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BiH Confectionary Products Brief

Report Categories:

Product Brief

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Report Highlights:

BiH's Confectionary imports are twice BiH's exports in value terms. In 2015, BiH's total imports of these products equaled \$65.4 million with the top suppliers being Serbia, Croatia, Belgium, Switzerland and Turkey. Meanwhile, BiH's exports equaled \$30.5 million and were mainly destined for Croatia, Serbia and Macedonia. BiH's confectionary industry has captured only 10 percent of the domestic market, while regional brands and world brands account evenly for the remaining 90 percent. The confectionary sector is well developed, with an efficient distribution network across the country. Strong advertising and new product development are expected to result in strengthened demand, despite the struggling economy and weak consumer purchasing power.

General Information:

I. Market Overview

Bosnia and Herzegovina’s (BiH) confectionary imports are twice BiH’s exports in value terms. The products that are mostly exported and imported include biscuits and gingerbread waffles, chocolate and other products containing cocoa. The confectionary market contains both local and regional brands, as well as major world brands. A significant number of the older generation consumers of confectionery products are still loyal to former Yugoslavia’s brands (now regional brands), because of their quality and childhood memories. However, younger consumers are more open to new brands and a wider range product offering.

According to the Foreign Trade Chamber and Agency for statistics, BiH’s population of four-million annually consumes approximately 56,000 metric tons (MT) of various confectionary products. Only 10 percent of the products consumed are produced locally and the rest are imported. There are no available official statistics on consumption by category of confectionary product.

Advantages	Challenges
Urban population growth and forecasted economic growth are likely to result in increased demand for confectionary products.	High shipping costs and price-sensitivity of BiH consumers.
Confectionary sector is well developed, with an efficient distribution network across the country; most importers and distributors speak English.	Retailers rarely import U.S. products directly into BiH as they prefer to purchases from large EU distributors.
Hi quality and variety offered of U.S. confectionary products.	Competition from strong regional brands (mostly Croatian and Serbian) which are very popular and highly consumed in BiH.
Confectionary products are traditionally an important part of BiH’s cuisine.	EU Member States and CEFTA countries enjoy duty-free access for their products.

Section II. Market Sector Opportunities and Threats

Confectionary products are mostly sold in large supermarkets, but also at convenience stores/gas marts/kiosks. Domestic sales have softened recently as demand is closely linked to consumer purchasing power. There are no specialized chain stores that sell different brands of these products.

There is an unfavorable trade balance with BiH exporting approximately 19,000 metric tons (MT) of confectionary products and importing almost 50,000 MT. Local economists opine that BiH’s confectionery industry faces many of the same problems as the rest of the food industry: stiff competition from imported brands, different conditions for doing business in the two Entities, and generally market issues relating to their lack of economic might compared to imports based on their small size (i.e. smaller or non-existent marketing budgets, only local distribution chains, limited funds to cover shelving fees in predominantly foreign-owned retail chains, and a lack of financial reserves to

tolerate long payment delays from these chains).. The Chamber of Commerce believes there should be some incentives offered to help strengthen small and medium-sized enterprises (SME). Some of BiH's leading SMEs in this sector are associated with the larger regional producers. However, to become more competitive, domestic producers need to spend more on advertising and invest in expanding their production lines and product offerings as foreign brands do.

BiH is composed of two entities, the Federation of Bosnia and Herzegovina (F BiH) and the Republika Srpska (RS), each with its own business environment. Although there has been an effort to create a single market in BiH, significant legislative, regulatory and institutional differences between the Entities persist. Between the two Entities, factors such as business registration requirements and most taxation and standards are separate and different (see Entry Strategy below).

1. 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. The Foreign Agricultural Service Sarajevo Office can assist U.S. companies exporting to BiH by identifying local opportunities for the sale of U.S. products and a list of local distributors (please see the Key Contacts and Further Information).

Some foreign companies have established a representative office in order to control distribution channels, while others rely on strong local companies to control distribution channels. Local companies prefer to do business with people they know well. Business friendships are highly valued. Establishing a local presence and employing local people signals long-term commitment to the market, and is well received.

For more information please see [2015 Exporter Guide](#).

2. Market Size, Structure, Trends

In 2015, BiH's total imports of these products equaled \$65.4 million (KM 116 million) and were mainly supplied by Serbia, Croatia, Belgium, Switzerland and Turkey. Meanwhile, BiH's exports equaled \$30.5 million (KM 54 million) and were mainly destined for Croatia, Serbia and Macedonia, with smaller quantities being shipped to the European Union, the United States, Canada, Australia, and the Middle East. Domestic production is approximately 25,000 MT (19,000 MT of biscuits and waffles and 6,000 MT chocolate products), of which only 19,000 MT is exported. More than 50,000 MT of confectionary products are imported, thus the overall market size is estimated at 56,000 MT.

Little official information is available about the size or growth of the food market, or confectionary products in particular. BiH's consumer food retail market is estimated to be valued at US\$3 billion (KM 5.5 billion), but the sector has reportedly continued to experience a decline in sales since 2012, due to the economic crisis and BiH's high unemployment rate. BiH's purchasing power is only 29 percent of the European average and is amongst the lowest in Europe. There has been significant concentration taking place in this sector, with bigger shopping centers supplanting smaller traditional shops. The largest retail chain is Croatian Konzum with a current market share of approximately 30 percent.

Several domestic retail chains also are expanding their presence, such as “Tropic Group” from Banja Luka and “Bingo” from Tuzla. Shopping centers are becoming an increasingly popular retail food sales point and they offer a wide range of confectionary products. Quite often, they organize in-store promotions and product tastings and provide small gifts with purchased products. The most popular advertising media are television, radio, newspapers and magazines. In addition, outdoor advertising is becoming more and more popular (billboards, bulletins, and displays in urban areas and on the sides of the road). Direct mailing is also becoming a popular advertising tool (leaflets placed under car windshield wipers, mailbox brochures, or advertising materials placed in newspapers). Trade events and fairs are a good way to market products and services in BiH and to find partners and distributors. Mostar’s “International Trade Fair” is the most popular in the Federation and Banja Luka’s “Food and Beverages Fair” is the most popular in the Republika Srpska. Regional centers like Zenica, Tuzla, and Bihac are very active in trade promotion. Approximately 70 percent of the BiH population uses the Internet regularly, but food sales are still very small.

For trend for future confectionary sales likely will be to offer “healthier” products e.g. sugar-free or herbal confectionery products. Also, companies that continuously work on product innovation are boosting consumer curiosity (Euromonitor).

3. Company Profiles

There are several local companies that lead with their products or brands: KLAS dd Sarajevo, producer of cereals-based products, cookies and wafers; “Zvecevo-Lasta dd Capljina”, confectionery company with a wide range of biscuits, tea biscuits, wafers and crackers; biscuit factory “Mira ad Prijedor” (member of Croatian “Kras”) produces regional brands of well-known cookies and tea biscuits; “Swisslion Ltd. Trebinje” (member of the group “Swisslion-Takovo”) with cocoa-based spreads and various confectionary products; “Agrokomerc dd Velika Kladusa” that produces popular local brand of biscuits. There are also relatively new companies that stand out for the quality of their products in the domestic and international market. Some of them are: “Mak Zara doo Sarajevo”, BiH’s first manufacturer of chocolate pralines; “Barpeh Citluk”, a company that produces chocolate spread; and “Spanish Market doo Sarajevo”, BiH’s first company to launch a packaged croissant with a long shelf life.

Leading foreign companies for chocolate confectionery sales in 2015 were Mondelez International, Kras Trgovina, and Ferrero Group with respective value shares of 19%, 15% and 12%. Wrigley dominated gum sales with a 72 percent share of total sales in value terms in 2015 (\$0.95 million). The company was one of the first to enter the market and has established country-wide market coverage, occupying premium shelf space. However, gum sales are in decline as consumers are increasingly overloaded with information and a wide range of brands at sales points (Euromonitor).

In sugar confectionery, the focus is primarily on children of all age groups who continue to enjoy attractive offerings. Kras Trgovina, Sánchez Cano and Perfetti Van Melle were leaders in sugar confectionery sales in BiH in 2015, with respective value shares of 15 percent, 8 percent and 7 percent. Kras Trgovina markets traditionally popular regional brands and targets older consumers while younger consumers prefer new brands and a wider range of offerings (Euromonitor).

Section III. Costs and Prices

For products exported from the United States to BiH, the following duties apply:

Product	Import duty
Chewing gum	10 %
Sugar confectionery (including white chocolate), not containing cocoa	10% + KM 1.00/kg
Chocolate and cocoa spreads	10% + KM 1.00/kg
Gingerbread and the like	15% + KM 0.20/kg
Sweet biscuits; waffles and wafers	15% + KM 1.50/kg

Currency note: \$1.00 = KM 1.75

The 2016 Tariff Book can be downloaded from:

http://www.mvteo.gov.ba/zakoni/podzakonski_akti/11012016_CT_BS_2016.pdf

The EU Member States and Central European Free Trade Agreement (CEFTA) countries enjoy duty-free access for the above mentioned products.

A VAT of 17 percent is paid on all products, either locally produced or imported.

Section IV. Market Access

For all confectionary products, a health certificate/evidence of sanitary correctness is needed to attest product's safety for human consumption. The competent authorities are the Sanitary Inspection Departments in the Federation Inspectorate and the Republika Srpska Inspectorate. There are no specific declarations required by the authorities, except that the product be fit for human consumption and meet the exporting country's safety requirements. It should be an original certificate signed by the official authority of the exporting country (e.g. FDA) and translated into local language.

A certificate/evidence of quality is also needed to attest the product's quality and to confirm that the product meets certain quality standards. The requesting authorities are Market Inspection Departments in the Federation Inspectorate and the Republika Srpska Inspectorate. There are no specific declarations required by the authorities except for the standard quality certification used in international trade. However, the Market Inspection Department has the authority to sample and test imported products on a random basis, and if the product's quality does not meet the domestic standard, it will not be cleared and allowed to enter the market.

A veterinary certificate is required only for gingerbread, biscuit and waffles if they contain meat or more than 50 percent animal-origin ingredients (e.g. honey). In that case, we recommend that U.S. exporters contact FAS Sarajevo Office to obtain the current import requirements for specific products. The requesting authority is the State Veterinary Office of BiH.

Section V. Key Contacts and Further Information

U.S. exporters can obtain a list of Bosnian importers and distributors of confectionary products by

contacting:

USDA's Foreign Agricultural Service

U.S. Embassy to BiH

71000 Sarajevo

Bosnia and Herzegovina

Tel.: +387 33 704 305

Fax: +387 33 659 722

Contact person: Sanela Stanojic

E-mail: Sanela.Stanojic@fas.usda.gov

<http://sarajevo.usembassy.gov/fas.html>