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Market Brief - Sector

Slovenia : Retail Sector Report

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Vienna [AU1], SI

Retail Food Sector Report

I. Market Summary

Slovenia is a small market with slightly fewer than 2 million people. Foods and beverages from Slovenia, Germany, Italy and other EU countries dominate the shelves of the country's retail outlets. So far, direct imports from the U.S. are more or less limited to whiskey, with indirect imports (foods imported in bulk to Europe and repackaged there) including rice, dried fruits and nuts, and similar consumer-ready products. Traders interested in selling to Slovenian food chains should offer their products to the corresponding head purchasers. Foods entering the Slovenian market must be approved by an official food testing institute.

This previously socialist country has a relatively fast growing economy, and the purchasing power of the population is quickly improving. Food and beverage imports show a rising trend. In 1997, they increased by 9% and 15% and in 1998 by 1% and 5%, respectively. Retail trade in food and beverages employed 44% of all persons employed in the retail trade sector in 1998. Total turnover (including taxes) in the retail food and beverage sector in 1998 was SIT 538.859 billion ($2.5 billion), which represents 25.7% of all turnover in the retail trade sector.

The retailing sector has been undergoing a considerable concentration, which is far from over. At the moment the biggest local chain after some mergers is Mercator, covering 1/3 of the market. The only foreign retail food chain, Spar, has a 6.5% market share.

In June 2000 Leclerc will begin to open shops in Slovenia. The large French company will be a great competitor to generally small domestic firms and thus will further accelerate concentration.

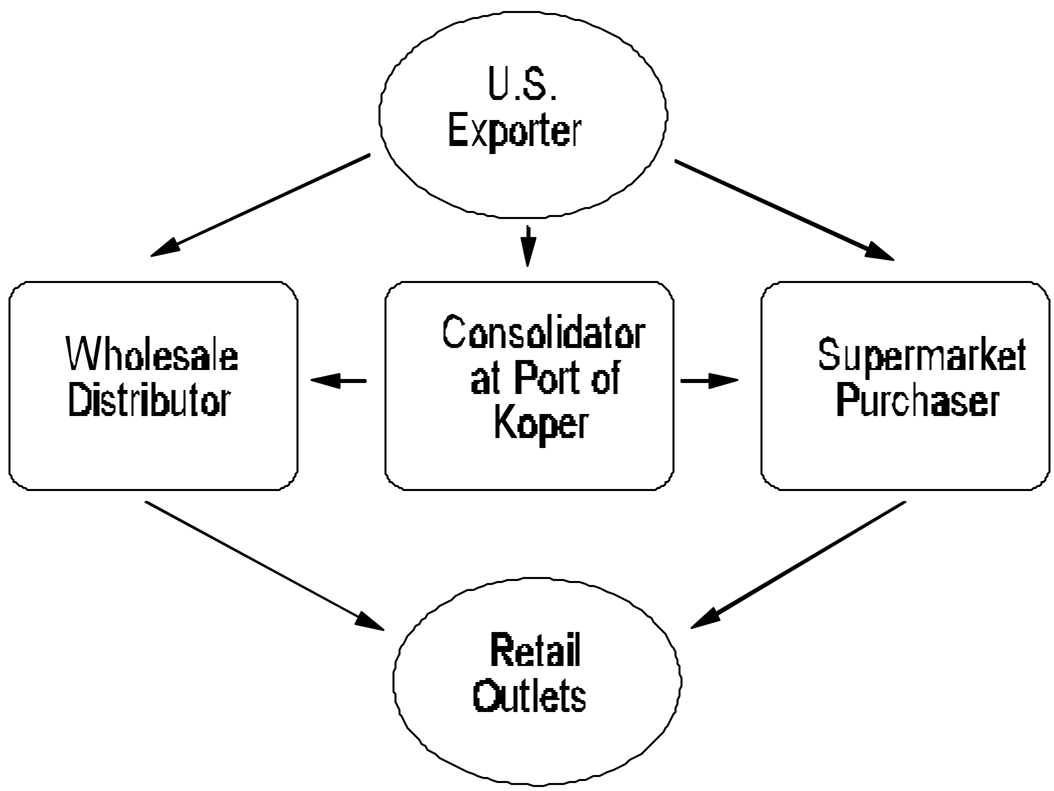
Outlet Structure

In the beginning of the 1990's a large number of small mom-and-pop shops emerged but in recent years many modern supermarkets and several hypermarkets in shopping centers were constructed. As in western countries, there is considerable concentration on the retail market sector. The strength of the small shops of being open on holidays was lost when the large markets expanded opening hours to these days. This has accelerated the decline of small shops. However, due to the large number of small towns and villages, it is expected that a significant number of small shops will survive.

A boom in retail trade was observed in 1996/97 when the number of companies tripled (from 1,072 to 3,235). Especially important was the increase in the number of unspecialized retail companies which dominated the sale of food and beverages. At the same time the number of outlets almost doubled (from 3,540 to 6,084), and again the greatest increase came in the sector of unspecialized retail.

The average retail sale area is 104 m^2 and on average 4.2 persons are employed per outlet.

II. Road Map for Market Entry



General Information

Customs Tariffs

Customs rates are defined according to the following principles: 5 - 8% for raw materials, 10 - 15% for semi-finished products, and 15 - 25% for finished products. Customs-related questions may be referred to the Customs Administration of the Slovenian Ministry of Finance, Mrs.Stefka Javornik, telephone (+386-61) 442-933 or 140-1044, ext. 2199 or Mr. Konstantin Krebs, telephone (+386-

61) 140-1044, ext.2803. The Customs Administration's website can be found at http://www.sigov.si/mf/angl/apredmf6.html

Food Registration

Food products entering the Slovenian market have to be registered. Registration is carried out by official testing institutes which need for this purpose a sample and documents on the composition of the food product. Importers are responsible for providing required import documentation, so interested importers usually initiate registration, which takes two weeks to two months.

Labeling

Labeling regulations have been largely harmonized with those of the European Union (please see http://www.useu.be/agri/label.html). Labels must be in Slovenian and must include name of product, full address of the importer, net quantity (weight or volume), ingredients, use and storage instructions, and any necessary warnings to the consumer. Ingredient information is defined by the list of "E" numbers for additives which is used in much of Europe. "E-621" for example refers to sodium glutamate. The list of "E" numbers is available from the Slovenian Chamber of Commerce which can be contacted via its website http://www.gzs.si/eng/index.htm

A. Supermarkets, Hypermarkets, Club Warehouse Outlets

Entry Strategy

The common way to approach importers is by offering them products by fax or mail. This, however, is normally effective only after initial face-to-face contact has been made and a personal acquaintanceship has been established. Numerous trading firms exist but the majority have only a few years of experience so due care should be exercised in selecting a partner.

U.S. traders exhibiting at food fairs have an opportunity for efficient setup of personal contacts. They can invite Slovenian traders to their booths. One or more employees of the larger Slovenian trade companies always attend the international food fairs in Cologne (ANUGA) and Paris (SIAL). In addition, there are fairs in Ljubljana and Gornja Radgona, Slovenia where food traders are always present. Also fairs in neighboring countries such as Austria, Hungary, Croatia and Italy are usually attended by Slovenian food traders. A list of these fairs can be seen via the Internet at http://www.usembassy-vienna.at/usda/shows.html As the above-mentioned fairs are large and close, Slovenians rarely bother to go to U.S. shows.

Company Profiles

Retailer and outlet Type	Ownership	Sales ($Mil)	No. of Outlets	Locations	Purchasing Agent Type
MERCATOR Supermarkets Superstores	Local	600	397	Most areas	Direct, Importer, Wholesaler
SPAR Slovenia Markets Hypermarket	Spar Austria, Mercator	88	13	Ljubljana Celje	Wholesaler, Direct, Mother company
ZIVILA KRANJ Markets Supermarkets Hypermarkets	Local	81	68	Mostly Upper Carniola Ljubljana	Direct, Importer, Wholesaler
EMONA MERKUR Markets Supermarkets	Local	79	70	Most areas	Direct, Importer, Wholesaler
EMONA Blagovni center Supermarkets	Local	30	6	Mostly Ljubljana	Direct, Importer, Wholesaler
ENGROTUS Markets	Local	26	8	Mostly around Celje	Wholesaler, Direct, Importer
DELIKATESA	Local	15	6	Ljubljana	Wholesaler, Direct Importer

The best way for U.S. products to enter the Slovenian market is through purchasing agents of the few supermarket chains. Large food traders have their own warehouses from which products are distributed to retail outlets. Smaller companies or individual shops buy predominantly from wholesalers and to a lesser extent from producers. Some retail chains own plants where certain products are manufactured or have contracts to produce under their brand names.

Concentration in the retail market has continued over the last two years, and the process is far from over. Mercator is in particular very active. At the beginning of the year Mercator took over Emona Merkur, which has increased its market share to 33%. Also some other smaller retail chains have merged, mostly on regional basis. It is expected that with European Union accession only one or two domestic chains will survive.

Fierce competition in the retail sector results in low consumer prices but at the same time causes strong pressure on producer, wholesale, and export prices.

There is a strong trend towards larger outlets such as hyper- and megamarkets. Larger food chains are increasingly selling products under their own brand name.

B. Convenience Stores, Gas Shops, Kiosks

There are kiosks connected with cinemas, theaters and stadiums, which however sell only sandwiches and snacks. This is also the case for the majority of train station kiosks. Only a few of them have a larger product line.

The most important non-conventional shops are gas shops, which belong to gas station chains. Gas station shops are important as they are generally the only place to buy food and sundries after working hours and on Sundays. Many of them are open 24 hours a day. Their share of total turnover in retail trade in food and beverages in gas station shops is 3.5%. Gas station shops have been gaining in significance in the last decade, where with modernization of gas stations also modern shops were built. In general gas shops are owned by the gas distributing companies.

Company Profiles

Retailer Name and Market Type	Ownership	Number of Outlets	Locations	Purchasing Agent Type
Petrol	Petrol	275	All areas	Wholesaler
OMV Istrabenz	OMV Istrabenz	97	All areas	Wholesaler

Entry Strategy

All offers should be directed to the wholesalers who forward and discuss these offers with the purchasing agent responsible for gas station shops.

Food and beverage sales of gas station shops are growing. Among U.S. products, snacks, particularly dried fruits, nuts and various mixtures of these products have the best market opportunities.

C. Traditional Markets- “Mom and Pop” Small Independent Grocery Stores and Wet Markets

Entry Strategy

These shops cover only a small percentage of the food market and their share appears to be in permanent decline. In addition, they offer extremely limited opportunity for sales of imported U.S. products. Mom and pop shops buy only through wholesalers.

III. Competition

Total food (raw and processed) and beverage imports account for around U.S. $509 million. Due to long transportation time lags for U.S. commodities and the duty free imports from EU countries, the U.S. share is small. Since implementation of the EU association agreement in 1997, the domestic food processing industry is facing each year increasing competition from the EU. Products of larger food manufacturers of the EU member states are more competitive and have been coming in rising volumes into Slovenia, and these in turn form the core products with which the U.S. must compete.

There are only a few processed U.S. foods imported into Slovenia. However, many U.S. products manufactured or packed Europe are available on the domestic market.

Slovenia is a net importer exporter of all mayor food except raw milk and poultry, which are even exported. Major destination markets are the countries of former Yugoslavia. The main suppliers for pork are Hungary and neighboring EU countries.

Domestic fish production totals 3000 mt (2/3 marine fish and 1/3 freshwater fish), and the rest is imported. In 1998 the total value of fish import was U.S.$ 2.76 million. The majority of imports of live, fresh, and frozen fish come from European countries.

The Slovenian market offers limited opportunities for U.S. exporters due to its small size, geographical separation, and duty free imports from other EU members with large seafood industries such as Germany, Denmark, Netherlands, and Sweden. However, since demand for luxury products is growing, some sales prospects exist for U.S. seafood such as lobster, crab, shrimp and related preserved fish products.

The value of annual fruit and vegetables imports is about U.S.$20 million. Imports include mainly citrus fruits and tropical fruits which are not grown in the country and various nuts. Among fresh fruits, there are some opportunities for U.S. grapefruit, nuts and dried fruits.

Pet foods imports are around 22,000 MT. In general, the major share comes from other European countries (85%). The predominant EU suppliers are Austria, Italy, Germany and Hungary. Around 5.6% comes from the U.S.

IV. Best Product Prospects

Among U.S. products with good opportunities on the Slovenian market are cranberries, cranberry juice, almonds, pecans, peanuts, pistachios, dried fruits, cereals, rice, fruit and cereal bars, chewing gum, high quality beef when veterinary problems are solved, and some seafood. However, other products can also find a market if the quality and price are competitive and if the exporter is willing to ship small quantities.

U.S. Opportunities

As Slovenia is eager to become an EU member as soon as possible, it has been working to harmonize its food and veterinary regulations with EU requirements. Although the actual accession is not expected before 2005, trade borders with EU could drop as of 2001. This means that by then, EU products will be able to enter the Slovenian market duty-free and U.S. products entering the Slovenian market will face the same tariffs as when entering the EU market.

A major problem with U.S. foods is the long transportation distance and the relatively small quantities required, which result in higher freight costs and consequently higher product prices. Retailers are interested in U.S. products, however. Head purchasers would welcome products available ex-warehouse in Koper, a large and well organized Slovenian port, where Slovenian, Croatian, Bosnian, Macedonian, Italian, Hungarian, and Austrian traders could buy various American products in smaller quantities. A report on the Port of Koper can be downloaded from

http://www.fas.usda.gov/gainfiles/200001/25606903.pdf (Adobe Acrobat format) or
http://www.fas.usda.gov/gainfiles/200001/25606903.wpd (Word Perfect 8.0 format.)

Advantages and Challenges Facing U.S. Products

Advantages/Opportunities	**Challenges**
Good image of certain U.S. products (fresh fruits, dried fruits, nuts, whiskies)	The major share of the population has reservations towards certain U.S. products (beef because of the hormone issue; all items containing genetically modified products). Reservations towards products with chemical food additives**.**
High quality of U.S. products	Unawareness of U.S. quality by consumers. Most efficient promotion (television spots) is expensive.
Food imports are rising.	Population is small (2 million) and thus import volumes are relatively small.
Good infrastructure, efficient distribution system, importers speak English.	Imports are coming mainly from EU countries, particularly Germany and Italy. High shipping costs from the U.S. to Slovenia.
Niche market for various products	Compliance with strict food regulations
Incomes are rising**.**	

As U.S. products are more or less unknown in Slovenia, intensive market preparation is required. However, the Croatian market could be included in such activities. In addition, since Slovenian food chains are expanding into the Croatian market, promotional investments in the Slovenian market should have an impact on sales in Croatia

V. Post Contact and Further Information

For further information on the market in Slovenia for high-value products, please feel free to contact us at

Office of Agricultural Affairs
American Embassy
Boltzmanngasse 16
A-1091 Vienna, Austria

(U.S. mailing address)
DOS/Vienna/AGR
9900 Vienna Place
Washington, DC 20521-9900

tel. (+43-1) 313-39-2249
fax. (+43-1) 310-8208
e-mail agvienna@fas.usda.gov
http://www.usembassy-vienna.at/usda/

Please visit our Internet home page for more information on Slovenia. Other reports we have done of interest to exporters of foods for retail, which can be downloaded from the Foreign Agricultural Service's homepage at http://www.fas.usda.gov, include

SI9005	Food and Agricultural Import Regulations and Standards http://www.fas.usda.gov/gainfiles/199906/25454765.pdf
SI9006	Exporting to Certain Retail Chains http://www.fas.usda.gov/gainfiles/199910/25545832.pdf

The following sources of information may also be helpful:

Slovenian Government Offices

Ministry of Health
Food Department
Stefanova 2
1000 Ljubljana
tel. (+386-61) 178-6004

Ministry of Health
Health Inspectorate
Letaliska 35
1000 Ljubljana

tel. (+386-61) 185-3355

Ministry of Agriculture
Veterinary Directorate
Parmova 53
1000 Ljubljana
tel. (+386-61) 300-1300
fax. (+386-61) 136-3214
http://www.sigov.si/vurs/index_en.htm

Ministry of Agriculture and Forestry
Office of Plant Protection
Dunajska 56
1000 Ljubljana
tel. (+386-61) 178-9133
fax. (+386-61) 178-9021

Chamber of Commerce and Industry
Dimiceva 13
1504 Ljubljana
tel. (+386-61) 189-8000
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e-mail infolink@hq.gzs.si
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