

USDA Foreign Agricultural Service

GAIN Report

Global Agricultural Information Network

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Post: Zagreb

Wine Market

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Product Brief

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Report Highlights:

Croatia provides a unique opportunity for U.S. wine exporters to position their product in this new EU member state that exceeded 70% growth in imports from 2012 (over \$18 million) to 2014 (over \$31 million). U.S. wine exporters should focus their market entry efforts on Zagreb, the nation's capital, where niches exist for medium and higher quality wines.

General Information:

I. Market Overview

Croatia provides a unique opportunity for U.S. wine exporters to position their product in a market that exceeded 70% growth in imports from 2012 (over \$18 million) to 2014 (over \$31 million). U.S. wine exporters should focus their market entry efforts on Zagreb, the nation's capital, where niches exist for medium and higher quality wines. Table 1 shows the advantages and challenges that US wine exporters face in the Croatian market.

Table 1. Advantages and Challenges

Advantages	Challenges
Local wine connoisseurs consider U.S. red wines to be of good quality.	Retailers rarely import US products directly into Croatia, they prefer to purchase from central buyers including other member states (mainly Germany).
There has been a continued growth in tourism.	High shipping costs can make US wines less competitive.
The urban population is growing.	Many neighboring EU member states produce quality wines.
Most importers speak English.	An investment in promotion is needed to increase general consumer awareness about US wines.
With EU accession Croatia is part of the EU quota system.	Croatian buyers demand quality, but also low prices.
EU membership may make it less expensive to source US products from another member state hub.	

Production

Domestic wine production is a very important segment of Croatian agriculture and also plays an important role in tourism, which is an important sector of the Croatian economy. Croatia has a rich tradition of grape cultivation and wine production. The quality of Croatian wines improved following Croatia's succession from the former-Yugoslavia to reach a high quality level in recent years.

According to the Croatian Central Bureau of Statistics, Croatian farmers cultivated 28,000 hectares of vineyards, producing 181,096 MT of grapes and 1.2 million hectoliters of wine in 2013.

Consumption

To understand wine consumption in Croatia, it should be noted that for years the Croatian consumer had little choice but to consume domestic wines. However, after Croatia's independence, the wine market opened and foreign wines began to enter the country. Because Croatians take great pride in their own wines, the market for foreign wines did not change overnight. Instead, the market is still developing and is expected to grow with the standard of living. This is especially true for the market segment of medium to higher quality wines and for consumers in Zagreb, the Croatian capital, where people have higher incomes and want to experiment with new wines and tastes. According to the Croatian Bureau of Statistics, annual consumption of wine per household member averages 10.1 liters. However, the

Croatian Ministry of Agriculture and the Croatian Chamber of Economy estimates show the average as being 28 liters per capita.

Imports and Exports

Table 2 shows the value of Croatian imports of wine for the period 2012-2014. Croatian annual wine imports for 2012-2014 averaged 14.96 million liters (\$30.1 million), mainly from Macedonia and Italy, whereas annual wine exports for the same years averaged 4.1 million liters (\$15.1 million), mainly to Bosnia and Herzegovina and Germany.

Imports from the United States currently are very small (46,107 liters in 2012 and 1,524 liters in 2014 – difference in quantity between 2012 and 2014 is probably because from 2013 Croatia can import US wines from the large EU importers without customs) mainly because of a lack of familiarity with the product and US-Croatia shipping cost. In addition to direct imports, Croatia indirectly imports at least another 50,000 liters of US wines from other EU member states.

Table 2: Croatia – Wine Imports

Croatia Import Statistics							
Commodity: wines, wine and sparkling wine							
Year To Date: January - December							
Partner Country	United States Dollars			% Share			% Change 2014/2013
	2012	2013	2014	2012	2013	2014	
World	18,455,946	21,858,120	31,393,080	100.00	100.00	100.00	43.62
1. Macedonia	8,307,096	7,448,118	11,977,975	45.01	34.07	38.15	60.82
2. France	1,724,498	3,487,706	4,234,594	9.34	15.96	13.49	21.41
3. Italy	1,122,425	1,712,936	4,009,073	6.08	7.84	12.77	134.05
4. Germany	726,744	1,543,928	2,648,136	3.94	7.06	8.44	71.52
5. Kosovo	1,559,488	1,338,178	2,169,804	8.45	6.12	6.91	62.15
6. Bosnia & Herzegovina	2,096,476	2,436,521	1,788,451	11.36	11.15	5.70	- 26.60
7. Spain	597,398	1,196,896	1,241,138	3.24	5.48	3.95	3.70
8. Slovenia	957,586	947,010	1,103,931	5.19	4.33	3.52	16.57
9. Austria	34,661	330,895	485,081	0.19	1.51	1.55	46.60
10. Chile	306,066	336,797	342,773	1.66	1.54	1.09	1.77
11. Serbia	139,735	164,264	306,731	0.76	0.75	0.98	86.73
12. Hungary	33,442	90,971	252,487	0.18	0.42	0.80	177.55
20. United States	150,528	52,076	32,409	0.82	0.24	0.10	- 37.77
Other	699,803	771,824	800,497				

Source: Global Trade Atlas

Entry Strategy

Trade shows are excellent venues for US to contact potential Croatian business partners, to conduct product introductions and to gauge buyers' interest.

Information about the USDA endorsed shows in Europe this year can be found at

<http://www.fas.usda.gov/international-trade-shows-2015> or at

<http://zagreb.usembassy.gov/business/doing-business-in-croatia-agro-food-products.html> .

Section II. Market Access

Marketing and Policy

Croatian wine legislation is based on the EU's wine legislation. The Croatian Wine Act, including related ordinances, transposes the relevant EU regulations of the Common Market Order (CMO) for wine. Croatia, however, has maintained its individuality. Three general quality designations are recognized: table wine, wine of quality, and "top quality" wine. The categories are determined by the quality of processed grape, yield per hectare, amount of alcohol and other natural ingredients and organoleptic (sensory) properties. Mandatory information on the label should include: wine category, real alcoholic strength, present amount of allergens, lot number, bottler (importer) and net quantity. For sparkling wines: sugar content and producer (importer). For protected geographic indications: the traditional name and origin. Additional data on the label can include: geographical area of production, vintage (for wines with at least 85% of the grapes from that vintage), grape variety, bottling place, etc.

Wines from third countries cannot use the three quality designations; they can only be marked as wine or as wine with a geographical origin.

Requirements for Import

Croatia's agricultural sector is governed by EU Common Agricultural Policy (CAP) and employs the same tariffs and border measures as all other EU Member States. Product imported into Croatia must 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 Croatian regulatory authorities to ensure the acceptability of specific products. Personal relationships and language ability are of value when conducting business transactions.

It should be noted that wine shipments that can pass EU border inspection can pass Croatian border inspection. The United States and the European Union signed in March 2006 the "Agreement between the United States and the European Community on Trade in Wine". The Agreement covers wine with an actual alcohol content of not less than 7% and not more than 22%. All U.S. wine exports must be accompanied by certification and analysis documentation using the format specified in Annex III (a) to the Agreement. More information on the simplified EU import certificate form can be obtained from the Alcohol and Tobacco Tax and Trade Bureau at http://www.ttb.gov/industry_circulars/archives/2007/07-02.html . The Agreement's "Protocol on Wine Labeling" sets the conditions for the use of optional information on wine labels. Commission Regulation 1416/2006, as amended by Commission Implementing Regulation 1212/2011, concerns the protection of U.S. names of origin in the European Union. Information on the US-EU Wine Agreement can also be obtained from the U.S. Dept. of the Treasury – Alcohol and Tobacco Tax and Trade Bureau (<http://www.ttb.gov/itd/index.shtml>).

Detailed requirements for import can be found in Post Zagreb, Food and Agriculture Import Regulations

and Standards –Narrative (FAIRS) report

http://gain.fas.usda.gov/Recent%20GAIN%20Publications/Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20-%20Narrative_Zagreb_Croatia_12-3-2014.pdf

Tariffs 2014 and VAT

The latest applied custom rates can be found at the following web page:

http://ec.europa.eu/taxation_customs/customs/customs_duties/index_en.htm

Section III. Key Contacts and Further Information

A list of Croatian importers is available to US exporters and can be obtained by contacting:

U.S. Embassy

Office of Agricultural Affairs

Thomas Jefferson Street 2

10 010 Zagreb, Croatia

Telephone: (385-1) 661-2467

E-mail: AgZagreb@fas.usda.gov

Web: <http://zagreb.usembassy.gov/business/doing-business-in-croatia-agro-food-products.html>