THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Required Report - public distribution

Date: 9/27/2011

GAIN Report Number: HR1115

Croatia

Exporter Guide

Annual

Approved By:

Prepared By:
Andreja Misir

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 with no real signs of improvement. Croatian consumers are strongly anti-biotech.

Post:
Zagreb

Author Defined:

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 is close to an EU member. 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 EU-27, EFTA, Turkey, and CEFTA 2006.

Croatia has progressed considerably in creating a market economy and establishing macroeconomic stability. With the Kuna 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 and 2011 show downward. In 2010, GDP growth was -1.2 percent which is an "upwards trend" compared to -6 percent in 2009. This year's GDP growth is estimated at 0.8%. 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 2009 estimates, is as follows: 0 to 14 years/15.28 percent; 15 to 64 years/67.45 percent; 65 and over/17.26%. The purchasing power of average Croatian citizen is about €4,808, which is about 34% of the EU average according to the "2010/11 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 2009, total consumption of goods per household was $14,428 (HRK 76,188). Of that total consumption, 32% was total food and beverage consumption per household. In addition, alcoholic beverages and tobacco amounted to 3.6% out of total household consumption.

Size and Growth of the Consumer Foods Market

General

In 2009, trade (including total wholesale and total retail sales and VAT) amounted to HRK 252 billion ($47.7 billion), which is about 16% drop compared with 2008 and shows impact of economic crisis on Croatian inner trade.

In 2010, Croatia imported agricultural, fish and forestry products valued at $2.4 billion and exported $1.8 billion worth of these goods, which puts the agricultural trade deficit at $0.6 billion. In the past few years, Croatia's agricultural imports grew as did the county's trade deficit. However in 2009 and 2010 imports and exports are dropping in such a way that deficit is reducing. This is all due to global economic crisis and slowing down of trade.

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

Consumer foods

Croatia's total imports of consumer foods have steadily grown during last years. Even with a slight drop compared with 2008, consumer foods imports in 2010 reached $1.4 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 2010 were $16.4 million, down about 11% compared to 2009 due to global economic crisis and slowing of trade. Downwards trend was already visible in 2009.

In 2009, annual average consumption per household member was:

Coffee 3.4 kg,
Tea 0.3 kg,
Cocoa 0.4 kg,
Mineral water 29 kg,
Soft drinks 12.3 kg,
Fruit juices 16 kg,
Syrups for preparation of beverages 3.9 l,
Spirits 0.8 l,
Wine 9.2 l,
Sparkling wine 0.0 l,
Beer 18.2 l,

Food service (restaurants)

According to the Croatian Statistical Institute, hotels and restaurants sales for foods and beverages totaled HRK 3.35 billion ($634 million) in 2009.

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 declined from $138 million to just above $100 million in 2009 and 2010 due to the global financial crisis, but 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 2009 the annual average consumption of fish (fresh and salt water) and seafood per household member was 8.7 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)
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 concept of U.S. quality by consumers
	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 consist of 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 get better purchase price 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, potential purchase, recognition of GMO food, organic food, functional food and compared results with the similar surveys they conducted in 2005 and 2008. The following are some of their findings:

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

Functional food - Research from 2009 showed that 57% of respondents have heard of functional foodstuff like omega-3 margarine and LGG yogurt, which is about the same like in the last year's "Gfk" survey.

Organic food – Most Croatians have heard of organic products. About half of the respondents said that they are able to distinguish organics in shops. In 72% of cases respondents said that they recognize organics by recognizing logo of "Croatian Eco Product" or by seeing label with statement "healthy product". Only 4% of 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 a similar research from last year it can be seen that percentage of buyers of organics decreased, which can be attributed to 2009 economic downturn. However in the long term it is expected that this market segment will grow when economic situation becomes better in Croatia.

Another, interesting research that "Gfk" agency did in Croatia, in March, 2010 was on the topic of "how do we eat". The following are research results:

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, 54% consume milk daily, 33% consume plain yogurt daily and cheese is daily consumed by 30% of respondents. 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 the importance of the known producer and organic origin. Two least important characteristic are foreign producer (11%) and attractive packaging (24%). Some changes are noticed in the consumer habits thus it is eaten more fruits and vegetables, less fatty food, less “fast food”, and more fluids.

Recent research done by Croatian Food Agency revealed that large number of Croatians think that domestic food is safer than imported food and that food was generally safer 10 years ago. Moreover, that research showed that Croatians mostly worry about pesticide residues in food, food quality and freshness, GMOs, antibiotics, and hormones.

Due to economic downturn, Croatians increasingly purchase supermarkets’ private label products.

Food Standards and Regulations

See FAIRS Country Report 2011 for information on standards and regulations and Export Certificate Report 2011 for information on export certificates.

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 2011). The importer must pay for product inspections. If products are of suspicious quality and/or health standards their sales will be banned until analyses is 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 were checked by 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 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). In the past years, supermarkets have developed rapidly in Croatia, leaving the traditional retail system for food far behind. In 2010, the share of 10 leading supermarkets in overall food/beverages/household goods retailing reached 77 percent according to Croatian Competition Agency. Thus, currently most consumers shop at supermarkets and imports are being increasingly distributed through large supermarkets. Croatia's total imports of consumer foods in 2010 were $1.4 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 by 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 about 9 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 the retail online transactions in Croatia still represent small percent of total retail trade in the country, e-commerce in Croatia is considered to be a common 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	2010 Imports	5-Yr. Avg. Annual Import Growth in value (2005-2010)	Import Tariff Rate 2011	Key Constraints of Market Development	Market Attractiveness for USA
Snack Foods	n/a	$158million (40,030 MT)	10.22%	See at: www.carina.hr	Strict biotech legislation and competition from E.U. and Croatian franchisees.	Growing market.
Pork	n/a	$128million (43,200 MT)	3.07%	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 closeness.	Croatian meat processors are importing significant quantities of pork because of volatile situation on the market due to cyclic pig production dependent on the price of feed. In addition, sometimes there is a market shortage of products of certain quality standards.
Fish & Sea Food (products)	n/a	$103million (41,209 MT)	1.25%	See at: www.carina.hr	Competition from some E.U. seafood exporting	Demand and consumption should pick up again and grow

					countries.	along with tourism for the next several years.
Pet Food (Dog & Cat Food-retail)	n/a	$48million (38,987 MT)	10.82%	See at: www.carina.hr	Competition from European companies and U.S. franchisees in European Union.	Croatia doesn't have pet food. Production and usage of these products is expected to grow with increase in standard of living.
Beef	n/a	$30.45million (8,591 MT)	5.56%	See at: www.carina.hr	Croatian legislation transposes EU legislation	Croatia has a shortage.
Wine	n/a	$21million (14,809,654 Liters)	6.45%	See at: www.carina.hr	High transportation cost.	Consumption of quality wines is expected to grow with standard of living.
Tree Nuts	n/a	$16.37million (2,624 MT)	2.39%	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	$10.53million (10,591 MT)	8.70%	See at: www.carina.hr	Transshipments from Europe.	Croatia has no domestic production.

V. Key Contacts and Further Information

Andreja Misir
Agricultural Specialist
American Embassy
Agricultural Section
Thomas Jefferson 2
10010 Zagreb
tel. 011 385 1 661 2467
fax. 011 385 1 665 8950
mob. 011 385 91 4552365
e-mail: andreja.misir@usda.gov
http://www.fas.usda.gov

American Embassy
Commercial Section
Thomas Jefferson 2
10010 Zagreb
tel. 011 385 1 661 2224
fax. 011 385 1 661 2446
e-mail: zagreb.office.box@mail.doc.gov
web page: http://www.buyusa.gov/croatia/en/

Central Bureau of Statistics
Republic of Croatia
Ilica 3
10000 Zagreb
tel. 011 385 1 4806154
fax. 011 385 1 4806148
e-mail stat.info@dzs.hr
web page: www.dzs.hr

Croatian Chamber of Economy (Commerce)
Central office
Roseveltov trg 2
10000 Zagreb
tel. 011 385 1 4561555
fax. 011 385 1 4828380
e-mail: hgk.@hgk.hr
web page: www.hgk.hr
Croatian Chamber of Economy (Commerce)

Agriculture, Food Industry and Forestry Department
Roseveltov trg 2
10000 Zagreb
tel. 011 385 1 4826066
fax 011 385 1 4561545
e-mail: poljoprivreda@hgk.hr
web page: www.hgk.hr

Croatian Chamber of Economy (Commerce)
Tourism Department
Roseveltov trg 2
10000 Zagreb
tel. 011 385 1 4561570
fax. 011 385 1 4828499
e-mail: turizam@hgk.hr
web page: www.hgk.hr

Croatian Chamber of Economy (Commerce)
Trade Department
Roseveltov trg 2
10000 Zagreb
tel. 011 385 1 4561624
fax. 011 385 1 4828499
e-mail: trgovina@hgk.hr
web page: www.hgk.hr

Government of Republic of Croatia
Ministry of Agriculture, Fishery and Rural Development
Grada Vukovara 78
10000 Zagreb
tel. 011 385 1 6106111
fax. 011 385 1 6109201
e-mail: office@mps.hr
web page: www.mps.hr

Government of Republic of Croatia
Ministry of Economy, Labor and Entrepreneurship
Grada Vukovara 78
10000 Zagreb
tel. 011 385 1 6106111
e-mail: info@mingorp.hr, webpage:www.mingo.hr

APPENDIX I - STATISTICS

TABLE A: KEY TRADE & DEMOGRAPHIC INFORMATION	YEAR	VALUE
Ag Imports From All Countries* ($Mil)/US Share %	2010	2,042 / 1.29 %**
Consumer Food Imports From All Countries ($Mil.) / US Share %	2010	1,374 / 1.63%**
Edible Fish Imports From All Countries ($Mil) / US Share %	2010	103 / 2.51%**
Total Population (Millions) / Annual Growth Rate per 1000	2011/2010	4,429*** / -2****
Urban population (Millions) / Annual Growth rate (%)	2010	n.a.
Number of Major Metropolitan Areas	2010	-
Size of the Middle Class (Millions) / Growth Rate (%)	2010	n.a.
Per Capita Gross Domestic Product (US dollars)	2010	$13,792 (estimate)
Unemployment Rate ILO (%)	2010	11.8%
Per HOUSEHOLD Food Expenditures (US Dollars)	2009	$ 4,626
Percent of Female Population Employed	2010	35.2%*****
Exchange Rate (US$1 = X.X local currency)	2010	$1=HRK 5.5

* BICO grouping
** Source: Global Trade Atlas
*** Preliminary data from 2011 census
**** 2010 estimate
***** Labor Force Survey, third quarter of 2010

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		
	2008	2009	2010
	$1,000	$1,000	$1,000
Germany	226,520	217,973	229,427
Italy	224,670	198,925	195,288
Netherlands	117,911	112,782	111,236
Bosnia & Herzegovina	77,987	82,122	85,473
Austria	103,165	84,912	78,346
Poland	77,042	69,641	75,011
Hungary	77,916	71,152	67,300
Slovenia	79,294	57,395	52,509
Spain	56,182	59,362	44,175
Macedonia	38,961	38,178	37,272
Ecuador	36,972	34,518	34,120
Brazil	36,399	29,370	31,397
Serbia	33,494	35,547	29,853
France	31,250	26,789	28,622
Belgium	29,761	25,295	27,208
16.United States	22,265	19,971	22,402
Other	276,931	231,336	223,990
World	1,546,720	1,395,268	1,373,629

Source: Global Trade Atlas

FISH & SEAFOOD PRODUCTS IMPORTS

Croatia – Top 15 Suppliers	**Import**		
	2008	**2009**	**2010**
	$1,000	**$1,000**	**$1,000**
Spain	18,312	16,354	15,963
Italy	11,212	8,072	9,280
Falkland Islands	9,749	6,421	6,189
Norway	6,695	5,472	6,109
Thailand	7,733	5,211	5,870
Sweden	11,556	12,542	5,664
Argentina	7,082	3,816	4,317
Bosnia & Herzegovina	3,996	2,939	4,141
United Kingdom	4,411	3,165	3,850
Estonia	1,118	1,550	3,436
France	6,930	3,846	3,377
Vietnam	2,580	2,602	3,128
China	3,301	2,272	2,803
Iceland	2,587	2,355	2,621
United States	4,136	1,812	2,585
Other	37,054	23,780	23,792
World	138,452	102,209	103,125

Source: Global Trade Atlas