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Croatia

Food Processing Ingredients Sector

Report

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Report Highlights: Croatia is a net food importer and the $2.1 billion Croatian food processing sector is very reliant on imported ingredients. U.S. exporters compete with EU and neighboring country suppliers. The best ingredient sales prospects are for rice, dried fruits and nuts, fish and fish products.

Includes PSD changes: No
Includes Trade Matrix: No
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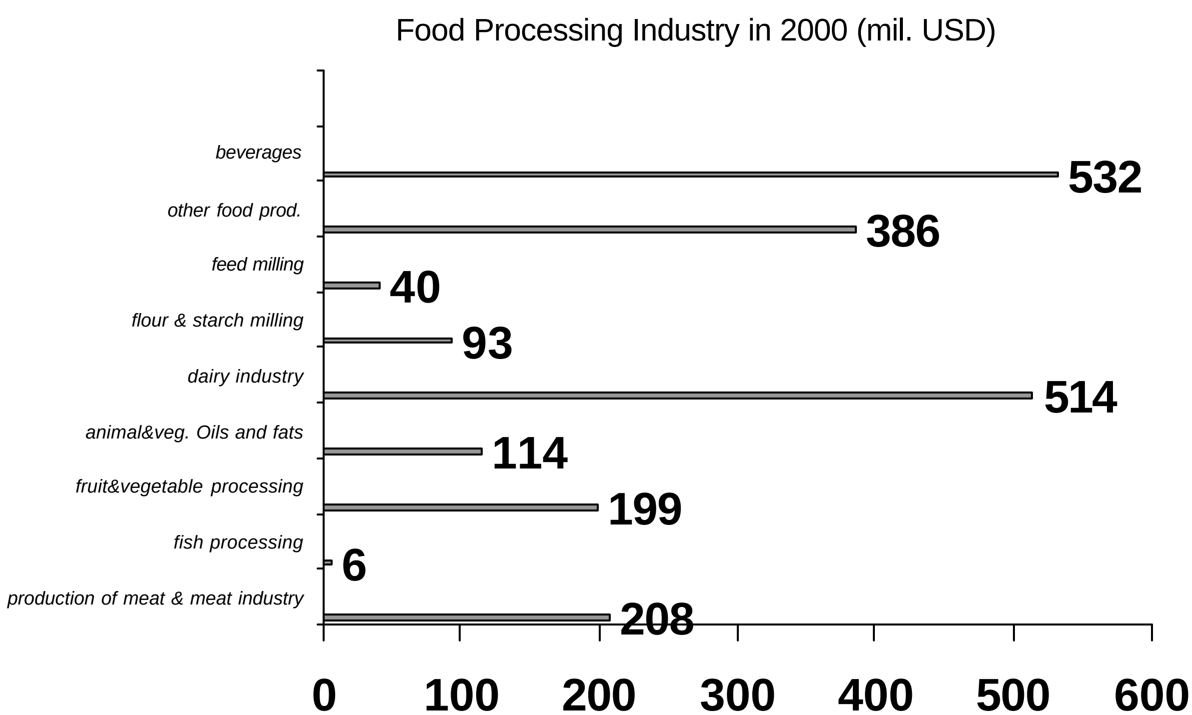
I. Market Summary

The production value of the Croatian food processing industry was $2.1 billion in 2000, which is a 17.4 percent decrease over 1999. The decline is attributed to general economic woes, competition from imports, and an 'overhang' of state-owned and recently privatized food processing firms. The food product and beverage manufacturing industry accounted for about 16 percent of industrial sector turnover and 17 percent of manufacturing sector employment in 2000.

There were about 830 food-processing firms in Croatia in 2000 and for most firms, privatization of the food-processing sector was completed several years ago. The biggest foreign-owned company in the food-processing sector is Coca-Cola Beverages Hrvatska d.d. The level of technology and the use of modern equipment varies widely among companies.



Foreign Trade

Croatia is a net food importer. In the agricultural sector as a whole, Croatia produces enough wine, wheat, corn, and poultry meat, to meet domestic demand but has a large import need for beef, pork, milk, fruits, and vegetables.

Industry sub-sector	Exports 2001	Imports 2001

Meat & Processed Meat	$22,340,032	$66,120,978
Fish & Caned Fish	$64,080,711	$56,569,965
Processed Fruit & Veg.	$10,459,975	$45,074,316
Oils and Fats	$12,961,948	$19,865,736
Dairy Products	$18,977,622	$55,867,081
Grain & Products for Milling Industry	$36,959,879	$52,026,284
Feeds	$13,806,519	$60,465,772
Beverages	$34,271,081	$50,205,707

The Structure of the Food Import and Export Markets:

Country	Import(% of total import)	Export (% of total export)
Germany	17.1%	14.8%
Italy	16.8%	23.7%
Slovenia	7.9%	9.1%
Austria	7.0%	5.7%
France	4.4%	3.5%
USA	3.3%	2.3%
Great Britain	2.5%	1.4%
Hungary	2.6%	1.2%
Czech Republic	2.3%	0.7%
Japan	1.56%	0.8%
Bosnia and Herzegovina	1.4%	12%

The Market for U.S. Ingredients

Advantages	Challenges
Growth in tourism	Negative attitude towards foods containing or made from genetically modified organisms
Growing urban population	Reservation towards products with chemical food additives
Western consumption patterns are emerging	Strong European competition
Domestic industry needs certain ingredients	The government is beginning to adopt restrictive EU Phytosanitary regulations
Several experienced multinational retailers	The retail sector will become more concentrated and slotting fees are common
Importers are open for new products and technologies	Consumers are unfamiliar with the value of U.S. products

II. Road Map for Market Entry

A. Entry Strategy

U.S. products and ingredients should be heavily promoted and it is very important to educate buyers about quality standards, grades, and different uses for U.S. ingredients. Visits to processors are important in order to introduce the new products and fully explain their use. Promotion through seminars, brochures and other promotional techniques are recommended.

B. Market Structure

A vast number of U.S. products are imported through European importers-distributors. Food processors usually import ingredients by themselves, while smaller companies tend to rely somewhat on importing-wholesaling companies.

The distribution chain in the last few years is getting shorter because large supermarkets (which are gaining market share) buy directly from the processor or through the foreign processor's distributor. The purchasing units of retailers frequently use outsourcing for both brand name and store brand products.

C. Company Profiles

The following table shows the major food industry companies by sub-sectors (with more than 150 employees), and the total number of significant firms from the given sub-sector (in parentheses). The growth rate is calculated from difference in sales over the previous year.

Food Processing Industry sub-sector	**Number of companies in 2000**	**Sales in mil. $ in 2000**	**Growth rate %**
Production of Meat & Meat Industry	7 (120)	208	-35.3
Fish & Caned Fish	1 (15)	6	-74.1
Fruit & Veg. Processing	1 (58)	199	-17.1
Oils and Fats	3 (25)	114	-0.35
Dairy Products	7 (55)	514	0.46
Flour and Starch Milling	6 (46)	93	-37.14
Feed	3 (37)	40	-46.4
Other Food Products	12 (349)	386	-27.3
Beverages	16 (129)	532	-6.56
Total	56 (835)	2,094	-17.4

Profiles of Major Food Processing Companies in The Republic Croatia

Company (Product Types)	Sales in 2000 ($mil.)	% of Croatian ownership	End-Use Channels	Production Location	Procurement Channels
Vindija d.d. (dairy & beverages)	204	100	retail	HR	Direct
Podravka d.d. (other food products and canned fruit & veget.)	346	100	retail	HR, Hungary, Poland	Direct
Lura d.d. (dairy)	182	100	retail	HR	Direct
Coca-Cola Beverages Hrvatska d.d. (soft drinks)	115	0	retail	HR	Direct
Kras d.d. (sweets)	100	100	retail	Hr and abroad	Direct
Zvijezda d.d. (oils & fats)	87	100	retail	HR	Direct
Zagrebacka pivovara d.d. (beer)	85	100	retail	HR	Direct
Franck d.d. (tee & coffee)	74	100	retail	HR	Direct
Ledo d.d. (icecream)	74	100	retail	HR, Bosnia and Herzegovina	Direct
Jamnica d.d. (mineral waters)	55	100	retail	HR	Direct
Karlovacka pivovara d.d. (beer & soft drinks)	N/a	Mostly in foreign ownership	retail	HR	Direct
Gavrilovic d.o.o. (meat)	50	100	retail	HR	Direct
Danica d.o.o.		100	retail	HR	Direct
PIK Vrbovec d.d. (meat)		100	retail	Hr	Direct
Badel 1862 d.d. (alcoholic drinks)	32	100	retail	HR	Direct
Sladorana d.d. (sugar)	N/a	100	retail	HR	Direct
Kutjevaci podrum d.d.	N/a	100	retail	HR	Direct
ZP Klara d.d.	N/a	100	retail	HR	Direct

D. Sector Trends

On the production side:

The food-processing sector is orientated towards imports, but there is a willingness to increase domestic production and to buy all the raw materials in the country.

- Bigger companies in the meat-processing sector are modernizing plants to be able to export to E.U. and United States.
- The dairy industry is gradually increasing its product range to meet consumer demand.

On the consumption side:

- Smoked and salted meat is popular
- Convenience food gains popularity – busy people are spending money on frozen prepared meals, pizzas, frozen vegetables, canned products, etc.
- International cuisines are becoming popular – especially Chinese and Italian.
- There is a trend towards healthier eating – consumers prefer organic food, vegetable oil, "light" products, sugar-free chewing gums, etc. There is a generally negative opinion about GMO products. Conversely, consumers may not be willing to pay more for organic foods.

III. Competition

The biggest competitors for U.S. food exporters are EU suppliers. This is due to shorter shipping distances, established distribution channels, and tariff differences for some of the products. Many U.S. products are transshipped to Croatia through EU distributors.

Meat Industry	Domestic, Hungary, Germany, Denmark…
Fish	Domestic, Spain, Italy…
Dairy	Domestic, Hungary, Czech, Slovakia, Germany
Poultry	Domestic
Fruit and Vegetable Processing	Domestic, Italy, Hungary, Austria, Slovenia
Soft Drinks	Domestic, EU
Vegetable and Animal Fats & Oils	Domestic, Austria, Germany, Italy, Hungary
Wine & Beer	Strong domestic production, Slovenia, Netherlands

IV. Best Product Prospects

A. Products present in the market with good sales potential:

-Soft drinks
-Chips

-Pet food

B. Products not present in significant quantities, but have good sales potential:

-Rice (large quantities of U.S. rice are transshipped from mills in the European Union)
-Dried fruits and nuts
-Wine
-Fish and fish products

C. Products not present because they face significant barriers:

U.S. meat and meat products may not be legally imported because there are currently no negotiated USDA/FSIS veterinary meat export certificates. There is a substantial illicit trade in some U.S. meat products.

V. Import Rules

Food products do not have to be registered for import in Croatia, but they do have to comply with the food-quality standards specified by Croatian laws and regulations (See GAIN HR2009 for more information on food import rules). All shipments that contain food or food ingredients undergo a sanitary inspection and are randomly tested for both quality and health standards.

Exchange Rate 08/27/02 $1 = Kn7.60

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