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Norway

Retail Food Sector

Report

2001

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Report Highlights:

Further consolidation and mergers in the retail sector provide new opportunities in this US\$ 13 billion grocery retail market. U.S. exporters should consider paying more attention to this market.

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

- ' Total grocery retail market turnover in Norway 2000 reached Norwegian Kroner 118 billion (US\$ 13.0 billion).
- ' Sales growth in 2000 was only 2.8 percent compared with 6.2 percent in 1999.
- ' Total imports of agricultural products by Norway in 2000 reached US\$ 2.4 billion of which 50 percent was consumer-oriented high-value products.
- ' US share of Norway's agricultural imports in 2000 amounted to US\$ 130 million, about 5.5 percent of total imports.
- ' 82 percent of retail food products is sold by the grocery retail chains, 15% by gas stations and kiosks and 3% by speciality stores.
- ' About 81 percent of grocery retail products (including non-food products) is sold through grocery stores, while 11 percent is sold to the hotel/restaurant/institution (HRI) sector and 8 percent through gas stations and kiosks.
- ' In 2000, Norway had 4,589 grocery stores and 5,300 gas stations and kiosks.
- ' Four retail chains control 99 percent of the retail stores and are also dominate grocery sales to the HRI sector, gas stations and kiosks.
- ' The Norwegian retail store capacity and infrastructure can serve as many as 7 to 8 million people, although the Norwegian population is only 4.5 million.
- ' All four Norwegian retail chains are involved in grocery trade in other Nordic/Baltic countries, and have established relationships with other Nordic chains through mergers or cooperative agreements to strengthen their competitiveness.
- ' As of July 1, 2001, Norway reduced its value-added tax (VAT) on food from 23 percent to 12 percent.

Advantages	Challenges
The U.S. is a preferred supplier to Norway for products such as tree nuts and dried fruits, both as branded products and for private labels.	Sales of products with GMO ingredients are inhibited in Norway by regulations, labeling requirements and consumer aversion.
U.S. products have a reputation of being of high quality.	Lack of promotion and marketing activity in Norway by U.S. suppliers is disadvantaging potential sales.
The U.S. is associated with new-to-market products.	Norway remains a highly protected market through tariff and non-tariff barriers.
Mergers of the Nordic chains should bring higher sales volumes to U.S. suppliers who are established in this market.	The current high US\$ exchange rate is making U.S. products more expensive to Norwegians.
The focus on competitiveness of Nordic chains brings opportunities for the introduction of new U.S. products.	Strong competition from European suppliers.

Section II. Road map for market entry.

A. Grocery Stores (supermarkets, small supermarkets and discount stores)

Entry Strategy.

The Norwegian retail market is totally dominated by four retail chains (Norgesgruppen A/S, Hakon-Gruppen A/S, COOP Norge and Reitan Narvesen ASA) which control 99 percent of the market. All these chains are either owned by, or own their own wholesaler, both in grocery products as well as fruit and vegetables. Breaking into sales to these companies can be difficult for small and medium sized companies without local representation. All the above chains want imported products delivered to their stores with the same convenience and reliability that domestic suppliers provide. New-to-market exporters need to find an importer, wholesaler or agent to assist them do products clearances.

New-to-market exporters should:

- ÿ Conduct early market research to assess product potential.
- ÿ Find an agent, importer, wholesaler or a domestic industry partner to assist with information on import duties, sanitary regulations, labeling requirements and competition. A personal visit is advisable.
- ÿ Discuss market strategies and delivery capacity with the importer. Reliability of supply is crucial in this market.

Nordic mergers

Since the Norwegian retail group, Hakon-Gruppen A/S merged with Sweden's ICA, and subsequently with the Netherlands' Ahold, the other major retail groups have followed suit. COOP Norge, the consumer-owned cooperative retail chain has merged with its counterparts in Sweden (KF) and Denmark (FDB) to form COOP Norden. The leading Norwegian retail group, Norgesgruppen A/S is cooperating with Axfood of Sweden and Dagrofa of Denmark. Although these companies continue to purchase imported products through joint purchasing companies like NAF (Coop) and United Nordic (Norgesgruppen), there should be new opportunities for U.S. products. Not only will they be seeking new products to attract consumers, but they will also be looking for economies of scale. Additionally, U.S. suppliers that provide private label packaging could stand to benefit as these Nordic companies coordinate purchases for their own Nordic brands.

Distribution systems - consumer-ready food products

In 2000, Norway had 4,589 grocery stores with a turnover of NOK 100 billion (US\$ 11.0 billion). Generally, grocery stores account for 82 percent of retail food sales including fresh, frozen, and canned goods as well as non-alcoholic beverages and non-food items. Specialty stores such as bakeries, meat stores, candy stores, gas stations and state wine and liquor stores account for the remaining 18 percent. In 2000, about 55 percent of Norwegian food distribution to retailers was handled by the following four large wholesale enterprises:

Company	Address	Phone and Fax
Joh. Johannson	Nedre Kalbakkvei 22 P.O.Box 130 Sentrum N-0102 Oslo Norway	Phone: (47) 22 16 90 00 Fax: (47) 22 16 90 10
COOP NORGE	Østre Aker vei 264 N-0977 Oslo Norway	Phone: (47) 22 89 95 95 Fax: (47) 22 89 97 45
Hakon Distribusjon A/S	Solheimveien 3 P.O.Box 37 1471 Skårer Norway	Phone: (47) 67 97 35 00 Fax: (47) 67 90 67 97
Rema 1000 Sofiemyr	Sønsterudveien 32 1412 Oppegård Norway	Phone: (47) 66 80 02 28 Fax: (47) 66 80 02 17

Norwegian grocery retail chains and market shares

The Norwegian retail grocery sector has undergone years of restructuring during which smaller chains have changed partners several times. The remaining chains, except for the largest group, Norgesgruppen AS, seem to control the flow of products from producers to consumers. Norgesgruppen AS is more of a buying group, and marketing is done more individually by the different smaller chains it supplies. Supermarkets, small supermarkets and discount stores make up about one third each of the total number of stores. Listed below are market shares and number of stores in 2000.

Chain	Phone and fax	Number of stores	Market shares in percent
Norgesgruppen AS Parkveien 61 P.O.Box 2775 Solli N-1007 Oslo	Phone:(47) 24113100 Fax: (47) 24113101	2,024	33.5
Hakon-Gruppen A/S Sinsenveien 47C P.O.Box 6500 Rodeløkka N-0501 Oslo	Phone: (47) 23055000 Fax: (47) 23055001	1,142	26.4
Coop Norge Østre Aker vei 264 P.O.Box 21 Haugenstua N-0915 Oslo	Phone: (47) 22899595 Fax : (47) 22899745	1,020	24.7
Reitan Narvesen ASA Bertrand Narvesensvei 2 P.O.Box 6125 Etterstad N-0602 Oslo	Phone: (47) 22573010 Fax : (47) 22680522	285	14.3
Others		118	1.1
Total		4,589	100.0

B. Gas marts and convenience kiosks

Entry Strategy.

New-to-market exporters should bear in mind that although there is a close connection between the larger grocery wholesalers and retail chains and the gas marts and kiosks, they all have their own organization as to buying and marketing. Main players include the largest gas stations (Esso, Statoil, Shell and Hydro/Texaco) and kiosks (Mix, Reitan Narvesen and Gyda). Although these stores offer basic grocery products to consumers, these markets are not as price sensitive and more receptive to convenience food and impulse buying products.

Advice to new-to-market exporters:

Ÿ Unless you have a unique product, you should consider approaching only one of the players at a time, as all are looking for products which their competitors do not have.

Ÿ Get an overview of your competitors in the market and have a clear opinion of what your price would be in this market (check duties and logistics).

Company profiles

Gas marts makes up 57 percent and kiosks 43 percent of a combined US\$ 1.8 billion turnover of grocery products at these two types of outlets. However, turnover in gas marts and kiosks has stagnated in the past two years as grocery stores have extended their hours. Grocery stores are becoming more convenient and have the attraction of much lower prices.

Gas marts

Gas chains	Phone and fax	Number of outlets	Market share in percent
Statoil Detaljhandel AS Sørkedalsveien 8 P.O.Box 1176 Sentrum N-0107 Oslo	Phone:(47) 22962000 Fax: (47) 229629 70	450	28.6
Norske Shell P.O.Box 1154 Sentrum N-0107 Oslo	Phone:(47) 22665000 Fax : (47) 22665197	630	29.6

Esso Norge AS Drammensveien 149 P.O.Box 350 Skøyen N-0212 Oslo	Phone:(47) 22663030 Fax : (47) 22663455	370	21.6
Hydro Texaco AS Drammensveien 134 N-0212 Oslo	Phone:(47) 22124000 Fax : (47) 22124060	330	19.4

Kiosks (convenience stores)

Kiosk chains	Phone and fax	Number of stores	Market share in percent
Mix Butikkene BA Haavard Martinsensvei 34 N-0978 Oslo	Phone:(47) 22790800 Fax : (47) 22790801	1,032	43.8
Reitan Narvesen ASA Bertrand Narvesensvei 2 P.O.Box 6125 Etterstad N-0978 Oslo	Phone:(47) 22573010 Fax : (47) 22680522	425	30.1
Gyda Butikkene BA P.O.Box 153 Kjelsås N-0411 Oslo	Phone:(47) 22026460 Fax : (47) 22026470	400	12.1
Butikkringen Östlandet P.O.Box 126 Ökern N-0519 Oslo	Phone:(47) 22646898 Fax : (47) 22653751	289	7.2
Small Shops Norge Vitaminveien 11A P.O.Box 11 Grefsen N-0409 Oslo	Phone:(47) 22711122 Fax : (47) 22711970	54	6.8

Strax (NKL) P.O.Box 21 Haugenstua N-0915 Oslo	Phone:(47) 22899595 Fax : (47) 22899760	11	0.4
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Section III. Competition

Market trends.

When fish is excluded, Norway is a net importer of agricultural products. In 2000, imports totaled \$2.41 billion and exports roughly \$683 million. About half of Norway's imports of agricultural products consists of consumer-oriented high value products. Most of these come from the horticultural and tropical products group. Major imports are fresh fruits (oranges, bananas, apples and grapes), dry edible nuts, fruit and vegetable juices, fresh vegetables, snacks, chocolate and chocolate products, wines, pet food, live plants, cut flowers and foliage. The top ten suppliers of this group of products are the Netherlands, Denmark, Sweden, Spain, Germany, United States, Italy, France, Israel and Switzerland.

The U.S. share of Norway's agricultural trade in CY 2000 stood at 5.3 percent (US\$ 129 million) of Norway's imports and 8.3 percent (US\$ 56.7 million) of its exports. The bulk of U.S. exports to Norway consists of wheat, leaf tobacco, cotton, grains, fruits and nuts. U.S. imports from Norway include cheeses, fats and oils.

Section IV. Best product prospects.

The best prospects in the retail food sector are products unlike those produced in the country or containing ingredients not produced in the country. High tariffs and significant documentation and controls present obstacles to competition with domestic products.

A. The best market prospects in Norway include rice, tropical products, fresh vegetables and a full range of consumer-oriented high value products such as snack foods, processed fruit and vegetables, fruit and vegetable juice, tree nuts, pet foods, wine and beer.

U.S. share is largest in the dried fruit and nut sector, where the U.S. has captured about 70 percent of imports. Raisins and prunes dominate dried fruit imports from the U.S. and almonds, peanuts and walnuts dominate the nut imports. Sales of U.S. rice have also been strong, with an achieved market share of about 25 percent. Dog and cat food have a market share of about 14 percent. Of processed vegetables, U.S. canned corn is the most popular with a market share of more than 60 percent.

B. Too little attention has been paid to the Norwegian fresh fruit and vegetable market in the past few years. The U.S. has lost market share, primarily due to insufficient marketing and lack of market presence. Shipping terms and lack of personal contact are principal reasons given by the trade as to why U.S. export business in this category has declined.

C. A number of products face high tariff barriers in the Norwegian market. This is particularly true of products containing meat, fruits and vegetables produced domestically, and dairy products. In addition to this, Norway has a ban on hormone-treated meat and presents difficulties in the import of GMO products. The GMO concern may affect additional retail food product imports in Norway in the near future. So far, Norway has not been open to GMO products, and the largest retail chains have declared that they do not wish to purchase them. Should the market open, Norway will require import approval and labeling of such products.

Section V. Further information and post contact.

Important contact information

Norwegian Food Control Authority (SNT)
Ullevålsveien 76
P.O.Box 8187 Dep.
N-0034 Oslo
Norway
Phone: (47) 22 24 66 50
Fax : (47) 22 24 66 99

The above state agency is in charge of product approval, labeling, additives, etc., for imported and domestic products. It primarily serves Norwegian importers rather than foreign exporters.

Statens Landbruksforvaltning (Norwegian Agricultural Authority)
Dep. Trade and Industry
P.O.Box 8140 Dep.
N-0033 Oslo
Norway
Phone: (47) 24 13 10 00
Fax : (47) 24 13 10 05

The above state-owned agency handles customs duties for industrially processed agricultural products, based on product ingredients reported by the importer (exporter). It also handles the administrative functions related to import/supply needs of the country. In dealing with this agency, an agent or an importer could be the best means of contact.

For general questions about exporting to Norway, please contact:

American Embassy Oslo, Foreign Agricultural Service
Drammensveien 18
N-0244 Oslo
Phone: 21308621
Fax: 22 44 94 25
Email: us-agric@online.no