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Voluntary _ Public

Date: 11/12/2013

GAIN Report Number: PL1333

Poland

Post: Warsaw

Product Brief - Distilled Spirits

Report Categories:

Product Brief

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Report Highlights:

While vodka currently dominates the distilled spirits market in Poland, demand for imported whiskey is growing rapidly reflecting an emerging openness in consumers to non-traditional beverages such as that produced in the United States. Imports of U.S. distilled spirits increased by 41 percent between 2011 and 2012 show strong growth in the first seven months of 2013.

General Information:

I. Introduction

Distilled spirits consumption has steadily increased in recent years in overall consumption and market share in the alcoholic beverage category. In 2012, distilled spirits consumption was 43 percent of the alcoholic drinks market value, slightly behind beer which held 46 percent market value. By 2017, market share for distilled spirits is expected to increase by less than half of a percent while market share for beer should decrease by two percent. From 2007-2012, sales of spirits increased by 28 percent, however, growth is expected to slow to 6 percent over the next five years, 2012-2017, as the market nears saturation.

Despite nearing per capita saturation, changing consumer preferences toward whiskey consumption are favorable for U.S. exporters. While vodka dominates the distilled spirit market in Poland, its market share is eroding. In 2007, 80 percent of distilled spirit sales were of vodka; this share dropped to 74 percent by 2012, and is expected to fall even further to 71 percent by 2017. Whiskey sales, however, have shown the opposite trend. In 2007, whiskey accounted for a mere 4 percent of distilled spirits sales but by 2012, held 9 percent of the market value. By 2017, whiskey sales are expected to account for 12 percent of distilled spirit purchases in Poland.

Advantages	Challenges
Tariff rates and other barriers to entry significantly decreased due to Poland's accession to the EU.	Poland produces 90 percent of the distilled spirits consumed in Poland, while EU subsidies and close geographic proximity give EU spirit producers a comparative advantage in accessing the low cost dominated Polish market.
Demand for distilled spirits other than vodka will grow as Poles gain exposure through increased travel and the HORECA industry in Poland.	Demand for whiskey and other non vodka distilled spirits is driven by a small group of wealthier Poles and out of the price range for the majority leading to slower market growth.
Vodka is the spirit of choice in Poland; however, its market share is eroding due to increased consumption of whiskies.	Many Polish consumers perceive whiskies from a generic standpoint, which combined with high levels of price sensitivity, make establishing brand loyalties difficult.

Market Sector Opportunities and Threats

Retail & HRI Market Sector

1) Entry Strategy

Contacting the right importer will help U.S. businesses enter the Polish distilled spirits market. Most supermarkets, hypermarkets, specialty shops, hotels, restaurants, and catering companies buy the majority of their distilled spirits through wholesalers. Wholesalers work both with large importers and independently. They have their own distribution channels and marketing contacts. U.S. distilled spirit exporters may obtain a list of current importers by contacting the Office of Agricultural Affairs at the U.S. Embassy in Warsaw (see Section V).

2) Market Size, Structure, Trends

In 2012, U.S. distilled spirits held 9 percent of the market value for imports to Poland, behind Finland at 13 percent, and the UK with a 42 percent share. In the same year, 78 percent of distilled spirit imports into Poland from the U.S. were whiskey. From 2011 to 2012, imports of U.S. whiskey increased by 38 percent. Similarly, imports in the first seven months of 2013, were 40 percent greater than the same period in 2012. The U.S. is the largest exporter of rum to Poland with 50 percent market share, however the market for rum is much smaller than whiskies, imports in 2012 were 4.2 million USD for rum compared to nearly 92 million USD for whiskies.

Most distilled spirits are purchased at small independent grocers and consumed off-site. In 2012, eight percent of sales were made in bars and restaurants, a trend that is not expected to change in the short run. Due to strict advertising rules, distilled spirits in Poland are commonly marketed through in-store promotions, concerts, festivals, and other marketing events. These events as well as exposure through the HORECA industry are partially responsible for driving demand away from vodka towards whiskies. Whiskey consumers are least responsive to changes in prices and generally do not exhibit stronger brand loyalties than more price conscious consumers.

Poland (Customs) Imports of Distilled Spirits

Table I: Polish (Customs) Imports of U.S. Distilled Spirits

HS Code	Unit	Description	Year Ending: December				January - July	
			2011		2012		2013	
			USD	Quantity	USD	Quantity	USD	Quantity
2208	LP A	Distilled Spirits Total	11,744,725	899,407	16,581,280	1,052,607	9,453,816	606,468
220830	LP A	Whiskies	9,309,428	781,611	12,877,080	880,927	7,913,814	533,430
220840	LP A	Rum & Tafia	2,328,598	116,874	2,123,137	108,797	972,912	48,704
220870	LP A	Liqueurs & Cordials	5,652	122	1,526,731	62,127	547,605	23,054
220890	LP A	Other	100,229	752	47,223	613	17,637	1,166
220860	LP A	Vodka	400	6	6,374	109	1,790	112
220850	LP A	Gin	0	0	653	32	0	0
220820	LP A	Grape Brandy	418	42	83	2	57	2

Source: Global Trade Atlas

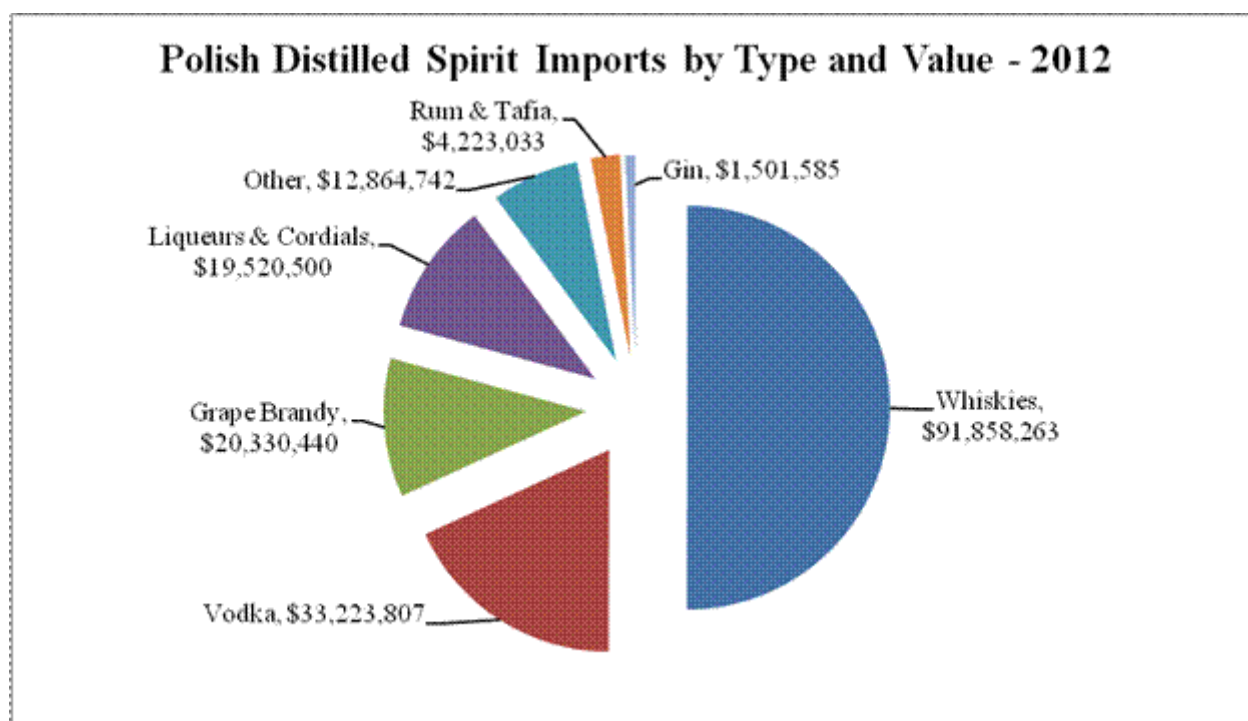
Table II: Overall Distilled Spirits (HS 2208) - Top 20 by Value (2012)

Partner Country	Unit	Year Ending: December				January - July	
		2011		2012		2013	
		USD	Quantity	USD	Quantity	USD	Quantity
World	LP A	192,411,671	17,481,267	183,522,370	17,253,359	96,404,554	9,497,346
United Kingdom	LP A	70,989,997	5,141,282	76,205,699	6,485,457	37,696,903	3,232,023
Finland	LP A	30,829,351	4,160,625	23,227,937	3,278,480	12,379,869	1,757,826
United States	LP A	11,744,725	899,407	16,581,280	1,052,607	9,453,816	606,468
Germany	LP A	15,219,387	1,478,601	13,142,325	1,389,674	7,757,060	768,882
France	LP A	10,431,876	724,031	9,216,609	547,148	4,749,867	243,123
Ireland	LP A	9,498,309	235,078	8,871,210	214,268	3,986,447	116,201
Sweden	LP A	7,286,464	800,034	5,744,911	1,315,263	2,428,067	1,033,511
Greece	LP A	5,004,976	218,402	4,787,256	224,673	3,250,535	158,242
Netherlands	LP A	4,578,333	534,875	4,780,303	485,428	2,463,762	196,835
Italy	LP A	4,112,573	347,436	4,411,047	368,932	3,813,240	412,062
Belgium	LP A	22,335	651	1,917,072	152,573	468,379	37,910
Bulgaria	LP A	2,417,532	372,956	1,850,116	330,341	1,144,024	146,814
Mexico	LP A	1,975,969	86,584	1,814,993	87,977	924,062	42,793
Lithuania	LP A	1,811,529	407,301	1,747,625	344,443	1,369,205	262,036
Czech	LP	3,333,784	636,911	1,569,101	166,179	403,099	46,595

Republic	A						
Ukraine	LP A	3,289,500	578,130	1,374,486	233,076	513,374	77,991
Slovakia	LP A	1,527,655	73,746	1,072,846	48,978	663,388	31,950
Spain	LP A	1,235,820	215,846	1,000,191	143,144	692,870	115,563
Russia	LP A	702,492	93,197	959,339	83,622	347,199	11,866
Austria	LP A	465,674	42,922	440,890	31,899	315,326	20,818

*LPA=Liters of Pure Alcohol

Source: Global Trade Atlas



Source: Global Trade Atlas

Table III. Whiskies (HS 2208.30) – Top 10 by Value (2012)

Partner Country	Unit	Year Ending: December				January - July	
		2011		2012		2013	
		USD	Quantity	USD	Quantity	USD	Quantity
World	LP A	86,050,503	6,356,255	91,858,263	7,530,369	46,851,119	3,841,682
United Kingdom	LP A	65,792,566	4,766,302	70,197,356	5,921,147	34,980,158	2,959,581

United States	LP A	9,309,428	781,611	12,877,080	880,927	7,913,814	533,430
Germany	LP A	2,638,794	233,424	2,968,460	280,558	1,621,129	162,217
Ireland	LP A	2,794,785	130,424	1,892,202	111,358	917,807	66,381
France	LP A	1,512,053	164,268	1,453,795	144,416	751,975	66,835
Belgium	LP A	0	0	1,208,931	126,565	234,435	27,310
Netherlands	LP A	298,071	14,966	572,378	25,277	199,092	16,726
Canada	LP A	284,698	17,732	285,809	17,474	34,320	2,239
Japan	LP A	70,611	848	141,647	1,341	69,746	926
Other EU Trade	LP A	193,349	7,879	135,020	4,787	57,336	2,259

Source: Global Trade Atlas

Table IV. Whiskies by Type (HS 2208.30.XX)

HS Code	Unit	Description	Year Ending: December				January - July	
			2011		2012		2013	
			USD	Quantity	USD	Quantity	USD	Quantity
220830	LP A	Whiskies	86,050,503	6,356,255	91,858,263	7,530,369	46,851,119	3,841,682
22083071	LP A	Scotch Whisky	63,963,813	4,325,651	64,295,056	4,868,756	31,389,129	2,425,007
22083082	LP A	Other Whisky	11,155,422	835,354	13,353,431	913,677	8,263,835	555,975
22083011	LP A	Bourbon Whiskey	3,980,262	801,970	5,658,984	1,253,074	3,047,414	681,540
22083030	LP A	Single Malt Scotch Whisky	3,751,245	85,763	4,255,508	100,139	2,604,796	51,512
22083041	LP A	Blended Malt Scotch Whisky	1,651,051	93,460	1,639,099	94,701	854,800	59,432

22083019	LP A	Bourbon Whiskey >2L	489,503	119,127	1,283,958	187,378	376,073	57,026
22083088	LP A	Other Whisky >2L	645,537	46,543	890,810	50,408	211,458	6,842
22083079	LP A	Scotch Whisky >2L	225,933	25,005	333,324	56,273	16,688	823
22083061	LP A	Single Grain And Blended Grain Scotch Whisky	95,132	6,162	141,092	5,606	83,726	3,352
22083049	LP A	Blended Malt Scotch Whisky >2L	4,423	173	7,002	357	3,201	173
22083069	LP A	Single Grain And Blended Grain Scotch Whisky >2L	88,183	17,047	0	0	0	0

Source: Global Trade Atlas

Table VII. Rum & Tafia (HS 2208.40) – Top 10 by Value (2012)

Partner Country		Year Ending: December				January - July	
		2011		2012		2013	
		USD	Quantity	USD	Quantity	USD	Quantity

World	LPA	4,528,416	533,214	4,223,033	497,697	2,530,270	301,705
United States	LPA	2,328,598	116,874	2,123,137	108,797	972,912	48,704
Germany	LPA	701,507	152,836	690,241	158,523	726,289	97,422
Netherlands	LPA	420,230	162,177	434,193	113,778	92,038	19,011
Jamaica	LPA	334,766	54,903	289,999	15,691	162,451	8,408
Trinidad & Tobago	LPA	18,074	611	116,106	57,335	79,337	38,567
United Kingdom	LPA	81,678	6,961	104,693	10,663	13,531	419
Colombia	LPA	118,092	1,651	91,541	1,519	22,339	399
Austria	LPA	33,664	4,071	81,310	9,074	29,112	2,910
Venezuela	LPA	42,681	2,171	65,002	3,411	30,620	1,345
France	LPA	239,471	15,419	42,841	3,237	35,827	2,531

Source: Global Trade Atlas

The UK and U.S. dominate the whiskies market in Poland with Scotch whisky from the UK and whiskey that is neither Scotch or Bourbon from the U.S. Strict labeling regulations and distillation methods for distilled spirits are an international norm and enforced in Poland, such as whisky labeled Scotch must be from Scotland or brandy labeled Cognac must originate from the Cognac region of France. Vodka is primarily imported from Finland, brandy from France, while the majority of liqueurs and cordials are imported from Ireland. Imports of U.S. liqueurs and cordials increased significantly from 2011 to 2012 and show growth through the first half of 2013. While the liqueurs and cordials market is expected to decline over the next five years, it possesses potential for further U.S. exports.

Section IV. Market Access **-Tariffs**

All distilled spirits entering Poland are charged an excise tax. Prior to importing distilled spirits, Polish importers must provide the U.S. firm with excise bands. These excise bands need to be applied to all bottles prior to arriving in Poland and constitute partial payment of the excise tax. The value-added tax (VAT) is 23 percent for distilled spirits in Poland.

Poland's EU accession in May 2004 significantly reduced import duties for non-EU suppliers. Now that Poland has adopted EU external duty rates, U.S. exporters face lower duties, which stimulated higher exports of distilled spirits from the United States. However, Poland's membership in the EU-28 has given European distilled spirits an increased comparative advantage in the Polish market due to the internal duty free market. European suppliers are also no longer subject to third country import paperwork required for entry from non-EU supplying countries.

Detailed information on distilled spirit tariffs can be found in the official [EU Journal](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:304:0001:0915:EN:PDF) in pages 183-185.
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:304:0001:0915:EN:PDF>

The Minister of Finance's working regulations on excise taxes on several products assesses the following tax:

HS 2208 - Ethyl alcohol – 4,960 PLN (1,610 USD) per hectoliter of pure alcohol
(1 USD = 3.08 PLN, November 7, 2013)

V. Key Contacts and Further Information

For additional information concerning market entry and a current importer list, U.S. exporters of wine contact:

Embassy of the United States of America
Office of Agricultural Affairs, Warsaw, Poland
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