



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 12/7/2007

GAIN Report Number: NO7007

Norway

Exporter Guide

Annual

2007

Approved by:

Steve Huete, Agricultural Counselor
U.S. Embassy

Prepared by:

Bettina Dahlbacka, Agricultural Specialist

Report Highlights:

Due to climatic reasons, Norway has a high need for imported products which cannot be produced in the country. However, for products which can be produced domestically, Norway remains a highly protected market, through tariff and non-tariff barriers. Norway maintains a strict policy concerning genetically modified organisms (GMOs), which keeps products containing GMOs out of the market. There are opportunities for high-value products, products which are not produced domestically and new-to-market products, including ethnic and "healthy" food and drink products.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Stockholm [SW1]
[NO]

TABLE OF CONTENTS

SECTION I: MARKET OVERVIEW	3
Trends in U.S. Exports of Agricultural, Fish & Forestry Products to Norway	4
SECTION II: EXPORTER BUSINESS TIPS	4
Local business customs and entry strategy for consumer oriented products.	4
General consumer tastes and preferences	5
General food standards and import regulations	5
SECTION III: MARKET SECTOR STRUCTURE AND TRENDS	6
Retail Grocery Stores	6
Gas marts and convenience kiosks	6
Hotel, Restaurant and Institutional (HRI) market	6
Wine and Liquor market	6
Norwegian Import market for Seafood	7
Food processing	7
SECTION IV. BEST HIGH-VALUE PRODUCT PROSPECTS	7
SECTION V. KEY CONTACTS AND FURTHER INFORMATION	8
STATISTIC NORWAY	8
TABLE A: KEY TRADE AND DEMOGRAPHIC INFORMATION	10
TABLE B: CONSUMER FOOD AND EDIBLE FISHERY PRODUCTS	11
TABLE C: TOP 15 SUPPLIERS OF CONSUMER FOODS & EDIBLE FISHERY PRODUCTS	12

SECTION I: Market Overview

The Norwegian economy continued to expand in 2006, with a GDP growth of 4.6%. Domestic demand has been fueled by low interest rates and strong growth in exports and petroleum investments. Unemployment has fallen rapidly, to 3.4 percent in 2006. Household consumption remains high, but is expected to be more moderate.

Although Norway is only 50 percent self-sufficient in agricultural production, it has built up systems which protect domestic producers (farmers and industry) from competition until domestic production is used. The domestic market is highly protected by high tariffs and non-tariff barriers which stifle competition, such as the meat hormone ban, Norway's law on genetically modified organisms, and restrictions regarding GMO labeling.

In addition, Norway as a member of the European Economic Area (EEA) is required to adopt most EU regulations. As of January 1, 1999, Norway adopted EU regulations regarding the veterinary control of animals and animal products. This means that meat products entering the country must come from an EU approved plant. Transshipments through Norway are also affected by these regulations.

The overall grocery retail market in Norway amounts to NOK 130 billion (US\$ 24 billion) and can be divided in three categories:

1. Retail stores account for 85 percent of the market.
2. Gas stations and service kiosks account for 11 percent of the market.
3. Specialty stores account for 4% of the market

Four retail chains control almost 90 percent of the retail stores and also dominate grocery sales to gas stations and kiosks as well as the HRI market. The Norwegian retail store capacity and infrastructure can serve as many as 7 to 8 million people, although the Norwegian population is only 4.6 million.

The wine market in Norway is a retail monopoly market. The government has established over 200 retail stores throughout Norway, and sales through ordinary retail stores are not allowed. The same is true for hard liquor. An approved importer/agent and distributor are necessary to enter this market.

Advantages	Challenges
The United States is a preferred supplier to Norway for products such as tree nuts and dried fruits, both as branded products and for private labels.	Norwegian regulations and attitudes concerning products with bio-engineered ingredients are prohibitive.
U.S. products have a reputation of being of high quality, and the current low exchange rate can enhance sales opportunities.	Strong competition from European suppliers.
The United States is associated with new-to-market products.	Seasonal tariffs and quotas should be studied before exporting to the market.
Mergers of the Nordic retail chains should bring higher sales volumes to U.S. suppliers that are established in this market.	Norway remains a highly protected market, through tariff and non-tariff barriers, for products which can be produced in Norway.

Trends in U.S. Exports of Agricultural, Fish & Forestry Products to Norway

Product Category	2006 US Exports to Norway \$1,000	Growth 2005-2006
Other Seafood	26,924	-10.45
Processed Fruit & Vegetables	18,556	7.18
Tree Nuts	15,782	-24.56
Other Intermediate	7,966	161.87
Hardwood Lumber	7,688	13.61
Other consumer oriented	6,397	-3.73
Peanuts	3,716	-38.20
Fresh Fruit	3,537	3.57
Snack foods	3,312	27.83
Wine & Beer	2,155	-7.91
Pet foods	1,262	-26.20
Fruit & Vegetable Juices	907	-52.61
Breakfast Cereals	818	2.76
Pulses	611	18.41
Feeds & Fodders	558	1141.18
Rice	467	6.38
Logs and chips	394	40.71
Planting seeds	322	21.97

SECTION II: Exporter Business Tips

Local business customs and entry strategy for consumer oriented products.

The Norwegian consumer-oriented food and beverage markets are totally dominated by four retail chains (Norgesgruppen A/S, COOP Norge, Reitan Gruppen and ICA Norge) that not only control the retail market, but also the market for HRI as well as the service market and fresh fruits and vegetables. All these chains are either owned by, or own their own wholesaler, both in grocery products as well as fruit and vegetables. Breaking into sales to these companies can be difficult for small- and medium-sized companies without local representation. All the above chains expect imported products to be delivered to their stores with the same convenience and reliability that domestic suppliers provide. New-to-market exporters should locate an importer and a wholesaler or agent to assist them with product clearances and strategies.

New-to-market exporters should:

- Conduct early market research to assess product potential.
- Find an agent, importer, wholesaler or a domestic industry partner to assist with information on import duties, phytosanitary regulations, labeling requirements and competition.
- Build relationships with potential customers by making a personal visit.
- Discuss market strategies and delivery capacity with the importer.
- Ensure the reliability of supply.

General consumer tastes and preferences

Although the Norwegian household on average spends only about 12 percent of its income on food, Norwegian consumers have an interest in high quality and new-to-market products. These can be ethnic foods or beverages not produced in the country. However, in the last several years food safety has been an extremely important issue in Norway. Even if properly labeled GM products could be allowed in Norway, resistance among Norwegian consumer organizations and retail groups would likely prevent any significant market penetration.

Like in the rest of Europe, there is an increasing demand for healthy food products in Norway. The trend leans towards non-sugar, low fat and low carb products and there is a growing market for products and ingredients used in healthy choice options.

General food standards and import regulations

Being a member of the European Economic Area (EEA), Norway applies relevant EU-legislation on food standards. The bulk of the Norwegian food legislation on food safety, labeling and traceability is basically subject to standardized EU rules, which have been incorporated into Norwegian legislation through the EEA cooperation. When Norway became a member of the EEA in 1994, Norwegian food standards were already, to a large extent, harmonized with EU food legislation. Norway has not, however, harmonized its tariffs for foodstuffs with the EU. Norwegian tariffs for commodities that are grown and/or produced domestically are significantly higher compared to EU tariffs. In general, Norway applies European Union (EU) food legislation similarly to its neighbor Sweden.

In certain cases, there is room for national interpretation of the EU's harmonized food standards. In the case of Norway, a high degree of precautionary measures and stringent control of imports as well as domestically produced foodstuffs are applied, primarily due to public health concerns. Under the umbrella of public health precaution, Norway applies more restrictive legislation with regard to GMOs and health claims than Sweden and the EU.

In its EEA accession, Norway succeeded in receiving a derogation allowing Norway, as well as Sweden and Finland, to apply stricter salmonella control and stricter border controls (a quarantine on imports of live animals) than that of EU member countries. Norway has been free from the modern day outbreaks of salmonella and mad cow disease afflicting neighboring countries. This is due to a combination of the sea barrier separating Norway from the continent, border control and an extensive and far-reaching control system. In this context, it should also be noted that the very high level of tariff protection for meat products has in practice meant that Norway has never been a significant meat importer.

In order to build a more effective food safety system the Norwegian food safety administration was thoroughly reformed in 2004. The merger of a wide range of disparate authorities (the Norwegian Animal Health Authority, the Norwegian Agricultural Inspection Service, the Norwegian Food Control Authority, the Directorate of Fisheries' seafood inspectorate, and local government food control authorities) led to the establishment of the Norwegian Food Safety Authority – Mattilsynet. Mattilsynet was established on 1 January 2004. Prior to this major legal and institutional reform, Norway applied a decentralized system where counties and municipalities had been given the authority to carry out food inspection with some overall guidance from the central authority.

For more information regarding food standards and import regulations, please refer to Norway FAIRS Report (NO6003) on the Foreign Agricultural Service web page at <http://www.fas.usda.gov/>.

SECTION III: Market Sector Structure and Trends

Retail Grocery Stores

In 2006, Norway had 4,682 grocery stores with a turnover of NOK 130 billion (US\$ 24 billion), an increase of 3.7 percent. Generally, grocery stores account for 85 percent of all food and beverage sales, including fresh, frozen, and canned goods as well as non-alcoholic beverages and non-food items. The Norwegian retail grocery sector has undergone years of restructuring during which smaller chains have changed partners several times. The remaining chains, except for the largest group, Norgesgruppen AS, control the distribution of products from producers to consumers. Norgesgruppen AS is more of a buying group for domestic products, and the different smaller chains it supplies do their marketing individually. Supermarkets, small supermarkets and discount stores make up about one-third each of the total number of stores. The other large groups are Coop Norge, Reitan Gruppen and ICA Norge.

Gas marts and convenience kiosks

Gas marts and convenience kiosks have been an important player in the retail food market in Norway and accounted for NOK 17.6 billion (US\$ 3.2 billion) in sales. Gas marts account for 7 percent and kiosks 4 percent of this market. There are about 1,500 gas marts and about 1,790 kiosks in Norway. Exporters to the Norwegian market should bear in mind that although there is a close connection between the larger grocery wholesalers and retail chains and the gas marts and kiosks, the gas marts and kiosks have their own organizations for buying and marketing. Close and personal contact with an importer and/or with the buyers of these organizations is also necessary in this sector, as well as for the larger chains, to achieve a good result. Main players include the largest gas stations (Statoil, Shell, Esso and Yx) and kiosks (Narvesen, Mix, SevenEleven and Gyda). These stores specialize in basic grocery products and their consumers are not as price sensitive, therefore there is greater receptivity to convenience foods and impulse-buy products.

Hotel, Restaurant and Institutional (HRI) market

This market accounts for as much as NOK 16 billion (US\$ 3 billion) a year in Norway, and is serving about 7,500 canteens, caterers, restaurants and hotels. The main player in this sector is the wholesaler Asko-Storhusholding, with a market share of about 60 percent. The largest retail group, Norgesgruppen, owns Asko Storhusholding. Most of the imported products, both private label and other consumer-oriented products, are purchased through their Nordic organization, United Nordic, through their Norwegian import company, UNIL A/L. It is important to note that this large company is a member of the Global Food Safety Initiative (GFSI) and is using BRC standards (British Retail Consortium) for its private brands when importing. The HRI market probably offers the greatest potential for exporters. The margins in this sector are high, and consumers are more concerned with quality than price.

Wine and Liquor market

In 2006, Norway sold about 68.7 million liters of alcoholic beverages through the state-owned monopoly, an increase of 3.5 percent from 2005. The 211 monopoly stores sell 88 percent of the wine and 93 percent of liquor purchased in Norway. The remainder is sold through hotels and restaurants. The main suppliers of red wine to Norway are Italy, France, Spain, and Australia. The ratio between red wine sales and white wine sales is about 3:1 in Norway. Bulk wine sales and wine-in-a box purchases are on the rise in Norway. Imports from the U.S. comprise only about two percent of Norway's total wine imports. Exporters to the Norwegian market should be aware that all wine and liquor imports must be traded with approved importers, agents and distributors and the overall duties and VAT are high.

Norwegian Import market for Seafood

Norway's imports of fish and seafood amount to about US\$ 350 million per year. The majority of imports are for use by the fish farming industry for fish feed or the processing industry for export products. There is, nevertheless, a market for "specialty products" like scallops, mussels, oysters, and live and frozen squid, mostly for the retail and HRI trade. Norway's imports of prepared fish, tuna, caviar, herring, sardines, anchovies and salmon amount to about 10,000 tons annually for a value of approximately US\$ 40 million a year.

At present, 75 percent of consumer seafood products are distributed through retail stores and specialty stores, while the remainder goes to the hotel, restaurant and institution market. The retailers, specialty stores and HRI market are supplied through direct distribution (52 percent) and through wholesalers (48 percent).

Food processing

The Norwegian food processing industry consists of less than 2,000 enterprises with a total turnover of about NOK 130 billion (US\$ 24 billion). The average number of employees in these companies is about 25 people, which means that their power in the market is very limited and vulnerable to competition from imported products. The total number of employees in this sector is about 50,000. About 15,000 are employed in the fish processing and the beverage industries. As domestic food production is so highly protected in Norway through quotas, tariffs and phytosanitary measures, farmer cooperative enterprises dominate the market for milk products, meat products and domestic seasonal fruits and vegetables. However, Norway has several larger food processing companies that import grain, cereals, fruit and vegetables. Targeting these processors with products that cannot be produced in sufficient quantities domestically due to farmland availability or climatic conditions represents the best chance of success.

Section IV. Best High-Value Product Prospects

- Processed Fruits & Vegetables
- Fruit & Vegetable Juices
- Fresh Fruits & Vegetables (seasonal)
- Tree Nuts
- Wine & Beer
- Snack Foods
- Pet Foods
- Rice
- Sauces & Seasoning
- Ethnic Foods
- Specialty seafood products

Section V. Key contacts and further information

Foreign Agricultural Service

American Embassy
Dag Hammarskjolds Vag 31
S-115 89 STOCKHOLM, Sweden
Tel: (46-8) 783 5392/5470
Fax: (46-8) 662 8495
E-mail: agstockholm@usda.gov
www.usemb.se/Agriculture

Mattilsynet (Norwegian Food Safety Authority)

Ullevålsveien 76, Oslo
P.O. Box 383
N-2381 Brumunddal
Phone: +47 23 21 6800
Email: postmottak@mattilsynet.no
www.mattilsynet.no

The above state agency is responsible for product approval, labeling, additives, and administration of food safety regulations for imported and domestic products. It primarily serves Norwegian importers rather than foreign exporters.

Statens Landbruksforvaltning (Norwegian Agricultural Authority)

Dep. Trade and Industry
P.O.Box 8140 Dep.
N-0033 Oslo
Norway
Phone: +47 24 13 10 00
Fax: +47 24 13 10 05
Email: postmottak@slf.dep.no
www.slf.dep.no

The above state agency handles customs duties for industrially processed agricultural products, based on product ingredients reported by the importer. It also handles the administrative functions related to import/supply needs of the country, as well as the auction of quotas under the WTO agreement. In dealing with this agency, a local Norwegian agent or an importer would be the best means of contact.

Statistic Norway

Kongens gate 6
N-0033 Oslo
Norway
Phone: +47 21 09 00 00
Fax: +47 21 09 00 20
Email: ssb@ssb.no
www.ssb.no

This agency produces a wide variety of statistical information on imports.

Norwegian Customs and Excise

P.O.Box 8122 Dep.
N-0032 Oslo

Phone: +47 22 86 03 00

Email: tad@toll.no

Web: www.toll.no

American Chamber of Commerce in Norway

Henrik Ibsens gate 100, 15th floor

Pb. 2604 Solli, 0203 Oslo

Phone: +47 22 54 60 40

Fax: +47 22 54 67 20

Web: www.amcham.no

Table A: Key Trade and demographic information

	2006
Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%)	4,259/4.5%*
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%)	1,896/4%*
Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (%)	390/10%*
Total Population (Millions)/Annual Growth Rate (%)	4.6/0.36%
Urban Population (Millions)/Annual Growth Rate (%) (1995)	3.5/0.6%
Number of Major Metropolitan Areas	1
Size of the Middle Class (Millions)/Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	46,300
Unemployment Rate (%)	2.5%
Per Capita Food Expenditures (U.S. Dollars)	4,756
Percent of Female Population Employed	66%
Average Exchange Rate US\$1	6.41

* Source: UN Trade Statistics 2004

Table B: Consumer Food and Edible Fishery Products

(In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share %		
	2002	2003	2004	2002	2003	2004	2002	2003	2004
Norway									
CONSUMER-ORIENTED AGRICULTURAL TOTAL	1,443	1,666	1,896	69	73	78	5	4	4
Snack Foods (Excl. Nuts)	183	225	261	1	2	2	0.69	0.75	0.75
Breakfast Cereals & Pancake Mix	32	38	44	2	2	1	7	4	3
Red Meats, Fresh/Chilled/Frozen	33	49	53	0	0	0	0	0	0
Red Meats, Prepared/Preserved	7	13	23	1	0	0	0.04	0	0
Poultry Meat	1	2	2	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	10	10	14	1	1	1	0.17	1	0.02
Cheese	26	36	45	0	1	1	0	0.02	0.03
Eggs & Products	1	1	1	1	1	1	6	7	10
Fresh Fruit	237	291	323	3	4	4	1	1	1
Fresh Vegetables	126	163	171	1	2	2	0.85	1	1
Processed Fruit & Vegetables	110	131	145	21	20	22	19	15	15
Fruit & Vegetable Juices	42	44	47	13	15	15	32	34	32
Tree Nuts	17	23	34	8	11	12	45	47	36
Wine & Beer	145	187	214	3	3	3	2	2	1
Nursery Products & Cut Flowers	100	121	139	1	1	1	0.18	0.13	0.16
Pet Foods (Dog & Cat Food)	41	47	53	2	1	1	4	3	2
Other Consumer-Oriented Products	329	286	328	15	14	16	5	5	5
FISH & SEAFOOD PRODUCTS	435	327	390	29	24	40	7	7	10
Salmon	3	2	2	1	1	1	1	0.26	3
Surimi	8	6	5	2	2	2	21	29	39
Crustaceans	65	64	88	1	2	2	1	4	2
Groundfish & Flatfish	178	129	151	25	19	35	14	14	23
Molluscs	3	3	4	1	1	1	17	23	25
Other Fishery Products	178	123	141	1	1	1	0.67	0.12	0.26
AGRICULTURAL PRODUCTS TOTAL	2123	2437	2764	126	132	109	6	5	4
AGRICULTURAL, FISH & FORESTRY TOTAL	3365	3717	4259	163	166	159	5	4	4

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C: Top 15 Suppliers of consumer foods & edible fishery products

Norway - Top 15 Suppliers

CONSUMER-ORIENTED AG. Imports

	<u>2002</u>	<u>2003</u>	<u>2004</u>
(\$1,000)			
Netherlands	167166	202530	221591
Denmark	154670	186495	217026
Spain	151142	184392	195042
Sweden		167815	166215
Italy	81441	100229	120436
France	87167	100194	109498
Germany	72187	89762	101066
United States	66196	68818	73442
United Kingdom	53566	61214	67490
Belgium	40339	50849	52842
Costa Rica	11101	24388	33247
Brazil	16795	23747	27856
South Africa	19962	21872	27178
Poland	9868	15011	23711
Finland	16630	17726	23160
Other	218303	227934	266615
World	1243624	1442604	1666226

FISH & SEAFOOD PRODUCTS Imports

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Russian Fed.	178849	153768	95489
United Kingdom	84774	72563	50041
Denmark	31356	51650	40165
United States	38485	28864	23783
Canada	23139	21006	21473
Sweden	16087	15660	18264
Faroe Islands	30614	26488	14897
Ireland	11141	15671	10343
Thailand	5125	4896	8469
Iceland	18339	13267	6559
China	3782	2358	4805
France	2883	3611	4724
Poland	1739	1205	3427
Bangladesh	1761	3573	3281
Germany	3304	2296	2341
Other	21824	18215	19331
World	473214	435092	327405

Source: United Nations Statistics Division