



Agri-Food Past, Present & Future Report

Slovakia

January 2006



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Overview

After the end of communist rule in 1989, Slovakia and the approximately 5.4 million residents that comprise the small country held democratic elections and officially became independent on January 1st, 1993. Located in the heart of central Europe, Slovakia has transformed into a westernized, business friendly market exhibiting strong economic growth. With access to neighbouring Czech Republic, Hungarian, and Poland markets, Slovakia is a promising agri-food export market destination.

During a country wide referendum, an overwhelming 93% of Slovakian voters approved of Slovakia joining the European Union. Slovakia is also a member of the OECD, WTO, United Nations Security Council, and NATO. Slovakia is experiencing some of the strongest economic growth in Europe as a result of privatization initiatives, tax reform and investment incentives.

Canada - Slovakia Relations

Canada and Slovakia have enjoyed excellent bilateral relations, linked together by treaties and agreements dating back almost 80 years. Canada's support of dissidents through Slovakia's communist period strengthened Canadian and Slovakian ties. Canada has also helped Slovakia develop by contributing funds for technical improvement programs and is currently helping Slovakia work towards developing its capacity as a net donor of foreign aid. The two countries have recently solidified agreements regarding double taxation, social security and investment protection.

Canada-Slovakia Bilateral Trade (2005)	
Slovakia Total Trade	US\$66.9 billion
Exports	US\$32.4 billion
Imports	US\$34.5 billion
Trade balance	(US\$2.1 billion)
Canada- Slovakia Trade	\$142.4 million
Exports	\$20.4 million
Imports	\$122.0 million
Trade balance	(\$101.6 million)
Canada- Slovakia Ag Trade	\$4.3 million
Exports	\$3.2 million
Imports	\$1.1million
Trade balance	\$2.1 million

- Top Canadian exports to Slovakia are specialty crops, seeds, medicaments, pet food, cattle semen and embryos, prefabricated homes, building materials, and construction and engineering services.
- Top Canadian imports from Slovakia include passenger cars, steel products, chemicals, machinery and electronics.

- Top opportunities for Canadian exporters include environmental technologies, agri-food products, aerospace, IT, and telecommunications.

Agricultural Trade

As a result of Slovakia's relatively small size and even smaller land base useable for agriculture, Slovakia is a net importer of agri-food products. Most agri-food imports entering Slovakia come through the EU, including foreign non European goods transshipped through European access points.

Canada's Top 5 Agricultural Exports to Slovakia (2005)	
Dog or cat food	\$1.3 million
Food preparations	\$819,000
Swine Cuts, frozen	\$432,000
Lentil seeds, for sewing	\$179,000
Bovine semen, dairy animals	\$160,000

Complete statistical summary available:

www.ats.agr.gc.ca/stats/slovakia_e.pdf

- Total Canadian/Slovakian agri-food trade was valued at approximately \$4.3 million in 2005. This accounts for approximately 3% of total bilateral trade between the two countries.
- 2005 bulk exports to Slovakia were over \$145,000, falling almost 9% short of 2004 shipments which totalled almost \$160,000. Intermediate exports declined by 42.8% in 2005 to just over \$513,000 a result of significant decreases in all product areas. Exports of consumer oriented products in 2005 totalled over \$2.5 million, a significant increase of almost 42% over 2004, driven by increases in shipments of meats, prepared fodder and beverages, spirits and vinegar.
- 2005's top agri-food exports to Slovakia are dog or cat food and food preparations, accounting for 39% and 26% respectively of Canadian agri-food exports to Slovakia.
- Lentils and swine cuts have significantly increased their share of exports from Canada to Slovakia in recent years.
- Animal feed preparations and dried and shelled beans have also been important and significant imports to Slovakia from Canada.
- Canada's greatest agri-food export opportunities are feed nutrition ingredients in addition to value added input products such as seeds. Livestock genetic material demand in Slovakia is also strengthening.
- 2005's top Canadian imports from Slovakia include malt beer, and chocolate and chocolate food preparations, accounting for 56% and 15% respectively of Canadian agri-food imports from Slovakia.

Economy

Driven by its quickly expanding automobile manufacturing sector, Slovakia is experiencing one of the best economic growths in Europe, and has made great

strides in short periods of time. Much of its privatization process is nearly complete, with most state owned utilities being either sold or in the process of being privatized. An improved business environment has resulted in a sharp increase in foreign direct investment.

With intentions to adopt the Euro as the national currency by 2010, the Slovakian government is now focusing on fiscal restraint to bring the economy inline with the necessary strict economic criteria of the Maastricht Treaty. Slovakia is also engaging in a reform program for taxes, pensions, education, social services, and healthcare, which has the potential to speed up growth and gain control over their staggering unemployment problem.

Gross Domestic Product (2005)	
GDP	US\$53.0 billion
GDP growth	(2005) 5.3% (2006e) 5.6%
GDP/ capita	US\$9,660
GDP/ capita (PPP)	US\$15,700

Current

- Overall GDP growth was approximately 5.3% in 2005. Growth was still strong although this is a slight drop over 2004 levels.
- Inflation dropped significantly in 2005 to 2.9% from 7.5% in 2004.
- Unemployment rose slightly to 15% in 2005.

Forecast:

- GDP is expected to grow at 5.6%, slightly faster than 2005, due to increasing automotive output.
- Inflation is expected to rise slightly to 3.8% in 2006 due to increasing utility costs, but fall again in 2007 to around 2.7%.
- Unemployment is expected to rise by approximately 1% a year in the short term.
- Higher imports and weaker external demand are expected to further increase government deficit from the 6.5% of GDP that it was estimated to be in 2005.

Consumer Market

Closing the gap with Western European countries, the Slovakian retail market is evolving to meet the needs of a population with an increasing need for convenience and a greater emphasis on health. Agri-food exporters should note that consumer budgets have become tighter recently due to increasing energy, rent, and insurance costs, in addition to increased prices of other consumer goods. These recent fluctuations have resulted in a slight reduction in the growth rate of food purchases.

For the most part, Slovaks are conservative by nature, which shows when it comes to their apprehensive feelings regarding biotechnology in the food industry. Slovaks are also known for their preference of domestic products, even if an imported product has a price advantage.

- The traditional Slovakian cuisine is heavy, and is based mostly on meat and vegetables. French, Italian, Chinese and other foreign cuisine is increasingly available in major city centers.
- Restaurants serving local foods are generally inexpensively priced, however restaurants specializing in foreign dishes are often more expensive to account for the higher cost of the imported food.
- Wine is becoming increasingly popular, with wine expenditures nearly doubling in the past 5 years.
- Consumers look for reliability, credibility and the latest technology when it comes to purchasing goods.
- Slovaks are progressive when it comes to electronic commerce which has been catching on quickly in recent years.
- Slovaks feel biotechnology is useful in some industries but are uncomfortable with the idea of biotechnology in food. Many stores now refuse to stock food products originating from genetically modified organisms in response to these attitudes.
- Bratislava is the largest metropolitan centre in Slovakia, making it a key retail market with a population that is more willing to adopt new products.
- Price is a key factor when it comes to consumer goods, as Slovakia has one of the lowest incomes per capita in the European Union.
- Slovaks are starting to become aware of quality attributed to imports as more brands appear and new products are launched in the market place.
- Purchasing agri-food products through the internet is becoming increasingly popular.
- Hypermarkets are becoming accepted as a quick one stop shopping alternative, hosting large product selections and quality products.

Competitors

Since its accession into the European Union, Slovakia has been shifting its focus, emphasizing trade relations with Western European countries. Although the Slovakian government has generally been pushing for further integration to the west including North America, Canadian exporters now have increased competition from EU exporters who can take advantage of non-existent tariffs and lower transportation costs. Finding under serviced niche markets will be a key factor in being able to get a competitive foothold in the Slovakian market.

- Slovakia's principal import sources and Canada's top competition are Germany (29.6%), Czech Republic (17.1%), Russia (9.5%), Austria (7.1%), and Italy (5.4%).
- Approximately 50% of products imported into Slovakia originate from the EU.

Access Issues

In an attempt to ease the challenges of Slovakian market access issues, Canadian exporters are encouraged to use a carefully selected and reputable local representative, distributor, or agent in Slovakia. The commercial section of the Canadian Embassy in Slovakia is equipped to help identify suitable representatives, distributors and joint venture partners. It is also suggested that a potential exporter should visit Slovakia to get an understanding of what the market is like and what consumers are looking for.

Canadian exporters are encouraged to register with the Virtual Trade Commissioner Service (www.infoexport.gc.ca/ie-en/MarketReportsAndServices.jsp), to gain easy access to Canada's embassy's and posts abroad. Canadian exporters are also encouraged to use the services of Export Development Canada (EDC) and the Department of Foreign Affairs, both of which offer trade information and financial and risk management services to Canadian exporters.

- With EU accession, Slovakian import duties will be falling in line with EU policies and standards.
- Testing is compulsory for food items, which also must be accompanied by a certificate indicating conformity with the established Slovakian regulations.
- Certificates issued abroad are often accepted, although it is wise to double check with the Slovak Office of Standards, Metrology and Testing (OSMT). www.normoff.gov.sk/unms_uk/
- Products must be labelled with the CE mark (European standards). Labels must be in the Slovak language to be sold in Slovakia.
- Imported goods are subject to customs inspection, duties, taxes and import charges, all of which are collected by the Customs Offices.
- Hiring a lawyer licensed in Slovakia before signing binding documents is essential to ensure a level playing field.
- It takes time before excellent business relationships and friendships are formed as Slovaks often come across as indifferent in the beginning. Personal relations account for a great deal with Slovaks, who expect prompt replies to inquiries.

Business Travel Tips

- Business visitors should be aware of sensitivities of Slovaks and are encouraged to do in depth research before attempting business relations.
- Although the official language is Slovak, many business people know some English.
- Be prompt to business meetings, running late without an acceptable excuse is generally considered rude and disrespectful.
- Canadian citizens do not require visas to enter Slovakia for a short term visit.
- Visitors should have the appropriate medical insurance when visiting Slovakia.

Agriculture Sector & Policies

As a result of Slovakia's accession into the EU, the Slovakian agri-food sector will be undergoing several changes. Despite dynamic growth, the food industry in the recent past, the agri-food industry will slow during the next decade due to sugar and dairy production quotas imposed by the EU. Modernization is a key issue in the Slovakian agricultural sector. The meat processing industry has also been hit hard as many of Slovakia's slaughter and packing plants were not able to meet strict EU hygienic standards and have been closed down. Finally, Slovakian farmers were hit hard in 2003 with poor weather conditions, economically impacting the majority of farmers that year.

Despite these events, Slovakia's food-processing sector is concentrating quickly due to massive foreign investment. Food prices are climbing steadily along with overall consumption, possibly making up for some of the agri-food industry's recent set backs.

- Agriculture accounts for approximately 3.8% of Slovakia's GDP, and employs almost 6% of the workforce.
- Primary agricultural commodities produced in Slovakia include grains, potatoes, sugar beets, hops, fruit, pigs, cattle, poultry, and forest products.
- Slovakia's land base is divided into arable land (30.16%), permanent crops (2.62%) and other (67.22%).

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