UOKiK Report – Polish beer and hops market

* **UOKiK has examined the characteristics, relationships, and level of competition in the Polish beer and hops industry.**
* **The biggest problems it experiences include the fragmentation of hop growers and the underdeveloped hop processing sector.**
* **In addition to the diagnosis, the report includes recommendations for the industry.**

**[Warsaw, 21 August 2024]** According to the [latest Eurostat data](https://ec.europa.eu/eurostat/en/web/products-eurostat-news/w/edn-20240802-1), more than one in ten half-liter bottles or cans containing EU beer (approximately 3.7 billion liters) are produced in our country. In this respect, Poland ranks third in the European Union, followed by Germany (7.6 billion liters) and Spain (3.9 billion liters). The industry has undergone significant changes in recent years. Consumption levels are changing – they have been declining for the past five years (in 2023, it was 200 million liters lower compared to 2022). Consumer preferences are also changing – Poles are buying less strong and premium-priced beer. Many new manufacturers have emerged, offering the so-called craft beers. Therefore, the President of UOKiK decided to examine how this market operates and the relationships within it.

“We conducted a study, collecting information on how the domestic beer market operates and on the raw materials used for producing beer, particularly the relationships between agricultural producers, intermediaries, and entities manufacturing and offering beer. We focused on the level of market concentration and the rate of price changes. We also presented recommendations for the industry,” said UOKiK President Tomasz Chróstny.

The study targeted 16 selected breweries, including the largest beer producers operating in the country. It also covered hop producers, processors, intermediaries, and malt houses, meaning the main suppliers of raw materials for the beverage. The analysis covered the period between 2019 and 2022. In order to illustrate trends, earlier years were also considered, including the first full year of Poland’s membership in the European Union.

The result is the “Report on the Study of the Domestic Beer and Hops Market”, which also includes recommendations for legal and systemic changes.

**Market characteristics**

The domestic beer market is dominated by three major producers, manufacturing beer on an industrial scale. These are Kompania Piwowarska (known for brands such as Lech, Tyskie, Żubr), Grupa Żywiec (Żywiec, Warka, Królewskie), and Carlsberg Polska (Okocim, Kasztelan). Together, these entities accounted for approximately 80% of beer sales in Poland in 2022, in terms of both quantity and value. The remaining 13 producers examined, including the so-called craft breweries, collectively held nearly 20% of the market share. This group was dominated by Van Pur S.A. (brands such as Łomża, Brok) and Perła – Browary Lubelskie S.A. (Perła, Zwierzyniec).

Despite the growing interest in craft beers, their share in the overall beer sales structure in Poland did not exceed a few percent. This may be related to the higher production costs, and consequently, higher prices compared to mass-produced beers. As a result, they are also more vulnerable to changes in consumers’ purchasing power.

From 2019 to 2022, the rise in beer prices translate into a reduction in the scale of their sales. This trend more significantly affected 11 smaller breweries.

The scale of beer price increases between 2019 and 2022 varied across different breweries but was generally lower than the inflation rate. This was partly due to strong competition between breweries and pressure from retail chains, as noted by survey respondents.

Most breweries highlighted the intensity of competition in the domestic hops market. At the same time, the largest beer producers in Poland sourced their hops from abroad to a large extent, even though the prices of Polish hops were lower than those of their EU competitors.

**Relationships between market participants**

The Polish hops and beer market generally operates under a model involving growers and intermediaries or processors and beer producers.

The surveyed breweries primarily sourced domestic hops from processors and intermediaries, mostly based on long-term contracts. Occasionally, *ad hoc* transactions occurred, where orders were fulfilled based on e-mails or online purchasing platforms.

Domestic intermediaries purchased fresh or granulated hops mainly based on *ad hoc* orders from other intermediaries, frequently without signing formal contracts. Processors, who supply breweries, bought raw hops almost exclusively based on contracts with growers.

“When conducting the survey, we paid particular attention to potential irregularities concerning the possibility of amending contracts, pricing methods, and payment terms for completed deliveries. We will be analyzing these issues in terms of possible actions, such as those related to combating unfair use of contractual advantage”, said UOKiK President Tomasz Chróstny.

One of the problems related to the relationships in the beer market, as pointed out by producers, is the growing power of retail chains and purchasing alliances, which exert pressure to lower prices despite rising production costs.

**Hops growers and processors**

In the Polish hops and beer market, growers are relatively the weakest group. Their position is weaker not only compared to other participants in the Polish market but also relative to their competitors in Europe. The average hop plantation in Poland is several times smaller than in Germany or the Czech Republic. Key global entities involved in hop cultivation, processing, and distribution originate from small agricultural producers or entrepreneurs who have developed their cooperation over many years. The relatively small scale of production among Polish growers hampers their ability to increase added value, thereby affecting their market influence and development.

Polish hop growers have limited abilities to respond to changing circumstances, such as shifts in consumer preferences or oversupply of raw materials.

According to the analysis conducted by UOKiK, the largest beer producers purchase hops abroad partly due to quality requirements. Some breweries believe that only a portion of Polish hops meets their needs (e.g., regarding the content of alpha acids, which contribute to the bitterness of the beer). Therefore, the lower price of hops in Poland is primarily due to the limited ability to meet the standards set by the largest market players, in terms of both the raw material’s properties and the forms in which it is offered to producers.

**Processing**

One of the major issues highlighted by the industry is the cost, quality, and scope of domestic hop processing. In addition, according to the surveyed respondents, Polish companies that purchase and process hops face competition from German companies operating in Poland. As a result, most of the domestic hop production is exported (65% in 2022) – almost exclusively in its raw form. In contrast, Poland imports granulates and extracts, which are preferred by most beer producers. This leads to low competitiveness in this segment of the market.

“Increasing the scale of individual plantations, utilizing renewable energy sources (RES) and energy-efficient technologies to optimize production costs, supporting the development of the so-called craft beer segment, and most importantly, fostering collaboration between growers and processors, as well as supporting the promotion and sale of Polish hop varieties and beers internationally, are potential ways to enhance the competitiveness of the Polish hops and beer industry”, says UOKiK President Tomasz Chróstny.

The report and its recommendations can be found and downloaded from the UOKiK website.