

Country Market Profile: Poland

Euromonitor reports that the Polish economy showed strong recovery signs in 2021, outperforming regional average growth, supported by rising domestic demand, recovered exports, high foreign direct investment (FDI) and various fiscal stimulus measures. The major tax reforms, including a temporary reduction of value added tax (VAT), robust private consumption and investment, as well as increasing exports are set to drive future economic growth. The economic growth could further accelerate if the country receives European Union (EU) funds.

- Following real gross domestic product (GDP) growth at 5.9% in 2021, but due primarily to the fallout from the Russian invasion of Ukraine, real GDP growth is expected to slow down to 3.9% in 2022.
- Sanctions implemented by the EU and Poland on Russia and Belarus contributed to a sharp rise in inflation to 7.4% overall driven by energy/fuel and food prices.
- As Poland's exports increased by 23.3% and imports rose by 28.8% during 2021, the country remained a net exporter.
- As the foreign direct investment (FDI) inflows into Poland decreased over 2020, the FDI intensity reached 1.7% of GDP.
- Public debt in Poland fell to 54.7% of GDP in 2021 from 57.4% in 2020, pointing to the country's improving fiscal health.

Although Poland's government finances are improving, the state is increasingly challenging democratic principles. Economic resilience could be tested by the Ukraine war, which is expected to weigh on growth and lead to higher inflation. An ageing and shrinking population are key trends, but rising incomes could support discretionary spending, whilst the consumer market will remain one of the largest regionally. Rural areas lack digital infrastructure, but network readiness is sound.

USDA's Office of Agricultural Affairs (OAA) in Warsaw hereinafter referred to as FAS Warsaw reports that Poland is Central and Eastern Europe's largest market for food and beverage products. With a population of nearly 38 million people, Poland is a growing and viable market for U.S. food and agricultural products. Over 373,000 stores operate in Poland. Due primarily to the fallout from the Russian invasion of Ukraine, real GDP growth is expected to slow down to 3.9% in 2022. Poland's total 2021 imports of food and agricultural products were valued at over \$34 billion, with U.S. imports accounting for \$566 million, although much of that was received indirectly through other EU member states.

Polish consumers tend to view the United States positively and consider U.S.-origin products to be high quality. Many Polish consumers tend to prefer Polish products over imports, and chains commonly advertise that they offer Polish products to increase sales. U.S. products are often shipped to third country EU ports of entry and are re-exported to Poland without additional tariffs or regulatory requirements, besides language labeling.

Market Opportunities and Key Issues in the Polish Food Market

Market Opportunities include:

- Central Europe's most populous country with a domestic consumer market of nearly 40 million people.
- A strategic location within a dense, major international market offering re-exports potential.
- Transshipment from other EU countries of import possible because of Poland's EU membership.
- Market niches exist in food ingredient categories, particularly dried fruit, nuts, baking mixes, functional foods, and organic components.
- Polish consumers associate U.S. products with good quality.
- Economic growth has been rising and growing Polish middle class is eager to try new products.

Key Issues Include:

- U.S. products face high transportation costs as compared to many European competitors.
- The EU's complicated system of product registration can delay or even prevent new-to market products from entering the Polish market.
- Poland's EU membership puts U.S. products at a competitive disadvantage versus duty-free access for the other 27 EU Member States.
- Despite rising incomes, Polish consumers are still price sensitive when purchasing food and beverage products in at least 75 percent or more of their retail food purchases.
- Foreign investment in the Polish food processing industry results in local production of many high-quality products that were previously imported.
- While market access for some U.S. products is not affected by EU trade barriers, some goods (e.g. poultry, beef, fresh horticultural products, etc.) are limited due to EU Sanitary and Phytosanitary Standards barriers.

2021 U.S. exports of agricultural products to Poland totaled US\$170.4 million, growth of 13% compared to the prior year. Poland ranks 8th as an export market from the U.S. into the European Union (EU). US\$132.4 million were of the consumer oriented variety or just over 77% of the agricultural total, and also grew well at 23%. Poland also imports processed foods from the U.S. totaling US\$100.3 million in 2021, which was up 21% from that of 2020. Top 2021 U.S. processed food exports to Poland included:

- Alcoholic Beverages
- Food Preparations & Ingredients
- Canned, Dried & Frozen Fruit
- Dog & Cat Food
- Condiments, Sauces, Jams & Jellies
- Processed/Prepared Meats
- Snack Foods

Retail Sector Highlights:

According to Euromonitor, retail sales in the packaged food market in Poland will reach US\$29.6 billion in 2022. That represents a growth rate of 21.4% or US\$5.2 billion since 2018. By the year 2026 the retail sales in the packaged food market in Poland is expected to reach US\$41 billion, a growth rate of 33.6% and US\$11.4 billion. High growth products in the forecast include:

- Ice Cream
- Savory Snacks
- Cheese
- Sweet Biscuits, Snack Bars & Fruit Snacks
- Confectionery
- Processed Meat, Seafood & Alternatives to Meat
- Processed Fruit & Vegetables
- Edible Oils

FAS Warsaw reports that the distribution system for consumer-ready food products has evolved rapidly and is one of the most dynamic areas of the Polish economy. The retail sector is diverse and ranges from small family operated stores to medium-sized stores to large distribution centers comparable with those found in the United States. Most hypermarkets and large discount stores are foreign owned, while small-scale stores are predominantly Polish. The COVID-19 pandemic spurred rapid development of retail sector's online delivery platforms.

Euromonitor reports that Polish supermarkets continued to record a positive value sales performance in 2021. Poles appreciate the wide offer provided by supermarkets, in addition to convenient store locations. Typically, supermarkets tend to be centrally located in smaller towns and cities, and therefore offer direct competition to discounters, although the channel was not as dynamic compared to the latter in terms of value growth or expansion of outlets.

Further growth recorded by supermarkets was also supported by the continued development of supermarket chains. For example, the Dino, Stokrotka and Lewiatan brands opened new outlets in 2021. Dino Polska strengthened its convincing leadership of supermarkets in 2021, gaining further value share. Dino remained one of the fastest growing retail networks, opening 147 new outlets in 2021, following the 255 stores it launched the previous year.

The Dino chain consists of mid-sized supermarkets located close to customers' places of residence. The company has been focused on its store network roll-out in the western part of Poland, where the chain already has a presence, whilst also expanding its presence more strongly in the central and northern parts of the country. With a large distribution network, Dino can better compete with other players in the market, including other channels such as discounters.

Holding much lower value share overall in supermarkets, Carrefour is following a strategy to reduce costs on store-based locations and invest more in developing its e-commerce platform in the face of declining sales. It had initially planned to sell some of its larger stores to Auchan but negotiations were not successful

Supermarkets are predicted record stable value growth (at constant 2021 prices) over the forecast period (2026). Interest in supermarkets is anticipated to stem from smaller cities and towns rather than larger cities, although these areas are likely to find ongoing competition for share of pocket from proximity stores such as discounters, and convenience stores. While the rate of network expansion is likely to slow in comparison with the review period, leader Dino plans to move into larger cities such as Warsaw.

High competition from discounters in addition to the changing model of grocery shopping in Poland favors local, smaller stores, which could be more challenging for supermarkets in the future. Supermarket operators are therefore anticipated to compete with affordable offers, attracting distributors or local brands that are unique but at the same time are able to address the latest trends.

According to Euromonitor, following a positive performance in 2020 when the pandemic first emerged in Poland, convenience stores recorded further strong current value growth in 2021, in addition to further expansion of the channel's outlet network. The convenience store concept has been particularly popular among local consumers due to its proximity to neighborhoods and the offer of a wide range of products, which reduces the need to visit larger out of town locations such as hypermarkets. The channel also offers convenient opening hours, typically 07:00-23:00hrs, which has contributed to further growth as this offers Polish consumers greater freedom in terms of when to shop for essential items.

Eurocash retained its overall leadership of convenience stores in 2021, despite losing further value share to closest competitor Zabka Polska Sp zoo. Eurocash is the largest wholesale distributor in Poland, which goes a long way to enabling it to keep its small format stores competitive under its banners ABC, Delikatesy Centrum and Groszek. Eurocash's convenience store franchisees can order goods via Eurocash.pl, an e-commerce platform.

Second-ranked Zabka, which continued to gain value share and record dynamic growth rates in 2021, has developed a network of outlets based largely on a franchise business model. Low investment required from entrepreneurs has helped to drive up significant interest in franchising. Furthermore, Zabka has become a leader in terms of innovation within retail, offering service-free, independent shopping in its stores connected to the use of its dedicated mobile app.

Convenience stores is also continuing to gain share from hypermarkets, the latter of which witnessed further notable sales declines in 2021, as consumers' shopping habits have changed. This trend was already starting to emerge pre-pandemic, with a gradual switch from large, crowded shopping centers to more local, smaller stores. The quantity of shopping is also changing, from less frequent, large bulk purchases from hypermarkets to shopping for more frequent smaller amounts, favoring convenience stores.

Best Product Prospects:

FAS Warsaw reports that U.S. consumer food products with good potential in the Polish retail food market include fish and seafood, alcoholic beverages, food preparations and ingredients, tree nuts, dried fruit, dog and cat food and sauces, dressings and condiments.

Foodservice Sector Highlights:

FAS Warsaw reports that in 2021 Polish retail players continued to use various strategies to maintain consumers' attention that began during the pandemic. Digitalization was one of these. Investments were seen in the digitalization of businesses in various areas, such as websites, mobile applications, online payments, digital menus and digital kiosks. In addition, a significant increase was seen in the number of ghost kitchens during the pandemic, hosting several brands at one address that serve a wide variety of dishes. With such a business model, there is no need to invest in a dining room or waiter service.

In addition, fast delivery or convenient order pick-up was increasingly important. Kerbside pick-up was developed by AmRest. Meanwhile, Glovo focused on q-commerce – thanks to this, users could receive the dishes they ordered within a maximum of 30 minutes from the moment of placing the order. Third party delivery providers operated aggressively during the second lockdown, raising commissions of up to 40% of the order value, which drastically limited the turnover of foodservice operators. As a consequence, foodservice companies invested in the development of sales through their own websites and through mobile applications.

The COVID-19 outbreak increased interest in street food due to its perceived safety compared with other formats, while customers also appreciated the speed of service, attractive prices and variety of the offer. However, fear of infection also led to more cooking at home. This was enforced by the temporary closure of foodservice outlets, but remained popular even after outlets reopened. In addition, cutting expenses was very important for many people in uncertain times which led them to cook for themselves, limiting the growth of consumer foodservice.

Some consumers turned to meal kits, ordering kits which come with the ingredients and preparing meals themselves. Diet catering gained popularity during the pandemic. It is estimated that in 2021 there were around 650 diet catering companies, and around 300 were located in and around Warsaw. In 2021, diet catering company Body Chief expanded the forms of delivery: customers from Krakow and Warsaw could pick up their meals at InPost Refrigerators.

McDonald's Polska remained the leading player in consumer foodservice in value terms in 2021, and the only player to hold a double-digit value share. Its share increased during the pandemic, as limited-service restaurants performed comparatively better than most other channels within the industry, except notably street stalls/kiosks. However, Zabka, a chain of convenience stores in Poland, had the largest chain of consumer foodservice outlets in the country, with Zabka Café in convenience stores limited-service restaurants. The chain offers hot drinks and takeaway snacks. During the foodservice lockdown, convenience stores continued to operate smoothly and offered a popular alternative in limited-service restaurants.

In September 2021, Lagardère Travel Retail and Costa Coffee signed a deal, under which Lagardère will take over the master franchise business that comprises Costa Coffee outlets in

Poland and Latvia. Meanwhile, DP Poland, the master franchisor of the Domino's Pizza brand in Poland, took over Pizza Dominium, a pizza full-service restaurants chain. Pizza Dominium outlets changed into the Dominium by Domino's brand. Thanks to the takeover, DP Poland has become the operator of the third largest pizza chain in Poland.

Consumer foodservice in Poland is dominated by independent micro-enterprises employing nine people or less. During the pandemic, independent consumer foodservice weakened in relation to chained, with large, chained players especially performing well thanks to their diversification and development in terms of ordering, takeaway and home delivery. To try and compete with chained players, independent outlets followed current trends, including vegetarian, vegan, high-quality ingredients, the development of online ordering and online payment, ghost kitchens, the development of outlets with open-air spaces, and food kiosks without dining areas.

Despite the continuing threat from the pandemic, many Polish consumers are eager to go out and socialize. They miss the normality of getting together in cafés and restaurants, and therefore steady recovery is expected, with current value sales in overall consumer foodservice set to return to the pre-pandemic level in 2022. Nevertheless, recovery will not be equal across categories, with street stalls/kiosks and limited-service restaurants already having reached the 2019 level of sales in 2021, but cafés/bars not achieving this goal until 2025.

Consumer foodservice operators are aware that they need to stay flexible and reactive in the “new normal”. Home working is expected to continue to affect the performance of the industry to some extent. However, as a result home delivery is expected to continue to see growth, and it will be important for consumer foodservice operators to invest heavily in this service. Delivery will also benefit from the fact that during the pandemic, Poles began to spend more time at home, meeting friends there and using streaming platforms. Such a trend is expected to continue amongst consumers, which will result in more frequent home ordering of meals.

Best Product Prospects:

FAS Warsaw reports that U.S. consumer food products with good potential in the Polish food market include fish and seafood, tree nuts and alcoholic beverages,

Food Processing Sector Highlights:

Poland is one of the largest Agri-food industry producers in the European Union and the largest in Central and Eastern Europe. In 2020, over 2,700 companies operated in this sector, producing goods valued at US\$56.7 billion. This sector is dominated by small and medium size enterprises. The most sectors are meat, dairy, beverages, confectionary baking, processed fruit, and processed vegetables.

FAS Warsaw reports that the Polish food processing sector includes both domestic and international companies. Many small companies also operate horticultural, meat, and bakery

processing plants throughout Poland. The largest food processing sectors are meat, dairy, and alcoholic beverages, followed by confectionery, food concentrates, sugar, fruits and vegetables, juices, and non-alcoholic beverages. The Polish confectionery sector can be viewed as an example of how the Polish market has modernized. According to industry reports, about 42% of Poles consume at least one chocolate bar per day, and about 35% have one or more wafer bar. More Poles, particularly among the expanding middle classes, look for higher-end products. Confectionery has fared well even during the pandemic; as such products are seen as affordable indulgences.

Poland attracts foreign companies and foreign investors because of its healthy macroeconomic climate, a developed financial sector, and its well-educated, productive, and wage competitive labor force. Foreign investors have played a significant role in developing and modernizing the Polish food processing industry. Multinationals now account for over 70% of confectionery production, and own the largest breweries, meat processing plants, bottling plants, and horticultural processing plants. Coca-Cola, PepsiCo, Nestle, Mondelez, Smithfield, Danone, and Mars have significant production plants in Poland and American companies are among the largest foreign investors in the food processing sector. These stakeholders produce a broad range of high-quality products consumer-ready, which often compete directly with locally-available U.S. consumer-ready exports.

Best Product Prospects:

Polish processors are increasingly interested in sourcing fish and seafood products, bakery ingredients, tree nuts, dried fruit, (prunes, raisins), highly processed and functional ingredients, flavoring agents and aromas, sweeteners, food additives, food coloring agents and peptones, derivatives and enzymes.