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Report Highlights:
Croatia imports a significant portion of the food it consumes. Slow but continued economic reforms as a result of the EU accession process and growing tourism make Croatia a significant, long-term importer of certain U.S. food products, including seafood, snack foods, pork, pet food, wine, tree nuts, rice and beef. Croatian consumers are strongly anti-biotech.

Post:
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I Market Overview

Economic Situation

On October 3, 2005, Croatia began negotiations accession into the European Union (EU) and since then the government has made significant progress in its agenda to finalize negotiations with the EU and also to obtain full NATO membership that provides a security framework for its improving economic and social prospects. Today EU regulations are increasingly being viewed as the norm, and there is a concerted effort to prepare the country, especially in the agricultural and processed food sectors, for membership. Croatia is also a member of the WTO and has trade agreements with EU-27, EFTA, Turkey, and CEFTA 2006.

Croatia has progressed considerably in creating a market economy and establishing macroeconomic stability. With the Kuna closely tied to the Euro, Croatia enjoys a stable currency. Unemployment appears to have peaked in 2000/2001 and positive trends (more employment in private sector firms) began in 2002 and continued until 2008. However, Croatia has not been immune to the global economic crisis thus employment statistics for 2009 and 2010 could show downward trends. Croatia appears to have weathered the global financial crisis reasonably well, but still faces significant challenges. In 2009, GDP is forecast to drop 5 percent to 5.5 percent. Croatia's external trade imbalances and high foreign debt present risks because continued access to foreign credit may be limited.

Demographic Developments and Their Impact on Consumer Buying Habits

Croatia’s population is about 4.4 million and is slowly decreasing. The age distribution, based on 2007 estimates, is as follows: 0 to 14 years/15.5 percent; 15 to 64 years/67.3 percent; 65 and over/17.2 percent. The number of elderly and retired persons is rising, but they tend to have small pensions and are not the economic force they are in other countries.

Food Expenditures

In 2007, total consumption of goods per household was $13,792 (Kn 74,006). Of that total consumption, 31.6 percent was total food and beverage consumption per household. In addition, alcoholic beverages and tobacco amounted to 3.9 percent out of total household consumption.

Size and Growth of the Consumer Foods Market

General

In 2007, trade (including total wholesale and total retail sales and VAT) amounted to Kn 286.20 billion ($ 53.34 billion), which was about a 16.9 percent increase compared to 2006.

In 2008, Croatia imported agricultural products and fish (HS 1 – 24) valued at $2.618 billion and exported $1.399 billion worth of these goods, which puts the agricultural trade deficit at $1.219 billion. In the last few years, Croatia's food imports grew as did the country's trade deficit.

There is little specific data on sales of food products by class or type.

Consumer foods

Croatia's total imports of consumer foods have steadily grown to more than $1.554 billion in 2008. In the last few years, a flourishing tourism along the Dalmatian coast and rebounding consumer demand in urban areas are fueling demand for consumer foods, which is underlined by the increasing number of supermarkets.
Trade statistics on U.S. exports of consumer foods to Croatia are severely understated due to transshipment via the EU. Demand for medium to high quality consumer foods will continue to rise and should be a boon for U.S. companies, provided they can overcome less than competitive high ocean freight rates into the Adriatic Sea from U.S. ports. Nevertheless, U.S. companies can take advantage of the weak dollar.

Beverages

Fruit and vegetable juice imports in 2008 were $26.8 million, up about 43.5 percent compared to 2006, and continuing a constant steady growth.

In 2007, annual average consumption per household member was:

Coffee 3.82 kg,
Tea 0.30 kg,
Cocoa 0.32 kg,
Mineral water 31.98 kg,
Soft drinks 11.48 kg,
Fruit juices 16.28 kg,
Syrups and concentrates 4.57 kg or l,
Spirits 0.78 l,
Wine 10.75 l,
Sparkling wine 0.07 l,
Beer 20.00 l,

Food service (restaurants)

According to the Croatian Statistical Institute, hotels and restaurants sales for foods, non-alcoholic, and alcoholic drinks totaled Kn 4.696 billion ($875 million) in 2007. Sales in this sector have been trending upwards (despite the slide of the dollar) from 2000 to present.

Seafood

In spite of Croatia's lengthy Adriatic coastline, the country struggles to catch and produce seafood. Croatia lacks modern vessels, as well as the infrastructure needed to transport and process seafood, especially a complete cold chain. According to the Croatian Statistical Institute, consumption of sea and fresh water fish in 2007 was 7.83 kilograms per capita plus an additional 1.1 kg per capita of seafood and 0.86 per capita of dried, smoked, salted and other preserved or processed fish. This indicates that Croatians are not big consumers of fish. In general Croatians prefer to consume meat. Nevertheless, the demand for seafood is increasing, as Croatia becomes a more popular tourist destination. Total imports of fish and seafood in 2008 were about $139 million--a significant increase compared to $70.7 million in 2004. This is a signal that Croatia could be an excellent market for U.S. seafood.

Advantages and Challenges of U.S. Suppliers in the Croatian Market

Advantages	Challenges
Growth in tourism	Negative attitude towards foods containing or made from biotech products
Urban population growth	Reservations towards products with chemical food additives
Certain fruits, vegetables, dried fruits and rice are not produced domestically	U.S. food products are at a tariff disadvantage compared to goods from the countries with which Croatia has bilateral agreements (EU-27, EFTA, Turkey and CEFTA 2006)
Shortages of some agricultural products like beef, pork, soybean meal, and certain types of seafood	High shipping costs
Most importers speak English	Lack of awareness of U.S. goods; no concept of U.S. quality by consumers
	The government adopting restrictive EU Phytosanitary regulations

II. Exporter Business Tips

Local Business Customs

Food retailers buy domestic and imported products from wholesalers. The wholesale sector is completely privatized. Restructuring of the retail segment also occurred as retail chains were privatized during 1990s and acquired by larger groups and new private retailers emerged on the market. The retail sector is dominated by foreign supermarket chains such as Billa, Kaufland, DM, Ipercoop, Metro, Mercator, and Interspar; and domestic supermarket chains consist of chains such as Konzum, Getro, KTC, and Kerum. Large supermarket chains have their own purchasing sections that buy, store, and distribute foodstuffs centrally. These purchasing units also import products. However, they also purchase some items through specialty wholesale importers.

General Consumer Tastes and Preferences

Croatians, in general, reject foods that contain or are made from biotech products. Consumers generally will not buy food-containing biotech content even if it is considerably cheaper.

Croatian market research agency carried out a study in May, 2008 on "Food" that among other things researched opinion and knowledge of Croatian consumers on GMOs. In this study, 58 percent of respondents said that they wouldn't eat GMO food products under any circumstances and 26 percent of respondents thought that they didn't know enough about GM foodstuffs. The study showed that 90 percent of respondents think that GM foodstuff must be clearly labeled on the store shelf.

The same agency did a study in 2005 on public opinion on GMOs. In this study, 67 percent of respondents said that they wouldn't eat GMO food products under any circumstances and only 16 percent of respondents thought that they didn't know enough about GM foodstuff.

"Gfk – Centar za istrazivanja" agency also released the results of a study conducted in March 2004 on Croatian consumers' perception of pesticides use and biotech content in food. The results indicated that consumers view both pesticide use and biotech content in food as harmful to human health. However, excessive pesticide use was perceived as more harmful than biotech food. On average, women rated biotech foods as more harmful to health as compared to men. Respondents over 60 years of age rated biotech food more harmful as compared to younger respondents. There was an interesting trend among respondents with regard to their education levels. As education levels increased, the harmfulness of excessive pesticide use increased while the harmfulness of biotech content in food decreased. (see GAIN report HR 5001)

According to, "Gfk" research conducted in June, 2008, on the topic of organic foodstuff consumers responded as follows:

- 17 percent have never heard of organic products
- 83 percent have heard of organic food
- 53 percent are able to distinguish organic products in shops
- 3 percent buy organics regularly

For rough regulation on organic products see GAIN report HR8006.

Consumption of “light” or dietary products is increasing. In addition “Gfk” research from 2008 showed that 57 percent of respondents in Croatia have heard of functional foodstuff like omega-3 margarine.

Food Standards and Regulations

See FAIRS Country Report 2009 for information on standards and regulations and Export Certificate Report 2009 for information on export certificates.

General Import and Inspection Procedures

Incoming goods must go through customs storage at transport terminals or airports. After the goods arrive at the customs storage, the importer or freight forwarder should start procedures for checking and clearing goods, which includes special documents that should be sent to the Inspection Departments and the Customs Office. The procedure starts at the Sanitary Inspection Department of the Ministry of Health and Social Welfare, which checks all products (except meat, which is checked by Veterinary Inspection Department from the Ministry of Agriculture, Fishery and Rural Development). From time to time samples are taken for food safety testing. Products are also inspected for quality. Products that can be made from biotech products are also sampled and sent to the laboratory for testing (see Agricultural Biotechnology Report 2009). The importer must pay for product inspections. If products are of suspicious quality and/or health standards their sales will be banned until analyses is conducted. Customs clearance and removal from storage is carried out under the supervision of a customs officer who compares the documents with the commodities after they were checked by sanitary or veterinary inspector for quality, ingredients and health standards.

Customs rates can be found at:

http://www.carina.hr (This web site is only in Croatian. For clarification, contact your

Croatian partner or one of freight forwarding companies to determine the proper rates.)

Customs import documents should be in Croatian, but documents in English language are accepted most of the time.

Average length of customs clearance for food products, if all documents are in order, is one day.

III. Market Sector Structure and Trends

Retail Sector Key to High Value Imports

The internationalization of the Croatian retail food trade started in 1997, with the opening of the supermarket chain (Drogerie Markt). In the past eight years, supermarkets have developed rapidly in Croatia, leaving the traditional retail system for food far behind. In 2002, the share of supermarkets in overall food retailing reached 50 percent according to a study entitled "Rapid Rise of Supermarkets" put out by the U.S. Agency for International Development in September 2003.

Croatia's total imports of consumer foods have been steadily growing to reach $1.554 billion in 2008. Increasingly, imports are being distributed through large supermarkets. Until recently, small shops dominated food retailing in Croatia. However, currently most consumers shop at supermarkets.

Promotion and Marketing Strategies

A media campaign is considered necessary for the success of any new food product. In that respect, advertising is a very important marketing tool in Croatia. Businesses use all available media like internet, radio, billboards, newspapers, magazines and TV, although television is the food industry's favorite media. Supermarkets also use direct marketing by mostly mailing flyers. Consumer participation contests on TV and radio are also very common.

Tourism Sales

Tourism, although highly seasonal, is an important economic activity in Croatia. Each year about 9 million tourists visit Croatia (compared to Croatia's population of 4 million). The majority of visitors come from Germany, Italy, Slovenia, Austria, Czech Republic, Hungary, UK, France, Netherlands, and Bosnia and Herzegovina. Tourists from countries outside of Europe are mostly Americans. Tourist infrastructure is satisfactory but still developing, particularly in the main tourist destinations.

Internet Sales

Internet shopping in Croatia is still negligible. Most of the Internet shopping in Croatia involves travel services, IT equipment, books, and electrical appliances. Despite this, there are a few companies providing online sales of retail food products.

While the retail online transactions in Croatia still represent less than 1 percent of total retail trade in the country, e-commerce in Croatia is considered to be a common occurrence. The total value of e-commerce transactions is approximately $500 million per year, with around 85 percent of the figure attributable to business-to-business transactions.

IV Best High Value Product Prospects

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

Product Category	Market Size	2008 Imports	5-Yr. Avg. Annual Import Growth (2003-2008)	Import Tariff Rate 2009	Key Constraints of Market Development	Market Attractiveness for USA
Fish & Sea Food (products)	44,000MT estimate for 2007	$138 million (53,897 MT)	Growth in $ value : 2003/2004 - (-14.6%) 2004/2005 - 37.1% 2005/2006 – 8.1% 2006/2007 – 13.6% 2007/2008 – 16.3%	See at: www.carina.hr	Competition from some E.U. seafood exporting countries.	Demand and consumption should continue to grow along with tourism for the next several years.
Snack Foods	N/a	$165 million (42,006 MT)	Growth in $ value : 2003/2004 - 19.2% 2004/2005 - 7.5%	See at: www.carina.hr	Strict biotech legislation and competition from E.U. and Croatian franchisees.	Growing market.

			2005/2006 – 15.7% 2006/2007 – 21.7% 2007/2008 – 20.6%			
Pork	110,000 MT in 2002/2003	$134 million (41,277 MT)	Growth in $ value : 2003/2004 - 45.6% 2004/2005 - 33.0% 2005/2006 – (-1.58%) 2006/2007 – 3.6% 2007/2008 – 19.32%	See at: www.carina.hr	Only companies that are registered exporters of pork for the EU market can access Croatian market. Competition from EU companies because of geographical closeness.	Croatian meat processors are importing significant quantities of pork because of volatile situation on the market due to cyclic pig production dependent on the price of feed. In addition, sometimes there is a market shortage of quality product.
Pet Food (Dog & Cat Food-retail)	20,578MT in 2003	$48 million (35,099 MT)	Growth in $ value : 2003/2004 - 14.1% 2004/2005 - 18.6% 2005/2006 – 13.2% 2006/2007 – 18.4% 2007/2008 – 25%	See at: www.carina.hr	Competition from European companies and U.S. franchisees in European Union.	Croatia doesn't have pet food. production and usage of these products is expected to grow with increase in standard of living.
Wine	189,000,000Liters + 5.944 MT in 2001	$26.8 million (14,056 Liters)	Growth in $ value : 2003/2004 - 40.6% 2004/2005 - 4.0%	See at: www.carina.hr	High transportation cost.	Consumption of quality wines is expected to grow with standard of living.

			2005/2006 – 21.6% 2006/2007 – 40.8% 2007/2008 – 1.23%			
Tree Nuts	N/a	$16.7 million (2,807 MT)	Growth in $ value : 2003/2004 - 46.8% 2004/2005 - 26.7% 2005/2006 – (-20.0%) 2006/2007 – 30.3% 2008/2007 – 10.3%	See at: www.carina.hr	Quality standards must meet EU standards.	Croatia does not produce sufficient quantities. In addition grading and quantity of domestic production is insufficient.
Rice	10,299 MT in 2003	$12 million (11,106 MT)	Growth in $ value : 2003/2004 - 9.8% 2004/2005 - 10.7% 2005/2006 – 10.1% 2006/2007 – 12.3% 2007/2008 – 39.7%	See at: www.carina.hr	Transshipments from Europe.	Croatia has no domestic production.
Beef	55,000 MT in 2001	$32.45 million (8,794 MT)	Growth in $ value : 2003/2004 – 179.4% 2004/2005 – 124.5% 2005/2006	See at: www.carina.hr	Croatian legislation transponses EU legislation: EC No 178/2002, EC No 852/2004, EC No 853/2004, EC No 854/2004, EC	Croatia has a shortage.

			– (-50.2%) 2006/2007 – 45.8% 2007/2008 – 91.2%		No 999/2001	

V. Key Contacts and Further Information

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APPENDIX I - STATISTICS

TABLE A: KEY TRADE & DEMOGRAPHIC INFORMATION	YEAR	VALUE
Ag Imports From All Countries*** ($Mil)/US Share %	2008	2,485 / 1.14 %*
Cons Food Imports From All Countries ($Mil.) / US Share %	2008	1,554 / 1.43%*
Edible Fish Imports From All Countries ($Mil) / US Share %	2008	138 / 2.99%*
Tot Population (Millions) / Annual Growth Rate per 1000	2008	4,435/-1.9
Urban population (Millions) / Annual Growth rate (%)	2008	n.a.
Number of Major Metropolitan Areas	2008	-
Size of the Middle Class (Millions) / Growth Rate (%)	2008	n.a.
Per Capita Gross Domestic Product (US Dollars)	2008	$ 15,635
Unemployment Rate ILO (%)	2008	8.4 %
Per capita Food Expenditures (US Dollars)	2007	$ 1,488
Percent of Female Population Employed	2008	38.8%
Exchange Rate (US$1 = X.X local currency)	2008	$1=Kn 4.9344**

* Source: Global Trade Atlas
** dollar slide from $1=5.3660 in 2007
*** BICO grouping

TABLE B. IMPORTS OF AGRICULTURE, FISH & FORESTRY PRODUCTS

Croatia 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	580	748	883	10	13	16	2%	2%	2%

TOTAL									
Snack Foods (Excl. Nuts)	60	76	90	1	1	1	0.91%	0.21%	0.53%
Breakfast Cereals & Pancake Mix	5	8	11	1	1	1	0.27%	0.13%	0.06%
Red Meats, Fresh/Chilled/Frozen	47	55	88	0	0	0	0%	0%	0%
Red Meats, Prepared/Preserved	22	27	32	1	0	1	0.33%	0%	0.15%
Poultry Meat	3	3	6	0	0	0	0%	0%	0%
Dairy Products (Excl. Cheese)	36	37	46	1	0	0	0.06%	0%	0%
Cheese	25	36	45	0	0	0	0%	0%	0%
Eggs & Products	4	5	5	1	1	1	4%	0.02%	0.08%
Fresh Fruit	64	83	90	1	1	1	0.00%	0.00%	0.04%
Fresh Vegetables	21	45	45	1	1	1	0.02%	0.30%	0.12%
Processed Fruit & Vegetables	59	76	85	1	1	1	0.88%	0.56%	0.67%
Fruit & Vegetable Juices	11	14	15	1	1	1	0.07%	4%	7%
Tree Nuts	7	8	11	1	2	3	15%	20%	22%
Wine & Beer	21	31	36	1	1	1	0.15%	0.19%	0.13%
Nursery Products & Cut Flowers	18	24	29	1	1	1	0.04%	0.05%	0.30%
Pet Foods (Dog & Cat Food)	18	21	24	1	1	1	3%	3%	3%
Other Consumer-Oriented Products	162	200	223	7	9	10	5%	5%	5%
FISH & SEAFOOD PRODUCTS	76	82	70	1	2	2	1%	2%	2%
Salmon	1	1	1	1	0	1	2%	0%	2%
Surimi	1	1	1	1	0	0	2%	0%	0%
Crustaceans	4	4	4	1	1	1	0.16%	0.46%	2%
Groundfish & Flatfish	8	8	10	1	0	1	0.23%	0%	0.08%
Molluscs	10	15	19	1	1	2	9%	6%	9%
Other Fishery Products	53	54	35	1	1	1	0.27%	1%	0.04%
AGRICULTURAL PRODUCTS TOTAL	955	1,181	1,373	22	21	27	2%	2%	2%
AGRICULTURAL, FISH & FORESTRY TOTAL	1,183	1,475	1,686	24	23	29	2%	2%	2%

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 IMPORTS

Croatia – Top 15 Suppliers	United States Dollars		
	2006	2007	2008
	$1,000	$1,000	$1,000
Germany	130,142	172,175	226,585
Italy	154,304	190,648	224,766
Netherlands	76,391	94,166	117,926
Austria	82,572	98,442	103,182
Slovenia	70,853	80,603	84,178
Bosnia & Herzegovina	45,920	59,580	79,764
Hungary	55,701	64,297	77,953
Poland	55,295	66,887	77,042
Spain	45,553	53,605	56,182
Macedonia	25,929	33,932	38,961
Ecuador	19,389	26,128	36,972
Brazil	19,192	36,286	36,399
Serbia	1,698	27,442	33,498
Denmark	24,092	27,876	32,233
France	20,010	27,634	31,256
19. United States	13,843	18,052	22,269
World	1,043,648	1,304,863	1,553,644

Source: Global Trade Atlas

FISH & SEAFOOD PRODUCTS

Croatia – Top 15 Suppliers	Import		
	2006	2007	2008
	$1,000	$1,000	$1,000
Spain	15,793	27,472	18,312
Sweden	7,595	6,672	11,556
Italy	8,132	10,575	11,212
Falkland Islands	7,206	8,608	9,749
Thailand	5,536	5,738	7,733
Argentina	5,527	3,062	7,082
France	10,145	3,259	6,930
Norway	5,045	6, 911	6,695
United Kingdom	2,658	3,627	4,411

United States	3,683	4,848	4,136
Bosnia & Herzegovina	764	1,128	3,997
China	2,032	2,325	3,301
Denmark	3,493	3,147	3,107
Portugal	110	538	2,981
Slovenia	1,777	2,154	2,910
World	104,757	119,011	138,452

Source: Global Trade Atlas