

Food Sector in Poland

**Economic Information Department
Polish Information and Foreign Investment Agency**

Market Description and Structure

The food sector is one of the most important and fastest-growing branches of the Polish economy. The share of the sector in the sale value of the entire national industry amounts to almost 24% and it is by about 9 percentage points higher than in 15 countries of the European Union where it equals on average 15%. Within the EU countries a higher share of the food industry than in Poland is present in Denmark (28%) and Greece (27%).

An important increase factor of the food sector was Poland's accession to the European Union.

It entailed a significant growth in the Polish foreign trade that allowed availing on the competitive advantage of the Polish manufacturers of agricultural and food products. As a result of market changes the branch structure of the food industry has become significantly similar to the structure of this industry in the developed countries. It is also reflected by changes in the nutrition model and the structure of demand for groceries.

:: Table 1 Dynamics of grocery production indicators 2005=100

	2006	2007	2008	2009
Sold production				
Industry in general	107,3	114,3	115,0	120,2
Industrial processing	113,8	127,9	133,0	127,8
Grocery production	107,3	114,3	115,0	120,2
Average employment				
Industry in general	102,1	106,9	110,4	104,1
Industrial processing	102,9	108,8	112,5	104,6
Grocery production	100,8	102,5	104,6	103,2
Average salary				
Industry in general	105,2	113,8	125,4	131,0
Industrial processing	106,0	115,8	127,8	131,8
Grocery production	104,7	114,4	126,6	131,0

Source: *Own work on the basis of the data of GUS [Central Statistical Office].*

The value of the sold production of food products¹ in the first six months of 2011 amounted to PLN 78.9 billion which constituted 18.3% of the sold production of the industrial processing and 15.2% of the sold production of the industry in general. In comparison with the first six months of the previous year the sold production of food products increased by 8.6%. This growth was significantly lower than in the case of the sold production of the industrial processing (increase by 8.1%) and the sold value of the industry in general (increase by 7.4%).

The average employment in the food production in the first six months of 2011 amounted to 373.1 thousand persons. This figure corresponds to 18.1% of the average employment in the industrial processing and 15.0% of the average employment in the industry in general. The increase in employment in the food production in reference to the first six months of 2010 amounted to 3.9% and exceeded the growth in employment in the industrial processing (3.2%) and in the industry in general (2.6%). The average salary in this period amounted to PLN 2900 which constituted 89% of remuneration in the industrial processing and 81% of remuneration in the industry

in general. The increase in salaries in reference to the first six months of 2010 amounted to 4.1% and did not correspond to a growth in remuneration in the industrial processing and in the industry in general (an increase by 5.6 in both categories).

The data from the previous years concerning the sold production, employment and salaries are presented in Table 1.

Within the food sector 65% of companies are small-sized entities employing up to 9 persons. The percentage of companies employing over 249 persons is gradually increasing. It is also related with a higher concentration which is confirmed by the fact that over large-sized entities generate 49% of value of the sold food products and beverages.

The competitiveness analysis of Polish food producers indicates quite high competitiveness of Polish producers in the EU and world markets. The most competitive branches of the Polish food economy include the sectors of: meat, milk processing, fruits and vegetables, sugar, secondary cereal processing and manufacturing of tobacco products. The source of competitive advantage is, above all cost and price advantages. It is possible mainly due to lower prices of agricultural products, lower costs of work (salaries of persons employed in the food industry are lower than the average remuneration in the industry), other

¹ The data concerning the sold production, employment and salaries are presented in the first six months of 2011 apply to the enterprises employing more than 9 persons. Source: GUS [Central Statistical Office].

production factors as well as lower processing margins.

With the processes of convergence of Polish economy within the EU market, the importance of cost and price advantages will be decreasing. Other types of competitiveness such as a continuant and fast increase of work efficiency may play an significant role

here. This issue is the main challenge for the Polish food industry in the perspective of the coming years.

Another threat is related with possible appreciation of Polish currency that results from an increase in export of Polish non-food products and may negatively influence the balance of foreign trade.

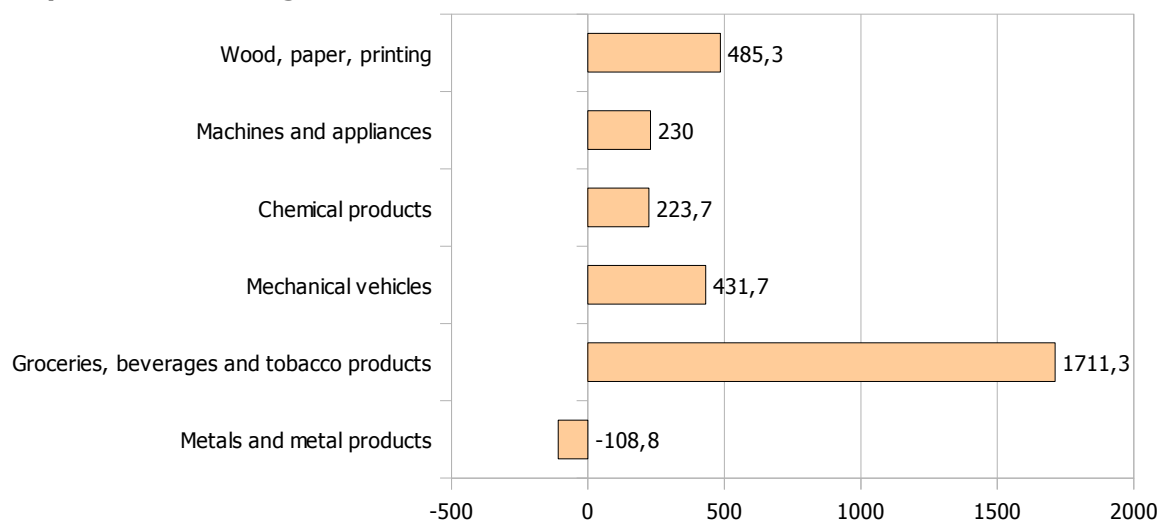
Labor Market Potential - Students and Graduates

In the 2009/2010 academic year at the faculties related to production and processing studied 63500 persons of which 11500 studied at the faculties of "food technology and human nutrition", and over 250 - at a micro-faculty of "food production bio-engineering". The number of graduates in studies related to the food technology equaled 3000 in the 2009/2010 academic year.

The highest number of persons studying at this faculty was in Mazowieckie Province (26.4% of the total number of students of food technology and human nutrition), Małopolskie Province and Warmińsko-Mazurskie Province (14.6% and 11.2%, respectively). The lowest number of persons studying on this faculty was in Śląskie Province (0.3%). Generally, this faculty was available in 14 provinces².

Foreign Direct Investments in the Sector

:: Graph 1 Flow of foreign direct investments to selected branches



Source: Own work on the basis of NBP [National Bank of Poland]

The flow of foreign direct investments in 2009 amounted to EUR 9.9 billion³, of which EUR 3.4 billion was constituted by the processing industry. The food industry received EUR 1.7 billion that is a half of all the investments in the processing sector. The food industry was a branch of Polish economy with the highest number of foreign investments in 2009.

Polish international trade in the food sector amounted to EUR 24.4 billion. In addition, Poland faced a surplus equal to EUR 2.6 billion.

It constitutes less than 10% of the trade of Poland. The largest share in the international trade was represented by the following categories: animals and animal meat, milk products and eggs, tobacco, and fodder. A significant export surplus over import may be observed in the case of animals and meat, milk products and eggs, and tobacco. Poland's import exceeds export in the categories of: fodder, fish, fats and oils⁴.

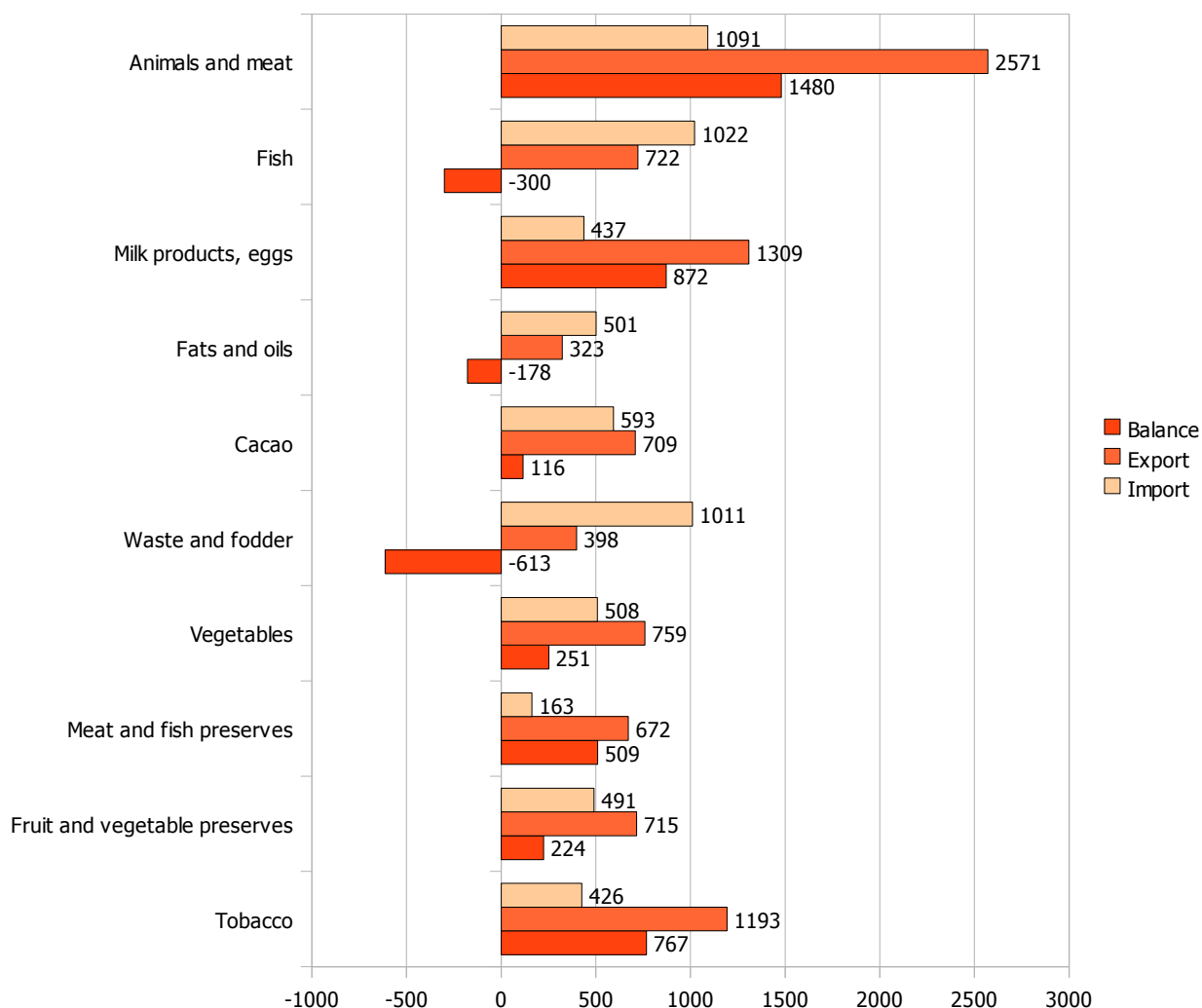
². GUS 2011 [Central Statistical Office]

³. Zagraniczne inwestycje bezpośrednie w Polsce w 2009 r. [Foreign Direct Investments in Poland in 2009], NBP [National Bank of Poland] 2010.

⁴. Rocznik statystyczny handlu zagranicznego 2011 [Yearbook of Foreign Trade Statistics 2011], GUS [Central Statistical Office] 2011.

Polish Trading in the Metallurgical Sector

:: Graph 2 Trading in selected branches



Source: Own work on the basis of GUS [Central Statistical Office]

Enterprises Operating in the Food Sector

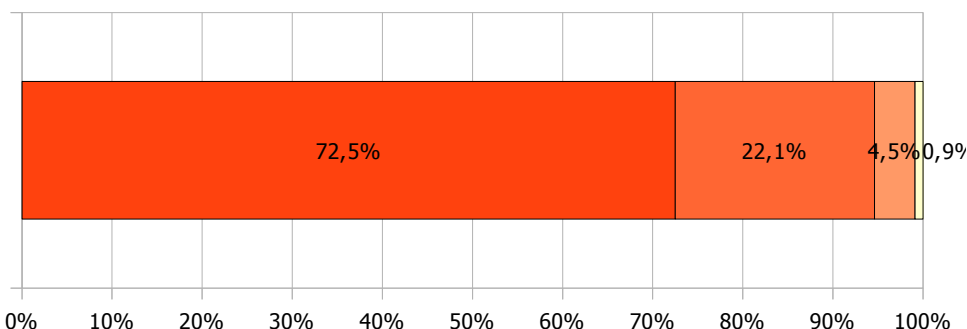
In accordance with the data of GUS [Central Statistical Office] by the end of quarter 3 of 2011 there were 29 000 entities operating in the food sector in Poland. The most numerous group was constituted by baking (43% of the total), meat processing (except poultry), and meat processing - including poultry (jointly about 18%). The least numerous group of the food sector enterprises was constituted by companies producing margarine and similar edible fats (0.04%).

In terms of the size, in the entire sector micro-enterprises prevailed (employing up to 9 persons) which was similar as in the entire economy.

They represented 73% of all the entities operating in the food sector. Small-sized companies (employing 10-49 persons) constituted 22%, middle- (50-249 persons), and large-sized ones represented 4.5% and 0.9%, respectively.

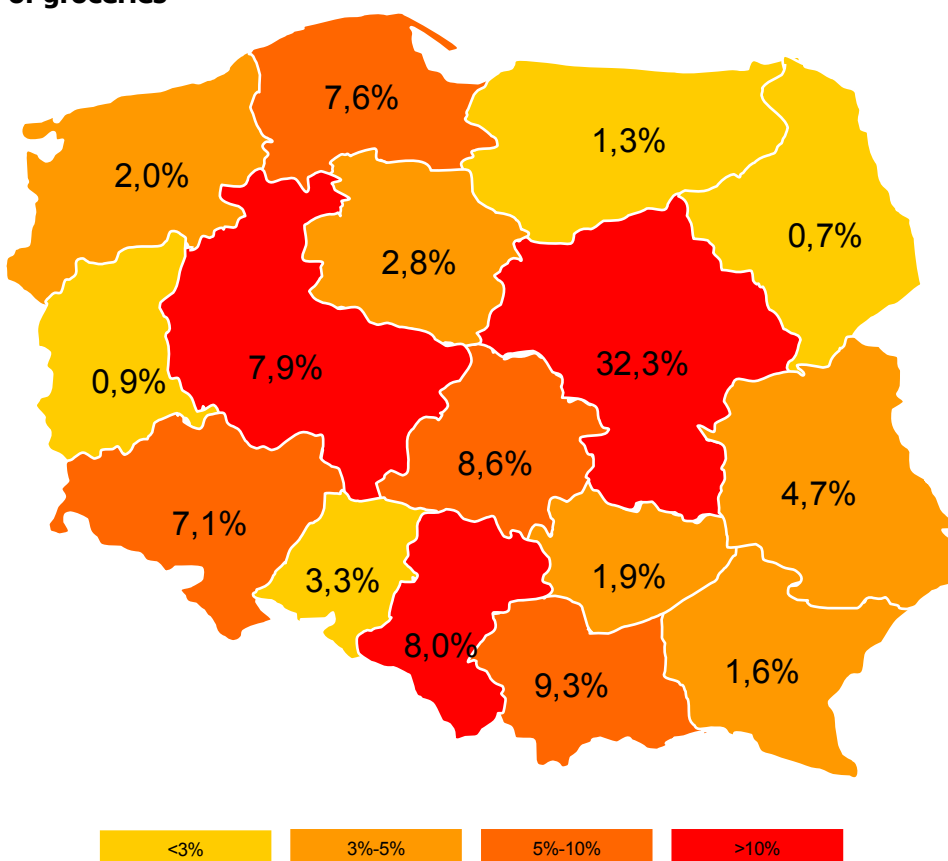
In terms of geographical distribution, the highest number of food enterprises (40% of all companies operating in food industry) were registered in Mazowieckie Province, Śląskie Province and Wielkopolskie Province. Almost 70% of food companies were registered in only seven Provinces.

:: Graph 3 Companies operating in the industry sector in Poland by employment size



Source: Own work on the basis of the data of GUS [Central Statistical Office] (as for the end of quarter 3 of 2011).

:: Graph 4 Entities running an activity related to the production of groceries



Source: Own work on the basis of the data of GUS [Central Statistical Office] (as for the end of quarter 3 of 2011).

In November 2011 25 companies that operated in the pharmaceutical and biotechnological sector were listed on the Warsaw Stock Exchange⁵. Their total capitalization amounted to about PLN 18.5 billion⁶.

⁵. Spółki GPW [WSE Companies], Money.pl, accessed November 9, 2011

⁶. As for November 8, 2011.

:: Table 2 Capitalization of enterprises operating in the food sector listed on the Warsaw Stock Exchange

Name	Capitalization (PLN million)	Production
Grupa Żywiec SA	5 649,24	beer
Kernel Holding SA	5 294,96	cereals
Astarta Holding NV	1 575,00	sugar
Kruszwica SA	1 496,45	vegetable fats
Wawel SA	719,88	confectionery products
Milkiland NV	593,75	milk products
Kofola SA	486,29	sparkling products
Agroton Public Limited	485,41	cereals
Belvedere SA	406,31	alcohol production
Colian SA	358,40	confectionery products
Elstar Oils SA	306,63	vegetable fats
PKM Duda SA	219,62	meat products
Ambra SA	155,27	wine
Indykpol SA	130,92	turkey meat and products
Mieszko SA	129,14	confectionery products
ZPC Otmuchów SA	85,41	confectionery products
Pamapol SA	70,89	ready-made dishes
Mispol SA	70,11	canned meat
Pepees SA	65,57	potato semi-finished products
Seko SA	45,89	fish products
Graal SA	44,31	fish products
Makarony Polskie SA	39,04	noodles
Wilbo SA	16,39	fish products
ZM Herman SA	12,31	meat products

Source: *Warsaw Stock Exchange as for November 8, 2011.*

Support

Government Assistance

Investments from priority sectors may apply for support in a form of government subsidy. They include:

automotive, electronic, aviation, biotechnological, modern services and research and development sectors. The assistance is granted on the basis of a minimum number of the workplaces created or the amount of investment expenses incurred.

Supported sector	Minimum workplace number	and	Minimum investment value	Maximum amount of assistance
Support for the creation of new workplaces				
automotive, aviation, biotechnology, IT and electronic	250		40 million PLN	from PLN 3 200 to 15 600 PLN per one workplace
BPO	250		2 million PLN	
R&D	35		3 million PLN	
Other	500		1 billion PLN	

Supported sector	Minimum workplace number	and	Minimum investment value	Maximum amount of assistance
Support for the creation of new workplaces				
automotive, aviation, biotechnology, IT and electronic	50		160 million PLN	2-10,5% of the investment value
Other	500		1 billion PLN	

Note: average exchange rate EUR 1 = PLN 4.00 (August 2010)

Funds of the European Union

In years 2007-2013 Poland is granted a significant flow of the EU funds which amount to over EUR 67 billion. Entrepreneurs may apply for the funds from the following Operative Programs (OP):

- 5 national Operative Programs:
 - Infrastructure and Environment,
 - Innovative Economy,
 - Human Capital,
 - Development of Eastern Poland,
 - Technical Assistance,
- 16 Regional Operative Programs,
- Programs of European Regional Cooperation.

Exemptions from tax on legal persons CIT (rate: 19%)

They are available in Special Economic Zones that is in selected regions of Poland where economic activity is run on special terms. Exemptions from income tax amount to 30%-50% of investment expenses or costs of personnel employment in the period of 2 years, whichever are higher.

Exemptions from the Tax on Real Estate

The exemption depends upon the number of new workplaces created and if the local self-government has a policy of tax exemptions. The rates of the tax on real estate are established locally in the framework of maximum rates in a defined year. In 2011 the maximum rates applied amount to PLN 21.05/ m² for buildings PLN 0.80/ m² for the land and 2% for the construction.