



Pharmaceutical distribution market in Poland – consolidation, privatization and development of new forms of distribution

In recent years the pharmaceutical distribution market in Poland has seen many changes. The wholesale distribution segment has experienced consolidation, including combinations between leading players, as well as the privatisation of State Treasury outlets. New forms of distribution have also been developed, such as direct/DTP distribution.¹

New consolidating trend on distributor market

According to the latest report by the research and consulting company PMR, "Distribution on the pharmaceutical market in Poland 2010. Development forecasts for 2010-2012", during the period 2008-2009 the pharmaceutical distribution sector in Poland saw further consolidation, both among distributors and among retailers. The most important event in the wholesale distribution segment was the buyout of Prosper by Torfarm, another leading distributor on the Polish market, in April 2009. After the fusion, the two companies together control more than 30% of the market of distribution to pharmacies in Poland.

The takeover of Prosper by Torfarm was one example of a new trend that is becoming visible on the wholesale market in Poland – consolidation among the largest players. Prior to this, the takeover targets tended to be smaller, regional entities. In February 2008, for instance, PGF acquired 57.3% of the shares in the Aptekarz wholesaler, based in Rzeszow, for PLN 26m (€7.4m). In July 2008 Torfarm bought a 100% stake in the distributor Promedic for PLN 700,000 (€200,000).

"Following the acquisitions on the Polish market in recent years, there are few entities left as potential takeover targets. One of them is the Legnica-based wholesaler Legfarm, the last of the Apofarm group companies. Hence we do not rule out acquisitions in the coming years between some of the biggest players on the market," says Agnieszka Stawarska, a Pharmaceutical Market Analyst at PMR and one of the authors of the report.

State shedding wholesalers

In April 2008 the State Treasury published a list of pharmaceutical distributors to be privatised in the coming years. In July 2008 Cefarm Krakow was privatised (the shares were acquired by PGF). In December 2008 the state surrendered its stake in Cefarm Wroclaw (36.31% of the shares were purchased by Farmacol, one of the leading distributors to pharmacies). In July 2009 Farmacol also took over another wholesaler – Cefarm Bialystok for PLN 71.5m (€16.6m). Cefarm, which is active in north-eastern Poland, also has a chain of pharmacies numbering nearly 50 outlets. In November 2009 the State Treasury announced its intention to sell its shares in Cefarm Rzeszow. One of the likely potential buyers of these shares is ACP Pharma, which already has over half of the shares in the Rzeszow-based company.

In 2010 the privatisation of the last state-owned distributor – CF Cefarm – is scheduled to complete. In mid-January Farmacol, Eko-Berry and Polfarmex, following the completion of the due diligence process, submitted their binding offers for the acquisition of 85% of the shares in the company.

Increase in significance of direct distribution

In recent years new forms of distribution have developed on the Polish pharmaceutical distribution market. In March 2009 Sanofi-Aventis launched its Retail Pharmacy Supply Service for its cardiovascular drugs Clexane and Plavix and the drug Rilutek, used in patients with amyotrophic lateral sclerosis. It is designed as purely an interventionist measure (in case of problems with purchasing these drugs from the pharmacy's regular supplier). As its partners in this programme, Sanofi-Aventis selected ACP Pharma, Farmacol and Prosper (now part of Torfarm), but sales to all the wholesalers with which it normally cooperates remain unaffected.

¹ According to the definition adopted for the purposes of the report, in the DTP distribution model the manufacturer supplies pharmacies using a logistics operator. In the direct sales model the manufacturer sells its products directly to pharmacies (using its own resources and/or a logistics operator), as a way of supplementing the traditional distribution channel via wholesalers.

In May 2009 AstraZeneca rolled out a Direct Sales System for all its drugs on the Polish market. In November 2008 it chose the wholesalers PGF, Torfarm and Prosper (Prosper was later taken over by Torfarm) as its partners in the system.

"The PMR survey among the biggest pharmaceutical corporations in Poland indicates that around a third of pharmaceutical companies on the Polish market currently use a direct distribution system to some degree", says Monika Stefanczyk, Head Pharmaceutical Market Analyst at PMR and a co-author of the report. In the relevant question, direct distribution was defined as supply of drugs by the manufacturer to pharmacies or hospitals directly, bypassing the wholesaler, though in fact wholesalers often become involved and offer manufacturers their services.

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