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Croatia

Exporter Guide

Annual Report

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Report Highlights:
Croatia imports a significant portion of the food it consumes. Slow but continued economic reforms as a result of the EU accession process and growing tourism potentially make Croatia a significant, long-term importer of certain U.S. food products, including seafood, snack foods, pet food, wine, tree nuts, and rice. Nevertheless, Croatia has not been immune to the global economic crisis and at this time still faces significant challenges.

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I Market Overview

Economic Situation

On October 3, 2005, Croatia began negotiations for accession into the European Union (EU). Since then the government has made significant progress and today Croatia is close to being an EU member (expected accession in July, 2013). Thus EU regulations have become the norm. In addition, Croatia is a NATO member, which provides a security framework for its improving economic and social prospects. Croatia is also a member of the WTO and has trade agreements with the EU-27, European Free Trade Association (EFTA), Turkey, and Central European Free Trade Agreement (CEFTA).

Croatia has progressed considerably in creating a market economy and establishing macroeconomic stability. With the Kuna (HRK) closely tied to the Euro, Croatia enjoys a stable currency. Unemployment appears to have peaked in 2000/2001 and positive trends (more employment in private sector firms) began in 2002 and continued until 2008. However, Croatia has not been immune to the global economic crisis thus employment statistics for 2010, 2011 and 2012 show a downward trend. In 2010, GDP growth was -1.2 percent, which is actually an "upwards trend" compared to -6 percent in 2009. This year's GDP growth is estimated at -1.3%. Croatia's external trade imbalances and high foreign debt present risks because continued access to foreign credit may be limited.

Demographic Developments and Their Impact on Consumer Buying Habits

Croatia's population is about 4.4 million and is slowly decreasing. The age distribution, based on 2010 estimates, is as follows: 1 to 14 years/15.2 percent; 15 to 64 years/67.5 percent; 65 and over/17.3%. The purchasing power of an average Croatian citizen is about €4,808 or about 34% of the EU average according to a 2010/11 Gesellschaft für Konsumforschung (Society for Consumer Research) - Gfk Market Study. [Note: Purchasing power is a measure of per capita disposable income (including any received state benefits) after the deduction of taxes. The study indicates per person per year purchasing power levels in Euros. GfK purchasing power figures have not been adjusted for inflation. The study draws on statistics on income and tax levels, government benefits and forecasts by economic institutes. The GfK purchasing power study does not take into account regional cost-of-living variations or recurring monthly deductions from disposable income such as rent, mortgage payments and contributions to private retirement funds and insurance policies.]

The number of elderly and retired persons is rising, but they tend to have small pensions and are not the economic force they are in some countries.

Food Expenditures

In 2010, total consumption of goods per household was $13,666 (HRK 75,167). Of that total consumption, food and beverages accounted for 32.13%. In addition, alcoholic beverages and tobacco amounted to 3.81%.

Size and Growth of the Consumer Foods Market

General

In 2010, domestic commercial turnover (including total wholesale and total retail sales and VAT) amounted to HRK 251.3 billion ($45.7 billion), which is a small decline of 0.3% from 2009.

In 2011, Croatia imported agricultural, fish and forestry products valued at $2.8 billion and exported $2.1 billion worth of these goods, which puts the agricultural trade deficit at $0.7 billion.

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

Consumer foods

Croatia’s total imports of consumer foods have steadily grown over the last few years. Even with a slight drop compared with 2008, consumer food imports in 2011 reached $1.6 billion. In the last few years, a flourishing tourism along the Dalmatian coast and rebounding consumer demand in urban areas are fueling demand for consumer foods, which is underlined by the increasing number of supermarkets. Trade statistics on U.S. exports of consumer foods to Croatia are severely understated due to transshipment via the EU. Demand for medium to high quality consumer foods will continue to rise and should be a boon for U.S. companies, provided they can overcome less than competitive high ocean freight rates into the Adriatic Sea from U.S. ports.

Nevertheless, U.S. companies can take advantage of the weak dollar.

Beverages

Fruit and vegetable juice imports in 2011 were $19.7 million, up about 20% compared to 2010.

In 2010, annual average consumption per household member was:
Mineral water 25.4 kg,
Fruit juices 17 kg,
Soft drinks 10.9 kg,
Coffee 3.7 kg,
Beer 15.6 liter,
Wine 10.7 liter,
Syrups for preparation of beverages 3.4 liter,

Food service (hotels, restaurants, and institutes)

According to the Croatian Statistical Institute, hotels and restaurants turnover for foods and beverages totaled HRK 2.3 billion ($412 million) in 2010. From that total, restaurants and mobile food service activities had HRK 1.4 billion ($ 255 million) turnover, event catering and other food service activities HRK 3 million ($ 0.55 million) turnover, and beverage serving activities HRK 6 million ($1.1 million) turnover.

Seafood

Although Croatia is a net-exporter of fish and seafood with bred tuna being the most important export item, Croatia imports a significant quantity of fish and seafood as well. From 2008 Croatia's seafood imports were declining due to the economic downturn. However, in 2011 seafood imports recovered and reached $117 million. Furthermore, Croatia is expected to import over $100 million in fish and seafood annually for the foreseeable future. Promising areas for U.S. exporters include fish feed for tuna production, fish for the local fish processing industry, sardines, and mackerel.

In 2010 the annual average consumption of fish (fresh and salt water) and seafood per household member was 9 kg. The demand for fresh-water fish and seafood is expected to increase with modern changes in nutritional habits and increased demand from tourism. The small blue fish is the most consumed fish on the national market, but due to changing nutritional habits and consumer demand, salted fish production has significantly increased, including anchovies, frozen fish, smoked fish (smoked sea bass, eel, and freshwater fish), fish pâté, marinated fish, and others.

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

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

II. Exporter Business Tips

Local Business Customs

Food retailers buy domestic and imported products from wholesalers. The wholesale sector is completely privatized. Restructuring of the retail segment also occurred as retail chains were privatized during 1990s and acquired by larger groups and new private retailers emerged on the market. The retail sector is dominated by foreign supermarket chains such as Billa, Kaufland, DM, Ipercoop, Lidl, Mercator, Metro, and Interspar and domestic supermarket chains such as Konzum, Plodine, NTL (Diona, Kerum, and Getro). Large supermarket chains have their own purchasing sections that buy, store, and distribute foodstuffs centrally. These purchasing units also import products. In addition, they also purchase some items through specialty wholesale importers. Moreover, some chains cooperate in purchase logistics with other chains to negotiate better prices from their suppliers.

General Consumer Tastes and Preferences

"Gfk", market research agency carried out a survey in October, 2009 in Croatia on "(non)recognition of healthy food" and among other things researched opinion, and potential purchase, of GMO foods, organic foods, and functional foods. They compared the results of their survey with similar surveys they conducted in 2005 and 2008. The following are some of their findings:

GMO food – Croatians are becoming less skeptical towards GMO foods. The percentage of citizens that refused to buy GMO products decreased from 67% in 2005 to 51% in 2009. However, in the 2009 study, only 6% of citizens would unconditionally buy GMO products, which is a decrease from 8% in 2005. The percentage of citizens that do not care about GMOs rose from 9% in 2005 to 14% in 2009. In addition, in the 2009 study, 29% of respondents acknowledged that they didn't know enough about GM foodstuffs, while only 16% did so in 2005. The study also showed that 90% of respondents believe that GMO foods must be clearly labeled on the store shelf.

Functional foods - Research from 2009 showed that 57% of respondents have heard of functional foods like omega-3 margarine and LGG yogurt, which is similar to last year's "Gfk" survey.

Organic foods – Most Croatians have heard of organic products. About half of the respondents said that they are able to distinguish organic products in shops. In 72% of the cases, the respondents said they recognized the products as organic because of a logo "Croatian Eco Product" or by seeing a label with a statement "healthy product". Only 4% of the respondents buy organics regularly, 5% buy organics often, 24% buy organics from time to time, 23% rarely buy organics and 43% do not buy organics. Compared with similar research from last year it can be seen that the percentage of organics buyers has decreased, possibly because of the 2009 economic downturn. However, in the long term, the forecast is that this market segment will grow, when the economic situation improves in Croatia.

"Gfk's" Organic food survey from 2011/2012 showed that two-thirds of Croatian consumers are aware of organics and one-fifth from time to time purchase at least one type of organic product.

"Gfk" also found in a March 2010 survey on "How we eat" that:

For food preparation Croatians use sunflower oil (84%), olive oil (51%), lard (41%), butter (31%) and margarine (26%). Most of the respondents (90%) eat all types of meat. White bread is everyday food for 50% of respondents, dark bread is consumed by 30% of respondents and integral bread is consumed by 19% of respondents. More than half of the respondents consume cakes and sweet cookies daily and weekly. Chocolate is also consumed by 60% of respondents daily and weekly. Coffee is consumed daily by 80% of respondents. In terms of daily dairy product consumption: 54% consume milk, 33% consume plain yogurt and 30% consume cheese. Croatians prefer good quality and good taste of food (each about 95%). Immediately after quality and taste Croatians prefer low prices, domestic origin, no artificial coloring, no artificial flavorings - (each about 65%). Then follow no preservatives and no low fat products - (each about 56%). Half of the respondents stated it was important to know the producer and that it is organic in origin. Two least important characteristic were whether it was a foreign producer (11%) or had attractive packaging (24%). Some changes can be seen in consumer habits in that they are eating more fruits and vegetables, less fatty food, less "fast food", and more drinking more fluids.

Research done in 2011 by the Croatian Food Agency revealed that a large number of Croatians think that domestic food is safer than imported food and that food was generally safer ten years ago. Their research showed that Croatians mostly worry about pesticide residues in food, food quality and freshness, GMOs, antibiotics, and hormones.

The economic downturn has spurred an increase in supermarket private label purchases.

Trade Regulations, Customs, and Standards

Croatia is expected to join the European Union effective July 2013. As a member of the EU, the Common Agricultural Policy (CAP) will govern Croatia's agricultural sector. Similarly, Croatia will employ the same tariffs and border measures as the other EU member states. Product imported into Croatia will need to meet all the Croatian and EU food safety and quality standards, as well as labeling and packaging regulations. It is important to work with experienced importers, and/or to have an agent to work with Croatian regulatory authorities to ensure the acceptability of specific products. Personal relationships and language ability are of value when conducting business transactions. For more information on Product Trade Restrictions, Food Standards and Regulations, please refer to Post's FAIRS GAIN Report (HR1211).

General Import and Inspection Procedures

Incoming goods must go through customs storage at transport terminals or airports. After the goods arrive at the customs storage, the importer or freight forwarder should start procedures for checking and clearing goods, which includes special documents that should be sent to the Inspection Departments and the Customs Office. The procedure starts at the Sanitary Inspection Department of the Ministry of Health and Social Welfare, which checks all products (except meat, which is checked by Veterinary Inspection Department from the Ministry of Agriculture, Fishery and Rural Development). From time to time samples are taken for food safety testing. In addition, products are inspected for quality. Products that can be made from biotech products are also sampled and sent to the laboratory for testing (see Agricultural Biotechnology Report 2012, HR1207). The importer must pay for product inspections. If products are of suspicious quality and/or health standards their sales will be banned until analyses are conducted. Customs clearance and removal from storage is carried out under the supervision of a customs officer who compares the documents with the commodities after they have been checked by the sanitary or veterinary inspector for quality, ingredients and health standards.

Customs rates can be found at:

http://www.carina.hr (This web site is only in Croatian. For clarification, contact your Croatian partner or one of the freight forwarding companies to determine the proper rates.)

Customs import documents should be in Croatian or bilingual English/Croatian.

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

III. Market Sector Structure and Trends

Retail Sector Key to High Value Imports

The internationalization of the Croatian retail food trade started in 1997, with the opening of the supermarket chain “Drogerie Markt”. Supermarkets developed rapidly in Croatia, leaving the traditional retail system for food far behind. Currently most consumers shop at supermarkets and imports are being distributed increasingly through the larger supermarkets. Croatia’s total imports of consumer foods in 2011 were $1.6 billion.

Promotion and Marketing Strategies

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

Tourism Sales

Tourism, although highly seasonal, is an important economic activity in Croatia. Each year between 10 and 11 million foreign tourists visit Croatia (compared to Croatia's population of 4 million). The majority of visitors come from Germany, Italy, Slovenia, Austria, Czech Republic, Poland, France, Netherlands, Hungary, Slovakia, UK and Bosnia and Herzegovina. Tourists from countries outside of Europe are mostly from America and recently from Japan. Tourist infrastructure is satisfactory but still developing, particularly in the main tourist destinations.

Internet Sales

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

While retail online transactions in Croatia still represent only a small percent of total retail trade in the country, e-commerce in Croatia is considered to be a common place occurrence.

IV Best High Value Product Prospects

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

Product Category	Market Size	2011 Imports	5-Yr. Avg. Annual Import Growth in value (2006-2011)	Import Tariff Rate 2011	Key Constraints of Market Development	Market Attractiveness for USA
Snack	n/a	$177millio		See at:	Strict biotech	Growing market.

Foods		n (44,640 MT)	9.48%	www.carina.hr	legislation and competition from E.U. and Croatian franchisees.	
Pork	n/a	$148million (44,899 MT)	6.37%	See at: www.carina.hr	Only companies that are registered exporters of pork for the EU market can access Croatian market. Competition from EU companies because of geographical proximity.	Croatian meat processors are importing significant quantities of pork because of the volatile domestic situation. Domestic pig production is cyclical and responds to the price of feed. In addition, sometimes there is a market shortage of products that meet certain quality standards.
Fish & Sea Food (products)	n/a	$117million (38,118 MT)	5.29%	See at: www.carina.hr	Competition from some E.U. seafood exporting countries.	Demand and consumption should pick up again and grow along with tourism for the next several years.
Pet Food (Dog & Cat Food-retail)	n/a	$48million (39,180 MT)	8.21%	See at: www.carina.hr	Competition from European companies and U.S. franchisees in the European Union.	Croatia doesn't have pet food. Production and usage of these products is expected to grow with an increase in the standard of living.
Beef	n/a	$38million (7,958 MT)	26.79%	See at: www.carina.hr	Croatian legislation transposes EU legislation	Croatia has a shortage.
Wine	n/a	$22million (14,598,1	3.18%	See at: www.carina	High transportation	Consumption of quality wines is

		33 Liters)		.hr	costs.	expected to grow with Croatia's standard of living.
Tree Nuts	n/a	$20million (2,922 MT)	11.90%	See at: www.carina .hr	Quality standards must meet EU standards.	Croatia does not produce sufficient quantities. In addition grading and quantity of domestic production is insufficient.
Rice	n/a	$11million (10,859 MT)	7.90%	See at: www.carina .hr	Transshipments from Europe.	Croatia has no domestic production.

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APPENDIX I – STATISTICS

TABLE A. KEY TRADE AND DEMOGRAPFIC INFORMATION

Ag Imports From All Countries ($Mil)/US Share %	2011	2,438 / 1.10%*
Consumer Food Imports From All Countries ($Mil.) / US Share %	2011	1,562 / 1.45%*
Edible Fish Imports From All Countries ($Mil) / US Share %	2011	117 / 5.78%*
Total Population (Millions) / Annual Growth Rate per 1000	2011/2010	4,418** / -2**
Urban population (Millions) / Annual Growth rate (%)	2012	n.a.
Number of Major Metropolitan Areas	2012	-
Size of the Middle Class (Millions) / Growth Rate (%)	2012	n.a.
Per Capita Gross Domestic Product (US dollars)	2011	$14,182 (estimate IMF)
Unemployment Rate ILO (%)	2011	13.5%
Per HOUSEHOLD Food Expenditures (US	2010	$ 4,329

Dollars)		
Percent of Female Population Employed	2011	34%
Exchange Rate (US$1 = X.X local currency)	2011	$1=HRK 5.34

* Source: Global Trade Atlas
**2010 estimate

TABLE B. IMPORTS OF AGRICULTURE, FISH & FORESTRY PRODUCTS

Croatia Imports (In Millions of Dollars)

	Imports from the World			Imports from the U.S.			U.S Market Share		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
CONSUMER-ORIENTED AGRICULTURAL TOTAL	580	748	883	10	13	16	2%	2%	2%
Snack Foods (Excl. Nuts)	60	76	90	1	1	1	0.91%	0.21%	0.53%
Breakfast Cereals & Pancake Mix	5	8	11	1	1	1	0.27%	0.13%	0.06%
Red Meats, Fresh/Chilled/Frozen	47	55	88	0	0	0	0%	0%	0%
Red Meats, Prepared/Preserved	22	27	32	1	0	1	0.33%	0%	0.15%
Poultry Meat	3	3	6	0	0	0	0%	0%	0%
Dairy Products (Excl. Cheese)	36	37	46	1	0	0	0.06%	0%	0%
Cheese	25	36	45	0	0	0	0%	0%	0%
Eggs & Products	4	5	5	1	1	1	4%	0.02%	0.08%

Fresh Fruit	64	83	90	1	1	1	0.00%	0.00%	0.04%
Fresh Vegetables	21	45	45	1	1	1	0.02%	0.30%	0.12%
Processed Fruit & Vegetables	59	76	85	1	1	1	0.88%	0.56%	0.67%
Fruit & Vegetable Juices	11	14	15	1	1	1	0.07%	4%	7%
Tree Nuts	7	8	11	1	2	3	15%	20%	22%
Wine & Beer	21	31	36	1	1	1	0.15%	0.19%	0.13%
Nursery Products & Cut Flowers	18	24	29	1	1	1	0.04%	0.05%	0.30%
Pet Foods (Dog & Cat Food)	18	21	24	1	1	1	3%	3%	3%
Other Consumer-Oriented Products	162	200	223	7	9	10	5%	5%	5%
FISH & SEAFOOD PRODUCTS	76	82	70	1	2	2	1%	2%	2%
Salmon	1	1	1	1	0	1	2%	0%	2%
Surimi	1	1	1	1	0	0	2%	0%	0%
Crustaceans	4	4	4	1	1	1	0.16%	0.46%	2%
Groundfish & Flatfish	8	8	10	1	0	1	0.23%	0%	0.08%
Molluscs	10	15	19	1	1	2	9%	6%	9%
Other Fishery Products	53	54	35	1	1	1	0.27%	1%	0.04%
AGRICULTURAL PRODUCTS TOTAL	955	1,181	1,373	22	21	27	2%	2%	2%
AGRICULTURAL, FISH & FORESTRY TOTAL	1,183	1,475	1,686	24	23	29	2%	2%	2%

NA - Data not available (not reported) **Data: Harmonized Tariff Schedule (HS 6 Digit)**
Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

TABLE C. TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

Croatia - Top 15 Suppliers	Import		
	2009	2010	2011
	$1,000	$1,000	$1,000
Germany	217,973	229,427	272,992
Italy	198,925	195,288	212,523
Netherlands	112,782	111,236	129,731

Bosnia & Herzegovina	82,122	85,473	99,825
Poland	69,641	75,011	96,195
Austria	84,912	78,346	87,233
Hungary	71,152	67,300	82,699
Slovenia	57,395	52,509	65,130
Spain	59,362	44,175	61,698
Macedonia	38,178	37,272	37,698
Ecuador	34,518	34,120	35,925
Belgium	25,295	27,208	33,850
France	26,789	28,622	33,628
Serbia	35,547	29,853	32,569
Brazil	29,370	31,397	31,660
16.United States	19,971	22,402	22,629
Other	231,336	223,990	226,405
World	1,395,268	1,373,629	1,562,390

Source: Global Trade Atlas

FISH & SEAFOOD PRODUCTS IMPORTS

Croatia – Top 15 Suppliers	Import		
	2009	2010	2011
	$1,000	$1,000	$1,000
Spain	16,354	15,963	21,247
Falkland Islands	6,421	6,189	7,640
Italy	6,524	6,420	7,451
United States	1,808	2,581	6,752
Argentina	3,816	4,317	6,146
United Kingdom	3,165	3,850	5,807
Thailand	5,199	5,858	4,833
Iceland	2,355	2,621	3,451
China	2,271	2,803	3,448
Sweden	12,542	5,664	3,314
Bosnian & Herzegovina	2,926	3,541	3,036
Vietnam	2,602	3,128	2,944
France	2,066	1,893	2,820
South Africa	1,229	1,584	2,802
Indonesia	1,120	1,408	2,734

Other	28,099	29,958	32,418
World	98,497	97,778	116,843

Source: Global Trade Atlas