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Norway

Retail Food Sector

2005

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Report Highlights:

New players entered the Norwegian retail food market in 2004 as both Carrefour and Lidl opened their first stores in Norway. Existing chains are countering the new competition by widening their offerings with cheaper private brands. It is becoming increasingly difficult for domestic as well as imported branded products to penetrate the Norwegian retail food sector.

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Section I. Market Summary

- Total grocery retail market turnover in Norway in 2003 reached Norwegian Kroner 116 billion (US\$ 16.4 billion).
- Sales growth in 2003 was 5.2 percent compared with 5.3 percent in 2002.
- Total imports of agricultural products by Norway in 2003 reached US\$ 3.4 billion. Consumer-oriented high-value products composed about 50 percent of that total.
- The U.S. share of Norway's agricultural imports in 2003 amounted to US\$ 155 million, about 4.5 percent of Norway's total agricultural imports.
- 84 percent of retail food products are sold through grocery retail chains, 13 percent in gas stations and kiosks, and 3 percent by specialty stores.
- In 2003, grocery products were sold via 4,295 grocery stores and approximately 4,000 gas stations and kiosks.
- Four retail chains (Norgesgruppen A/S, ICA Norge A/S, Coop, and Rema 1000 Norge) control 99 percent of all retail stores and also dominate grocery sales through gas stations and kiosks.
- Norway's retail sector reflects considerable excess capacity. Domestic store capacity and infrastructure can service as many as 7 to 8 million people, while the Norwegian population is only 4.6 million.
- Norway's four dominant retail chains are involved in the grocery trade in other Nordic countries as well. In order to strengthen their competitiveness in the region, Norwegian retailers have established relationships with other Nordic chains through mergers or cooperative agreements.
- In 2004, the retailer Haakon Gruppen became ICA Norge A/S with Ahold buying a 60 percent share and ICA Sweden owning 40 percent.
- On October 7, 2003, French retailer Carrefour announced a franchise partnership with Norway's major retailer, Norgesgruppen. The deal brings Carrefour into Scandinavia for the first time as Champion stores opened in Norway in September 2004.
- In September 2004, the German retail chain Lidl opened its first 10 stores in Norway.
- Private labeling accounts for about 11 percent of Norway's total grocery market.
- Swedish-Norwegian cross border trade reached a new high and is estimated at approximately SEK 11 billion (US\$ 1.5 billion) per year.

Advantages/Challenges

Advantages	Challenges
The United States is a preferred supplier to Norway for products such as tree nuts and dried fruits, both as branded products and for private label.	Norway's regulations and attitudes regarding products of biotechnology are prohibitive.
U.S. products have a reputation for high quality. The current favorable exchange rate enhances sales opportunities.	A lack of promotion and marketing activities in Norway by U.S. suppliers limits potential sales.
The United States is associated with new-to-market products.	Strong competition exists from European suppliers who benefit from preferential customs duties.
Recent mergers within the Nordic chains should bring higher sales volumes to U.S. suppliers that are already established in this market.	European discount stores (LIDL and Carrefour) have entered the Norwegian market with private brands.
Products that previously enjoyed access to only one of the Nordic markets, or had only small market share, could potentially increase market exposure throughout all Nordic countries via the new region-wide chain agreements.	Domestically produced food products are highly protected through tariff and non-tariff barriers.

Section II. Road Map for Market Entry**A. Grocery Stores (supermarkets, small supermarkets and discount stores)****Entry Strategy**

The Norwegian retail market is totally dominated by four retail chains -- Norgesgruppen A/S, ICA Norge A/S, COOP and Rema 1000 Norge. Combined, they control 99 percent of the retail market. All of these chains either own or are owned by a wholesaler, both for grocery products as well as fruits and vegetables. Breaking into sales to these companies can be difficult for small and medium-sized companies without local representation.

All of the above chains require that imported products be delivered to their stores with the same facility and reliability that domestic suppliers provide. New-to-market exporters need an importer, wholesaler or agent to assist them with product clearances. Also, they must be ready to provide extensive marketing support to their importer.

New-to-market exporters should:

- Conduct early market research to assess product potential and existing competition.
- Find an agent, importer, wholesaler or domestic industry partner to assist with information on import duties, phytosanitary regulations, labeling requirements and competition.
- Personally visit Norway. This is not only advisable but necessary in order to build relationships with potential customers.
- Discuss market strategies and deliver capacity with your importer. Reliability of supply is crucial in this market.

General Import and Inspection Procedures

Beginning January 1, 1999, Norway adopted the rules and regulations of the EU in addition to its own domestic requirements related to the import of animal food products. Norwegian importers must be registered. Authorities must be notified 24 hours in advance of the arrival of food products. Animals require 30 days notice. Should a shipment arrive prior to notification, the control authority can hold the shipment for up to 24 hours before release.

Imported animal products for food use must come from an EU-approved plant and be accompanied by the necessary certificates. With the exception of seafood, shipments must enter through either Oslo harbor or Oslo airport. There are 20 entry points for fish products.

Norway's New Food Safety Authority (Mattilsynet)

On January 1, 2004, Norway established a new Food Safety Authority (Mattilsynet) to regulate and administer products formerly managed by four agencies: the Norwegian Agricultural Inspection Service, the Norwegian Animal Health Inspection Service, the Directorate of Fisheries Seafood Inspection and the Norwegian Food Control Authority.

Three ministries have oversight over the new Food Safety Authority. The Ministry of Agriculture has administrative responsibility while the Ministry of Fisheries handles aspects of seafood. The Ministry of Health has responsibility for the new Norwegian Food Law (Matloven) which became effective on January 1, 2004. This new law replaces, in whole or in part, 13 Norwegian laws and supersedes a number of provisions related to food. The new law's comprehensive nature is meant to assure the safety of food products throughout the entire chain from production to consumption. The new law fully implements Norway's European Economic Agreement (EEA) commitments pertaining to food safety. The main elements of EU regulation nr.178/2002 were incorporated into this law.

Market Structure

In 2004, the Norwegian retail company Hakon-Gruppen A/S was bought by the Dutch company Ahold. The name of the new group is ICA Norge A/S. This major retailer is now 60 percent owned by Ahold and 40 percent by ICA Sweden A/S.

COOP Norge, a consumer-owned cooperative retail chain, has counterparts in Sweden (KF) and Denmark (FDB) and together form COOP Norden. The leading Norwegian retail group, Norgesgruppen A/S, is cooperating with Axfood of Sweden and Dagrofa of Denmark, and recently signed a franchising contract with the French retail giant Carrefour. As part of the deal, Norgesgruppen will operate stores under Carrefour's banners (Champion and Dia) while Carrefour will supply groceries to the Norwegian retailer. Norwegian retailers are seeking to minimize their costs by coordinating central purchasing and taking advantage of economies of scale. Also, food retailers are aggressively promoting the development of private label product lines.

Compared to other Nordic countries, the discount sector has a very high presence in Norway and accounts for approximately 50 percent of the food retail market, mostly due to high domestic food prices. Growth figures in the discount sector show no sign of leveling off. This has stirred interest among foreign players to enter the domestically dominated Nordic food retail market.

The German discount chain Lidl is already established in Sweden and Finland. Lidl opened their first 10 stores in Norway in 2004, delayed from the original opening schedule of summer 2003. Lidl is projected to capture about five percent of the Norwegian retail market within the next five years. However, it is expected that Lidl will have difficulty expanding as rapidly in the Norway as it did in the EU countries. Norway still heavily protects domestic production with high import tariffs and other barriers to trade. So far, Lidl has experienced problems in securing Norwegian suppliers willing to produce food products for its private label lines. Private labels account for 85 percent of Lidl's food line. Processors are worried that they could lose sales to their current retailers.

Norwegian retailers are responding to the competition from Lidl by opening new discount stores. For example, in June 2003 Norgesgruppen strengthened its position by buying the Kiwi chain with 300 discount stores and introduced a new discount assortment, First Price.

Swedish-Norwegian cross border trade is increasing and is estimated at approximately SEK 11 billion (US\$ 1.5 billion) per year. Norwegians are increasing their purchases of much cheaper Swedish food products at supermarkets on the Swedish side of the Norway-Sweden border. Average food prices in Sweden are 26 percent cheaper than in Norway. This situation has influenced Norwegian players in the food retail sector; Norwegian retailers have established operations on Swedish territory. For example, the Norwegian retailer Rema 1000 will soon open an outlet in Northern Sweden.

Distribution Systems - Consumer-Ready Food Products

In 2003, there were 4,295 grocery stores in Norway with turnover of NOK 97 billion (US\$ 13.7 billion). Grocery stores account for 84 percent of retail food sales including fresh, frozen, and canned goods as well as non-alcoholic beverages and non-food items. Specialty stores such as bakeries, meat and candy shops account for the remaining 16 percent. In 2003, about 54 percent of Norwegian food distribution to retailers was handled by the following four large wholesale enterprises:

Company	Address	Phone/Fax
Joh. Johannson	Nedre Kalbakkvei 22 P.O.Box 130 Sentrum N-0102 Oslo Norway	Phone: (47) 22 16 90 00 Fax: (47) 22 16 90 10
COOP	Østre Aker vei 264 P.O.Box 21 Haugenstua N-0915 Oslo Norway	Phone: (47) 22 89 95 95 Fax: (47) 22 89 97 45
ICA Norge A/S	Solheimveien 3 P.O.Box 37 1471 Skårer Norway	Phone: (47) 67 97 35 00 Fax: (47) 67 90 67 97
Rema 1000 Sofiemyr	Sønsterudveien 32 1412 Oppegård Norway	Phone: (47) 66 80 02 28 Fax: (47) 66 80 02 17

Norwegian Grocery Retail Chains and Market Share

The Norwegian retail grocery sector has undergone years of restructuring during which smaller chains have changed partners several times. The remaining chains, except for the largest group, Norgesgruppen AS, control the distribution of products from producers to consumers. Norgesgruppen AS is more of a buying group, with marketing handled individually by the different smaller chains it supplies. Norgesgruppen's cooperation with Carrefour will include joint purchasing of branded products, development of private labels, logistics and food safety. Supermarkets, small supermarkets and discount stores make up about one third each of the total number of stores. Listed below are market shares and number of stores at the beginning of 2004.

Chain	Phone and Fax	Number of Stores	Market Share (%)
Norgesgruppen AS Parkveien 61 P.O.Box 2775 Solli N-1007 Oslo	Phone: (47) 24 11 31 00 Fax: (47) 24 11 31 01	1,887	34.7
ICA A/S Sinsenveien 47C P.O.Box 6500 Rodelökka N-0501 Oslo	Phone: (47) 23 05 50 00 Fax: (47) 23 05 50 01	1,062	23.6

Coop Østre Aker vei 264 P.O.Box 21 Haugenstua N-0915 Oslo	Phone: (47) 22 89 95 95 Fax : (47) 22 89 97 45	932	23.7
Rema 1000 Norge AS Grenseveien 88 P.O.Box 6428 Etterstad N-0605 Oslo	Phone: (47) 24 09 85 00 Fax : (47) 24 09 85 49	379	17.4
Others		35	0.7
Total		4,295	100.0

B. Gas Marts and Convenience Kiosks

Entry Strategy

New-to-market exporters should bear in mind that while there is a close connection between the larger grocery wholesalers and retail chains and the gas marts and kiosks, the gas marts and kiosks have their own organizations for buying and marketing. Close and personal contact with an importer and/or with buyers in these organizations is necessary in this sector, as well as for the larger chains, to achieve a good result. Main players include the largest gas stations (Esso, Statoil, Shell and Hydro/Texaco) and kiosks (Mix, Narvesen, Gyda and Small Shops (7-Eleven)). These stores specialize in basic grocery products and their consumers are not as price sensitive. Therefore, there is greater receptivity to convenience foods and impulse-buy products.

Advice to new-to-market exporters:

- Meet with the major grocery retailers as they are the major suppliers in this sector.
- Calculate what your price would be in this market, including freight, duties and logistics.
- Have a clear idea of competition in your product category.

Company profiles

Gas marts make up 53 percent and kiosks 47 percent of a combined US\$ 2.1 billion turnover of grocery products at these two types of outlets. However, turnover in gas marts and kiosks has stagnated in the past two years as grocery stores have extended their evening and weekend opening hours.

GAS Marts

Gas Chains	Phone and Fax	Number of Outlets	Market Share (%)
Statoil Detaljhandel AS Sörkedalsveien 8 P.O.Box 1176 Sentrum N-0107 Oslo (1)	Phone: (47) 22 96 20 00 Fax: (47) 22 96 29 70	501	31.3
Norske Shell P.O.Box 1154 Sentrum N-0107 Oslo (2)	Phone: (47) 22 66 50 00 Fax: (47) 22 66 51 97	585	36.5
Esso Norge AS Drammensveien 149 P.O.Box 350 Skøyen N-0212 Oslo (2)	Phone: (47) 22 66 30 30 Fax: (47) 22 66 34 55	337	19.1
Hydro Texaco AS Drammensveien 134 N-0212 Oslo (2)	Phone: (47) 22 12 40 00 Fax: (47) 22 12 40 60	305	13.1

(1) Main supplier ICA

(2) Main supplier Norgesgruppen

Kiosks (convenience stores)

Kiosk chains	Phone and fax	Number of Stores	Market Share (%)
Mix Butikkene BA Haavard Martinsensvei 34 N-0978 Oslo	Phone: (47) 22 79 08 00 Fax: (47) 22 79 08 01	1068	41.7
Narvesen Norge Bertrand Narvesensvei2 P.O.Box 6125 Etterstad N-0978 Oslo	Phone: (47) 22 57 30 10 Fax: (47) 22 57 17 58	437	33.2

Gyda Butikkene BA P.O.Box 153 Kjelsås N-0411 Oslo	Phone: (47) 22 02 64 60 Fax: (47) 22 02 64 70	250	9.2
Small Shops Norge Vitaminveien 11A P.O.Box 11 Grefsen N-0409 Oslo	Phone: (47) 23 39 57 11 Fax : (47) 22 71 19 70	77	11.0
Others			4.9

Section III. Competition

Market Trends

When seafood is excluded, Norway is a net importer of agricultural products. In 2003, imports totaled US\$ 3.43 billion and exports were valued at roughly US \$830 million. About half of Norway's food and agricultural product sector imports are consumer-oriented high-value products. Most of these come under the horticultural and tropical products group. Major imports are fresh fruits (oranges, bananas, apples and grapes), dry edible nuts, fruit and vegetable juices, fresh vegetables, snacks, chocolate and chocolate products, wines, pet food, live plants, cut flowers and foliage.

The U.S. share of Norway's 2003 agricultural product imports was 4.5 percent (US\$ 154 million). The bulk of U.S. exports to Norway included cereals, leaf tobacco, processed fruit and vegetables, fresh fruits, fruit and vegetable juices, nuts and almonds, rice, wine and beer.

Section IV. Best Product Prospects

The best prospects within Norway's retail food sector are products not produced domestically or those containing ingredients not produced in Norway. High tariffs and considerable documentation and controls present obstacles to market entry.

A. The best market prospects in Norway include rice, tropical fruits (both fresh and canned), fresh vegetables, and a full range of consumer-oriented high-value products such as snack foods, processed fruit and vegetables, fruit and vegetable juices, tree nuts, pet foods, wine and beer. The U.S. market share is largest in the dried fruit and nut sector, where the U.S. has captured about 70 percent of imports. Raisins and prunes dominate dried fruit imports from the U.S. and almonds, peanuts and walnuts dominate the nut import sector. Sales of U.S. rice have also been strong, with an achieved market share of about 10 percent. In the category of processed vegetables, U.S. canned corn is the most popular, with a market share of more than 60 percent.

B. Too little attention has been paid to the Norwegian fresh fruit and vegetable market in the past few years. The U.S. has lost market share, primarily due to insufficient marketing and lack of market presence. Shipping terms and the lack of personal contact between U.S. exporters and their Norwegian customers are principal reasons given by Norwegian importers as to why U.S. export business in this category has declined.

C. A number of products face high tariff barriers in the Norwegian market. This is particularly true of products containing meat, fruit, vegetables and dairy products that compete directly with domestically produced Norwegian products. In addition, Norway has implemented a ban on hormone-treated meat. Norwegian regulations and attitudes concerning bio-engineered products and product ingredients are prohibitive. Should the market open, Norway will require import approval by the authorities noted below as well as labeling of such products.

Section V. Further Information and Post Contact

Norwegian Food Safety Authority (Mattilsynet)

Ullevålsveien 76, Oslo

P.O. Box 383

N-2381 Brumunddal

Email: postmottak@mattilsynet.no

Phone: +47 06040

The above state agency is responsible for product approval, labeling, additives, and administration of food safety regulations for imported and domestic products. Services are aimed at Norwegian importers rather than foreign exporters.

Statens Landbruksforvaltning (Norwegian Agricultural Authority)

Dep. Trade and Industry

P.O.Box 8140 Dep.

N-0033 Oslo

Norway

Phone: +47 24 13 10 00

Fax: +47 24 13 10 05

The above state agency handles customs duties for industrially processed agricultural products based on product ingredients reported by the importer. It also handles administrative functions related to import/supply needs of the country, as well as the auction of quotas under the WTO agreement. In dealing with this agency, a local Norwegian agent or importer would be the best means of contact.

Federation of Norwegian Commercial Agents (Norske Agenters Landsforening)

Drammensveien 30

N-0230 Oslo

Norway

Phone: +47 22 44 68 33

Fax: +47 22 44 94 35

This association issues a monthly publication in which proposals from foreign firms seeking agents/distributors in Norway are published.

Statistic Norway

Kongens gate 6

N-0033 Oslo

Norway

Phone: +47 21 09 00 00

Fax: +47 21 09 00 20

Web: www.ssb.no

This agency produces a wide variety of statistical information on imports.

Norwegian Customs and Excise

P.O.Box 8122 Dep.

N-0032 Oslo

Phone: +47 22 86 03 00

Email: tad@toll.no

Web: www.toll.no

For general questions about exporting to Norway, please contact:

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