Invest in Poland
POLISH INFORMATION AND FOREIGN INVESTMENT AGENCY

Polska

Food processing sector in Poland

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Food processing sector in Poland

Sector profile

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1. INTRODUCTION

The share of sold production of the agri-food industry[1] in the sold production of the entire processing industry in Poland exceeded **22% (PLN 215.7 billion, EUR 51.48 bn)**[2] in 2013.

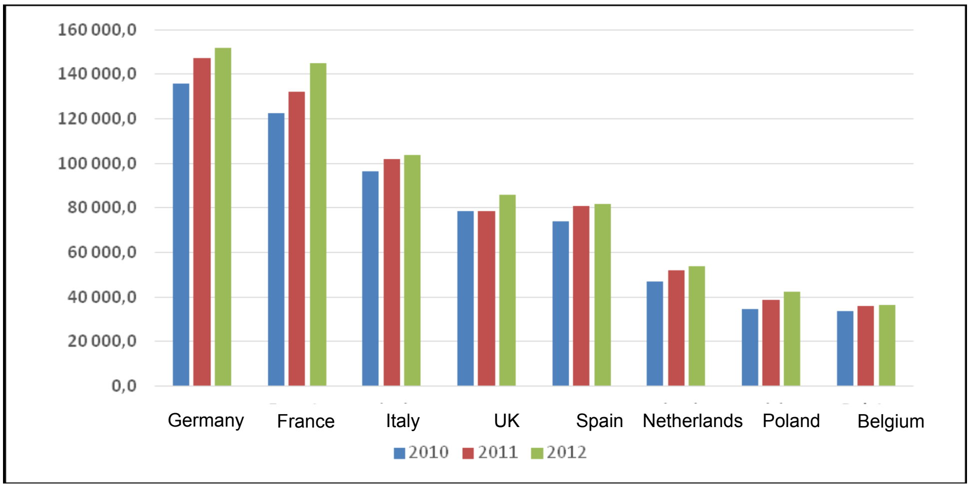
- Key to the development of the agri-food sector in Poland was the accession to the EU. In comparison to 2004, the **value of sold production in the sector increased almost twice from PLN 118 billion (EUR 26.05 bn)**[3] **in 2004 to PLN 215.7 billion in 2013 (EUR 51.48 bn).**
- The accession to the EU allowed Polish producers to gain access to a market of approx. 500 million consumers and expanding market opportunities.
- This is apparent in the structure of industry exports in 2013., when **76% (EUR 15.5 billion) of Polish exports** of agri-food sector went **to EU states.**
- Polish producers show high resistance to the economic crisis, noting a continued increase in production and exports. In Poland **in 2010 – 2013 sold production of the sector increased by PLN 48.3 billion** (i.e. 22.4%) (**EUR 11.75 bn**). This indicates high competitiveness of Polish companies.

1.1. Global and European perspective

The agri-food market in Europe comprises approx. 310 000 companies, which employ a total of 4.8 million employees[4]. Despite the large number of companies, most of them are small and medium-sized enterprises (SMEs) and only a few are able to compete in the global market. Nevertheless, the agri-food industry is one of the most important branches of industry of the EU. This sector:

- Is second in terms of turnover in the processing industry (behind the metal industry) with the amount of **EUR 917 billion in 2013**.
- **As of 2012, it provided employment for 14% of employment in the processing industry in the EU27**[5].
- The largest producers are **Germany, France and Italy**. **Poland ranks 7th** on that list and is the leader in production in the agri-food sector in the region of Central and Eastern Europe.
- In 2013, its exports amounted to EUR 120 billion, giving the **EU28 the status of the world's largest exporter of agri-food products**. The EU sells most products to the internal market and to China.

Graph 1. The largest producers of agri-food products in Europe in 2010-2012 (in millions EUR)



Source: *Eurostat, 2014.*

[1] Within the agri-food sector, activities including the processing and production of food, beverage production and manufacture of tobacco products are carried out.

[2] GUS, Industry expenditures and results 2013 (for entities employing more than 9 persons)

[3] Industry expenditures and results 2004, GUS, 2014

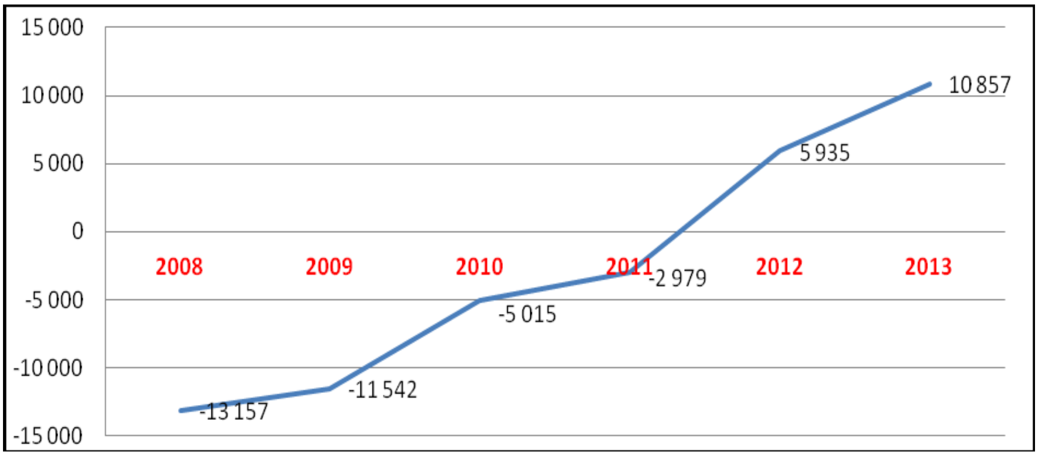
[4] Employing more than 9 persons.

[5] http://ec.europa.eu/enterprise/sectors/food/eu-market/index_en.html.

In recent years, the food sector in the EU was characterised by an **increase in sold production** despite the economic crisis that contributed to the decline in domestic consumption in EU states. One of the reasons for this was the fact that companies from the sector **directed their exports to non-EU markets**, as indicated by data on foreign trade balance.

The data show that since 2008, **a gradual reduction in the negative trade turnover balance was observed** in the area of agri-food products in trade **with countries outside the EU**. **In 2012, the balance was positive and amounted to nearly EUR 6 billion**. This trend was dynamically continued in 2013, when the positive balance almost doubled, reaching the level of EUR 10.8 billion.

Graph 2. Trade turnover balance of the agri-food sector of UE27 with non-EU countries in 2008-2013 (in EUR millions)



Source: *Eurostat, 2014.*

The analysed data show that the situation of the European agri-food sector is optimistic. Despite the economic stagnation in Western Europe, a high level of production in the industry is maintained. Many experts point out that the crisis may paradoxically strengthen the industry and give it a positive impulse for further expansion in the coming years. A prerequisite for the development of the sector is the increase of its competitiveness and that is why increasing expenditures for raising the innovativeness of the industry is one of the priorities of the Europe 2020 Strategy.

1.2. Global investment trends in the agri-food industry

- **Globally, between 2004 and August 2014, 6030 greenfield investment projects with foreign capital** in the agri-food sector were recorded**.**
- The value of these investments **amounted to EUR 170.5 billion**, while the number of new jobs amounted to **1.1 million of full-time equivalent jobs (FTEs)**[6].
- More than half of the projects (3654) were in the manufacturing and food processing, and their value exceeded EUR 132 billion. The average value of a project amounted to EUR 32 million.
- Other projects were related to logistics, R&D and marketing.

Analysing the structure of the flow of foreign direct investment (FDI) in the sector in terms of countries with the highest propensity to invest, the United States are first (1399 projects and EUR 45 billion) followed by Switzerland (517 projects, EUR 14 billion) and the United Kingdom (441 projects, EUR 14.5 billion).

[6] Data from FDImarkets.com, 2014, full-time equivalent (FTE) is comparable with a full-time worker.

Table 1. Selected sources of FDI in the food processing industry – globally in 2004-2014 by countries

Source	Number of projects	Number of companies	Value	
			Total (EUR m)	Average (EUR m)
USA	1 399	419	45 035.30	32.20
Switzerland	517	127	14 051.00	27.20
United Kingdom	441	176	14 510.70	32.90
Japan	403	208	8 290.00	20.60
France	274	146	5 905.30	21.50
-------	-------	-------	-------	-------
Poland	28	11	708.90	25.30
-------	-------	-------	-------	-------
Total	**6 030**	**2 771**	**170 593.80**	**28.30**

Source: *Elaboration by PAIiIZ based on FDImarkets.com.*

The flow of FDI projects in terms of the direction of investment inflow also looks interesting. The leaders among the countries receiving investment are China (519 projects, EUR 19.1 billion), the United States (472 projects, EUR 10.7 billion) and Russia (343 projects, EUR 11.9 billion). It is noteworthy that in terms of the average value of a single project of nearly EUR 31 million Poland is among the world's leaders. **Also in terms of the cumulative value of FDI projects in the agri-food sector between 2004-2014, Poland is 2nd in Europe and 7th in the world with EUR 4.5 billion.**

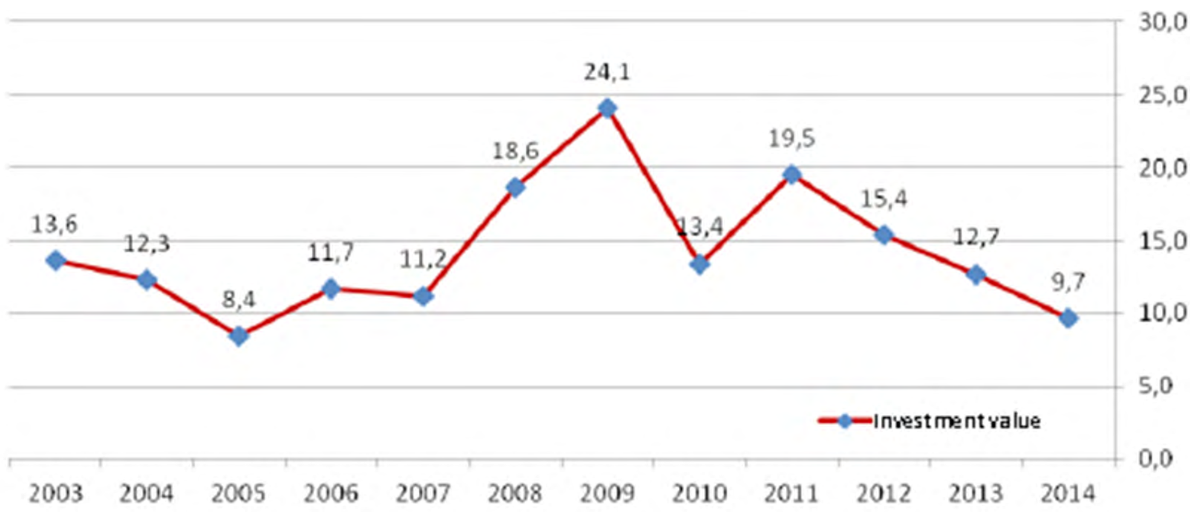
Table 2. Most common localisations of FDI projects in the food processing sector in 2004-2014

Destination country	Number of projects	Number of companies	Value	
			Total (EUR m)	Average (EUR m)
China	519	301	19 094.70	36.80
USA	472	316	10 694.10	22.70
Russia	343	204	11 868.00	34.60
UK	267	174	6 964.70	26.10
India	250	147	5 515.00	22.00
Brasil	176	106	11 533.60	65.60
Poland	146	96	4 508.55	30.90
-------	-------	-------	-------	-------
Total	**6 030**	**2 771**	**170 593.80**	**28.30**

Source: *Elaboration by PAIiIZ based on FDImarkets.com.*

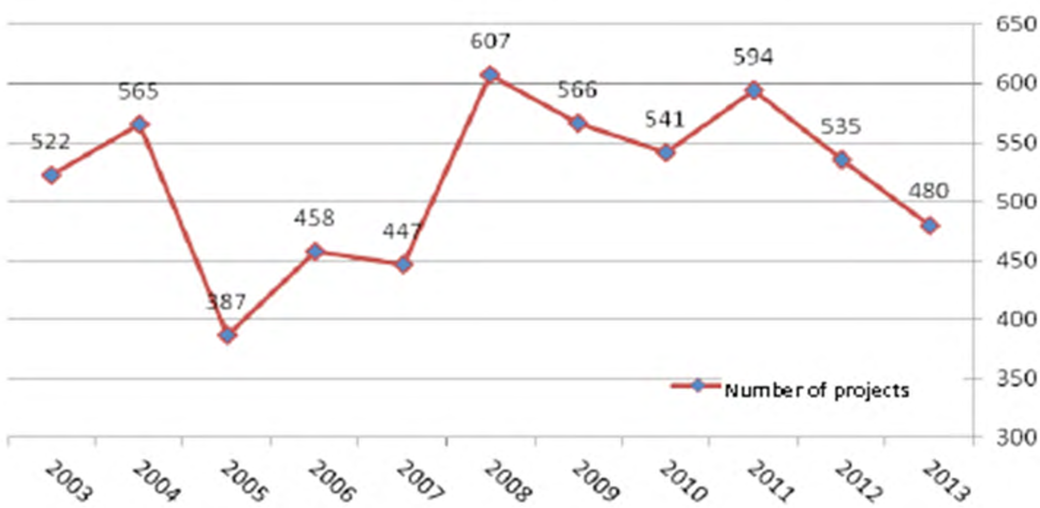
Another trend in investments to be noted is the decrease in the **number of FDI projects** and **their value since 2009**, which is undoubtedly a consequence of the global economic crisis.

Graph 3. Number of FDI projects globally in the food processing industry in 2003-2014



Source: *Elaboration by PAIiIZ based on FDImarkets.com.*

Graph 4. Aggregate value of FDI projects globally in the food processing industry in 2003 – August 2014 (in billions EUR)



Source: *Elaboration by PAIiIZ based on FDImarkets.com.*

Given the number of investment projects carried out abroad by individual companies, in the first place are: **Nestle** (356 projects, EUR 11.4 billion), **Coca-Cola Company** (157 projects, EUR 10.1 billion) and **PepsiCo** (104 projects, EUR 3.0 billion). It is worth mentioning that all these three companies have long been present in Poland, and moreover, they carry out further reinvestment. For example, Nestle Poland will open another production plant in Poland in 2015. In **Nowa Wieś Wrocławska** near Wrocław, a factory manufacturing animal feed will be built. As part of the investment, whose value will be PLN 300 million (EUR 71,6 million), 230 new jobs will be created in the first stage.

Table 3. Largest companies regarding FDI project activity in the food processing sector globally in 2004-2014

Company	Number of projects	Jobs		Value	
		Total	Average	Total (EUR m)	Average (EUR m)
Nestle	356	64,1	180	11 410.87	32.03
Coca-Cola	157	39,6	252	10 166.69	64.77
PepsiCo	104	19,2	185	2 967.13	28.56
Cargill	97	15,8	162	2 590.06	26.72
McDonalds	87	36,8	423	3 009.29	34.58

Source: *Elaboration by PAIiIZ based on FDImarkets.com.*

2. FOOD PROCESSING SECTOR IN POLAND

The agri-food sector in Poland has been for many years one of the key branches of the Polish economy. **In 2013, sold production of the sector accounted for 13.2% of Polish GDP**.

- Poland is **the largest agri-food industry producer in Central and Eastern Europe, and 7th in the whole of Europe**.
- In terms of the cumulative value of FDI projects between 2004-2014, Poland is **2nd in Europe** and **7th globally with EUR 4.5 billion**.
- **In 2013, 2523 companies operated in the sector**, which produced goods worth **PLN 227.8 billion (EUR 54.37 bn)**, which means an increase of 3.7% compared to 2012. The sector in Poland is dominated by **small and medium-sized enterprises (SMEs).**
- In 2013, the exports of the sector generated total revenues of EUR 20.4 billion, giving Poland the position of one of the leading **exporters in the sector in Europe**.
- The most important branches of the sector in terms of the value of sold production in 2013 were the **meat, dairy and beverage industries, as well as processing of fruits and vegetables**.
- The largest global players such as **PepsiCo, Nestle, Mondelez, Coca-Cola, Danone and MARS** have their plants in Poland.

For many years, projects related to agri-food processing are an important part of all potential productive investments supported by the Polish Information and Foreign Investment Agency. The agri-food sector was also recognised by the Polish government as a priority for the Polish economy.

2.1. Food industry projects supported by PAIiIZ

In 2004-2014 PAIiIZ **carried out 507 investment projects**, **including 24 investment projects** from the agri-food industry valued at **EUR 1.48 billion**, and target employment of **5957 FTEs**.

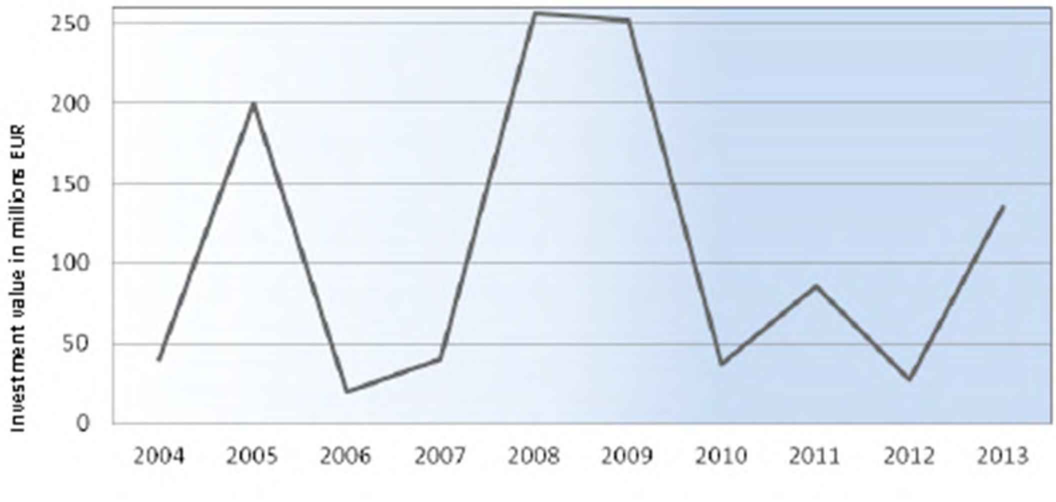
- Currently PAIiIZ **supports two projects** in the food sector, whose value is **EUR 35 million**, and the potential employment – **750 FTEs**.
- **The biggest investment** supported by PAIiIZ in the sector were the project of the construction of the new **Cadbury confectionery** factory (now Mondelez) in Skarbimierz and expansion of the plant in Bielany Wroclaw valued **EUR 256,7** million and **EUR 100 million** respectively.
- In 2014, the largest project in the sector supported by PAIiIZ was the **acquisition of the Morpol plant** in Ustka by the Norwegian company **Marine Harvest VAP** Europe valued at EUR 250 million.

Table 4. Investment projects in the food processing sector supported by PAIiIZ in 2004-2014

The country of origin of invested capital	Number of projects	Value EUR million	Number of jobs (FTEs)
UK	5	664.2	2 890
France	3	97	447
USA	3	93.5	180
Germany	2	77	250
Japan	2	38.5	110
Other countries	7	375	1 780

Source: *Elaboration by PAIiIZ, 2014.*

Graph 5. Value of projects supported by PAIiIZ in the food processing sector in 2004-2013



Source: *Elaboration by PAIiIZ, 2014.*

2.2. Production structure in the sector

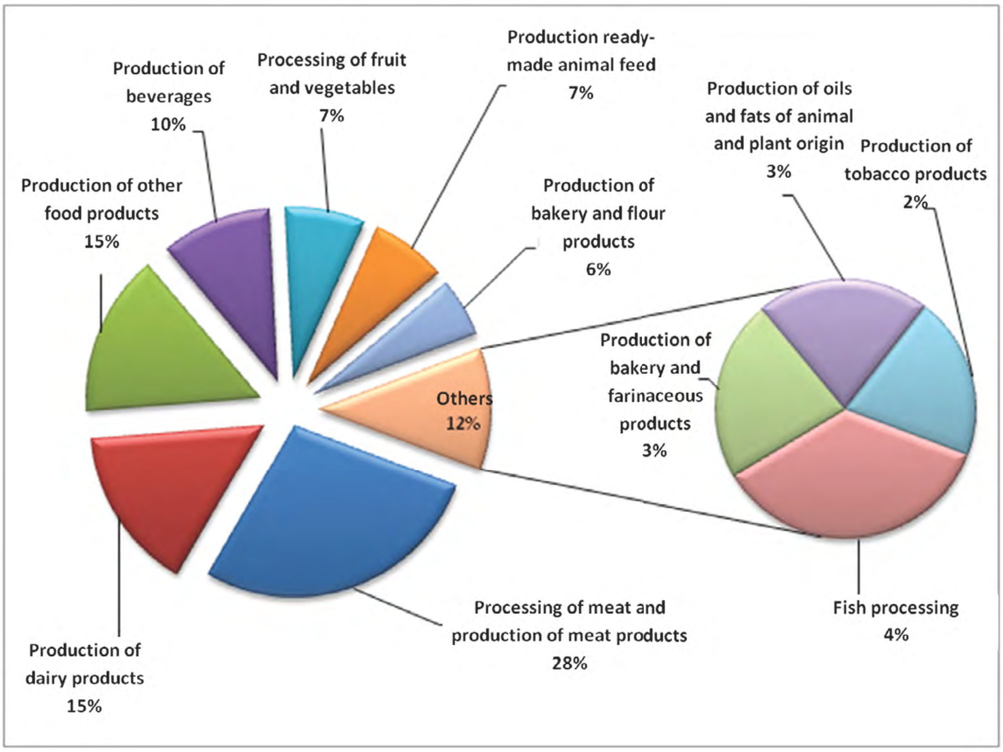
The Polish food processing sector is developing very dynamically. In the last **15 years, an aligned and relatively high rate of growth in the value of sold production** expressed in current prices, **averaging 6.6% per year**, was observed.

It is worth to note the wide range of activities of the sector, which involve companies engaged in the processing of animal and plant products, secondary processing, such as, among others, bakery and confectionery industry and the tobacco industry and the alcohol industry. Products of the sector, on the one hand, may be subject to slight processing as in the case of slaughter and meat cutting, and on the other hand, may be a result of advanced technological processes, as in the case of freeze-dried food.

- **The total value of sold production** of the food processing sector in Poland (for companies employing over 9 persons) was **PLN 215.7 billion (EUR 51.48 bn)** in 2013, **which means an increase by 3.4% compared to 2012**[7]**.**
- In **2008-2013** the value of sold production of the sector increased by 30.7% from PLN 149.5 billion **(EUR 35.7 bn)** in 2008 to PLN 215.7 billion **(EUR 51.48 bn)** in 2013. At the same time, the sold value of the whole manufacturing industry increased by 34% to the level of **PLN 970.9 billion (EUR 231.7 bn)** in 2013.
- The largest increase in the value of production in 2013 was observed in the tobacco industry (7.1% y/y) and among producers of **food products** (4.2% y/y).
- A decrease in the sold value was recorded in the production of beverages (-1.6% y/y)
- The most developed branch of the agri-food sector **is the meat industry**, which **accounts for 28%** of the value of sold production of the sector.

[7] For entities employing more than 9 persons.

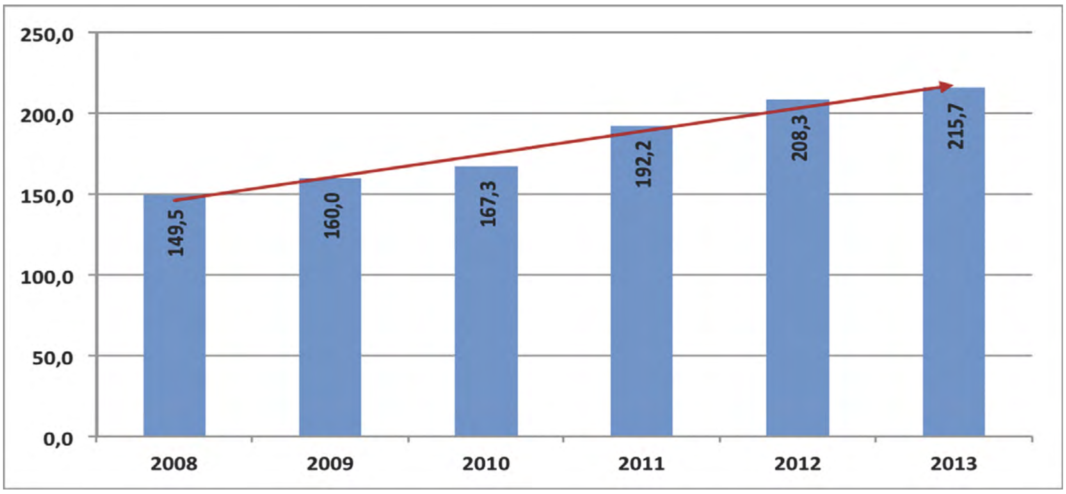
Graph 6. Production structure in the Polish agri-food sector in 2013[8]



Source: *Elaboration by PAIiIZ based on data from GUS.*

- Next is the **dairy industry with 15%** share in sold production, **production of beverages with 10%** and the **processing of fruit and vegetables with 7%** share in the sold value of the entire sector.
- **In the segment of alcoholic beverages, Poland is the third largest producer of spirits and beer in the EU**. The value of production of spirits in comparable prices in Poland was noticeably higher than in Germany and Italy, but significantly lower than in the UK and slightly lower than in France.

Graph 7. Value of sold production of the agri-food sector in 2008-2013 in Poland (in billions PLN)[9]



Source: *Elaboration by PAIiIZ based on data from GUS.*

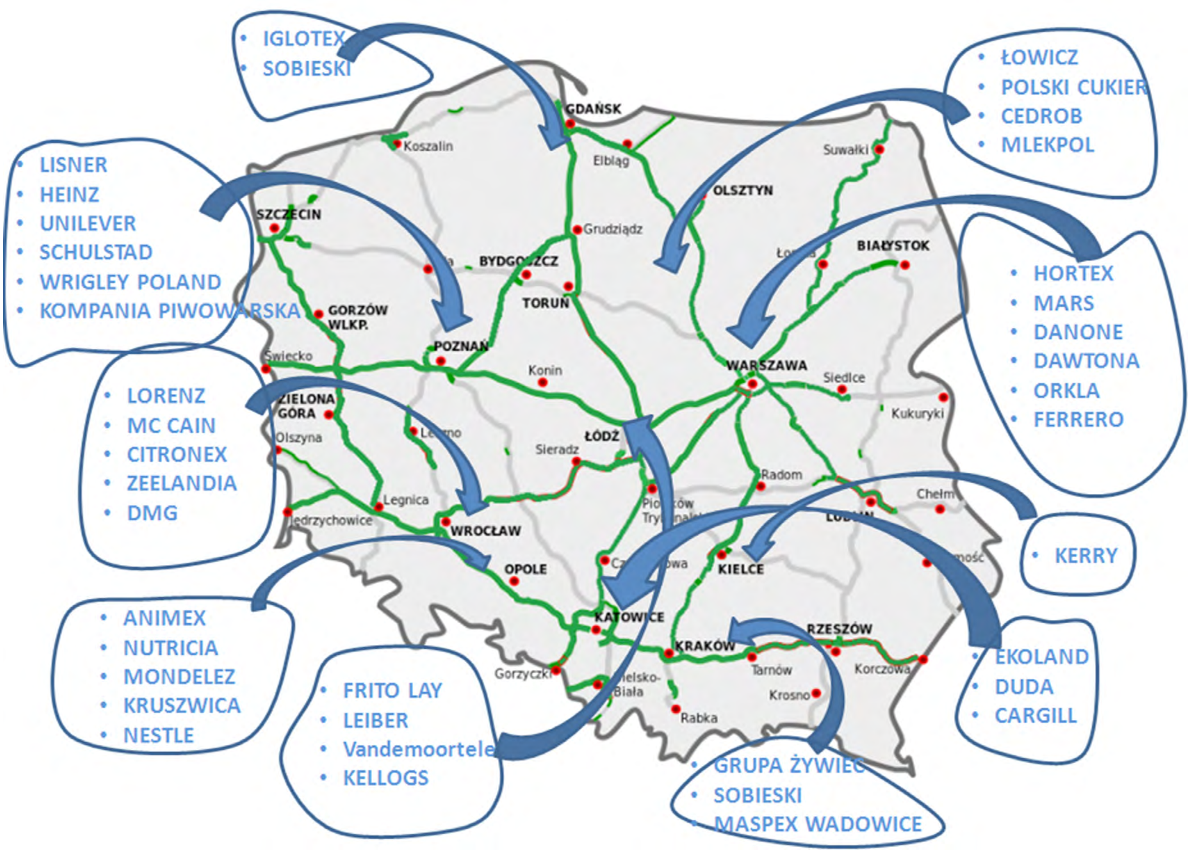
[8] For entities employing more than 49 persons.
[9] For entities employing more than 49 persons.

2.3. Enterprises and labour market

The food processing sector is one of the most dynamic and competitive branches of Polish industry. In 2013, **2523 companies** operated in the agri-food industry in Poland (17.7% of all companies operating in the processing industry), including:

- **94.3% entities operating in the industry (i.e. 2381 companies) were engaged in the production of food products**, 5.1% (131 companies) produced beverages, 0.4% (11 companies) operated in the tobacco industry.
- **More than 48% (1201 companies)** of all active entities in this market are micro and small enterprises **employing up to 49 employees**.
- **Medium-sized entities**, which employ between 50-249 people, **represent approximately 41.6%** (1051 companies) of all companies in the sector.
- **Large companies employing over 250 people represent 11.2%** (282 companies) of all entities operating in the industry, but they **provide employment to over 55% of employees in the sector (182.7 thousand people).**
- There are **514 companies with foreign capital operating** in the agri-food sector in Poland, most of which engage in food production (440) [10].
- **At the end of 2013, cumulative FDI in agri-food processing sector was accounted for EUR 9.2 billion (PLN 38.55 bn). It states for 6% of the total cumulative FDI stock in Poland at the end of 2013 according to National Bank of Poland. The half of this value had been invested in Poland before 2004.**[11]
- Leading regions in which companies of the agri-food sector with the participation of foreign capital are located in Poland include voivodeships: **Mazowieckie, Łódzkie, Wielkopolskie, Opolskie** and **Dolnośląskie.**

Figure 1. Leading companies in the agri-food sector in Poland in 2013



Source: *Elaboration by PAIiIZ, 2014.*

[10] Economic operation of entities with foreign capital in 2012, GUS, 2013.
[11] Between 2004-2014 the inflow of FDI in agri-food industry in Poland amounted EUR 4.5 bn.

- Major companies from the food sector, in particular **dairy cooperatives**, are located in Warmińsko-Mazurskie, Podlaskie, Lubelskie, Świętokrzyskie and Podkarpackie Voivodeships. Two of the largest companies in the sector: SM Mlekpol from Grajewo and the Mlekovita Group from Wysokie Mazowieckie have their headquarters in Podlaskie Voivodeship.
- In Eastern Poland there are also: **British-American Tobacco Poland** (Augustów), **Wipasz S.A.** (Wadąg), **Indykpol S.A.** (Olsztyn), GK Elstar Oils S.A. (Elbląg), ZM Łmeat-Łuków, and plants belonging to the largest processing companies including **Animex Group** and **Sokołów**.
- A wide range of manufacturers from the agri-food industry located in Eastern Poland is particularly important for the food processing branch, both because of the **rich resource base available in the region** as well as due to the potential activation of the available workforce.
- Among the largest companies in the agri-food sector in terms of value of sold production three groups of companies may be clearly distinguished. These are producers of **meat and meat products**, **representatives of the dairy industry** and **producers of spirits**.

Labour market in the sector

As of the end of 2013, there were 294.5 thousand persons employed in the sector of agri-food processing (a decrease by 1.1% y/y), including:

- in production of **food products:** 268.5 thousand,
- in production of **beverages:** 20.7 thousand,
- in production of **tobacco products:** 5.3 thousand.

In 2008-2013, the level of employment in the food sector was stable and fluctuated around **300 thousand FTEs**, which represents **14.8% of employment in the entire processing industry**.

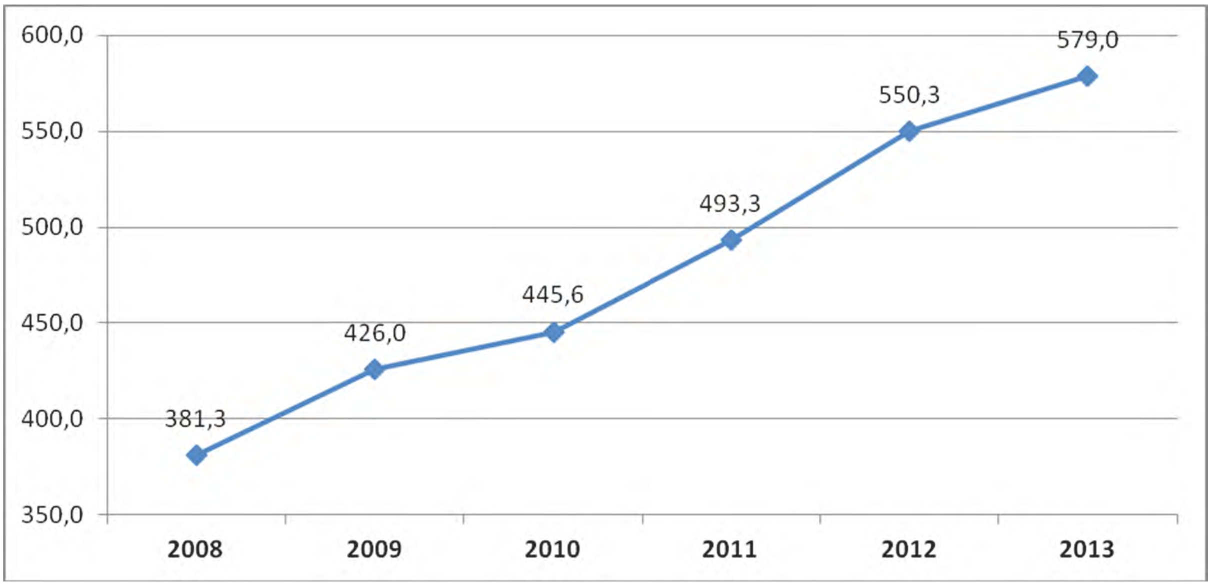
Remuneration and labour productivity

The average monthly salary in the agri-food sector was **EUR 739 (PLN 3102)** at the end of 2013 (**an increase of 3.3% y/y**) [12].

- **Between 2008-2013, the average monthly salary in the sector increased by nearly 22%.** In the same period, the average salary for the entire processing industry increased by a comparable value of approximately 20% (PLN 3741 gross in 2013, EUR 892.84).
- At the end of 2013, the highest wages were in the **beverage production industry** (an average of PLN 6023, EUR 1437.47), and in the **production of ready-made animal feed**, while the lowest – in the production and **processing of meat** (PLN 2594 on average, EUR 619.09) [13].
- The productivity of work per employee in the agri-food sector[14] **is growing rapidly**. In 2008-2013, there was an increase **by 35%**, from **PLN 381.3 thousand (EUR 108.63 thousand) to PLN 579.0 thousand (EUR 138.18 thousand).**
- **For comparison, the productivity of the entire manufacturing sector in 2013 was PLN 515.8 thousand (EUR 123.1 thousand).**[15] This indicates the attractiveness of the agri-food sector compared to the entire processing industry in Poland.

[12] Industry expenditures and results in 2013, GUS, 2014 (calculation without tobacco industry).
[13] Industry expenditures and results in 2013, GUS, 2014 (for entities employing more than 49 persons).
[14] Expressed as the value of sold production produced in a given period by one employee.
[15] Industry expenditures and results in 2013, GUS (for entities employing more than 49 persons).

Graph 8. Labour productivity in the food processing sector in 2008-2013[16] (in thousands PLN)



Source: *Elaboration by PAIiIZ based on data from GUS.*

2.4. Sector trade turnover

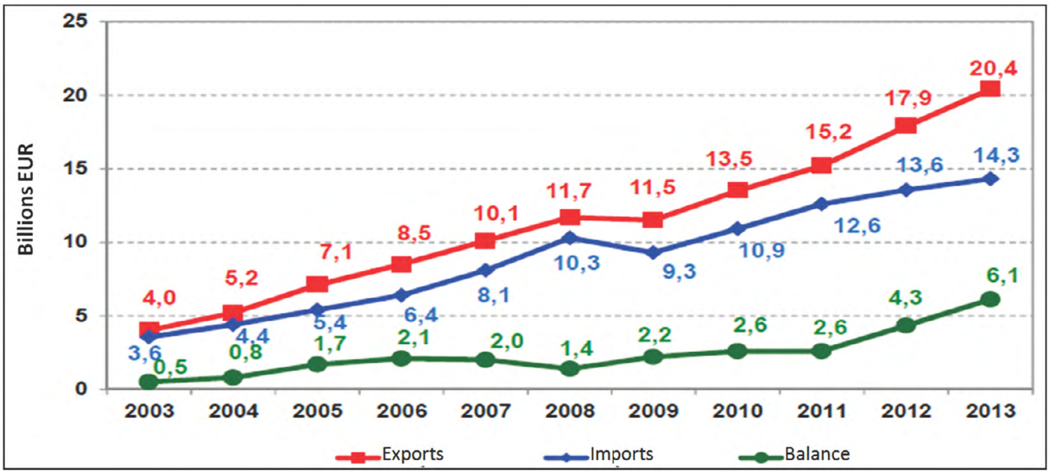
Poland is one of Europe's largest net exporters of agri-food products. This sector is one of the few sectors of the national economy which achieved a trade surplus. **The key for a dynamic growth in trade in the industry was Polish accession to the EU in 2004**. However, already in 2003, Poland for the first time became a net exporter of food products, yielding a surplus in the amount of EUR 454 million (PLN 1.9 billion) and recording a double-digit pace of growth in both exports and imports.

Since 2004, a continuous increase in trade turnover of the sector has been observed. In 2003-2013 exports of agri-food products **increased nearly fivefold**, while imports increased four times, and **the surplus in foreign trade** in these products increased **more than fourteen times**[17].

- **Exports of agri-food products were higher in 2013 than that recorded in 2012 by 13.6% and amounted to EUR 20.4 billion (PLN 85.5 billion), while imports increased by 4.9% to EUR 14.3 billion (PLN 59.9 billion).**
- Turnover closed with **a trade surplus EUR 6.1 billion (EUR 25.5 billion)**, which represents an increase of EUR 1.8 billion (PLN 7.5 billion) compared to 2012.
- **In 2013, the share of exports of agri-food products in total exports amounted to 13.2%, while in 2012 it was 12.5%.**
- **In the first three quarters of 2014, the value of exports of the agri-food sector amounted to EUR 15.7 billion (PLN 65.7 billion) and the value of imports equalled EUR 10.8 billion (PLN 45.2 billion).** Compared to the corresponding period of 2013, the exports rose by 5%**.**

[16] For entities employing more than 49 persons.
[17] Polish Food Spring 2014, MRiRW, 2014.

Graph 9. Trade turnover of the agri-food sector in 2003-2013 (in billions EUR)



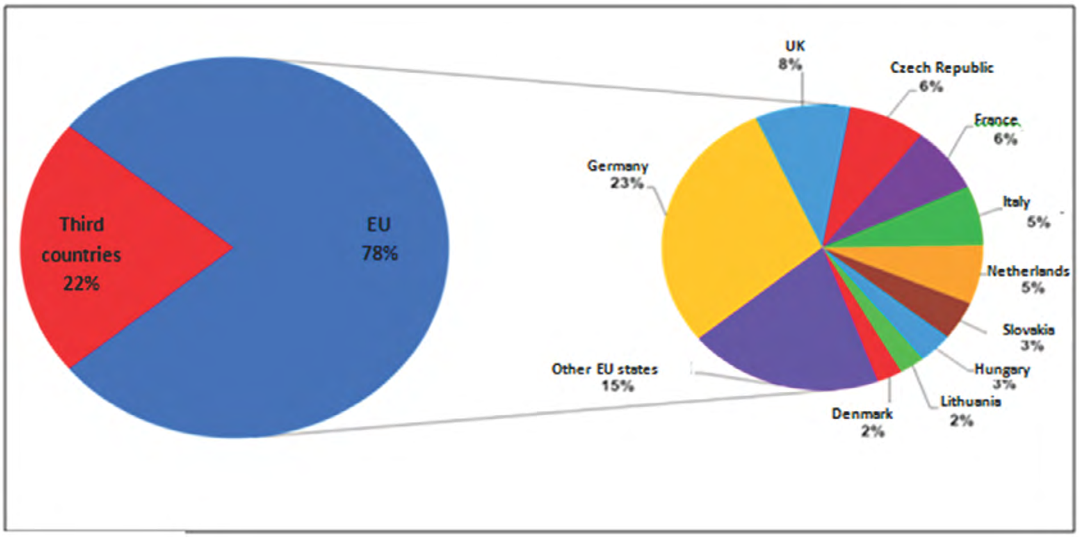
Source: *ARR, 2014.*

Structure of trade turnover by countries in 2013

- **The value of Polish exports of agri-food products to developed countries increased by 14.6% in 2013 comparing to 2012** (including the EU countries by 15.1%), **to developing countries by 11.7%,** and to the countries of **Central and Eastern Europe by 7.5 %.**
- Imports from developed countries increased in 2013 comparing to the previous year by 8.7% (including EU countries by 6.3%), while imports from developing countries and countries of Central and Eastern Europe decreased by 3.0%, and 23.2% respectively.
- **In total in the year 2013, goods amounting to EUR 15.5 billion were sold to the EU market**, and to the Commonwealth of Independent States (CIS) **EUR 2.2 billion**. Sale of agri-food products to CIS countries increased in comparison with the previous year by 8.6%, which was primarily due to **an increase in sales of apples, cheese and beef**.
- **In 2013, most of the products in this sector, with a total value of EUR 4.5 billion, Poland exported to Germany**, which accounted for 22.7% of the total agri-food exports in 2013[18].
- **The United Kingdom was second (EUR 1.5 billion)**, **and the Russian Federation was third (EUR 1.2 billion),** followed by the Czech Republic, France, Italy and the Netherlands.
- It is encouraging that in comparison with 2012, among the most important trading partners, the largest, **more than two-fold, increase in export value was recorded in trade with China**.
- **Besides China, the largest increase in exports** of agri-food products in 2013 was observed in exports to the **United Arab Emirates** (48% to the level of EUR 85 million), **Saudi Arabia** (42% to the level of EUR 153 million), **Uzbekistan** (36% to the level of EUR 46 million) and **Bulgaria** (30% to the level of EUR 232 million).
- **New markets for agri-food products** are particularly important given the **constraints on trade with eastern countries**, including **Russia and Ukraine**. Reorientation of exports of products such as **apples, dairy and meat industry products** are of **crucial importance to the maintenance of high production in the sector**.

[18] GUS, 2014.

Graph 10. Structure of export in the Polish agri-food sector in 2013 by countries

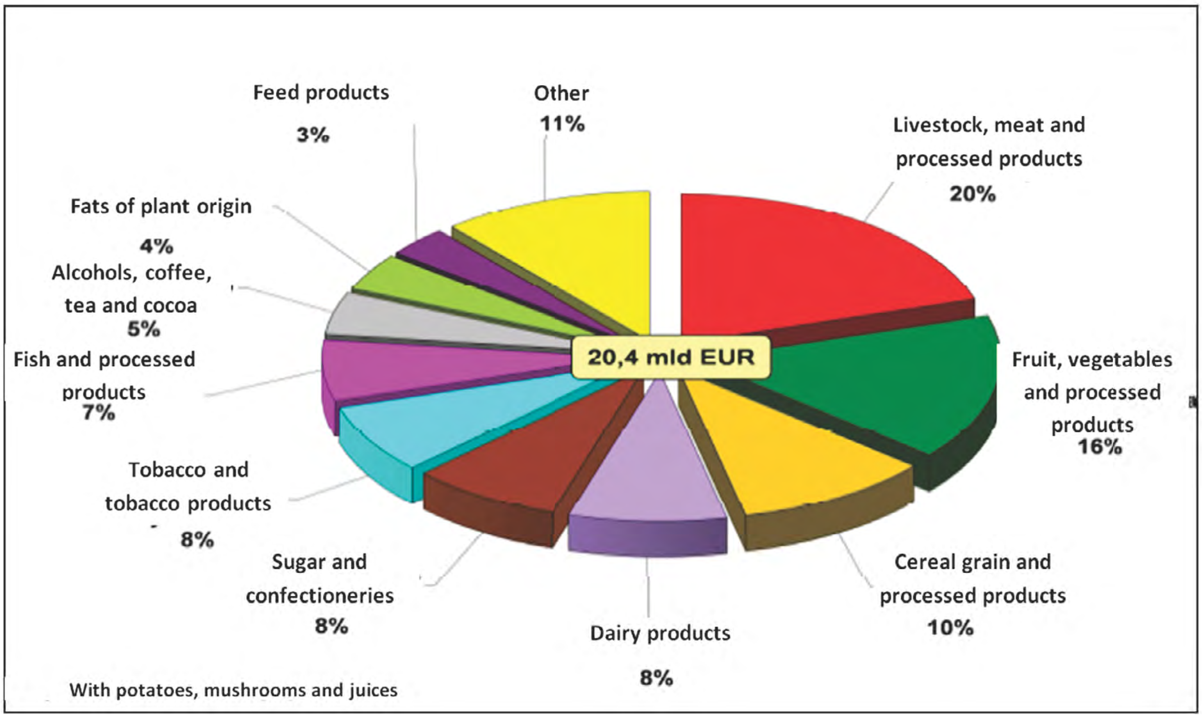


Source: *ARR, 2014*

Trade structure by products

- **Most important in the Polish food exports are**: **meat livestock and meat products**, which constitute 20% of the total value of agri-food exports.
- These are followed by **vegetables and fruits**, **both fresh and processed** (16%), **fruits**, **vegetables and processed products** (16%) and **dairy products** (8%), cereals and processed products (10%) and sugar and confectionery products (8%).
- Poland is a leader in the production of **champignons mushrooms** and more than a half of that production is exported.
- Poland is one of the leading exporters in the EU of **confectionery and bakery products**. Poland is fifth (along with Italy, after UK, Netherlands, Germany and France). In the last 6 years, the production of these commodities rose by 50%, and export by 70%. Today, the Polish producers generate 700 th tones of confectionary, out of which 400 th tones is **exported for about EUR 1,5 bn**.
- Poland is also second in Europe (after Ireland), and 9th world **exporter of beef**. The EU is 10th in general, but Poland itself is 9th, just behind Canada. In 2014 Poland exported 330 th tones of beef.
- Poland is on the 5-6th place in the Union, and 12 in the world, among the largest **producers of milk**. In 2014, the export of milk in relation to the previous year increased by 15%. Polish exports hits in this segment are mainly powdered milk, whey powder and cheese.
- **It should be noted that Poland is the fifth largest producer of food concentrates on the European market**. The per capita production of concentrates is only slightly lower than the average in the EU-15, but the highest among the new members of the EU-13 (EU New Member States).
- Furthermore, after the Polish accession to the EU, there was a large increase in **exports of tobacco products**. They have become a significant item in Polish agri-food exports with 8% share.
- **Exports of spirits** are also important. Speeding up the production of alcoholic beverages took place in 2003-2007, when the annual growth rate was **approximately 12.2%.**

Graph 11. Product structure of Polish agri-food exports in 2013 by value



Source: *Elaboration by PAIiIZ based on data from the Ministry of Finance, 2014.*

- **Poland is also one of the leading manufacturers of pigs in the EU**, along with Germany, Spain, Denmark, France and the Netherlands. In 2013, the value of pork exports exceeded PLN 3.8 billion (EUR 0.9 billion). **As of the end of 2012, the population of pigs in Poland was 11.1 million, representing 7.6% of the pigs of the European Union**[19].

To sum up, **on average, more than 40% of** sold production of the agri-food industry is directed **to exports, and this share is constantly increasing**. It is worth mentioning that before the accession to the EU, only less than 14% of the domestic production of the food industry was destined for foreign customers, and the positive balance of trade in agri-food products did not exceed EUR 0.3 billion.

High competitiveness of Polish products is associated with the quality in relation to the relatively **low prices as well as the proximity of the supply chain.**

Opportunities for further development of the agri-food sector in Poland are related to developing countries. Promotion of Polish food in **Asian, African, and Middle Eastern and Balkan markets** has for many years been the subject of intense activities of public institutions, including PAIiIZ.

- An example of important actions in this area can be the participation of Polish producers from Eastern Poland in **SIAL China 2014** food fair in Shanghai, **Viet food & Beverage fair** in Vietnam, or SIAL ME 2014 in Abu Dhabi.
- Also as part of the Go Africa programme carried out by PAIiIZ, Polish food was promoted in **South Africa, Zambia** and **Senegal**.
- These actions result in **a constantly growing interest of Polish producers** from the agri-food industry in finding new, non-European markets, as well as **growing demand for Polish products in regions outside Europe**.

[19] *Poland in the European Union 2004-2014*, GUS, 2014.

Sector turnover in 2014

Poland, despite the Russian embargo, can achieve **results in food trade in 2014 similar to last year's**. **In the first three quarters of this year, exports amounted to EUR 15.7 billion and imports to EUR 10.8 billion[20].**

In 2014 Russia has imposed embargo on the majority of agri-food products from the EU, including Poland. Despite, the share of Polish agri-food sector exports to Russia amounted only 7% of total sectorial exports, the Polish producers have suffered from the trade constraints. The embargo was most detrimental to the **milk market, fruit and vegetable market, including apples producers, whose 80% of exports were exports to Russia**.

The best summary for the prospects of the development of the agri-food sector in Poland may be the words of the Minister of Agriculture Marek Sawicki, who said that "*the Russian embargo is painful, but it is temporary. For the manufacturing sector and exporters it is a good lesson and can bring lasting effects of participation in global food markets*"[21].

2.5. Agriculture and agricultural producers

In 2013, agricultural land in Poland amounted to 8.8% of the EU28 agricultural land, which means that Poland found itself in this regard in the top five, following France, Spain, the UK and Germany.

- There are about **11 million hectares of arable land** in Poland, which in per capita terms is **an amount 30% higher than the EU average.**
- Poland is **second in the EU** in terms of **sowing of cereals** (7.7 million hectares in 2012 - about 14% of the EU).
- The intensity of land use is lower than in most European countries. Also the use of fertilizers and plant protection products is smaller[22].
- The largest share in the product structure of agricultural production in Poland for the last few years has been **animals for slaughter (31.5%), cow's milk (17.4%)** and **cereals (15%)**.

In the case of many agri-food products, Poland is the European leader, and in some even the world's leader.

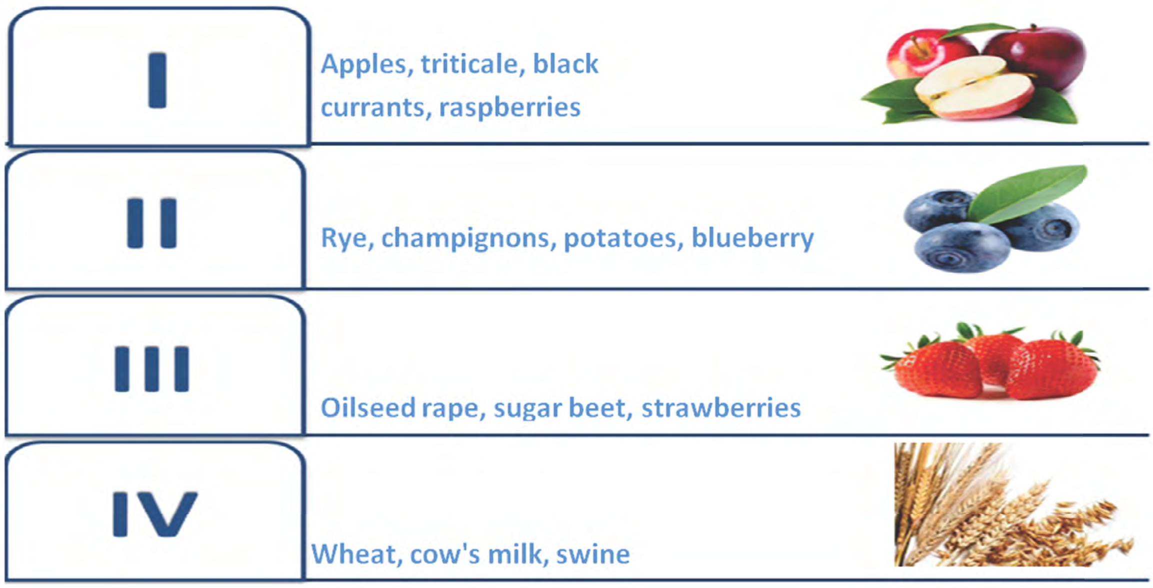
- Currently, **Poland is the leader** in the EU in the production of **apples, triticale and black currant.** Our country is the largest exporter of apples in the EU, and blackcurrant production accounts for 50% of world production.
- Poland **ranks second** in the EU in terms of production of **rye, champignons, potatoes and blueberries**.
- **Poland is third in the EU** in terms of production of **poultry, rape, blueberries** and **strawberries**.

[20] MRiRW, 2014.

[21] Marek Sawicki, Minister of Agriculture and Rural Development, Conference entitled "Polish agriculture of the XXI century – how to create the competitive advantage", 2014.

[22] An analysis of conditions and the state of development of the agri-food clusters in Poland, Institute of Agricultural and Food Economics National Research Institute, no 15.1, 2014

Figure 2. Where Polish agri-food products rank in the EU27 in terms of production in 2012.



Source: *Elaboration by PAIiIZ based on data from MRiRW, 2014.*

The increase in the volume of agricultural production in the post-accession period was accompanied by a marked increase in investment expenditure and an increase in the value of assets held by farmers. The favourable changes in technology used in agricultural production and transfer of knowledge are important in this context[23].

Capital expenditures in agriculture are growing rapidly:

- In 2012, capital expenditures amounted to PLN 4.5 billion (EUR 1.07 billion), which is significantly higher comparing to 2005, when the value of investments amounted to PLN 2.4 billion (EUR 0.59 billion). Such a significant increase has been affected by EU funding support dedicated to Polish farmers.
- Also expenditures per 1 ha of agricultural land are equally impressive. In 2012, the average value of investment per 1 ha of agricultural land was PLN 300.1 (EUR 71.8)[24]. For comparison, in 2005, this value was PLN 150.8 per ha (EUR 37.5). **This means almost a twofold increase in investment expenditures in the considered period.**
- The realised investments have a significant impact on production efficiency and competitiveness, and thus market power of entities.

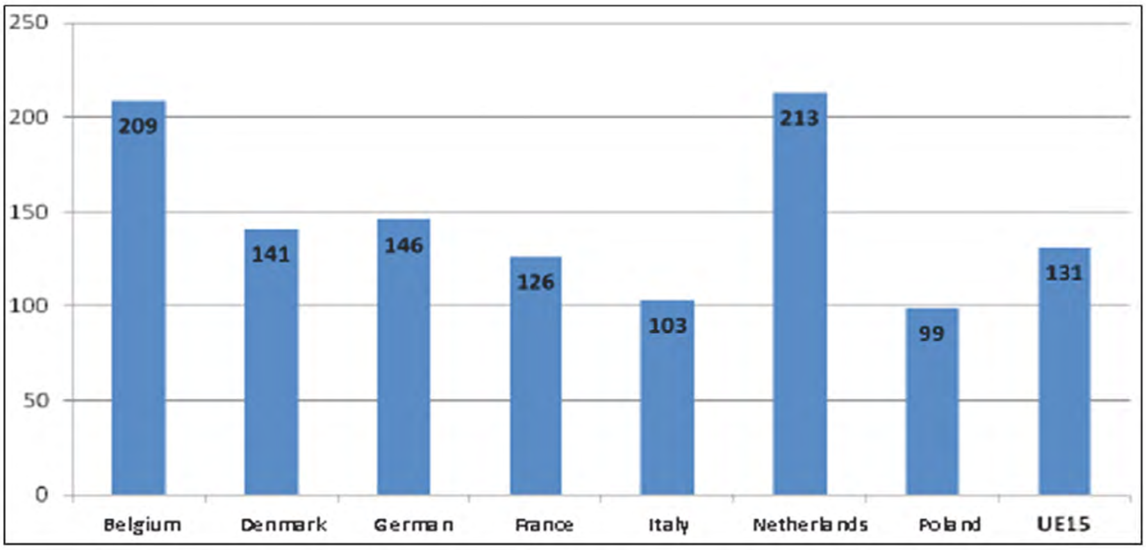
Poland has been strengthening its position on European market of agricultural products systematically. Among others, Polish food is appreciated considering its premium quality. **Polish farmers use much less fertilizers and pesticides than farmers in Western Europe (Figure 13). While the average value of the use of nitrogen fertilizers and phosphorous for the EU-15 in 2012 was 131 kg/ha, in Poland it was less than 100 kg/ha.**

Also relatively low, compared to Western Europe, consumption of plant protection products is recorded in Poland. It amounts to a total of 1.9 kg per 1 ha of arable land and orchards. For comparison, in Germany it is 3.6 kg, 3.3 kg in France and 8.9 kg in the Netherlands.

[23] Polish agri-food sector and rural areas after 10 years of membership in the EU - overview of most important changes, MRiRW, 2014

[24] Agriculture year-book 2013, GUS, 2014

Graph 12. Use of artificial fertilizers (nitrogen and phosphorous based) in EU states in 2012 (kg/ha)



Source: *Elaboration by PAIiIZ based on Eurostat data, 2014*

This relatively low use of pesticides and fertilizers is an excellent starting point for the popularization of natural methods of food production. The state policy in this area, such as the introduced subsidies for farmers opting for organic production largely act as stimulants to the greening of Polish agriculture.

Recent data suggest that organic agriculture in Poland is constantly evolving, as evidenced by the growing number of organic farms.

- In 2012, the number of organic farms was **25 944**, most of which was in **Warmińsko-Mazurskie Voivodeship** (3 793), **Zachodniopomorskie Voivodeship** (3 579), and **Podlaskie Voivodeship** (2 924).
- In the period 2003 - 2012 the area of **organic agricultural land increased 11-fold** and is currently approx. 3.4% of the total area used for agriculture in Poland.
- Due to the number of processing plants **Mazowieckie Voivodeship** (59), **Wielkopolskie Voivodeship** (42) and **Lubelskie Voivodeship** (36) dominate.

Poland supports all promotional initiatives in the field of organic, traditional and regional products as well as initiatives regarding Polish cultural heritage. By the end of 2013, the List of Traditional Products included 1190 products[25].

- In the last decades, Europe has seen a growing interest in **food produced using traditional methods** with recognised place of origin. Through a system of marks the EU promotes regional high quality food.
- 36 Polish regional and traditional products are registered in the **European System for Protection of Regional and Traditional Products** (as of September 2013).
- The List of Traditional Products listed products such as **Grójeckie apple, Łąckie apple, Kashubian strawberry, Koryciński cheese, oscypek** and **myśliwska sausage**.

The following branches may be found in agricultural production: cereal market, milk market, meat market and fruit and vegetables market.

Cereal production is one of the basic branches of Polish agriculture. **Poland ranks second in terms of growing crops and third - following France and Germany - in terms of grain harvest in the European Union.** Cereals in Poland occupy approx. 70% of the total sown area, among which wheat has the largest share.

[25] www.minrol.gov.pl

Cow's milk production is the dominant direction of agricultural production and the main source of income for many farms. With milk production at the level of 12.7 million tons**, Poland** is fourth in terms of production of this product in comparison with other EU countries. Production of dairy products in Poland per capita is EUR 233 and is slightly higher than the average across the EU (EUR 226).

The meat market in Poland is characterised by low concentration of production and is very diverse. It consists of both small local businesses and large enterprises belonging to companies with domestic or foreign capital. In terms of production, the meat industry is dominated by production of products with a low degree of processing. **Average turnover of an average meat company in the EU-27 is EUR 4.7 million, EUR 3.1 million in Germany and EUR 5.7 million in Poland[26].**

Poland is the largest in Europe and third worldwide producer of apples and the world's largest **exporter of apples.** Polish producers gather over 3 million tons per year, of which 1.2 million are exported. **Poland also to the top European producers of strawberries, raspberries, blackcurrants** and **sour cherries**

Poland is the largest in the European Union and one of Europe's largest producers of sauerkraut, pickled cucumbers and dried carrots. Polish share in the total production of processed fruit and vegetables in the EU increased from approx. 5% before the accession to approx. 10% on average in 2010-2012.

In 2012, fruit yield in Poland amounted in total to 3843.0 thousand tons. 86% came from fruit bushes and berry plantations, while the remaining 14% were tree fruit, including 2877.3 thousand tons of apples[27].

After the accession, Poland has strengthened its position as the largest among the countries of the European Community supplier of **concentrated juices, frozen fruit and soft fruit for processing** (mainly strawberries, cherries, raspberries and currants) to the EU market and second largest, **after Belgium, supplier of frozen vegetables**[28]. Apples dominate in Poland in terms of exports and consumption of fresh fruits.

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[26] Procesy dostosowawcze polskiego przemysłu spożywczego do zmieniającego się otoczenia rynkowego (3), pod red. Mroczka R., Instytut Ekonomiki Rolnictwa i Gospodarki Żywnościowej Państwowy Instytut Badawczy, nr 75, Warszawa 2013, s. 45.

[27] IERiGŻ, 2013.

[28] Polish Food Wiosna. Spring 2014, s. 59.

3. POLISH AND EUROPEAN QUALITY STANDARDS

The Polish accession to the EU and **the adoption of high standards of safety and quality standards created a new quality of economic activity for the agri-food sector**.

- Provisions relating to the production and marketing of food on the EU market include all agri-food products and include labelling, official food control, hygiene, control of substances added to food including flavorings.
- Manufacture of food products do not require licenses. However, strict sanitary standards have an impact on the amount of investment costs that have to be incurred prior to the commencement of operation in the agri-food sector.
- EU production quotas for production of milk and sugar and the increasingly stringent quality and environmental standards create high barriers to the entry to the food production market.
- Poland is one of the leader among the new EU member states in terms of the number of products registered in the EU food quality schemes. Currently, the most widely used Polish food quality system covering most product groups is QAFP, i.e. Quality Assurance Food Products.
- There is a growing awareness of entrepreneurs in relation to the applicable requirements and implementation and application of the principles of good hygiene practices (GHP), Good Manufacturing Practices (GMP), as well as the implementation of the Hazard Analysis and Critical Control Point System (HACCP).
- GHP/GMP systems have been implemented in 276 079 plants in Poland, which represents 75.2% of all the supervised facilities. For comparison, in 2011, it was 71%.

4. PROMOTION OF AGRI-FOOD INDUSTRY PRODUCTS: EXPO 2015

As a producer of healthy, organic food, Poland is very keen on promoting their products at domestic and international trade fairs and exhibitions.

The purpose of promoting Polish food at international fairs and exhibitions is increasing the interest in Polish solutions in the field of agriculture and increasing the export of Polish food.

In 2015, as one of 140 countries[29], Poland will take part in the largest promotional event to be held in Milan – EXPO 2015, dedicated to "feeding the planet and the energy for life". The EXPO is the largest and most prestigious promotional event on a global scale. Polish participation in the EXPO is to enable visitors to feel the taste and quality of Polish food products, as well as to promote Poland as a country with growing economic success.

At the EXPO, Poland will operate in highly competitive conditions, and thus to strengthen the Polish presence in Milan during the exhibition participation in trade fairs was planned, such as:

- **TUTTO FOOD Milano World Food Exhibition (**3-6 May 2015, Milan)**.**
- **MACFRUT Fruit & Veg Professional Show[30] (**September 2015, Cesena).

Furthermore, as part of EXPO 2015, a **meeting dedicated to the topic of Polish scientific and technological achievements** from the agri-food industry will be held.

[29] 140 countries declared their participation in EXPO 2015 before 10 March 2014.

[30] Koncepcja Programowa udziału Polski w Wystawie Światowej EXPO 2015 w Mediolanie w Republice Włoskiej, „Wyżywienie planety, energia dla życia", Komisarz Generalny Sekcji Polskiej EXPO 2015, Warszawa, 10 March 2014.

5. INVESTMENT POTENTIAL

In recent years, Poland had a lot of success in the agri-food sector, which is confirmed by rapidly growing investment expenditures in the agri-food sector in Poland as well as the growing demand for Polish products in Europe and more distant markets.

- **Investment expenditures** in the agri-food sector in 2013 amounted to approx. **EUR 1.5 billion,**
- The value of **newly started investment projects** in 2013 in Poland amounted to EUR 0.55 billion[31].

The stable development of the agri-food sector is supported by 4 key factors: a wealth of resources, strong human resource base and low labour costs and a great location of Poland in the centre of Europe, at the intersection of the main transport routes.

The importance of the agri-food industry from the point of view of the development of the Polish economy is extremely important, which is why **the Polish government decided to offer financial support to firms which undertake investment projects in the sector**. It is very important as the agri-food sector was among only 6 sectors of the Polish economy that were considered priority sectors.

5.1. Localisation in the centre of Europe

Due to its attractive location in the centre of Europe, Poland has the potential to interact with a wide range of manufacturers and suppliers. Another advantage is the fact that the transport infrastructure in Poland is being dynamically modernised.

Since 2004 a total of 673 km of motorways were built and 808 km of expressways were built or modernised. In comparison with 2003, it is an increase by 165% and 357%[32] respectively. In the period **2014-2020** further **EUR 23.8 billion** will be allocated for infrastructure.

Communication infrastructure is essential due to the large export potential of the agri-food sector. In this context, also the attempts to build a *New Silk Route* linking Asian countries with Europe. China is the largest importer of food products in the world, therefore the said initiative could be an important point in the export expansion of the sector in the Chinese market, and more broadly – the whole of Central Asia.

Another important element for the commercial expansion of the agri-food sector is the Deepwater Container Terminal in Gdansk, which has, among others, direct connections with four ports in Asia.

5.2. High level of the industry compared to other CEE countries

The Polish agri-food sector is the **most developed** in terms of both the number of companies as well as the **value of sold production** among the countries of **Central and Eastern Europe (CEE).** Domestic companies **dominate the list of major entities** of the agri-food sector in CEE. Among the largest companies in the food industry in the region, **the top ten are entities operating in Poland**. The top twenty of the ranking includes only five companies operating in another countries (three Czech and two Hungarian). The success of the Polish food industry is also evidenced by the fact that there are **50 Polish companies in the top 100 in the ranking of 800 largest food companies in Central Europe 2012[33].**

[31] Investor's Guide to Poland, 2014.
[32] GUS, 2014.
[33] Ranking of 800 largest food companies of Central Europe 2012, Bisnode, portalspożywczy.pl, 2014.

Table 5. Largest companies in Central Europe in terms of production sold in 2012.

	Company	Sold value (billions EUR)
1	IMPERIAL TOBACCO	1.41
2	KOMPANIA PIWOWARSKA	1.15
3	GRUPA ANIMEX	0.95
4	GRUPA ŻYWIEC S.A.	0.87
5	JTI PL SP.Z.O.O.	0.81
6	GRUPA MASPEX	0.71
7	SOKOŁÓW	0.69
8	NESTLE,	0.68
9	SPÓŁDZIELNIA MLECZARSKA MLEKPOL W GRAJEWIE	0.67
10	SM MLEKOVITA	0.67

Source: *Elaboration by PAIiIZ based on data from Bisnode, portalspożywczy.pl, 2014.*

The strong position of the domestic agri-food industry in Central and Eastern Europe is undeniable. However, **the ranking is dominated by companies with foreign capital**. **Among the 100 largest companies in the region, only a little more than 30 companies are entities based on national capital** (Polish, Czech, Hungarian, Serbian and Slovenian).

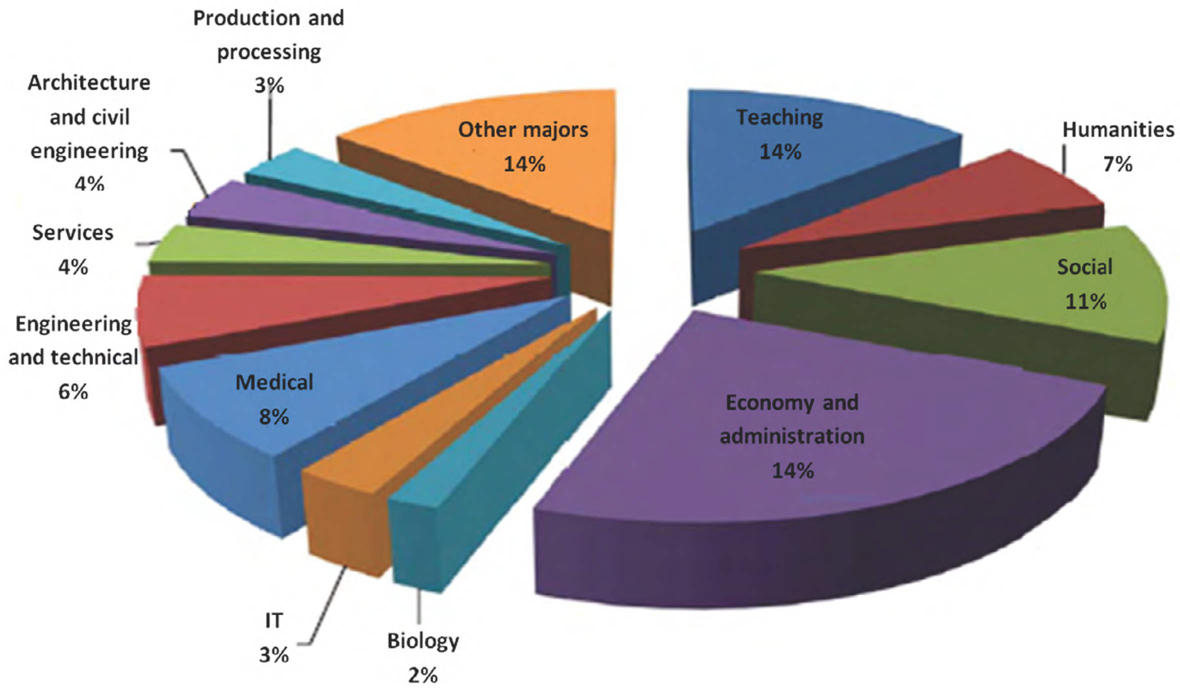
5.3. Human resource potential

The Agri-food sector in Poland has rich resources of skilled personnel of both the lower and higher level.

In the academic year 2012/2013, 455.2 thousand people graduated from universities. The number of students in the academic year 2013/2014 amounted to over 1.5 million (chart below).

In 2014, a total of 35 921 people studied at majors related to food processing. 11 426 people completed their programmes, including 3 262 in horticulture, agriculture and fishery. **Biotechnology** was the most popular major (10 655) **food technology and human nutrition** was second (8 367), followed by **dietetics** (7 078). Majors associated with the food sector were most popular in the Mazowieckie Voivodeship (5 985), Wielkopolskie Voivodeship (4 283) and Malopolskie Voivodeship (4 263).

Graph 13. Graduates by the group of majors in the academic year 2012/2013



Source: *Schools of higher education and their finances in 2013, GUS, 2014.*

Also the **plans to support vocational education** are noteworthy. By 2020, the Ministry of Education (MEN) **plans to allocate EUR 800 million for vocational education**, including for promotion of cooperation of employers with schools and educational institutions of various kinds and levels in the process of education, testing and career counseling. The manner of distributing of the majority of these funds is to be decided by the regions. The so-called **dual system of education**, one in which students learn the profession directly from the entrepreneur, is to be disseminated. Also activities related to the functioning of the Integrated Qualifications Register are planned, including the inclusion to the integrated system qualifications originating outside of the education system and the system of higher education[34].

The Polish education system is not only a relatively high number of students, but also the quality of education, which is appreciated in international rankings. Poland **ranked 10th in the world and 4th in Europe in the ranking by "The Learning Curve"** evaluating the level of education in almost 40 countries around the world. Foreign companies will also find employees who speak foreign languages in Poland. Research shows that 62% of Poles aged 25 – 64 declares knowing at least one foreign language. The most common language is English, followed by German and Russian[35]

5.4. Absorptive internal market and developing economy

The internal market in Poland, created by more than 38 million consumers, **is one of the largest in the EU**. **Consumer spending** in Poland constitute **almost 25% of the total expenditure** of the average Polish citizen. For comparison, the average Briton spends 8% of the total expenditure on food products and beverages, the average German just over 12% and the average in the EU27 is 13%[36].

In 2015, **GDP per capita in Poland, after taking into account changes in purchasing power, will be 71% of the EU average**. In 2003, prior to the accession to the community, it was 49%, and 68% in 2013. In addition, the

[34] MEN, http://men.gov.pl/images/do_pobrania/kszta%C5%82cenie_zawodowe_zmiany.pdf.

[35] Eurostat.

[36] Analysis of EU-27 household final consumption expenditure in 2013, Eurostat, 2014.

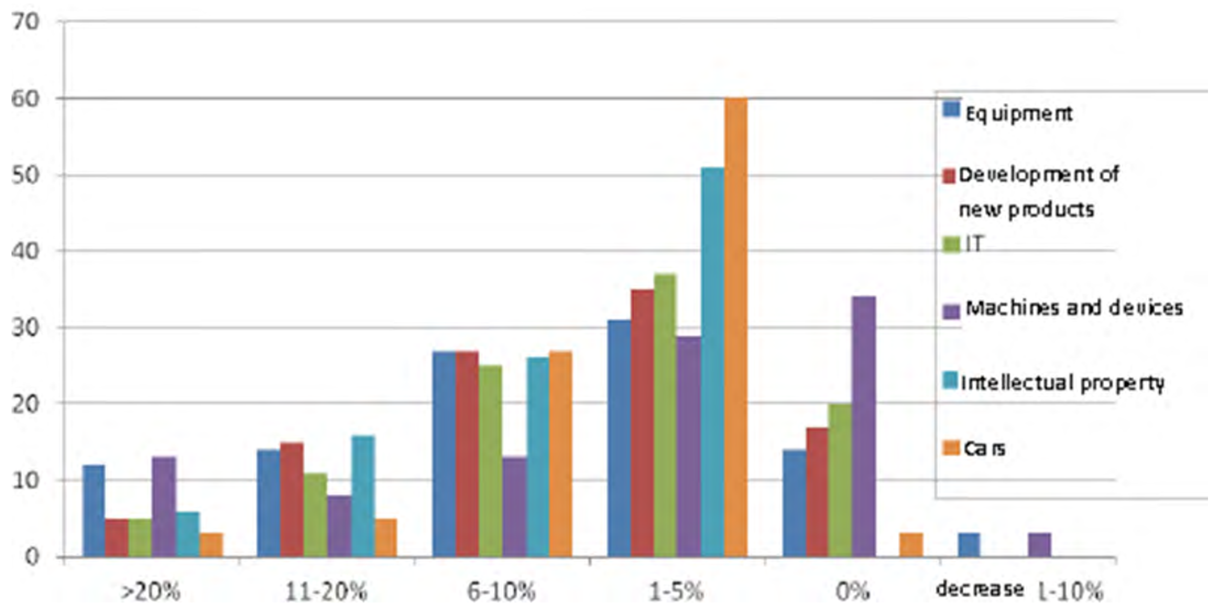
Ministry of Finance assumes that in 2015, **the growth of domestic demand will accelerate to 3.8%**, also due to the expected improvement in the labour market.

Low inflation and **falling unemployment rate** following the improvement of the economic situation are conducive to **consumer spending**. It is also worth noting that Poles rebuilt **their savings in the last year**, which should unlock consumer spending.

Another justification for the optimism for the sector is the **economic recovery in key markets for the Polish agri-food products**. This refers mainly to Germany and the United Kingdom, which are the largest markets for Polish exports, including exports of the agri-food sector.

What is more, according to a survey by Grant Thornton which surveyed CEO of international companies from the food sector, **more than 2/3 of them plan to expand the business through the construction of new facilities, development of new products** or increasing spending on research and development (R&D). Investments in Europe will mainly involve expenditures on new **machinery and equipment and development of new products**[37]. Attention must be paid to the declared expenditure on the R&D component, increasing the innovation of the sector. It also gives hope for an increase in investments in the sector in Poland, **as global investment trends will also be observed in Poland**.

Graph 14. Growth of investment expenditures on individual components in 2014 declared by CEOs of major companies from the agri-food sector.



Source: *Elaboration by PAIiIZ based on data from Hunger for growth. Food and Beverage looks to the future, Grant Thornton,2014.*

In summary, **the prospects for the development of the agri-food sector** on both global and regional level indicate **positive prospects for the development of the industry**. **The Polish agri-food sector will continue to develop**, as it did in previous years, driven by an **increase in domestic consumption and increasing income of citizens**. Additional stimulants for the development will be **economic recovery in the exports markets strategic from the point of view of Polan**d. High hopes are placed **on the acquisition of new, non-European markets** for products from the industry.

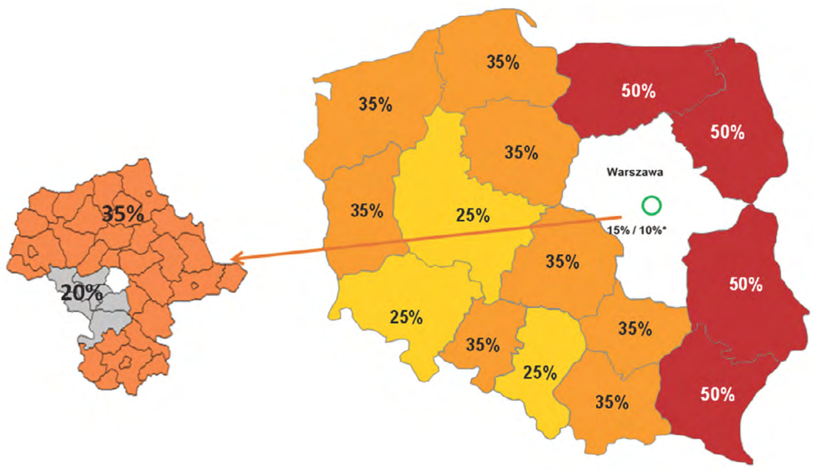
[37] *Hunger for growth. Food and Beverage looks to the future, Grant Thornton, 2014.*

5.5. Attractive investment incentives system[38]

5.5.1. Regional State aid in Poland

Regional investment aid is the most important type of public support offered to entrepreneurs working on new investment projects. The maximum level of support for a given investment depends on the location of the investment project and the size of the company. The highest possible level of intensity of regional state aid is available in the Eastern Poland voivodeships, where support threshold of 50% of eligible costs (investment expenditures and 2 years- labour costs) for large businesses is offered. It is worth mentioning here that these regions traditionally specialize in agri-food production.

Figure 4. The maximum levels of regional aid in the new financial perspective (2014-2020) in each voivodeship



Source*: Crido Taxand, 2014.*

In the case of small and medium-sized businesses the maximum levels applicable in a given region can be increased by a maximum of 20 p.p. (for micro and small companies) and 10 p.p. (for medium-sized companies)

For "major projects"(of initial investment of eligible costs exceeding EUR 50 million) the state aid is to be calculated due to the following equation:

Maximum amount of regional state aid = R x (50_+0,5 x B + 0xC), where:

R – intensity of regional state aid in the particular region
B – the part of eligible costs between EUR 50 million and EUR 100 million
C – the part of eligible costs above EUR 100 million

Entrepreneurs pursuing new investment projects can take advantage of the possibility of the aid calculated in accordance with the above thresholds using the following instruments:

- government grants,
- grants co-financed by structural funds, in particular to carry out research and development activities in the food sector[39],
- income tax exemption under the special economic zones,
- tax incentives to acquire new technologies so called technological relief,
- exemption from local taxes, including property taxes.

[38] Detailed information on the new EU perspective can be found in "EU Funds 2014-2020" ("Fundusze UE 2014-2020") prepared by experts from CridoTaxand: Michał Gwizds, Magdalens Kosewskis-Kwaśny snd Szymon Żółciński, C.H. Beck (August 2014).

[39] Detailed information in this regard an be found in „Fundusze UE 2014-2020", Crido Taxand: Michał Gwizda, Magdalena Kosewska-Kwaśny and Szymon Żółciński, C.H. Beck (August 2014).

5.5.2. Government grants

Government grants (for the creation of new jobs and investments) are awarded on the basis of the “Programme for supporting investments of major importance to the Polish economy for the years 2011-2020” focused on investment projects in the following sectors:

- automotive,
- electronics,
- aviation,
- biotechnology,
- **agri-food,**
- shared business services,
- **R&D**.

Apart from these, businesses which are operating in other than above mentioned sectors, might also apply for government grants. Then investment projects should meet the following criteria:

- forming at least 200 new jobs for eligible costs: at least PLN 750 million (EUR 179 million) or
- creating at least 500 jobs for eligible costs at least PLN 500 million (EUR 119 million).

5.5.3. Grants co-financed by structural funds

In the current EU financial perspective, Poland is the largest beneficiary of support from the EU structural funds. In the years 2014-2020 has at its disposal EUR 82,5 billion within the framework of structural support. It is intended, among others into innovative investments, research and development, infrastructure projects, environmental protection, renewable energy sources, the training of staff.

The main priority within the new EU funds is to support R&D, especially in the agri-food sector and biotech available due to the following Operational Programmes:

- Operational Programme Smart Growth,
- Operational Programme Infrastructure and Environment,
- Regional Operational Programmes.

In addition, the agri-food- and environmental-bioeconomy has become one of the five national smart specializations defining the relevance of research and development support from EU funds in those sectors in Poland in the years 2014-2020. Regional smart specializations in each of the 16 voivodeships are promoting, depending on the availability of resources, modern agriculture and the processing of agri-food products by strengthening their investment potential[40].

5.5.4. Income tax exemption in special economic zones

The primary tax incentive is exemption from income tax in one of 14 special economic zones that will remain active until 2026. Each zone has numerous sub-zones in various parts of Poland. In the special economic zones investors may count on the availability of attractive investment lands equipped with the necessary utility infrastructure and comprehensive assistance in legal and administrative procedures related to their project. EUR 100 thousand is the minimum required value of investment expenditures eligible for income tax exemption in SEZ.

5.5.5. Technological relief

Relief lies in the possibility of a reduction in the taxable amount of income tax by half of the expenditure incurred on the acquisition of new technology.

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[40] At the time of the report creation, i.e. in December 2014, the details of the operational programmes financed by the EU funds in the new financial perspectives 2014-2020 were under preparation to the final approval by the European Commission.

5.5.6. Exemption from local taxes

Incentives for entrepreneurs may also be offered by municipalities which have the power to lay down exemptions from taxes and local charges, including property taxes. Conditions for the tax exemption depend on the most common amount of declared investment outlays and/or new jobs created.

Because investment incentives are available in many different programs, and each of them has different terms and conditions to apply, in order to obtain detailed information, we suggest contacting the Polish Information and Foreign Investment Agency.

5.5.7. Support under the Common Agricultural Policy

For the countryside and the farmers the Operational Programme for Rural Development will be very crucial. Its aim will be to improve the competitiveness of agriculture, sustainable management of natural resources and activities in the field of climate change and sustainable territorial development in rural areas. The total budget for the Programme amounts EUR 13.5 billion.

Within the framework of the Programme there will be 6 priorities implemented:

- facilitation of the transfer of knowledge innovation in the agriculture, forestry and rural areas
- improvement of the competitiveness of agriculture, increasing the profitability of agricultural holdings,
- improvement of organisation of the food chain,
- renewal, support and protection of ecosystems that depend on agriculture and forestry,
- resource efficiency, the transition to a low carbon economy and resilient to climate change, risk management,
- increasing social inclusion, poverty reduction and the promotion of economic development in rural areas.

An important element of the Programme will be to support investments related to the processing of agricultural products, development of producer groups and the quality systems of agricultural products.

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