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Norway

Retail Food Sector

Report

2003

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Report Highlights:

The restructuring of the Norwegian retail food sector continues as pan-Nordic mergers and cooperative agreements seek to achieve greater efficiencies and economics of scale. Meanwhile, other European retailers from countries outside of the Nordic region are building up their presence in Norway. The latest step is French retail giant Carrefour's franchise partnership with Norway's leading food retailer, Norgesgruppen.

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Table of Contents

Section I. Market Summary	3
Advantages/Challenges.....	4
Section II. Road map for market entry.	4
A. Grocery Stores (supermarkets, small supermarkets and discount stores).....	4
Entry Strategy	4
Market Structure	5
Distribution systems - consumer-ready food products.....	5
Norwegian grocery retail chains and market shares.....	6
B. Gas marts and convenience kiosks	7
Entry Strategy.....	7
Company profiles	8
GAS Marts.....	8
Kiosks (convenience stores)	9
Section III. Competition	9
Market trends	9
Section IV. Best product prospects	10
Section V. Further information and post contact	10

Section I. Market Summary

- ? Total grocery retail market turnover in Norway in 2002 reached Norwegian Kroner 108 billion (US\$ 14.4 billion).
- ? Sales growth in 2002 was 5.3 percent compared with 5.6 percent in 2001.
- ? Total imports of agricultural products by Norway in 2002 reached US\$ 2.6 billion, of which about 50 percent were consumer-oriented high-value products.
- ? The U.S. share of Norway's agricultural imports in 2002 amounted to US\$ 134 million, about 5.2 percent of Norway's total agricultural imports.
- ? 81 percent of retail food products are sold by the grocery retail chains, 16 percent by gas stations and kiosks and 3 percent by speciality stores.
- ? In 2002, Norway had 4,409 grocery stores and 3,500 gas stations and kiosks selling grocery products.
- ? Four retail chains control 99.3 percent of the retail stores and also dominate grocery sales to gas stations and kiosks.
- ? 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.
- ? All four retail chains are involved in the grocery trade in other Nordic countries and have established relationships with other Nordic chains through mergers or cooperative agreements to strengthen their competitiveness.
- ? On October 7, 2003, French retailer Carrefour announced a franchise partnership with Norway's major retailer, Norgesgruppen. The deal brings Carrefour into Scandinavia for the first time.
- ? Norwegian retailers are announcing ambitious discount store opening plans to compete with the German discounter Lidl's planned entry into the Norwegian market in 2004. About 50 percent of all grocery stores in Norway are discount stores.
- ? The private label market in Norway accounts for about 11 percent of the total grocery market.
- ? Swedish-Norwegian cross border trade reached a new high and is estimated at approximately SEK 10 billion (US\$ 1.3 billion) per year.

Advantages/Challenges

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.	Norwegians 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 enhances sales opportunities.	Lack of promotion and marketing activities in Norway by U.S. suppliers is handicapping potential sales.
The United States is associated with new-to-market products.	Strong competition from European suppliers, who benefit from preferential customs duties.
Mergers of the Nordic chains should bring higher sales volumes to U.S. suppliers that are established in this market.	European discount stores will enter the Norwegian market with private brands. (LIDL)
Products that previously enjoyed access to only one of the Nordic markets, or had only small market share, could potentially increase market exposure throughout all Nordic countries via the new region-wide chain agreements.	Norway remains a highly protected market, through tariff and non-tariff barriers, for products which can be produced in Norway.

Section II. Road map for market entry.**A. Grocery Stores (supermarkets, small supermarkets and discount stores)****Entry Strategy**

The Norwegian retail market is totally dominated by four retail chains (Norgesgruppen A/S, Hakon-Gruppen A/S, COOP and Rema 1000 Norge) which control 99.3 percent of the market. All these chains either own or are owned by 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 want imported products delivered to their stores with the same convenience and reliability that domestic suppliers provide. New-to-market exporters need to find an importer, wholesaler or agent to assist them with product clearances. Also, they must be ready to provide extensive marketing support to their importers.

New-to-market exporters should:

- Conduct early market research to assess product potential and existing competition.

- Find an agent, importer, wholesaler or a domestic industry partner to assist with information on import duties, phytosanitary regulations, labeling requirements and competition.
- A personal visit is not only advisable, but necessary, to build relationships with potential customers.
- Discuss market strategies and delivery capacity with the importer. Reliability of supply is crucial in this market.

Market Structure

Since 1999, when the Norwegian retail group, Hakon-Gruppen A/S merged with Sweden's ICA, and subsequently with the Netherlands' Ahold, the other major retail groups have followed suit. COOP Norge, the consumer-owned cooperative retail chain has merged with its counterparts in Sweden (KF) and Denmark (FDB) to form COOP Norden. The leading Norwegian retail group, Norgesgruppen A/S, is cooperating with Axfood of Sweden and Dagrofa of Denmark, and recently signed a franchising contract with French retail giant Carrefour. As part of the deal, Norgesgruppen will operate stores under Carrefour's banners while Carrefour will supply groceries to the Norwegian retailer. The Norwegian retailers are seeking to minimize their costs by coordinating central purchasing and taking advantage of the economies of scale. Also, the retailers are aggressively promoting the development of private label product lines.

Compared to the other Nordic countries, the discount sector has a very high presence in Norway and accounts for approximately fifty percent of the food retail market, mostly due to high domestic food prices. Growth figures in the discount sector are showing no sign of leveling off and this, of course, has stirred interest among foreign players to enter domestically dominated Nordic food retail market. The German discount chain Lidl, already established in Sweden and Finland, is expected to open its first stores in Norway in 2004, delayed from the original opening schedule of summer 2003. However, it is expected that Lidl will have difficulties expanding as rapidly as in the EU countries, as Norway is still a very protected market with high import tariffs and restrictions to protect locally produced products. So far, Lidl has not been able to secure Norwegian suppliers who are willing to produce food products for its private label product lines, which account for approximately 85%. The Norwegian retailers are responding to the need to compete with Lidl by opening new discount stores. For example, in June 2003, Norgesgruppen strengthened its position by buying the Kiwi chain with 300 discount stores. Lidl is projected to capture about five percent of the Norwegian retail market within the next five years.

The Swedish-Norwegian cross border trade is increasing and is estimated at approximately SEK 10 billion (US\$ 1.3 billion) per year. Norwegians are increasing their purchases of much cheaper Swedish food products at the supermarkets on the Swedish side of the Norway-Sweden border. The situation has also affected Norwegian players in the food retail sector, and Norwegian retailers are now opening up their own operations on Swedish territory. For example, Norwegian retailer Rema 1000 is opening an outlet in Northern Sweden.

Distribution systems - consumer-ready food products

In 2002, Norway had 4,409 grocery stores with a turnover of NOK 108 billion (US\$ 14.4 billion). Generally, grocery stores account for 81 percent of retail food sales including fresh, frozen, and canned goods as well as non-alcoholic beverages and non-food items. Specialty stores such as bakeries, meat and candy shops account for the remaining 19 percent. In 2002, about 45 percent of Norwegian food distribution to retailers was handled by the following four large wholesale enterprises:

Company	Address	Phone/Fax
Joh. Johannson	Nedre Kalbakkvei 22 P.O.Box 130 Sentrum N-0102 Oslo Norway	Phone: (47) 22 16 90 00 Fax: (47) 22 16 90 10
COOP	Østre Aker vei 264 P.O.Box 21 Haugenstua N-0915 Oslo Norway	Phone: (47) 22 89 95 95 Fax: (47) 22 89 97 45
Hakon Distribusjon A/S	Solheimveien 3 P.O.Box 37 1471 Skårer Norway	Phone: (47) 67 97 35 00 Fax: (47) 67 90 67 97
Rema 1000 Sofiemyr	Sønsterudveien 32 1412 Oppegård Norway	Phone: (47) 66 80 02 28 Fax: (47) 66 80 02 17

Norwegian grocery retail chains and market shares

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, and marketing is done individually by the different smaller chains it supplies. Norgesgruppen's cooperation with Carrefour will include joint purchasing of branded products, development of private labels, logistics and food safety. Supermarkets, small supermarkets and discount stores make up about one third each of the total number of stores. Listed below are market shares and number of stores at the beginning of 2003.

Chain	Phone and fax	Number of stores	Market shares in percent
Norgesgruppen AS Parkveien 61 P.O.Box 2775 Solli N-1007 Oslo	Phone: (47) 24 11 31 00 Fax: (47) 24 11 31 01	1,913	34.5
Hakon-Gruppen A/S Sinsenveien 47C P.O.Box 6500 Rodeløkka N-0501 Oslo	Phone: (47) 23 05 50 00 Fax: (47) 23 05 50 01	1,110	23.9
Coop Østre Aker vei 264 P.O.Box 21 Haugenstua N-0915 Oslo	Phone: (47) 22 89 95 95 Fax : (47) 22 89 97 45	980	24.3
Rema 1000 Norge AS Grenseveien 88 P.O.Box 6428 Etterstad N-0605 Oslo	Phone: (47) 24 09 85 00 Fax : (47) 24 09 85 49	359	16.7
Others		47	0.6
Total		4,409	100.0

B. Gas marts and convenience kiosks

Entry Strategy

New-to-market exporters 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.

Advice to new-to-market exporters:

- Meet with the major grocery retailers which are the major suppliers in this sector.

- Calculate what your price would be in this market, including freight, duties and logistics.
- Have a clear idea of competition in your product category.

Company profiles

Gas marts make up 56 percent and kiosks 44 percent of a combined US\$ 2.1 billion turnover of grocery products at these two types of outlets. However, turnover in gas marts and kiosks has stagnated in the past two years as grocery stores have extended their evening and weekend opening hours.

GAS Marts

Gas chains	Phone and fax	Number of outlets	Market share in percent
Statoil Detaljhandel AS Sörkedalsveien 8 P.O.Box 1176 Sentrum N-0107 Oslo (1)	Phone: (47) 22 96 20 00 Fax: (47) 22 96 29 70	450	26.9
Norske Shell P.O.Box 1154 Sentrum N-0107 Oslo (2)	Phone: (47) 22 66 50 00 Fax: (47) 22 66 51 97	578	31.9
Esso Norge AS Drammensveien 149 P.O.Box 350 Skøyen N-0212 Oslo (2)	Phone: (47) 22 66 30 30 Fax: (47) 22 66 34 55	351	23.3
Hydro Texaco AS Drammensveien 134 N-0212 Oslo (2)	Phone: (47) 22 12 40 00 Fax: (47) 22 12 40 60	330	17.9

(1) Main supplier ICA

(2) Main supplier Norgesgruppen

Kiosks (convenience stores)

Kiosk chains	Phone and fax	Number of stores	Market share in percent
Mix Butikkene BA Haavard Martinsensvei 34 N-0978 Oslo	Phone: (47) 22 79 08 00 Fax: (47) 22 79 08 01	950	38.8
Narvesen Norge Bertrand Narvesensvei2 P.O.Box 6125 Etterstad N-0978 Oslo	Phone: (47) 22 57 30 10 Fax: (47) 22 57 17 58	435	30.8
Gyda Butikkene BA P.O.Box 153 Kjelsås N-0411 Oslo	Phone: (47) 22 02 64 60 Fax: (47) 22 02 64 70	320	10.0
Butikkringen Östlandet P.O.Box 126 Ökern N-0519 Oslo	Phone: (47) 22 64 68 98 Fax: (47) 22 65 37 51	195	10.6
Small Shops Norge Vitaminveien 11A P.O.Box 11 Grefsen N-0409 Oslo	Phone: (47) 23 39 57 11 Fax : (47) 22 71 19 70	65	9.8

Section III. Competition**Market trends**

When fish is excluded, Norway is a net importer of agricultural products. In 2002, imports totaled \$2.59 billion and exports roughly \$709 million. About half of Norway's imports of agricultural products consist of consumer-oriented high-value products. Most of these come from the horticultural and tropical products group. Major imports are fresh fruits (oranges, bananas, apples and grapes), dry edible nuts, fruit and vegetable juices, fresh vegetables, snacks, chocolate and chocolate products, wines, pet food, live plants, cut flowers and foliage.

The U.S. share of Norway's agricultural trade in CY 2002 stood at 5.2 percent (US\$ 134 million) of Norway's imports. The bulk of U.S. exports to Norway consisted of wheat, leaf tobacco, processed fruit and vegetables, fresh fruits, nuts, wine and beer.

Section IV. Best product prospects

The best prospects in the retail food sector in Norway are products not produced in the country or those containing ingredients not produced in the country. High tariffs and significant documentation and controls present obstacles to competition with domestic products.

A. The best market prospects in Norway include rice, tropical fruits-- both fresh and canned -- fresh vegetables, and a full range of consumer-oriented high-value products such as snack foods, processed fruit and vegetables, fruit and vegetable juices, tree nuts, pet foods, wine and beer. The U.S. market share is largest in the dried fruit and nut sector, where the U.S. has captured about 70 percent of imports. Raisins and prunes dominate dried fruit imports from the U.S. and almonds, peanuts and walnuts dominate the nut imports. Sales of U.S. rice have also been strong, with an achieved market share of about 10.5 percent. In the category of processed vegetables, U.S. canned corn is the most popular, with a market share of more than 60 percent.

B. Too little attention has been paid to the Norwegian fresh fruit and vegetable market in the past few years. The U.S. has lost market share, primarily due to insufficient marketing and lack of market presence. Shipping terms and the lack of personal contact between U.S. exporters and their Norwegian customers are principal reasons given by Norwegian importers as to why U.S. export business in this category has declined.

C. A number of products face high tariff barriers in the Norwegian market. This is particularly true of products containing meat, fruits, vegetables and dairy products that compete directly with domestically produced Norwegian products. In addition, Norway has a ban on hormone-treated meat and Norwegian regulations and attitudes concerning bio-engineered products and product ingredients are prohibitive. Should the market open, Norway will require import approval by the authorities noted below as well as labeling of such products.

Section V. Further information and post contact

Important contact information

Norwegian Food Control Authority (SNT)
Ullevålsveien 76
P.O.Box 8187 Dep.
N-0034 Oslo
Norway
Phone: (47) 23 21 70 00
Fax : (47) 22 21 70 01

The above state agency is in charge of 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-owned 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 on quotas agreed under Norway's WTO commitment. In dealing with this agency, a local Norwegian agent or an importer would be the best means of contact.

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: asle.johansen@usda.gov
or agoslo@usda.gov

For more information on exporting U.S. agricultural products to other countries in the Nordic/Baltic region, please visit the FAS/Stockholm regional headquarters office at www.usemb.se/Agriculture