

Voluntary Report – Voluntary - Public Distribution

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Report Highlights:

The food retail sector in Slovakia is consolidated, price sensitive, and competitive. The Slovak market is experiencing a boom in internet shopping for all food categories. While the Slovak government recently implemented new laws to protect local producers and grocery retailers, there are still good niche opportunities for U.S. high-quality products, such as distilled spirits, frozen fish, dried fruit and nuts, and food preparations.

Market Fact Sheet: Slovakia

Executive Summary

Slovakia is strategically located in the center of Europe and is closely tied to other European Union (EU) economies. Slovakia is a part of the EU single market and customs union and is a Eurozone member. The Slovak economy is characterized by a large industrial sector and a smaller agricultural sector. Slovakia has an export-driven economy and EU countries are its most important trading partners.

Slovak Agricultural Imports

In 2020 total Slovak agricultural and food product (HS¹ chapters 01-24) imports from the world reached \$5.51 billion, a decrease of 3.8 percent compared to 2019. The U.S. share accounted for \$27.4 million (about 0.5 percent). Consumer-oriented food and beverage products remain the most important agricultural imports from the United States (\$11.6 million). Bourbon, whiskey, dried nuts, fish, and food preparations are the major consumer-oriented products imported from the United States.

Food Processing Industry

Slovakia's 3,200 food processing companies employ more than 50,000 people, which accounts for almost 10 percent of all industrial sector employees in Slovakia. Food processing is one of the largest sectors, accounting for 15 percent of total industrial output. The subsectors with the highest revenues are dairy, meat, and poultry production, beer brewing, and confectionary-baking.

Food Retail Industry

Slovak food retail sales in 2019 reached \$7.6 billion. The sector is saturated and relatively consolidated. The top four retail chains together account for 81 percent of the revenues.

Food Service Industry

There are around 12,000 food and beverage serving establishments in Slovakia.



Imports of Agricultural Products from USA (USD million)
27.4



List of Top 10 Growth Products from USA exported to Slovakia

- 1) Whiskey & Rum
- 2) Alaska Pollock
- 3) Frozen Hake
- 4) Almonds
- 5) Gelatin
- 6) Pistachios
- 7) Sunflower Seeds
- 8) Protein Concentrate
- 9) Peppermint Oil
- 10) Veneer Sheets



Food Industry by Channels (USD billion)

Agricultural & Food Exports	3.53
Agricultural & Food Imports	5.51
Retail	7.6



Food Processing Industry Revenues:
USD 5.45 billion



Top 10 Food Retailers

- 1) Tesco Stores SR
- 2) Lidl SR
- 3) COOP Jednota
- 4) Kaufland
- 5) Billa
- 6) Metro Cash & Carry
- 7) CBA Slovakia
- 8) Terno
- 9) Labas
- 10) Milk-Agro



GDP/Population

Population:	5.5 million
GDP:	\$114 billion (EUR 93.86 billion)
GDP per capita:	\$20,727



Exchange rate (U.S. Bureau of Fiscal Service):

June 30, 2021: \$1 = Euro 0.842

Data and Information Sources:
Trade Data Monitor, Slovak Ministry of Agriculture and Rural Development, FinStat Slovakia, Euromonitor

¹Harmonized Commodity Description and Coding System

I. Market Summary

Slovakia is a developed market, export-driven economy, with a growing standard of living. It occupies a strategic position in the center of Europe and is closely tied to other EU economies, especially the Czech Republic, Poland, and Germany. Slovakia is a part of the EU single market and customs union and is a Eurozone member. The Slovak market is increasingly dominated by the automotive, electronics, engineering, and tourism sectors, followed by smaller agricultural and services sectors. The Slovak economy tends to perform better than the EU average and the gross domestic product (GDP) per capita is about USD \$21,000. Although a small market in the EU, Slovakia offers opportunities for U.S. exporters. With an accelerating pace of life, particularly in urban areas, and growing consumer spending power, demand is increasing for high quality and healthy products.

In 2020, the retail sales volume grew by 4.5 percent reaching a total value of USD 7.6 billion. The growth was particularly significant in e-commerce with more retailers introducing online sales concepts. Discounters and convenience stores also recorded strong growth. Hypermarkets are expected to continue to decline. Slovaks spend 17.4 percent of their income on food and beverages, half of the percentage spent in 1960 (35 percent). Although still higher than in Western Europe, this share of spending will keep declining as non-essential spending rises with incomes.

While most consumers are very price sensitive, the market also provides opportunities for a growing number of middle-class consumers who seek healthy and high-end food products. These consumers are looking for premium quality products and are also willing to pay a higher price. The household food basket is now primarily composed of processed and ready-to-eat foods, while the demand for meat, fruit, non-alcoholic beverages, bread, and alcoholic beverages has decreased.

Food Patriotism

Slovakia has a significant trade deficit in food categories, making it a big social and political topic. The previous government strove to decrease the agricultural trade deficit by putting both political and economic pressure on retailers. They declared a desire for a higher share of Slovak food in shops and introduced ambitious plans to achieve this goal. In December 2018, the Slovak Parliament approved a law under which large retail chains pay a special tax amounting to 2.5 percent of the chain's net turnover. The levy is paid by retail chains that have stores in at least 15 percent of Slovakia's 79 districts and at least 25 percent of their turnover consists of food sales. The law exempts corporate outlets, small/medium-sized, specialized, and convenient stores from the obligation. The proceeds are to be used to support domestic food production and to offset the impact of global climate change and its resulting weather impact on agriculture. Despite traders' and opposition's disagreement and warning that this will be reflected in higher food prices, the law became effective in January 2019.

Additionally, the Law on Unfair Terms in the Food Trade (in force since May 1, 2019) requires that 50 percent of all products presented in promotional leaflets be made in Slovakia. Despite these legislative measures to promote local consumption, there has been no significant increase over the last decade. According to the latest survey of the Slovak Agriculture and Food Chamber, Slovak food products account just for 41.5 percent of the food found on grocery store shelves, with milk products and beverages (mineral water, wine, beer) on the top of the list. The least represented local products are within the categories of spirits, oils, chocolate and non-chocolate confectionery, pasta, and canned food. The estimated year-by-year increase of about 1.5 percent is considered to be insufficient.

Slovak consumers are increasingly aware of where their food is coming from and have begun to look more closely at the source of food and ingredients. Of particular concern are dual quality food issues. The EU banned dual quality food to ensure the same food standard across the bloc and to avoid food of a lower/higher quality being sold in identical packaging in different EU countries. Despite these measures, many Slovak consumers changed their shopping patterns and began to prefer locally grown products.

The portion of locally grown Slovak food on store shelves varies on size and type. In smaller stores, about 57 percent of the food on the shelves is locally sourced. With the growing size of the store, the share of local products decreases. Discount and cash & carry stores typically have the lowest percentage local products for sale (28 percent).

Almost a quarter of food imports comes from the Czech Republic, followed by Germany (14 percent), Poland (14 percent), and Hungary (8 percent).

Key Market Drivers and Consumption Trends

- Slovakia remains a price-focused market. However, with increasing incomes and rising consumer confidence, shoppers, especially in cities, are increasingly buying premium-quality products.
- In rural areas, price sensitivity will remain a major issue, favoring discounters.
- Aging population and the rising number of single households are driving the demand for convenient ready-to-eat meals.
- Share of consumers making their purchasing decisions as a patriotic statement is increasing. As a result, the importance of information about production methods and place of origin is growing.
- Hypermarkets compete with discounters and internet retailers for the most popular grocery channel.
- Slovak consumers typically travel to larger stores for bigger weekend shopping trips. For smaller everyday grocery shopping, they prefer to save time by visiting smaller stores that are within walking distance of their homes.
- Cash & Carry is not a very common format, but it is an important business model serving mainly small businesses that are required to get registered. Makro Cash & Carry is the major operator with six outlets across the country.
- Food and drink internet retail is one of the most dynamically growing categories, recording double-digit sales value growth in 2020.

Table 1: Advantages and Challenges

Advantages	Challenges
Central location in Europe with many transportation and trade channels	Patriotic consumers demanding local and low-price products
Compliance with EU legislation and the common currency (Euro)	Lack of awareness of U.S. food brands
The crisis caused by the COVID-19 pandemic fuels growth in the retail sector	U.S. exporters face competition from tariff-free products from other EU member states
Popularity of online grocery shopping is growing	Introducing new-to-market food products requires long-term marketing support
American food and lifestyle are popular in Slovakia	Non-tariff barriers such as phytosanitary restrictions and traceability requirements can make exporting complicated
Growth of urban population enjoying new trends, particularly among younger generations	Slovak language labelling requirements
Minimal or zero domestic production of specific agricultural products; Imports of agricultural products out-paces exports in long term	Retailers rarely import products directly into Slovakia. They prefer to purchase from central buyers, mostly located in other EU member states.

Source: FAS Prague

II. Road Map for Market Entry

Entry Strategy

U.S. companies seeking to export goods to Slovakia are advised to conduct thorough research for a good understanding of the market. FAS GAIN Reports are a good source for country specific information:

<http://gain.fas.usda.gov>.

The best approach to entering the market is by partnering with an experienced importer who is looking to place a new product in their portfolio. Product catalogues and price lists are essential, and samples are helpful.

Major food retailers buy from their central purchasing offices located in other EU countries (The Netherlands, Germany, Czech Republic). In general, these multi-national companies have an in-depth knowledge of importing requirements, such as product certification, labeling, and packaging. They also typically handle shipping, customs clearance, warehousing, and distribution of products within the country. Since distribution channels are highly integrated with other EU countries, many food products of U.S. origin (e.g., dried nuts) are not included in U.S. imports statistics due to transshipments (re-export) from Germany and the Netherlands. U.S. exporters can also contact their respective U.S. State Regional Trade Groups (SRTG), their Commodity Cooperator Group, and their state Department of Agriculture to obtain additional support.

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

State Regional Trade Groups (SRTG) are non-profit trade development organizations that help U.S. food producers and processors to enter overseas markets. They are funded by USDA/FAS and the private industry. They carry out promotional activities to increase exports of U.S. high-value food and agricultural products. For more information, contact the state regional trade group responsible for your state: <https://www.fas.usda.gov/state-regional-trade-groups>

The **U.S. Agricultural Export Development Council** is composed of U.S. commodity trade associations and other organizations, in addition to the SRTGs, with an interest in promoting U.S. agricultural exports. For an overview and additional information on the various Commodity Groups, you can go to <http://www.usaedc.org/>. The [Commodity Cooperator Groups](#) regularly organize (reverse) trade missions, often organized around trade shows or other events. They also are excellent platforms for U.S. suppliers of food ingredients to meet with foreign buyers.

Import Procedure

Importers represent the first link in the domestic sales chain and are consequently responsible for the compliance of imported products with national and EU regulations. The European Commission has published the following guidance document which refers to key community law requirements:

["Guidance document – Key questions related to import requirements and the new rules on food hygiene and official food controls."](#)

III. Market Structure

Consolidation, competition, and market saturation are key characteristics of the Slovak retail food market. The top four retailers account for around 81 percent of the total food retail sales value. Their shares of the market are comparable (around 20 percent) and they compete in the ranking of the largest retailers, depending on different criteria. Whereas Tesco was on the top of the list in terms of the sales volume in 2020, Lidl is the clear winner in 2020 when it comes to both return on investment (ROI) and profitability. Coop Jednota, the only large domestic retail chain consisting of up to 26 separate consumer cooperatives, is the largest employer with 13,500 employees and 2,200 outlets.

In the past, smaller retail outlets were typical for downtown areas in cities and rural areas, whereas hypermarkets and supermarkets were located out of town. Although consumers still do their weekly shopping in large grocery retail outlets and are willing to travel long distances, they are currently discovering the advantage of making a couple of shorter trips to a local convenience store. With the growing preference for convenience, major retailers decided to move closer to their customers and opened their stores in city centers or residential areas.

The internet shopping boom in all food categories has been further elevated by restrictions put in place to control the spread of the COVID-19 pandemic. As a result, most major food retailers launched or expanded their e-commerce platforms in 2020. The primary method of payment in Slovakia remains cash. Cash payments account for 60 percent of all payments, however, the number of credit card payments is growing. One limitation is the number of establishments accepting credit cards or mobile

payments. Although still very low compared to other countries in Western Europe, the use of smartphones for payments is growing, particularly as the result of the recent e-commerce boom.

Table 2: Top Food Retailers in Slovakia

Brand	Group	No. of Stores	Sales 2020 (USD billions)	Share of Market %	Profit 2020 (USD millions)	Return on Investment (%) 2020
Tesco	Tesco	154	1.59	22%	88.61	5.08
Lidl	Schwarz Gruppe	144	1.51	21%	137.20	8.24
Coop	Coop	2,200	1.47	20%	16.34	0.94
Kaufland	Schwarz Gruppe	67	1.32	18%	64.24	4.43
Billa	REWE	150	0.8	11%	2.88	0.36
Others			0.5	8%		
			7.19	100%		

Source: FAS Prague

IV. Best Product Prospects

Table 3: U.S. Exports to Slovakia – Prospects for U.S. Exporters

Product Category	U.S. Exports to Slovakia in 2020 (USD)	Market Attractiveness for U.S. Exporters
Beverages & Spirits (HS Code 22)	2,317,316	Consumption of U.S. wines and spirits is on the rise amongst Slovak consumers. The U.S. is a mainstay in the bourbon market, and as the popularity of New World wines expands, the share of U.S. wines is growing as well. U.S. exports have increased by more than 40 percent since 2019.
Dried Fruits & Tree Nuts (HS Code 08)	655,683	Almonds are the most important commodity within this category. This category decreased by 38 percent between 2020 and 2019.
Miscellaneous Edible Preparations (HS Code 21)	568,653	The year-by-year increase in this category is 51 percent.
Products of Animal Origin (HS Code 05)	289,939	The U.S. export value in this category increased by more than 300 percent compared to the previous year.

Source: FAS Prague

The main competitors for U.S. suppliers include domestic producers and producers in other EU member states. Overall, Slovakia is a net importer of all major categories of food products. There are market opportunities for U.S. products such as distilled spirits, tree nuts, fruit juices, fish and seafood products, wine, cereals and snack foods, and high-quality beef.

V. Key Contacts and Further Information

If you have questions or comments regarding this report, or need assistance exporting to the Czech Republic, please contact the Foreign Agricultural Service in Prague.

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Attachments:

No Attachments.