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Croatia

HRI Food Service Sector

Market Update

2004

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Report Highlights:
Croatia's slowly improving standard of living is resulting in a growth of foods eaten away from home. In addition, tourism is growing and accounts for a significant portion of the economy. Hotel, Restaurant, and Institution (HRI) firms buy most food ingredients from specialized wholesalers. Most imported items are shipped from countries in the European Union, which creates opportunities for U.S. exporters servicing warehouses in Europe. Direct imports are negligible. U.S. food exports with best sales potential include dried fruits and nuts, fish and fish products, rice, wine, fresh fruit, and snack foods.

Includes PSD Changes: No
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Market Summary

Croatian food and agricultural imports have been increasing since 1991. In 2003, total Croatian food and agricultural imports amounted to approximately $1.3 billion, a 25 percent increase in value compared to 2002.

Tourism, although highly seasonal, is an important economic activity in Croatia. Each year about 6 - 8 million tourists visit Croatia (compared to Croatia's population of four million). In 2003, Croatia had record number of almost 9 million tourists.

Foreign tourists represent 83-89 percent from total number of tourists. The majority of visitors come from Germany, Italy, Slovenia, Austria, and the Czech Republic. Tourists coming from countries outside of Europe are mostly Americans. Tourist infrastructure is satisfactory but still developing, particularly in the main tourist destinations.

Advantages	Challenges
Food imports are rising.	Import growth mainly benefits other EU and surrounding countries.
Niche market for various products.	Compliance with strict food regulations.
High quality of U.S. products like wine.	Lack of awareness of U.S. quality should be countered by market development measures.
More upper class tourists from western countries who are familiar with U.S. products.	Higher prices of U.S. products

I. Road Map for Market Entry

A. Entry Strategy

The best way to establish business contacts with Croatian HRI firms is through their wholesalers. Croatian food trading companies always send buyers to international food fairs in Cologne (ANUGA) and Paris (SIAL). Croatian food traders visit local fairs in Zagreb like Enogastronomy &Tourism, Gastronomy, Vinovita, Agriculture, Autumn International Fair. Because European fairs are large and relatively close, Croatians rarely travel to U.S. fairs. Information on these shows is available at: http://www.usembassy-vienna.at/usda/wwwhag05.html. The market could also be entered through agents who have good relations with importers/wholesalers.

B. Market Structure

All large HRI firms buy through local importers, local wholesalers, cash-and carry stores (Metro), and directly from producers. Small HRI firms predominantly buy from wholesalers, cash-and-carry stores (Metro), large retailers, and directly from producers. Wholesalers provide imported and local products. Direct imports are negligible.

C. Sub-Sector Profiles

1. Hotels and Resorts

Hotel and Resort Company Profile

Name	Total Turnover	Number and Location of Hotels	Purchasing Agent
Starwood Hotels and Resorts	N/a	Opera (Westin) in Zagreb Panorama (Four Points by Sheraton) in Zagreb Sheraton in Zagreb	Central purchase, wholesaler, producer
SRS WorldHotels	N/a	Hotel Millennium in Opatija	Individual purchase, wholesaler, producer
Regent	N/a	Hotel Esplanade in Zagreb	Individual purchase, wholesaler, producer

Besides those hotels that belong to international hotel chains there are many hotels owned by individuals, and some that are still owned by the state. Most hotel restaurants offer catering and party service. Many hotels have food and drink and/or banqueting managers and dedicated departments.

In general, tourism is recovering from a slump in 1991-1995, but the sector is becoming more and more sophisticated. Developed tourist areas of Croatia like Dalmacija, Primorje, and Istra, have the highest numbers of hotels. Medical tourism, spas, and agro-tourism are growing sub-sectors. The capital city Zagreb is also an important tourist destination. The most important tourist season is summer with most guests coming from Germany, Slovenia, Italy, Czech Republic, and Austria.

2. Restaurants

Restaurant Company Profile

a. Family Style Restaurants Company Profile

Chain restaurants, with the exception of fast food restaurants, are not yet present in Croatia. The most predominant establishments are small traditional restaurants that are raising the quality of their food and service. Ethnic restaurants have expanded considerably in the recent past, especially pizzerias, Italian, Chinese, and Mexican restaurants.

b. Fast Food

Name	Total Turnover in 2002	Number of outlets	Purchasing Agent
McDonald's	$15.4 million	16 all over Croatia	Central purchase, wholesalers, producers, import
Subway	N/a	2 in Zagreb	Individual purchase, wholesalers, producers, import

The fast food market is growing. The biggest consumers of fast food are school kids and students. The lion's share of fast food market is made up of small private companies.

3. Institutional Gastronomy

During the days of socialism in the former Yugoslavia, cafeterias were an integrated part of a firm and often a part of an employee's package of benefits. Today company cafeterias have been abandoned all together or sold to private operators. Some employees order meals from catering companies. Private hospitals, nursing and retirement homes are starting to emerge, but they are still negligible in numbers. Most of existing nursing and retirement homes belong to social security authorities. Existing hospitals are public institutions. Food and beverage purchasing by hospitals and nursing or retirement homes is usually carried out individually. By law, each hospital must publish a tender at the beginning of each year to select the best food offer. School meals are often cooked on site, and purchasing is done through wholesalers and producers.

Catering Company Profile

This sector is still developing with demand expected to rise. However, there are no official statistics for this sector at present. Catering companies purchase raw materials from wholesalers.

III. Competition

The main competitors for U.S. suppliers are from EU (esp. Austria, Italy, and Germany) and surrounding countries (Hungary, Italy, Slovenia), followed by the domestic food industry. Austria, Italy, and Germany have strong manufacturing industries, which can easily supply Croatia with packaged and many branded products. EU, CEFTA, EFTA and other (Macedonia, Bosnia and Herzegovina, Turkey, Lithuania, Albania, Moldova, Serbia and Monte Negro) preferential trade agreements sometimes result in lower tariffs. Local and EU products have lower transport costs as well.

Total imports of food and agricultural products were about $1.3 billion in 2003 and $999.7 million in 2002. The U.S. market share in 2002 was officially around 2 percent. However, because many goods are transshipped via the EU actual trade is higher. The United State's relatively small market share is due to the long transportation distance, time lags, and some tariff benefits enjoyed by EU member countries.

IV. Best Product Prospects

A. Products in the Market Which Have Good Sales Potential

Dried fruits and nuts

In 2002, Croatia imported a little over $14 million in dried fruits and nuts (dried apricots, dried prunes, dried grapes, dried figs, dried dates, dried fruits mixtures, ground nuts, almonds, hazelnuts, walnuts, pistachios, coconuts, Brazil nuts, cashew nuts, ground nuts, chestnuts and nuts mixtures), a 21 percent increase in import value over 2001. Imports of dried fruits and nuts have risen consistently since 1998. U.S. imports accounted for only 9.5 percent of the total Croatian dried fruit and nut imports in 2002, but actual U.S. sales are probably higher due to transshipments from wholesale suppliers in Western Europe. Imports of dried fruits and nuts from the U.S. have increased the last two years. The European Union enjoys duty free access or TRQs for these groups of products to Croatia, while U.S. exports face a 2 to 15 percent tariff for most of these items (with dried figs coming under a 25 percent tariff). Demand for nuts and dried fruits by the HRI sector is currently small. However, these products may be offered as snacks in fast food restaurants and stands.

Fish and fish products

Despite Croatia's lengthy Adriatic coastline the country is struggling to catch and produce seafood. Croatia lacks a modern fishing fleet, as well as infrastructure to transport and process seafood. At the same time, demand for seafood is rising as Croatia becomes a more popular tourist destination. These factors make Croatia an excellent market for U.S. seafood. In 2002, Croatia's seafood imports amounted to $76 million, a 33.33 percent increase over 2001. However, U.S. market share dropped was one percent (according to U.N. statistics), representing a drop from approximately $2 million in 2001 to under $1 million.

Rice

Rice demand in Croatia is met by fairly stable imports of $5 million. The Croatian market is dominated by rice from Italy. Officially, U.S. exports of rice to Croatia are minimal, and in 2002, Croatia imported 141 MT of rice from the United States. However, EU mills process and transship U.S. long grain rice to Croatia, where they, as EU suppliers, enjoy duty-free entry. Rice imported directly from the United States has a two percent tariff.

B. Products not Present in Sufficient Quantities but Which Have Good Sales Potential

Wine

In 2002, Croatia imported $6 million in wine, mostly from Slovenia, Italy, France, and during the last few years-Serbia and Montenegro. The U.S. market share in 2002 was negligible. In June 2003, Croatia adopted a new wine law. According to this new law, wines from the countries with which Croatia has free trade agreements and TRQs for wine (reciprocity) will not be subject to costly and time consuming testing procedures.

Snack foods

The presence of U.S. snack food brands is significant but most items are sourced from EU member countries or Croatian franchisees. Total imports in 2002 were about $60 million, which is a 36 percent increase over 2001. Unfortunately, less than one percent accounted for official U.S. exports.

Fresh fruit

The value of annual fruit import in 2002 was about $64 million with negligible U.S. participation (U.N. trade statistics). There are some opportunities for U.S. citrus.

C. Products not Present Because They Face Significant Barriers

Beef

Beef can't be imported from the United States because of BSE ban. Insufficient production and ban of beef imports from several supplying countries after outbreak of BSE, has led to a beef shortage in Croatia. Imports of beef are going down since BSE first occurred and in 2002 Croatia imported beef in value of $2.5 million (in 1999 imports were $ 10 million and before that imports fluctuated from $20 – 24 million)) but only from Australia. The total market for beef per year is 55,000 MT. It is estimated that in 2005 Croatia will need 64,000 to 76,000MT of beef.

Pork

At present, U.S. exporters may not ship pork to Croatia because there is no negotiated USDA/FSIS meat export certificate. The Croatian government requires trichinosis testing for pork imports despite recognition that freezing has been proven to be an effective control. USDA is in protracted negotiations to reach an agreement on this issue.

In total imports for 2002 were $40 million. The biggest suppliers of pork for Croatia are: Hungary, Germany, Denmark, Netherlands and Austria.

Poultry

Croatian meat processing companies have started exporting to the EU and now buy mechanically de-boned meat (MDM) only from EU approved plants and supplying countries, thereby shutting out U.S. firms. In 2002, the value of MDM poultry meat imports (HS 0207.41) was $1.8 million. In 2001 imports from the United States were $260,000, but in 2002 imports dropped to zero.

IV. Post Contact and Further Information

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The following market related reports for Croatia are available at the FAS home page www.fas.usda.gov under Attache Reports: Food and Agricultural Import Regulations (FAIRS), Exporter Guide, Supermarkets and Market Research Firms, Food Processing Ingredients Sector; market briefs on the Croatian food market: Wine, Seafood, Pet food, Dried Fruit and Nuts, Rice, Poultry, Pork, Beef.

Number of hotels and restaurants, turnover in food and beverages in 2002

	Number	Turnover ($1,000)	Turnover in food and drinks ($1,000)
A. Enterprises/trade companies			
1. Hotels and restaurants	1,806		
1.1 Hotels	**371**	**693,030**	**221,916**
1.1.1 Hotels and motels with restaurant	360		
1.1.2. Hotels and motels without restaurant	11		
1.2. Camping sites and other provision of short-stay accommodation	**251**	**26,479**	**7,449**
1.2.1. Youth hostels and mountain refuges	12		
1.2.2. Camping sites, including caravan sites	57		
1.2.3. Other provision of lodging for tourists	182		
1.3. Restaurants	**358**	**88,532**	**81,955**
1.4. Bars	**736**	**79,459**	**69,651**
1.5. Canteens and catering	**90**	**39,321**	**38,211**
2. Hospital activities	**8**	**6,695**	**2,543**
Total A	**1,814**	**933,516**	**421,725**
B. Tradesman			
Restaurants	3,041	127,497	N/a
Bars	9,341	262,502	N/a
The rest	700	22,282	N/a
Total B	**13,082**	**412,281**	**N/a**
Total A+B	**14,896**	**1,345,797**	**N/a**

Sales of food and drinks from 1998 to 2002 (in $1000) to Tourist Enterprises

	1998	1999	2000	2001	2002
Beer	33,777	30,081	29,253	29,596	34,651
Wine	20,055	18,080	17,488	18,474	22,113
Brandy	3,675	3,153	2,647	2,576	2,863
Other alcoholic drinks	13,168	11,748	10,495	10,613	11,738
Fruit juices and other non-alc.drinks	39,433	34,834	34,377	34,851	40,227
Mineral water	9,256	8,214	8,947	9,998	11,964
Food	226,110	202,611	204,189	228,575	265,541
Beverages	27,971	26,328	25,225	25,724	32,629
Total	373,445	335,049	332,621	360,389	412,726

Number and Types of Institutional Buyers

Institution	Year	Number of facilities	Number of people/year	Extrapolated number of meals/day
Prison	1999	20	30,000 (maximum 3,500 at one time)	10,500
Kindergartens	2001/2002	1,051	87,592(total in last 5 years 369,347)	369,347
School	2001/2002	2,779	595,100(total in last 5 years 3,047,808)	3,047,808
Higher education institutions	2001/2002	95	107,911(total in last 6 years 572,653)	1,145,306
Hospital	2001	78	700,143 (maximum 26,618 at one time)	79,854