CBI MARKET SURVEY

The Natural Stone and Stone Products Market in Poland

Publication date: July 2007

Report summary
This CBI market survey discusses the following highlights for the natural stone market in Poland:

- With a total of € 84 million, Poland is a small EU consumer accounting for only 1% of total EU consumption of finished stone products. The total production volume of Poland consists for 90% of Blocks and Slabs.
- The total value of imported natural stones in 2005 was € 86 million, 30% higher than in 2004. The growth was mainly realized in the product groups Blocks and Slabs and Funeral and Other Art.
- The market share of developing countries has grown between 2004 and 2005 from 32% to 55%. Developing countries are especially important as suppliers of Blocks and Slabs and Funeral and Other Art. South Africa (37%), China (19%), India (18%) and Brazil (8%) are the most important suppliers for Poland.

This survey provides exporters of natural stone with sector-specific market information related to gaining access to Poland. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The Natural Stone and Stone Products Market in the EU', which covers the EU market in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo

Note: In the chapters about consumption and production, we refer to 3 product groups:

- Blocks and Slabs
- Landscape design
- Monumental and Funeral

The last group (Monumental and Funeral) is an aggregate of 2 sub products groups that will be addressed separately in the Import/ Export section: Flooring and Cladding and Funeral and other arts. For more explanation about the product group segmentation, please refer to the Appendix A of the CBI market survey 'The Natural Stone and Stone Products Market in the EU'.

1 Market description: consumption and production

Consumption and industrial demand

- In 2004, the Polish consumption of natural stone represented 3,620 thousand tonnes, of which 325 thousand tonnes of finished products worth € 84 million.
- Poland is the fifth biggest consumer of natural stone accounting for 4% of the total volume of the EU consumption.
- The large consumption of Blocks and Slabs is mainly responsible for such a high ranking (see Table 1.1 below). In contrast to most other EU countries, Blocks and Slabs indeed still account for a significant part of Polish consumption.
- For finished products, Italy and Spain are the biggest EU consumers in value with 30% and 19% respectively of the EU total. Other middle sized consuming countries: France (11%), Germany (10%), and the United Kingdom (10%). Poland is the largest consumer of the new EU Member States.[1]

[1] The ten new Member States are: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. Bulgaria and Romania have not yet been included in this market survey because they just entered the EU in 2007 and are therefore considered to be Extra-EU countries.

- Finished Products in Poland accounts for 1% of the total value of consumed natural stones. The average price of Monumental and Funeral is about ten times bigger than that of Landscape Design.

Table 1.1 Polish consumption in 2004 split into product categories, value in € million; volume in 1,000 tonnes

	2004	
Product group:	**Volume**	**Value**
Blocks and Slabs	3,295	n.a.
Landscape design	34	1
Monumental and Funeral	291	83

Source: Eurostat (2006)

- The natural stone consumption has more than quadrupled in the period from 1994 to 2002.[2] Although figures are missing, it is likely that Polish stone consumption has continued to grow in the period from 2002 to 2004, and at higher rates after its accession into the EU in 2004.
- Poland is rapidly developing and creating a huge potential for stone products for various applications. Moreover, Poland's GDP is set to grow with 4.7% in 2007 and with 4.5% in 2008.[3] The construction sector, the biggest user of natural stone in Poland, is also expected to stand at the verge of another year of growth. The market climate is very good; there are no problems with demand or with finding project financing. Moreover, leading construction firms are working at full capacity.[4] Therefore, Polish consumption of stone products will continue to expand for some years to come.

Market Segmentation

The Polish market can be divided into the following segments of users of natural stone:

- building industry: using natural stone in a wide variety of applications for interior design as well as exterior coverings. The building industry is by far the biggest consumer of natural stone.
- natural stone processing industry: processes blocks and slabs of natural stone into finished products to supply to the market segments below.
- funeral industry: is a large retail sector that sells funerary art like tombstones, gravestones and urns to the consumer. Natural stone for funeral art is very common in Poland and therefore the industry is a large consumer.
- Other retail (consumer market): include garden centres and interior design sector.

Unfortunately it is not possible to give accurate market share figures of the individual segments as exact figures are missing.

Trends

- New extraction technologies and the large supply of natural stone have made the average prices drop. Therefore in Poland, especially now that living standards are increasing, natural stone is becoming an affordable and more sustainable alternative for competing products like wooden floors and floor carpets. This development has an effect on the consumption of products like tiles for flooring and cladding.
- In Poland the biggest user of granite is in the tombstone industry. The most popular colours at the moment are black and grey granite. Preference for colours seems to change every two to three years now and therefore it is important to know what the latest trend is or is going to be.

Production

[2] Source: Stonereport
[3] Source: Institute of Market Economics
[4] Source: Construction Portal for Poland

- In 2004, the Polish production of natural stone represented 3,527 thousand tonnes, of which 399 thousand tonnes of finished products with a total of € 69 million.
- In volume, Poland ranks fifth accounting for 5% of total EU production. The most important producers are Italy (51%), Spain (19%), Greece (8%) and Germany (4%). Of all the new EU Member States, only Poland and Hungary (2%) produce natural stones.
- Poland as a producer of finished natural stone products accounts for 1% of the total value of EU production. In comparison, Italy, Spain, France and the United Kingdom account for 44%, 23%, 7%, and 6% respectively of the total value.

Table 1.2 Polish production split into different product categories 2002 – 2004; value in € million; volume in 1,000 tonnes

	2002		2003		2004	
Product group	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**
Blocks and Slabs	1,190	n.a.	2,273	n.a.	3,128	n.a.
Landscape design	269	15	172	12	156	12
Monumental and Funeral	242	50	391	52	243	57

Source: Eurostat (2006)

- This production of finished natural stone products shows a mixed image. The value of Landscape Design has dropped with 25%, while its total volume decreased significantly more by 42%. On the other hand, the total value of Monumental and Funeral has increased by 14% while the volume virtually remained the same. It can be concluded, however, that the average price of Polish finished products is increasing. This is contrary to the development on the global stone market.
- The production volume of Blocks and Slabs has increased by 163% over 2002-2004. The increasing domestic and foreign demand is the main reason for this substantial expansion.
- In 2004 the volume of natural stone produced was larger than the volume consumed. This proves that Polish extraction and processing companies are major players in the Polish stone market. Because of strong economic developments it is expected that Polish production will grow in coming years.
- Listed below are some interesting players on the Polish market active in the production of natural stone:
    - B & M Granity: a natural stone processor offering a wide variety of stone. Uses Polish as well as imported stone: http://www.granity.pl
    - Granite Strzegom: extracts granite in the Strzegom area of Poland. It offers raw material as well as finished products: http://www.granit-strzegom.com.pl
    - Marmurów Sławniowickich: famous producer of finished marble products. Has decorated several ministries but also offers to individual clients including fireplaces, gallantry, sacral elements and tombstones: http://www.marmur-slawniowice.pl/

Opportunities and threats

\+ Since joining the EU, Poland has access to EU funds for big building and construction projects. This is one of the reasons Poland is expected to be one of the biggest growth markets of not only the new Member States but of the EU as a whole. This will likely have a large impact on the consumption of stone.

\+ Poland is organising the European Soccer Championship in 2012 together with Ukraine. For this event a significant construction will need to take place. This will be a good impulse for the construction sector in Poland and, therefore, the natural stone sector.

\- Although the Polish stone industry is changing due to foreign competition, it still holds a stable position in the market. This makes it harder for suppliers from developing countries, who not only have to compete with other foreign suppliers, but also with an industry that has a long history and tradition.

Note that the above mentioned opportunities and threats do not necessarily apply to your situation. Therefore, please use the developments and trends discussed in the previous chapters to make your own analyses. Let that determine whether the above mentioned opportunities and threats apply to your situation. For an example of such an analysis, please refer to chapter 7 of the CBI market survey 'The Natural Stone and Stone Products Market in the EU'.

Useful sources

- Website on trade show including various tradeshows interesting for natural stone exporters/producers: http://www.biztradeshows.com/organizers/kielce-trade-fairs.html
- Polish International Fair of Stone and Stone Machinery (largest annual natural stone exposition in Poland) http://www.geoservice.pl/index2.php?str=targi&tar=kamien&nr=07&le=en&count=324398

2 Trade channels for market entry

Trade channels

The most important trade channels in Poland are:

- Wholesaler/importers: buy their natural stone directly from supplying countries. The market is dominated by a few large companies.
    - Inbra: http://www.inbra.pl
    - Beltrami Poland: http://www.beltrami.pl
- Retailers: mainly buy from wholesaler/importers; however large retailers are also known to buy from supplying countries directly.
    - Libet: http://www.libet.pl
    - Interstone: http://www.interstone.pl/
- Natural stone processing industry: processors that buy from wholesalers/importers quarry their own stone or depending on the size of the company buy directly from supplying countries. After processing these companies mainly supply to retailers and consumers.
    - Kamien: http://www.kamiensosnowiec.pl/
    - Eko Perfect: http://www.ekoperfect.pl
- Other: major companies (e.g. building) or governmental organisations buying directly from supplying countries for large building projects.
    - Polish Ministry of Construction: http://www.mb.gov.pl/
    - Warbud (one of the biggest Polish construction companies): http://www.warbud.pl/en/

- For various trade channels it is becoming more common to get their natural stone directly from the supplying country instead of buying it from importers. By doing business directly with the users in Poland, producers can increase their margins.

Price structure
Throughout the various trade channels, different prices and margins apply. The different prices per trade channel in the EU are almost identical in the different EU Member States. Therefore, please refer to chapter 3 of the CBI survey 'The Natural Stone and Stone Products Market in the EU' for an overview of prices and margins.

Selecting a suitable trading partner
- Wholesalers/importers and other importing parties in Poland usually deal with agents in the supplying country. These agents find producers and compare the quality and prices of the product keeping in mind what is requested by the importers in Poland. Therefore, producers will have to get in contact with the agents in their own country in order to access the Polish market.
- It is of course possible to establish a direct relationship with importers in Poland. These are usually the bigger importing parties with long-term plans and able to afford the extra costs of a direct relation (e.g. travel costs, translators). In some cases they are interested in investing in more efficient extraction technologies in developing countries making it profitable for both parties.
- Listed below are websites where you can find possible trading partners:
    - Nowy Kamieniarz Magazine (website includes various links to Polish importers): http://nowykamieniarz.pl
    - Directory of Construction Companies in Poland (have to be a paying member to use the database): http://www.constructionpoland.com

3 Trade: imports and exports

Imports:

Total imports
- Poland imported about € 86 million worth of natural stone in 2005 representing 430 thousand tonnes.
- Poland is a small EU importer accounting for 1% of the total EU imports. It is however, the biggest importer of all new EU Member States. The biggest importers are Italy (17%), the United Kingdom (15%), France (13%) and Spain (9%).
- The value of imports increased by 30% compared to 2004 and the volume by 36%. In other words, the average price of imported natural stone is dropping. The main reason for this development is the fierce competition on the Polish market.
- Because Polish consumption and production can only be calculated for 2004 it cannot be said whether there is a strong correlation with the development of imports. However, in other EU Member States the developments between import and consumption ran generally parallel. Poland is thought to be no exception and therefore the expected growth in consumption will likely result in expanding imports.
- In 2005 developing countries were responsible for 55% of the total value of Polish imports and 51% of the total quantity. The fact that the blocks and slabs imported by Poland have a higher price than the average is the main reason for the difference between value and volume.
- Please find below a table with the most important developing countries supplying to Poland:

Table 3.1 Most important developing countries supplying to Poland in 2005

Developing country	Value (in € million)	% of total Polish imports	Value '05 / '04
South Africa	19	37%	+106%
China	10	19%	+142%
India	9	18%	+170%
Brazil	4	8%	+147%
Ukraine	2	3%	+38
Turkey	2	3%	+65

Source: Eurostat (2006)

Imports by product group

Table 3.2 Imports by and leading suppliers to Poland 2004 - 2005, share in % of value

Product group	2004 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Total natural stone:				
Intra EU	43	38	Italy (25%), Sweden (11%), Spain (9%), Belgium (8%), Czech Republic (8%)	**44%**
Extra EU	0.7	0.7	Norway (1%), Bulgaria (0.1%), Romania (0.1%), Russia (0.02%), Australia (0.02%)	**1%**
DC*	21	47	South Africa (37%), China (19%), India (18%), Brazil (8%), Ukraine (3%), Turkey (3%), Zimbabwe (1%), Angola (1%), Egypt (1%), Croatia (1%)	**55%**
Blocks and Slabs:				
Intra EU	21	17	Sweden (12%), Finland (6%), Belgium (4%), Spain (4%), Italy (4%)	**36%**
Extra EU	0.5	0.6	Norway (1%), Bulgaria (0.1%), Romania (0.03%), Russia (0.03%), Canada (0.01%)	**1%**
DC*	14	30	South Africa (44%), India (11%), Brazil (5%), Ukraine (3%), Zimbabwe (1%), Angola (1%), China (0.3%), Mozambique (0.2%), Iran (0.1%), Turkey (0.1%)	**63%**
Funeral and other art				
Intra EU	14	12	Italy (26%), Spain (8%), Belgium (6%), Germany (4%), Czech Republic (2%)	**43%**
Extra EU	1	1	Romania (0.2%), Norway (0.1%), Australia (0.04%), Sweden (0.02%), USA (0.02%)	**4%**
DC*	6	15	China (30%), India (12%), Brazil (4%), Turkey (4%), Croatia (1%), Egypt (1%), Ukraine (0.3%), Iran (0.2%), Indonesia (0.1%), South Africa (0.1%)	**53%**
Flooring and Cladding:				
Intra EU	8	8	Italy (32%), Czech Republic (20%), Spain (7%), Germany (5%), Belgium (4%)	**71%**
Extra EU	0.6	0.2	Bulgaria (0.2%), USA (0.04%)	
DC*	1	3	China (12%), Turkey (5%), India (3%), Brazil (2%), Egypt (2%), Iran (0.3%), Croatia (0.2%), Indonesia (0.1%), Ukraine (0.04%), Zambia (0.03%)	**27%**
Landscape design:				
Intra EU	0.2	0.3	Germany (40%), Italy (22%), Spain (3%), the Netherlands (1%), Sweden (1%)	**75%**

Extra EU DC*	0 0.2	0 0.1	N.A. Ukraine (27%), Brazil (4%), China (3%), India (1%)	**25%**

Source: Eurostat (2006)
*Developing Countries

- All product groups have grown in 2005, except for Landscape Design that has remained stable. The most significant growth has been realised in the product groups Blocks and Slabs (+34%) and Funeral and Other Art (+33%). Flooring and Cladding has gone up with approximately 17%.
- The most important product in the product category Intermediate Products in 2005 was siliceous blocks and slabs (€ 44 million). In the product category Finished Products the most imports came from siliceous funeral art (€ 19 million), calcareous funeral art (€ 8 million) and calcareous monumental building stones (€ 4 million).
- The overall market share of developing countries has grown from 32% in 2004 to 55% in the 2005. Because of this exceptional growth, developing countries are now the largest supplier of stone to Poland. Although their market share has increased in all product groups, the growth has been most significant in the two most important and strongest growing groups; Blocks and Slabs and Funeral and Other Art. In contrast Intra-EU imports have dropped significantly, especially in those product categories.

Exports

- The value of Polish exports has grown explosively in 2005 with 43% (see Table 3.3). Remarkable is that the total volume grew with the exact same percentage. However the average price of finished products increased more than that of blocks and slabs.
- Poland is a small exporter in the EU accounting for 1% of the total value of EU exports. The EU market knows just two large exporters namely Italy (46%) and Spain (24%). Other fairly big exporters are Portugal (6%) and Belgium (5%). From all the new EU Member States only Poland and the Czech Republic (1%) are exporting natural stone.

Table 3.3 Polish export of natural stone 2004 – 2005; value in € million; volume in 1,000 tonnes

2004		2005		Value '05/'04
Volume	Value	Volume	Value	
221	23	315	33	+43%

Source: Eurostat (2006)

Opportunities and threats

+ The recent growth of imports from developing countries is expected to continue. Moreover, it is expected that developing countries will gain an even stronger market position in the Polish market.
+ Developing countries are the most important suppliers to Poland. Having a secure position in the Polish market, developing countries can make long-term plans and invest in business relationships, logistics and implement measures to improve efficiency.
- The average price of imported finished stone products is dropping. This especially affects exporters from developing countries.

Note that the above mentioned opportunities and threats do not necessarily apply to your situation. Therefore, please use the developments and trends discussed in the previous chapters to make your own analyses. Let that determine whether the above mentioned opportunities and threats apply to your situation. For an example of such an analysis, please refer to chapter 7 of the CBI market survey 'The Natural Stone and Stone Products Market in the EU'.

Useful sources

- EU Expanding Exports Helpdesk:
  http://export-help.cec.eu.int/ ➔ go to: trade statistics

- Eurostat – official statistical office of the EU: http://epp.eurostat.cec.eu.int ➔ go to 'themes' on the left side of the home page ➔ go to 'external trade' ➔ go to 'data – full view' ➔ go to 'external trade - detailed data

4 Prices developments

- The price of natural stone has been dropping globally because of more efficient extraction technologies and more suppliers being active on the global market. Poland is no exception. However, if we take a closer look at the developments in the different product groups it becomes clear that the average price of imported Blocks and Slabs has remained on the same level between 2004 and 2005. The decrease in the product category Finished Products is therefore solely responsible for the overall decrease. It is not clear whether this development will continue in years to come.
- Listed below are three general websites that include price data for the EU market:
  - http://www.findstone.com
  - http://www.stonesource.com
  - http://www.stone-network.com

5 Market access requirements

As a manufacturer in a developing country preparing to access Poland, you should be aware of the market access requirements of your trading partners and the Polish government. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select natural stone products and Poland in the category search, click on the search button and click on market access requirements.

Additional information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm

Information on tariffs and quota can be found at http://export-help.cec.eu.int/

Information on eco-labelling and packaging legislation is included in the CBI market information database.

6 Doing business

General information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual 'Exporting to the EU'. These manuals can be downloaded from http://www.cbi.eu/marketinfo - go to search publications.

Advertising

As mentioned before importing parties in Poland usually deal with agents in the supplying country. Establishing a relation with an agent is, therefore, the first step to gain access to the Polish market.
The agents promote the products of their clientele at trade shows. DC Producers can also participate in these trade shows, however often indirectly through the agent. The most important trade show in Poland is the Natural Stone Expo. Because of the geographical position of Poland, trade shows in Germany and other neighbouring countries may also be of interest to potential suppliers to the Polish market.

Service

In a market where competition is fierce and margins are small, it is becoming increasingly important to be a reliable partner. Delivering according to agreements and effective communication are crucial for your trading partner and necessary for developing a long-term business relationship.

Useful sources

- Polish natural stone magazine Swiat Kamienia interesting for stonemasons, architects designers and retailers:
  http://www.swiat-kamienia.pl
- Polish Natural Stone Expo:
  http://www.stonexpo.pl
- Stone Tec Nature Stone Expo (German stone expo):
  http://www.stone-tec.com

This survey was compiled for CBI by CREM BV