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Report Highlights:

Croatia imports a significant portion of the food it consumes. Continuing economic reforms, as a result of EU accession, and growing tourism make Croatia a potential market for certain U.S. food products, such as snack foods, fish products, pet food, wine and tree nuts. This report's statistical data were updated in November 2019.

MARKET FACT SHEET: CROATIA

Executive Summary

Croatia is a Member State of the European Union (EU), member of the World Trade Organization (WTO) and a NATO member. Croatia's population is approximately 4.1 million.

In 2018, Croatia imported $4.0 billion (source TDM) in total agricultural and related products. Imports of agricultural products from the United States were valued at approximately $22 million in 2018 (source TDM). However, unrecorded transshipments from Western European suppliers likely make the actual figures much higher. U.S. products with good prospects include seafood, animal feed ingredients, animal genetics, wine, pork, fruits and vegetables, pet food and a range of snack and convenience foods. The Croatian market for imported food products is dominated by European suppliers, and the market continues to grow, with high-value food items as the single largest segment.

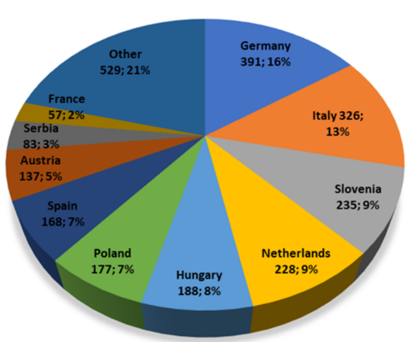
Imports of Consumer Oriented Products

In 2018, Croatia imported consumer-oriented agricultural products worth over $2.5 billion, with approximately $22 million directly from the United States.

Food Retail Industry

The internationalization of the Croatian retail food trade started in 1997, with the opening of the supermarket chain "Drogerie Markt". Supermarkets developed rapidly in Croatia, leaving the traditional retail system for food far behind. Currently most consumers shop at supermarkets and imports are being distributed mainly through the larger supermarkets.

Imports of Consumer Oriented Products (US$) million



Quick Facts CY 2018

Imports of Consumer-Oriented Products (US $ billion)

$ 2.9

List of Top 10 Growth Products in Croatia

Food Preparations	Pet Food
Pork	Distilled spirits
Fish Products	Wine & Beer
Beef	Tree Nuts
Snacked Food	

Top 5 Retailers

Konzum	Kaufland
Lidl	Spar
Plodine	

GDP/Population

Population, 2018 estimate (million): 4.1
GDP (billions USD): 60,806
GDP per capita (USD): 14,879
2019 Economic Growth Rate estimate: 2.9%

Sources: TDM, Croatian National Bank, Croatian Statistical Institute, Eurostat

Strengths	Weaknesses
Good reputation of certain US products like dried fruits and nuts. EU membership makes it possible to source US products from another member state hub more competitively than before.	Retailers rarely import US products directly into Croatia, they prefer purchases from central distributors / mainly located in other member states (mainly Germany, Netherlands, Italy).
Opportunities	**Threats**
Certain fruits, vegetables, dried fruits and rice are not produced domestically.	The government adopted restrictive EU phytosanitary regulations.

Exchange rate average in 2018:

1 USD = 6.28

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I. Detailed Market Overview

Economic Situation and Consumer Buying Habits

On July 1, 2013, Croatia became the 28th EU Member State. In addition, Croatia is a member of the WTO and a NATO member, which provides a security framework for its improving economic and social prospects.

Croatia has progressed considerably in creating a market economy and establishing macroeconomic stability. With the Kuna (HRK) closely tied to the Euro, Croatia enjoys a stable currency. Croatia's economy continues to recover from the 2008 global economic crisis, with growth averaging around 3 percent over the past three years. In the medium term, the economy is expected to have 2.5% GDP growth. Unemployment has been high in the past years; 16.1%, 13.4 % and 11.0%, in 2015, 2016, 2017, respectively. However, the rate dropped to 8.4% in 2018. Recent positive economic trends, reduction in fiscal imbalances and improvement in the country's debt profile give a signal that medium term prospects for the economy remain solid.

Although Croatia has made progress in economic and administrative reforms, problems remain in this developing economy. The judiciary system is burdened with case backlogs; there is a lack of expertise in commercial affairs; bureaucracy is overly complex and sometimes non-transparent and there are real and perceived issues of corruption. Thus, the business climate in Croatia is considered difficult, which requires caution and patience for success. Croatia is a mature market with well-established competition mainly from the European Union. The Croatian consumer is discriminating and will consider many factors beyond brand loyalty in purchasing decisions, although when it comes to food Croatia is mostly a price sensitive market.

Demographic Developments and Consumer Buying Habits

Croatia's population is approximately 4.1 million (2018 estimate) and is slowly decreasing. In 2018, the average age was 43.4 years. The purchasing power of the average Croatian citizen was approximately €5,231 according to a 2014/15 Gesellschaft für Konsumforschung (Society for Consumer Research, Gfk) - Gfk Purchasing Power Europe Study. Moreover, according to Gfk's 2016 study, Croatian purchasing power grew more than 5 percent compared to the 2014/15 study (no precise data available free of charge). The number of elderly and retired persons is rising, but they tend to have small pensions and are not the economic force they are in other countries. A rising concern is the increasing levels of outmigration of youth, which will negatively impact the country's' demographics and economy.

Size and Growth of Consumer Foods

In 2018, Croatia imported agricultural and related products valued at $4.0 billion and exported $3.4 billion worth of these goods, which puts the agricultural trade deficit at approximately $0.6 billion.

Croatia's total imports of consumer foods have steadily grown over the last few years and grew to over $2.5 billion in 2018. Flourishing tourism along the Dalmatian coast and rebounding consumer demand in urban areas have fueled demand for consumer foods, as evidenced by the growing number of supermarket stores. However, there is little specific data on domestic sales of food products by class or type. Trade statistics on U.S. exports of consumer foods to Croatia are severely understated due to transshipment via other EU member states. Demand for medium to high quality consumer foods will continue to rise and should be a boon for U.S. companies, provided they can overcome high ocean freight rates into the Adriatic

Sea from U.S. ports.

Advantages and Challenges of US Suppliers in the Croatian Market

Advantages	Challenges
Growth in tourism.	High shipping costs and Croatian buyers demand quality but also low prices.
Urban population growth.	Retailers rarely import US products directly into Croatia, they prefer purchases from central distributors / mainly located in other member states (mainly Germany, Netherlands, Italy).
Certain fruits, vegetables, dried fruits and rice are not produced domestically.	The government adopted restrictive EU phytosanitary regulations.
Good reputation of certain US products like dried fruits and nuts.	Reservations towards products with chemical food additives.
U.S. - style food is popular among the younger generation.	Negative attitude towards foods containing or made from biotech products.
Shortages of some agricultural products like beef, soybean meal, and certain types of seafood.	Competition from EU member states.
Most importers speak English.	Lack of awareness of US goods; no consumer understanding of US quality.
EU membership makes it possible to source US products from another member state hub more competitively than before.	High promotion costs to increase consumer awareness.

II. Exporter Business Tips

Local Business Customs

Except for the largest retailers, food retailers generally buy domestic and imported products from wholesalers. The wholesale sector is completely privatized. Restructuring of the retail segment occurred in the 1990s, when retail chains were privatized and acquired by larger groups and new private retailers emerged on the market. The retail sector is dominated by foreign supermarket chains such as Kaufland, DM, Lidl, Metro, and Interspar (Spar) and domestic supermarket chains such as Plodine. The largest supermarket chains have their own purchasing sections that buy, store, and distribute foodstuffs centrally. These purchasing units also import products. In addition, they also purchase some items through specialty wholesale importers.

General Consumer Tastes and Preferences

Croatians have conservative tastes which are reflected in the local cuisine and in local production methods and marketing. However, the younger generation appreciates trying new food products and beverages. Still, in surveys, Croatians repeatedly state a preference for foods without artificial flavors, stabilizers, emulsifiers, preservatives, and with minimum pesticide treatments or genetically engineered ingredients. At the same time, actual buying habits show the main determining factor for purchasing decisions is the lower price regardless of the composition. As a result of the economic crisis, consumers tend to buy less expensive meat cuts and mostly poultry. The economic downturn also has spurred an increase in supermarket private label

and generic-brand purchases. The following are highlights from a publicly available market research survey conducted in October 2009 by Gfk, a market research agency [1] :
GMO food – Croatians are becoming less skeptical about GMO foods. The percentage of citizens that refused to buy GMO products decreased from 67% in 2005 to 51 percent in 2009. However, in the 2009 study, only 6 percent of citizens would unconditionally buy GMO products, which is a decrease from 8 percent in 2005. The percentage of citizens that do not care about GMOs rose from 9 percent in 2005 to 14 percent in 2009. In addition, in the 2009 study, 29 percent of respondents acknowledged that they didn't know enough about GMO foodstuffs, while only 16 percent said the same in 2005. The study also showed that 90 percent of respondents believe that GMO foods must be clearly labeled on the store shelf.

Functional foods - Research from 2009 showed that 57% of respondents have heard of functional foods like omega-3 margarine and Lactobacillus rahmnosus GG (LGG) yogurt (yogurt with probiotics).

Organic foods – In 2009, most Croatians claimed to have heard of organic products. Approximately half of the respondents said that they are able to distinguish organic products in shops. Approximately 72 percent of the respondents said they recognized the products as organic because of a logo "Croatian Eco Product" or by seeing a label with a statement "healthy product". Only 4 percent of the respondents buy organics regularly, 5 percent buy organics often, 24 percent buy organics from time to time, 23 percent rarely buy organics and 43 percent do not buy organics. Similar research in 2011/2012 showed that the percentage of organic product buyers has decreased, possibly because of the economic downturn. In the 2011/2012 survey 66 percent of Croatian consumers were aware of organics and 20 percent buy organics from time to time. However, the long term forecast is that this market segment will grow when the economic situation improves in Croatia.

"Gfk" also found in a March 2010 survey on "How we eat" *[2]* that:
For food preparation Croatians use sunflower oil (84 percent), olive oil (51 percent), lard (41 percent), butter (31 percent) and margarine (26 percent). Most of the respondents (90 percent) eat all types of meat. White bread is a staple for 50% of the respondents, dark bread is consumed by 30 percent of the respondents and integral bread is consumed by 19 percent of the respondents. More than half of the respondents consume cakes and sweet cookies daily and weekly. Chocolate is consumed by 60 percent of the respondents daily and weekly. Coffee is consumed daily by 80 percent of the respondents. In terms of daily dairy product consumption: 54 percent consume milk, 33 percent consume plain yogurt and 30 percent consume cheese. Croatians claim to value: good quality and good taste (each approximately 95 percent); low price, domestic origin, no artificial coloring or flavoring (each approximately 65 percent); and no preservatives (56 percent) and low fat (also approximately 56 percent). Half of the respondents stated it was important to know the producer and that the product is organic in origin. The least valued characteristics were whether it was a foreign producer (11 percent) or had attractive packaging (24 percent). Some changes can be seen in consumer habits in that they are eating more fruits and vegetables, less fatty food, less "fast food", and drinking more fluids.

Research done in 2011 by the Croatian Food Agency *[3]* revealed that a large number of Croatians think that domestic food is safer than imported food and that food was generally safer ten years ago. Their research showed that Croatians mostly worry about pesticide residues in food, food quality and freshness, GMOs, antibiotics, and hormones.

III. Import Food Standards & Regulations/Import Procedures

Croatia's agricultural sector is governed by The Common Agricultural Policy (CAP). Similarly, Croatia, as the 28th EU Member State, employs the same tariffs and border measures as all other EU Member States. Products imported into Croatia need to meet all the Croatian and EU food safety and quality standards, as well as labeling and packaging regulations. It is important to work with experienced importers and/or to have an agent to work with the Croatian regulatory authorities to ensure the acceptability of specific products. Personal relationships and language skills are valuable when conducting business transactions. For more information on Food and Agricultural Import Regulations and Standards, please see post's latest FAIRS report at the FAS web site https://gain.fas.usda.gov/#/.

General Import and Inspection Procedures

Incoming goods must go through customs storage at transport terminals or airports. After goods arrive at customs storage, the importer or freight forwarder initiates the clearance process by submitting the required documents to the Inspection Departments and the Customs Office. See FAIRS report for Croatia at https://gain.fas.usda.gov/#/. The procedure begins at the Sanitary Inspection Department of the State Inspectorate, which checks all products (except animal products, which are checked by the Veterinary Inspection Department of the State Inspectorate). Random sampling is done for food safety, quality and biotech testing. The owner of the consignment (usually the importer) must pay for product inspections. If the products are deemed to be of suspicious quality and/or of health concern the consignment is held until all the results from the analyses are received. Customs clearance and removal from storage is carried out under the supervision of a customs officer who compares the documents with the commodities after they have been checked by the sanitary or veterinary inspector for ingredients and health standards.

Import certificates must be in the official language of Croatia, which is Croatian.

Average length of customs clearance for food products is one day, if all documents are in order and the consignment is not randomly selected for testing. Otherwise, customs clearance when awaiting test results can take between 5-10 days.

Complete information on EU import rules for food products may be found at: http://www.usda-eu.org/trade-with-the-eu/eu-import-rules/ and for Croatian specifics refer to the latest FAIRS report for Croatia at FAS web site https://gain.fas.usda.gov/#/.

IV. Market Sector Structure and Trends

Retail Sector Key to High Value Imports

The internationalization of the Croatian retail food trade started in 1997, with the opening of the supermarket chain "Drogerie Markt". Supermarkets developed rapidly in Croatia, leaving the traditional retail system for food far behind. Currently most consumers shop at supermarkets and imports are being distributed increasingly through the larger supermarkets.

Trends in Promotion and Marketing Strategies

A media campaign is considered necessary for the success of any new food product. In that respect, advertising is a very important marketing tool in Croatia. Businesses use all available media like internet, radio, billboards, newspapers, magazines and TV, although television is the food industry's favorite media. Supermarkets also use direct marketing thru mostly mailing flyers. Consumer participation contests on TV and radio are also very common.

For traders from the US, trade shows remain an excellent way for U.S. exporters to make contact with potential Croatian business partners, to conduct product introductions and to gauge buyers' interest. Detailed information about USDA endorsed shows in Europe this year can be found at http://www.fas.usda.gov/search/trade%20shows or on the FAS website at https://gain.fas.usda.gov/#/.

Trends in Tourism Sales

Tourism, although highly seasonal, is an important economic activity in Croatia. Each year between10-16 million foreign tourists visit Croatia (compared to Croatia's population which is just around 4.1 million). The majority of visitors come from Germany, Slovenia, Austria, Italy, Poland, the Czech Republic, the UK, France, Hungary, Netherlands, the Slovakia, and Bosnia &Herzegovina. Tourists from countries outside of Europe are mostly from South Korea, America and recently from Australia, Japan, Canada and China. Tourism infrastructure is satisfactory, but still developing.

Trends in Internet Sales

Most of the internet shopping in Croatia involves travel services, IT equipment, books, and electrical appliances. Despite the focus on equipment and services, there are a few companies providing online sales of retail food products.

While retail online transactions in Croatia still represent only a small percentage of total retail trade in the country, e-commerce in Croatia is considered to be a common place occurrence. Internet access is available throughout most of the country and is heavily used.

V. Agriculture and Food Imports

Agriculture and food import statistics between Croatia and US the past five years can be found at: https://apps.fas.usda.gov/Gats/default.aspx

Best High Value Consumer Oriented Product Prospect Categories:

Product Category	2018 Imports (million $)	5-Yr. Avg. Annual Import Growth in value (2013-2018)	Key Constraints of Market Development	Market Attractiveness for USA
Food Preparations	$341.5	4.56%	High transportation costs. Significant competition from EU. Also, transshipments from other EU member states.	In high demand by the local market.
Pork	$258.2	4.40%	Only companies that are registered exporters of pork for EU market can supply the Croatian market. Competition from EU companies.	Croatian meat processors are importing significant quantities of pork due to volatile domestic situation. Domestic pig production is cyclical and responds to the price of feed. In addition, sometimes there is a market shortage of products that meet quality standards.
Fish Products	$180.1	10.40%	Competition from EU seafood exporting Member States.	Demand and consumption should pick up again and grow along with tourism over the next several years.
Beef	$112.0	18.08%	Strict EU legislation prohibiting imports from animals treated with growth promoters. High quality beef quota	Croatia does not produce sufficient quantities.
Snack Foods	$104.9		Strict biotech legislation and competition	Growing

		3.18%	from other EU member states and Croatian franchises.	market.
Pet Food (Dog & Cat Food-retail)	$53.2	3.01%	Competition from European companies and US franchisees in the European Union.	Croatia does not produce any pet food. Production and usage of these products are expected to grow with an increase in the standard of living.
Distilled Spirits	$52.0	7.63%	Transshipments from other EU member states.	Croatian consumers of this product are willing to pay premium price for high value product.
Wine & Beer	$93.4	11.17%	High transportation costs. Significant competition from EU origin wines.	Consumption of quality wines is expected to grow with Croatia's standard of living.
Tree Nuts	$35.4	2.36%	Market is price sensitive and must conform to EU certification schemes and quality standards.	Croatia does not produce sufficient quantities and quality varies.

Source: Global Trade Atlas

VI. Key Contacts and Further Information

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[1] Gesellschaft für Konsumforschung, Gfk: Recognition of Healthy Foods, 2009

[2] Gesellschaft für Konsumforschung, Gfk: How we eat, 2010

[3] Croatian Food Agency: Research on Fear from Food Health Risk on Croatian Consumers, 2011

Attachments:

No Attachments