



# Agri-Food Past, Present & Future Report

*Poland*

*December 2005*



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Canada 

# ***Poland***

## **Past Present & Future Report December 2005**

### **Overview**

Often referred to as “The heart of Europe”, Poland is home to almost 40 million residents, and is located in the rapidly growing Central European region. Since its establishment in 1989, Poland has transformed itself into a stable, democratic country with strong institutions. This stability has been further enhanced with the country’s 2004 accession into the European Union (EU).

Successes in Poland are built on major structural reforms and privatization, strong export performance, foreign direct investment (FDI) inflows, and a highly educated and skilled workforce, of which 50% are under the age of 34.

Poland is one of the largest countries in Central and Eastern Europe and the sixth most populous state in the EU. Located at the crossroads of Eastern and Western Europe, Poland extends from the Baltic coast in the north to the Czech Republic and Slovakia borders in the south, and from Germany in the west to Russia, Lithuania, Belarus and Ukraine in the east (Euromonitor, 2005). Due to its prime location, Poland is considered an excellent gateway into the European market.

### **Canada - Poland Relations**

Canada and Poland’s relationship dates back to 1935 when their first bilateral treaty was signed. Since then, 25 agreements have been implemented and the nations continue to enjoy excellent bilateral relations and an expanding trade and investment relationship. Political relations are also very strong. 1999 marked the first official visit by a Canadian Prime Minister. Canada was the first nation to approve Poland’s membership to the North Atlantic Treaty Organization (NATO); a decision that greatly emphasised the importance of the countries’ relationship and fostered future co-operation.

Since 1989, Canada and Poland have collaborated on more than 270 projects in the areas of education and training, private sector development, democracy and good governance, agriculture, and environmental protection. Poland’s growing economy continues to present many investment opportunities for Canadian companies. Canada has invested approximately \$800 million in Poland to date, or 0.9% of total FDI in the country. A significant number of Canadian companies have established operations in Poland such as Bombardier Transportation, McCain Foods, Maple Leaf Foods, Nortel Networks, Pratt & Whitney, Royal Group Technologies, Semex, Shoppers Drug Mart, SNC Lavalin, Wentworth Technologies, and Yogen Fruz.

Poland’s accession into the EU has increased the demand for new technologies and services. Promising areas for Canadian exporters looking to penetrate the Polish marketplace include agriculture and agri-food products and services, information technology, information communications technology, telecommunications, transportation equipment, construction and building materials, environmental technologies, aerospace, defence and energy sectors.

<b>Canada-Poland Bilateral Trade (2004)</b>	
<b>Poland Total Trade</b>	<b>US\$163.8 billion</b>
Exports	US\$74.8 billion
Imports	US\$89.0 billion
Trade balance	(US\$14.2 billion)
<b>Canada-Poland Trade</b>	<b>\$623.1 million</b>
Exports	\$235.9 million
Imports	\$387.2 million
Trade balance	(\$151.3 million)
<b>Canada-Poland Ag Trade</b>	<b>\$60.6 million</b>
Exports	\$25.9 million
Imports	\$34.7 million
Trade balance	(\$8.8 million)

- After Russia, Poland is Canada's largest market in Central and Eastern Europe. Canada-Poland bilateral trade totalled over \$623 million in 2004. This value has been steadily increasing from \$446 million in 2002 to \$555 million in 2003.
- Top Canadian exports to Poland include medicine (10.1%), zinc ores and concentrates (6.7%), and turbo jet and propeller parts (5.9%).

- Top Canadian imports from Poland include turbo jet and propeller parts (16.2%), wooden furniture (7.7%), and iron or non-alloy steel (4.2%).

### **Agricultural Trade**

Although total agricultural trade between Canada and Poland has fluctuated over the past several years, it has increased by nearly 47%, from \$41.2 million in 2000 to over \$60.6 million in 2004. Canadian agri-food exports to Poland have steadily increased in recent years, with the exception of 2002 when exports dropped 49% to \$14.7 million largely due to decreases in meat and grain exports. Intermediate and consumer oriented goods consistently represent the majority of exports to Poland. Such commodities comprised 75% of all Canadian agri-food exports to Poland in 2004. Canada's agricultural exports to Poland increased by almost 66% between 2002 and 2003, and again by a modest 6% between 2003 and 2004, mainly due to large increases in intermediate and consumer oriented exports. These export commodity groups totalled \$10.6 million and \$8.8 million respectively in 2004. Canada currently accounts for 0.36% of Poland's total agri-food imports.

Canada's agri-food imports from Poland slightly increased from \$37.3 million in 2002 to \$37.9 million in 2003; however, decreased to \$34.7 million in 2004. Sugar confectionary has remained Canada's top import commodity from Poland over the past decade, and typically accounts for 10-22% of total agri-food imports.

<b>Canada's Top 5 Agricultural Exports to Poland (2004)</b>	
Raw furskins	\$6.7 million
Durum wheat	\$5.9 million
Food preparations	\$2.6 million
Bovine by-products	\$1.6 million
Eggs	\$1.6 million

Complete statistical summary available at: [www.ats.agr.gc.ca/stats/poland\\_e.pdf](http://www.ats.agr.gc.ca/stats/poland_e.pdf)

- Total Canada-Poland agricultural trade represents approximately 10% or \$60.6 million of total trade between the two countries.
- Top Canadian exports to Poland in 2004 included raw furskins valued at over \$6.7 million and representing approximately 26% of total agri-food exports, durum wheat at about \$5.9 million or 23% of total exports, and food preparations worth more than \$2.6 million or 10% of exports. Bovine by-products and eggs both accounted for over \$1.6 million, or 6.5% and 6.4% of exports respectively.
- 2004 bulk exports to Poland totalled just over \$6.4 million, decreasing 13% from the 2003 value of \$7.3 million, while intermediate exports totalled \$10.6 million and showed a slight 0.5% decline from 2003. Consumer oriented exports were valued at over \$8.8 million in 2004; a \$2.5 million or 40% increase from 2003.
- Top Canadian imports from Poland in 2004 included beer valued at over \$3.9 million and making up over 11% of all agri-food imports, and sugar confectionary valued at over \$3.8 million or 11% of total imports. Vodka was another major Canadian import worth over \$3.6 million or more than 10% of total imports.

## **Economy**

Poland's economy has undergone major reforms over the past 16 years, transitioning from a centrally planned economy to a stable, free market system. The country's 2004 entry into the EU has been the most influential factor in shaping the Polish economy in recent years, obliging the government to change and introduce new laws in order to secure its admission. Having successfully implemented liberalization policies, a large privatization program, and attracted FDI, Poland stands out as a successful transition economy in today's Central and Eastern European community.

Aside from such achievements, many challenges still lie ahead including reducing fiscal debt and unemployment, increasing international competitiveness, accelerating the privatization process, and modernizing Poland's infrastructure and several industries. Health care, education, public sector, and pension system reforms are also needed.

Moving forward, the Polish government plans to address the fiscal deficit; however, public debt currently outweighs the deficit and is expected to worsen in 2006 due to various initiatives that will add 2% onto public spending. This will, in turn, threaten to delay the country's entry into the Eurozone to beyond 2010. The government has, however, implemented a social and administrative spending cut program that should see public spending reduced by \$17 billion through 2007.

Poland has drawn in over US\$84.4 billion in FDI over the past decade in areas such as manufacturing, banking, real estate and the services sector. Foreign investment levels totalled US\$7.8 billion in 2004 and are projected to reach US\$10 billion by the end of 2005. Poland is regarded as one of the leading Central and Eastern European destinations for FDI, attracting over one third of all foreign investments to the region.

<b>Gross Domestic Product (2004)</b>	
GDP	US\$ 242.2 billion
GDP growth	(2004) 5.4% (2005) 3.2%
GDP/capita	US\$6,344
GDP/capita (PPP)	US\$12,000

#### Current

- GDP reached a value of US\$242.2 billion in 2004 and is forecast to reach over US\$283 billion in 2005.
- Inflation fell to an average 2.1% in 2005 from 4.4% in December 2004.
- The 2004 unemployment rate was estimated at 19%. It is expected to

decrease to 18% by the end of December 2005 and 17% in 2006. The high unemployment rate is mainly due to high tax costs for employers, ineffective labour market policy, the restructuring of many industries, and rising productivity.

- The privatization process has recently slowed but plans to accelerate its progress have been announced. Restructuring of the coal, steel, energy and rail sectors is expected to begin again shortly. The private sector accounts for over 75% of Poland's GDP.
- Poland has seen about 32% growth in GDP per capita (PPP) since its 2000 value of US\$9,072.

#### Forecast

- GDP growth reached 5.4% in 2004, with exports being the key factor supporting the increase. Slow growth in domestic demand will reduce GDP growth to 3.2% in 2005 and will be mostly driven by exports. An upturn in individual consumption and an increase in investment are forecast to raise GDP growth to 4% in 2006 and 4.4% in 2007.
- General price levels are expected to rise 2% in 2006 and 2007 due to growth in domestic demand, high unemployment, and the Zloty's appreciation.

### **Consumer Market**

There are a number of trends and changes in Poland's consumer market that are currently impacting an exporter's approach to entering the marketplace. Two major and conflicting developments include the rise of hectic lifestyles which have led to the popularity of foodservice establishments, convenience foods, and unhealthy snacking, as well as an overall trend toward healthier living.

As Poles increasingly lead busier lifestyles, meal preparation and eating time is declining and the demand for processed foods and convenience products is rising. Fast growing commodities include muesli and breakfast cereals, dairy products, frozen and chilled foods, ice cream and frozen yogurt, ready-to-eat meals, snacks and nuts. Fast food has also become increasingly popular and Poles' intake of sugary, salty and fattening foods has surged in recent years (Euromonitor, 2005).

This unhealthy trend has prompted the government to promote the benefits of healthy lifestyles, encouraging Poles to engage in healthy eating and regular exercise. Many Poles have embraced this lifestyle and natural and organic foods have become common in many meals. Consumers' diets have also become much more diversified as Poles are more and more interested in new ethnic dishes. Chinese, Indian, Italian, Mexican, Vietnamese and Mediterranean cuisine have become increasingly popular.

## **General**

- Poles' eating and spending habits have significantly changed over the past 15 years, due to the country's transition to a free market economy. This has resulted in rising disposable incomes and increasing accessibility to a wide variety of affordable domestic and imported products and services.
- Consumer expenditure totalled US\$134.6 billion in 2000, and is expected to rise more than 52% to US\$205.1 billion by 2015 (Euromonitor, 2005).
- Approximately 20% of consumer expenditure goes to the purchase of food and non-alcoholic beverages; down 10% from 1990. Despite the decline, the segment remains an important part of consumer expenditure (Euromonitor, 2005).
- In 2000, consumers spent US\$29.1 billion on food and non-alcoholic beverages. This value is expected to grow by 51% to reach US\$43.8 billion by 2015 (Euromonitor, 2005).
- Ten per cent of total food expenditure goes toward food for consumption outside of the home (Euromonitor, 2005).
- Poles' busy lifestyles are fuelling the growth of sandwich and salad bars, as well as the home delivery and takeaway food sectors (Euromonitor, 2005).
- Although Poles have always preferred fresh, quality foods that come directly from local farms, organic and "environmentally friendly" foods are now considered very important factors that influence purchasing decisions (Euromonitor, 2005).

## **Staples**

- With the growing prevalence of healthier eating habits, Poles' consumption of red meat, such as beef, veal, lamb, mutton and goat, has been declining and poultry sales have increased. Between 1998 and 2003, per capita consumption of red meat fell by almost 10% to 16 lb. per capita and that of poultry increased by 16% to 27 lb. per capita (Euromonitor, 2005).
- Fish and seafood consumption has also increased in recent years as it is considered a healthy alternative to red meat. Although consumption appears relatively low at 20.2 lb. per capita in comparison to the EU country average of 52.8 lb. per capita, it increased more than 45% between 1998 and 2003 (Euromonitor, 2005).
- Poles increased their consumption of most fresh foods between 1998 and 2003. Per capita consumption of fresh tomatoes increased by more than 35%, and that of green vegetables rose approximately 16% (Euromonitor, 2005).
- Among all fresh foods, Poles consume potatoes the most at an average of 221 lb. per capita in 2003 (Euromonitor, 2005).
- Overall consumption of soft drinks increased by 37% between 1998 and 2003. Functional drinks (enhanced beverages with health benefits) and ready-to-drink (RTD) teas saw the most growth with 245% and 158% increases respectively, reaching 0.4 L and 1.6 L per capita consumption. Bottled water remains the most popular soft drink with 46.4 L per capita consumed in 2003 (Euromonitor, 2005).

## **Retail**

- Retail food sales reached US\$46.3 billion in 2003; an approximate 12% increase over the 2000 value of US\$41.4 billion.
- The growing affluence of the population is evidenced by the emergence of large shopping centers and hypermarkets that service populous areas throughout the country. Such developments are changing the shopping dynamic of many families and young professionals, allowing them to make

- one or two large shopping trips per week rather than multiple outings as goods are needed.
- It is estimated that large retail chains will dominate as much as 80% of the Polish market by 2009.
  - Although disposable income is increasing, approximately 88% of Poles remain very price sensitive. Therefore many retailers offer a wide variety of low-price products and few high-end goods. Private label products have also become popular in recent years as they offer a quality alternative to branded goods at lower prices (Euromonitor, 2005).
  - Despite the growth of large mass retailers, small neighbourhood stores continue to be popular shopping outlets. This is especially so in rural areas and amongst older consumers in cities which prefer smaller shopping formats (Euromonitor, 2005).

### **Competitors**

As an EU member, Poland relies heavily on its European neighbours as import sources, making the country a more challenging market for Canadian exporters to penetrate. Poland's principal import sources, Germany (24.4%), Italy (7.9%), Russia (7.2%), France (6.7%), and China (4.6%), represent Canada's top competition in the Polish export market.

Specific agri-food products that hold strong opportunities in the Polish marketplace include grains, mainly durum wheat, barley and corn; animal fodder, pork and poultry, including offal; fish and seafood; oils; fruit; and nuts. Processed foods with potential include specialty and ethnic foods, frozen and ready-made meals, snacks, fish and seafood products, and health foods and ingredients.

### **Access Issues**

Poland remains a country of constant trade and investment interest for Canadian and foreign investors, and holds strong potential for Canadian companies wanting to penetrate the EU and/or Central and Eastern European markets. To facilitate successful market entry, Canadian exporters are encouraged to develop market entry strategies that include working with a local importer and distributor to develop a presence, gain valuable market advice, and best position a product to meet local tastes, laws and pricing.

Poland is a member of the Central European Free Trade Agreement (CEFTA), the EU, the Organization for Economic Co-operation and Development (OECD), the Organization for Security and Co-operation in Europe (OSCE), the North Atlantic Treaty Organization (NATO), and the World Trade Organization (WTO), and implements international accords and policies from these bodies. The majority of Poland's requirements governing imports are co-ordinated with EU regulations, while others are specific to the country. It is recommended that Canadian exporters contact the Customs Service of the Republic of Poland when checking import duties on individual products.

### **Customs Service of the Republic of Poland- Customs Information**

Tel: (48 22) 694-3194

E-mail: [Informacja.celna@mofnet.gov.pl](mailto:Informacja.celna@mofnet.gov.pl)

Website: [www.mf.gov.pl/sluzba\\_celna/aktualnosci/index.php](http://www.mf.gov.pl/sluzba_celna/aktualnosci/index.php)

Poland's duty structure imposed on imports is highly transparent and stable. Duties apply to all products imported into Poland; however, duty rates vary according to the product or service and its country of origin.

- In addition to customs tariffs, imported goods are subject to taxes (i.e. value added tax (VAT) and excise tax on some goods). The basic rate of the VAT is 22% which applies to most goods, while food and necessity products have a reduced rate of 7% depending on the type of product or service. There is also a transitional 3% rate for farm products.
- The Polish government cut the corporate tax rate to 19% from 27% in 2004.
- Labelling requirements are completely co-ordinated with EU regulations. Product labelling requirements depend on the type of good and its intended use. All consumer products must carry Polish labels.
- Challenges to entering the Polish marketplace include strong competition from EU countries, preferential import tariffs for products originating from EU and CEFTA countries, and the ongoing adaptation of Polish regulations to meet EU requirements.

### **Business Travel Tips**

Polish business customs are very similar to those in North America and Western Europe. Poles, however, are more formal than Canadians, and typically expect to be addressed by their family name until otherwise stated.

Normal business hours run from 9:00 a.m. to 5:00 p.m. Poles will generally want a clear understanding of what each business meeting will entail; therefore, an agenda, company profile and product literature should be provided.

Although English is widely spoken in large cities in Poland, it is not always done so outside of urban areas. Therefore, one should always determine in advance whether materials and presentations need to be translated, and if business meetings should incorporate a translator. Even minimal efforts to speak the language are appreciated by Polish business people.

### **Agriculture Sector & Policies**

Poland's agricultural sector accounts for 3% of GDP and employs approximately 16% of the population. A large portion of farms are small and therefore rely on government subsidies which, on average, account for one third of farmers' incomes. This is primarily due to extra labour, lack of investment, and inefficient operations in need of modernization. Although the number of farms greater than 15 hectares has been increasing, the number of small and uneconomical farms is also rising (Euromonitor, 2005).

EU accession has allowed Polish farmers to benefit from significant amounts of transitional funds which totalled over US\$1.9 billion in 2004. Poland also saw a more than 40% increase in food exports to Western Europe in the same year. Moving forward, the EU will finance half of farm modernization costs. Such reforms should increase overall agricultural production, supply, and demand which will in turn make for a 35% increase in income by 2010.

Poland's main agricultural commodities include eggs; fruit; pork; poultry; vegetables, especially potatoes and sugar beets; and wheat. Poland is one of the



world's largest apple, blackcurrant, berry fruit, cabbage, fruit juice concentrate, pork and potato producers in the world. Arable land accounts for approximately 46% of total agricultural land, and permanent crops make up 1% of this land. There are 1,000 sq. km of irrigated land in Poland.

There are approximately 4,000 organic farms in Poland, with the largest and most common being organic crop, and meadow and pasture farms. Orchard farms are the smallest type of organic farm in Poland. Organic farming subsidies totalled US\$2.1 million in 2003, double that of 2002 levels.

## **Contact Information**

### **The Canadian Embassy in Poland**

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