tribunal. The amendment of Polish law mainly concerns protection of confidential information (company secrets) elimination of sales at glaringly low prices, ban of bonus sales, and promotional loteries.

#### **V. Best Products 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:

- food consisting of many constituents, highly processed, convenient, and easy to cook, i.e. ready-to-cook products and semi-products, and a wide range of snacks (from potato chips and sweets to salads, yoghurt, cheeses, etc.),
- food for the HRI food service sector,
- various non-alcoholic beverages, wine and beer,
- “healthy food” produced from natural agricultural products with a low level of pesticides, mineral fertilisers, and other chemicals applied for their cultivation,

- processed meat, fish and fruits and vegetables, spices.

All these products are known to Polish consumers and many are locally produced. The demand for them changes with different phases of development. These products will be, in most cases, produced in Poland, but imported constituents will often be used. Such a development of this sector will result in further growth of demand for the import of basic elements necessary for food production (hard wheat, processed soya, sunflower, palm oil, and juice concentrates) as well as for various additives.

## **B. Products Not Present in Significant Quantities but Which have Good Sales Potential.**

**This group mainly includes:**

- processed vegetables, ready-to-cook dishes and snacks (excluding chips)
- “luxury” food and drinks, produced from exotic raw materials for people with the highest incomes, who consider consumption of such products as proof of their high social position,
- food constituents for special use, e.g. vegetable fat for different branches of secondary processing, sweeteners replacing sugar, protein or vitamin preparations necessary for the production of diet foods.

The market for these products is very shallow, but changes in eating habits and development of higher income classes create opportunities for rapid increase of demand.

## **C. Products Not Present Because They Face Significant Barriers**

This group mainly consists of additives, which are not allowed in Poland, The list of such products, dyes and preservatives in particular, is very long, as Polish legislation in this respect is much stricter than in developed countries. Information on such products is available from Panstwowy Zaklad Higieny (State Hygienic Office) and from the Ministry of Health (for details please see Posts’ report no PL2018 at the following internet address [www.fas.usda.gov](http://www.fas.usda.gov)). Integration with the European Union will allow some of those additives to be admitted for use in food production.

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



## **VI. 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)

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

Please contact the Foreign Agricultural Service home page ([www.fas.usda.gov](http://www.fas.usda.gov)) 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 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 also visit the Foreign Agricultural Service home page: <http://www.fas.usda.gov>.

Enclosure 1. Largest foreign investment projects in food-processing industry (\$ million. December 2001)

Investor	Branch	Capital Invested	Origin
1.Coca Cola	Beverages	500.0	United States (United Kingdom, Greece)
2.Nestle	Sugar confectionery	347.6	Switzerland
3.Harbin B.V.	Brewery	325.9	Netherlands
4.Heineken	Brewery	220.8	Netherlands
5.Pepsico	Beverages, salted snacks	203.0	United States
6.Mars Incorporated	Sugar confectionery, pet food	160.0	United States
7.BSN Gervais Danone	Milk prod. Sugar confect.	135.5	France
8.Cadbury's Schweppes	Sugar confectionery	126.5	United Kingdom
9.British Sugar	Sugar production	90.0	United Kingdom
10.Ferrero Holding	Sugar confectionery	80.0	Italy
11.Wm. Wrigley Jr. Co.	Chewing gum	78.7	United States
12.Brau Union	Brewery	76.5	Austria
13.Pernod Ricard	Vodka production	73.2	France
14. Unilever	Fish processing, ice cream, Edible oil production	70.0	Internationsl
15.Carlsberg	Brewery	69.7	Denmark
16.Cargill	Animal feeds, glucose production	60.0	United States
17. McCain Foods	French fries factory	54.0	Canada
18. EBS Montendinson	Oils and fats	53.8	Italy
19.Palm	Brewery	50.4	Belgium
20.Provimi Holding BV	Fodder production	48.0	Netherlands

Source. - Polish Agency-for Foreign investment (PAIZ)

Total foreign investment in Poland in 1990-2001 amounted to USD 57 billion and another USD 9.8 billion is predicted for the near future. During this period USD 6.1 billion (11.4%) was invested in retail and wholesale trade. This sector occupies the third position in terms of total foreign investment, as their structure has changed in a considerable way. In 1996 investments in the production sectors amounted to 53.3 percent while in 2001 they were below 27 percent.

It is worth highlighting that companies dealing with retail trade formed a strong group among the top 20 of foreign investors in 2001. Total capital invested by these companies amounted to \$ 2,273.3 million.

Position on the list of investors	Investor's name	Investment value (USD M)	Country
1	Casino	783	France
2	Carrefour	628.7	France
3	Tesco	411.6	Great Britain
6	Metro	375	Germany

Poland has attracted the highest number of investors in this sector in Europe. In 2001 there were 16 western retail food companies operating in Poland, while in Spain there were 14 foreign firms, 13 in France, and 12 in the Czech Republic.

Enclosure 2. Some examples of customs tariffs\*\*

Description of goods	Tariffs for US Imports	Tariffs for EU Imports	Tariffs for CEFTA Imports	Excise tax
Processed meats	40%	40%	15%	
Frozen pork meat	76%	76%	25%	
Frozen beef meat	19%	19%	25%	
Frozen fish	10-15%	10-15%	0%	
Shellfish	30%	30%	0%	
Milk	40%	40%	20-30%	
Yogurt	35%	25%	20-25%	
Cheese	35%	25%***	5-8%	
Olives, maize	9-25%	0-9%	0%	
Frozen and dried vegetables	10-20%	10-20%	0%	
Nuts*	0-5.6%	0%	0%	
Bananas	20%	0%	0%	
Dates, pineapples, avocado, mango, fresh or dried	9%	0%	0%	
Oranges, lemons, mandarins, fresh or dried	10-20%	0%	0%	
Tea, coffee	10-15%	0%	0%	
Herbs and spices	0-19%	0%	0%	
Rice	10%	0%	0%	
Sweets, chewing gum	30-35%	6-25	12%	Depends on sugar contents

Soups	25%	25%	4%	
Champayne, wines*	20%**	20%	20%	Depends on spirit contents
Brandy, cognac, gin, liqueurs	268%	75%	75%	Depends on spirit contents
Beer	30%	6.0%	6.0%	Depends on spirit content
Mineral water	20%	20%	0%	
Chocolate	30%	15-30%	10-12%	

\* Customs duty suspended till the end of 2002.

\*\* Import duty for wine has been reduced from 30% to 20% for wine with alcoholic content up to 13%.

Additionally, the customs duty for grapefruits has been reduced from 15% to 5% and for almonds from 16% to 0 -5.6%.

\*\*\* Annual EU duty free cheese import quota amounts to 10.350 MT