

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 12/31/2013

GAIN Report Number: PL1342

Poland

Exporter Guide

Exporter Guide

Approved By:

Michael Henney, Agricultural Attaché

Prepared By:

Makgirzata Wrobel, Intern;

Jolanta Figurska, Agricultural Marketing Specialist

Report Highlights:

Opportunities exist for U.S. agricultural products in Poland, Lithuania, Estonia, and Latvia but there are challenges in light of the region's EU membership and the Euro zone situation. Poland has been described as an oasis of economic stability in a turbulent Euro zone while the Baltic States have begun a recovery from a fiscal crisis in 2008/09 that cut deeply into their economies. This region regards highly its American connection and proudly displays those linkages with an American flag or geographic identifier. However, among some consumers the American cuisine's image is defined as fast food laced with genetically modified ingredients.

The regions' HRI and Food Processing sectors are expanding, providing room for investment by American companies and opportunities for U.S. suppliers of a wide variety of ingredients. Many consumer-ready and high-value food products, such as confectionary products, are performing well.

The primary challenge for U.S. products remains access to the European market. With joining of the EU in 2004 Poland and the Baltic States adopted the EU tariff structure for agricultural products and EU food regulatory standards. U.S. beef and poultry trade were most affected by their accession.

Post:

Warsaw

Table of Contents

Executive Summary:	4
Section I - Market Overview	5
Poland	5
Basic economic indicators for Poland	5
Advantages and Challenges of the Polish Market for U.S. Exporters	6
Baltic States	6
Basic economic indicators for Lithuania, Estonia, Latvia	7
Advantages and Challenges of the Baltic States Market for U.S. Exporters	8
Section II – Exporter Business Tips	9
Poland	9
Baltic States	10
Section III - Market Structure and Trends	11
Poland	11
Wholesale Sector	11
Retail Sector	11
Food Processing Sector	13
Hotel, Restaurant & Institutional Sectors	13
Baltic States	14
Wholesale Sector	14
Retail Sector	14
Food Processing Sector	15
Hotel, Restaurant & Institutional Sectors	16
Section IV – Best Sales Prospects	17
Poland	17
Baltic States	18
Section V – Key Contacts and Further Information	18
Poland and Baltic Countries	18
Staff Contacts for Marketing	19
Appendix - Statistics	20
A. Key Trade and Demographic Information	20
Poland	20
Baltic States	20
Poland – 2012 Major Food Imports	21

Executive Summary:

Opportunities exist for U.S. agricultural products in Poland, Lithuania, Estonia, and Latvia but there are challenges in light the region's EU membership and the Euro zone situation. U.S. exporters should first determine if their commodity has market access to the EU. In 2012 real GDP growth in Poland amounted to 2.0 percent. ^[1] It's a radical decrease comparing to the level of GDP growth experienced by Poland in 2011 - over 4 percent. However it must be said that the economy is still growing pretty fast – GDP growth in 2013 is expected to be at the level of 1.9 percent and in 2014 it is expected to increase till 3.0 percent. ^[1] The Baltic States have begun a recovery after being considerably touched by the crisis: the region experienced a double digit recession in 2009 but growth was positive in 2011 and 2012 and it is expected to be stable in upcoming years. Especially high rate of growth is forecasted in Latvia. In 2013 and 2014 It is expected to account for 4.3 and 4.2 percent respectively. ^[2] This region highly regards America and products displaying their American heritage with a flag or geographic emphasis are popular. However, American cuisine has a negative image among some consumers as being of unhealthy fast food and of genetically modified ingredients (Note: In September 2011 Polish President Bronislaw Komorowski vetoed proposed legislation that had proposed cultivation of GM crops for not being based on sound science.)

The HRI sectors in Poland and the Baltic states are expanding, providing room for future investment by American companies. The region's expanding food processing sector also provides opportunities for U.S. suppliers of a wide variety of ingredients. Many consumer ready and high value food products, such as confectionary products, are performing well on the Polish market. The country also imports baking ingredients, seafood, wine and spirits, pet food, almonds, pistachios, sunflower seeds, protein isolates, grapefruit, raisins and cranberries in large quantities.

The primary challenge for U.S. products remains access to the European market. With their joining of the EU in 2004 Poland and the Baltic States imposed a higher tariff on agricultural imports and modified their food safety standards to comply with EU regulations. U.S. beef and poultry trade were affected the most. Poland is one of the largest beneficiaries of centralized EU subsidies: by 2016, €68 billion is to be spent on infrastructure, human resources, innovation, environmental protection, and the modernization of agriculture. ^[2] Translation: U.S. products will face additional scrutiny as for meeting EU regulations and conforming to EU societal agendas, as competitive forces seek to narrow domestic competition in the Polish and Baltic markets. It should be noted that considerable part of U.S. food and agriculture products enters polish market indirectly through European points of entry. In 2012 the value of such products amounted to 115 million USD that is a third of the value of direct trade. ^[4]

^[1] Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic Forecast Poland

^[2] Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic Forecast Latvia

^[3] Rising demand for confectionary in Poland Euromonitor

^[4] FAS, Direct vs. Indirect imports of U.S. agricultural products to Poland

Section I – Market Overview

Poland

Poland is the only country not to experience a fall in GDP throughout the economic crisis. However in 2012 the growth slowed down and it amounted to 2.0 percent. In 2013 and 2014 GDP growth is expected to remain stable and account for 1.9 and 3.0 percent respectively. The trade balance is forecasted to worsen, meaning that Poland will look to import products to satisfy internal demand: in 2012 imports accounted for 150.1 billion euro and they are expected to increase to 178.4 billion euro in 2014. Fiscal deficit is expected to be reduced from 3.9 percent of GDP in 2012 to 3.4 percent of GDP in 2013. In 2014 it is forecast at 3.3 percent.^[1]

Poland's population of 38.3 million is increasingly concentrated in cities with 61 percent living in urban centers. The median age is 38 years old and it is increasing. A trend toward smaller families is becoming more apparent in Poland's 13.3 million households, with an average household size of 3.07. Fertility rate in Poland is one of the lowest in Europe. Polish families eat together and households buy for only a few days to stock the house. Polish family eats together and that households buy food stocks for only a few days at a time. Convenience foods are growing more popular, but traditional women roles to shop and cook remain in place. Aggregate consumer expenditures on food are predicted to decrease from 49,959.8 million USD in 2012 to 48,998.4 million USD in 2013.

Although Poland has a strategic position at the centre of Europe, the poor state of its roads, as well as financial pressures, have hindered the country from fully capitalizing on its geographical position. Overreliance on a few trade partners is a significant concern: in 2012, 76.8 percent of all exports went to the EU.^[2] In 2012, the current account deficit was 3.6 percent of GDP. In 2013 it decreased to 3.1 percent.

Basic Economic Indicators for Poland:

	POLAND			
	2011	2012	2013f	2014f
Population, mln	38.3	38.3	38.3	38.3
Nominal GDP, PLN bln	1,524.7	1,622.1	1,678.3	1,766.7
GDP per capita, US \$	13,430	13,012	13,969	13,768
Real GDP growth, Percent change y-o-y	4.3	2.0	1.9	3.0
Budget balance Percent of GDP	(5.1)	(3.9)	(3.6)	(3.2)
Consumer prices Percent y-o-y, eop	4.6	3.5	1.6	3.0
Exchange rate PLN/US\$, eop	3.45	3.09	3.23	3.36
Exchange rate PLN/EUR, eop	4.46	3.81	4.30	4.20
Goods Imports, EUR bln	149.4	150.1	157.9	178.4
Goods Exports EUR bln	139.3	143.8	152.5	172.3
Balance of Trade in Goods, EUR bln	(10.1)	(6.3)	(5.4)	(6.1)
Current account, Percent of GDP	(4.3)	(3.6)	(3.1)	(3.2)
Foreign reserves ex gold, US\$bln	92.7	102.7	105.8	108.9
Total external debt stock, Percent of GDP	62.3	72.1	73.2	79.6

Source: Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic Forecast Poland 2013

Advantages and Challenges of the Polish Market for U.S. Exporters

Advantages	Challenges
------------	------------

Central Europe's most populous country with a domestic consumer market of nearly 40 million people.	U.S. products face high transportation costs as compared to many European competitors.
A strategic location within a dense, major international market offering re-exports potential.	Complicated system of product registration in some cases delaying or even preventing products from entering the Polish market that are new to the EU.
Transshipment from other EU countries of import now possible with Poland's EU integration.	Poland's EU Accession puts United States products at a competitive disadvantage versus EU-27 duty-free EU internally traded products.
A very productive, young, and skilled labor force therefore, good potential for finding trading partners and favorable conditions for establishing joint ventures.	Despite rising incomes, Polish consumers indicate that price is still the primary purchasing factor for food and beverage products in at least 75 percent or more of their retail food purchases.
Polish consumers associate United States products with good quality.	Food recalls in the EU have had a negative impact on Polish consumer views of imported products, and GMO issues hamper imports of U.S. products.
Market niches exist in consumer ready food products - i.e. dried fruits, nuts, wine and distilled spirits, and microwavable products.	Foreign investment in the Polish food processing industry results in local production of many high quality products that were previously imported.
Economic growth has been rising	While the export of some U.S. goods has been encouraged by EU trade regulations, some goods, namely poultry and beef, remain limited due to EU sanitary restrictions.

Baltic States

The Baltic economies seem to be back on track with an average GDP growth rate of around 4 percent experienced in 2012. The growth in 2013 is predicted to decrease below 3 percent (except for Latvia). However it is expected to increase again in 2014. The positive thing is that Latvia and Lithuania managed to diminish their budget deficits from 8.1 and 7.1 percent in 2010 to 3.5 and 5.5 in 2011 which is below EU target level. Moreover the deficit in those countries is still decreasing. All Baltic States increased their imports comparing with the year 2011 but they look about to raise them even more in 2014. In 2011 Estonia joined the Euro zone. It resulted in the increase in the consumer prices. The inflation rate in 2011 in Estonia was one of the highest in Europe and it amounted to 5 percent.^[3] However in 2012 it dropped to 3.9 percent and in 2013 it is expected to be at the level of 3.3 percent.^[4] The 1st of January 2014 Latvia is going to adopt euro currency. It hopes the adoption of euro will increase foreign investments, as it was in case of Estonia.

Estonia and Latvia are also experiencing a slowdown in birth rate and diminishing household size due to the same cultural changes happening in Poland, which is tied to economic advancement of younger people after the countries, joined the EU market. In Lithuania, natural increase has accounted for the majority of population growth, which is at a level to offset the ageing of its population unlike its neighbors. It is worth noting that both Estonia and Latvia include a substantial Russian minority, 25.5 percent and 27.8 percent respectively. In Lithuania, 6.7 percent of the population is of Polish origin, due to the shared history of these nations.

Basic Economic Indicators for the Baltic Region:

	LITHUANIA			
	2011	2012	2013f	2014f
Population, mln	3.0	3.0	3.0	3.0
Nominal GDP,	106.4	113.2	117.4	123.9
GDP per capita, US \$	14,074	13,919	15,004	15,161
Real GDP growth, Percent change y-o-y	5.9	3.7	2.6	3.7
Industrial production index, Percent y-o-y, avg.	6.8	3.7	5.5	6.0
Budget balance, Percent of GDP	(5.5)	(3.3)	(2.9)	(2.6)
Consumer prices, Percent y-o-y, eop	3.4	2.8	2.4	3.1
Exchange rate LTL/US\$, eop (November 2011)	2.66	2.62	2.59	2.76
Exchange rate LTL/EUR, eop (November 2011)	3.45	3.22	3.45	3.45
Goods Imports, EUR bln	22.0	24.0	25.4	26.9
Goods Exports EUR bln	20.2	23.0	24.4	25.9
Balance of Trade in Goods, EUR bln	(1.8)	(0.9)	(1.0)	(1.0)
Current account, Percent of GDP	(3.7)	(0.9)	(0.8)	(0.7)
Foreign reserves ex gold, US\$bln	8.2	8.5	8.1	8.4
Total external debt stock, Percent of GDP	72.4	77.9	71.9	72.0

Source: Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic forecast Lithuania 2013

	ESTONIA			
	2011	2012	2013f	2014f
Population, mln	1.3	1.3	1.3	1.3
Nominal GDP, EUR bln	16.0	17.0	17.4	18.4
GDP per capita, US \$	17,128	16,725	18,003	18,197
Real GDP growth, Percent change y-o-y	8.3	3.2	2.1	3.2
Industrial- production index, Percent y-o-y, avg.	20.5	0.3	3.5	4.0
Budget balance Percent of GDP	1.2	(0.3)	(0.2)	(0.1)
Consumer prices Percent y-o-y, eop	4.1	3.6	3.0	3.1
Exchange rate EUR/US\$, eop	0.77	0.81	0.75	0.80
Goods Imports, EUR bln	12.4	13.4	14.1	14.9
Goods Exports EUR bln	12.1	12.6	13.2	13.9
Balance of trade in Goods, EUR bln	(0.3)	(0.8)	(0.9)	(1.0)
Current account, Percent of GDP	1.8	(1.8)	(2.3)	(2.6)
Foreign reserves ex gold, US\$bln	0.2	0.3	0.3	0.3
Total external debt stock, Percent of GDP	97.2	98.0	97.3	96.3

Source: Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic forecast Estonia 2013

	LATVIA			
	2011	2012	2013f	2014f
Population, mln	2.2	2.2	2.2	2.2
Nominal GDP, LVL bln	14.2	14.9	15.8	16.8

GDP per capita, US \$	11,797	13,115	13,095	13,346
Real GDP growth, Percent change y-o-y	5.5	5.2	4.3	4.2
Industrial production index, Percent y-o-y, avg	9.1	4.0	4.0	5.9
Budget balance, Percent of GDP	(3.5)	(1.5)	(1.0)	(0.6)
Consumer prices, Percent y-o-y, eop	3.9	2.0	2.2	2.0
Exchange rate LVL/US\$, eop	0.54	0.53	0.53	0.57
Exchange rate LVL/EUR, eop	0.70	0.65	0.71	0.71
Goods Imports, US\$bln	14.8	14.9	16.5	16.5
Goods Exports, US\$bln	12.0	12.0	13.2	13.2
Current account, Percent of GDP	(1.3)	(1.8)	(2.2)	(2.2)
Foreign reserves ex gold, US\$bln	6.0	6.3	6.6	6.9
Total external debt stock, Percent of GDP	143.6	128.0	131.5	122.2

Source: Emerging Europe Monitor: Central Europe and Baltics, Macroeconomic forecast Latvia 2013

Advantages and Challenges of the Baltic States Market for U.S. Exporters

Advantages	Challenges
Consumer market of 7 million people.	U.S. products face high transportation costs as compared to many European competitors.
A strategic location offering re-export potential to The Russian Federation, Ukraine, and the Balkans.	Complicated system of product registration in some cases delaying or even preventing the product from entering the Baltic States' market.
Transshipment from other EU countries of import now possible with Baltic's EU integration.	Baltic States' EU Accession puts United States products at a competitive disadvantage versus EU-27 duty-free EU internally traded products.
A very productive, young, and skilled labor force therefore, good potential for finding trading partners and favorable conditions for establishing joint ventures.	Given the current economic conditions the Baltic States indicate that price is still the primary purchasing factor for food and beverage products in at least 75 percent or more of their retail food purchases.
Local consumers associate United States products with good quality.	Food recalls in the EU have had a negative impact on Baltic States consumer views of imported products, and GMO issues hamper imports of U.S. products.
Market niches exist in consumer ready food products - i.e. dried fruits, nuts, wines, and microwavable products.	Foreign investment in the Baltic States food processing industry results in local production of many high quality products that were previously imported.
Despite an economic slowdown sales of high end goods continue.	European exporters tend to offer credit term (30-90 days) payments; while many of the U.S. exporters require pre- payment.

Section II – Exporter Business Tips

Poland

The best way to understand the Polish market is to visit and speak to importers and distributors in order to prepare the best entry strategy for your product. Personal contact is considered very important when conducting business in Poland as most purchases are made after meeting an exporter or their representative in person. English is increasingly common as the language of commerce, but it is important to check in advance to see if translation service may be necessary. It is customary for business people to shake hands upon meeting.

Poland is a rather formal and hierarchical culture. As a result first names are rarely used initially in the business context. Address people with Pan (Mr.) and Pani (Mrs.) followed by their surname. A relationship may warm up to the degree where first names can be used but the Polish party signal that is the case. Business cards are the norm and are generally given to each person at a meeting; therefore U.S. visitors should bring plenty of business cards to a meeting, although cards printed in Polish are not necessary. Business attire is formal, including a suit and tie for men and a suit or dress for women.

Technical regulations including documentation, sanitary and phytosanitary requirements and labeling have changed since Poland's EU-27 accession. Poland amended most of its import requirements to conform to EU regulations. For detailed information on product import certificates please refer to the EU 27 Consolidated Food and Agricultural Regulations and Standards (FAIRS) Report available via www.fas.usda.gov - Attaché Reports link.

For details on Poland specific regulations, such as labeling, refer to Poland's Food and Agricultural Regulations and Standards (FAIRS) Report available via www.fas.usda.gov - Attaché Reports link.

The Polish consumers are becoming more sophisticated and increasingly value variety and availability of food products. Imports are rising steadily to cater to such demands and compensate for Poland's seasonal production. EU Member States satisfy the majority of this demand with meats primarily supplied by Germany and Denmark. Non-EU member states Poland sources products from include Turkey and the Ukraine for mainly nuts and seeds, and sunflower seed oilcake.

Baltic States

The importance of personal contact, the rise of English as the "lingua franca" when doing business, and somewhat antique personal greeting formalities also apply in the Baltic States.

More specifically, one may notice that Latvians are fairly reserved and do not have a problem with 'awkward silences.' Lithuanians, Latvians, and Estonians are very courteous in their communication and perceive interrupting others as bad manners. It is important therefore, that one give meeting attendee's ample time to complete their statement before speaking. Many are fairly direct in their communication; however, they will also moderate what they say to avoid potential offense. When doing business in Latvia one should follow suit, not say anything that could be perceived as critical of another individual. It is also the norm in Latvia not to furnish speech with non essential information, but to be succinct and

to the point.

American products are not yet well known to Baltic consumers. This situation is compounded by a negative fast-food image of American products. To counter-act, an active promotion campaign of American food ingredients and products, in cooperation and collaboration with local wholesale suppliers and distributors should help turn the market situation around for U.S. products. The quality of U.S. products and unique ingredients should be attractive to regional food processing enterprises and local consumers. ^[5]

With accession into the European Union, the Baltic States have updated their technical regulations to conform to EU requirements, including documentation, sanitary and phytosanitary requirements, and labeling. For detailed information on product import requirements please refer to the EU-27 Consolidated Food and Agricultural Regulations and Standards (FAIRS) Report available via www.fas.usda.gov - Attaché Reports link.

Lithuania is a net exporter of food products. Lithuania's major agricultural exports include meat, milk, cream, butter, cheese, animal food, and fish products. Major imports include fruits, nuts, wine, coffee, spirits, and meat and fish products. Main food exporters to Lithuania are Poland, Latvia, Germany, Netherlands, and Estonia. The consumption of meat products, fruits, and vegetables is constantly increasing whereas the consumption of fat or salty products is decreasing. People pay more attention to what they eat so their preferences shift towards healthy food.

Estonia has been a net importer of food products for many years however in 2011 and 2012 trade balance of agricultural products was positive. Main exporting products are cereals, vegetables, fish, dairy products, beverages, and spirits. Export of agricultural goods is directed chiefly to Finland, Sweden, Latvia, Russia, and Germany. The most significant agricultural imports include wine, coffee, tea, pork, beer, nuts, dry fruit, and cocoa preparations.

Latvia's key exports include cereals, dairy products, beverages, spirits, fish products, and seeds. Food exports are mainly directed to Russia, Lithuania, Estonia, Germany, and Denmark. The most important export sector in Latvia is forestry- around 70 percent of forest sector output is provided for export. ^[6] Latvian agricultural imports include wine, meat, fish, beverages, soy bean oil, and dairy products. Similarly as in Lithuania and Estonia, Latvians are changing their eating habits turning into healthier lifestyle.

In the Baltic States the quest for fresh and natural foods is driving the force in the food sector. Brand names, such as McCormick, Hackman, Procter & Gamble, Nestle, Kellogg's, Santa Maria, Heinz, Kraft, Master Foods, etc., engender a positive response. However, a shift in demand towards healthier and less processed foods and ingredients is opening the door for less well-known products onto the market. Ecological farming is becoming more and more popular and people appreciate eco-stores and restaurants.

Section III – Market Sector Structure and Trends

Poland

Wholesale Sector

Poland's wholesale market structure has five categories: national chains, regional chains, regional wholesalers, local wholesalers, and buying groups (consisting of regional chains and regional wholesalers). The national chains are the least numerous and operate several branches throughout Poland with central management. Regional chains have recently grown through consolidation and purchase of bankrupt firms; they cover specific areas, usually several provinces, and supply mainly retailers. Regional wholesalers have a strong presence in local markets and offer a wide range of products and greater service than centralized companies. However, local wholesalers are feeling the pressure of larger firms that now primarily deal in cash and carry. Buyer groups operate in several market segments and are increasing their integration with specific retailers.

In Poland, the cash and carry format has gained popularity quickly, as small, traditional retailers (of which there are many) appreciate the wide selection of products sold at competitive prices. Indeed, most of the major chains in the cash and carry channel target small, traditional retailers, HORECA outlets, and institutions. Consolidation of the market is highly likely in coming years but new entrants should be expected given its attractiveness to small retailers. Jeronimo Martins Dystrybucja SA, the owner of the ubiquitous Biedronka discount supermarket chain, is considering launching a cash and carry outlet line. Major players are likely to strengthen their positions, as sales are predicted to rise due to the growing number of outlets. The main companies operating in the cash and carry market are: Makro Cash and Carry Polska SA, Selgros Cash & Carry Sp zoo, Eurocash SA. ^[7]

Retail Sector

The distribution system for consumer ready food products, as with all other branches of the Polish economy, is still undergoing a rapid transformation and remains one of the most dynamic and fastest growing areas of the Polish economy. The retail sector is much diversified. It ranges from small family operated stores, through medium-sized stores to large distribution centers which can be easily compared with those found in other countries in Western Europe and the United States. Poland's per capita annual disposable income in 2012 was PLN 25,582 which was a little bit higher than in 2011. ^[8] During the period 2012 – 2020 total disposable income will increase by a cumulative 29.6 percent in real terms. It will grow annually at the average rate of 3.3 percent. Savings ratio in 2012 was very low, amounting to 0.4 percent of disposable income. It is expected to rise to 0.8 percent in 2013. ^[1] As income grows, Poles are becoming more fastidious buyers, which are forcing retailers to pay more attention to issues such as quality of product and customer service, the availability of additional services as well as store design, to make shopping more pleasant and convenient. ^[4] During the crisis Polish consumers did not decrease their spending on food significantly. Similar trend is expected to continue through 2014.

Foreign investors are attracted to the retail sector. The vast majority of hypermarkets are foreign owned, with traditional small-scale and predominantly Polish-owned shops facing steadily decreasing sales. There are approximately 30.9 shops per 10,000 inhabitants. Large retail chains are projected to gain control of as much as 80 percent of the Polish market within the next five years with only 8 major players remaining. The largest retail chains in Poland are: Jeronimo Martins Dystrybucja S.A., Auchan Polska Sp.z.o.o., Carrefour Polska Sp.z.o.o., Tesco Polska Sp.z.o.o., Lidl Polska Sp.z.o.o., and Netto Polska Sp.z.o.o. However, market analysis also shows that almost 40 percent of confectionary retail

sales occur via distribution by small grocery retailers: market consolidation appears still to be off a few years.^[10] The role of private labeling is increasing in Poland. Consumers seek value for money offerings. Their confidence in private label products is growing due to improvements of their quality made by retailers. Discounters remain the main distribution channel of private label goods.^[7]

Since 2005, E-commerce has developed at a pace of over 40 percent annually. Consumers appreciate convenience of shopping, lower prices, and home delivery. The expansion of various internet retailers and increasing number of Internet users (in 2011 the share of households equipped with Internet access was 62.3 percent) translates to growing opportunities in this market channel.^[7] In 2013 e-retail in Poland is expected to rise by 25 percent which is the fastest growth in Europe. Online sales will constitute about 4 percent of overall retail revenue. Mostly young people shop on-line now. Older consumers are the brake on more rapid expansion in e-commerce as they distrust this form of shopping. However, with greater familiarity with the internet and the competitiveness of products offered on-line versus traditional outlets, future prospects appear bright. What is interesting, 44 percent of villages' habitants uses Internet for shopping. That's second biggest group, just after e-consumers from big cities (46 percent). Internet retail sales rose by 16.5 percent in 2012 and they are expected to increase in the future.^[7] New trend of using smart phones for shopping can be observed in Poland. It is expected that mobiles in Poland will play very important role in shopping: informing about products, discounts, giving possibility to compare prices and pay.^[11] Discount supermarket chain Biedronka has already introduced the system of payments with the use of a mobile.

For additional information on the Polish retail sector please refer to the previous GAIN report available via www.fas.usda.gov - Attaché Reports link.

Food Processing Sector

The sector is varied with both domestic and international companies represented on the market. There are also a number of small companies operating in the fruit, vegetable, meat processing, and baking sectors located throughout Poland. The most important sectors of the food processing industry are meat, dairy, and alcohol, followed by confectionery, food concentrates, sugar, fruits and vegetables, juices and non-alcoholic beverages production. The proportion of food industry products considered to be value-added increases constantly.

The confectionary sector can be viewed as an example of the trends associated with the modernization of the Polish market. It has been reported that almost 42 percent per cent of Poles consume at least one chocolate bar a day, and at least 36 percent have one or more wafer bars.^[8] Chocolate confectionary is expected to grow at constant value of 2 percent and it will reach PLN 6.2 billion in 2016.^[12] More Poles, particularly affluent ones, are reaching for sophisticated lines that offer additional value and excellent quality. Sugar confectionery fared well even during times of economic slowdown as such products are seen as affordable indulgences. Demand for chocolate may be hampered by trends for healthy lifestyle and cutting down on sugar. This may result in increase of consumer interest in dark chocolate and lighter versions of chocolate products.

In upcoming years sales of chewing gum are predicted to decrease, in 2016 they are expected to amount to PLN 812 million. Growing numbers of Polish consumers are seeking added value in chewing gum, these consumers are open to novelties and eagerly try out products with active ingredients. Long-term success for companies operating in this field may be attained thanks to launches of new products and advertising support. ^[13]

For additional information on Poland's processing sector please refer to the previous GAIN report available via www.fas.usda.gov - Attaché Reports link.

Hotel, Restaurant & Institutional Sector

According to a recent survey by MAKRO Cash & Carry, almost 77 percent of Poles do not dine out, compared to 60 percent two years ago. On average, Poles spend PLN15.65 per meal while dining out. ^[8] On the other hand, with more Poles working longer hours, Polish eating habits have altered and eating out has become more common, especially in larger cities. Polish, Italian, Chinese, Mexican, and Indian restaurants can be found in almost every city. American chains have also started to appear in larger cities like Warsaw. These chains include T.G.I. Friday's, Champions, Mc Donald's, Pizza Hut, and KFC. In addition, many of the international hotel chains such as the Marriott, Radisson, Sheraton, Hyatt, Hilton, and Holiday Inn are present in Polish cities. Many local entrepreneurs, too, have invested heavily in this sector.

Despite the fact that Poles still prefer home-made meals, they are gradually moving towards ready meals and American style fast-food outlets. This is particularly true for the young professional crowd. A hectic lifestyle that combines intensive professional duties with household chores, allow little free time which is preferred to be spent in leisure rather than in the kitchen cooking. Consequently, sales by food outlets offering traditional meals are increasing. Furthermore, exotic meals offered by restaurants and other food outlets are gaining in popularity as an outcrop of the increasing interest in foreign cuisine by Poles who have travelled abroad.

Poland's hosting of the European Football Championships in 2012 had a positive impact on the hotel market. New accommodations were built rapidly in those cities where events were scheduled to accommodate the large numbers of fans and tourists expected. In 2012 the number of hotel rooms increased by 7,000 against 2011. ^[14] The benefits from building new hotels are not only limited to the time of the competition, but will still continue now, after European Championships. During the first two quarters of 2013, 80 new hotels were opened. ^[14]

New, modern hotels will stimulate the growth of Poland's tourism sector as the competition will increase interest from both tourists and investors in the country.

Several larger domestic producers have set up separate distribution channels specifically for this sector. While the other sectors of Polish food distribution are already very competitive, the HRI sector still sees excellent opportunity for growth. An HRI-targeted promotion campaign may offer U.S. exporters good opportunities for sales to Poland.

For addition information on Poland's HRI sector please refer to reports available via www.fas.usda.gov

- Attaché Reports link.

Baltic States

Wholesale Sector

The Baltic States' wholesale sector can be divided into the following categories: international chains, national chains, regional chains, regional wholesalers, local wholesalers, and buying groups. International chains, mostly Scandinavian, are likely to dominate the markets in the future. National chains operate branches in individual countries (Lithuania, Estonia, and Latvia). Regional chains, located in individual countries, are territorial and usually serve several provinces. Regional wholesalers have a strong presence in local markets and offer a wide range of products and services, supply mainly smaller retailers. Local wholesalers, feeling the pressure from larger firms in the industry, now primarily operate in cash and carry. Buying groups operate in several market segments and are increasing their integration with specific retailers.

Retail Sector

The Baltic States' retail sector is much diversified. It ranges from small family operated stores, through medium sized stores to large distribution centers which can be easily compared with those found in the Scandinavian countries (RIMI chain operating in all three Baltic States).

In Lithuania the economic recovery has not necessarily been reflected by a parallel recovery in consumer purchasing power. This has led the retail sector to record only minor sales increases during this period. Among the more positive contributors in this sector, Grocery retail sales are growing steadily while internet retailing is developing rapidly. E-commerce is a key driver behind the growth in retail sales, and given its underdevelopment, expansion opportunities exist.^[15] In 2010 42 percent of Internet users in Lithuania admitted that they bought goods or services via Internet. However only 10 percent of online shoppers make purchases at least once a week. Most of people do it only occasionally.^[16]

Latvian consumers, meanwhile, continue to review spend habits and avoid unnecessary purchases. The “economization” trend underway is forcing many retailers to adjust their strategies to cater for the limited purchasing power of Latvians. Most consumers do the shopping in big retail stores. It is mainly thanks to offering loyalty cards, special gifts, and discounts. In the conducted survey 80 percent of shoppers identified price as the key factor influencing their shopping decisions regarding food.^[17] The opening hours and wide range of products makes supermarkets and hypermarkets convenient places for shopping. Most popular retailing chains are: Rimi Latvia SIA, Maxima Latvija SIA, Latvijas Tirgotāju Savienība SIA and Baltstor SIA^[18] Supermarkets/hypermarkets continue to diversify their product lines to economize including scrutinizing more closely consumer interest in private label products.^[19] The role of e-commerce is increasing in Latvia. According to the Digital Agenda for Europe by the European Commission in 2011 20 percent of Latvia's total population shopped online. That's a 3 percent increase comparing to 2010.^[17]

In Estonia, the retail landscape is moving in the opposite direction rapidly, as modern retail channels, such as supermarkets and hypermarkets, are growing increasingly more influential. Discounters that

benefitted from changing consumer habits in the wake of the global financial crisis are now seeing consumer shift away. Disposable income per capita in 2012 amounted to US\$ 8,939 and it is expected to grow in 2013 by 3.9 percent. Savings ratio in 2012 amounted to 3.7 percent of disposable income and it will fall to 2.7 percent in 2013. ^[20] Internet retailing is experiencing strong sales growth, as consumers discover the convenience of this non-traditional channel. In 2011 sales from e-commerce accounted for 30.2 million euro. ^[21] However in case of grocery retailing, sales via Internet remain low. The reason of that is that grocery retailing outlets are widely present in Estonia and prices there are cheaper. ^[22] More and more Estonians start to value private-label products of which the most popular are Selveri, Alpenrose, Rimi, Optima Linija, and Old Farmer. ^[5] Domestic grocery retailing is dominated by Eesti Tarbijateühistu Keskühistu, Rimi Eesti Food AS, Selver AS, Maxima Eesti OÜ and Prisma Peremarket AS Leading. Cash and carry operators in Estonia are: AS Kaupmees & Ko Cash & Carry. ^[22]

Food Processing Sector

The food processing sector reflects in many ways the development of the Baltic States economy since the collapse of communism. The sector is varied with both domestic and international companies represented on the market. A number of small companies operate in the fruit, vegetable, meat processing, and banking sectors located throughout the Baltic region. The most prominent sectors of the food processing industry include: dairy, confectionery, bakery, cereal, alcohol, sugar, fruits and vegetables, juice and non-alcoholic beverage production. The proportion of food industry products considered to be value-added is constantly increasing.

For the Baltic region on whole, the slower economic recovery, unemployment, and low disposable income per household will lead consumers to look for economical food options. Dried fruit and nuts will increasingly become part of such a diet, fulfilling the need for balanced nutrition on a limited budget. Ready-to-eat healthy meals will be in demand by bargain seeking consumers and the busy working single population, predicted to increase. ^[14] After the crisis consumers pay much attention to price of products and they are looking for discounts and promotions. Lithuanian shoppers living close to Polish border are often going shopping to the neighbor taking advantage of lower prices and wider range of products. Health and sports drinks could find a niche in the Baltic market. However, promotional campaigns may be required to familiarize consumers with such American products. A gap exists in the HRI sector for organic products, although the market is most likely to remain quite small. ^[21]

Hotel, Restaurant & Institutional Sector

In Estonia, the number of HRI establishments is estimated to amount to over 1200 outlets. The 2008/9 global economic crisis drove HRI management teams in Estonia to reexamine business practices. Improvements in hotel services and amenities, brand marketing, availability of conference facilities and catering to business events were all pursued in effort to attract clients and overcome the recession. ^[23] In 2012 the real value of tourists receipts fell by 0.7 percent but it is expected to increase by 5.3 percent in 2013. In the average year, more than 3 million people visit the country. The majority of them are Finnish. ^[20]

In Estonia, French, Italian, Mediterranean, Russian, Asian, Japanese, and Indian restaurants account for

the international cuisine. KFC, McDonalds, pizza, and steak restaurants represent American cuisine.

American steak restaurants seem to have a particularly bright future in this market. Gourmet foods (dried, processed, canned, and frozen), unique cuisine, food products, and beverages supplemented with vitamins and minerals intended to promote health, all promise increasing sales if current trends continue. Introducing American gourmet cuisine (e.g. Cajun-Creole) to HRI establishments could be a way of entering the Estonian market. ^[24]

In Lithuania the increasing trend for fast food restaurants may be observed. Take-away outlets are gaining popularity, especially among young people. The main reason for that is much lower price offered than in traditional restaurants. Except for McDonald and KFC, Finnish Company Hesburger experiences high sales. In Lithuania popularity of Kebab shops is rising. Also, similarly as in Estonia, there is growing market for Sushi restaurants and other international cuisine. Disposable income per capita accounted for US\$ 9,033 in 2012. An increase of 5.4 percent is expected in 2014. Saving ratio will rise to the level of 1.2 percent in 2013 from the level of 0.5 percent observed in 2012. ^[16] However, despite the growth of disposable income, Lithuanian habits of eating out are one of the most underdeveloped in Europe. Statistically, one person spends an average of LTL240-LTL260 per year on dining-out as compared with the European average of around LTL9,000. ^[23] As far as hotel industry is concerned, we can observe recovery after the crisis. The amount of foreign and local visitors in 2012 was estimated for around 1.6 million people. Occupancy rate in Lithuania is highly seasonal with the highest rate observed during spring and summer. Average occupancy rate in 2012 accounted for 46 percent. ^[25]

Latvia's economic downturn's influence on the market resulted in declining consumer expenditures on goods and services. ^[19] According to the research conducted by BIOR 2010-2011, families with schoolchildren eat out on average of two to three times a month, and almost 20 percent of such families do not eat out at all. When Latvians dine out, they rather choose less formal and cheaper places. Since 2011 the demand of consumers for eating establishments increased, but customers remained price sensitive. ^[17] Nevertheless optimism persists as total consumer expenditure for Latvia is projected to rise to 8.5 billion LVL in 2015 and 9.9 billion by 2020. ^[19] It seems that the country is slowly recovering after the economic crisis. Disposable income per capita amounted to US\$ 8,358 in 2012 and the growth of 9.7 percent is expected in 2013. ^[17] The number of visitors has increased in 2012 – during the first quarter of the year, total number of tourists grew by 15 percent, comparing to respective period of 2011. However, during Q2-Q3 2012 the growth has stopped and total number of tourists remained the same comparing to respective period of 2011. ^[25]

Section IV- Best Sales Prospects

Poland - Please also Refer to the Table on 2012 Trade Imports in the Appendix Section

Best prospects include:

- Nuts (Almonds, Pistachios, Peanuts)
- Wine
- Whiskey
- Distilled spirits
- Salmon
- Alaskan Pollock

- Soybean oilcake
- Dried fruit (prunes, raisins, dried grapes)
- Cranberries
- Protein Isolates
- Tobacco
- Grapefruit
- Animal genetics

Despite the fact that consumption of seafood products per capita fell by 2.5 percent from 2011 to 2012, the overall imports increased and it is expected to grow also in the future. That shows market potential for U.S. seafood exports.^[26] Strong potential for U.S. exporters can be observed in the domain of distilled spirits as well. Sales of whiskey are increasing in Poland. In 2009 they accounted for 9 percent of distilled spirits and they are expected to grow to 12 percent in 2017. Moreover from 2011 to 2012, imports of U.S. whiskey increased by 38 percent.^[27] Consumption of wine is increasing in Poland too. It is forecasted that in 2017 wine will stand for 10.4 percent of the value of all alcoholic beverages. However it should be kept in mind that most consumers in Poland are unwilling to spend more than 10 USD on a bottle so they are looking for cheap and economical brands and formats.^[28] The most popular nuts consumed in Poland are: almonds (44.9 percent), pistachios (27.2 percent), hazelnuts (19 percent), walnuts (3.9 percent) and macadamia nuts (3.3 percent). U.S. nuts commodities represent nearly one third of market share for nuts in Poland.^[29]

Baltic States

The high quality and long shelf life of U.S. agricultural products and beverages make these competitive in the Estonian market as in other Baltic states. Demand of fish and fish products (salmon, mackerel, surimi, and lobster), dried fruits (cranberry, apricots, prunes) and nuts (almonds, hazelnuts, pecans) is set to increase. In the HRI sector, the supply of Angus beef could be prosperous as it gains popularity.^[24]

Frozen fish and fish products are another avenue to explore for U.S. businesses. Interest in salmon, herrings, surimi, mackerel, shrimps, and lobster is likely to attract local consumers as well as food processing companies. However, most fish products supplied to Estonia come from Norway and other Baltic states, competition from local and EU suppliers are very strong.

The shift towards healthy, ecological food creates an opportunity for importers of fresh fruits and vegetables, seafood, wild rice and dark chocolate.

The introduction of U.S. wine and spirits requires marketing and promotion of these beverages since Baltic consumers are not familiar with U.S. alcoholic beverages. Wine is growing in popularity in this region though wine aficionados are still limited in number. American liquor is well known for its historical merit and is sought for by locals and Scandinavian tourists.^[30]

Strong consumer preference for local tastes and products might obstruct introduction of new products and ingredients to the Baltic food market. Another important factor for the Baltic food market is the

limited purchasing power of local consumers.

Section V – Key Contacts and Further Information

Poland and the Baltic Countries

One of the goals of the Foreign Agricultural Service (FAS) office in Warsaw is to assist in the market development and promotion of U.S. food and agricultural products in Poland and the Baltic States. There are a wide variety of ways in which to approach these markets and many key contacts such as importers, distributors, and retailers. Please contact FAS Warsaw if you would like additional information on any of these markets if your company is interested in selling U.S. food and beverage products to this region.

There are several U.S. commodity groups, called cooperators, who partner with FAS to promote U.S. agricultural products in the region. Those cooperators who are particularly active in Poland include: Pear Bureau Northwest, California Pistachio Commission, Raisin Administrative Committee, Northwest Wine Coalition, American Hardwood Export Council, U.S. Wheat Associates, Cranberry Marketing Committee, and Food Export USA Northeast. The California Wine Institute, Cranberry Marketing Committee, Almond Board of California, and the U.S. Soybean Board-American Soybean Association have representatives based in Warsaw.

Staff contacts for marketing:

Michael Henney, Agricultural Counselor
Jolanta Figurska, Marketing Specialist

Office of Agriculture Affairs

U.S. Embassy, Poland

Al. Ujazdowskie 29/31

00-540 Warsaw, Poland

Telephone number: 011-48-22-504-2336

Fax number: 011-48-22-504-2320

E-mail inquiries: agwarsaw@fas.usda.gov, jolanta.figurska@fas.usda.gov

Web page: <http://poland.usembassy.gov/poland/agric.html>

Footnotes:

^[1] Euromonitor, Poland country profile 2013

^[2] Central Statistical Office, Foreign trade turnover in total and by countries

^[3] Consumer Lifestyle in Estonia 2012

^[4] Euromonitor, Estonia country profile 2013

^[5] Food processing report Estonia

^[6] Forestry and woodworking Latvia

^[7] Euromonitor, Retailing in Poland 2013

- [8] Euromonitor, Consumer lifestyle Poland 2013
 [9] Euromonitor, Consumer lifestyle Poland 2012
 [10] Euromonitor, Pricing confectionary Poland 2012
 [11] Rynek spożywczy, nr 4
 [12] Euromonitor, Chocolate confectionary Poland
 [13] Euromonitor, Gum in Poland
 [14] Ministry of Treasury of Poland, Economic news
 [15] Euromonitor, Retailing in Lithuania 2012
 [16] Euromonitor, Consumer lifestyle Lithuania 2013
 [17] Euromonitor, Consumer lifestyle Latvia 2013
 [18] Euromonitor, Retailing in Latvia 2013
 [19] Euromonitor: Retailing in Latvia 2012
 [20] Euromonitor, Estonia country profile 2013
 [21] Euromonitor, Retailing in Estonia 2012
 [22] Euromonitor, Retailing in Estonia 2013
 [23] Euromonitor, Food processing Estonia
 [24] FAS/HRI Estonia report
 [25] Baltic property market report 2013
 [26] FAS, Fishery products report
 [27] FAS, distilled spirits report
 [28] FAS, Poland product brief: wine
 [29] FAS, Poland product brief: dried fruits and nuts
 [30] HRI Latvia report

APPENDIX- Statistics

A. Key Trade and Demographic Information

Poland

Agricultural, Fish and Forestry Imports From All Countries (US\$M)/U.S. Market Share (%) [1] – 2012	\$19,350/1.62
Consumer Food Imports From All Countries (US\$M)/U.S. Market Share (%) – 2012	\$10,771/1.28
Edible Fishery Imports From All Countries (US\$M)/U.S. Market Share (%) – 2012	\$1,538/2.44
Total Population (Millions)/Annual Growth Rate (%)	38.4/(0.075)
Urban Population (Millions)/Annual Growth Rate (%)	23.4/(0.1)
Number of Major Metropolitan Areas [2]	4
Size of the Middle Class (Millions)/Growth Rate (%) [3]	4/1
Gross Domestic Product growth (forecast for 2014)	3
Unemployment Rate (%), forecast for 2014)	10
Average Monthly Food Expenditures (US\$)	140
Females in Workforce (%)	46
Exchange Rate (US\$1.00, Annual Average 2013)	3.31

Baltic States

Agricultural, Fish and Forestry Imports From All Countries (US\$Mil)/U.S. Market	\$8,734/0.90
--	--------------

Share (%) – 2012	
Consumer Food Imports From All Countries (US\$Mil)/U.S. Market Share (%) – 2012	\$6,008/0.32
Edible Fishery Imports From All Countries (US\$Mil)/U.S. Market Share (%) – 2012	\$705/2.64
Total Population (Millions)/Annual Growth Rate (%)	6.8/(0.51)
Urban Population (Millions)/Annual Growth Rate (%)	4.71/(0.3)
Number of Major Metropolitan Areas ^[4]	2
Size of the Middle Class (Millions)/Growth Rate (%) ^[5]	0.7/0.1
Gross Domestic Product (average expected growth in the region, %, 2012)	3.7
Unemployment Rate (% , forecast for 2012)	11
Average Monthly Food Expenditures (US\$)	190
Females in Workforce (Percent)	47
Exchange Rate (US\$1.00, Annual Average 2010)	Lithuania – Litai 2.51 Estonia – Euro 0.73 Latvia – Lati 0.51

^[1] Global Trade Atlas, data from 2012

^[2] Population in excess of 1,000,000.

^[3] These are unofficial estimates due to the lack of reliable statistics.

^[4] Population in excess of 500,000.

^[5] These are unofficial estimates due to the lack of reliable statistics.

Poland – 2012 Major Food Product Imports

Description	HS code	Total imports of agri-food products by Poland (\$)	Direct imports from the USA* (\$)	Share of US imports in total imports (Percent)	Main Foreign competitors
Frozen Fish	0303	188,016,378	17,579,229	9.35	Norway, Denmark, Netherlands, Russia,
Fish Fillets	0304	539,083,815	20,226,441	3.75	China, Germany, Iceland, Norway, Vietnam, Denmark
Almonds	080212	30,632,498	13,379,924	43.68	Spain, Germany
Pistachios*	080250	13,287,812	7,887,544	53.36	Iran, Slovakia
Dried Grapes, Raisins	080620	27,593,517	1,869,266	6.77	Iran, Germany, China, Chile, Turkey
Prunes	081320	19,476,793	3,859,280	19.81	Chile, Argentina, Germany
Coffee	0901	540,919,785	6,681	0.00	Germany, Vietnam, Brazil

Peanuts	1202	70,111,055	820,612	1.17	Argentina, China, Brazil
Vegetable Saps And Extracts Of Licorice	130212	2,908,646	2,174,409	74.76	Israel, Germany, UK
Mucilage & Thickeners	130239	31,386,538	2,498,212	7.96	Germany, China, Denmark, Belgium, Philippines, Spain
Cranberries	200893	12,722,395	5,457,613	42.90	Canada, Germany
Food Preparation Nesoi	210690	419,428,998	23,876,458	5.69	Germany, Netherlands, France, Italy, Austria
Wine	2204	224,300,877	27,711,725	12.35	Germany, Italy, France, Spain
Alcohol Beverages	2208	183,522,370	16,581,280	9.04	Finland, UK, Germany
Soybean Oilcake	2304	1,009,798,440	65,986,431	6.53	Argentina, Brazil, Germany

Source: Global Trade Atlas Data

*Data for Pistachios only available for 2011.