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सत्यमेव जयते
Economic Diplomacy Division
Ministry of External Affairs

Food Sector in Poland – opportunities for India

Info pack for Indian exporters and investors

Report commissioned by Embassy of India in Poland

pwc

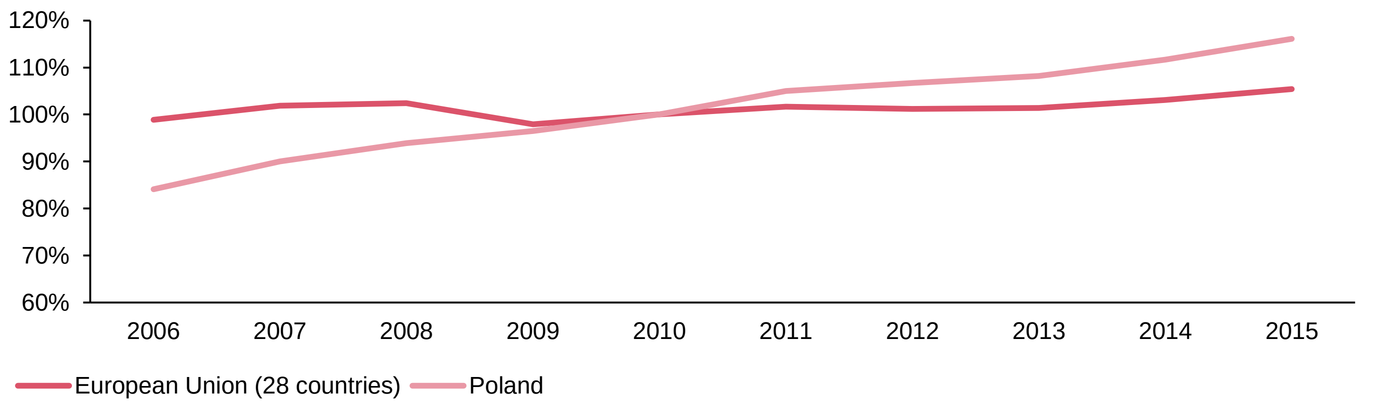
Poland is one of the largest economies in the European Union

Poland is the largest Central European country; it is also eighth in the ranking of European Union economies. The Polish Gross National Product is **half a trillion US dollars**.

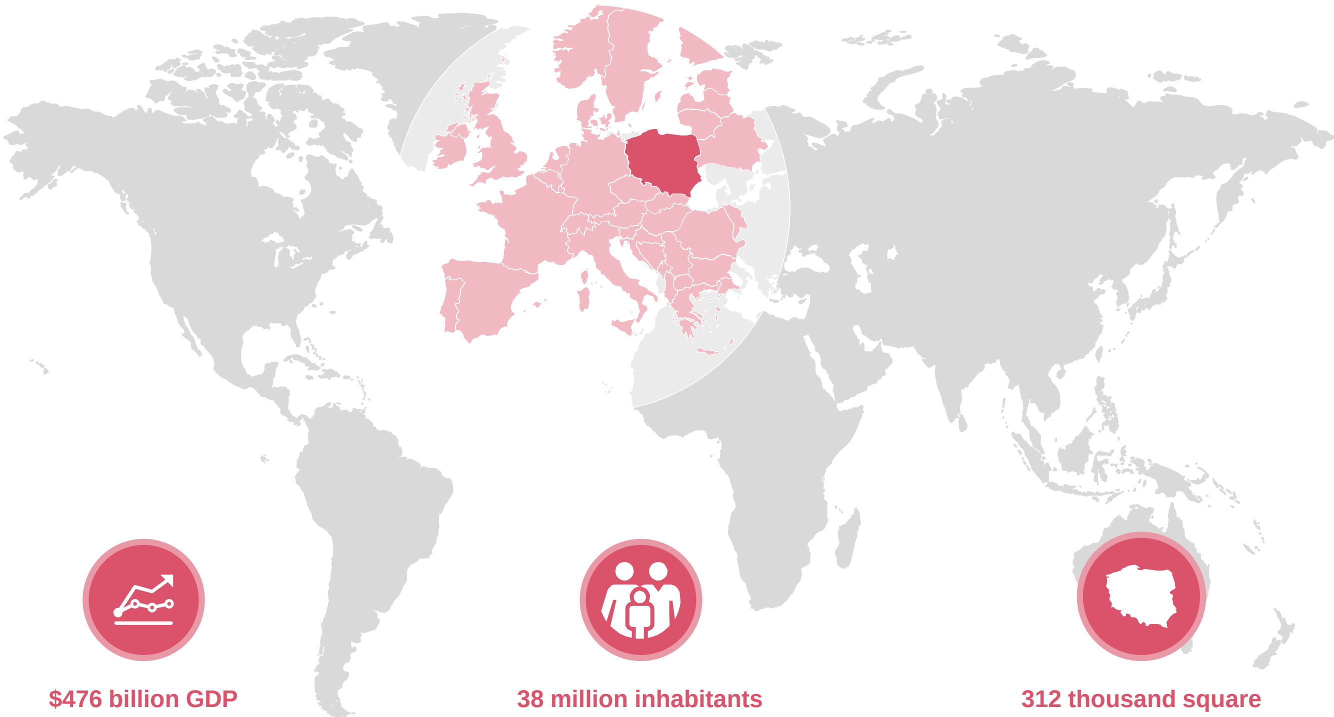
The receptive internal market is made up of more than 38 million inhabitants, whose average income and purchasing power are growing dynamically all the time. The Polish economy is developing at a rate faster than that of most European countries and it was the sole EU economy to resist the recession during the global financial crisis. According to the forecasts of the International Monetary Fund, until 2021, the Polish economy will continue to develop at a rate of more than 3% per annum, which means that the purchasing power of Poles will increase by an additional 20% over the next five years.

Approximately 48% of Poland consists of farmland and over 36% of this is arable land. This makes Poland one of the best locations for the food processing industry in Europe, in terms of the natural environment, as best confirmed by the fast pace of growth of this industry in Poland in recent years.

GDP of Poland and EU, 2010=100%



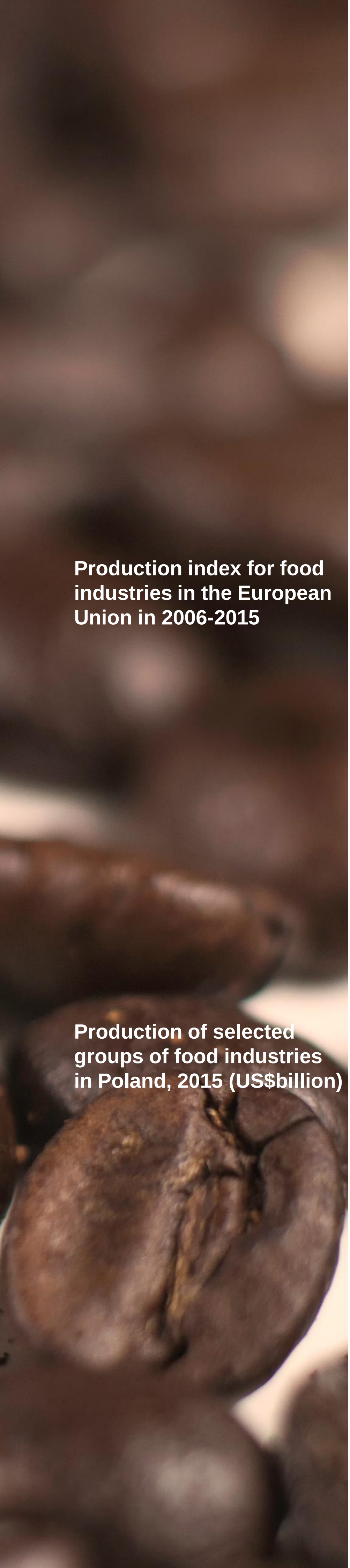
Source: Eurostat



$476 billion GDP
8th in the ranking of European Union economies

38 million inhabitants

312 thousand square kilometers area



Poland is also an important player in European food production market

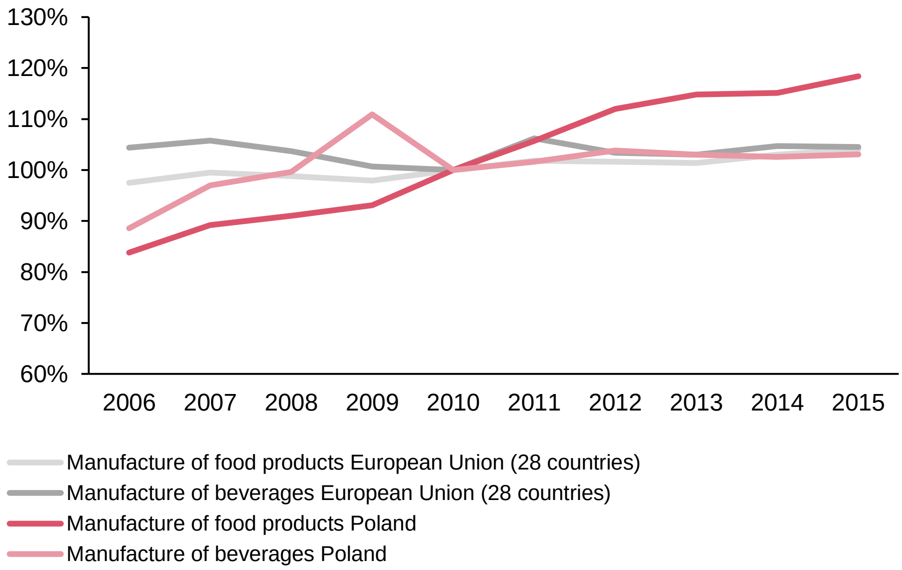
The food processing industry in Poland is developing dynamically. In the past ten years, food production in Poland has increased by more than 40%, growing in a stable manner throughout the period.

This shows that food production in Poland is growing faster than in other European Union countries.

The drinks market is characterized by higher fluctuations: after a period of dynamic growth in the years 2006-2009, since 2010 it has been developing at a rate similar to other EU countries.

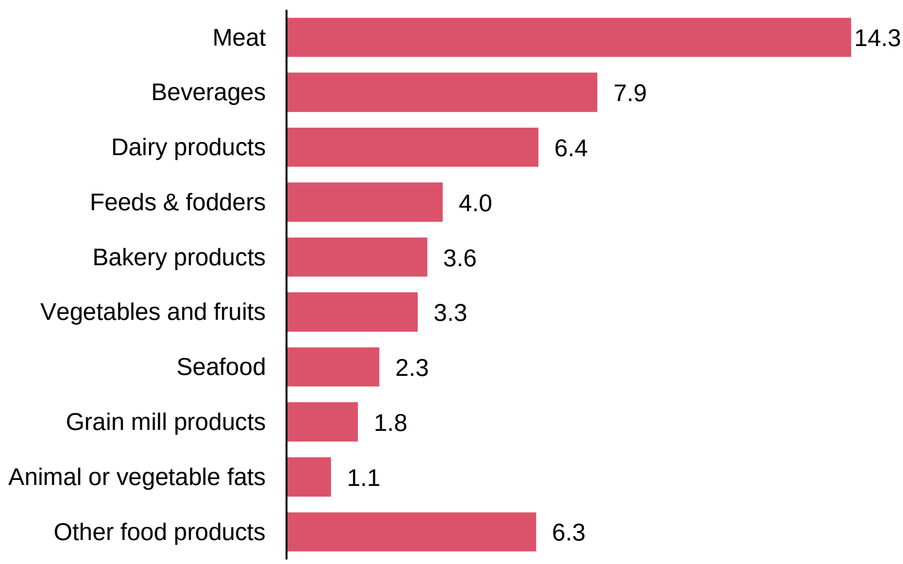
In 2015 food and drink production in Poland exceeded USD 50 billion, most of which (over USD 14 billion) comprised meat and processed meat products. Milk drinks and products are the next largest production items.

Production index for food industries in the European Union in 2006-2015



Source: Eurostat

Production of selected groups of food industries in Poland, 2015 (US$billion)



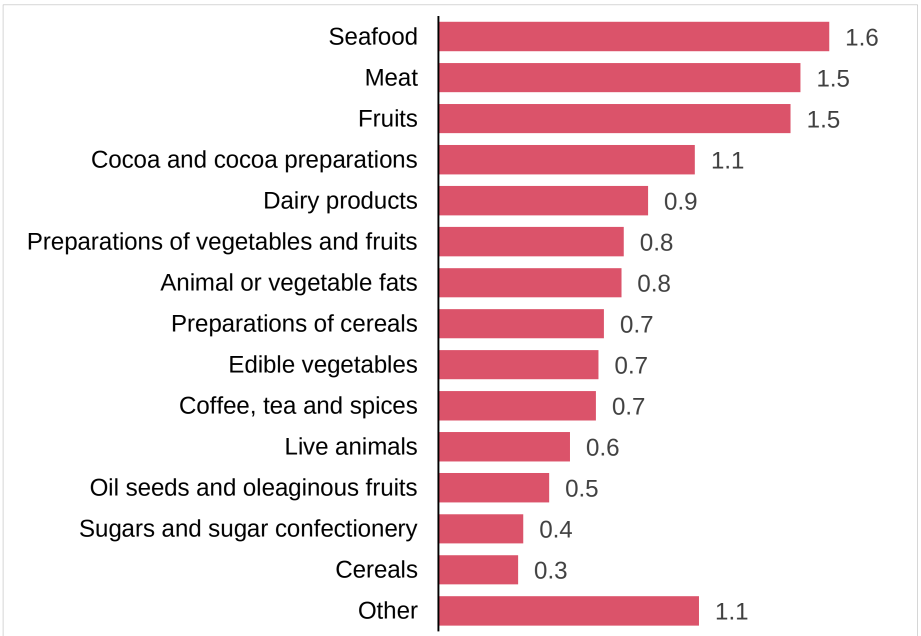
Source: Central Statistical Office of Poland

Despite its strong position in food processing, Poland is also a high-prospect market for potential Indian exporters

The value of Polish foodstuffs imports amounts to approximately 13 billion US dollars, of which approximately USD 1.6 billion comprises seafood, which has the largest share in Polish food imports. The next largest groups of imported foodstuffs are meat and fruit with a value of USD 1.5 billion. Poland also imports large amounts of: cocoa products, processed fruit and vegetables, animal fats and cereal products.

Over the past few years, Poland's imports of foodstuffs have been growing dynamically. In the years 2005–2015 they increased by approx. 200 %. This means that Poland is a high-prospect market for potential Indian exporters.

Food manufacturing products imported by Poland, 2015 (US$billion)



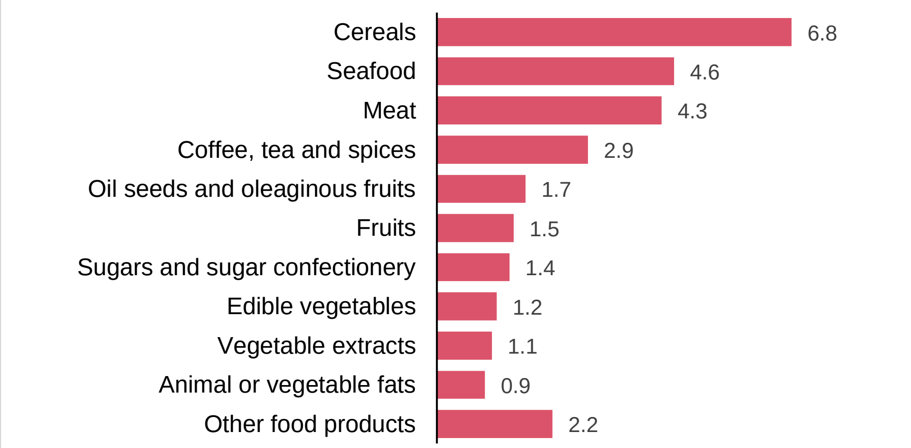
Source: International Trade Centre

Many products which have a large share in Polish food imports are at the same time exported by India.

India's key export products are cereals (mainly rice) which account for 24% of Indian foodstuffs, amount to nearly USD 29 billion. Seafood and meat are the next largest exported items and they are at the top of the list of products imported to Poland.

Therefore, in Poland there is a significant – and growing – demand for products which can be delivered by Indian manufacturers.

Top 10 Indian exported food products in 2015 (US$billion)



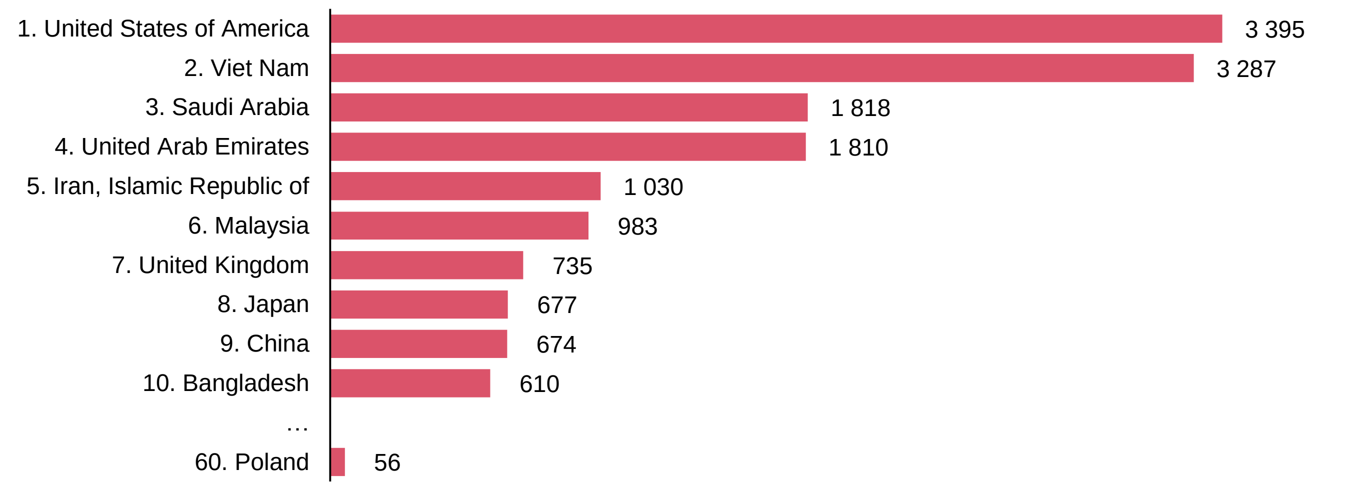
Source: International Trade Centre

Despite its high potential, Poland remains far down on the list of food importers from India

In 2015 India exported foodstuffs with a value of nearly USD 29 billion, of which only USD 56 million was exported to Poland. This constitutes almost 11% of total Indian exports. The largest customers for Indian food are the USA and Vietnam. Poland is a country with potential which remains untapped by Indian food manufacturers.

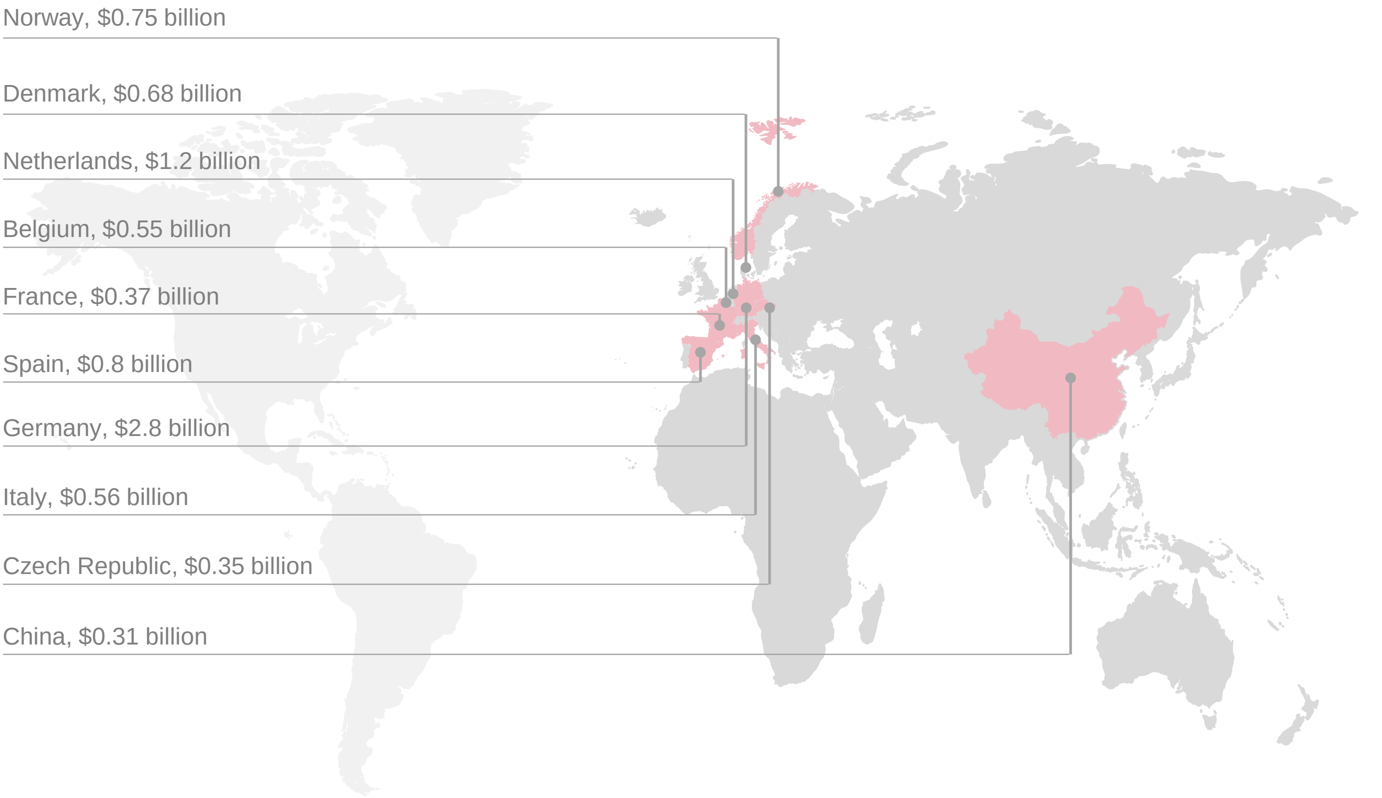
It ranks 45th among importers of all Indian goods and 60th among importers of Indian food. On the other hand, for Poland, India ranks 21st in terms of total imports and 28th in terms of imports of food industry products. However, economic exchange between India and Poland is growing rapidly.

Poland and top10 Indian export partners in food industry products, 2015 (US$million)



Source: International Trade Centre

Top 10 food exporters to Poland, 2015



Which Indian products can currently be found on the tables of Polish consumers?

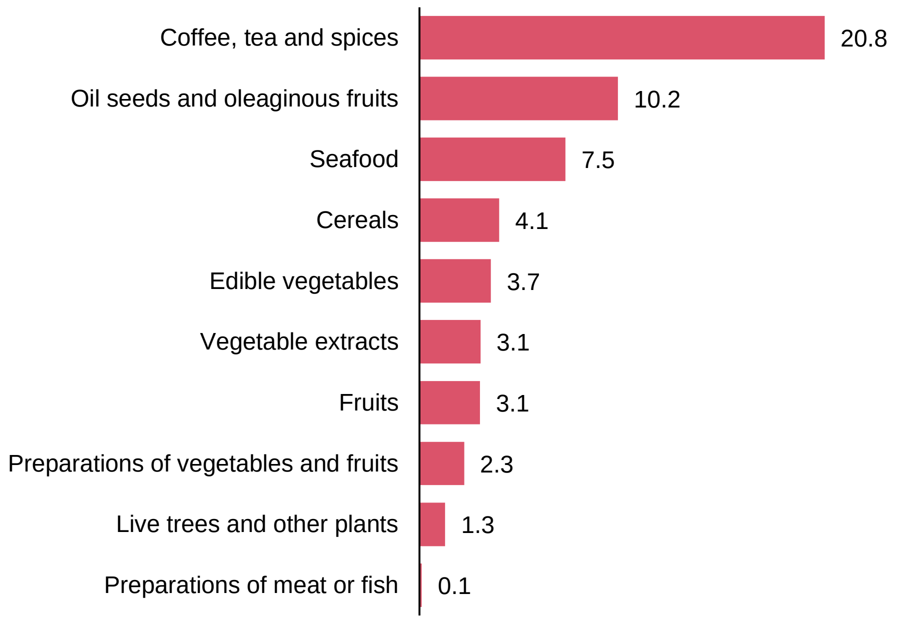
Only 0.2% of foodstuffs exported by India is purchased by Poland. Therefore, it is hard to consider Indian food exports to Poland as significant. However, these products should be treated as goods which are clearing the path for Indian food products to the tables of Polish consumers.

Tea, coffee and spices have the largest share among the products currently exported from India to Poland, with pepper being the most important spice. Next come oilseed crops, seafood and cereals (mainly rice), vegetables and respective preserves, and extracts.

All those products already rank high in Indian exports and have no competition among Polish crops. The customers in Poland are both direct retail traders and other industries.

This also means that the high demand of the Polish market may be exploited, and that processing plants and enterprises confectioning Indian foodstuffs can be established in Poland. Products from those plants would then have an open path to other European Union markets.

Top 10 Indian export food products to Poland in 2015 (US$million)



Source: International Trade Centre

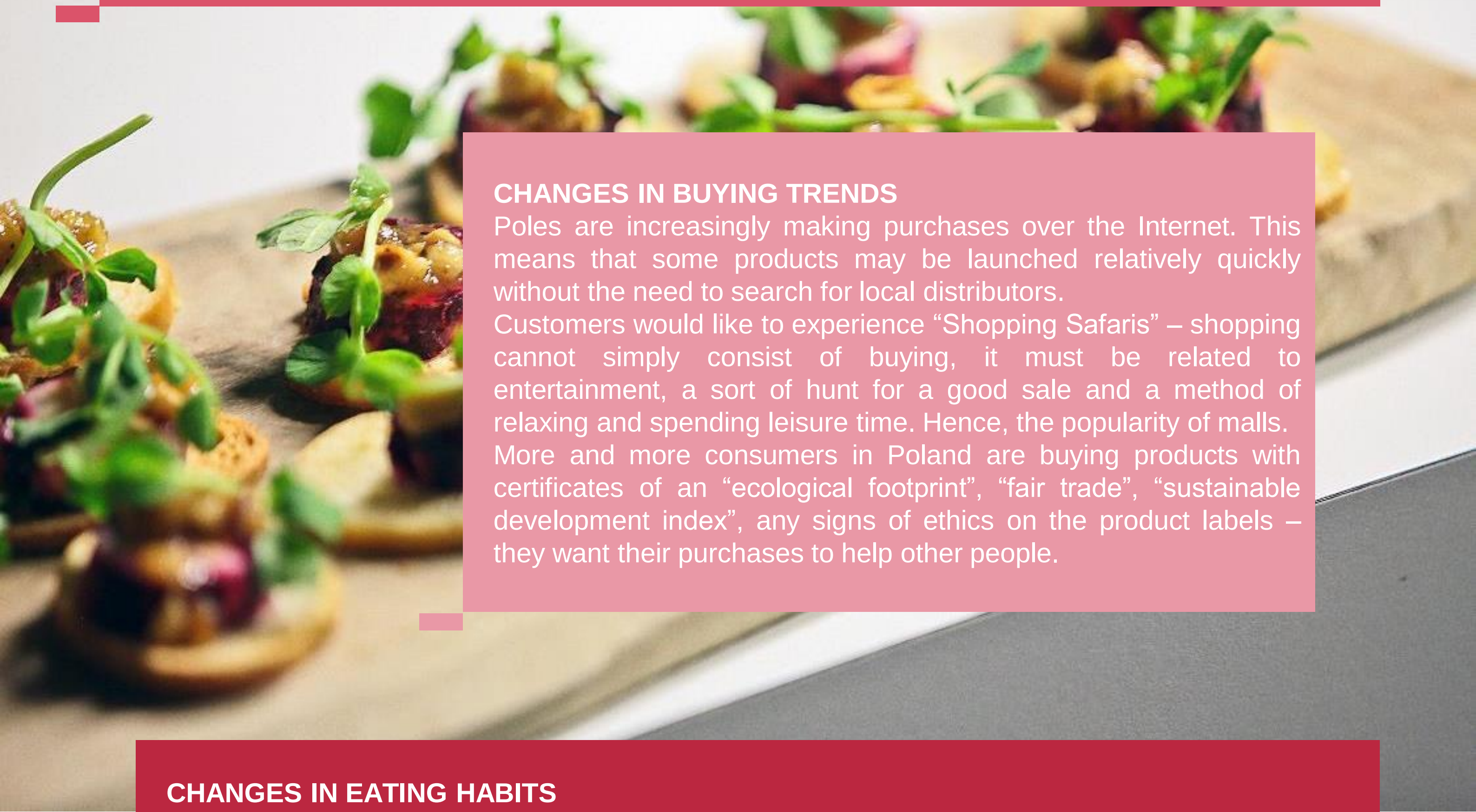
Consumer trends in Poland

MACROECONOMIC CHANGES

The food market has not noted any drops since 2008 and is growing at a steady pace of 4%–5% per annum.

Past events, including the 2007–2009 crisis, have created a specific sort of "smart consumer" in Poland. This consumer is more aware of the value of purchased products and carefully approaches the relationship between price and quality of the offered product. However, at the same time, the average consumer in Poland is less affluent than a Western European consumer and pays more attention to the prices of purchased goods.

Interest in buying goods in discount chains and convenience stores in Poland is growing. The largest discount chain in Poland is "Biedronka", belonging to the Jeronimo Martins Group. Consumers also readily purchase goods in malls.



CHANGES IN BUYING TRENDS

Poles are increasingly making purchases over the Internet. This means that some products may be launched relatively quickly without the need to search for local distributors.

Customers would like to experience "Shopping Safaris" – shopping cannot simply consist of buying, it must be related to entertainment, a sort of hunt for a good sale and a method of relaxing and spending leisure time. Hence, the popularity of malls.

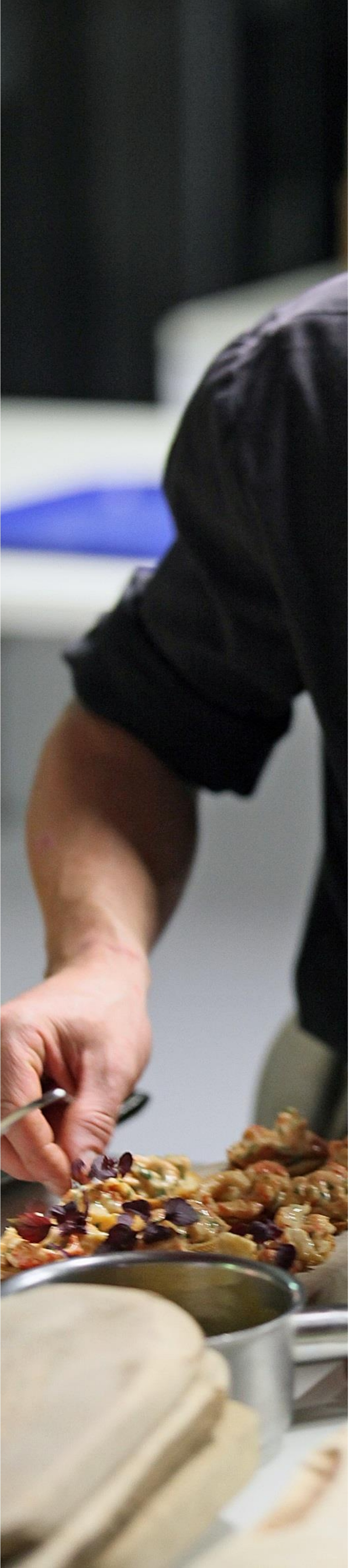
More and more consumers in Poland are buying products with certificates of an "ecological footprint", "fair trade", "sustainable development index", any signs of ethics on the product labels – they want their purchases to help other people.

CHANGES IN EATING HABITS

As vegetarian and vegan food is becoming more in vogue, interest in plant proteins is growing and the consumption of groats and leguminous plants is increasing. All types of groats and pasta from cereals other than wheat are strongly promoted both among people who do not eat meat and those who believe in a healthy diet.

Consumers in Poland usually chose sweet-and-sour tastes; this trend relates both to sweets, and to spices and even beer.

Another important trend in the consumption of drinks is seeking an alternative to sweet non-alcoholic drinks. More and more sparkling drinks with lower carbohydrates content and heavier flavours are appearing on the market.



Competitive landscape of Polish food industry – main facts

Meat processing is the largest segment of the market which accounts for nearly one third of the total turnover (28%). Beverages, mainly beer (6%) and spirits (4.5%) are the second largest segment. The dairy sector has a 13% share in the market. In the latter, apart from factories belonging to international producers, Polish regional dairy cooperatives also hold a strong position.

In 2014, 14,500 firms in Poland dealt with the production of food products. More than 700 of these were entities with turnover of more than USD 10 million per annum. The market is highly concentrated – 5% of the largest firms account for 80% of the sales of food products.

The Polish market is open to foreign enterprises. Alongside Polish factories, the market hosts branches of international groups cooperating with local sub-suppliers. In 2013, the share of firms with foreign capital in the market turnover exceeded 40% – at that time it corresponded to nearly USD 25 billion.

Competitive Landscape – main market players

The list of the largest firms comprises two firms from each of the alcoholic beverages, meat processing and cereal processing sectors. Apart from the Sokołów and Animex meat processing factories, the largest players on the Polish market belong to foreign entities.

In recent years we have observed a drop in revenues and a gradual and slow reduction in market concentration.

Kompania Piwowarska
Profile: Beer manufacturing
Revenue: $1.3 bln in 2015
Net profit: $223 mln in 2015
EBITDA: $220 mln in 2015

Animex Foods
Profile: Meat processing
Revenue: $1.3 bln in 2014
Net loss: $-o.5 mln in 2014
EBITDA: not

Cargill Poland
Profile: Production of feed and cereals trade
Revenue: $1.2 bln in 2015
Net profit: $11 mln in 2015
EBITDA: $30 mln in 2015

CEDC International
Profile: Production of spirits
Revenue: $1 bln in 2014
Net loss: $-0.13 mln in 2014
EBITDA: $39 mln in 2014

Sokołów
Profile: Meet processing
Revenue: $1 mln in 2014
Net profit: $40 bln in 2014
EBITDA: non available

Glencore Polska
Profile: Edible and industrial oils
Revenue: $0.97 bln in 2014
Net profit: $9 mln in 2014
EBITDA: non available

Revenues of largest competitors on Polish food manufacturing market

Source: EMIS

PESTEL analysis of Polish food market
Part 1 of 3

Political Issues	Trend	Impact	Probability	Indicator*
Membership in EU, OECD and WTO	→	5	1	**5**
Election of a conservative government for the 2015–2019 term of office	→	4	1	**4**
One governing political party (no coalition)	→	5	1	**5**

Experts opinion

Poland is related to three organizations, the membership of which imposes a number of unified standards. At present, Poland is governed by a conservative party which favours local business but supports large foreign investors who create job positions.

Economic Issues	Trend	Impact	Probability	Indicator*
Continuing economic growth for the past 23 years (Poland avoided recession in the years 2007–2009)	↑	3	0.5	**1.5**
Annual growth in the ranking of the level of economic freedom	↑	3	0.6	**1.8**
"Digital client" – a trend in growing online shopping	↑	4	0.8	**3.2**
The 8th economy in the EU in terms of the GDP	→	5	1	**5**

Experts opinion

Poland has been frequently described as the "golden child of political transformation". Since 1989, Poland has undergone an economic evolution, it is the 8th economy in the EU, it did not record a recession during the recent crisis and has been one of the leaders in digitization among consumers. Society continues to become richer and is seeking new, foreign products which have not been available so far.

* Indicator is the product of Probability and Impact factors.

PESTEL analysis of Polish food market

Part 2 of 3

Social Issues	Trend	Impact	Probability	Indicator*
The changing culinary trends in cities – greater internationalization	↑	2	0.6	**1.2**
The growing interest of city dwellers in Indian cuisine – restaurants, food trucks, night market, etc.	↑	3	0.6	**1.8**
A population of 38.6 million citizens with 60% urbanization	↑	1	0.2	**0.2**
"Clever consumer" trend – of careful shopping and the careful reading of labels – ingredients and place of origin of products	↑	2	0.3	**0.6**

Experts opinion

Thanks to EU membership, the communities of the largest cities in Poland continue to internationalize. They are looking for new trends by observing other European cities. The current trend is for new ways of becoming acquainted with the cuisines of faraway lands – food festivals, food trucks, markets bringing in foods and beverages from a number of faraway countries. The communities of smaller cities tend to choose traditional local flavours and traditional Polish cuisine.

Technological Issues	Trend	Impact	Probability	Indicator*
The majority of consumers have bank accounts and payment cards	→	5	1	**5**
The volume of mobile shopping is going up	↑	4	0.7	**2.8**
The higher number of payment terminals which stand out compared with other EU countries	→	4	1	**4**
The foodstuffs sector requires increased investments	↓	4	1	**4**
There is a need for increased innovation and the consolidation of production in the sector	↓	4	1	**4**

Experts opinion

Poland is one of the global leaders in adapting digital solutions, one of the first countries where pay-pass transactions and payments using smartphones were introduced. However, the technological solutions of the foodstuffs sector itself require increased capital outlays and innovation. This involves a deterioration in the relative competitive position of the sector but at the same time provides an opportunity for investors who are ready to implement innovative solutions.

* Indicator is the product of Probability and Impact factors.

PESTEL analysis of Polish food market

Part 3 of 3

Environmental Issues	Trend	Impact	Probability	Indicator*
Environmental requirements of the EU	→	3	1	**3**
Increasing ecological effectiveness	↑	2	0.8	**1.6**
Signed Kyoto Protocol	→	3	1	**3**
Increasing afforestation of the country	↑	1	0.2	**0.2**
Small water resources (need to manage the resources rationally)	↓	4	1	**4**

Experts opinion

As a result of signing the Kyoto Protocol and acceding to the EU, Poland is subject to restrictive environmental objectives. Despite the good condition of the natural environment and growing afforestation of the country (which translates into the quality of the air), the country's small water resources are a challenge.

Legal Issues	Trend	Impact	Probability	Indicator*
Imports of food, apart from rare GMO exceptions, are not banned. Possible future restrictions concerning cultivation of GMO varieties.	↑	5	1	**5**
VAT and excise duty on imports of foodstuffs – rates depend on changes in EU regulations.	→	4	0.7	**2.8**
Imports of foods having certificates acceptable in the EU. Product quality is monitored by the Polish administrative authorities.	→	4	1	**4**
Direct subsidies for entities conducting agricultural activities in the territory of Poland.	↑	4	1	**4**
Special economic zones for supporting innovative agriculture and agricultural and foodstuffs processing.	↑	4	1	**4**

Experts opinion

EU membership supports food production and commercial exchange in legal terms. It also provides a guarantee of the law being unified with that of the remaining Member States.

* Indicator is the product of Probability and Impact factors.

PESTEL

The most important information about Poland - summary

The relatively stable political situation in the country, additionally supported by the joint EU policy.

Good economic situation of the country and stable economic growth.

The increasingly cosmopolitan society of Polish cities is looking for new trends from faraway lands.

A country of innovations in payment transactions and readily adapting to new solutions, requiring technological support for the foodstuffs sector.

High environmental standards combined with limited water resources.

Supportive legal environment unified with the remaining EU Member States.

Experts opinion

Poland is a country with a relatively stable political situation. This is mainly due to its membership in the European Union – membership requires standards and ensures proper regulation, as any failure to comply with the objectives set by the European Commission (which hosts all the Member States) results in financial penalties. Membership in the EU has changed social trends. People from large cities are more likely to reach for products which had hitherto been unknown to them and are also fascinated with Indian cuisine. A country of stable and continuous economic growth which easily adapts technological innovations – has been one of the leaders in adapting digital solutions. The technological enrichment and modernization of the food production industry is a challenge. The quality of the natural environment in Poland is certainly an advantage – but one should keep in mind the limited water resources, which is particularly important in the industry. The social openness of large cities in association with a supportive legal environment places Poland in the position of a good investment location.

Segments of food processing industry in Poland with significant role of local producers and technologies (1/3)

		Production 2015 (US$billion)
	Meat	**14.3**
	Processed meat (excl. Poultry)	5.4
	Processed poultry	3.9

POLISH PRODUCERS

Cedrob
(giblets, poultry meat)

Indykpol
(poultry meat)

ZM Henryk Kania
(pork, sausages)

WIPASZ
(fodder, beef cattle)

		Production 2015 (US$billion)
	Dairy products	**6.4**
	Milk and cream	1.3
	Cheese	2.3
	Butter	0.6
	Milk powder	0.5
	Yoghurts	0.7

POLISH PRODUCERS

MLEKOVITA
(milk products, cheeses)

OSM Łowicz
(milk products, cheeses, desserts)

Polmlek
(milk products, cheeses, desserts)

SM MLEKPOL
(milk products, cheeses)

OSM Piątnica
(milk products, cheeses)

Bakoma
(milk products, cheeses, desserts)

Source: Eurostat, Central Statistical Office of Poland

Segments of food processing industry in Poland with significant role of local producers and technologies (2/3)

		Production 2015 (US$billion)
	Beverages	**7.9**
	Beer	3
	Spirits	2.3
	Non-alcohol beverages	2.25

POLISH PRODUCERS

ZP Glubczyce (beers)	**Sulimar** (beers, Energy drinks)	**Browar Jabłonowo** (beers)
PWW Polmos (vodkas)	**Debowa Polska** (wines, spirits)	**AKWAWIT** (vodkas)
Maspex (juices, preserves)	**FoodCare** (Energy drinks, beverages)	

		Production 2015 (US$billion)
	Processed vegetables and fruits	**3.3**
	Dried and frozen vegetables	0.5
	Fruit and vegetables juices	0.8
	Dried and frozen fruits	0.5

POLISH PRODUCERS

HORTEX (frozen vegetables)	**Unifreeze** (frozen vegetables)	**IGLOTEX** (frozen meals)	**PAMAPOL** (pickles, meals)
MAKOW (fruits, vegetables, juices)	**Marwit** (vegetables, juices)	**Victoria Cymes** (syrups, juices)	

Source: Eurostat, Central Statistical Office of Poland

Segments of food processing industry in Poland with significant role of local producers and technologies (3/3)

		Production 2015 (US$billion)
	Miscellaneous	
	Chocolate	0.55
	Sweets	1.1
	Bakery products	3.6

POLISH PRODUCERS

Colian
(sweets, candies)

ZPC SKAWA
(cookies, sweets)

Barbara Luijckx
(peanut butter, sweets)

ZPC Baltyk
(sweets, candies)

PSS Jaskolka
(pastries, cakes)

Opportunities for India
(Prepared in consultation with Embassy of India in Poland)

1.Vegetables: According to the Central Institute of Post Harvest Engineering Technology, Punjab, every year, around 18% of fruits or vegetables, valued at around US$6 billion are wasted in India due to insufficient food storage and processing facilities. Given Polish competence in food storage/processing facilities, Indian companies could benefit from technology transfer from Polish companies which are established in the food processing Industry.

2.Fruit: Indian food processing companies could consider tie ups with Polish companies for technologies to establish manufacturing units in India's Mega food parks, which could produce apple/citrus products such as juice, jams, pies, etc. Polish apples will have a high market potential in India. Similarly, some exotic fruit could be exported to Poland.

3.Dairy products: Poland is also one of the leading producers of dairy products in Europe and the local market is dominated by companies catering mainly to local tastes and demands. Some of the specialized technologies used in the Polish dairy Industry could be availed of by Indian companies through technology transfer agreements. The increasingly discerning shopper in India is likely to appreciate the distinct taste of Polish dairy products, mainly cheese, yogurt and butter.

4.Meat: Polish companies are among the European leaders in production of meat, and poultry in particular. The share of Polish meat exporters trade within EU is close to 10%. Given India's strong meat and meat export industry; and growing urban middle class, which is increasingly consuming poultry products, Indian companies could explore joint ventures with Polish companies for establishing poultry products manufacturing plants in India's Mega Food Parks.

Source: Eurostat, Central Statistical Office of Poland, EMIS

5.Vodka/Alcoholic drinks: Poland is the European Union's largest and the world's fourth largest producer of Vodka. However, beer is the major alcoholic drink produced locally. Earlier investments in Poland in the Vodka/beer sector by multinational companies resulted in high know-how inflow from abroad and huge investments in production and R&D facilities which are now considered to be one of the most advanced in Europe. Given the exotic varieties of Vodka produced in Poland (including 'Potato' vodka), Indian companies could consider cooperation with Polish companies that could help produce local variants of Vodka in India, to tap into its huge alcoholic drinks market.

6.Bio Products: Since Polish consumers are becoming increasingly conscious of environmentally friendly agriculture methods and are tilting towards vegetarianism, export of 'bio', vegetarian products from India is another area of opportunity for Indian exporters. Also ayurvedic and other natural food supplements could be manufactured in Poland and exported to all of Europe.

7.Cooperation amongst States: Cooperation agreements between agriculturally rich and diverse regions of both countries is resulting in increased interest in the potential of food processing opportunities being presented. The State to State partnership between the Lublin region of Poland and India's 'green revolution' mascot, Punjab presents opportunities for Indian companies for sharing of information, technologies and developments of mutual interest with their Polish counterparts.

8.Exchange of delegations: During recent years, there has been a spurt in the exchange of business delegations between both countries, the most recent being the high level government and business delegation led by Poland to the Vibrant Gujarat Summit 2017 in India, where Poland was a partner country. The business delegation included major food processing companies of Poland, such as *Bakoma,* which signed an agreement with India's *Amul.* Indian companies could consider more active participation in such delegations and business events, to explore opportunities for joint ventures with Polish companies.

9.Trade Fairs: Indian participation at top Food & Agriculture Trade Fairs in Poland, such as *Polagara* could be a fertile avenue for Indian exporters and investors to meet and interact with Polish companies interested in Indian products and investment.

10. Export Promotion Councils: Given that the Polish imports of food products is around US $ 13 billion and Indian food exports to Poland presently stand at only about US $ 56 million, the various Indian Export Promotion Councils such as Tea Board, Coffee Board, Spices Board, etc. could seek to raise India's share in this almost untapped market, by engaging more actively with their counterparts in Poland.


MAKE IN INDIA
WITH 199 MILLION CULTIVATED HECTARES AND 42 MEGA FOOD PARKS IN THE MAKING, INDIA IS THE FUTURE OF FOOD PROCESSING

We create the value our clients look for