

Bosnia-Herzegovina: Beginning Anew

By Sanela Stanojic

Bosnia-Herzegovina now imports around 60 percent of its food needs. Almost all its food-producing capability was destroyed by the war that lasted from 1992 to 1995, and that also disrupted the supply of raw materials and the functioning of sales channels.

So it's no surprise that investment is the priority not only for agriculture, but also for the industrial sector. Outdated, inefficient facilities need to be brought up to standards acceptable to trading partners.

The dual governments of the country, charged with administering internal matters since 1995, are the Bosnian/Croat Federation of Bosnia and Herzegovina (Federation) and the Bosnian Serb-led Republika Srpska (RS).

The creation of a single economic entity is needed to regenerate the Bosnian economy, to help transform it into a market economy and integrate it into European and world trade. Once a workable market economy is in place, there will be many opportunities for investment and new sales.

In general, the food industry is still too small and inefficient to compete with large foreign industries. Domestic food production meets only about 30-35 percent of total needs.

Two Economies Still Distinct

Significant barriers to trade and foreign investment must be overcome. Laws and regulations regarding competition, public procurement, financial services and other essential services are still weak.



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The transformation to a market economy has been sluggish—privatization efforts have been successful mainly for small and medium-sized businesses. Larger industries, which employ 30-45 percent of the labor force, have tended to remain state enterprises.

First Steps

Despite these challenges, once the dust settles following phase-out of food aid and other humanitarian programs to Bosnia-Herzegovina, opportunities will rapidly emerge for U.S. exporters.

In contrast to the usual pattern in developing markets, where early demand is typically for bulk and intermediate products, it is U.S. consumer-oriented products that are apt to be the starting point here.

There is already a small but growing market for value-added products that will increase as the economy improves. The expatriate community, mostly around Sarajevo, buys high-value consumer foods.

A degree of stability has been achieved via International Monetary Fund programs with the introduction of a central bank and

the creation of a single currency (the marka) linked to the euro. Also, food import tariffs are low compared to other countries in the region, and inflation has remained a relatively low 4 percent per year.

The first item of business for a U.S. exporter is to find a distributor. Because of the lack of harmonization between the two governing entities, it may be necessary to find one for each part of the country. Distributors are usually wholesalers that also provide transportation, storage, market information, financing and some insurance.

The imported food products with the biggest sales in 2001 were bottled mineral water and carbonated and noncarbonated beverages; alcoholic beverages; milk and other dairy items; and meats and meat products.

Import procedures are generally the same for the two government entities:

- Prior approval is needed for imports of live animals and products of animal origin. These import permits are processed at the veterinary departments of the respective Ministries of Agriculture.
- Food products must be accompanied



with standard documents (translated into Bosnian) and health certificates, and are subject to veterinary and phytosanitary inspections.

- All food is visually inspected for sanitary wholesomeness, and samples are taken for laboratory tests prior to customs clearance.
- Market inspectors at the customs point issue quality certificates.

Typical Fare

Bosnia-Herzegovina has a population of 3.7 million, and the average household is made up of 3.6 people. Just over 1 in 10 households is headed by a single parent. The population growth rate was about 3.6 percent in 2000.

There are no official statistics for consumption patterns, but it is estimated that a four-person family spends about \$2,400 a year on basic food products. With the average monthly income less than \$200, and unemployment around 40 percent, many still have limited funds to buy food.

For those with the means, consumption of beef and veal is higher than poultry, pork or lamb. Pork consumption is much higher in the RS than in the heavily Muslim Federation. Other buying preferences

include:

- Nonperishables tend to be purchased in bulk at supermarkets once or twice monthly.
- Pork consumption is higher in the RS than in the largely Muslim Federation.
- Typical meals consist of red meat or poultry, potato and another vegetable. Rice is eaten often; apples are the favorite fruit.
- Demand is low for organic foods.
- Freshness is a priority.
- Frozen and ready-to-eat foods are considered overpriced.

Food Sectors

In general, small retailers are losing out to large wholesalers with developed retail operations, such as the Bosnian-owned VF Commerce, Slovenian Mercator and French Interex. These centers have a wide variety of product choices with good service, often with restaurants. In-store promotions are popular—tastings, small gifts for certain purchases and discounts for loyal customers.

The hotel, restaurant and institutional sector prepares meals instead of using catering services. Businesses tend to buy ingredients from many suppliers.

Fast-food restaurants have not gained a foothold yet.

Trade Shows Ease Access

Trade events and fairs are probably the best way for prospective exporters to market products and to locate partners and distributors. These trade events are held throughout the country, with the Sarajevo Agrifood and the Banja Luka food and beverage fairs the most notable.

Television, radio and newspapers are the leading advertising media. In-store promotions and informal gatherings are often used for product presentations.

Dual Governments New to Job

U.S. exporters need to be aware of the role of the dual governments set up by the Dayton Agreement of 1995. The Federation and the RS are charged with overseeing internal functions within their respective jurisdictions.

While the national multi-ethnic and democratic central government is charged with conducting foreign, economic and fiscal policy, these second-tier dual governments play a more immediate role in the future of trade for the country, since their unity is needed to provide a climate conducive to trade.

Despite separate jurisdictions and differing trade regimes, the governments have found a meeting point: an active campaign for World Trade Organization (WTO) membership. Their foreign trade memorandum, which begins the process toward accession, was recently submitted to the WTO.

Several larger U.S. companies such as Coca-Cola, Wrigley, Kraft and Sara Lee have found niche markets and developed good distribution channels. ■

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