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Austria

Exporter Guide

Annual

2006

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Report Highlights:
Austria's economic growth is estimated at 2.6% for 2006, representing the highest growth rate since 2000. Austria has profited more than other Eurozone countries from the accession of new European Union members in 2004, and its retail food sector grew by 7.5% from 2003 to 2006 to total Euro 11.4 billion ($ 14.1 billion). Health and wellness, convenience and flavor diversification remain the main trends in food consumption. Seafood, dried fruits, nuts, organics, wine, and gourmet foods offer the best U.S. export opportunities.

Includes PSD Changes: No
Includes Trade Matrix: No
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I. Market Overview

Economic Situation

According to the Austrian Institute of Economic Research, Austrian economic growth is estimated to be 2.6% in 2006, which is the highest rate since the year 2000. The growth was driven primarily by investment in equipment and by net exports. Notwithstanding a significant improvement in the labor market, private consumption failed to accelerate, despite the boost to net incomes from the tax reform. The jump in oil prices will barely affect wage increases. This holds back inflation, but also real income gains. In 2007, effects from Germany will turn negative, slowing GDP growth in Austria to 2.1%.

Weather related softness of investment in construction in the first quarter of 2006 was observed, while investment in equipment has now convincingly overcome the restraint observed in 2005 due to the ending of the investment subsidy at the end of 2004. Private consumption growth has remained surprisingly weak so far, but there should be some acceleration in the second half of 2006 due to the improved labor-market situation.

Austria's ability to profit more than other Eurozone countries after the accession of the new European Union members continues to have an underlying supportive effect on growth. The Euro is expected to trend higher against the U.S. Dollar over the coming months, which would obviously be detrimental to Eurozone competitiveness and growth prospects. Global Insight forecasts the Euro to rise to US$1.35 by the end of 2006 and then climb above US$1.40 in 2007 as the dollar is pressured by less favorable interest-rate developments.

Food Expenditures

In 2003 (latest available statistics), total Austrian consumer expenditures for food and non-alcoholic beverages amounted to Euro 16.1 billion ($ 19.96 billion). This was up 1.9 % compared to 2002. In the same period, total expenditures for alcoholic beverages and tobacco rose by 2.8% to Euro 3.7 billion ($ 4.6 billion).

Annual household expenditures for food and non-alcoholic beverages rose to 3,875 Euro ($ 3,914 – latest available statistics) in 2002. Annual alcoholic beverages and tobacco products expenditures amounted to Euro 797 ($ 805) per household, which corresponded to 2.7% of total household expenditures.

Key Demographic Developments

Austria has a population of 8.2 million. The number of single households and childless double-working-partnerships is rising. While at the beginning of the sixties there were not even a half million single households in Austria, in 2004 there were 1.16 million, which corresponds to 34 % of all households. The number of larger households has not risen as strongly. About 2.36 people belonged to an average household in 2004.

The rise in single households boosts demand for convenience products and for foods eaten outside the home. Singles are not only young urban working people but also retired persons. The rising number of elderly people, many of whom have significant disposable income, creates additional demand for health and dietetic foods. In 2004, 21.9 % of the total population was over 60 years old.

When responding to polls, consumers usually express a preference for high quality foods; however, when it comes to actually buying, price appears to be the major purchasing factor for a majority of the population. However, for special events most people, even those on a low income, are willing to spend more for “exclusive” products. In addition, the higher income and gourmet market groups (which regularly buy high priced foods) are growing.

The traditional Austrian diet is based on pork, flour, and vegetables. Cakes and bakery products are also important parts of the diet. Austrian dishes are rich in cholesterol and fat, and the most important ingredient is meat, either pork or beef. The increasing interest in wellness, especially among younger people, who are more concerned about their health, makes low-fat food more and more popular.

Because of environmental concerns, increasing health awareness, a very negative perspective of Austrian consumers towards biotech products, organically produced food is expected to grow steadily. Within the last three years, the organic market share in retailing increased from 3 % to 5 % in 2005. Among EU member countries, Austria has the highest percentage of organic farms.

Size and Growth Rate for the Consumer Foods and Edible Fishery Product Markets

General

The retail food sector grew by 7.5% in the 2003 to 2006 period and totaled Euro 11.4 billion ($ 14.1 billion), mainly due to the expansion of discounters like Hofer, Mondo and Lidl. The grocery sector is the biggest outlet type in the retail sector and is expected to show a revenue growth of 10.3% in the 2003 to 2008 period.

Table 1: Retail Sales in Austria

Forecast Retail Sales by Food/Non-food Split 2003-2008						
EUR million, constant 2003 prices						
	2003	2004	2005	2006	2007	2008
Food	10,568.30	10,864.20	11,146.70	11,403.00	11,676.70	11,945.30
% growth	–	2.8	2.6	2.3	2.4	2.3
Non-food	36,884.20	36,952.60	37,099.10	37,509.40	37,952.00	38,337.30
% growth	–	0.2	0.4	1.1	1.2	0.9
TOTAL	47,452.50	47,816.80	48,245.80	48,912.40	49,628.70	50,282.60
% growth	–	0.8	0.9	1.4	1.5	1.3
Source:	*Euromonitor International*					

Source: Euromonitor, 2006 estimate, 2007 and 2008 forecast

Fresh meat is the most heavily consumed food type in Austria, mainly due to the high volume of pork eaten. This accounted for the bulk of volume sales throughout the 1999 to 2004 review period, with beef experiencing some decline in per capita consumption levels. Lamb and other meats only had a comparatively marginal presence. Consumption of poultry increased over the review period, echoing global trends, although it remains overshadowed by pork. Due to cases of bird flu occurring in Europe and Austria, consumption of poultry declined significantly at the end of 2005 and the beginning of 2006 but has fully recovered by mid-2006.

The increasing popularity of fruit in many developed countries was similarly evident in Austria, in light of growing health concerns. However, this did not extend to vegetables, perhaps surprisingly, where consumption levels fluctuated over the review period. One vegetable type – potatoes – continued to enjoy a major role in the Austrian diet however, boosting sales of starchy roots accordingly.

Fresh fish and seafood saw little change in consumption levels over the review period, perhaps the most at odds with the demand for convenience, which has boosted growth in packaged food. Comparatively high levels of preparation and cooking time for fish, coupled with limited availability compared to fresh meat, are expected to continue to restrict demand. In spite of this, the gradual increase in consumption during the latter part of the review period is a testament to rising health concerns, which have partially stimulated demand.

Table 2: Fresh/Unpackaged Food Consumption

Fresh/Unpackaged Food Consumption 1999-2004						
'000 tonnes						
	1999	2000	2001	2002	2003	2004
Meat	799.6	799.9	768.9	788.1	795.3	803.6
Fruits	625	706.3	701.8	758.2	755.5	747.6
Vegetables	702.2	639.9	682.5	675.5	663.9	654.9
Starchy roots	488.4	499.1	501.8	493.7	500.4	507.4
Fish and seafood	100.5	100.5	100.5	105.8	107	108.5
Pulses	2.5	2.2	2.3	2.3	2.3	2.3

Source: Euromonitor

Organic Food

History, consumer acceptance, and government support have worked together to transform organic foods in Austria from a niche market to a market segment of considerable importance. Production, imports, and exports are still growing, and the Austrian government is supporting programs designed to increase organic consumption. Supermarket chains, all of which have their own organic labels, dominate the Austrian market for organic products. In 1994, the REWE Group Austria started with the organic brand name “ja natuerlich”, which is estimated to account for some two thirds of all organic food sales in Austria. Several supermarket chains followed this example, in particular Spar, the second largest grocery retailer, is also expanding its organic “Natur Pur” range. Perhaps unique to Austria, food retailers focus their marketing resources on organic foods in an effort to shape the overall image of the store. Organic foods are promoted in an effort to build consumer confidence in all of the food products sold by the chain.

The importance of organic food continued to increase in 2005. Sales of organic food experienced a boost in 2002 as discounter Hofer launched “Natur Aktiv”. “Natur Aktiv” continues a trend of private label ranges being the main movers of the organic market in Austria. Also the Rewe-owned discounter chain PennyMarkt is introduced its own organic brand in 2005. Fresh produce, dairy and bakery products are the sectors with strong organic presence. According to “Bio Austria”, which is by far the largest association representing organic farmers, some 60% of its production is sold via private labels, some 20% is sold directly at the farm, and 20% is exported. In 2004, total sales of organic fresh produce in Austria were estimated at some Euro 159.8 million ($ 196.3 million). Organic food sales correspond to about 5% of total Austrian food sales.

There are especially good market opportunities for U.S. organic dried fruits and nuts.

Packaged Food

Current value growth of packaged food is expected to increase by 2% in 2005, following a 1% increase in 2004. An increase in current value terms is expected in almost all sectors; meal replacement products will be the only sector expected to witness a decline, and bakery products expected to stagnate. In volume terms, meal replacement products are again expected to see a decline in growth, bakery products are expected to suffer a slight decline and both canned/preserved food and spreads are expected to stagnate. In line with the review period, the only sector expected to enjoy a double-digit percentage growth rate is noodles. However, noodles will only account for less than 0.1% of packaged food value sales in 2005.

Bakery products and dairy products are the two largest sectors in terms of value sales, followed by confectionery. Together, these sectors are expected to account for just over 59% of value sales in 2005, compared to 60% in 2004. These three largest sectors are predicted to achieve lower current value growth rates than the packaged food market as a whole in 2005, due to saturation and the absence of new trends and innovations.

Health and wellness, convenience and flavor diversification remain the three main trends in packaged food, and almost all innovations relate to one of these factors, or a combination of them. For example, in the area of health and wellness, a major development in confectionery in 2005 is expected to be an increase in the share of sugar-free products. Low-fat products are also expected to make further gains in dairy products, as well as in other sectors, such as savory snacks and ready meals.

Chilled processed food and ready meals are expected to record the strongest growth rates in absolute terms in 2005. To a large extent, this will be due to the fact that both sectors meet the consumer demand for convenience. In addition, chilled processed food taps into the growing demand for fresh food, while ready meal products offer consumers a large choice of different flavors and tastes, including international dishes that they would not be able to prepare themselves.

Growing consumer demand for a greater choice in flavors is a phenomenon in almost all sectors, and includes both greater demand for international flavors as well as regional or local specialties. The growing number of limited or seasonal editions of existing brands is a further illustration of this trend.

Industry sources expect a further increase in the share of private label products in 2005, as consumers remain price-sensitive. In addition, there is a growing conviction among many consumers that in many cases, private label products are not inferior in quality to branded products, which could cement their position even if consumer confidence increases. As a result, brand building will become more important than ever and many manufacturers have announced, or are expected to announce, an increase in their advertising budgets.

Sales of packaged food are expected to amount to more than EUR 6.3 billion in 2005, representing an increase of 2% in current value terms on 2004. This is slightly above the 1% increase recorded in 2004.

Table 3: Packaged Food Sales

Retail Sales of Packaged Food by Sector: Value 2000-2005						
EUR million						
	2000	2001	2002	2003	2004	2005
Confectionery	619.6	643.1	661.4	679.7	704.4	710.5
Bakery products	1,467.10	1,494.60	1,544.70	1,586.10	1,590.80	1,592.10
Ice cream	290.4	288.5	292.8	322.4	289.6	308
Dairy products	1,249.00	1,343.30	1,398.00	1,417.10	1,429.70	1,438.50
Sweet and savoury snacks	159.8	163.5	168.3	171.7	174.7	177.3
Snack bars	14.4	14.5	15.3	15.6	15.8	16.4
Meal replacement products	0.6	0.6	0.6	0.6	0.5	0.5
Ready meals	146.1	157	170	182.6	197.2	211.6
Soup	59.7	61.8	65	67.3	70.1	72.7
Pasta	62.2	63.6	65.6	67	68.8	70.3
Noodles	0.4	0.7	1.1	1.7	2.5	3.4
Canned/preserved food	149.7	150	150.9	152	153	154.1
Frozen processed food	389	401.6	414.8	427.1	436.4	445.8
Dried processed food	156.2	161	167.4	172.6	178.8	184.4
Chilled processed food	499.1	512.8	530.7	547.3	563.6	583.3
Oils and fats	271.4	277.2	284.6	285.3	286.4	289.8
Sauces, dressings and condiments	212.2	221.2	230.7	239.5	248.4	257.4
Baby food	75.9	78.5	80.7	82.8	86.3	90
Spreads	72.5	74.1	76.9	80.8	82.3	83.4
Packaged food	5,627.00	5,824.60	6,017.70	6,181.20	6,241.40	6,332.20

Source: Euromonitor

Ready Meals

Sales of ready meals saw a healthy growth of almost 6.7 % in current value in 2005 over the previous year. With volume sales seeing a faster growth than value, unit prices for ready meals slightly went down. This development is due to the increasing penetration of private label products in ready meals.

Ready meals are becoming more popular, as the number of single-households increases and a higher variety of products are offered. Frozen and chilled ready meals benefit from their popularity and a good reputation when it comes to freshness.

Hardly any Austrians, especially single consumers, can spare the time for the preparation of an extended meal. Therefore, ready meals are an easy solution for the problem of increasingly hectic lifestyles. Short preparation time, long storage life, and a high degree of convenience were the advantages of ready meals named by Austrian consumers during a survey of the Gallup Institute. However, ready meals are also viewed as unhealthy and to contain unhealthy preservatives. Also, consumers stated that ready meals are too expensive for households with more than one or two people.

Taste is reportedly the most important factor for repurchase. The closer the quality of ready meals to home-cooked meals, the higher the likelihood for a repurchase.

Table 4: Retail Sales of Ready Meals

Market sizes - historic - retail value rsp - € mn - current prices					
	2002	**2003**	**2004**	**2005**	**2006**
Austria					
Ready meals	170	182.6	197.2	210.5	216.8
Canned/preserved ready meals	10	9.8	9.5	9.8	10.4
Frozen ready meals	61.9	68.2	75.8	83.2	90.6
Dried ready meals	1.8	1.8	1.8	1.8	1.8
Chilled ready meals	34.6	37.8	41.7	45.5	42.4
Dinner mixes	-	0.5	0.6	0.7	0.8
Frozen pizza	60.1	62.7	65.8	67.3	68.6
Chilled pizza	1.5	1.7	1.9	2.1	2.3
Prepared salads	-	-	-	-	-

Source: Euromonitor

Sweet and Savory Snacks

Although there were some major innovations in 2004 and 2005, these are expected to result in higher growth rates only after 2006.

The main innovations were a stand-alone "Party-pack" and oven-baked potato chips, which contain 65% less fat than normal potato chips.

These innovations are believed to have helped bring about current value growth rates of almost 2% in 2004, although current value growth in 2005 is expected to be only just over 1%. The clever innovation and the marketing activities of the leading players in the last two years are expected to pay off and to be reflected in growth rates of almost 2% again in the next two years.

The reason for the slowed impact of innovations is that the sweet and savory snacks sector is quite saturated and mature, with a small number of players, the innovations of which have an impact on the whole sector and are able to influence sales to a high degree.

Innovations like new packaging formats are meant to strengthen brand awareness among consumers and to draw a clear line between branded and private label products. The packaging signifies higher quality and the premium character of the product. According to trade sources, consumers are willing to pay more and to stick to premium brands if the advantages of a particular brand are clearly stated on the packaging or via other promotional tools.

The general wellness trend and the growing consumer interest in healthier nutrition have finally hit the sweet and savoury snacks sector and companies therefore now pay additional attention to this.

Table 5: Retail Sales of Sweet and Savory Snacks

Retail Sales of Sweet and Savoury Snacks by Subsector: Value 2000-2005						
EUR million						
	2000	2001	2002	2003	2004	2005
Fruit snacks	-	-	-	-	-	-
Chips/crisps	43.1	44.8	47	48.4	49.5	50.6
Extruded snacks	28.9	28.5	28.2	28.4	28.5	28.5
Tortilla/corn chips	6.4	7.5	8.5	9.2	9.7	10
Popcorn	9.7	9.8	9.8	10	10.1	10.3
Pretzels	32.4	32.4	32.7	32.7	33	32.9
Nuts	39.3	40.6	42	43	44	45
Other sweet and savoury snacks	-	-	-	-	-	-
Sweet and savoury snacks	159.8	163.5	168.3	171.7	174.7	177.3

Source: Euromonitor

Alcoholic Beverages

Following a decline in both volume and current value growth in 2004, alcoholic drinks recorded a slight increase in current value terms in 2005 with value sales reaching EUR 6.5 billion. In contrast, volume sales of alcoholic drinks dropped slightly to 1.2 billion liters. This is due to the dramatic decline of spirits-based FABs (Flavored Alcoholic Beverages) and the saturation of beer. FABs, and in particular spirits-based FABs, could not reverse the poor performance of 2004 and in 2005 recorded a further decline of 26% in volume terms.

Spirits showed the most potential in 2005 with current value growth of 2% and volume growth of 1%. The main reason behind this growth was the decline in spirits-based FABs, which in turn has led to an increase in growth of spirits. Furthermore, brand extensions like new, flavored vodkas and marketing activities in spirits affected sales positively. Vodka, bitters, rum and premium whiskies helped the sector to grow, whilst growth of brandy and cognac continued to decline. The classic spirits drink – vodka – boosted the sector thanks to its usage in long drinks and cocktails. Alongside vodka, bitters also performed well due to the various uses of the product and the wide target group. Brandy and cognac was unable to reverse its growth decline of the previous year and recorded a further decline of 2.5% in volume terms. This was mainly due to a lack of new consumers and an unfashionable image.

The consumption of beer declined slightly to a per capita consumption of 106 liters due to the unsettled summer weather of 2005 and a slump in the Austrian tourist industry. The majority of Austrian beer – 96% – is lager. The remaining 4% are niche products such as dark beer etc. Due to the demand for variety, niche products show the most potential. Furthermore, imported beer benefited from this demand as well, although it represents a marginal volume of less than 43 million liters. As over the review period, non/low-alcohol beer continued to lose share due to the low acceptance of the product type and a limited consumer group.

Table 6: Sales of Alcoholic Beverages

Sales of Alcoholic Drinks by Sector: Total Value 2000-2005						
EUR million						
	2000	2001	2002	2003	2004	2005
Beer	2,340.50	2,350.60	2,434.60	2,503.20	2,498.10	2,484.40
Cider/perry	-	-	-	-	-	-
FABs (flavoured alcoholic beverages)	60.4	72.6	160.4	188.7	147.5	132.9
Wine	2,741.80	2,767.70	2,752.00	2,745.20	2,724.30	2,736.50
Spirits	1,051.20	1,085.10	1,097.30	1,109.50	1,130.00	1,156.40
Alcoholic drinks	6,193.90	6,276.00	6,444.30	6,546.50	6,499.90	6,510.20

Source: Euromonitor

In 2005, consumer expenditure on alcoholic drinks reached EUR 1.4 billion. This expenditure is similar to the off-trade value of EUR 1.6 billion as Statistic Austria covers off-trade expenditure only. In addition, the off-trade value of EUR 1.6 billion is slightly higher as direct sellers are difficult to cover and around one third of wine is sold through this channel.

The per capita consumption of beer (106 liters) and wine (33 liters) accounts for the majority of consumer expenditure on alcohol, followed by FABs (4 liters) and spirits (3 liters). In spite of a decrease in the per capita consumption of beer, FABs and wine, consumer expenditure increased. This is due to rising prices from emerging premium brands, as well as continual price increases in the on-trade channel.

Table 7: Retail Consumer Expenditure on Alcoholic Dinks

Retail Consumer Expenditure on Alcoholic Drinks 2000-2005						
EUR million						
	2000	2001	2002	2003	2004	2005
Total	1,188.00	1,190.00	1,246.00	1,302.70	1,279.80	1,361.10

Source: Euromonitor

Following industry lobbying, the Sektsteuer, which was on domestic products only, as opposed to imported sparkling wines like frizzante, was temporarily reduced to 0% on May 1, 2005. Apart from VAT there is currently no other tax on wine, regardless of whether it is still, fortified or sparkling wine. For the first time in 2005, sekt and frizzante competed on a similar price level. A huge number of manufacturers believe that many consumers preferred frizzante in previous years only because of its lower price.

In spite of the reduction in beer tax in 2003, from EUR 24.96 per hectoliter to EUR 24.00, Austrian taxation is still two and a half times higher than that of Germany. Therefore, Austrian brewers have demanded a further reduction so that the tax is the same as it is in Germany in order for Austrian brewers to be more competitive.

In Austria the tax on spirits has remained at EUR 10 per liter of 100% pure alcohol since September 2000. Furthermore VAT at the usual level of 20% has to be added.

Pet Food

Sales of pet food and pet care products decreased in current value terms in 2005, which was not the case in 2004. The main reason for this was the negative development of large wet cat food. Overall, cat food showed total value sales going down by 2%, whilst dog food, despite significant price increases, faced a smaller value decline of 1%. In 2005, dry cat food was marginally more dynamic in cat food, with the success of Nestlé's Purina ONE brand being a major contributory factor.

The trend in Europe has included a move from wet dog and cat food to dry food. Dry dog food continued to grow at the expense of wet, as it is generally perceived as healthier and more convenient. Convenience was also the reason behind the major trend of moving from cans to portion pouch packaging within cat food.

Austrians' spending on their pets is quite high, and the market is generally mature and saturated. The high penetration of dog food has pushed manufacturers into dog treats, which accounted for around 34% of dog food value sales in 2005.

In 2005, value sales of dry dog and cat food increased by 1%, whereas wet dog and cat food, still accounting for the majority of sales, faced a decline of over 3% in value. One reason for this performance is the fact that cheaper private label products are predominately present in wet dog and cat food.

Table 8: Pet Population

Pet Populations 2000-2005						
'000s of animals						
	2000	2001	2002	2003	2004	2005
Dog population	591	602.8	616.1	624.1	631	633.6
Cat population	1,435.00	1,449.30	1,456.60	1,461.00	1,462.40	1,469.80
Bird population	317	309.4	299.2	289.9	283.2	278.1
Fish population	7,875.00	8,008.90	8,169.10	8,316.00	8,440.80	8,536.00
Small mammal population	326	336	345	353.3	361	370.4
Reptile population	46	46.9	48	47.5	48.5	49.3

Source: Euromonitor

Table 9: Retail Sales of Pet Food and Pet Care Products

Retail Sales of Pet Food and Pet Care Products by Sector: Value 2000-2005						
EUR million						
	2000	2001	2002	2003	2004	2005
Dog and cat food	227.9	235.2	236.3	236	236.4	232
Other pet food	18.3	18.8	19.1	19.2	19.3	19.5
Pet care products	68	69.3	70.1	70.5	70.6	70.7
Pet food and pet care products	314.3	323.2	325.4	325.7	326.3	322.3

Source: Euromonitor

Seafood

Sales of frozen and chilled fish and seafood products are predicted to see growth rates of over 3% in both value and volume and to further become a part of Austrians' daily eating habits. It is widely known that fish is a very healthy alternative to meat, as it contains important vitamins and has a low content of fat and cholesterol. As more Austrians have to battle with their weight and increased cholesterol levels, fish and other low-fat food will benefit from this trend toward healthier nutrition. Overall domestic consumption of fish and seafood products increased by 11.1 % in 2005 compared to the previous year.

It is expected that seafood consumption will continue its overall upward trend in the coming years. The reason for this trend is the rising standard of living, health awareness, the rising number of restaurants serving seafood, and the fact that tourism to coastal countries has acquainted the population with seafood. Most fresh/frozen whole fish is consumed in restaurants, whereas housewives still prefer natural or breaded frozen filets or sticks of cod, hake and flatfish. Among canned fish, tuna and herring are the most popular.

Advantages and Challenges for U.S. Suppliers on the Austrian Market

Advantages	Challenges
An aging population	Reservation towards foods containing or made from biotech products
Urban population growing	Reservations towards products with chemical food additives
High quality of U.S. products	Average tariff levels are high
Good reputation of certain U.S. products	Large distance to this market keeps shipping costs high
Promotion can possibly be carried out in cooperation with Embassy marketing efforts of U.S. products	High promotion costs to increase consumer awareness
Interest in organic and health food U.S. products by traders	Highly concentrated food retail market
Good infrastructure, efficient distribution system, most importers speak English	Difficult to acquire shelf space in large supermarket chains
Interest in new food articles	Usually relatively small quantities are imported.
Marginal domestic seafood production	Unawareness of high U.S. quality by consumers
Certain fruits, vegetables not produced by domestic agriculture	
Undeveloped niche market for certain game meats	
Growing interest in ethnic foods and sea foods due to rising vacations in distant and costal areas	
Growing pet food market	

II. Exporter Business Tips

Local Business Customs

In general, food retailers buy domestic and imported products from Austrian and/or German wholesalers. The large supermarket chains have their own purchasing sections, which buy and store foodstuffs centrally for their own retail stores. The central purchasing sections also carry out imports. However, some items are purchased through wholesale importers (e.g. almonds). Due to the strong concentration of the food retail sector, the supermarket chains are very powerful vis-a vis producers and slotting fees for retail space are the norm.

General Consumer Tastes and Preferences

Austrians have conservative tastes that are reflected in the local cuisine and in local production methods and marketing. In recent years, attention has been drawn to food additives. Austrians prefer foods without artificial flavors, stabilizers, emulsifiers, and preservatives. In addition, most consumers reject foods containing biotech products. For this reason, the leading supermarket chains banned such products from their shelves. Similarly, there is significant consumer interest in organic products. Sales of these products are still low but are steadily rising. Economists believe that organic products may someday reach 10% of the total food market. Light products are also in; however, consumers do not seem to tolerate a loss in flavor as compared to 'normal' products.

As in other western countries, beef consumption has been declining, whereas pork, poultry, and lamb have been increasing. The latter is mainly a result of immigration from Islamic countries. Cheese consumption, which is already high, will continue rising. This is particularly true for semi-hard and fresh cheeses.

With fruit juices, certain acidity is preferred. This applies also to white wines. Jams and marmalade are more appealing to Austrians if fruit pieces are included and if they are not too sweet. Cereals sell better if they are crunchy.

Food Standards and Regulations

With regards to foods: See Food and Agricultural Import Regulations and Standards report AU6019 (this may be found at: http://www.fas.usda.gov/scriptsw/attacherep/default.asp)

Regarding pet food: Registration is not required; however, the products have to comply with EU regulations.

General Import and Inspection Procedures

Incoming goods go to either the customs storage (small) or to a freight forwarder's facility at transport terminals or airports. Storage and removal from storage is carried out under the supervision of a customs officer who compares the documents with the commodities. Later, the invoice for import duty is issued. Food inspectors at the port of entry storage do not routinely check packaged foods. However, the customs officer may take samples to double check for ingredients (sugar, milk powder, alcohol) and that customs duties are paid for these ingredients according to their proportion.

Veterinary and customs import documents must be in German. However, if a customs officer or border veterinarian can read another language, he may accept it. Veterinary certificates are usually bi-lingual. There is no appeal of decisions by the customs office or the veterinary service.

If an importer objects to the quality of the product, the case can be brought to the arbitration center.

Complete information on EU import rules for food products may be found at: http://www.useu.be/AGRI/usda.html

III. Market Sector Structure and Trends

Trends toward industry concentration and strategic implications for U.S. suppliers

Since EU accession, concentration in the food industry and food retail sector has accelerated. Many food-processing companies are too small to survive alone in a large market and therefore merge with larger national or foreign firms. U.S. companies may be interested in acquiring Austrian food factories or retail shops. So far, Master Foods appears to be the only U.S. enterprise in Austria involved in food processing.

Domestic Industry Capacity versus Availability of Foreign-Supplied Products

More than three quarters of all agricultural supplies, including raw material for the food industry comes from other EU countries. Regarding imports of processed foods, 90% come from other EU countries.

The strongest branch of Austria's food industry is the beverage sector, particularly the brewing industry and the fruit juice industry. The latter imports concentrated citrus juices, particularly orange juice. The hard alcohol drinks industry is suffering from heavy competition.

Trends in Promotional/Marketing Strategies and Tactics

The most efficient advertising is television, which tends to be more expensive in Austria than in the U.S. The industry uses this medium for promoting food and pet food brands, and the two largest supermarket chains have regular TV spots. Supermarket and hypermarket chains have their own weekly or bi-weekly flyers where products available in their stores are advertised. These fliers reach a wide range of interested purchasers and thus are regarded as efficient. In-store promotions are also very successful.

Trends in Tourism Sales, Holiday Gift Sales, and Internet Sales

The tourism and recreational sector is an important is an important sector to the Austrian economy. In 2005 the direct value added share of tourism in GDP in Austria amounted to 9.8 %. In 2005, 119 million overnight stays by tourists were logged. The major share of tourists comes from Germany (about 52 million), followed by Netherlands (8,5 million). The main tourist areas are the provinces Styria and Salzburg, followed by Carinthia.

In general, tourists, particularly those from Germany, favor the local Austrian cuisine during their vacation. However, in recent years ethnic foods have become more popular (in part because of immigration and Austrians traveling abroad) and the demand for seafood has increased.

IV. Best High-Value Product Prospects

The 15 consumer food/edible fishery products, which offer the best U.S. export opportunities, are as follows:

Alaska Salmon
Catfish
Lobster
Shrimp
Pecans (conventional and organic)
Walnuts (conventional and organic)
Pistachios (conventional and organic)
Almonds (conventional and organic)
Dried cranberries (conventional and organic)
Other dried fruits (conventional and organic)
Cranberry juice
Wine
Tobacco
Pet food (conventional and organic)
Beef, non-hormone treated

V. Key Contacts and Further Information

American Embassy
Office of Agricultural Affairs
Boltzmanngasse 16
A-1090 Wien
Phone: + 43 (1) 31 339/ext 2249
Fax: + 43 (1) 310 8208
e mail: agvienna@usda.gov
Website: http://www.usembassy.at/en/usda/

Bundesministerium fuer Wirtschaft und Arbeit
(Federal Ministry for Economic Affairs)
Abteilung II/11
(Division II/11)
Stubenring 1
A-1011 Wien
Phone: + 43 (1) 71100/ext. 5774
Fax: + 43 (1) 715 96 51
Website:http//.www.bmwa.gv.at/

Bundesministerium fuer Land- und Forstwirschaft, Umwelt und Wasserwirtschaft
(Federal Ministry for Agriculture and Forestry, Environment and Water Management)
Abteilung III A 2
(Division III A 2)
Stubenring 1
A-1011 Wien
Phone: + 43 (1) 71100/ext. 2878
Fax: + 43 (1)71100 2937
Website:http://www.lebensministerium.at

Agrarmarkt Austria (AMA)
(Agricultural Market Austria)
Dresdnerstr. 70
A-1200 Wien
Phone: + 43 (1) 33 151 0
Fax: + 43 (1) 33 151 399
Website: http://www.ama.at

Austrian Economic Chamber
Wiedner Hauptstr. 63
A-1045 Wien
Phone: + 43 (1) 501 050
Fax: + 43 (1) 502 06 250
Website: http://portal.wko.at/

Bundesanstalt fuer Lebensmitteluntersuchung und -Forschung
Kinderspitalg. 15
A-1090 Wien, Austria
Phone: + 43 (1) 404 90/ext 27801
Fax: + 43 (1) 404 90 9278
Website: http://www.luvie.ages.at/

Bundesanstalt fuer Lebensmitteluntersuchung
Burgerstr. 47
A-4020 Linz, Austria
Phone: + 43 (732) 77 90 71
Fax: + 43 (732) 77 90 71 15

Bundesanstalt fuer Lebensmitteluntersuchung
Zweigstelle Salzburg
Innsbrucker Bundesstraße 47
A-5020 Salzburg, Austria
Phone: + 43 (662) 833357 - 0
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Bundesanstalt fuer Lebensmitteluntersuchung
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Bundesanstalt fuer Lebensmitteluntersuchung
Technikerstr. 70
A-6020 Innsbruck, Austria
Phone: + 43 (512) 22 440
Fax: + 43 (512) 22 440 15

Lebensmitteluntersuchungsanstalt der Stadt Wien
Hennebergg. 3
A-1030 Wien, Austria
Phone: + 43 (1) 795 14 97955
Fax: + 43 (1) 79514 99 97955

Oesterreichische Agentur fuer Gesundheit und Ernaehrungssicherheit
Spargelfeldstrasse 191
Postfach 400
A-1226 Wien
Phone: + 43 (1) 73216 – 0
Website: http://www.ages.at/

Appendix I

Table A. Key Trade and Demographic Information

AUSTRIA

TABLE A: KEY TRADE & DEMOGRAPHIC INFORMATION	YEAR	VALUE
Agricultural Imports From All Countries ($Mil)/U.S. Market Share (%)	2004	6,629 / 1%
Consumer Food Imports From All Countries ($Mil)/U.S. Market Share (%)	2004	4,895 / 1%
Edible Fishery Imports From All Countries ($Mil)/U.S. Market Share (%)	2004	237 / 0.17%
Total Population (Millions)*/Annual Growth Rate (%)*	2006	8.19 / 0.09%
Urban Population (Millions)*/Annual Growth Rate (%)*	1999	5.12 / 0.27%
Number of Major Metropolitan Areas	2006	1
Size of the Middle Class (Millions)/Growth Rate (%)	n/a	n/a
Per Capita Gross Domestic Product (U.S. Dollars)*	2005	$32,700
Unemployment Rate (%)*	2005	5.2%
Per Capita Food Expenditures (U.S. Dollars)**	2004	$2,734.9
Percent of Female Population Employed**	2004	42.0%
Exchange Rate (US$1 = 0.783 Euro)	9/25/06	0.783

*denotes information collected from www.odci.gov/cia/publications/factbook/
** denotes information collected from www.statistik.at

Table B. Consumer Food & Edible Fishery Product Imports

Austria Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S. Market Share		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
CONSUMER-ORIENTED AGRICULTURAL TOTAL	3,421	4,181	4,895	25	48	49	0.74%	1%	1.00%
Snack Foods (Excl. Nuts)	345	406	508	1	2	1	0.31%	0.44%	0.28%
Breakfast Cereals & Pancake Mix	24	28	36	1	1	1	0.07%	0.16%	0.03%
Red Meats, Fresh/Chilled/Frozen	197	232	333	1	1	1	0.00%	0.03%	0.01%
Red Meats, Prepared/Preserved	109	135	168	0	0	0	0%	0%	0%
Poultry Meat	92	118	131	0	0	0	0%	0%	0%
Dairy Products (Excl. Cheese)	179	253	263	1	1	1	0.00%	0.00%	0.00%
Cheese	215	284	324	0	1	1	0%	0.00%	0.00%
Eggs & Products	37	53	54	1	1	1	3%	2%	2%
Fresh Fruit	339	413	455	1	1	1	0.10%	0.08%	0.11%
Fresh Vegetables	230	293	332	1	1	2	0.07%	0.07%	0.61%
Processed Fruit & Vegetables	272	326	404	4	6	6	1%	2%	1%
Fruit & Vegetable Juices	125	203	212	1	1	2	0.52%	0.29%	0.74%
Tree Nuts	39	49	65	5	6	6	13%	11%	9%
Wine & Beer	164	194	233	5	6	5	3%	3%	2%
Nursery Products & Cut Flowers	254	314	304	1	1	1	0.07%	0.04%	0.04%
Pet Foods (Dog & Cat Food)	83	111	135	1	1	1	0.53%	0.30%	0.26%
Other Consumer-Oriented Products	717	767	936	8	26	24	1%	3%	3%
FISH & SEAFOOD PRODUCTS	180	204	237	1	1	1	0.11%	0.15%	0.17%
Salmon	17	19	24	1	1	1	0.32%	0.29%	0.41%
Surimi	2	2	3	1	1	1	0.24%	0.19%	0.64%
Crustaceans	22	22	28	1	1	1	0.07%	0.16%	0.15%
Groundfish & Flatfish	44	53	59	1	1	1	0.15%	0.21%	0.20%
Molluscs	4	5	6	1	1	1	0.17%	0.64%	0.93%
Other Fishery Products	90	102	117	1	1	1	0.06%	0.06%	0.06%
AGRICULTURAL PRODUCTS TOTAL	4,821	5,761	6,629	67	91	95	1%	2%	1%
AGRICULTURAL, FISH & FORESTRY TOTAL	6,249	7,490	8,672	74	102	111	1%	1%	1%

NA - Data not available (not reported) Data: Harmonized Tariff Schedule (HS 6 Digit)

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C. Top 15 Suppliers of Consumer Foods & Edible Fishery Products

CONSUMER-ORIENTED AGRICULTURAL TOTAL			
Reporting Country: Austria Top 15 Suppliers	Import		
	2002	2003	2004
	1000$	1000$	1000$
Germany	1,401,254	1,575,355	1,952,052
Italy	463,008	573,773	662,863
Netherlands	352,976	438,200	450,119
Spain	167,482	221,857	233,640
Hungary	108,123	176,997	195,855
France	158,608	176,878	191,569
Switzerland	110,038	145,076	177,232
Belgium	79,594	95,541	99,642
Poland	38,391	63,714	89,894
Turkey	67,213	69,185	85,340
Czech Republic	29,091	51,510	53,324
United States	25,237	47,639	48,708
Denmark	30,060	42,891	46,802
Ecuador	30,756	44,264	43,695
Brazil	28,516	38,162	41,601
Other	330,632	419,721	522,209
World	3,420,979	4,180,763	4,894,545

FISH & SEAFOOD PRODUCTS			
Reporting Country: Austria Top 15 Suppliers	Import		
	2002	2003	2004
	1000$	1000$	1000$
Germany	87,635	94,603	112,529
Denmark	19,066	24,727	24,351
Netherlands	14,290	14,801	18,616
Italy	10,662	11,929	14,083
Thailand	5,185	6,776	8,905
France	4,960	5,485	6,763
Portugal	3,074	4,273	4,937
Norway	2,229	4,245	4,524
Czech Republic	1,553	2,254	3,459
Slovenia	2,678	2,763	3,365
Belgium	2,861	3,674	3,333
Russian Federation	1,778	2,166	2,574
Morocco	1,286	1,651	2,308
Mauritius	1,287	2,153	2,042
United Kingdom	1,804	1,630	2,037
Other	19,617	21,267	23,485
World	179,965	204,397	237,311

Source: United Nations Statistics Division