

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Milk and Dairy Products Report

**Country:** Bosnia and Herzegovina

**Post:** Sarajevo

**Report Category:** Product Brief, Dairy and Products

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**Report Highlights:**

Bosnia and Herzegovina's (BiH) 2022 dairy imports totaled \$123.3 million, with a trade deficit of \$61 million. The domestic dairy industry produces mainly high-volume, fast-turnover products like fluid milk, yogurt, and fresh/cottage cheese. BiH imports their most value-added milk products from the European Union (EU). Import opportunities exist for U.S. products such as cheese, butter and spreads, flavored milk drinks, and ice cream, nevertheless U.S. exporters may face competition from EU tariff-free products.

## SECTION I. MARKET OVERVIEW

Bosnia and Herzegovina's population of 3.5 million consumes about 500,000 metric tons (MT) of milk and milk products annually. The value of fresh milk production is estimated at KM 300 million (BiH currency, Convertible Mark), or \$162 million, and involves approximately 13,000 farmers. The number of dairy cows is estimated at 250,000, with average milk yield of 2,500-3,000 liters/lactation, a low figure in comparison to the EU average of 7,500 liters. Dairy farms in BiH have been consolidating lately, with small farms closing and large farms expanding and modernizing. These actions have led to milk yields of over 6,000 liters per lactation in the larger farms.

Twenty large dairy plants collect and process 95 percent of the purchased milk. These dairy plants produce high-volume, fast-turnover, low-margin products like fluid milk, yogurt, and fresh/cottage cheese. A fewer number of dairies produce value-added products like aged cheese. Due to the current structure of its dairy industry, BiH primarily exports liquid milk and imports value-added products such as butter and cheese.

Cow milk dominates total milk production with a 96 percent share, while sheep milk's share is 3 percent, and goat milk's share is only 1 percent. The consolidation trend in the dairy sector has led to the closure of a substantial number of small farms due to their low profitability. At the same time, large farms are trying to expand and compensate for the difference in milk production but have been hit by rising input prices (feed and fuel). Therefore, the quantity of raw milk collected and processed in dairy plants decreased by 9.3 percent in 2022.

**Table 1. Processing of Cow Milk (in MT)**

Year	2018	2019	2020	2021	2022
Collected raw milk	263,261	260,704	274,570	278,345	252,425

Source: BiH Agency for Statistics

The dairy industry produces mainly packaged, shelf-stable milk and fermented drinks. Since 2018 the largest growth was recorded in production of cheese (15 percent), showing that the domestic dairy industry is oriented towards producing more value-added products. Still, BiH has remained a net importer of these products, and overall production declined by 5 percent in 2022.

**Table 2. Production of Dairy Products by Category (in MT)**

Product	2018	2019	2020	2021	2022
Drinking milk	137,591	150,625	163,216	144,869	130,086
Fermented products	53,787	57,677	49,851	51,770	53,644
Cream	22,577	22,594	21,393	22,492	22,951
Cheese	7,737	7,922	7,028	8,527	8,859
Butter	1,416	1,602	1,867	1,951	1,533
<b>Total</b>	<b>223,108</b>	<b>240,420</b>	<b>243,355</b>	<b>229,609</b>	<b>217,073</b>

Source: BiH Agency for Statistics and BiH Ministry of Foreign Trade and Economic Relations

## Trade in Milk and Dairy Products

BiH exports shelf-stable milk and imports other value-added dairy products like cheese and butter. The country maintains a significant trade deficit that totaled \$61 million (KM 111 million) in 2022.

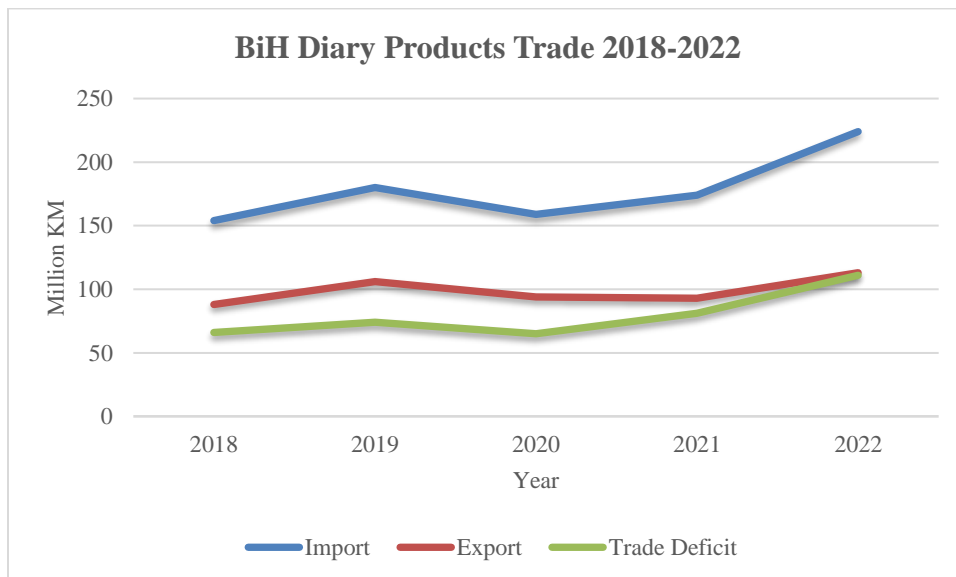
**Table 3. BiH Trade in Milk and Dairy Products (in million KM)**

Year	2018	2019	2020	2021	2022
Import	154	180	159	174	224
Export	88	106	94	93	113
<b>Trade deficit</b>	<b>66</b>	<b>74</b>	<b>65</b>	<b>81</b>	<b>111</b>

Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

While BiH's dairy trade grew by 18 percent since 2018 and reached KM 286 million (\$157.5 million) in 2019, 2020 trade volume decreased by over 11 percent due to coronavirus pandemic supply chain interruptions. Nevertheless, dairy trade partially recovered with a 6 percent increase in 2021 and a further 26 percent increase in 2022. The 2022 increase, however, was largely due to inflation and increased prices of dairy products.

**Graph 1**



Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

In 2022 BiH paid \$63 million for imported cheese (over 50 percent of the overall dairy import value), \$30 million for milk and cream, and \$13 million for imported fermented products.

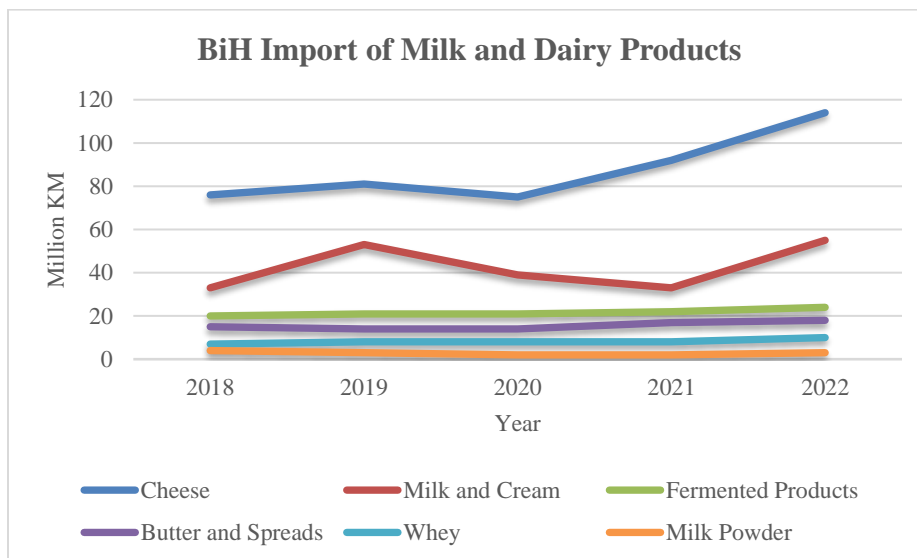
**Table 4. BiH Trade in Dairy Products by Category (in million KM)**

Products	2018		2019		2020		2021		2022	
	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export
Milk and Cream	32	59	53	63	39	70	33	63	55	71
Milk Powder	4	0	3	0	2	0	2	0	3	3
Fermented Products	20	22	21	34	21	14	22	16	24	23
Whey	7	0	8	0	8	0	8	0	10	0
Butter and Spreads	15	1	14	2	14	2	17	3	18	4
Cheese	76	6	81	7	75	8	92	11	114	12
<b>Total</b>	<b>154</b>	<b>88</b>	<b>180</b>	<b>106</b>	<b>159</b>	<b>94</b>	<b>174</b>	<b>93</b>	<b>224</b>	<b>113</b>

Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

Since 2018, BiH’s cheese imports grew by 50 percent, and butter, spreads and fermented products by 20 percent. Total dairy imports increase 29 percent and exports increase 21 percent in 2022 compared to 2021, but again, this increase was largely due to inflation and increased prices of dairy products. The price increase for food and beverage products in December 2022 was 23.2 percent, compared to December 2021.

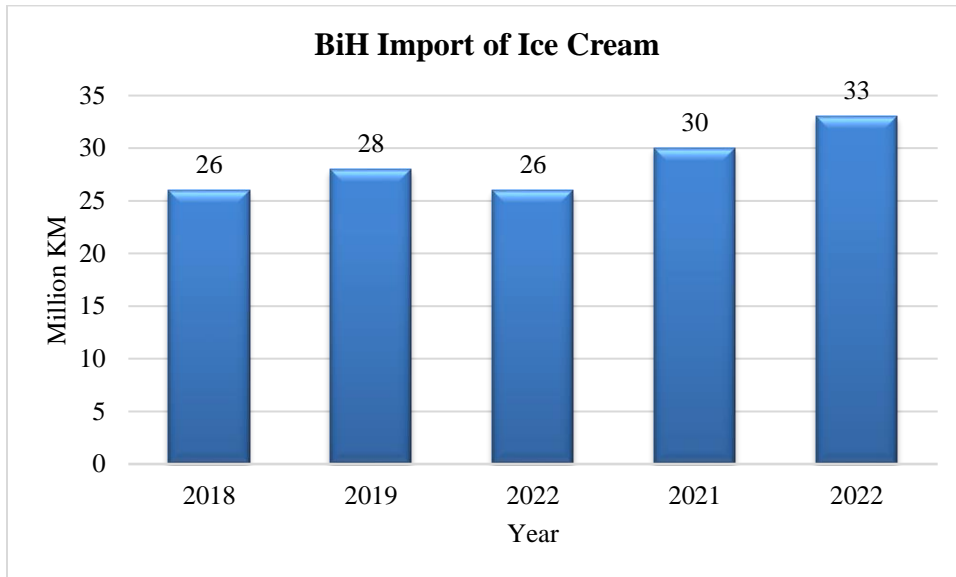
**Graph 2**



Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

Imports of ice cream grew by 27 percent since 2018 reaching \$18 million (KM 33 million) in 2022, while exports of ice cream were insignificant.

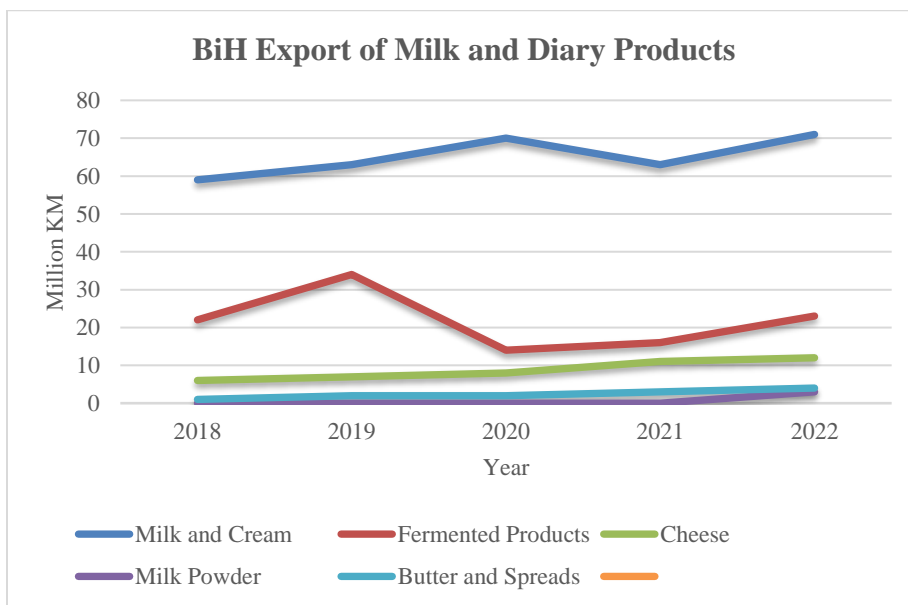
**Graph 3**



Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

Milk and cream were leading export products in 2022, with 63 percent of total dairy exports, followed by fermented products with 20 percent, and cheese with 11 percent. From 2018-2022 exports of cheese grew by 50 percent, and milk and cream by 20 percent. In 2020 exports of fermented products decreased by 55 percent, from \$19 million (KM 34 million) to \$8 million (KM 14 million), but partially recovered in 2022 reaching \$13 million (KM 23 million).

**Graph 4**



Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

## Top Trade Partners

BiH's most important trade partners in milk and dairy products are the European Union (EU) and [Central European Free Trade Agreement](#) (CEFTA) countries. BiH imported 91 percent of milk and dairy products from the EU and eight percent from CEFTA countries in 2022 (1 percent from other countries). In the same year, BiH exported about 77 percent of milk and dairy products to the CEFTA countries and about 23 percent to the European Union market.

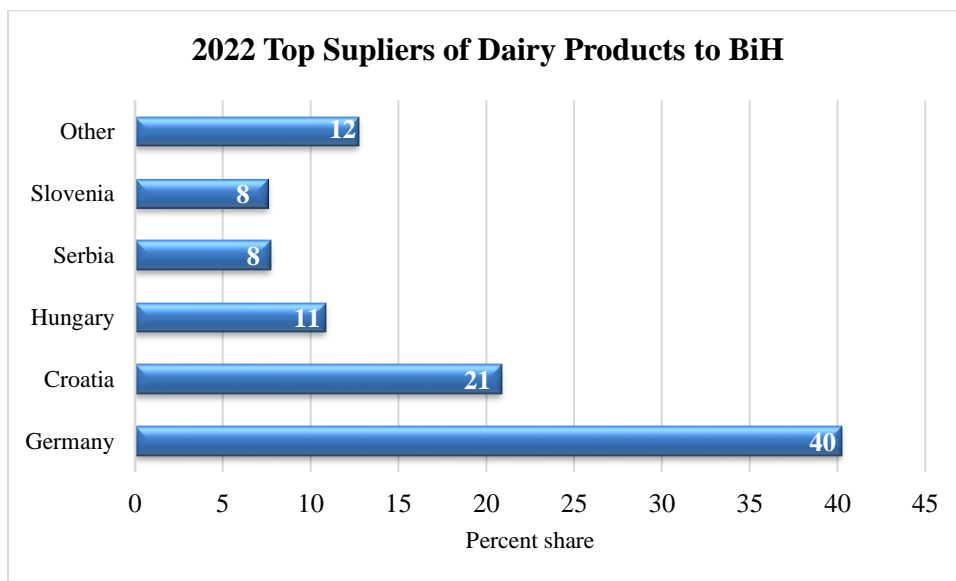
**Table 5. Top Trade Partners in Milk and Dairy Products (in million KM)**

Partners	201		2019		2020		2021		2022	
	IM	EX	IM	EX	IM	EX	IM	EX	IM	EX
EU	134	10.7	143	14	137	17.7	156	23.7	203	25.5
CEFTA	19.6	76.5	37	91	22	74.7	17	67.6	18	86.9
Other	0.4	0.8	0	1	0	1.6	1	1.7	3	0.6
USA	0	0.2	0	0.1	0	0.2	0	0.4	0	0.2
<b>Total</b>	<b>154</b>	<b>88</b>	<b>180</b>	<b>106</b>	<b>159</b>	<b>94</b>	<b>174</b>	<b>93</b>	<b>224</b>	<b>113</b>

Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

Top suppliers in 2022 were Germany, Croatia, Hungary, Serbia, and Slovenia. No imports from the United States were recorded over the same period.

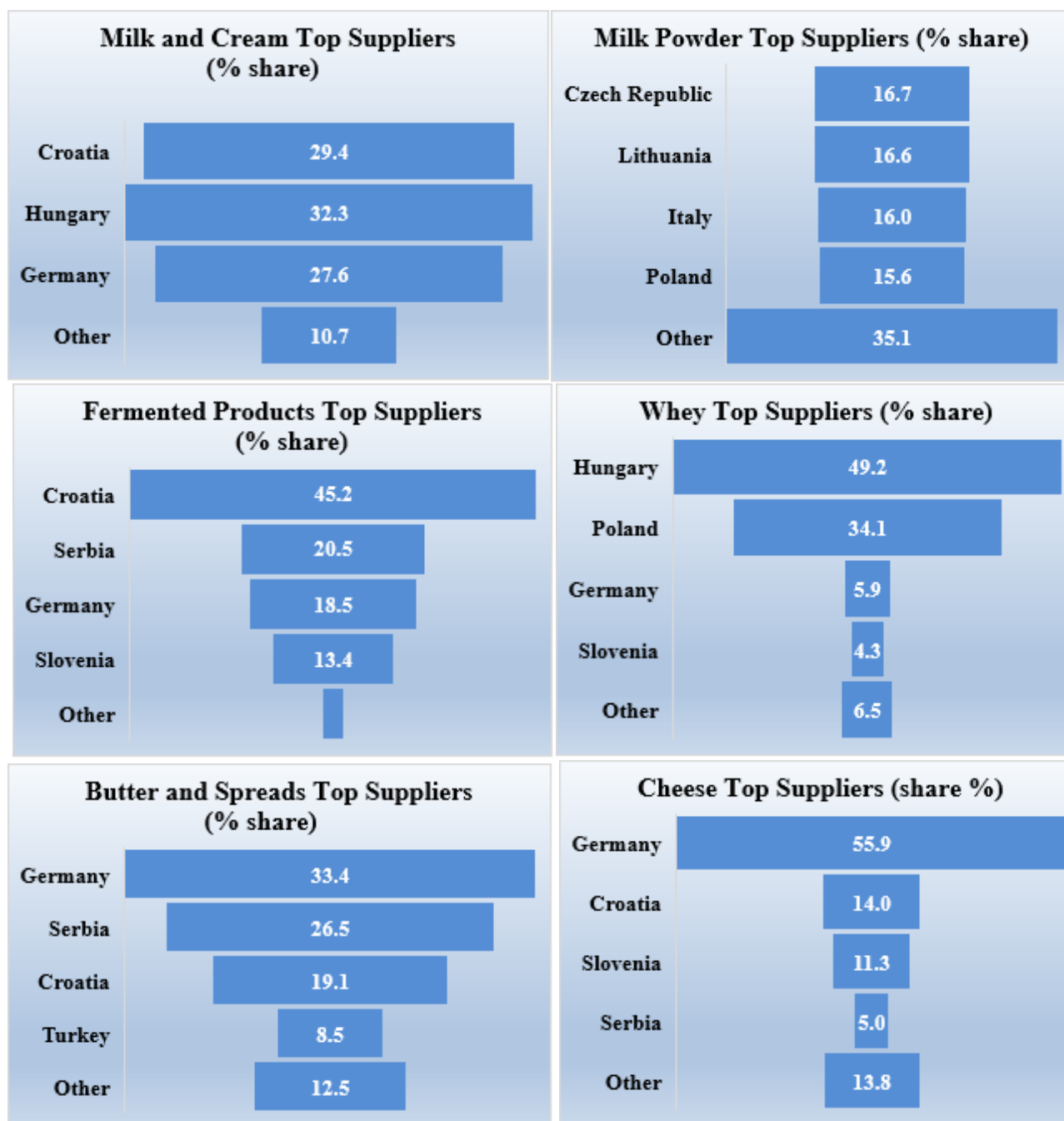
**Graph 5**

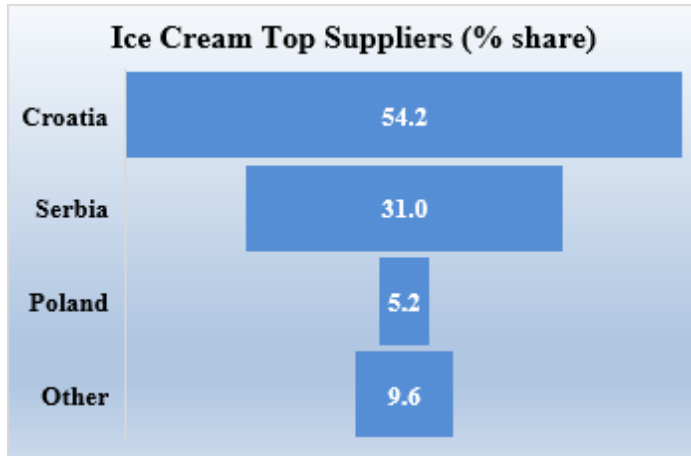


Source: BiH Agency for Statistics

In 2022 Croatia and Serbia supplied 85 percent of all imported ice cream, 66 percent of fermented products, and over 45 percent of imported butter and spreads to BiH. Germany supplied one-third of butter and 56 percent of imported cheese. Hungary and Germany supplied one half of imported milk and cream. Hungary and Poland supplied over 83 percent of the imported whey. The following graphs show BiH's top suppliers per dairy product category in 2022.

**Graph 6**





Source: BiH Agency for Statistics

Montenegro, Serbia, North Macedonia, Croatia, and Kosovo were BiH’s most important export markets, totaling 91 percent of total dairy exports. BiH exports to the United States were modest (\$83,300) and consisted only of cheese and spreads.

## SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

COVID-19-related quarantine and telework practices in 2020/2021 resulted in higher household consumption, while consumption in the HRI sector declined. Fortunately, the HRI sector greatly recovered in 2022. Domestic industry capacity remains limited, and investment is needed in value-added products such as flavored milk drinks, butter, cheese, and spreads.

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 continue harmonizing its regulations with the EU’s Acquis, including those restrictive to U.S. products.

The CEFTA countries and Turkey enjoy zero import duty rates, while EU countries enjoy a duty-free quota of nearly 28,000 MT. The EU countries’ duty-free quota was overall used less than 50 percent from 2019-2021. The cream, butter, and cheese quotas were used around 90 percent, milk powder quota 74 percent, yogurt quota about 47 percent, and milk quota about 39 percent.

BiH is not a member of the World Trade Organization (WTO) but has been negotiating for membership and is close to completing that process (subject to the resolution of a few remaining technical issues).

### Advantages and Challenges for U.S. Exporters

Advantages	Challenges
Deficient domestic production, especially cheese, cream spreads, flavored milk drinks, and butter	Long distance, bad transportation conditions, absence of highways, limited railway service.



Advantages	Challenges
Relatively low costs for introduction and promotion of new products using local broadcast and print media or in-store promotions.	Purchase power approximately 30 percent of the EU average.
Food expenditures are increasing, and food imports are constantly growing.	U.S. exporters face competition from EU and CEFTA tariff-free products.

Source: FAS Sarajevo

### Market Entry Strategy

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. Most foreign companies have established a representative office locally for marketing, and some foreign investors from key trading partner countries have established their in-country operations.

Dairy products are usually retailed together with other food products, and there are only a few specialties retail stores selling solely dairy products. The domestic industry is working to meet the requirements of consumers, processors, traders, and supermarkets regarding consistency, stability, quality, food safety, labeling, packaging, and regular supply. However, BiH still lags behind competitors. For more information on company profiles please see BiH’s Foreign Trade Chamber’s Report “[BiH Dairy Industry](#).”

Consumers in BiH have demonstrated significant demand for aseptically packed UHT milk and stable fermented products. There is also increased demand for fruit yogurts, sour cream, soft cheese, and UHT milk with additives such as Omega 3, vitamins, and minerals.

Plant-based milk consumption (e.g., soy, almond) is insignificant but may become more popular in the future due to increased awareness of environmental and health considerations.

U.S. exporters may obtain an up-to-date list of BiH importers and distributors by contacting the U.S. Embassy’s Office of Agricultural Affairs (for contact details, please see Section V of this report).

### SECTION III. COSTS AND PRICES

A Value Added Tax (VAT) of 17% is applied to all domestic and imported products.

Tariffs for dairy products range from 0 to 10 percent, and for some products a compound tariff rate of 10 percent plus a specific tariff rate of \$0.08 - \$1.10 per kilogram (KM 0.15 - KM 2.00/kg) is paid. For detailed tariff rates please see the [2023 Tariff Book](#).

## **SECTION IV. MARKET ACCESS**

BiH food regulations are a mixture of old regulations and new, EU-mirrored regulations that the Food Safety Agency has been drafting since 2006. These regulations are often subject to change, so please contact FAS/Sarajevo for current information. Please also refer to the [FAIRS Country Report](#), [FAIRS Export Certificate Report](#), and [Exporter Guide](#).

## **SECTION V: KEY CONTACTS AN FURTHER INFORMATION**

Please contact FAS/Sarajevo for any export-related information, including lists of importers and distributors:

### **FAS/USDA**

U.S. Embassy to Bosnia and Herzegovina

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<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>. Please use the search engine to filter the reports by country, category, and date.

### **Attachments:**

No Attachments.