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Exporter Guide

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Report Highlights:

Due to climatic reasons, Norway has a high import need for 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 strict policy concerning genetically modified organisms (GMO's), which keeps products containing GMO's out of the market. On Jan. 1, 2004, Norway's new Food Safety Authority (Mattilsynet) officially began functioning. The new organization gathers the five previous Norwegian inspection services under one administrative and regulatory umbrella.

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Table of Contents

SECTION I: Market Overview	3
SECTION II: Exporter Business Tips	4
Local business customs and entry strategy for consumer oriented products.	4
General consumer tastes and preferences	4
General import and inspection procedures	5
Norway's new Food Safety Authority (Mattilsynet).....	5
SECTION III: Market Sector Structure and Trends.....	6
Retail Grocery Stores	6
Gas marts and convenience kiosks	7
Hotel, Restaurant and Institutional (HRI) market	7
Wine and Liquor market.....	7
Norwegian Import market for Seafood.....	8
Food processing	8
Section IV. Best High-Value Product Prospects	8
Section V. Key contacts and further information	9
Statistic Norway.....	9
American Embassy Oslo	10
Table A: Key Trade and demographic information	11
Table B: Consumer Food and Edible Fishery Products	12
Table C: Top 15 Suppliers of consumer foods & edible fishery products	13

SECTION I: Market Overview

? Norway continues to be a highly protected market for agricultural products. Major restrictions on imports of beef, pork and poultry meat, wheat, barley, oats, vegetables, fruits and dairy-- i.e. products produced locally-- exist in the form of variable import levies, tariff rate quotas and sanitary/phytosanitary barriers. Norway continues to ban meat from hormone-treated animals and U.S. poultry is also precluded from entering this market due to Norway's sanitary regulations. Additionally, U.S. genetically modified soybeans, corn and processed products which contain ingredients made from genetically engineered organisms face nearly impossible odds of approval. Norway provides preferential tariffs and special quotas to EU countries through the European Economic Area (EEA).

? 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 regulations against 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 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.

? Food and non-alcoholic beverages account for only 11.4 percent of total household expenditure, and that percentage has been steadily decreasing for several years.

? The overall grocery retail market in Norway amounts to NOK 168 billion (US\$ 24 billion) and can be divided in three categories:

1. Retail stores and specialty stores account for 63 percent of the market.
2. Hotel, Restaurant and Institutional (HRI) sales account for 26 percent of the market.
3. Gas stations and service kiosks account for the last 11 percent of the market.

? Four retail chains control 99 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 188 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.

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, ICA Norge A/S, COOP Norge, and Rema 1000 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 seem to have an interest in high quality and new-to-the 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 theoretically,

resistance among Norwegian consumer organizations and retail groups prevent any significant market penetration.

General import and inspection procedures

Beginning January 1, 1999, Norway adopted the rules and regulations of the EU in addition to its own requirements related to the import of food products. The importer in Norway must be registered and must notify the authorities 24 hours (for animals, 30 days) in advance of the arrival of any shipment. Should the shipment arrive prior to notification, the control authority can hold the shipment for up to 24 hours before releasing it.

Imported animal products for food use must come from an EU-approved plant and be accompanied by the necessary certificates. With the exception of fish products, shipments must enter through either Oslo harbor or Oslo airport. Twenty entrance locations exist for fish products.

On October 30, 2002, the Norwegian Food Control Authority announced an amendment to the Norwegian regulations on the labeling of foodstuffs. The new amendment came into force on February 1, 2003 and changed the requirement for:

1. Mandatory labeling of foodstuffs offered for sale without prepackaging (mainly fresh fruits and vegetables).
2. Labeling of genetically modified food.

The new regulations are mainly meant to harmonize Norwegian regulations with existing EU regulations. However, there are differences between the EU regulation on GM products and the new Norwegian regulation. Norway requires labeling of GM-foods and GM containing products if the GM content, of any ingredient in the final product, is more than 2%. This is a stricter standard than the one adopted by the EU, which require labeling only if more than 1% of the entire product contains GMO. Since no GM food products have yet been approved for imports to Norway, the stricter standard in Norway creates barriers to U.S. exports.

Norway's new Food Safety Authority (Mattilsynet)

On January 1, 2004, Norway's new Food Safety Authority (Mattilsynet) officially began functioning. This new organization gathers the five previous Norwegian inspection services, ---the Norwegian Agricultural Inspection Service, the Norwegian Animal Health Inspection Service, the Directorate of Fisheries Seafood Inspection, the Norwegian Food Control Authority---, and their county offices under one administrative and regulatory umbrella.

Three ministries are behind the new authority: the Ministry of Fisheries, the Ministry of Health and the Ministry of Agriculture. The Ministry of Agriculture has administrative responsibility for the new authority, while the Ministry of Health has responsibility for the new Norwegian Food Law (Matloven), which also came into force on January 1, 2004. An independent scientific committee directly under the Ministry of Health has also been established, with responsibility for risk assessments and scientific research under the law. This committee will consist of a 10 person secretariat plus permanent scientific staff.

The new Food Law replaces, in whole or in part, 13 previous Norwegian laws and supersedes a number of provisions related to food. The new law's comprehensive nature is meant to assure the safety of food products throughout the entire chain from production to consumption. The new law fully implements Norway's European Economic Agreement (EEA)

commitments pertaining to food safety. Norway has included the main elements of EU regulation nr.178/2002 into this law.

The Norwegian Food Safety Authority's role will be to:

- Prepare draft legislation
- Give information on legislation
- Perform risk-based inspections
- Monitor food additives and contaminants, pathogens, natural toxins, and nutrients in foodstuffs
- Inform about developments in the food safety field
- Be responsible for emergency planning concerning food safety, as well as plant, animal and fish health.

The Norwegian Food Safety Authority also provides expert advice to the Ministry of Agriculture, the Ministry of Fisheries and the Ministry of Health.

Their mission is to ensure:

- Safe food
- Healthy plants, terrestrial and aquatic animals
- Ethically acceptable farming of animals and fish
- Environmentally friendly production
- High quality and honest production and trade
- Innovation and progress in the food sector
- Modern and effective organization

Legislation administered by the Norwegian Food Safety authority will include:

- Act relating to food safety and plant and animal health
- Act relating to the welfare of animals
- Act relating to animal breeding (zootechnics)
- Act relating to animal health personnel
- Act relating to plant breeder's rights
- Act relating to cosmetics

The Norwegian Food Safety Authority (Mattilsynet) is headquartered in Oslo, and will operate eight regional offices and 64 district offices throughout Norway. With over 1,300 employees from many previous agencies, the structure of regional and national responsibilities are still undergoing the process of reorganization. The new authority will continue to use forms and permits from its predecessor agencies for imports of animals, plants and fish, as well as food products, animal products, etc., until it is able to institute new forms. Regulations for inspections, permits, etc. remain unchanged for now.

SECTION III: Market Sector Structure and Trends

Retail Grocery Stores

In 2003, Norway had 4,295 grocery stores with a turnover of NOK 97 billion (US\$ 13.7 billion), an increase of 5.2 percent. Generally, grocery stores account for 81 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 ICA Norge A/S, Coop Norge and Rema 1000 Norge A/S.

Gas marts and convenience kiosks

Gas marts and convenience kiosks have been an important player in the retail food market in Norway and in accounted for NOK 20 billion (US\$ 2.8 billion) in sales. Gas marts accounts for 53 percent and kiosks 47 percent of this market. There are about 1,600 gas marts and about 2,400 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 (Esso, Statoil, Shell and Hydro/Texaco) and kiosks (Mix, Narvesen, Gyda and Small Shops (7-Eleven)). 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 45 billion (US\$ 6.4 billion) a year in Norway, and is serving about 7,500 canteens, caterers, restaurants and hotels as well as the tourist sector. The main player in this sector is the wholesaler Asko-Storhusholding, with a market share of 62 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 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 2003, Norway sold about 60.9 million liters of alcoholic beverages through the state-owned monopoly, an increase of 3.6 percent from 2002. The 188 monopoly stores sell 88 percent of the wine and 86 percent of liquor purchased in Norway. The remainder is sold through hotels and restaurants. The main suppliers are France, Spain, Italy and Chile. 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. In 2003 the ratio of wines sales in bottles to wine-in-a boxes was 52:48. Imports from the U.S. comprise only about two percent of Norway's total wine imports, but we hope this will increase as the strong Norwegian currency has led to a very advantageous exchange rate since the beginning of 2002. Exporters to the Norwegian market should be aware that all wine and liquor imports must be traded with approved importers, agents and distributors and that the overall duties and VAT are high: for liquor about 80 percent, wine about 65 percent and strong beer about 50 percent. The sale of wines accounts for about 80 percent of the total market valued at about NOK 8 billion (US\$ 1.25 billion).

Norwegian Import market for Seafood

Norway's imports of fish and seafood amount to about US\$ 270 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, which amounts to about US\$ 3 million a year, 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 100 billion (US\$ 12.5 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 beverage industry. 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**Norwegian Food Safety Authority (Mattilsynet)**

Ullevålsveien 76, Oslo

P.O. Box 383

N-2381 Brumunddal

Email: postmottak@mattilsynet.no

Phone: +47 06040

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

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.

Federation of Norwegian Commercial Agents (Norske Agenter Landsforening)

Drammensveien 30

N-0230 Oslo

Norway

Phone: +47 22 44 68 33

Fax: +47 22 44 94 35

This association issues a monthly publication in which proposals from foreign firms seeking agents/distributors in Norway are published.

Statistic Norway

Kongens gate 6

N-0033 Oslo

Norway

Phone: +47 21 09 00 00

Fax: +47 21 09 00 20

Web: 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

For general questions about exporting to Norway, please contact:

American Embassy Oslo

Foreign Agricultural Service

Asle Eek Johansen, Agricultural Specialist

Drammensveien 18

N-0244 Oslo

Phone: (47) 21 30 86 21

Fax: (47) 22 44 94 25

Email: AgOslo@usda.gov

Or asle.johansen@usda.gov

Table A: Key Trade and demographic information

	2003
Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%)	3,433-/-4.5%
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%)	1,666-/-4%
Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (%)	327-/-7%
Total Population (Millions)/Annual Growth Rate (%)	4.6 -/-0.55%
Urban Population (Millions)/Annual Growth Rate (%) (1995)	3.5 -/-0.6%
Number of Major Metropolitan Areas	0
Size of the Middle Class (Millions)/Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	48,230
Unemployment Rate (%)	4.5%
Per Capita Food Expenditures (U.S. Dollars)	4,756
Percent of Female Population Employed	66%
Average Exchange Rate US\$1 (2002)	7.08

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 %		
	2001	2002	2003	2001	2002	2003	2001	2002	2003
CONSUMER-ORIENTED AGRICULTURAL TOTAL	<u>1244</u>	<u>1443</u>	<u>1666</u>	<u>66</u>	<u>69</u>	<u>73</u>	<u>5</u>	<u>5</u>	<u>4</u>
Snack Foods (Excl. Nuts)	162	183	225	2	1	2	1	1	1
Breakfast Cereals & Pancake Mix	27	32	38	2	2	2	7	7	4
Red Meats, Fresh/Chilled/Frozen	30	33	49	0	0	0	0	0	0
Red Meats, Prepared/Preserved	5	7	13	1	1	0	1	0	0
Poultry Meat	1	1	2	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	9	10	10	1	1	1	0	0	1
Cheese	20	26	36	1	0	1	0	0	0
Eggs & Products	1	1	1	1	1	1	5	6	7
Fresh Fruit	198	237	291	3	3	4	1	1	1
Fresh Vegetables	109	126	163	1	1	2	1	1	1
Processed Fruit & Vegetables	100	110	131	19	21	20	19	19	15
Fruit & Vegetable Juices	37	42	44	13	13	15	35	32	34
Tree Nuts	16	17	23	6	8	11	40	45	47
Wine & Beer	132	145	187	4	3	3	3	2	2
Nursery Products & Cut Flowers	90	100	121	1	1	1	0	0	0
Pet Foods (Dog & Cat Food)	37	41	47	2	2	1	5	4	3
Other Consumer-Oriented Products	270	329	286	15	15	14	6	5	5
FISH & SEAFOOD PRODUCTS	<u>473</u>	<u>435</u>	<u>327</u>	<u>38</u>	<u>29</u>	<u>24</u>	<u>8</u>	<u>7</u>	<u>7</u>
Salmon	2	3	2	1	1	1	11	1	0
Surimi	7	8	6	1	2	2	16	21	29
Crustaceans	62	65	64	1	1	2	1	1	4
Groundfish & Flatfish	212	178	129	36	25	19	17	14	14
Molluscs	3	3	3	1	1	1	5	17	23
Other Fishery Products	187	178	123	1	1	1	1	1	0
AGRICULTURAL PRODUCTS TOTAL	1846	2123	2437	117	126	132	6	6	5
AGRICULTURAL, FISH & FORESTRY TOTAL	3078	3365	3717	169	163	166	5	5	4

Source: UN Trade data.

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

Norway - Top 15 Suppliers

CONSUMER-ORIENTED AG. Imports

	<u>2001</u>	<u>2002</u>	<u>2003</u>
(\$1,000)			
Netherlands	148392	167166	202530
Denmark	134060	154670	186495
Spain	117628	151142	184392
Sweden	149899	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>2001</u>	<u>2002</u>	<u>2003</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

UN Trade