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Prepared By: Sanela Stanojcic

Approved By: Charles Rush

Report Highlights:

Bosnia and Herzegovina (BiH) import 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.

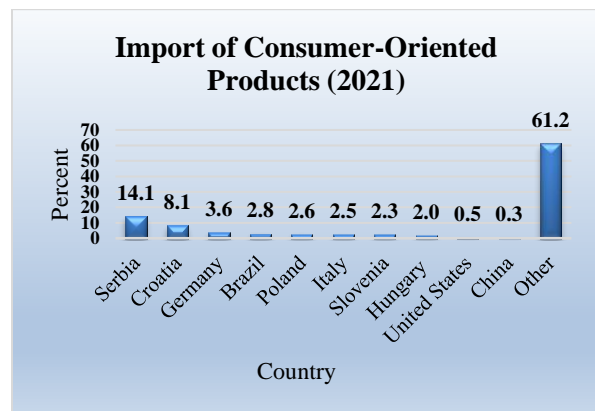
Market Fact Sheet: Bosnia and Herzegovina

Executive Summary

- Bosnia and Herzegovina (BiH) is in southeastern Europe with a population of 3.5 million.
- BiH is a candidate for European Union (EU) membership, which is seen as a driver for further economic growth and development.
- BiH has a large foreign trade deficit with imports almost two times greater than exports.
- Agri-food imports totaled \$2.1 billion in 2021 and represented 24 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 2021, total U.S. agricultural and fish exports to BiH were valued at \$15.5 million (one percent of BiH's total agricultural and fish imports) and consisted of whey protein powder, tree nuts, and alcoholic 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.
- Meat and bakery industries depend on imported inputs.
- 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 \$3.0 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.

List of Top 10 Growth Products in Host Country

- 1) Beverages and Mineral Water
- 2) Chocolate and Cocoa Products
- 3) Biscuits and Cookies
- 4) Pet Food
- 5) Sauces and Spices
- 6) Seafood
- 7) Spirits and Liquors
- 8) Wine
- 9) Ice-cream
- 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 large trade deficit.	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 to BiH / USDA- Foreign Agricultural Service:

Phone: +387 33 704 305

E-mail: AgSarajevo@fas.usda.gov

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

Executive Summary

Bosnia and Herzegovina (BiH) is a net food importer with \$2.1 billion in annual agri-food imports. The European Union (EU) granted BiH candidate status in December 2022, following the country's application for membership in February 2016. BiH is expected to join the World Trade Organization in the near future after it resolves its remaining technical issues.

BiH's population is 3.5 million and its consumer food retail market is valued at approximately \$3 billion (KM 5.5 billion). Due to slow economic growth and an unemployment rate of 17.4 percent (2021), BiH's purchasing power is only 33 percent of the EU's 2021 average. BiH is currently one of the poorest countries in Europe, but the goals of EU and North Atlantic Treaty Organization membership are drivers for further economic growth and development.

BiH's economy began a post-COVID recovery in 2021, following an increase in private consumption and investments, which continued into early 2022. However, a sharp increase in energy and food prices in the second quarter of 2022 deteriorated purchasing power and economic performance and pushed food inflation above 25 percent in October 2022.

Despite slow economic growth and weak purchase power, food expenditures are increasing, and food imports continue to rise. 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 pandemic. After travel restrictions were lifted in spring 2021, the tourism sector began to recover reaching near pre-pandemic levels. Revenue in 2021 was \$242 million (KM 448 million), a 63-percent increase from 2020. Tourism revenue in 2022 is expected to be on par with 2021 levels.

Certain U.S. products, such as bovine genetics, beef, pulses, wine, seafood, dried fruits, and tree nuts had good potential in the BiH market.

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 2021 was \$6,916 (a 7.1-percent increase compared to 2020), with a total estimated nominal GDP of approximately \$22.57 billion. BiH's GDP is projected to grow 4 percent in 2022, and 2.8 percent in 2023, according to the World Bank. The average monthly net salary reached \$624 (KM 1,154) in October 2022. The agriculture sector represents approximately 6 percent of GDP.

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 Konvertibilna 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. In October 2022, BiH recorded an inflation rate of 17.4 percent compared to October 2021. Food and alcoholic beverage prices increased more than 25 percent. Annual inflation is expected to reach 11 percent in 2022, compared to 2-percent inflation in 2021.

A highly decentralized government hampers economic policy coordination and reform. Government spending, at roughly 45 percent of GDP, remains high because of redundant government offices at the state, entity, and municipal level. BiH sees the long-term goal of EU membership as a driver to further economic growth and development. BiH applied for EU membership on February 15, 2016, and was granted candidate status on December 15, 2022. In its Opinion on the BiH's application for EU membership from May 2019, the European Commission identified 14 key priorities for the country to fulfill (democracy/functionality, the rule of law, fundamental rights and public administration reforms).

Structure of the Economy

BiH's economy is quite stable. The services contributes 56 percent to GDP and employs approximately 50 percent of the workforce (mainly trade/wholesale/retail and public administration sectors).

Industry contributes to GDP with 38 percent (manufacturing sector's share is 14 percent) with an employment share of 32 percent. Agriculture, forestry, and fishing contribute to GDP with only 6 percent to GDP, but they account for 18 percent of employment (World Bank, 2020).

BiH's economic output is expected to increase by 2.7 percent in 2022, after 7.1-percent growth in 2021 (World Bank). The major productive sectors of the economy are 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 contributes about 60 percent to the GDP.

BiH has approximately 1.6 million hectares of arable land. The most productive sectors are the fruit and vegetable, poultry, and livestock. 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 17.4 percent (2021). BiH's grey economy is relatively large – estimates range from 25 to 30 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 \$3.0 billion (KM 5.5 billion), and the sector has reportedly continued to experience slow growth in sales due to the global economic crisis and BiH's high unemployment rate. BiH's purchasing power is only 33 percent of the European Union average. The COVID pandemic caused a sharp decline in household consumption and investments in 2020. According to the World Bank's Western Balkans Regular Economic Report (Fall 2022), the economy recovered in 2021 and during the first half of 2022, following higher private and public consumption and higher exports.

However, the sharp increase in energy prices, together with a slowdown in global growth and tightening of global finances heavily affected BiH's economy in the second half of 2022. Higher energy and food prices reduced purchasing power.

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

A Bosnian family of four spends approximately \$7,500 annually (2022) on food products. According to EUROSTAT, 16.9 percent of the population is at risk of slipping into poverty. In the absence of government support, the energy and food price shocks could result in a 13-percent increase in the number of the poor people in the region (World Bank).

Demographic Developments and Impact on Consumer Buying Habits

BiH has a population of 3.53 million (2013 census). Forty-three percent of Bosnian households are composed of one-person and two-persons. Three and four-person households constitute another 40 percent, while five-person households compose 9 percent of all households. The population growth rate is -0.67 percent (2021 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 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	Different distribution systems in the two entities;

Advantages	Challenges
promotion of new products using local broadcast and print media or in-store promotions.	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. Unfavorably, the price of poultry meat has increased by over 60 percent in 2021 largely due to increasing feed prices. This trend continued in 2022 due to the high global feed prices and low grain stocks. Pork consumption is much higher in the Republika Srpska 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.

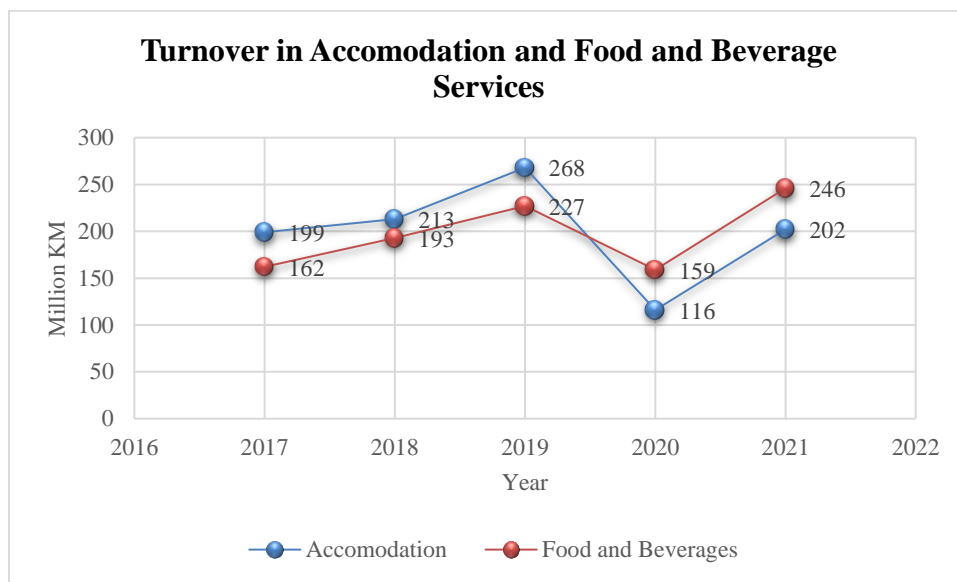
Approximately 73 percent of BiH's population uses the internet regularly but food sales are still very small. During the pandemic numerous retailers began offering free food delivery, as well as several internet platforms that offer delivery of fresh produce and other products.

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,

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 \$195 million (KM 361 million) in 2017 to \$267 million (KM 495 million) in 2019 (37 percent growth).

The tourism industry was amongst 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 the previous year at \$148 million (KM 275 million). After travel restrictions were lifted in the spring 2021, the tourism sector began to recover reaching near pre-pandemic levels. Revenue in 2021 was \$242 million (KM 448 million), a 63-percent increase from 2020. Tourism revenue in 2022 is expected to be on par with 2021 levels.

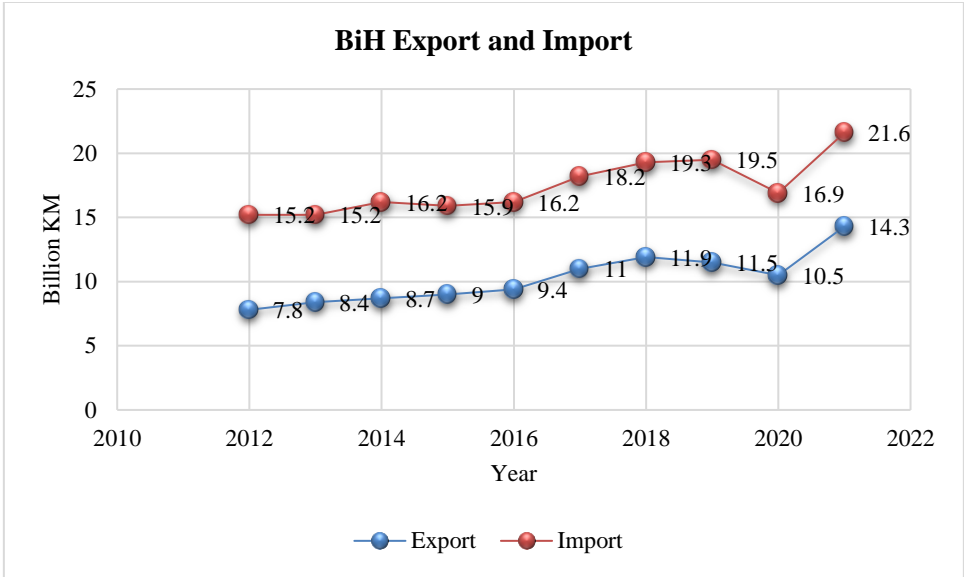


Source: BiH Agency for Statistics; US\$ 1.00 = KM 1.852 on Dec 12, 2022

V. AGRICULTURAL AND FOOD IMPORTS

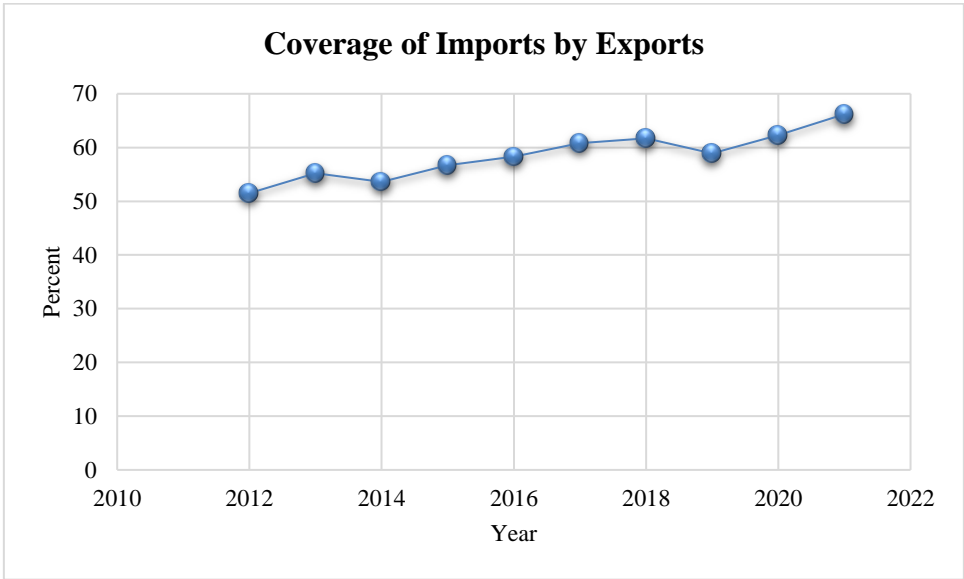
Agricultural and Food Import Statistics

BiH has a large trade deficit of \$3.9 billion. The value of 2021 imports increased by 28 percent to \$11.6 billion (KM 21.6 billion), compared to 2020 while exports reached \$7.7 billion (KM 14.3 billion, a 36-percent increase from 2020). This trade growth has been attributed mostly to raising commodity prices as the trade volumes increased at much lower rates. The January - November 2022 imports value reached \$11.4 billion (KM 21.2 billion), while exports were valued at \$7.3 billion (KM 13.5 billion).



Source: BiH Agency for Statistics; US\$ 1.00 = KM 1.852 on Dec 12, 2022

The coverage of imports by exports has increased over the last ten years from 51.3 percent in 2012 to 66.2 percent in 2021.



Source: BiH Agency for Statistics; US\$ 1.00 = KM 1.852 on Dec 12, 2022

Agriculture and food import statistics USA – BiH for the past five years can be found at [Global Agricultural Trade System \(GATS\)](#)

Best High Value Consumer Oriented Product Prospect Categories

Product Category	Market Size	2021 imports (in million US\$)	Average Annual Import Growth (2016-2021)	Key Constraints of Market Development	Market Attractiveness for USA
Beverages and Mineral Water	N/A	107.2	6.7%	Competition from key suppliers such as Croatia and Serbia	N/A
Food Preparations	N/A	105.5	8.0	Competition from key European suppliers that enjoy zero import duty	Insufficient local production and growing demand
Chocolate and cocoa products	N/A	102.0	6.0%	Competition from key European companies	Negligible local production
Biscuits and Cookies	N/A	89.8	6.4%	Competition from key suppliers such as Croatia and Serbia	Insufficient local production and growing demand
Sauces and Spices	N/A	30.7	4.4%	No	Insufficient local production
Seafood	N/A	21.0	3.2%	Competition from key European suppliers that enjoy zero import duty for several seafood products	Insufficient local production
Spirits and Liquors	N/A	20.0	13.6%	EU and CEFTA suppliers enjoy zero import duty	Limited domestic production
Wine	17,500 hectoliters (est.)	18.3	5.3%	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.)	16.2	8.4%	Competition from key suppliers, such as Croatia	Limited domestic production

Product Category	Market Size	2021 imports (in million US\$)	Average Annual Import Growth (2016-2021)	Key Constraints of Market Development	Market Attractiveness for USA
Tree Nuts	2,000 MT	11.3	11.8%	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