

**Required Report:** Required - Public Distribution

**Date:** December 28,2020

**Report Number:** BK2020-0008

## **Report Name:** Exporter Guide

**Country:** Bosnia and Herzegovina

**Post:** Sarajevo

**Report Category:** Exporter Guide

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### **Report Highlights:**

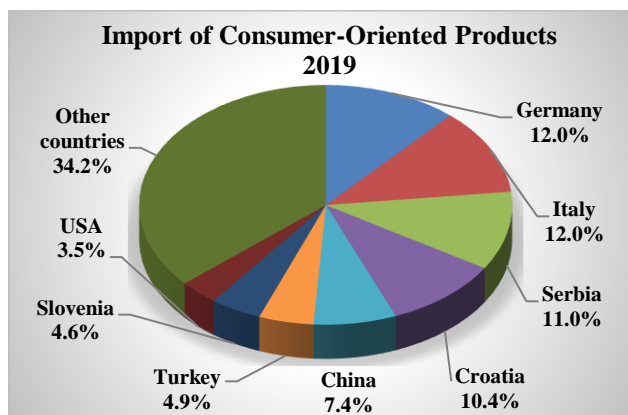
Bosnia and Herzegovina (BiH) import approximately two-thirds of its overall food needs. The COVID-19 pandemic significantly disrupted the country's traditional trade patterns in the spring and caused short-term delays in the supply chain. The market for processed foods is determined based upon price rather than quality, as consumers seek to extend their buying power. Some advantages for U.S. exporters include relatively low food import tariffs and low costs for introduction and promotion of new products while challenges consist of a complicated dual system of government authorities, low incomes, and poor infrastructure. Opportunities exist for U.S. genetics, beef, pulses, wine, seafood, dried fruits, and tree nuts. This report contains marketing tips, information on importing food, and best product prospects.

## Market Fact Sheet

- Bosnia and Herzegovina (BiH) is in southeastern Europe with a population of 3.5 million.
- BiH is a potential candidate for European Union (EU) membership, which is seen as a driver to further economic growth and development.
- BiH has a large foreign trade deficit with imports almost two times greater than exports.
- Agri-food imports totaled \$1.9 billion in 2019 and represented 17 percent of total imports.
- Principal trading partners are the European Union (EU), Serbia, Montenegro, Macedonia, and Kosovo.
- BiH is not yet a member of the World Trade Organization (WTO) but started accession negotiations in 1999.

## Import of Consumer Oriented Products

- Most U.S. exports to BiH are bulk commodities.
- In 2019, total U.S. agricultural and fish exports to BiH were valued at \$30.4 million (1.6 percent share of BiH's total agricultural and fish imports from the world) and consisted of animal and vegetable fats, various food ingredients, dried nuts and fruits, beans, seafood, and coffee.



Source: BiH Agency for Statistics

## Food Processing Industry

- The private sector consists of wheat and feed milling, dairy and meat processing, vegetable oil and sugar refining, fruit and vegetable processing, and a biscuit industry.

## Food Retail Industry

- BiH's consumer food retail market is estimated to be valued at \$3.2 billion.
- There has been significant concentration taking place in this sector, with bigger shopping centers supplanting smaller traditional shops.
- The two largest retail chains are Bingo a domestic company and Croatian Konzum (recently partially acquired by Slovenian "Mercator") control 78 percent of the total market share.
- Perishable foods, fruits, vegetables, bread and fresh meat are usually bought at small grocery stores, specialized stores or green markets.

## Quick Facts CY2019

Import of Consumer-Oriented Products \$1.2B.

### List of Top 10 Growth Products in BiH

1) Beverages and Mineral Water	6) Sauces and Spices
2) Chocolate	7) Citrus fruit
3) Biscuits and Cookies	8) Wine
4) Coffee	9) Ice-cream
5) Cheese	10) Tree Nuts

### GDP/Population

Total Population (2013)	3.5 million
Population Growth Rate (2019)	-0.2%
Urban Population /Total (2016)	1.4 mil. / 3.5 mil.
Unemployment Rate (2019)	20.5%
Female Population Employed (2019)	27%
Per capita food expenditures (2019)	\$1,440
GDP Per Capita (2019)	\$5,740
GDP Total (2019)	\$20.05 billion
Average Exchange Rate: \$1=1KM (2019)	1.71

### Strengths/Weaknesses/Opportunities/Threats

Strengths	Weaknesses
High quality and diversity of U.S. products.	U.S. exporters are reluctant to expand their operations to relatively unknown and distant BiH.
Fascination with American culture (language, music, TV shows, fashions).	U.S. exporters face competition from EU tariff-free products and from FTA partner countries.
Opportunities	Threats
Insufficient domestic food production and imports nearly three times larger than exports.	BiH uses EU standards and regulations, including those restrictive to U.S. products.
Shortages of important foods such as grain and meat and meat products.	Absence of a single economic market in the country; different legislative, regulatory and distribution systems in the two entities.
Import duties low if compared to other countries in the region.	BiH is not a member of the WTO.

Data and information sources: BiH agency for Statistics, BiH Central Bank, World Bank, BiH Foreign Trade Chamber, and BiH Confederation of Independent Trade Unions

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## **Executive Summary:**

Bosnia and Herzegovina (BiH) is a net food importer with \$1.9 million in annual agri-food imports. The country has been a potential candidate for European Union (EU) membership since 2003 and is expected to join the World Trade Organization soon.

BiH's population is 3.5 million and its consumer food retail market is estimated to be valued at \$3.2 billion (KM 5.5 billion). Due to slow economic growth and an unemployment rate over 20 percent, BiH's purchasing power is only 32 percent of the EU average. BiH is currently one of the poorest countries in Europe, but the goals of EU and NATO (North Atlantic Treaty Organization) membership are drivers for further economic growth and development.

Despite slow economic growth and weak purchasing power, food expenditures are increasing, and food imports are constantly growing. Tourism is increasingly seen as an important source of job growth and foreign exchange. Revenues generated in the lodging and food and beverage sectors have seen annual average growth of over 17 percent since 2015 and reached \$291 million in 2019.

Before the COVID-19 pandemic, the growth in consumer food imports was expected to continue and certain U.S. food products, such as bovine genetics, beef, pulses, wine, seafood, dried fruits and tree nuts had good potential in the BiH market. However, the impact of the coronavirus on the economy in 2020 and beyond is not yet known with certainty. Preliminary indications are that industries such as tourism, transportation and manufacturing will record weaker business results this year than for the same period last year. Many workers especially in the hotel and restaurant sector lost their jobs which will worsen the unemployment rate, that currently stands at over 20 percent.

## **I. MARKET OVERVIEW**

### **Economic Situation**

BiH's economy is still recovering from the 1992-1995 war and from the transition from a socially planned, to a market economy. The estimated per capita GDP in 2019 was \$5,740 (a three percent growth from 2018), with a total estimated nominal GDP of approximately \$20.05 billion. Due to the COVID-19 pandemic, the 2020 GDP is expected to decrease by 3.2 percent (World Bank's latest Regular Economic Report). The average monthly net salary is approximately \$550. Agriculture's share of GDP is approximately eight percent.

A degree of macro-economic stability has been achieved with the introduction of a Central Bank, adoption of the currency board and creation of a single currency, the Konvertabilna Marka (Convertible Mark, KM). The currency board ensures that the KM is fully backed by hard currency or gold, and the

exchange rate is fixed at approximately 2 KM to the Euro. Due to a strict currency board regime, inflation has been relatively low, and reached 0.6 percent in 2019.

A highly decentralized government hampers economic policy coordination and reform. Government spending, at roughly 40% of GDP, remains high because of redundant government offices at the state, entity, and municipal level. One of BiH's main economic challenges since the recession began has been to reduce spending on public sector wages and social benefits to meet the International Monetary Fund's criteria for obtaining funding for budget shortfalls. BiH sees the long-term goal of EU membership as a driver to further economic growth and development.

### **Structure of the Economy**

BiH's economy is quite stable. The GDP by sector is agriculture: 7.9 percent, industry 26.5 percent, and services 65.6 percent (2016). In 2019, BiH industrial output decreased by 5.5 percent after a 1.6 percent in 2018 and a 3.1 percent increase in 2017. The major productive sectors of the economy are industry and mining, telecommunications, construction, trade, transportation, and agriculture. The leading industries are steel, aluminum, minerals, vehicle assembly, textiles, tobacco products, wooden furniture, explosives, munitions, domestic appliances, and oil refining. The private sector share in the GDP is approximately 60 percent.

BiH has approximately 1.6 million hectares of arable land. The most productive sectors are the fruit and vegetable, poultry, and livestock production. The largest crop is corn followed by wheat and barley. Small, low-output, family farms averaging 2-5 hectares characterize agricultural production. The situation is further exacerbated by low input use (fertilizers, chemicals, and certified seeds), poor crop management and post-harvest management practices, and poor railway and road infrastructure.

The official unemployment rate is 20.5 percent (2019). BiH's grey economy is relatively large – estimates range from 20 to 40 percent of GDP.

### **Business Environment**

BiH is composed of two entities, the Federation of Bosnia and Herzegovina (F BiH) and the Republika Srpska (RS), each with its own business environment. Although there has been an effort to create a single market in BiH, significant legislative, regulatory and institutional differences between the entities persist. Between the two entities, factors such as business registration requirements and most taxation and standards are separate and different.

## **Size and Growth of Consumer Food Market**

Little official information is available about the size or growth of the market. BiH's consumer food retail market is estimated to be valued at \$3.2 billion (KM 5.5 billion), but the sector has reportedly continued to experience very slow growth in sales since 2012, due to the economic crisis and BiH's high unemployment rate. BiH's purchasing power is only 32 percent of the European Union average. It is expected that the COVID-19 pandemic will further lower the purchasing power. According to the Federation Institute for Statistics, sales of agricultural products in open green markets dropped almost 26 percent in August compared to the same month last year.

There has been significant concentration in the retail sector with bigger shopping centers supplanting smaller traditional shops. The largest retail chains, domestic retail chain "Bingo" from Tuzla and Croatian Konzum (recently partially acquired by Slovenian "Mercator") recorded the largest growth in 2017, and their market share is estimated at 78 percent. Domestic retail chain "Tropic Group" from Banja Luka continues to expand its presence. Economists believe that the domestic takeover of foreign retail chains may boost the sales of locally produced food.

## **Food Expenditures and Consumption**

It is estimated that an average Bosnian family of four spends approximately \$5,760 annually (2019) on food products. According to EUROSTAT, 16.9 percent of the population is at risk of slipping into poverty. Sporadic news reports have highlighted a decrease in food sales due to the pandemic, but there is no official information available.

## **Demographic Developments and Impact on Consumer Buying Habits**

BiH has a population of 3.53 million (2013 census) and an average household of three. A single parent heads one in ten households. The population growth rate is -0.9 percent (2019 est.).

The United Nations Development Program (UNDP) recently reported that BiH ranks as the fourth most rural country in Europe with approximately 60 percent of the population living in rural areas. The migration of people from rural to urban areas is about 10 percent in every generation. Less than half of rural households are involved in agriculture, with one-third producing food solely for their own consumption on 1-3 hectares. Less than 1 percent are larger farms with significant agricultural income. Most rural households earn income from other employment or social benefits. The six biggest cities enjoyed 40 percent lower unemployment and 25 percent higher wages than rural areas.

<b>Advantages</b>	<b>Challenges</b>
Insufficient domestic food production; imports nearly four times larger than exports.	Long distance, poor transportation infrastructure, absence of highways, limited railway service.
Increased urban population.	Weak economy that affects consumer purchasing power, low average net wage, and high unemployment rate.
High quality of U.S. products.	Consumers more interested in price than in quality.
Import duties low when compared to other counties in the region.	Illegally imported and low-quality products that compete with legitimately imported foods.
Relatively low costs for introduction and promotion of new products using local broadcast and print media or in-store promotions.	Different distribution systems in the two entities; different taxation systems; difficulties in finding a reliable and capable local partner to carry out marketing and distribution.
Increasing number of large retail supermarkets.	Lower import duties for products imported from ex-Yugoslavia neighboring countries and EU countries because of free-trade agreements.
Fascination with American culture (language, music, TV shows, fashions) carries over to American food, such as famous “Coca Cola”.	Reservations towards genetically engineered foods due to a lack of consumer education on the subject and a desire to meet EU requirements.
Food imports that grow year by year.	Small businesses, limited access to finance, and high interest rates that negatively affect capacity of BiH’s importers.
Pork and poultry consumption increasing because of high beef prices.	Relatively low pork consumption because of BiH’s large Muslim population.

## **II. EXPORTER BUSINESS TIPS**

### **Local business customs**

Importers/wholesalers/distributors provide transportation, product storage, market information, financing, and some insurance. Finding an agent and/or distributor is the most effective way to market consumer goods. The Foreign Agricultural Service Sarajevo Office can assist U.S. companies exporting to BiH by identifying local opportunities for the sale of U.S. products, providing counseling on the market, and can help you locate qualified distributors (please see the Key Contacts and Further Information section below).

The distribution systems are different for the Federation (F BiH) and the Republika Srpska (RS) because of differing legal frameworks. There have been ongoing efforts to harmonize rules between the two entities, but significant differences persist. It is often necessary to develop multiple distribution channels and relations with distributors in both entities to cover the whole country.

### **General Consumer Tastes and Preferences**

Most consumers view price as the primary factor in their food purchasing decision. Preferences tend toward large packages at lower prices. Shopping centers are becoming an increasingly popular retail food sales point. Most people usually buy non-perishable foods at large supermarket centers once or twice a month. Perishable foods, fruits, vegetables, bread, and fresh meat are usually bought at small grocery stores, specialized stores, or green markets.

Consumption of red meat is traditionally high. Lately, due to the low purchase power, consumption of beef and lamb have been declined while consumption of poultry meat and pork has been increasing. We expect this trend to continue into 2021 due to the negative economic impact caused by the COVID-19 pandemic. Pork consumption is much higher in the RS than in BiH because of its large Muslim population.

## **III. IMPORT FOOD STANDARDS AND REGULATIONS/IMPORT PROCEDURES**

Please see the latest [Food and Agricultural Import Regulations and Standards \(FAIRS\) Annual and FAIRS Export Certificate reports](#).

## **IV. MARKET SECTOR STRUCTURE AND TRENDS**

### **Domestic Industrial Capacity**

BiH's food industry is too small and inefficient to compete with large foreign industries. Domestic food production is insufficient and covers approximately one-third of total needs.

### **Food Retail Sector**

In general, small retailers are slowly losing out to large wholesalers with developed retail operations. Shopping centers import and distribute food and offer a great variety of fresh meat, exotic and new-to-market foods, and ready-to-eat foods. They also provide good professional service, restaurants with ready meals at favorable prices and a festive environment (entertainment for kids, clowns, and games/lotteries).

Quite often, they organize in-store promotions and product tastings and provide small gifts with purchased products. A special discount is offered to faithful customers. Food items are also sold in several small independent groceries and on open markets.

More than 70 percent of retail sales are made in shopping malls, while about 30 percent of sales are made in small shops and approximately 3,000 self-service stores with diverse offerings and proximity to customers' homes.

Trade events are a good way to market products and services in BiH and to find partners and distributors. Trade events provide opportunities for local and foreign companies to establish business connections. Trade events are held throughout BiH. Mostar's "International Trade Fair" is the most popular in the Federation and Banja Luka's "Food and Beverages Fair" is the most popular in the Republika Srpska. Regional centers like Zenica, Tuzla, and Bihac are very active in trade promotion.

Approximately 73 percent of BiH's population uses the internet regularly but food sales are still very small. During the pandemic several retailers began offering free food delivery, as well as a number of internet platforms that offer delivery of fresh produce and other products.

### **Hotel, Restaurant and Institutional (HRI)**

The HRI sector prepares the meals themselves. They buy ingredients from a range of suppliers, including small grocery stores, green markets, big producers, retail centers and wholesalers, depending on the size of the commercial entity/institute and the number of meals.

Lately, there has been a growing consensus that tourism can be a major source of job growth and foreign exchange earnings for BiH. According to foreign experts, BiH has a significant potential as a tourist destination that could generate many jobs and revenue for the BiH economy. Revenues generated in the hospitality and food and beverage sectors grew from \$172 million (KM 293 million) in 2015 to \$291 million (KM 495 million) in 2019 (69.2 percent growth).



However, the tourism industry will likely be one of the industries that will record the worst business results in 2020, because of the pandemic-related travel restrictions. During the first six months of 2020, the turnover in accommodation and food and beverage services was decreased by 42.5 percent compared to the same period in 2019. As a result, many hotels are temporarily closed and many workers in the hotel and restaurant sector lost their jobs.

#### **Turnover in accommodation and food and beverage services 2015-2019 (in KM)**

<b>Year</b>	<b>Accommodation</b>	<b>Food and Beverages</b>	<b>Total</b>
2015	156,072,891	136,831,293	292,904,184
2016	168,782,706	150,927,932	319,710,638
2017	198,985,317	161,792,713	360,778,030
2018	212,802,528	193,169,455	405,971,983
2019	267,893,521	227,148,783	495,042,304
January - June 2020	54,656,378	74,115,238	128,771,616

Source: BiH Agency for Statistics  
US\$ 1.00 = KM 1.67 on Nov 4, 2020

## **V. AGRICULTURAL AND FOOD IMPORTS**

### **Agricultural and Food Import Statistics**

BiH has a large trade deficit with imports almost two times greater than exports. In 2019, imports totaled \$11.2 billion with exports of \$6.5 billion. Agriculture and food import statistics USA – BiH for the past five years can be found at <https://apps.fas.usda.gov/Gats/ExpressQuery1.aspx>

### Best High Value Consumer Oriented Product Prospect Categories

Product Category	Market Size	2019 imports (in million US\$)	Average Annual Import Growth (2014-2019)	Key Constraints of Market Development	Market Attractiveness for USA
Beverages and Mineral Water	N/A	99.1	5.4%	Competition from key suppliers such as Croatia and Serbia	N/A
Chocolate	N/A	96.3	5.8%	Competition from key European companies	Negligible local production
Biscuits and Cookies	N/A	91.4	5.7%	Competition from key suppliers such as Croatia and Serbia	Insufficient local production and growing demand
Coffee	21,000 MT	52.0	1.2%	None	Traditional high consumption
Cheese	40,000 MT	47.7	8.0%	Competition from key European suppliers	Insufficient local production and growing demand
Sauces and Spices	N/A	30.0	1.8%	No	Insufficient local production
Citrus Fruit	52,000 MT	23.7	2.8%	Competition from key suppliers: Greece, Italy, and Turkey	Insufficient local production and growing demand
Wine	24,500 hectoliters (est.)	19.9	9.0%	Increasing local production of good quality wines; competition from European suppliers	Consumption of high-quality wines is expected to grow with standard of living
Ice-cream	2,500 MT (est.)	16.4	12.9%	Competition from key suppliers, such as Croatia	Limited domestic production
Tree Nuts	2,000 MT	13.8	13.7%	Competition from key suppliers: Romania, Italy, and Iran	Scarce local production

For import tariff rates please see [BiH Customs Tariff Rates](#).

## **VI. KEY CONTACTS AND FURTHER INFORMATION**

Please contact FAS Sarajevo for any import-related information, including lists of importers and distributors:

### **FAS/USDA**

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<https://ba.usembassy.gov/embassy/sarajevo/sections-offices/fas-bih/>

The Global Agricultural Information Network (GAIN) reports for Bosnia and Herzegovina can be found at [FAS GAIN Reports Search](#) or <https://www.fas.usda.gov/regions/bosnia-and-herzegovina>.

### **Attachments:**

No Attachments