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Exporter Guide

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Report Highlights:

Due to climatic reasons, Norway has a high import need for products which cannot be produced in the country. However, for products which can be produced domestically, Norway remains a highly protected market, through tariff and non-tariff barriers. Norway maintains strict policy concerning genetically modified organisms (GMO's), which keeps GMO containing products out of the market.

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SECTION I: Market Overview

? Norway continues to be a highly protected market for agricultural products. Major restrictions to imports of beef, pork and poultry meat, wheat, barley, oats, vegetables, fruits and dairy-- i.e. those products produced locally-- exist in the form of variable import levies, tariff rate quotas and sanitary/phytosanitary barriers. Norway continues to ban meat from hormone-treated animals and U.S. poultry is also precluded from entering this market due to Norway's sanitary regulations. Additionally, U.S. genetically modified soybeans, corn and processed products which contain ingredients made from genetically engineered organisms face nearly impossible odds of approval. Norway provides preferential tariffs and special quotas to EU countries through the European Economic Area (EEA).

? Although Norway is only 50 percent self-sufficient in agricultural production, it has built up systems which protect domestic producers (farmers and industry) from competition until domestic production is used. The domestic market is highly protected by high tariffs and regulations against competition, such as the meat hormone ban, Norway's law on genetically modified organisms, and restrictions regarding GMO labeling.

? In addition, Norway as a member of the EEA is required to adopt most EU regulations. As of January 1, 1999, Norway adopted EU regulations regarding the veterinary control of animals and animal products. This means that meat products entering the country must come from an EU approved plant. Transshipments through Norway are also affected by these regulations.

? Food and non-alcoholic beverages account for only 11.4 percent of total household expenditure, and that percentage has been steadily decreasing for several years.

? The overall grocery retail food market in Norway amounts to NOK 160 billion (US\$ 20 billion) and can be divided in three categories:

1. Retail stores accounting for 66 percent of the market.
2. Hotel, Restaurant and Institutional (HRI) sales accounting for 22 percent of the market.
3. Gas stations and service kiosks accounting for the last 12 percent of the market.

? Four retail chains control 99 percent of the retail stores and also dominate grocery sales to gas stations and kiosks as well as the HRI market. The Norwegian retail store capacity and infrastructure can serve as many as 7 to 8 million people, although the Norwegian population is only 4.5 million.

? The wine market in Norway is a retail monopoly market. The government has established 177 retail stores throughout Norway, and sales through ordinary retail stores are not allowed. The same is true for hard liquor. An approved importer/agent and distributor are necessary to enter this market.

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.	Norwegian 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 can enhance sales opportunities.	Strong competition from European suppliers.
The United States is associated with new-to-market products.	Seasonal tariffs and quotas should be studied before exporting to the market.
Mergers of the Nordic retail chains should bring higher sales volumes to U.S. suppliers that are established in this market.	Norway remains a highly protected market, through tariff and non-tariff barriers, for products which can be produced in Norway.

SECTION II: Exporter Business Tips

Local business customs and entry strategy for consumer oriented products.

The Norwegian consumer oriented food and beverage markets are totally dominated by four retail chains (Norgesgruppen A/S, Hakon-Gruppen A/S, COOP Norge, and Rema 1000 Norge) that not only control the retail market, but also the market for HRI as well as the service market and Fresh Fruits and Vegetables. All these chains are either owned by, or own 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 should locate an importer and a wholesaler or agent to assist them with product clearances and strategies depending on the product.

New-to-market exporters should:

- Conduct early market research to assess product potential.
- Find an agent, importer, wholesaler or a domestic industry partner to assist with information on import duties, phytosanitary regulations, labeling requirements and competition.
- To build relationships with potential customers, a personal visit is necessary.
- Market strategies and delivery capacity should be discussed with the importer.
- Reliability of supply is crucial in this market.

General consumer tastes and preferences

Although the Norwegian household on average spends only about 12 percent of its income on food, Norwegian consumers seem to have an interest in high-quality and new-to-the market products. This can be ethnic foods or beverages not produced in the country. However, in the last several years the attitude on food safety has been an extremely important issue in Norway. Even if properly labeled GM products theoretically could be

allowed in Norway, there is a resistance among Norwegian consumer organizations and retail groups.

General import and inspection procedures

Beginning January 1, 1999, Norway adopted the rules and regulations of the EU in addition to its own requirements related to the import of food products. The importer in Norway must be registered and must notify the authorities 24 hours (for animals 30 days) in advance of the arrival of any shipment. Should the shipment not be notified before arrival, the control authority can hold the shipment for up to 24 hours before releasing it. Imported animal products for food use must come from an EU approved plant and be accompanied by the necessary certificates. With the exception of fish products, shipments must enter through either Oslo harbor or Oslo airport. Twenty entrance locations exist for fish products.

The Norwegian Food Control Authority announced on October 30, 2002, an amendment to the Norwegian regulations on the labeling of foodstuffs. The new amendment came into force on February 1, 2003 and changed the requirement for:

1. Mandatory labeling of foodstuffs offered for sale without prepackaging (mainly fresh fruits and vegetables).
2. Labeling of genetically modified food.

The new regulations are mainly meant to harmonize Norwegian regulations with existing EU regulations. However, there are differences between the EU regulation on GM products and the new Norwegian regulation. Norway requires labeling of GM-foods and GM containing products if the GM content, of any ingredient in the final product, is more than 2%. This is a stricter standard than the one adopted by the EU, which require labeling only if more than 1% of the entire product is contains GMO. Since no GM food products have yet been approved for imports to Norway, the stricter standard in Norway creates barriers to U.S. exports.

SECTION III: Market Sector Structure and Trends

Retail Grocery Stores

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 all food and beverage sales, including fresh, frozen, and canned goods as well as non-alcoholic beverages and non-food items. 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 for domestic products, and the different smaller chains it supplies do their marketing individually. Supermarkets, small supermarkets and discount stores make up about one third each of the total number of stores. The other large groups are Hakon-Gruppen A/S, Coop Norge and Rema 1000 Norge A/S.

Gas marts and convenience kiosks

Gas marts and convenience kiosks have been an important player in the retail food market in Norway and in accounted for NOK 19 billion (US\$ 2.1 billion) in sales. Gas marts accounts for 56 percent and kiosks 44 percent of this market. There are about 1,800 gas marts and about 2,150 kiosks in Norway. Exporters to the Norwegian market 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.

Hotel, Restaurant and Institutional (HRI) market

This market accounts for as much as NOK 35 billion (US\$ 4.4 billion) a year in Norway, and is serving about 7,500 of canteens, caterers, restaurants and hotels as well as the tourist sector. The main player in this sector is the wholesaler Asko-Storhusholding with a market share of 62 percent and is owned by the largest retail group Norgesgruppen. Most of the imported products, both private label and other consumer oriented products are purchased through their Nordic organization, United Nordic, through their Norwegian import company UNIL A/L. It is important to note that this large company is a member of Global Food Safety Initiative (GFSI) and that the company is using BRC-standards (British Retail Consortium) for its private brands when importing. The HRI market is probably the market with the highest potential for exporters. The margins in this sector are higher, and quality is more of a focus than price.

Wine and Liquor market

In 2002, Norway sold about 58.9 million liters of alcoholic beverages through the state-owned monopoly, an increase of 9 percent from 2001. 88 percent of the wine and 86 percent of liquor sold in Norway are sold through the 177 monopoly stores. The remainder is sold through hotels and restaurants. The main suppliers are France, Spain, Italy and Chile. The ratio between red wine sales and white wine sales is about 3:1 in Norway. Norway is also trending toward more bulk wine sales and wine-in-a box. In 2003 the ratio of wines sales in bottles to wine-in-a boxes is expected to be 52:48. Imports from the U.S. are only about 1.5 percent of Norway's total wine imports, but we hope this will increase as the strong Norwegian currency has led to a very advantageous exchange rate since the beginning of 2002. Exporters to the Norwegian market should be aware that all wine and liquor imports have to be traded with approved importers, agents and distributors and that the overall duties and VAT are high: for liquor about 80 percent, wine about 65 percent and strong beer about 50 percent. The sale of wines accounts for about 80 percent of a total market valued at about NOK10 billion (US\$ 1.25 billion). This figure is not included in the overall agricultural products market of NOK 160 billion (US\$ 20 billion) in this report.

Norwegian Import market for Seafood

Norway's imports of fish and seafood amount to about US\$ 450 million per year. The majority of imports are for use by the fish farming industry for fish feed or the processing industry for export products. There is, nevertheless, a market for "specialty products" like scallops, mussels, oysters, and live and frozen squid, which amounts to about US\$ 3 million a year, mostly for the retail and HRI trade. Norway's imports of prepared fish, tuna, caviar, herring, sardines, anchovies and salmon, amount to about 10,000 tons annually for a value of approximately US\$ 50 million a year.

At present, 75 percent of consumer seafood products are distributed through retail stores and specialty stores, while the remainder goes to the hotel, restaurant and institution

market. The retailers, specialty stores and HRI market are supplied through direct distribution (52 percent) and through wholesalers (48 percent).

Food processing

The Norwegian food processing industry consists of less than 2,000 enterprises with a total turnover of about NOK 100 billion (US\$ 12.5 billion). The average number of employees in these companies is about 25 people, which means that their power in the market is very limited and vulnerable to competition from imported products. The total number of employees in this sector is about 50,000 people. About 15,000 people are employed in the fish processing and beverage industry. As domestic food production is so highly protected in Norway through quotas, tariffs and phytosanitary measures, farmer cooperative enterprises are dominating the market for milk products, meat products and domestic seasonal fruits and vegetable. However, Norway has several larger food processing companies that import grain, cereals, fruit and vegetables. Targeting these processors with products that cannot be produced in sufficient quantities domestically due to farmland availability or climatic conditions, stand the best chance of success.

Section IV. Best High-Value Products Prospects

- Processed Fruits & Vegetables
- Fruit & Vegetable Juices
- Fresh Fruits & Vegetables (seasonal)
- Tree Nuts
- Wine & Beer
- Snack Foods
- Pet Foods
- Rice
- Sauces & Seasoning
- Ethnic Foods
- Specialty seafood products

SECTION IV: Best High-Value Products Prospects

Norwegian Food Control Authority (SNT)

Ullevålsveien 76

P.O.Box 8187 Dep.

N-0034 Oslo

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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

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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 of quotas under the WTO agreement. In dealing with this agency, a local Norwegian agent or an importer would be the best means of contact.

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This association issues a monthly publication, in which proposals from foreign firms seeking agents/distributors in Norway are published.

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For general questions about exporting to Norway, please contact:

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TABLE A: Key Trade and demographic information

	2002
Agricultural Imports From All Countries (\$Mil)/U.S. Market Share (%)	3,365-/-5%
Consumer Food Imports From All Countries (\$Mil)/U.S. Market Share (%)	1,443-/-5%
Edible Fishery Imports From All Countries (\$Mil)/U.S. Market Share (%)	435-/-7%
Total Population (Millions)/Annual Growth Rate (%)	4.5 -/-0.44%
Urban Population (Millions)/Annual Growth Rate (%) (1995)	N/A -/- 1.3%
Number of Major Metropolitan Areas	0
Size of the Middle Class (Millions)/Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	42,532
Unemployment Rate (%)	3,9%
Per Capita Food Expenditures (U.S. Dollars)	2,288
Percent of Female Population Employed	84%
Average Exchange Rate US\$1 (2002)	8.00

TABLE B: Consumer Food and Edible Fishery Products

Norway Imports (In Millions of Dollars)	Imports from the World			Imports from the U.S.			U.S Market Share		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
CONSUMER-ORIENTED AG TOTAL	1,199	1,244	1,443	72	66	69	6	5	5
Snack Foods (Excl. Nuts)	154	162	183	1	2	1	1	1	1
Breakfast Cereals & Pancake Mix	25	27	32	2	2	2	8	7	7
Red Meats, Fresh/Chilled/Frozen	23	30	33	0	0	0	0	0	0
Red Meats, Prepared/Preserved	4	5	7	0	1	1	0	1	0
Poultry Meat	1	1	1	0	0	0	0	0	0
Dairy Products (Excl. Cheese)	10	9	10	1	1	1	0	0	0
Cheese	19	20	26	0	1	0	0	0	0
Eggs & Products	1	1	1	1	1	1	6	5	6
Fresh Fruit	181	198	237	3	3	3	2	1	1
Fresh Vegetables	97	109	126	1	1	1	1	1	1
Processed Fruit & Vegetables	101	100	110	21	19	21	21	19	19
Fruit & Vegetable Juices	42	37	42	12	13	13	27	35	32
Tree Nuts	17	16	17	8	6	8	46	40	45
Wine & Beer	130	132	145	4	4	3	3	3	2
Nursery Products & Cut Flowers	90	90	100	1	1	1	1	0	0
Pet Foods (Dog & Cat Food)	37	37	41	2	2	2	6	5	4
Other Consumer-Oriented Products	266	270	329	17	15	15	7	6	5
FISH & SEAFOOD PRODUCTS	434	473	435	29	38	29	7	8	7
Salmon	3	2	3	1	1	1	5	11	1
Surimi	5	7	8	1	1	2	14	16	21
Crustaceans	75	62	65	1	1	1	1	1	1
Groundfish & Flatfish	211	212	178	26	36	25	12	17	14
Molluscs	3	3	3	1	1	1	4	5	17
Other Fishery Products	136	187	178	1	1	1	1	1	1
AGRICULTURAL PRODUCTS TOTAL	1,784	1,846	2,123	113	117	126	6	6	6
AG, FISH & FORESTRY TOTAL	2,978	3,078	3,365	158	169	163	5	5	5

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

TABLE C: Top 15 Suppliers of consumer foods & edible fishery products.

Norway - Top 15 Suppliers

CONSUMER-ORIENTED AG. IMPORTS			
(\$1,000)	2000	2001	2002
Sweden	148,458	149,899	167,815
Netherlands	147,454	148,392	167,166
Denmark	134,869	134,060	154,670
Spain	115,108	117,628	151,142
Italy	69,078	81,441	100,229
France	78,964	87,167	100,194
Germany	70,005	72,187	89,762
United States	72,022	66,196	68,818
United Kingdom	50,523	53,566	61,214
Belgium	35,220	40,339	50,849
Costa Rica	9,261	11,101	24,388
Brazil	19,820	16,795	23,747
Colombia	18,346	20,443	22,191
South Africa	14,602	19,962	21,872
Switzerland	16,747	18,586	19,726
Other	198,892	205,772	218,754
World	1,199,439	1,243,624	1,442,604

FISH & SEAFOOD PRODUCTS IMPORTS			
(\$1,000)	2000	2001	2002
Russian Fed.	196,725	178,849	153,768
United Kingdom	69,941	84,774	72,563
Denmark	32,406	31,356	51,650
United States	28,603	38,485	28,864
Faroe Islands	14,978	30,614	26,488
Canada	22,786	23,139	21,006
Ireland	5,465	11,141	15,671
Sweden	12,066	16,087	15,660
Iceland	10,627	18,339	13,267
Thailand	3,262	5,125	4,896
France	2,316	2,883	3,611
Bangladesh	1,578	1,761	3,573
Lithuania	2,134	3,415	3,392
Greenland	4,043	5,171	3,358
China	4,993	3,782	2,358
Other	21,632	18,281	14,966
World	433,554	473,214	435,092

Source: United Nations Statistics Division