

The organic food market in Poland: Ready for take-off

The organic food market in the West has been growing fast for over a decade by now. Poland, since May 2004 in the EU, seems to have joined this trend recently and although the Polish organic market is still small and underdeveloped, its growth potential looks very promising for investors. Additionally, considering high labor intensity of such products and the existence of a vast agricultural sector in Poland, potential investment opportunities concern not only Poland as a consumer market but also as a location for production and export market of organics. A recent research report by SixtyTwo International Consultants analyses those investment opportunities in the light of proprietary consumer research and analysis of the whole Polish organic value chain – from farmers to consumers.

Only some 7% of consumers in Poland do actually buy organic food nowadays. Nonetheless, already 45% of consumers believe to buy such food, most of them being mistaken and buying not real but "organic-like" products. An efficient educational campaign on organics (already budgeted by the State) could convert them into real organic buyers, especially that the majority of them declare the readiness to pay considerable price premiums on such products. If further considered that many remaining consumers declare the willingness to buy organics if only available and properly labeled, the market potential seems to be already there. The report estimates today's Polish organic consumer market value at EUR 50 million. This number is predicted to grow tenfold during the next decade.

The share of organic agriculture in Poland's total agricultural area is still three times lower than on average in the EU. Nonetheless, joining the EU, opening the Common Market and introducing organic subsidies, made the organic area double last year and it is expected to converge further to achieve the average EU levels in five years. Interestingly, Polish farmers do not suffer such high productivity losses as their Western peers do, when they convert their farms to organic. This is due to on average lower usage of fertilizers and more extensive methods applied in conventional agriculture - average productivity of such products as strawberries, apples or potatoes is even higher in organic than in conventional farms. Additionally, Polish labor costs are on average five times lower than EU average, which also contributes to the competitiveness of the organic sector.

The road between farmers and consumers is a long bottleneck. Organic food processors in Poland are scarce and the same is true for wholesalers and retailers. As a result, most organic farmers, who do not manage to export their produce, sell it through conventional channels - organic cereals are mixed with conventional ones, organic pork is processed into conventional ham and organic milk into conventional cheeses. Farmers cannot sell organics as organics and consumers cannot find organics in shops. Therefore, for most investment types, the establishment of own procurement structures is the key.

Considering the above, this seems to be the right moment to invest in the Polish organic market – it already opens vast opportunities but there is still no strong competition. Each investment decision, however, needs to be thoroughly analyzed and each business step has to be well planned to overcome local market inefficiencies. This is a great investment opportunity for well prepared players.

About the author: SixtyTwo International Consultants is a German-Polish consulting company specializing in international issues, such as cross-border business expansion,

off-shoring and market analysis. The initiators of SixtyTwo and authors of this report have been working for many years for Procter & Gamble, McKinsey & Company and Deutsche Bank Group.

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