CROATIA Agriculture & Food Industry (before & after EU-accession)

Vienna, 14 May 2012

CROATIA Facts & Figures

- Area & Population:
  - Total Area: 56,594 km²
  - Population: 4,29 million
  - Capital: Zagreb (800,000 inhabitants)

- Geography:
  - 2 main regions & climate zones & cultures:
    a) southern Adriatic coastline (Mediterranean climate)
    b) northern lowland zone (continental climate)

- History & Politics:
  - close historical relation to Austria
  - Independence since 1991 (former Yugoslav republic)
  - EU accession planned for 1st July 2013
EU-ACCESSION in 2013

Timeline

- EU-accession negotiations - finished by June 2011
- EU-accession treaty - signed in December 2011
- EU-accession referendum - held in January 2012
  - 67% support for EU
  - only 43% turnout
- PRESENT - ratification of the treaty by the EU-members
- EU-accession date - most likely 1.7.2013

ECONOMY (I)

- Still significant influence of financial-economic crisis
- Economic stagnation/recession since 2008
- Economic conditions 2012:
  - economic growth - -1,0%
  - unemployment rate - 18 - 19%
  - low purchasing power
  - public debt - 105% of GDP
  - foreign direct investments - strong drop since 2009
  - tourism > 15% of GDP
- Austria biggest foreign investor in Croatia: 6,37 bn. EUR
ECONOMY (II)

- New social democratic government since 12/2011
- Reform measures:
  - budget cuts & consolidation
  - better conditions for investors
  - pension system reform
  - reform of the state administration and justice
  - fight against corruption
  - adjustment to EU-regulations
  - project development for EU-funding
    (infrastructure, agriculture, energy...)

AGRICULTURE & FOOD INDUSTRY
AGRICULTURE & FOOD INDUSTRY

- 10% of GDP
- 1,200 agricultural companies -> 15,000 employees
- Agricultural area: 1.3 mil. ha
  - 66% plough fields and gardens
  - 27% lawns and pastures
  - 7% orchards and vineyards
  - 0.4% vegetable growing
- Insufficient own production -> Dependence on Imports
  - Import volume 2011: 2.59 bn. USD
  - Export volume 2011: 1.56 bn. USD

AGRICULTURE Production

Production of selected agricultural products:

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>2,505.000 t</td>
<td>2,183.000 t</td>
<td>2,068.000 t</td>
</tr>
<tr>
<td>Sugarbeet</td>
<td>1,270.000 t</td>
<td>1,217.000 t</td>
<td>1,249.000 t</td>
</tr>
<tr>
<td>Wheat</td>
<td>856.000 t</td>
<td>936.000 t</td>
<td>681.000 t</td>
</tr>
<tr>
<td>Potatoes</td>
<td>512.000 t</td>
<td>540.000 t</td>
<td>356.000 t</td>
</tr>
<tr>
<td>Wine grapes</td>
<td>185.000 t</td>
<td>206.000 t</td>
<td>208.000 t</td>
</tr>
<tr>
<td>Apples</td>
<td>80.000 t</td>
<td>93.000 t</td>
<td>107.000 t</td>
</tr>
<tr>
<td>Plums</td>
<td>49.000 t</td>
<td>38.000 t</td>
<td>41.000 t</td>
</tr>
<tr>
<td>Olives</td>
<td>36.000 t</td>
<td>33.000 t</td>
<td>38.000 t</td>
</tr>
<tr>
<td>Cabbage</td>
<td>51.000 t</td>
<td>67.000 t</td>
<td>37.000 t</td>
</tr>
</tbody>
</table>
AGRICULTURE
Import & Export

Own production:
- Corn
- Wheat
- Sugarbeet
- Potatoes
- Vegetables
- Apples
- Mandarines
- Grapes
- Eggs

Need for Import:
- Live animals
- Meat (pork & beef)
- Milk (> 35% of production)
- Flour
- Fruit
- Grain
- Cocoa
- Coffee
- Forage

AGRICULTURE
Import & Export

Import & Export of agricultural products 2011:

<table>
<thead>
<tr>
<th>CT</th>
<th>PRODUKT</th>
<th>IMPORT 2011</th>
<th>EXPORT 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GESAMT: LANDWIRTSCHAFTLICHE ERZEUGNISSE</td>
<td>000 t</td>
<td>Mio. USD</td>
</tr>
<tr>
<td>01</td>
<td>Lebens. Tiere</td>
<td>24</td>
<td>20</td>
</tr>
<tr>
<td>02</td>
<td>Fleisch, Innereien, Schlachtfalld</td>
<td>84</td>
<td>56</td>
</tr>
<tr>
<td>03</td>
<td>Fleisch, Knochen- und Weichteile</td>
<td>22</td>
<td>20</td>
</tr>
<tr>
<td>04</td>
<td>Milch, Milchprodukte, Eier, Honig</td>
<td>94</td>
<td>44</td>
</tr>
<tr>
<td>05</td>
<td>Andere Vieharten tierischen Urspr.</td>
<td>2</td>
<td>1</td>
</tr>
<tr>
<td>06</td>
<td>Lebens. Baume, Pflanzen, Schnittblumen</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>07</td>
<td>Tomaten, Zwiebeln, Pflanzen, Warzen</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>08</td>
<td>Gemüse-Früchte, Zitrusfrüchte, Nüssen</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>09</td>
<td>Kaffee, Tee und Gewürze</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td>10</td>
<td>Getreide</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>11</td>
<td>Müllerschüssige, Malz, Stärken</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>12</td>
<td>Obst, oleaginöse Früchte und Körner</td>
<td>50</td>
<td>10</td>
</tr>
<tr>
<td>13</td>
<td>Schalenfrüchte, Gemüse, Harze</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>14</td>
<td>Flechtstoffe, andere Waren pflanzlichen Urspr.</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>
## FOOD INDUSTRY
### Important Producers/Brands

![Food Industry Brands]

## FOOD INDUSTRY
### Production

Production of food 2009 - 2011:

<table>
<thead>
<tr>
<th>PRODUCT</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigarettes</td>
<td>11,382 mil. pcs.</td>
<td>13,368 mil. pcs.</td>
<td>11,827 mil. pcs.</td>
</tr>
<tr>
<td>Beer</td>
<td>3,673,000 hl</td>
<td>3,438,000 hl</td>
<td>3,738,000 hl</td>
</tr>
<tr>
<td>Non-alcoholic Beverages</td>
<td>2,586,000 hl</td>
<td>2,465,000 hl</td>
<td>2,583,000 hl</td>
</tr>
<tr>
<td>Fruit Juices</td>
<td>851,000 hl</td>
<td>870,000 hl</td>
<td>856,000 hl</td>
</tr>
<tr>
<td>Forage</td>
<td>591,000 t</td>
<td>597,000 t</td>
<td>619,000 t</td>
</tr>
<tr>
<td>Sugar</td>
<td>255,000 t</td>
<td>262,000 t</td>
<td>326,000 t</td>
</tr>
<tr>
<td>Flour</td>
<td>321,000 t</td>
<td>327,000 t</td>
<td>324,000 t</td>
</tr>
<tr>
<td>Wine</td>
<td>404,000 hl</td>
<td>302,000 hl</td>
<td>312,000 hl</td>
</tr>
<tr>
<td>Bread/Bakery Products</td>
<td>135,000 t</td>
<td>136,000 t</td>
<td>135,000 t</td>
</tr>
<tr>
<td>Alcoholic Drinks</td>
<td>128,000 hl</td>
<td>106,000 hl</td>
<td>100,000 hl</td>
</tr>
</tbody>
</table>
FOOD INDUSTRY
Import & Export

TOP Export products:
- Sugar
- Cigarettes
- Chocolate
- Spices
- Beer
- Soups
- Wine

TOP Import products:
- Meat products
- Dairy products
- Bakery products
- Food preparations
- Juices
- Cocoa-products
- Coffee

AGRICULTURE & FOOD PRODUCTS
Import & Export from Austria

<table>
<thead>
<tr>
<th>IMPORTE In €</th>
<th>EXPORTE In €</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>3.889.005</td>
<td>3.932.732</td>
</tr>
<tr>
<td>5.725.105</td>
<td>6.111.983</td>
</tr>
<tr>
<td>4.102.105</td>
<td>4.074.319</td>
</tr>
<tr>
<td>1.979.005</td>
<td>2.006.353</td>
</tr>
<tr>
<td>1.693.150</td>
<td>1.668.135</td>
</tr>
<tr>
<td>3.350.005</td>
<td>3.060.135</td>
</tr>
<tr>
<td>2.006.319</td>
<td>2.076.121</td>
</tr>
<tr>
<td>5.725.105</td>
<td>6.000.000</td>
</tr>
</tbody>
</table>

Source: Austrian Institute of Economic Research
FOOD MARKET & CONSUMPTION
Characteristics

- Average income (net/month): ~ 730 EUR
  (Austria: ~ 1.700 EUR)
- Purchasing power ~ 40% of EU-27 average
- > 30% of income spent on food
- Growing market share for private labels
- Very high preference for brand products
- Coffee-house culture
- Very high consumption of meat and bread
- Strong traditional continental meals vs. (Fish-)specialties from Dalmatia
- Strong Wine and Beer Culture & Production

FOOD RETAIL-CHAINS

- Market share TOP-10 Retail-Chains:
  1. KONZUM - 28%
  2. MERCATOR - 8-9%
  3. PLODINE - 7-8%
  4. KAUFLAND - 7%
  5. LIDL - 6-7%
  6. BILLA - 4%
  7. TOMMY - 3-4%
  8. SPAR - 3-4%
  9. DIONA - 3%
 10. K.T.C. - 3%
- Total Market volume TOP-10: >80%
WHOLESALE, DISTRIBUTION, HoReCa

- Most important food wholesalers:
  - ATLANTIC TRADE
  - METRO CC
  - VELPRO-KONZUM
  - AWT INTERNATIONAL
  - ORBICO
  - ALCA
  - ROTO DINAMIC (drinks)
  - GASTRO GRUPA

EXPORTING FOOD TO CROATIA
Possibilities (I)

- Meat products & Live animals
  - insufficient own production of pork and beef meat
  - significantly higher consumption than EU-average

- Milk & Dairy products
  - insufficient own production
    (demand: 1 bn. liters; production: 600 mil. liters)

- Flour & Bakery preparations
  - very high consumption
  - high production prices & insufficient production
EXPORTING FOOD TO CROATIA
Possibilities (II)

- Chocolates & Confectionary
  - strong own production, mostly exported
  - 50% of import volume (strong foreign brands or budget products)

- Beverages
  - non-alcoholic drinks (juices, lemonades, energy drinks, etc.)
  - no chances: beer and wine, mineral water

- Bio-Food
  - growing market segment & popularity
  - undeveloped own production
  - more than 70% being imported
  - stable market prices

IMPORT REGULATIONS
Before EU-accession

- Be careful:
  - import only by registered Croatian importers
  - customs duties (depending on origin of goods)
  - special duties: beer, alcoholic and non-alcoholic drinks, coffee, cigarettes...
  - special permits for import of some agricultural products
  - border controls: sanitary, veterinary, market inspections
  - veterinary certificates (meat and dairy products)
  - product declaration must be in Croatian language
**IMPORT REGULATIONS & POSSIBILITIES**

*After EU-accession*

- **Import duties**
  - immediate application of EU-regulations - Customs Union
  - no more customs barriers -> EU-common market
  - free delivery of goods to retail-chains, wholesalers and private persons
  - lower logistics costs & faster deliveries

- **Market Chances**
  - open market for import products from the EU
  - no more protection for domestic producers (but some transitional periods)
  - greater competitiveness for imported products
  - lower prices and greater assortment for customers

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**CHANCES & CHANGES**

*After EU-accession*

- **Food market:**
  - raise of imports from the EU
  - change in import/export markets for Croatian producers
  - new retail chains (Hofer, Tesco, Carrefour)

- **Food production:**
  - adjustment to EU-regulations (production, quality and sanitary standards)
  - market for food technology and consulting
  - cooperation with / takeovers of food producers

- **Agricultural production:**
  - bio-production (from 2,3% 2011 to 7% 2020)
  - consulting and project-development for EU-funds
AGRICULTURE & FOOD INDUSTRY

Studies and Publications

- Croatian Chamber of Commerce [www.hgk.hr](http://www.hgk.hr)
  - Agriculture and Food Industry [http://www2.hgk.hr/en/depts/agriculture/Poljoprivreda_10_web.pdf](http://www2.hgk.hr/en/depts/agriculture/Poljoprivreda_10_web.pdf)
- Croatian Agricultural Agency [www.hpa.hr](http://www.hpa.hr)
  - Annual reports: [http://www.hpa.hr/Po%C4%8Detna/Godi%C5%A1njeizvje%C5%A1%C4%87e/tabid/227/language/en-US/Default.aspx](http://www.hpa.hr/Po%C4%8Detna/Godi%C5%A1njeizvje%C5%A1%C4%87e/tabid/227/language/en-US/Default.aspx)

THANK YOU!

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