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FOREIGN INVESTMENT PROMOTION AGENCY

Bosnia and Herzegovina Agriculture and Food Processing Industry

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BOSNIA AND HERZEGOVINA

GREAT POTENTIAL FOR HEALTHY FOOD



TABLE OF CONTENTS

General Information	6
Why Invest in B&H Agriculture & Food Processing Sector ?	7
Natural Conditions & Production Factors	7
Land Resources	7
Climate	8
Water Resources	8
Labour	9
Field Crops	9
Medicinal and Aromatic Plants, Honey, Mushrooms and Wild Forest Products	9
Fruit & Vine-Growing	11
Vegetable-Growing	11
Livestock & Forage Production	12
Fish Farming	13
Organic Food Production	13
Rural Development in Bosnia and Herzegovina	14
Food Processing Industry	14
B&H Agricultural Fairs	15
Investment Opportunities	16
Legal Framework	16
Success Stories	17
Useful Contacts	17
Agricultural Faculties and Institutes	18

Agriculture and Food Processing Industry

GENERAL INFORMATION

Bosnia and Herzegovina is rich in natural resources and conditions that create an excellent environment for agricultural production, including the availability of labour, land and other natural resources, as well as the appropriate climate.



Sector is small but very important for B&H economy especially if we consider that agriculture employs around 20% out of all employed in Bosnia and Herzegovina.

Due to the high growing demand and natural potentials the agriculture sector has good growth potentials. Relatively high international food process mean that markets for agricultural products are increasingly valuable.

The huge agricultural potential is only partially utilized, in spite of considerable human and natural resources. Strong development and steady growth in production, which characterizes B&H's agricultural sector, are significantly below actual potentials and expected results. Most food is imported, especially wheat, meat, dairy products and fruit juices.

Lack of financial resources, necessary for modernization in all segments of agricultural production, is one of the major constraints in the development of this sector.



WHY INVEST IN BOSNIA AND HERZEGOVINA AGRICULTURE & FOOD PROCESSING SECTOR ?

Agricultural sector of Bosnia and Herzegovina may represent a great opportunity for potential investors such as:

- Agriculture is defined as strategic interest of Bosnia and Herzegovina
- Abundance of agricultural arable land, 50 % uncultivated
- Unutilized natural grasslands
- Favourable climate conditions for majority of agricultural products
- Good availability of skilled low cost labour
- Developed education system, R & D institutions, agronomical and veterinarian support
- B&H is a considerable net importer of agricultural and food product
- Privatization of state owned companies
- Possibility of ecological production in most agricultural products
- Competitive price of fruit and vegetables
- Development of traditional products and productions (autochthonous products)
- Existence of natural conditions for implementing integrated projects (agriculture-tourism)
- Existence of natural conditions for raising additional income (self-grown forest herbage, Medicinal herbs).

NATURAL CONDITIONS & PRODUCTION FACTORS

Natural conditions and production factors could give BH a comparative advantage in labour intensive production and enhance sustainable development of agriculture and food processing.

LAND RESOURCES

Land, as well as water and other natural resources are unpolluted and free from chemical fertilization and the routine use of pesticides. About half of the land area in BH is agricultural land, or in total around 2.4 million hectares comprising approximately:

- 1.2 million ha of arable land
- 100,000 ha of orchards and vineyards
- 500,000 ha of improved grazing land
- 850,000 ha of mountain pastures

Permanent grass-land dominates, participating with over 50 %, arable land occupies approximately 45 %, and permanent crops approximately 5 % of total agricultural land.

CLIMATE

Bosnia and Herzegovina is equidistant from the Equator and the Pole, thus the climate is not dominated by a single type of weather. There are neither dry seasons nor harsh and long winters. It can be divided into three climatic regions with more or less sharp boundaries or moderate transition zones:

- Northern region
- Hilly mountain region
- Southern region

The climate is predominantly moderate continental, particularly characteristic for Central Bosnia and Herzegovina, while northern part of the country has predominantly continental climate. South of the country has Sub-Mediterranean climate, characterized by long summers and short, mild winters, with more than 200 sunny days and 1400 l/m² of precipitation per year.

WATER RESOURCES

Natural water resources are abundant and ground water is accessible in many places.

About 38 719 km² (75.7%) of the BH territory drain via the Sava River to the Black Sea, and 12 410, (24.3%) drain via the River Neretva to the Adriatic Sea. The boundary between these catchments is obscured at the local level, especially in the south west, where rivers flow through karst areas.



The spatial variation of the hydrological cycle is very characteristic for BH. For instance, the basic annual precipitation in the southern region is 2.5 times larger than in northern region, and twice that in the central region.

In the south, the mostly Mediterranean type precipitation is between 1 500 and 2 000 mm of rain, potential evapo-transpiration 900 mm, actual evapo-transpiration 600 mm, potential water deficit or irrigation requirement 300 mm and potential outflow or surplus from 900 to 1 400 mm.



LABOR

Agricultural labour is abundant and cheap particularly when compared to the EU. In addition, all categories of the experienced workforce (engineers, technicians, skilled workers) required in food processing industry, are available under competitive prices.

DEVELOPMENT AND INVESTMENT POTENTIAL IN SUB SECTORS

The soil quality and varying climatic conditions, accompanied with availability of the water, in Bosnia and Herzegovina offer wide potentials for agricultural production, both in terms of crop choice and cultivation systems, including:

FIELD CROPS

Northern parts of the country and river valleys are particularly suitable for field crops production, including cereals, industrial crops, vegetables, feed crops etc.



There are also exceptional conditions for intensive commercial livestock farming and fattened meat production, as well as the milk production.

MEDICINAL AND AROMATIC PLANTS, HONEY, MUSHROOMS AND WILD FOREST PRODUCTS

Bosnia and Herzegovina has long tradition in collecting medicinal and aromatic herbs. The biodiversity of medicinal and aromatic plants and mushrooms in the area of Bosnia and Herzegovina is very rich , thanks to the favourable geographic position, climate and varying geological and pedological conditions, vast surfaces of pastures, medical flora and different kind of forests, lakes and rivers.

In Bosnia and Herzegovina medicinal and aromatic plants have the potential to substantially contribute to the national and local economy. It is believed that Bosnia and Herzegovina has over 700 species of medicinal and aromatic plants out of which around 200 are exploited. The annual harvesting in B&H varies from 1.500 to 9.000 tons (depending on demand and climatic conditions); mostly dried plants are packed and sold in 25 kg sacks as raw material. Diversity of climate and vegetation, clean environment and tradition in beekeeping are good preconditions for the production of high quality

honey in B&H. The main beekeeping products are honey, beeswax, royal jelly, pollen, and bee venom.

There are several varieties of honey produced in BiH, depending on the geographic region.



Sage, Heather, Jerusalem Thorn , Dalmatian Laburnum and Tangerine honey are produced by the beekeepers from the southern part of BiH, and Chestnut Sunflower Alfa-alfa and Acacia honey are produced in the northern part of BiH.

Beekeeping accounts for 1% of the total agricultural production in B&H. Total honey production in B&H cannot cover the needs of the local market.

The companies - significant producers and strategic partners for potential foreign investors are:

"Biljana", Maoča www.biljana.com.ba
"Faveda" , Sarajevo- www.faveda.ba
"Ljeko bilje", Trebinje - www.rico.co.yu
"Plantago", Laktaši - www.plantagocajevi.com
"Roing", Ljubuški - www.roing.net
"Smrčak", Zvornik - www.smrcak.co.nr
"Herceg med", Trebinje-www.herzegmed.ba
"Frutti Funghi", Visoko www.frutti-funghi.com
"Halilović", Sarajevo -www.bio-halilovic.com
"Čeliković", B&Hać-www.celikovic.com
"Belladonna", Laktaši - www.belladonna.ba
"Kap po kap", Laktaši www.kappokap.com
"Pharmamed", Travnik - www.pharmamed.ba
"ABC Mahić", Bosanska Krupa-www.abc-mahic.ba;



FRUIT & VINE-GROWING

The most convenient fruit-growing regions are the hilly and hilly-mountainous regions and along the rivers (Sava, Bosna, Drina, Una, Neretva, etc.), which are abundant in sunny sites with the right type of well drained soil, as well as Mediterranean region (Southern Bosnia and Herzegovina).



Currently, there are an estimated 14 million trees producing plums, pears, apples and other fruits, for export and fruit-juice production. In addition, both the climatic and the economical conditions are very well suited for berry production in many parts of Bosnia and Herzegovina.

VEGETABLE-GROWING

Irrigation, proper crop choice, soil and climate conditions are suitable for all types of vegetable production. A high quality potatoes and cabbage, as well as rye, barley, oat, etc. could be produced



in all regions of Bosnia and Herzegovina, along the rivers, in flat, hilly and hilly-mountainous regions, even in mountain grasslands.

LIVESTOCK & FORAGE PRODUCTION

A large part of the agricultural land in BH is suitable for livestock, milk, dairy and meats production, with lots of grassland, and climatic conditions, which are favourable for cattle, sheep and goat intensive and extensive breeding, as well as for cultivation of silage etc.



B & H is richly endowed with pastures and grazing land, particularly in the Central part of BH, with great mountain grasslands that are full of water.

Furthermore, BH could be expected to have comparative advantage in products that make considerable use of grazing land, such as extensively raised veal and beef as well as meat and dairy products from sheep and goats. In addition, intensive commercial cattle raise for meat production as well as dairy production can be developed in both flat and hilly regions where there are enough ploughed fields for fodder. The share of livestock in total agricultural production is estimated at 50% what is much lower than it was and could be considering natural preconditions for livestock production and the level of animal production before the war.

Livestock / product	Units	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Cattle	000 head	462	440	410	440	453	460	515	468	460	458	462
Goats	000 head	98	101	86	81	72	73	76	70	70	71	63
Sheep/ewes	000 head	584	608	633	733	893	903	1004	1033	1031	1055	1047
Pigs	000 head	450	483	500	540	595	653	708	535	502	529	590
Chickens	000 head	9000	9700	10400	12000	8626	9540	12300	13800	14000	18 741	21 802
Cattle meat	000 tonnes	16	14	16	18	19	24	22	24	26	25	25.5
Milk	000 tonnes	544	525	518	537	601	649	683	747	737	759.2	720
Pig meat	000 tonnes	6	4	6	7	8	9	10	9	9	9.4	12.3
Poultry meat	000 tonnes	6	6	9	12	16	12	14	20	29	32	36
Sheep/goat meat	000 tonnes	1	1	1	2	2	2	2	2	2	1.9	2.5

Source FAOSTAT, 2009 and Agency for Statistics of B&H

Livestock numbers and production (live weight) for period 2000-2010



FISH FARMING

Abundance of the clear, unpolluted rivers and streams that cross the country presents huge potential for both family owned and industrial size fish farming production. Fish farming is already developed, especially trout and carp rising. The most important fish species in the aquaculture sector in Bosnia and Herzegovina are:

- Salmonid species: rainbow trout, brown trout, and brook trout
- Cyprinid species: common carp, grass carp and silver carp
- Marine species: European sea bass gilthead sea bream and common dentex
- Molluscs: Mediterranean mussel and European flat oyster

ORGANIC FOOD PRODUCTION

Organic production in Bosnia and Herzegovina is in the beginning stages of development, and the organics market is still undeveloped. Limited quantities and selection of organic products can be found in large supermarkets and in a few specialized stores. Most consumers find organic products expensive and believe people with health problems should consume these products. Consumers also believe that most locally produced foods are similar to organic products because of Bosnia's traditional agricultural practices and low level of chemical use (fertilizers, pesticides).



We believe that organic production would be competitive against modern agricultural production of the developed countries. B&H's average farm size is small, the hilly and mountainous land conditions are unsuitable for large-scale cultivation. The small scale of industrial production reduced industrial pollution. Main principles of organic production are based on cultivation and breeding techniques that preserve and improve the ecological balance with the goal of achieving optimum relationship in agro-ecosystems between humans, animals, land, and plants.

At the level of entities the "Law on Organic production" in Republic of Srpska contains the elementary legal grounds for the functioning of organic production and it is compatible with the basic standards of IFOAM and the EU Recommendations No. 2092/91 and amendments dated of 1999. In Federation of B&H there is still no law on organic farming production. The international community is playing the main role in B&H organic sector development. Since 2007, OK (Organska kontrola- local certification body) is accredited by IFOAM and OK standards are in use for certification of organic production in B&H, for sales of organic products both in B&H and for the export market.

RURAL DEVELOPMENT IN BOSNIA AND HERZEGOVINA

Rural development is being in focus of all governmental institutions in Bosnia and Herzegovina, which intend to enable faster and more effective sector integration into EU institutions, as well as to facilitate access to the funds along accession process.

Rural development becomes essential to increase the volume of agricultural production, employment opportunities, income and living standards of rural population, to improve environmental protection and, consequently, to stop the depopulation and de-agrarization of rural and mountainous areas. According to B&H Agriculture Report 2007, (made by MoFTER), 81 % of the total land area and 61 % of the population can be classified as rural in B&H.

In the same time the 114 out of 143 municipalities are classified as rural and have a population of 2,372,162 persons.

In strategic plans of many cantons and municipalities, both in Federation B&H and Republic of Srpska, rural development is considered as one of the main development goals including a rural tourism.

FOOD PROCESSING INDUSTRY

The food industry is an important sector in the economy of B&H, both for assuring food security for the country as well as for preventing a further increase in the negative trade balance of the country (trade balance for food products records deficit).

The war-related damages in the agricultural sector amounted to approximately 4 billion €. In some areas, 70% of the business infrastructure and 60% of the livestock were lost. More than 237,000 ha were mined when the war ended.

Since then, the food processing industry has worked only at approximately 10% of its capacity. Currently B & H food processing industry encompasses the companies engaged in manufacturing or processing of foods and beverages for human consumption, including meat, milk, fruit, vegetable, sugar, oil and tobacco, as well as prepared feeds for animals and fowls.

All previously mentioned production capacities are still limited and insufficient to satisfy even local consumption requirements, making food processing sub-sector prospective for further development and enlargement, following augmenting and development in primary production.



B&H AGRICULTURAL FAIRS



Ekobis -Bihać



Gradačac Plum Fair



Sarajevo Beekeeping
Festival



Banjaluka Fair



Interagro Bijeljina



Zeps Zenica

7th international
festival of tea
and healing herbs
Sarajevo. 03 - 07. juni 2009

International Festival of
tea and herbs



Mostar Economy Fair

INVESTMENT OPPORTUNITIES

The existing structure of agriculture in B & H, characterized by small sized farms, and undeveloped (degraded) former co-operative system provides huge chances for large integrator companies in each sub sector to integrate existing primary producers, and processors, and to start their operations, as well as develop new branded products for local and particularly export markets. This is an opportunity



for medium and large food producers, processors and wholesalers to establish a new modern system and infrastructure for production, collection, processing and marketing, on their own. Privatization of big state owned companies is an opportunity too. Having in mind that B & H is endowed with abundant, uncultivated and unpolluted land and water resources, free from chemical fertilization and pesticides, as well as with extraordinary pristine nature (mountains, rivers, lakes, seaside, etc.), the resources which are only symbolically used by now, the organic food production (crops and animal), particularly combined with tourism activities is a huge opportunity for investment with high-income potentials. All before mentioned offers an array of opportunities for potential investors, which, apart from investment capital, are supposed to provide knowledge, new technologies and ideas in organic food production and managing, to introduce new varieties suitable for organic production, as well as to open new export markets, etc.

LEGAL FRAMEWORK

State Level

- Law on Agriculture, Food and Rural Development (Official Gazette of B&H no. 50/08)
- B&H Strategic Plan for Harmonization of Agriculture, Food and Rural Development (2008-2011)
- Rural development programme

Federation of B&H

- Law on Agriculture (Official Gazette of FB&H no. 88/07;04/10)
- Law on Agricultural Land (Official Gazette of FB&H no. 52/09)
- FBiH Agricultural Development Strategy

Republic of Srpska

- Law on Agriculture (Official Gazette of RS no.70/06; 20/07; 86/07;71/09)
- Law on Agricultural Land (Official Gazette of RS no. 93/06; 86/07; 14/10)
- RS Agricultural Development Strategy

Brcko District

- Law on Agricultural Land (Official Gazette of Brcko District no.32/04; 20/06; 19/07)



SUCCESS STORIES

Foreign companies which invested more than 10 million in B&H Agriculture & Food Processing sector are:

- CocaCOLA Beverages, Nederland,
- Perutnina Ptuj,Slovenia,
- Kreisen Ind.Switzerland ,
- Ledo,Croatia and
- Studen-Agrana, Austria.

USEFUL CONTACTS

Ministry for Foreign Trade and Economic Relations of B&H www.mvteo.gov.ba

Federal Ministry of Agriculture, Water Management and Forestry.....www.fmpvs.gov.ba

Ministry of Agriculture, Forestry and Water Management of Republika Srpska.....www.vladars.net

Veterinary Office of Bosnia and Herzegovina.....www.vet.gov.ba

Foreign Trade Chamber of B&H.....www.komorabih.com

Chamber of Economy of Federation of B&H.....www.kfbih.com

Chamber of Economy of Republika Srpska.....www.komorars.ba

B&H Administration for Plant Health Protectionwww.uzzb.gov.ba

Food Safety Agency of B&Hwww.fsa.gov.ba

AGRICULTURAL FACULTIES AND INSTITUTES

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