

Voluntary Report – Voluntary - Public Distribution

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Report Name: Milk and Dairy Products Report

Country: Bosnia and Herzegovina

Post: Sarajevo

Report Category: Product Brief, Dairy and Products

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Report Highlights:

Bosnia and Herzegovina's (BiH) 2022 dairy imports totaled \$123.3 million, with a trade deficit of \$61 million. The domestic dairy industry produces mainly high-volume, fast-turnover products like fluid milk, yogurt, and fresh/cottage cheese. BiH imports their most value-added milk products from the European Union (EU). Import opportunities exist for U.S. products such as cheese, butter and spreads, flavored milk drinks, and ice cream, nevertheless U.S. exporters may face competition from EU tariff-free products.

SECTION I. MARKET OVERVIEW

Bosnia and Herzegovina's population of 3.5 million consumes about 500,000 metric tons (MT) of milk and milk products annually. The value of fresh milk production is estimated at KM 300 million (BiH currency, Convertible Mark), or \$162 million, and involves approximately 13,000 farmers. The number of dairy cows is estimated at 250,000, with average milk yield of 2,500-3,000 liters/lactation, a low figure in comparison to the EU average of 7,500 liters. Dairy farms in BiH have been consolidating lately, with small farms closing and large farms expanding and modernizing. These actions have led to milk yields of over 6,000 liters per lactation in the larger farms.

Twenty large dairy plants collect and process 95 percent of the purchased milk. These dairy plants produce high-volume, fast-turnover, low-margin products like fluid milk, yogurt, and fresh/cottage cheese. A fewer number of dairies produce value-added products like aged cheese. Due to the current structure of its dairy industry, BiH primarily exports liquid milk and imports value-added products such as butter and cheese.

Cow milk dominates total milk production with a 96 percent share, while sheep milk's share is 3 percent, and goat milk's share is only 1 percent. The consolidation trend in the dairy sector has led to the closure of a substantial number of small farms due to their low profitability. At the same time, large farms are trying to expand and compensate for the difference in milk production but have been hit by rising input prices (feed and fuel). Therefore, the quantity of raw milk collected and processed in dairy plants decreased by 9.3 percent in 2022.

Table 1. Processing of Cow Milk (in MT)

Year	2018	2019	2020	2021	2022
Collected raw milk	263,261	260,704	274,570	278,345	252,425

Source: BiH Agency for Statistics

The dairy industry produces mainly packaged, shelf-stable milk and fermented drinks. Since 2018 the largest growth was recorded in production of cheese (15 percent), showing that the domestic dairy industry is oriented towards producing more value-added products. Still, BiH has remained a net importer of these products, and overall production declined by 5 percent in 2022.

Table 2. Production of Dairy Products by Category (in MT)

Product	2018	2019	2020	2021	2022
Drinking milk	137,591	150,625	163,216	144,869	130,086
Fermented products	53,787	57,677	49,851	51,770	53,644
Cream	22,577	22,594	21,393	22,492	22,951
Cheese	7,737	7,922	7,028	8,527	8,859
Butter	1,416	1,602	1,867	1,951	1,533
Total	223,108	240,420	243,355	229,609	217,073

Source: BiH Agency for Statistics and BiH Ministry of Foreign Trade and Economic Relations

Trade in Milk and Dairy Products

BiH exports shelf-stable milk and imports other value-added dairy products like cheese and butter. The country maintains a significant trade deficit that totaled \$61 million (KM 111 million) in 2022.

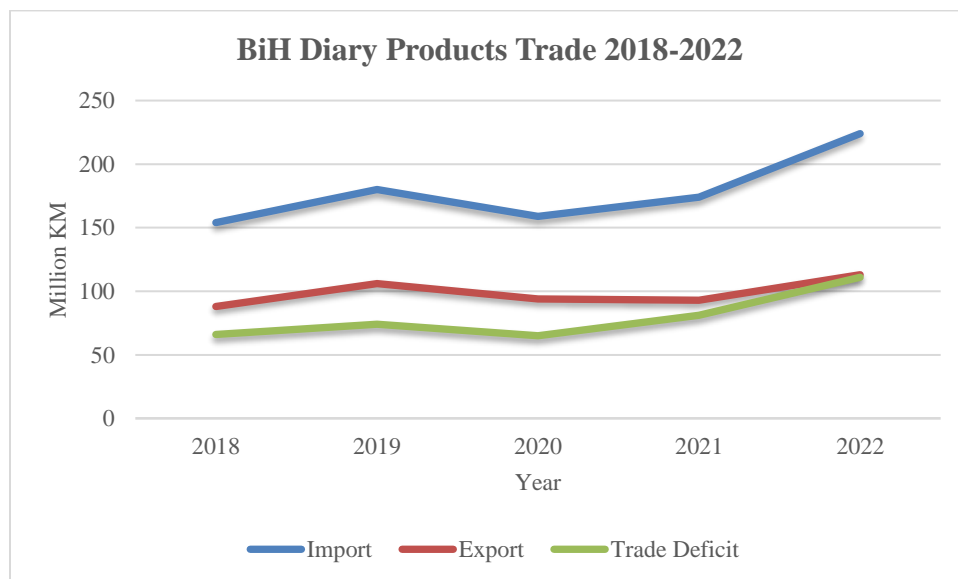
Table 3. BiH Trade in Milk and Dairy Products (in million KM)

Year	2018	2019	2020	2021	2022
Import	154	180	159	174	224
Export	88	106	94	93	113
Trade deficit	66	74	65	81	111

Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

While BiH's dairy trade grew by 18 percent since 2018 and reached KM 286 million (\$157.5 million) in 2019, 2020 trade volume decreased by over 11 percent due to coronavirus pandemic supply chain interruptions. Nevertheless, dairy trade partially recovered with a 6 percent increase in 2021 and a further 26 percent increase in 2022. The 2022 increase, however, was largely due to inflation and increased prices of dairy products.

Graph 1



Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

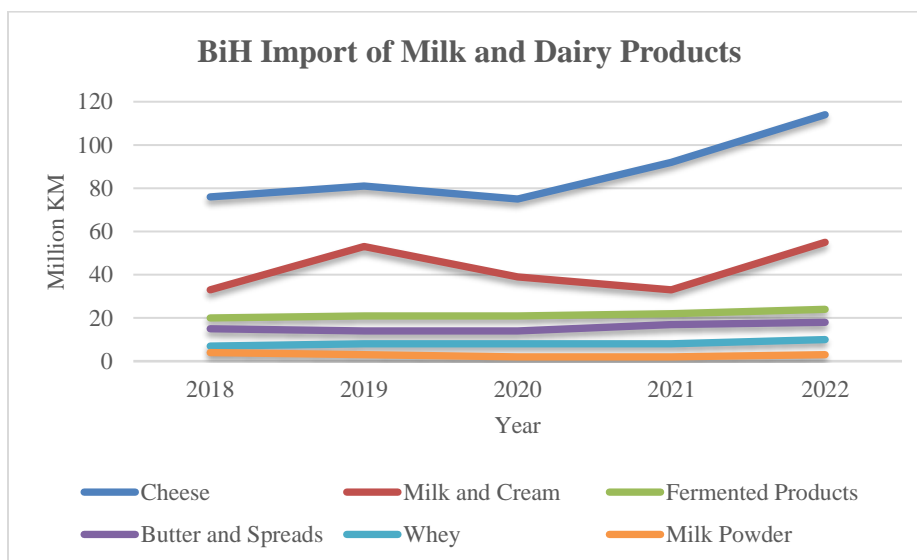
In 2022 BiH paid \$63 million for imported cheese (over 50 percent of the overall dairy import value), \$30 million for milk and cream, and \$13 million for imported fermented products.

Table 4. BiH Trade in Dairy Products by Category (in million KM)

Products	2018		2019		2020		2021		2022	
	Import	Export	Import	Export	Import	Export	Import	Export	Import	Export
Milk and Cream	32	59	53	63	39	70	33	63	55	71
Milk Powder	4	0	3	0	2	0	2	0	3	3
Fermented Products	20	22	21	34	21	14	22	16	24	23
Whey	7	0	8	0	8	0	8	0	10	0
Butter and Spreads	15	1	14	2	14	2	17	3	18	4
Cheese	76	6	81	7	75	8	92	11	114	12
Total	154	88	180	106	159	94	174	93	224	113

Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

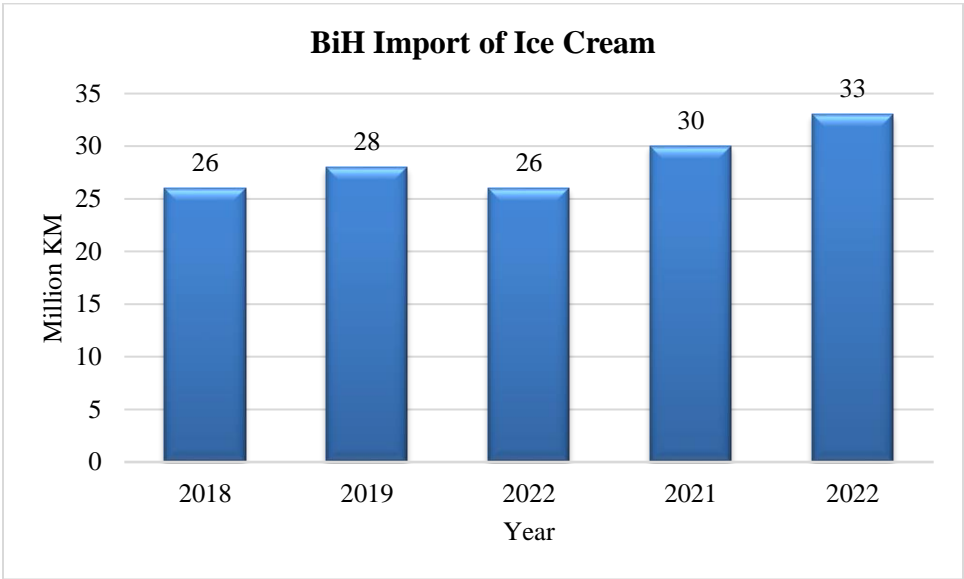
Since 2018, BiH's cheese imports grew by 50 percent, and butter, spreads and fermented products by 20 percent. Total dairy imports increase 29 percent and exports increase 21 percent in 2022 compared to 2021, but again, this increase was largely due to inflation and increased prices of dairy products. The price increase for food and beverage products in December 2022 was 23.2 percent, compared to December 2021.

Graph 2

Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

Imports of ice cream grew by 27 percent since 2018 reaching \$18 million (KM 33 million) in 2022, while exports of ice cream were insignificant.

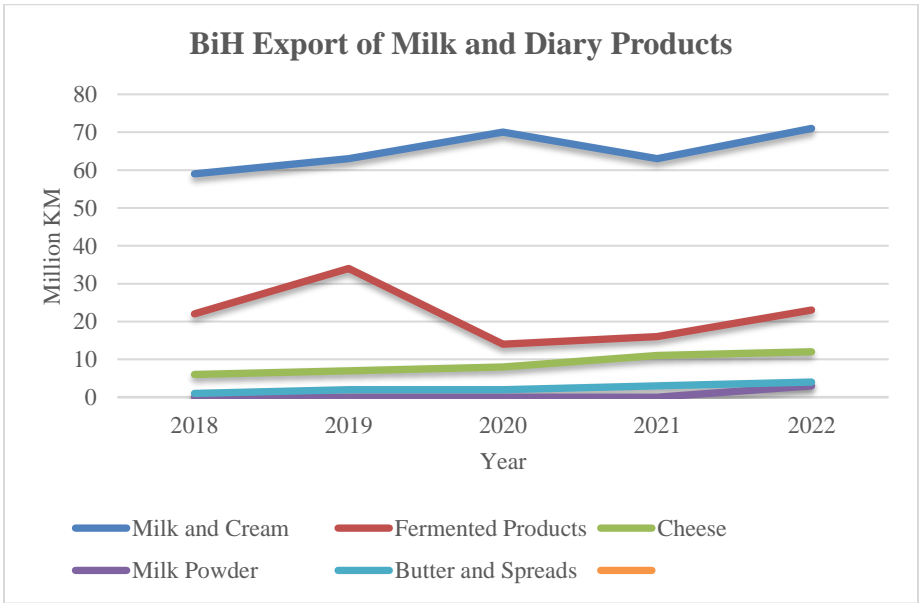
Graph 3



Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023

Milk and cream were leading export products in 2022, with 63 percent of total dairy exports, followed by fermented products with 20 percent, and cheese with 11 percent. From 2018-2022 exports of cheese grew by 50 percent, and milk and cream by 20 percent. In 2020 exports of fermented products decreased by 55 percent, from \$19 million (KM 34 million) to \$8 million (KM 14 million), but partially recovered in 2022 reaching \$13 million (KM 23 million).

Graph 4



Source: BiH Agency for Statistics; Currency note KM1.00 = \$1.815 as of 2/6/2023