

Required Report: Required - Public Distribution

Date: January 05, 2022

Report Number: BK2021-0009

Report Name: Exporter Guide

Country: Bosnia and Herzegovina

Post: Sarajevo

Report Category: Exporter Guide

Prepared By: Sanela Stanojcic

Approved By: Charles Rush

Report Highlights:

Bosnia and Herzegovina (BiH) imports approximately two-thirds of its overall food needs and have a large foreign trade deficit. 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.

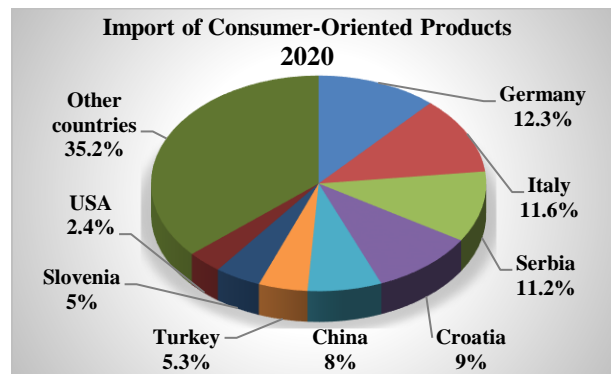
Market Fact Sheet: Bosnia and Herzegovina

Executive Summary

- Bosnia and Herzegovina (BiH) is in southeastern Europe with a population of 3.5 million.
- In 2019, BiH's GDP reached \$5,740 per capita with total nominal GDP of \$20.05 billion, thus positioning BiH within upper middle-income countries.
- 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 \$1.8 billion in 2020 and represented 18 percent of total imports.
- Principal trading partners are the European Union (EU), Serbia, North Macedonia, Montenegro, and Albania.
- 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 consumer food products.
- In 2020, total U.S. agricultural and fish exports to BiH were valued at \$13.8 million (one percent share of BiH's total agricultural and fish imports from the world) and consisted of whey protein powder, dried nuts and fruits, and alcohol drinks.



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.
- Domestic food production is insufficient and covers approximately one-third of total needs.

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 over 80 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.

Top 10 Host Country Retailers

- | | |
|---------------|-----------------|
| 1. Bingo | 6. Robot |
| 2. Konzum | 7. Fructa-Trade |
| 3. Delta Maxi | 8. UTD Best |
| 4. FIS Vitez | 9. Amko Komerc |
| 5. Mercator | 10. Market AS |

List of Top 10 Growth Products in Host Country

- | | |
|-------------------------|------------------------|
| 1) Food Preparations | 6) Seafood |
| 2) Chocolate | 7) Wine |
| 3) Biscuits and Cookies | 8) Ice-cream |
| 4) Pet Food | 9) Spirits and Liquors |
| 5) Sauces and Spices | 10) Tree Nuts |

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.
Growing tourism.	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

Contact: FAS Bosnia and Herzegovina:

U.S. Embassy / USDA- Foreign Agricultural Service:

Phone: +387 33 704 305

E-mail: AgSarajevo@fas.usda.gov

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

Executive Summary

Bosnia and Herzegovina (BiH) is a net food importer with \$1.8 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 33 percent of the EU average (2020). 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. Due to the coronavirus, industries such as tourism, transportation and manufacturing recorded weaker business results in 2020 than the year before. Many workers especially in the hotel and restaurant sector lost their jobs which worsened the unemployment rate that currently stands close to 16 percent. According to a World Bank study, BiH's economy recovered in 2021 due to higher consumption and increased exports.

I. MARKET OVERVIEW

Economic Situation

BiH's economy is transitional with a population of approximately 3.5 million and per capita GDP about one-third of the EU27 average. 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 contracted at 3.2 percent and is expected to grow by 4 percent in 2021 (World Bank's latest Regular Economic Report). The average monthly net salary is \$563 (2020). 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 at 0.4 percent during January – July 2021. However, in 2020, BiH recorded a deflation of 1.1 percent following the drop in the prices of clothes and transportation as oil prices collapsed during the pandemic.

A highly decentralized government hampers economic policy coordination and reform. Government spending, at roughly 45% 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). Due to the pandemic BiH's industrial output decreased by 6.2 percent in 2020, after a 5.5 percent decline in 2019 (World Bank). 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 15.9 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), and the sector has reportedly continued to experience slow growth in sales due to the economic crisis and BiH's high unemployment rate. BiH's purchasing power is only 33 percent of the European Union average. The pandemic caused a sharp decline in household consumption and investments in 2020, but BiH's negative trade balance was lessened thanks to higher imports than exports. According to the World Bank, the economy recovered in 2021 following higher private and public consumption and further increase in exports.

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 has recorded the major growth, reaching nearly 50 percent of market share. The second largest retailer is Croatian Konzum (recently partially acquired by Slovenia's "Mercator"). 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 \$6,500 annually (2020) 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 latest census) and an average household of three. A single parent heads one in ten households. The population growth rate is -0.6 percent (2020 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.

Advantages	Challenges
Insufficient domestic food production; imports	Long distance, poor transportation infrastructure,

Advantages	Challenges
nearly four times larger than exports.	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 countries 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, and fashions).	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. The price of poultry meat has increased by over 60 percent in 2021 largely due to increasing feed prices. It is expected that this trend will continue into 2022 due to the high global feed prices and low grain stocks. 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 numerous retailers began offering free food delivery, as well as several internet platforms that offer delivery of fresh produce and other products.

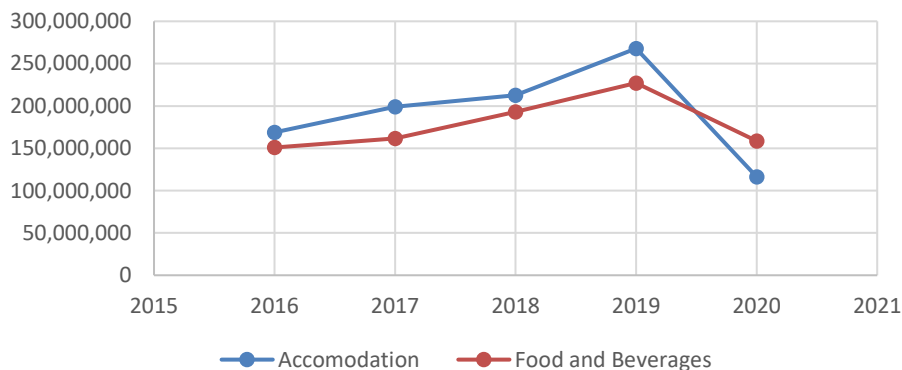
Hotel, Restaurant and Institutional (HRI)

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 \$188 million (KM 320 million) in 2016 to \$291 million (KM 495 million) in 2019 (55 percent growth).

The tourism industry was one of the industries that recorded the worst business results in 2020, because of the pandemic-related travel restrictions. Many hotels were temporarily closed and many workers in the hotel and restaurant sector lost their jobs. Consequently, the revenue in accommodation and food and beverage services in 2020 declined by 44.5 percent compared to year before and totaled \$162 million (KM 275 million). After travel restrictions were lifted in spring 2021, tourism sector started recovering. Revenues in the first three quarters of 2021 reached \$193 million (KM 328 million), a 58 percent increase from the same period of 2020 when they totaled \$122 million (KM 208 million).

Turnover in Accomodation and Food and Beverage Services 2016-2020 (in KM)



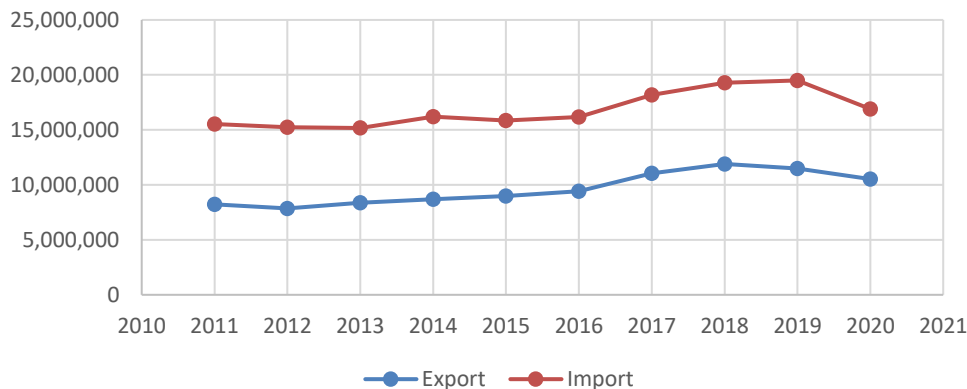
Source: BiH Agency for Statistics
 US\$ 1.00 = KM 1.72 on Dec 1, 2020

V. AGRICULTURAL AND FOOD IMPORTS

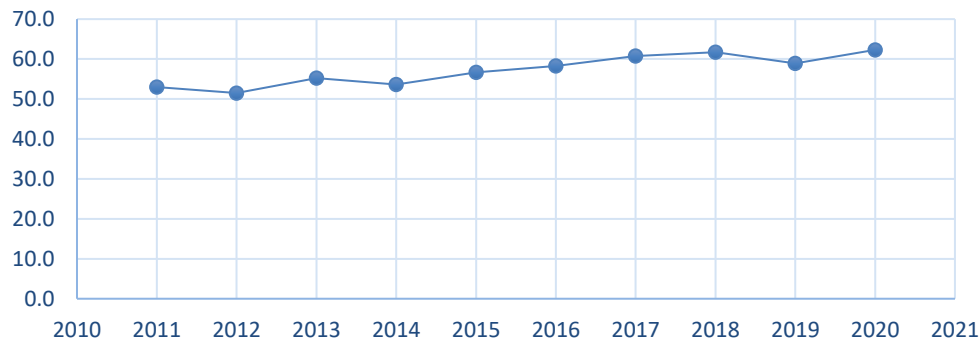
Agricultural and Food Import Statistics

BiH has a large trade deficit with imports almost two times greater than exports. In 2020, imports totaled \$9.8 billion or KM 16.9 billion with exports of \$6.1 billion or KM 10.5 billion (\$1.00 = KM1.72).

BiH Export and Import 2011-2020 (in 000 KM)



Coverage of Imports by Exports (%)



Source: BiH Agency for Statistics

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	2020 imports (in million US\$)	Average Annual Import Growth (2015-2020)	Key Constraints of Market Development	Market Attractiveness for USA
Food Preparations	N/A	100.9	6.8	Competition from key European suppliers that enjoy zero import duty	Insufficient local production and growing demand
Chocolate and cocoa spreads	N/A	100.5	5.3%	Competition from key European companies	Negligible local production
Biscuits and Cookies	N/A	87.8	5.4%	Competition from key suppliers such as Croatia and Serbia	Insufficient local production and growing demand
Pet food		68.5	1.2%	None	Growing demand
Sauces and Spices	N/A	29.8	2.5%	No	Insufficient local production
Seafood	N/A	22.3	6.5%	Competition from key European suppliers that enjoy zero import duty for several seafood products	Insufficient local production
Wine	24,500 hectoliters (est.)	15.7	2.3%	Increasing local production of good quality wines;	Consumption of high-quality wines is expected to grow with

Product Category	Market Size	2020 imports (in million US\$)	Average Annual Import Growth (2015-2020)	Key Constraints of Market Development	Market Attractiveness for USA
				competition from European suppliers	standard of living
Ice-cream	2,500 MT (est.)	15.0	5.4%	Competition from key suppliers, such as Croatia	Limited domestic production
Spirits and Liquors	N/A	13.2	21.4%	EU and CEFTA suppliers enjoy zero import duty	Limited domestic production
Tree Nuts	2,000 MT	11.3	18.5%	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

U.S. Embassy to BiH

1 Robert Frasure Street

71000 Sarajevo

Bosnia and Herzegovina

Phone: +387 33 704 305

Fax: +387 33 659 722E-mail: AgSarajevo@fas.usda.gov

<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