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Changes in Croatia's Agro-Food Trade with CEFTA Following Croatia's

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Report Highlights:

Before the European Union accession, Croatia's most important agro-food export markets were the Central European Agreement (CEFTA) countries, especially neighboring Bosnia and Herzegovina (BIH) and the Republic of Serbia. After Croatian EU accession, on July 1, 2013, Croatia was obliged to leave CEFTA, but obtained access to concessions negotiated in the EU's preferential trade agreements with third countries. Leaving CEFTA resulted in a number of key Croatian agro-food products being assessed duties in CEFTA countries. In 2013, compared to 2012, agro-food exports declined in value to the following CEFTA countries: Macedonia (-14.3%), BIH (-12.3%), Serbia (-8.2%) and Montenegro (-2.8%). However, in the first quarter of 2014 compared to the same period in 2013, Croatian agro-food exports grew in value to Serbia (44.2%), Montenegro (31.8%) and Macedonia (13.0%), but shrank to BIH (-2.0%). However, at the same time, Serbian goods began replacing Croatian exports in the BIH market (2.4 % in the 1st quarter of 2014), while BIH's trade with Serbia also increased (16.0% in the 1st quarter of 2014) and declined to Croatia (-23.8% in the 1st quarter of 2014). Preliminary information indicates that Croatian companies that were active in the EU before accession have generally enjoyed a

growth rate of approximately 10-20% as a result of the elimination duties and certain costs associated with border controls. In the first quarter of 2014 compared to the same period in 2013, Croatia's agro-food exports grew 38.8% to the EU-27 in value terms.

General Information:

Introduction:

Before joining the European Union (EU), Croatia's most important agro-food export markets were the Central European Agreement (CEFTA) countries, especially neighboring Bosnia and Herzegovina (BIH) and the Republic of Serbia. This is because products and brands were well known across the entire region dating back to the ex-Yugoslavia period and trade with BiH and Serbia was carried out duty-free within the framework of the 2006 CEFTA. In 2012, while Croatia was part of CEFTA, 20.6% of its agro-food exports value were destined for BiH, 5.9% for Serbia and 6.2% for other CEFTA countries. Croatia was also heavily dependent on the EU-27 market, which purchased 51.6% of its agro-food exports in value terms.

After Croatian EU accession on July 1, 2013, Croatia was obliged to leave the CEFTA. As a consequence, a number of key Croatian agro-food products (i.e. meat, milk, certain fruits and vegetables, confectionary products, and sugar) started being assessed duties again in BiH, the Republic of Serbia and other CEFTA countries; thus, Croatian products became less competitive in these markets. Accession also altered Croatia's entry requirements for CEFTA products, which affected trade flows as well. For example, BiH can no longer export to Croatia most of its animal origin products, potato and certain plant reproduction material until it secures EU recognition as meeting equivalent sanitary and phytosanitary standards, even though, some of these products have preferential duty access under the Stabilization and Accession Agreement (SAA) with the EU. Of course, with EU accession, Croatia gained duty free access to other EU member state markets and now enjoys the preferential trade provisions the EU has with third countries. The European Commission is also attempting to secure international agreements with Croatia's traditional trading partners to facilitate the continuation of at least part of the historic trade flows for agro-food products with mainly the Republic of Serbia and BiH (see below).

Many Croatian food companies opened plants mostly in Serbia (2013 investment in Serbia totaled \$160 million) in order to service the CEFTA countries without facing the new tariff impediments. In addition, many Croatian food companies decided to buffer their exiting CEFTA trade by exporting and warehousing larger quantities of agro-food products in CEFTA countries before Croatia's July 2013 accession. The plan was to have accessible duty free supplies while the EU Commission negotiated better trade conditions with the CEFTA countries for these products. In addition, Croatia's food processors have also tried to diversify to compensate for the lost CEFTA market share by entering new markets like Russia, Canada, the United States, Australia.

Trade with Bosnia

The EU Commission negotiations on better trade conditions with BiH have not yet born fruit. In 2013, the value of Croatian agro food-exports to BiH fell by -12.3 % compared to 2012 (Table 3), mainly due to increased tariffs, while the value of BiH's agro-food exports to Croatia fell -11.2 %, due to a lack of EU recognition of its sanitary and phytosanitary standards (Table 3). Similarly, in the first quarter of 2014, Croatian agro-food exports to BiH continued to decline -2 % compared to the same period of 2013, while BiH's agro-food exports to Croatia fell even further -23.8 % (Table 4). Serbian and

Bosnian bilateral trade has grown as products from these countries have been replacing Croatian goods in each other's market. During the first quarter 2014, Serbian agro-food exports grew 2.4% in value to BiH and BiH's exports grew 16% to Serbia. This trend is expected to continue for the foreseeable future until BiH gives more favorable access to a wider list of EU products and/or until BiH obtains recognition from the EU Commission as meeting the EU's sanitary and phytosanitary standards.

Table 3. Croatia and BiH Trade 2011 – 2013:

Croatia Export Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January - December							
Partner Country	United States Dollars			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	2,130,174,047	2,130,616,894	2,112,368,137	100.00	100.00	100.00	- 0.86
Bosnia & Herzegovina	452,456,127	439,552,606	385,722,795	21.24	20.63	18.26	- 12.25
Croatia Import Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January - December							
Partner Country	United States Dollars			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	2,807,641,279	2,729,056,974	2,849,465,713	100.00	100.00	100.00	4.41
Bosnia & Herzegovina	172,214,978	160,650,913	142,735,149	6.13	5.89	5.01	- 11.15

Source: GTA

Table 4. Croatia and BiH Trade 2014 (January - April):

Croatia Export Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January - April							
Partner Country	United States Dollars			% Share			% Change 2014/2013
	2012	2013	2014	2012	2013	2014	
World							
Bosnia & Herzegovina	122,061,968	115,814,020	113,491,951	17.84	18.62	14.27	- 2.00
Croatia Import Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							

Year To Date: January - April							
Partner Country	United States Dollars			% Share			% Change 2014/2013
	2012	2013	2014	2012	2013	2014	
World	821,972,539	846,128,866	1,042,625,873	100.00	100.00	100.00	23.22
Bosnia & Herzegovina	46,971,860	46,782,033	35,669,844	5.71	5.53	3.42	- 23.75

Source. GTA

During the first quarter of 2014, Croatian agro-food exports to BIH reached \$114 million. The top exports were: beer (\$11 million), animal feed (\$6 million), nonspecific food preparations – often inputs for industry (\$6 million), wheat (\$5 million), corn (\$5 million), cigarettes (\$5 million), particle board of wood (\$4 million), bottled water (\$4 million), sardines (\$3 million) and bovine meat fresh or chilled (\$3 million). Croatia also exported \$5 million in cigarettes. During the same time period, Croatian imports from BIH totaled \$36 million. The top imports were: coniferous wood sawn (\$4 million), bottled water (\$3 million), cookies, waffles and wafers (\$5 million), nonspecific food preparations – often inputs for industry (\$2 million), sunflower seed or edible oil (\$2 million), beech wood (\$1 million), pallets (\$1 million), doors and frames (\$1 million) and whole hides and skins bovine (\$1 million). Croatia also imported \$0.7 million in tobacco from BiH.

Trade with Serbia

Negotiations concerning cigarettes went relatively well for Croatia with Serbia agreeing to implement a 15% tariff for a quota of 1,625 tons of cigarettes from the EU countries, or the equivalent of Croatia's prior quota under CEFTA. Meanwhile, Serbia gained duty free access for their cigarettes to the EU where Croatia remains their main market. However their historic exports to Croatia were only about 100 million – 150 million pieces annually (about \$1 million) and this amount is not expected to create market disturbances in Croatia. Serbia expected a more favorable sugar quota from the EU, but gained only an additional 1,000MT over the old 180,000MT quota. Reportedly provisions could not be made for historic sugarbeet exports.

Effective January 1, 2014, per the Interim Trade Agreement with the EU, more than 95% of the EU's products imported into Serbia became duty free and the average duty rate went to less than 1%. Although the tariff conditions for Croatia's products are an improvement from the initial July accession date, they are still not as favorable as they were under CEFTA. In addition, Serbia continues to maintain some customs protections on strategic agricultural products such as honey, fresh tomatoes, peppers, potatoes, leafy vegetables, cucumbers, fruits, dry plums, live animals, fresh/chilled/frozen meats (except turkey and goat meat), processed meat products, pasta, wheat, corn, sugar, edible sunflower oil, fruit juices, fruit jams, fruit brandy and most dairy products. Nevertheless, several significant reductions were implemented for beef (15% to 12%), pork and poultry meat (15% to 9%) and cheese (15% to 10.5%), while tariffs for milk were completely abolished. All this resulted in a decline in Croatia's agro-food exports to Serbia in 2013, compared to 2012 (Table 1). However, in first quarter of 2014, Croatian agro-food exports to Serbia recovered and were 44.17 % higher than the same

period in 2013 (Table 2).

Table 1. Croatia and Serbia Trade 2011 – 2013:

Croatia Export Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January - December							
Partner Country	United States Dollars			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	2,130,174,047	2,130,616,894	2,112,368,137	100.00	100.00	100.00	- 0.86
Serbia	110,104,988	125,098,160	114,797,896	5.17	5.87	5.43	- 8.23
Croatia Import Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January - December							
Partner Country	United States Dollars			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	2,807,641,279	2,729,056,974	2,849,465,713	100.00	100.00	100.00	4.41
Serbia	98,864,489	115,387,547	126,028,832	3.52	4.23	4.42	9.22

Source: GTA

Table 2. Croatia and Serbia Trade 2014 (January - April):

Croatia Export Statistics			
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)			
Year To Date: January - April			
Partner Country	United States Dollars		% Share
			% Change

	2012	2013	2014	2012	2013	2014	2014/ 2013
World	684,175,628	622,057,822	795,119,523	100.00	100.00	100.00	27.82
Serbia	26,218,554	32,941,365	47,492,215	3.83	5.30	5.97	44.17
Croatia Import Statistics Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January - April							
Partner Country	United States Dollars			% Share			% Change 2014/ 2013
	2012	2013	2014	2012	2013	2014	
World	821,972,539	846,128,866	1,042,625,873	100.00	100.00	100.00	23.22
Serbia	27,867,447	34,989,816	41,091,152	3.39	4.14	3.94	17.44

Source: GTA

In the first quarter of 2014, Croatian agro-food exports to Serbia totaled \$48 million. The top exports were: live swine (\$9 million), soybeans (\$5 million), nonspecific food preparations – often inputs for industry (\$4 million), sardines (\$2 million), sunflower oil (\$2 million), oak wood (\$1 million), sausages (\$1 million), ham (\$1 million), live chickens (\$1 million) and cocoa preparations (\$1 million). In addition, Croatia exported \$3 million in cigarettes. During the same time period, Croatian imports from Serbia totaled \$41 million. The top imports were: corn (\$8 million), sunflower seed or edible oil (\$4 million), milk and cream (\$3 million), beer (\$2 million), sunflower seed oilcake (\$2 million), sugar (\$1 million), nonalcoholic beverage (\$1 million), cookies (\$1 million), wood board (\$1 million) and sauces and condiments (\$1 million). Croatia also imported \$0.3 million in cigarettes to Serbia.

Trade with the rest of the CEFTA (Macedonia, Montenegro, Albania, Moldova, UNMIK)

Croatia's trade conditions with Montenegro and Macedonia, as most important trading partners in this group, have been finalized. Under the Stabilization and Accession Agreement (SAA), almost all products can be exported to Montenegro duty free or at 50% or less of the MFN tariff rate (e.g. sheep, bovine carcasses, beef, veal, milk, yogurt, butter, cabbage, spinach, mandarins in season, olive oil, etc.). The EU negotiations on traditional trade patterns with Croatia resulted in additional TRQs with lower tariff rates for poultry (500 tons), cheese (65 tons) and meat products (130 tons). Moreover, zero rate TRQs were negotiated for canned sardines (200 tons), canned tuna (75 tons), canned mackerel (30 tons), mineral and sparkling water (240,000 liters) and other types of water (1,240,000 liters).

Under the SAA, some products exported to Macedonia can enter duty free, some products are being charged 50% (chocolate, pasta, cookies, ice-cream, dairy spreads, water) or 70% (beer and cigarettes) of the MFN tariff rate, and few products (poultry meat, milk, butter, oranges, lemon, mandarins, cured and canned meat, canned olives, raw sugar, and feed) are being charged the full MFN tariff. The EU negotiations on stabilization of traditional trade patterns for Croatia resulted in new TRQs with lower or no tariffs for a wide variety of agro-food products (e.g. oil, butter, milk, sausages, mushrooms, yeast, pasta, etc).

Table 5. Croatia and Macedonia, Montenegro, Albania, Moldova, UNMIK Trade 2011 – 2013:

Croatia Export Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January - December							
Partner Country	United States Dollars			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	2,130,174,047	2,130,616,894	2,112,368,137	100.00	100.00	100.00	- 0.86
Macedonia	43,120,099	50,392,454	43,188,347	2.02	2.37	2.04	- 14.30
Montenegro	32,183,753	37,993,003	36,913,551	1.51	1.78	1.75	- 2.84
Kosovo	28,199,833	27,267,060	32,031,555	1.32	1.28	1.52	17.47
Albania	14,029,007	17,156,988	14,195,334	0.66	0.81	0.67	- 17.26
Moldova	33,352	7,716	109,431	0.00	0.00	0.01	1318.29
Sum (Mac, Mont, Kos, Alb, Mold)	117,566,044	132,817,221	126,438,218	5.51	6.24	5.98	-4.80
Croatia Import Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January - December							
Partner Country	United States Dollars			% Share			% Change 2013/2012
	2011	2012	2013	2011	2012	2013	
World	2,807,641,279	2,729,056,974	2,849,465,713	100.00	100.00	100.00	4.41

Macedonia	43,069,455	43,231,865	49,701,185	1.53	1.58	1.74	14.96
Kosovo	3,500,466	2,607,375	2,772,593	0.12	0.10	0.10	6.34
Albania	1,562,795	1,917,879	2,203,219	0.06	0.07	0.08	14.88
Montenegro	2,071,502	2,388,653	1,673,325	0.07	0.09	0.06	- 29.95
Moldova	213,651	438,199	240,016	0.01	0.02	0.01	- 45.23
Sum (Mac, Mont, Kos, Alb, Mold)	50,417,869	50,583,971	56,590,338	1.79	1.86	1.99	11.87

Source: GTA

Table 6. Croatia and Macedonia, Montenegro, Albania, Moldova, UNMIK Trade 2014 (January - April):

Croatia Export Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January - April							
Partner Country	United States Dollars			% Share			% Change 2014/2013
	2012	2013	2014	2012	2013	2014	
World	684,175,628	622,057,822	795,119,523	100.00	100.00	100.00	27.82
Macedonia	15,896,726	13,069,242	14,762,264	2.32	2.10	1.86	12.95
Montenegro	12,043,203	9,140,135	12,048,905	1.76	1.47	1.52	31.82
Kosovo	7,508,098	9,212,678	10,670,971	1.10	1.48	1.34	15.83
Albania	4,922,415	2,070,884	4,944,453	0.72	0.33	0.62	138.76
Moldova	3,496	96,648	10,332	0.00	0.02	0.00	- 89.31
Sum (Mac, Mont, Kos,	40,373,938	33,589,587	42,436,925	5.9	5.4	5.34	26.33

Alb, Mold)							
Croatia Import Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January - April							
Partner Country	United States Dollars			% Share			% Change
	2012	2013	2014	2012	2013	2014	2014/2013
World	821,972,539	846,128,866	1,042,625,873	100.00	100.00	100.00	23.22
Macedonia	12,594,817	13,250,920	20,424,063	1.53	1.57	1.96	54.13
Kosovo	833,108	1,228,780	851,170	0.10	0.15	0.08	-30.73
Albania	522,710	574,931	599,923	0.06	0.07	0.06	4.35
Montenegro	335,553	187,111	308,356	0.04	0.02	0.03	64.80
Moldova	96,794	29,361	94,051	0.01	0.00	0.01	220.33
Sum (Mac, Kos, Alb, Monte, Mold)	14,382,982	15,271,103	22,277,563	1.74	1.81	2.14	45.88

Source: GTA

In 2013, agro-food exports to Albania (-17.3%), Macedonia (-14.3%), and Montenegro (-2.8%) fell compared to 2012 (table 5). However, in the first quarter of 2014 compared with the same period of 2013, Croatian exports to these countries appear to be rebounding (table 6).

Trade with the EU-27

Some large Croatian food producers have increased their exports to other EU members now that they are part of the EU market. The top EU markets for Croatia remain Italy, Slovenia and Austria and the leading products are wood and wood products (for fuel and furniture), corn, sugar, fish, and some processed food products. Trade data shows that Croatian agro-food exports in the first quarter of 2014 to the EU-27 increased by over 38.8% compared to the same period in 2013 (Table 8).

Croatia's import trading patterns with the EU-27 have not changed significantly with Germany, Italy, Hungary and Netherlands remaining the leading suppliers. These countries not only supply Croatia's smaller importers with EU agro-food products, but also transship goods from the global marketplace, including the United States. These countries have big ports or act as warehouse hubs.

Table 7. Croatia and EU Trade 2011 – 2013:

Croatia Export Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January – December							
Partner Country	United States Dollars			% Share			% Change 2013/ 2012
	2011	2012	2013	2011	2012	2013	
World	2,130,174,047	2,130,616,894	2,112,368,137	100.00	100.00	100.00	- 0.86
EU-27	1,135,263,232	1,108,828,349	1,113,422,572	53.29	52.04	52.71	0.41
Croatia Import Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January – December							
Partner Country	United States Dollars			% Share			% Change 2013/ 2012
	2011	2012	2013	2011	2012	2013	
World	2,807,641,279	2,729,056,974	2,849,465,713	100.00	100.00	100.00	4.41
EU-27	1,902,255,751	1,842,954,226	2,112,026,451	67.75	67.53	74.12	14.60

Source: GTA

Table 8. Croatia and EU Trade 2014 (January - April):

Croatia Export Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January – April							
Partner Country	United States Dollars			% Share			% Change 2014/ 2013
	2012	2013	2014	2012	2013	2014	
World	684,175,628	622,057,822	795,119,523	100.00	100.00	100.00	27.82
EU-27	347,384,788	314,591,725	436,372,423	50.77	50.57	54.88	38.71
Croatia Import Statistics							
Commodity: Agricultural, Fish & Forestry, Group 1 (2012)							
Year To Date: January – April							
Partner Country	United States Dollars			% Share			% Change 2014/ 2013
	2012	2013	2014	2012	2013	2014	
World	821,972,539	846,128,866	1,042,625,873				23.22

				100.00	100.00	100.00	
EU-27	550,502,680	575,928,290	829,455,069	66.97	68.07	79.55	44.02

Source: GTA

In the first quarter of 2014, Croatian agro-food exports to the EU-27 totaled \$436 million. Croatia's leading exports were: oak wood (\$47 million), sugar (\$24 million), corn (\$21 million), sauces and condiments (\$15 million), veneer sheets (\$14 million), logs (\$14 million), prefabricated buildings (wood) (\$13 million), beech wood (\$12 million), wood pellets (\$11 million), and food preparations for infants (\$11 million). Meanwhile, Croatia's imports from the EU-27 totaled \$829 million. The leading imports were: fresh/frozen pork (\$61 million), nonspecific food preparations – often inputs for industry (\$30 million), milk and cream (\$24 million), dog and cat food (\$18 million), live cattle (\$17 million), cheese (\$17 million), cocoa preparations (\$17 million), soybean cake (\$17 million), prefabricated wood buildings (\$16 million), and coniferous sawn wood (\$15 million).