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Report Highlights:

Slovakia is a prosperous, industrialized, and export-driven economy located in the center of Europe. The country is a part of the EU single market and its economy tends to perform better than the EU average. There are interesting niche opportunities for U.S. exporters of dried fruit and nuts (almonds, cranberries, walnuts), frozen fish (pollock), bourbons, wine, BBQ and chili sauces, hops pellets, and snacks. Capitol city Bratislava, with its exceptional purchasing power and increasing tourism holds great opportunities for U.S. exports.

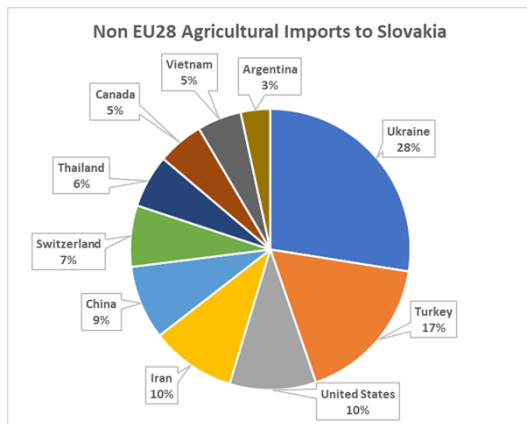
Market Fact Sheet: Slovakia

Executive Summary

Slovakia is strategically located in the center of Europe and is closely tied to other European Union (EU) economies. Slovakia is a part of the EU single market and customs union and is a Eurozone member. The Slovak economy is characterized by a large industrial sector and a small agricultural sector. Slovakia has an export-driven economy and EU countries are its most important trading partners. In 2018, total Slovak agricultural and food products (HS¹ chapters 01-24) imports from the United States reached \$11.3 million.

Slovak Agricultural Imports

Consumer oriented food and beverage products remain the most important agricultural imports from the United States. Fish and seafood, bourbon, whiskey, and dried nuts are the major consumer-oriented products imported from the United States. The United States ranks third among non-EU exporters after Ukraine and Turkey.



Food Processing Industry

More than 250 food processing companies employ about 40,000 people, accounting for almost 10 percent of all industry sectors employees in Slovakia. The sector is one of the largest industrial sectors, accounting for 15 percent of total industrial output. The subsectors with the highest revenues are dairy, meat and poultry productions, beer brewing, and confectionary-baking.

Food Retail Industry

Slovak food retail sales in 2018 reached \$569 million. The sector is saturated and relatively consolidated. The top three retail chains together account for 71 percent of the revenues.

Food Service Industry

There are around 12,000 food and beverage serving establishments in Slovakia. Food service revenues have increased by 20 percent for last five years, reaching \$1.24 billion in 2018.

Quick Facts CY 2018

Imports of Agricultural Products from USA
\$11.3 million

List of Top 10 Growth Products from USA exported to Slovakia

- | | |
|-----------------|----------------------|
| 1) Frozen Fish | 2) Distilled Spirits |
| 3) Almonds | 4) Walnuts |
| 5) BBQ Sauces | 6) Wine |
| 7) Edible Oils | 8) Breakfast Cereals |
| 9) Hops Pellets | 10) Pet Food |

Food Industry by Channels (\$ million)

Agricultural and Food Exports	3,371
Agricultural and Food Imports	5,376
Retail	569

Food Industry Gross Sales

Food Industry Revenues: \$1,237.4 million

Top 10 Food Retailers

- | | |
|--------------------|-----------------|
| 1) Tesco Stores SR | 6) Metro |
| 2) Lidl SR | Cash&Carry |
| 3) Kaufland SR | 7) CBA Slovakia |
| 4) COOP Jednota | 8) Terno |
| 5) Billa | 9) Labas |
| | 10) Milk-Agro |

GDP/Population

Population: 5.4 million

GDP: \$107 billion

GDP per capita: \$19,814

Exchange rate:

2018: 1 USD = 0.848 Euro

Market Advantages and Challenges

Strengths	Weaknesses
Growing economy and consumer expenditure	U.S. exporters face competition from tariff-free products from other EU member states
Opportunities	Threats
Growing popularity of high-quality and healthy products, especially among young generation	Anti-biotech and GMO-free approach endorsed by the government and NGOs

Data and Information Sources:

Trade Data Monitor, Slovak Ministry of Agriculture and Rural Development, Statistical Office of Slovakia, World Bank, Euromonitor, Statista.com

¹Harmonized Commodity Description and Coding System

Section I. – Market Overview

Until its dissolution in 1993, Slovakia had formed one country, Czechoslovakia, together with the Czech Republic. On January 1, 1993, the Czech Republic and Slovakia became two independent states. The country has been a member of the European Union (EU) since 2004 and adopted the Euro as their national currency in 2009.

Slovakia is a developed market, export-driven economy with a growing standard of living. It occupies a strategic position in the center of Europe and is closely tied to other EU economies, especially Czech Republic, Poland, and Germany. Slovakia is a part of the EU single market and customs union and is a Eurozone member. The Slovak economy is characterized by a large regionalization, a strong industrial sector, and smaller agricultural and services sectors. The Slovak economy tends to perform better than the EU average and the gross domestic products (GDP) per capita is about USD \$20,000. Although a small market in the EU, Slovakia offers opportunities for U.S. exporters. With an accelerating pace of life, particularly in urban areas, and growing consumer spending power, demand is increasing for high quality and healthy products.

Although the country is small, it has very promising potential for tourism. It offers something for everyone's taste including hiking and biking trails in the mountains, medieval castles and towns, spa towns with natural springs, folklore festivals, and wonderful culinary experiences.

The capital city of Bratislava, located in southwest of the country, is one of the youngest capital cities in the world. Its role as capital of newly independent Slovakia started 27 years ago. The city is the engine of Slovakia's fast-growing economy and attracts increasing numbers of visitors coming to enjoy the pedestrian-only city center with affordable restaurants, local taverns and wine bars, galleries, museums, and creative local designers' shops. The metropolitan population (425,000) has significantly higher earning power than other regions of the country and is relatively young. The city has excellent transportation connections including its own international airport and the close proximity (60 kilometers) of Vienna International Airport offering long-haul flights. Bratislava also has a port on the Danube River, operated by the Slovak Shipping and Ports company.

Population and Key Demographic Trends

As of January 1, 2019, 5.44 million people lived in Slovakia, a 0.1 percent year-on-year increase. Slightly more than half of the population live in urban areas however Slovaks seem to prefer living in the countryside rather than in cities, therefore the urbanization rate has remained approximately the same for the last decade. Like in other industrialized countries, Slovakia's population is aging. The median age is constantly increasing and is currently 41 years old. In 2019, 15.6 percent of the total population was 65 years old and older. (Source: The World Bank)

Size of Economy, Purchasing Power & Consumer Behavior

In 2018, the Slovak GDP was \$107 billion. The economic growth rate was 4.0 percent in real terms, which is over the average growth of the EU (2 percent). Rising disposable income and rather low unemployment and inflation rates, 5.6 and 2 percent respectively, support growing private consumption.

Overall Business Climate

The business environment is basically stable and efficient, nevertheless there is room for improvement. Financial institutions, dominated by foreign corporations, are reliable and intercompany transactions usually run smoothly. There are significant regional inequalities of business development potential. Eastern Slovakia lags behind the western part in terms of infrastructure, skilled labor force, and English language skills.

Recent Trends

Although Slovak society is rather traditional and conservative, there is increasing interest in healthy lifestyles, especially among younger to middle aged consumers concerned about food quality and health issues. Locally made products gain popularity thanks to government activities and a lot of media attention. Logos such as “We love Slovakia” introduced by Kaufland Slovakia, are becoming important for patriotic consumers seeking quality food products. Food scandals from imported products, e.g. Polish beef in 2019, helped local manufactures to regain some of the market share lost across a number of categories.

The younger generation appreciates trying new products and foreign cuisine trends. At the same time, the 50+ generation is a growing population group and as such an important target market for specific food products such as convenience products. Both demographic groups feature an increasing number of single-person households that are boosting demand for smaller pack sizes, long-shelf-life products, and storage convenience.

Demand for genetically engineered (GE) products, specifically including meat and dairy produced from animals fed GE-feed, has dwindled under the influence of anti-biotech non-governmental organizations (NGOs), retailers, and neighboring countries (Austria, Hungary, and Germany). Whereas the Slovak government was previously supportive of biotechnology, they have recently changed their stance declaring their ambition to make Slovakia a “GMO-free zone.”

Private labels share is slightly increasing, accounting for 25.3 percent in 2019. Eighteen percent are foreign private labels and about 7 percent local ones. The discount retailer Lidl is the leader with 56 percent of its products in a private label pack.

Although value deals and discounts remain sought after, these are slowly being replaced by demand for multipacks and loyalty program bargains.

Alcoholic beverages such as beer, white wine and distilled spirits are very popular and American products can be found on retail shelves and on culinary menus.

Organic foods are still niche products with growth potential. In 2018, organic packaged food sales reached EUR 33 million (\$38 million). Raw and organic food products have increasingly found their way to grocery retailers’ shelves. The major retail chains in Slovakia, including Lidl and Kaufland, have begun to devote more selling space to organic products. Organic foods consumers are usually environmentally conscious, which means they pay attention to eco-friendly/less-plastic packaging and expect superior quality to justify a higher price. As the result, biodegradable packaging is becoming an important marketing tool particularly for organic food commodities. Organic milk products, baby food, savory and fruit snacks, sauces, vegetable spreads, edible oils, and bread record the fastest value sales growth. Internet retailing, a quickly developing up-to-date distribution channel, supports further demand for organic food products.

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

Advantages	Challenges
Growing economy and disposable income	Competition from EU member states
Agricultural imports outpace exports rapidly and in a long term	Price is an important purchasing decision-making factor
Growing segment of consumers seeking out high quality food products	Locally made food products are highly promoted
U.S.-style food is popular, especially among the younger generation	Transatlantic transportation is costly and takes time
The climate and agricultural land structure limits of the landlocked country	High promotion costs to increase consumer awareness of U.S. high quality products
The member of the EU single market using euro currency	Anti-biotech and GMO-free approach supported by the government
One local distributor can cover all regions	Listing fee required to acquire shelf space for a new product in large supermarket chains
Significant food processing industry with many final production facilities owned by major global or European companies	Retailers prefer purchases from central buyers from other EU states

[Section II. – Exporter Business Tips](#)

Slovakia is covered by FAS Berlin and FAS Prague offices who are available to assist in these areas.

Market Research

Most Slovak consumers are conservative; accepting new products requires a strong marketing strategy. Nevertheless, the growing economy and trends imported from other EU countries influence consumers towards products perceived to be higher-quality and/or healthy, such as organic foods. The market is growing for products distributed by modern channels such as internet retailing. Similar to other European countries, there is an increasing number of people ready to try new, unusual or exotic foods,

or a dining-out experiences. Particularly Bratislava, the safe and vibrant city, has growing segments of local above-average-income consumers and foreign visitors.

The first step for U.S. companies that would like to start exporting to Slovakia is to determine whether there is a market for their product. Establishing a good business relationship with a local importer/distributor is a must.

Local Business Customs and Trends

Because the country is small, one distributor can cover all regions, in some cases one distributor can supply both the Czech Republic and Slovakia. Since the country is an EU member, all legislation and import requirements are harmonized with the European Union.

The basic Value Added Tax rate in Slovakia is 20 percent, however, a reduced VAT rate of 10 percent is charged on groceries, pharmaceuticals, books, and accommodation services. Most food prices remain below EU price levels.

Local food retailers buy most of their products from wholesalers/specialized importers. These importers are familiar with all importing requirements and trade logistics. Direct import is rather uncommon. Retail chains take advantage of their powerful position and listing fees for a new product to acquire shelf space are usually required. Should a new product launch be successful, establishing communication with customers, investing time, and strong marketing support are essential factors.

General Consumer Tastes and Trends

The traditional Slovakian diet is influenced by Czech, Hungarian, and Austrian cuisine. Typical products include chicken, pork, and lamb meat, milk and dairy products, especially cheese, and bread. Additionally, potatoes, pea, lentil, and sour cabbage are important parts of the diet. Paprika, pepper, cumin, marjoram and garlic are major spices.

There are significant regional differences in both traditional cooking and latest gastro trends. For example, influence of Hungarian cuisine with its gulasch-type meals and lots of meat products is obvious in the southern part of the country. Plenty of various culinary experiences can be gained in Bratislava including traditional taverns reminding days of the Austro-Hungarian monarchy, fancy international restaurants or craft beer bars.

In general, the Slovak society is rather conservative and traditional including food and dining preferences. People are patriotic and proud of their locally produced foods such as pork, fruit and vegetables, dairy products and beverages. Open air markets selling seasonal local products are very popular.

The consumption of meat reached 63 kilograms per person/year in 2018. Pork accounted for more than 50 percent (about 36 kilograms) and, as domestic consumption of pork increased and local production showed a cyclical pattern, up to 10,000 tons of pork/year had to be imported. Consumption of poultry (mostly chicken), beef, and lamb reached 21, 5, and 1 kilogram per person per year respectively. The

consumption of milk and milk products, particularly cheese, is approximately 164 liters and 9.9 kilograms per capita respectively.

Section III. - Import Food Standards & Regulations and Import Procedures

Labeling is enforced by local authorities and follows EU labeling standards. Packaged foods and feeds derived and/or containing biotechnology enhanced ingredients must be labeled. “Contains GMOs,” is a typical example of a product label statement found on the market.

The State Veterinary and Food Administration executes the control of import, production, manipulation, handling, and marketing of genetically modified food and feed. The Central Control and Testing Institute of Agriculture is responsible, among other things, for the control of manipulation with the genetically modified seeds and their planting. The last two mentioned authorities have DNA laboratories serving as reference laboratories for Ministry of Agriculture.

Complete information on EU import rules for food products may also be found at:

<http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/>

Section IV. – Market Sector Structure and Trends

Retail Information

The Slovak retail sector is composed of private networks of retail and wholesale businesses. The trend in Western-style retailing, which offers a wide variety of products, has been greatly influenced by operations of foreign companies such as Tesco. Currently, Tesco operates 150 outlets in Slovakia, and employs more than 10,000 people. The breakdown includes Tesco department stores, hypermarkets and supermarkets, upscale “galleries”, and a number of small-size Tesco Express stores. In 2017, Tesco’s sales reached USD 1.65 billion.

The second largest retailer is Lidl, reporting USD 1.31 billion sales in 2017 and about 135 stores throughout Slovakia with more than 4,000 employees. Kaufland, the third largest retail chain, operates 65 stores and employs about 5,000 people. In 2017, Kaufland’s sales reached USD 1.22 billion. Both Lidl and Kaufland retail chains are owned by Schwarz Group.

Retail opening hours are regulated, and retail outlets are, typically, only closed on public holidays which makes the Slovak retail sector rather liberal compared to neighboring EU countries. Most Slovak retail chain outlets are open on Saturday, or even on Sunday, particularly in shopping centers. Gas station shops selling convenience food are almost always open 24 hours per day and 365 days per year.

Market Opportunities in the Hotel, Restaurant and Institutional (HRI) and Food Processing Sector

Most U.S. ingredients and preparations are imported through European importers/distributors. Importers are usually distributors and sell directly to the HRI sector. Metro Cash & Carry and Bidfood Slovakia are the largest suppliers to the HRI sector. Some products are imported directly by large hotel/restaurant groups (e.g. Medusa Group, Bencik Culinary Group).

Due to increasing disposable income and low unemployment, there is growing interest in dining out. In addition to positive economic performance, both inbound and domestic tourism grew in 2018, benefiting full service restaurants in particular. The full-service restaurant segment remains highly fragmented. Chain restaurants account for a very small share of the restaurant segment and are facing a slow down after earlier expansions. Rather, consumers now look for unique and interesting experiences, rather than a standard menu and predictable setting. Nevertheless, chain restaurants are expected to keep their position in both existing and to-be-opened shopping centers.

In 2018, foreign cuisine, including “American” restaurants, recorded a high growth in both sales value and in outlet numbers. Growing popularity of steaks, burgers, and steak tartar provides an export opportunity for high-quality U.S. beef.

The food processing sector is one of the largest industrial sectors in Slovakia, accounting for 15 percent of total industrial output. Annual total sales remain consistent and account for about EUR 4 billion. The biggest share of total food production is in dairy production (18 percent), meat production (17 percent), brewing (8 percent), poultry production (8 percent) and confectionery-baking production (7 percent).

There has been a growing inflow of foreign direct investment into Slovakia’s food processing sector. Final production facilities were sold to Nestle, Jacobs Suchard, and Kraft Food. The sugar production sector (8.5 percent of the total food sector) is mostly in the hands of major EU companies (Eastern Sugar -UK, France, Nordzucker-Germany, SDA-France, Agrana Int.-Austria). Very well developed malting and beer production attracted Heineken (Netherlands) and SAB Miller to privatize and invest in major Slovak breweries. The dairy industry underwent modernization led especially by the private sector and investors such as Bongrain (France), Fromageries Bell (France), NOM AG (Austria).

Over the last 10 years, Slovakia has seen a growing popularity of craft beer and boom of micro-breweries, increasing from 7 to more than 70. The beer brewing industry offers a niche market opportunity for U.S. hops exporters to meet local demand for heavily hopped beer types.

Section V. – Agricultural and Food Imports

Agriculture accounts for approximately 3.8 percent of Slovakia’s GDP, and employs less than 6 percent of the workforce.

Although generally self-sufficient in primary agricultural commodities (grains, potatoes, sugar beets, hops, pork, poultry), the Slovak agricultural sector suffers from low productivity and diversity. Farmers prefer fast-profit and low-investment commodities like oilseeds and grains. These commodities represent almost 40 percent of total agricultural production, while the EU average is closer to 15 percent. Lack of a long-term strategy and insufficient subsidies from the Slovak government resulted the shutdown of many Slovak farms, for example those specialized in fruit and vegetable production. As a result, while export commodities consist mainly of bulk products, imports include many value-added food products. This was heavily criticized by the current Slovak government which responded by striving to increase the market share of locally produced foods. The share was 50 percent in 2011 and was continuously dropped down to 37 percent in 2017.

The Ministry of Agriculture supports local food producers using both legal and marketing tools. Additionally, they aspire to take advantage of EU agricultural subsidies and use them more efficiently.

Starting December 2019, restaurants and canteens have a legal obligation to indicate the geographic origin of the meat, including pork, beef, lamb, goat, and poultry. This does not apply to processed food. Since May 2019, per the amendment to Act on Foodstuffs, food retailers must include at least 50 percent of foodstuffs made in Slovakia in their marketing bulletins (both electronic and paper).

One of the marketing activities introduced by the government, is the Quality Food trademark project, providing tested products with the guarantee that they contain at least 75 percent of local ingredients and were fully produced in Slovakia. Today, the trademark is granted to 151 food producers and their 1,223 products. The government openly criticizes the growing share of foreign private labels in retail chains due to their devastating effect on local brands.

The government even encourages local producers to expand their business with exports. They are being assisted to attend international food trade shows and to search for new markets. The new electronic database, Slovak Food Export, launched in November 2019, aims at promoting Slovak food products abroad and supporting the food processing industry.

This recent effort has resulted in a slight increase of the share of Slovakia-made foods in retail chains, accounting for 38.6 percent in 2019. Nevertheless, the share still remains low compared to other EU countries. Major long-term goals of the government are an increase of local food brands sale, expansion of agricultural commodities export, and reorganization in favor of added-value products.

Slovakia's total agricultural and food imports has been rapidly increasing for last five years (a 22 percent year-to-year increase in 2018). More than 75 percent of all agricultural imports comes from other EU countries, particularly neighboring Czech Republic and Poland. In 2018, Slovakia's total agriculture, fish and forestry imports were \$5.38 billion, and exports were \$3.37 billion. Due to its size and climate, Slovakia depends on imports for many fresh food products.

Slovakia imported \$11.3 million worth of food and agricultural products from the U.S. in 2018, a 10 percent increase from \$10.3 million in 2017. It needs to be noted that official import numbers do not include significant and steadily growing transshipments of U.S. products from other EU countries, so the actual amount (value and volume) of U.S. products destined for Slovakia may likely be much higher.

The table below shows the top imports since 2013 from the United States.

Slovakia Import Statistics from United States							
Commodity: Agricultural Trade SST, HS 1 through 24							
Annual Series: 2013 - 2018							
Commodity	Description	United States Dollars					
		2013	2014	2015	2016	2017	2018
Agri Trade SST	HS 1 through 24	14,432,067.00	19,652,233.00	9,600,979.00	9,287,973.00	10,267,708.00	11,298,285.00
03	Fish, Crustaceans & Aquatic Invertebrates	2,126,282.00	2,427,224.00	3,194,710.00	4,345,616.00	4,301,513.00	4,882,495.00

22	Beverages, Spirits And Vinegar	2,489,863.00	3,221,316.00	2,793,012.00	2,748,974.00	2,927,613.00	2,709,934.00
08	Edible Fruit & Nuts; Citrus Fruit Or Melon Peel	4,722,229.00	10,617,099.00	797,394.00	172,350.00	1,556,604.00	1,984,776.00
21	Miscellaneous Edible Preparations	2,223,957.00	1,570,934.00	1,462,036.00	1,456,490.00	1,217,997.00	1,266,177.00
12	Oil Seeds Etc.; Misc Grain, Seed, Fruit, Plant Etc	1,009,365.00	255,231.00	280,112.00	141,482.00	16,451.00	248,790.00
07	Edible Vegetables & Certain Roots & Tubers	100,600.00	-	11,030.00	14.00	-	75,979.00
13	Lac; Gums, Resins & Other Vegetable Sap & Extract	1,195,003.00	969,946.00	527,266.00	37,677.00	12,439.00	28,028.00
04	Dairy Prods; Birds Eggs; Honey; Ed Animal Pr Nesoi	17,814.00	10,231.00	21,077.00	16,486.00	10,781.00	25,083.00
20	Prep Vegetables, Fruit, Nuts Or Other Plant Parts	44,133.00	32,090.00	1,151.00	440.00	2,612.00	16,507.00
23	Food Industry Residues & Waste; Prep Animal Feed	48,426.00	110,866.00	188,804.00	842.00	15,478.00	15,553.00
09	Coffee, Tea, Mate & Spices	8,169.00	6,674.00	27,531.00	75,722.00	74,637.00	14,411.00

Source: Trade Data Monitor

Best High-Value, Consumer-Oriented Product Prospects Categories

The Slovak market offers niche but interesting opportunities for U.S. food products. The best prospects for U.S. exports include consumer-oriented products such as dried fruit and nuts (almonds, cranberries, walnuts), frozen fish (pollock), bourbons, wine, BBQ and chili sauces, peanut butter, snack bars, specialty products (e.g. hops pellets), and pet food. Some of these products are already sold in retail or in Metro Cash & Carry, which services more of the HRI sector. U.S. food preparations are used primarily by the food-processing sector.

[Section VI. – Key Contacts and Further Information](#)

[American Embassy Prague](#)

[FAS Prague – Office of Agricultural Affairs](#)

[FAS Europe](#)

[Ministry of Agriculture and Rural Development of the Slovak Republic](#)

[Agricultural Chamber of Slovakia](#)

Attachments:

No Attachments.