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Bosnia and Herzegovina

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Wine Product Brief

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Product Brief

Wine

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Report Highlights:

Bosnia and Herzegovina (BiH) imports around one third of the wine consumed domestically (2016 import value \$15.2 million), mostly from its neighbors Croatia, Serbia and Macedonia. The local wine production of nearly 20,000 hectoliters (hl) is generally located in the Herzegovina region. Per capita consumption of wine is estimated at seven liters (l), which is low when compared to other European countries (30 – 50 l), but has been constantly growing. Low-priced wines are consumed more due to low disposable income. Despite the struggling economy and weak consumer purchasing power, BiH consumers are increasingly shifting from beer to wine. Both importers and consumers have shown strong interest for U.S. wines.

General Information:

SECTION I. MARKET OVERVIEW

Bosnia and Herzegovina’s (BiH) wine production is estimated at 20 million liters (l), and consumption at 25.5 million liters. Vineyard area has been constantly growing and in 2015 was estimated at 3,800 hectares (ha) with a total yield of approximately 34,000 tons (t). Grapes and wine are mostly produced in the southern part of the country, in the Herzegovina region, an area with favorable climate and a long history of wine production. The most famous local varieties/wines are Zilavka (a white wine) and Blatina (a red wine), which are ideal for growing in the climatic and geographic conditions in BiH.

Popular local varieties also include Vranac, Plavka, Dobrogostina, Trnjak, Krkosija, Smederevka and Bena. A small planted area is devoted to other grape varieties such as Cabernet Sauvignon, Merlot, Shiraz, Chardonnay and Sauvignon Blanc. The production is focused on high quality wine rather than table wine. White wine accounts for 55 percent of total production and red wine for 45 percent.

It is estimated that per capita wine consumption in BiH grew from two liters of wine in 2002 to seven liters per capita presently. However, the consumption of wine is still low compared to the EU-wide average (30 – 50 l). BiH’s population of 3.5 million consumes more beer (15 – 20 liters per capita) and brandy (around 8 liters per capita).

Table 1: Advantages and Challenges

Advantages	Challenges
Urban population growth and growing tourism are likely to result in increased demand for wine	High shipping costs and price sensitivity of BiH consumers
Wine 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 purchase from large EU distributors
Hi quality and variety of U.S. wine	Competition from strong regional brands (mostly Croatian and Serbian) which enjoy duty-free access and are very popular and highly consumed in BiH

SECTION II. MARKET SECTOR OPPORTUNITIES AND THREATS

Wine is imported by a number of companies and sold to retail stores, hotels and restaurants. It is mostly sold with different food items in retail stores and supermarkets, and there are few specialized stores for alcohol drinks. Consumers are unfamiliar with American wines, and no American wines are being sold in the market at this time. However, in fall 2016, the U.S. Embassy to BiH promoted U.S. wines at two wine festivals in Sarajevo and Banja Luka, which were attended by over 3,000 visitors, and found that there is a strong market for U.S. wines. Promotion of U.S. wines at these events generated interest among local importers and distributors. Most consumers asked where they could purchase U.S. wines,

while two major importers showed interest in importing wine directly from the US.

1. Entry Strategy

BiH is composed of two entities, the Federation of Bosnia and Herzegovina (FBiH) 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.

Either the importer, wholesaler, or distributor provides 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 Section V of this report).

For more information please see [2016 Exporter Guide](#).

2. Market Size, Structure, Trends

BiH wine imports are almost six times higher than exports. In 2016, BiH wine imports totaled \$15.2 million (KM 27.7 million) and exports totaled \$2.6 million (KM 4.8 million). Wine is mostly imported from Serbia, Croatia, Macedonia and Montenegro, and exported to Croatia, Serbia, Germany and China.

Little official information is available about the size or growth of the food market, or wine sector 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 29 percent of the European average and is amongst the lowest in Europe. Still, alcohol and wine consumption is part of BiH's culture, and according to information provided to FAS by wine importers and distributors, wine consumption is constantly growing and becoming more popular at various events such as official receptions and weddings.

3. Company Profiles

There are approximately 50 commercially registered wine producers and it is estimated that registered producers account for approximately half of wine producing land. Wine from unregistered producers is sold at a lower price. Wine production is primarily focused on high quality categories, almost exclusively based on the local varieties Zilavka and Blatina. However, large-scale producers also produce table wine for the low-end market. Low quality wine production for the mass market is not a priority and wineries are focusing on increasing the quality of their wine. Most wineries have introduced safety and quality standards such as the Hazard Analysis and Critical Control Points (HACCP) and International Organization for Standardization (ISO) standards.

Several years ago, the European Union supported the launch of the "Herzegovina Wine Route" in order

to renew and boost wine production and tourism in this region (<http://www.vinskacesta.ba/en>). The website provides a map, the location and contact details for wine producers, information about grape varieties, as well as tourist information.

Several companies specialize in the importation and distribution of wine. They also organize popular wine festivals. U.S. exporters can obtain a list of BiH wine importers and distributors by contacting FAS Sarajevo (please see Section V of this report).

SECTION III. COSTS AND PRICES

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

Table 2: BiH Tariffs for Wine

Tariff No.	Description	Tariff
2204 10 11 00 until 2204 10 99 00	Sparkling wine with 8.5% or more alcohol, champagne and the rest, asti spumante and the rest	15%
2204 21 10 00	In containers holding 2 liters or less and wine except 2204 10	15% + 0.20 KM/l
2204 21 11 00 until 2204 21 99 00	White wines: Alsace, Bordeaux, Burgundy etc.	15% + 0.50 KM /l
2204 29 10 00	The rest, except 2204 10	15% + 0.20 KM/l
2204 29 12 00 until 2204 29 99 00	White wines: Bordeaux, Burgundy etc.	15% + 0.50 KM /l
2204 30 10 00 until 2204 30 98 00	White wines: Bordeaux, Burgundy etc.	15%
2205 10 (2205 10 10 00 and 2205 10 90 00)	Vermouth in containers holding 2 liters or less	15%
2205 90 (2205 90 10 00 and 2205 90 90 00)	The rest Vermouth	15%

Currency note: \$1.00 = KM1.8

The 2017 Tariff Book can be downloaded from:

http://www.mvteo.gov.ba/zakoni/podzakonski_akti/default.aspx?id=8498&langTag=bs-BA

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. An excise tax is paid for all alcoholic beverages, and the excise tax for wine is 0.25 KM/liter. The entities' finance ministries issue and control excise stamps.

SECTION IV. MARKET ACCESS

A health certificate or evidence of sanitary correctness is needed to attest a 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 or 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.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

U.S. exporters can obtain a list of Bosnian importers and distributors of wine 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
E-mail: AgSarajevo@fas.usda.gov
<http://sarajevo.usembassy.gov/fas.html>