FACTORS OF DEVELOPMENT OF THE CONFECTIONERY MARKET IN POLAND

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In recent years the Polish food industry has faced a sharp increase in production and marketing costs, disruptions in the supply chains of raw materials, consumables and packaging, as well as the loss of traditional sales markets due to the war in Ukraine. The study of the peculiarities of the Polish confectionery market made it possible to assess the main indicators of the Polish market of confectionery goods of all categories, as well as its volume and trends. It was concluded that during 2022 there was a 12% increase in the volume of production of confectionery goods of all categories. At the same time the manufacture of Polish flour confectionery products increased by 19.3%. The growth rates of production of cocoa–rich and sugar sweets were 3.8% and 6.8%, respectively. It is necessary to mention that during 2022 a record number of products were exported from Poland, exceeding the similar figures of the previous year by 13.8%.

Meanwhile, despite the presence of developed domestic production of confectionery goods in Poland, the volume of imported supplies traditionally remains high and increased by 7.8% in 2022. At the same time, the level of competition in the Polish domestic market for flour, cocoa–rich/chocolate and sugar confectionery products is estimated as high.

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Introduction

Poland is the fourth largest supplier of confectionery products to the EU market, as well as the largest European exporter of sweets to the markets of third countries. The market is dominated by domestic manufacturers of almost all categories of confectionery, which are able to fully meet the needs of the market. Such enterprises are active consumers of locally produced agricultural raw materials – sugar, flour, starch, molasses, milk, etc., as well as major global importers of components necessary for the production of confectionery products – cocoa, palm oil, spices, etc. The study of market changes always requires constant analysis and has always been the focus of attention of scientists. The article (Tereszczuk, 2019) presents the position of Polish food products on foreign markets from 2004–2018 in comparison with EU countries, as the economic conditions of the functioning of Polish food producers changed fundamentally after the country's accession to the EU. The author of the publication believes that Polish food producers have achieved competitive advantages over producers from other EU countries, as they offer better and cheaper products than their competitors. Factors such as identical consumer preferences across member states, distance, price levels and product complexity contribute to incentives for manufacturers to offer different versions of seemingly identical branded food products across member states (Nes et al., 2021).

In the scientific literature, various models have been developed regarding the entry of products to export markets which are suitable for the analysis of scenarios of trade policy and regional integration in an environment with heterogeneous firms and endogenous markups, as well as general equilibrium models of firms and their analysis (Arkolakis, 2010; Baldwin et al., 2011; Bernard et al., 2011; Eckel et al., 2010; Hallak et al., 2013; Johnson, 2012; Melitz et al., 2008). It is also relevant to study the possibilities of further integration of countries into global value chains (Venger et al., 2022). Since, as already mentioned, the Polish confectionery market is one of the most developed and dynamic markets in the world, the consideration of the conjunctural features of the Polish confectionery market is especially relevant in modern conditions and requires a more detailed study.

Manufacturers of confectionery products in Poland

The undisputed leaders of the Polish market in the production of confectionery products of all categories are three companies (the total market share is estimated at 50–60%): Wawel S.A.; Lotte Wedel Sp. z o. o. (E. Wedel); Mieszko. The following companies are among the most active in 2022: Tago; Milanówek Zakład Przemysłu Cukierniczy; Kopernik; Śnieżka; Skawa; Sante.

According to the data of the Main Statistical Office of Poland and expert assessments, the growth of production volumes of confectionery goods of all categories in 2022 was noted, which amounted to 12.0% (about 1644.6 thousand tons of sweets were produced). At the same time, significant growth was demonstrated by Polish manufacturers of flour confectionery – production increased by 19.3%, while the dynamics of production of cocoa–rich and sugary sweets was somewhat restrained – production rates increased by 3.8% and 6.8%, respectively.

Analysing the structure of confectionery production, the leading positions are traditionally occupied by flour sweets, the share of which in the total production based on the results of the reporting period was 49.5%. The share of cocoa–rich confectionery traditionally accounts for 28.3%, the share of sugar products – 22.2%. It should be noted that the structure of production is changing, even compared to the previous year – the share of flour products remains stable, while the share of cocoa–rich products is increasing, and the share of sugar products, on the contrary, is decreasing.

It should also be emphasized that private production of simple confectionery products is quite developed in Poland. Such production is not the subject of statistical observations. According to various estimates, the physical volumes of such activities can be up to 20–60% of the official indicators, depending on the product category.

Export

Polish manufacturers of all categories of confectionery products have always been oriented towards foreign markets, as about 50–70% of manufactured products were exported (according to the UN Comtrade Database and TradeMap resources). The priority of the export direction of the sale of sweet products is due primarily to the price factor – prices on the European or Middle Eastern markets often exceed the price indicators that have developed on the domestic market. Therefore, Polish confectionery companies try to annually increase the volume of external supplies.

According to Eurostat, in 2022 Poland was the third exporter of chocolate in the European Union, second only to Germany and the Netherlands (Figure 1).

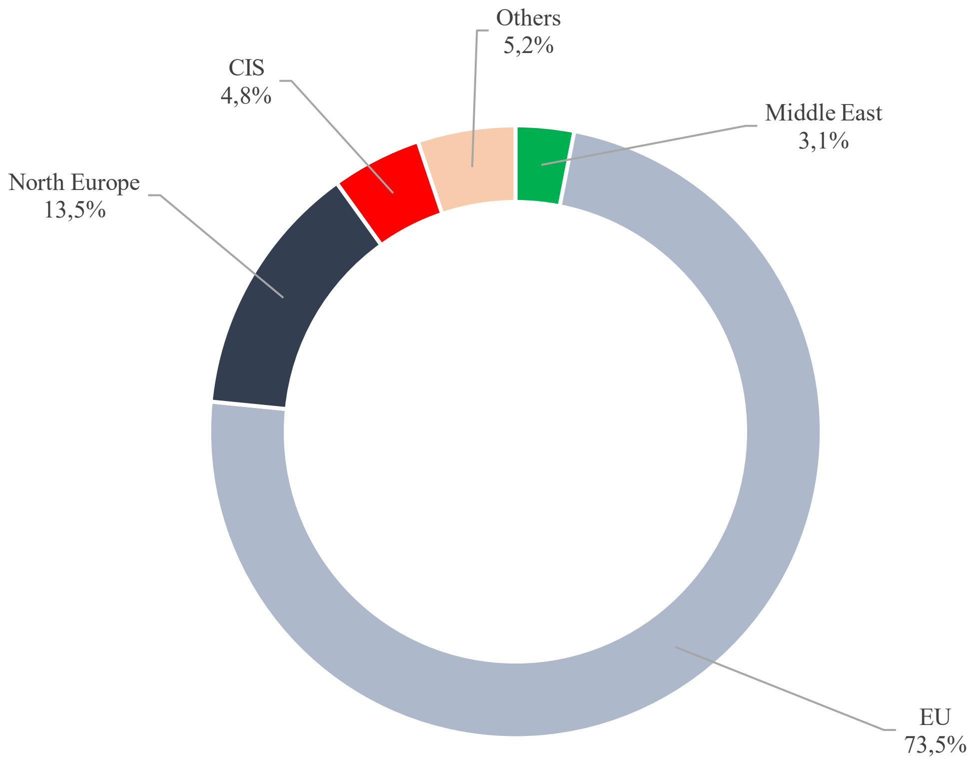

Figure 1. Geographical structure of exports from Poland of confectionery products of all categories (general) in 2022, %

Source: the data of the Main Statistical Office of Poland and expert assessments

The beginning of the Russian aggression against Ukraine led to the boycott by Poland of any sales of Polish–made sweets to the aggressor country and its allies. Nevertheless, the loss of these traditional and large–scale markets was very quickly compensated by increasing exports to the countries of Europe and the Middle East, expanding sales markets in South America and Africa. Such marketing efficiency is possible due to the high quality of products and a flexible approach to the recipe and design components when cultivating new markets.

In general, during 2022, about 1,131.2 thousand tons of confectionery products of all categories were exported from Poland, which is 13.8% higher than the similar figures of the previous year. At the same time, the total currency revenue from the sale of these commodity items during the reporting year amounted to about 4.55 billion USD, decreasing by 11.0% compared to the previous year.

Import

Despite the presence of developed domestic production of confectionery products in Poland, the volume of imported supplies traditionally remains high. At the same time, there was a constant tendency to increase the supply of products that differ in taste from those produced in the country. Thus, in 2022, about 481.1 thousand tons of confectionery products of all categories were imported into Poland in the amount of 1.79 billion USD (an increase compared to the previous year by 7.8% in physical terms and by 7.3 % – in money).

Geographical structure of imports to Poland of confectionery products of all categories (general) in 2022 (Figure 2).

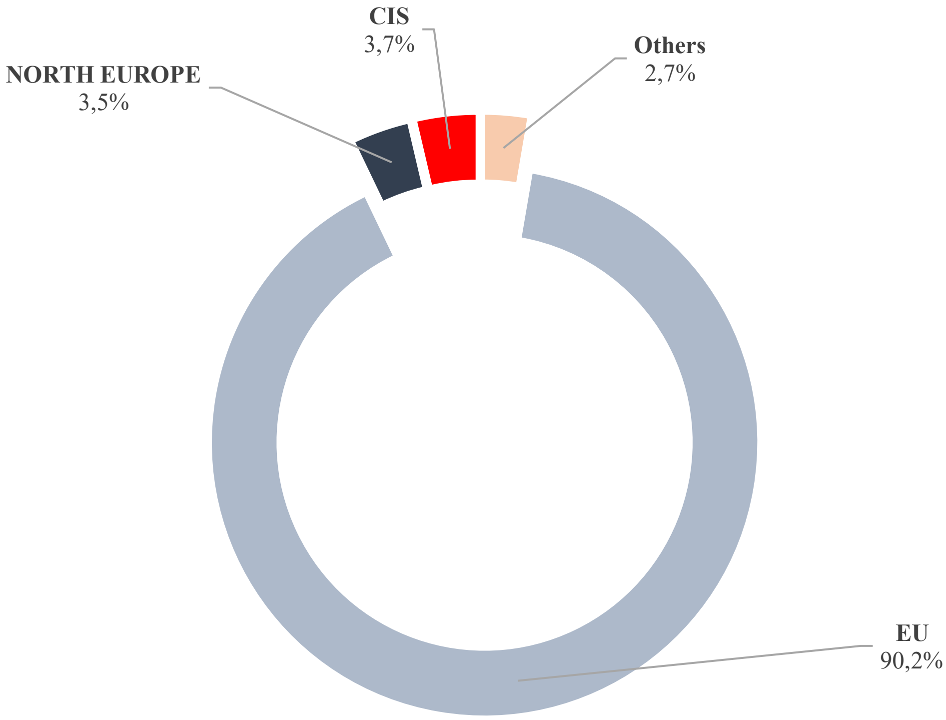

Figure 2. Geographical structure of imports to Poland of confectionery products of all categories (general) in 2022, %

Source: the data of the Main Statistical Office of Poland and expert assessments

Geographical location of the market and its volumes

According to the geographical location of centers for the production and sale of confectionery products of all categories, the estimated distribution of the Polish market in 2023 was as follows: – the city of Warsaw and the Masovian Voivodeship (≈ 24.0%)

– the city of Poznan and the Greater Poland Voivodeship (≈ 18.5%)

– Kraków and Lesser Poland Voivodeship (≈ 16.5%)

– the city of Gdansk and the Pomeranian Voivodeship (≈ 13.5%)

– the city of Lodz and the Lodz Voivodeship (≈ 11.0%)

– other regions of Poland (≈ 16.5%)

A significant share of the market is occupied by products manufactured at local confectionery enterprises. Polish enterprises are constantly modernizing, developing and introducing new samples into production, constantly reviewing requirements for the quality and design of confectionery products. Special attention is paid to the production of organic and environmentally friendly products.

Availability of competition in the market

The level of competition in the domestic market of flour, cocoa–rich/chocolate and sugary confectionery products in Poland is estimated to be high. In general, the level of competition is determined by the following factors:

1. Price characteristics. The price of confectionery was and remains one of the determining factors of competition.

2. Quality and taste indicators. One of the determining factors when choosing confectionery products, especially premium class or products for children, is precisely the quality and taste properties. At the same time, there is a significant share of products in the middle and lower price range on the Polish market.

3. Quality marketing policy of companies and shopping centers. Usually, the promotion of confectionery products on the market takes place on the basis of a multi–level marketing campaign.

4. Commercial relations between network sales centers and manufacturers/suppliers. Most Polish food chain companies, including confectionery, have long–term business relationships with suppliers and manufacturers.

5. Other factors. An important competitive advantage on the Polish market of goods of this category is the prompt delivery of products and the availability of warehouse stocks or the required volume of goods, especially during the festive periods.

There is no state regulation of prices during production, export, import and sale in the domestic market of Poland. The level of the production infrastructure of the Polish market in which the taxpayer operates is assessed as developed. The transport infrastructure serving the activity of the taxpayer is estimated as developed.

Conclusions

The Polish confectionery market is one of the most developed and dynamic markets in the world. During 2022, the Polish food industry, especially the confectionery production, faced quite complex challenges – a sharp increase in the costs of manufacture and sale of products, disruption of the supply chains of raw materials, consumables and packaging, as well as the loss of traditional sales markets due to the war in Ukraine.

According to the results of 2022, an increase in the volume of production of confectionery products of all categories was noted, which amounted to 12.0%. At the same time, significant growth was demonstrated by Polish manufacturers of flour confectionery products – production increased by 19.3%, while the dynamics of the production of cocoa–rich and sugary sweets was somewhat restrained – their growth rates were 3.8% and 6.8%, respectively. In 2022, the import of sweets to Poland increased by 7.8%. The level of competition in the domestic market of flour, cocoa–rich/chocolate and sugar confectionery products in Poland is assessed as high.

Conflict of interest

The authors state no conflict of interest.

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