



USAID | **KOSOVO**
FROM THE AMERICAN PEOPLE

KOSOVO NEW OPPORTUNITIES FOR AGRICULTURE PROGRAM

MARKET ANALYSIS: SPICE SAFFRON
(CROCUS SATIVUS) IN SLOVENIA



JANUARY 2014

This publication was produced for review by the United States Agency for International Development. It was prepared by Tetra Tech ARD.

Prepared by:

Metod Dolinšek

Prepared for the United States Agency for International Development, USAID Contract Number AID-EDH-I-00-05-00006, Task Order AID-167-TO-11-00001, under Rural and Agricultural Incomes with a Sustainable Environment Plus (RAISE PLUS) Indefinite Quantity Contract (IQC).

Implemented by:

Tetra Tech ARD

159 Bank Street, Suite 300

P.O. Box 1397

Burlington, VT 05401

KOSOVO NEW OPPORTUNITIES FOR AGRICULTURE PROGRAM

MARKET ANALYSIS: SPICE SAFFRON
(CROCUS SATIVUS) IN SLOVENIA

JANUARY 2014

DISCLAIMER

The authors' views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

TABLE OF CONTENTS

TABLE OF CONTENTS	I
ACRONYMS AND ABBREVIATIONS	III
1.0 INTRODUCTION AND DESCRIPTION OF ASSIGNMENT	1
2.0 INFORMATION AND DATA REGARDING SAFFRON IMPORTS TO SLOVENIA	2
3.0 MARKET ANALYSIS	4
3.1 SCOPE OF ANALYSIS, INFORMATION SOURCES, QUESTIONNAIRE	4
3.2 VALUE CHAIN – THE TRADERS (STORES AND DISTRIBUTERS)	4
3.3 VALUE CHAIN – THE KEY BUYERS (RESTAURANTS)	5
4.0 CONCLUSIONS AND RECOMMENDATIONS	6
ANNEX: LIST OF STORES AND DISTRIBUTORS SELLING SAFFRON IN SLOVENIA	9

ACRONYMS AND ABBREVIATIONS

g	Gram
EU	European Union
Kg	Kilogram
NOA	New Opportunities for Agriculture
STTA	Short-Term Technical Assistance
USD	U.S. Dollars
VAT	Value Added Tax

1.0 INTRODUCTION AND DESCRIPTION OF ASSIGNMENT

The goal of the Kosovo New Opportunities for Agriculture (NOA) Program is to increase economic growth in Kosovo through expanded, environmentally sustainable production and sales of value-added agricultural products by enabling producers and processors to compete regionally and globally.

The Program has the following components:

1. Products and farmers linked with markets;
2. Agriculture products diversified and increased;
3. Food quality and safety improved;
4. Increased affordable and accessible credits; and
5. Improved coordination with the agriculture sector.

The NOA Program aims to identify new export markets for Kosovo-produced saffron, at relatively better prices compared to market information gathered from large distributors in Switzerland and in the USA.

In order to increase the understanding of the regional market, especially in Slovenia, where import figures show higher import volumes compared to other countries in the region, the project team decided to engage an expert for short-term technical assistance (STTA) to implement market analysis in Slovenia and present results with conclusions and recommendations.

The NOA project team aimed to determine import figures (volume and prices), channels of distribution, and value chain structure, and expected to identify potential importers and set up direct meetings with main traders. Therefore, market research and identification of potential buyers constitute the overall aim of this assignment.

The main objectives of hiring a Saffron Market STTA in Slovenia were to:

- Obtain information on volumes of saffron imports, pricing, and channels of saffron trade in Slovenia; and
- Identify potential sales in new markets.

The assignment, the scope of consultancy, and the deliverables were defined in the consultant's contract and during communication with the NOA project team. The present report provides conclusions and recommendations based upon market analysis conducted so that the project can plan eventual future activities related to marketing of Kosovo saffron in Slovenia.

2.0 INFORMATION AND DATA REGARDING SAFFRON IMPORTS TO SLOVENIA

EUROSTAT places the spice saffron (made from *Crocus sativus*) in a large group of more than 30 aromatic, medicinal, and culinary plants for pharmaceutical purposes, perfume manufacture, or human consumption, listed in the Eurostat Handbook for Annual Crop Statistics under Aggregate code C1580. Culinary plants are distinguished from vegetables in that they are used in small amounts and provide flavor rather than substance to food. Among culinary plants can be found certain edible flowers, which are produced mostly for salads or other dishes.

In order to investigate the official quantities of the import volumes to Slovenia, the following information sources were investigated:

- EUROSTAT
- Statistical Office of Republic of Slovenia
- United Nations Commodity Trade Statistics Database.

The official statistics for the imports to Slovenia shows, over time, that imports are increasing in terms of value, though with a recent decline in 2012. In terms of quantities, the data is unreliable, as the imported individual volumes are small, and statistics only show volumes of over 1 kilogram (kg).

The official numbers, however, do not include the entire amount of imported saffron, as a significant proportion of restaurants purchase the saffron directly. This trade is not evidenced in the official statistics.

In 2010, Slovenia was listed as the 53rd country in regards to value of saffron imports. This is much higher than other comparative facts (i.e., population, purchase power, etc.). The value of official saffron imports during recent years is as follows:

Year	Import of saffron in USD
2005	12,120
2006	19,500
2007	13,447
2008	22,723
2009	28,955
2010	44,388
2011	61,312
2012	47,933 ¹

Source: United Nations Commodity Trade Statistics Database

¹ The figure for 2012 differs from different sources (in statistics gathered from the Statistical Office of Slovenia, this amount is 37,000 € - approx. 50,000 USD).

The main observation to be drawn from this information is that importing countries have changed a lot during the last few years, with new countries like India and China beginning to supply product. This indicates that long-term supply chains are not yet firmly developed. Official statistics show no imports from Kosovo.

3.0 MARKET ANALYSIS

3.1 SCOPE OF ANALYSIS, INFORMATION SOURCES, QUESTIONNAIRE

In order to understand the saffron market chain in Slovenia, the consultant designed and implemented a series of activities. The aim was to receive viable data from targeted sources. Two key groups of potential buyers for Kosovo saffron have been identified.

The first group (traders) consists of stores and distributors of spices and healthy/eco food stores, especially internet stores. This group was investigated in order to research import and distribution of saffron in Slovenia, as well as to obtain market prices for saffron.

A second group (key buyers) was identified, consisting of high-end restaurants in Slovenia providing exceptional culinary experiences. This group was investigated in order to understand the supply chain, confirm market prices, and research the potential for Kosovo saffron to enter the market.

In this country, where volumes bought and sold are small, key buyers represent the most important buyers with relatively high quantities in comparison to regular market purchases. In addition, the chefs in those restaurants have the capacity to really appreciate the high quality of Kosovo saffron.

In order to investigate the sector, a list of traders and key buyers was prepared. The list contained more than 15 traders and more than 50 key buyers. To gather information that could be useful for the market analysis, the consultant designed two specific questionnaires (one for each target group) that were delivered to contacts (via email and through telephone). Key people and businesses were visited in person.

The questions asked related to target quantities, prices, supply chains, pricing, and payment methods/modalities. In addition, key buyers were asked questions related to their preparedness to participate in a promotion event or to be a host. These questions served the purpose of exploring the potential and interest for future engagement of NOA in promotion and marketing of saffron in Slovenia.

Responses from the addressed parties were hard to gather as, initially, the majority of them showed no interest in participating. Substantial effort was exerted in order to collect information from them. As a result, their final answers and communication provided valuable and rich information related to the saffron sector analysis. The information collected provided ground material for preparation of the value chain analysis that follows.

3.2 VALUE CHAIN – THE TRADERS (STORES AND DISTRIBUTERS)

Volumes of saffron sold in individual stores in Slovenia are small. Purchases are sporadic, in volumes of 0.5 gram (g) or 1 g, or even less, and the majority of stores have only small quantity in stock. If needed, they get supplies, on demand, from their distributors.

Saffron for supply to stores is purchased in bulk, together with a range of different spices and similar products in one purchase. Key countries supplying contacted traders are Sri Lanka, Iran, Greece, Spain, Romania, Italy, and India.

The majority of saffron sold in stores in Slovenia is organic, and branded with a recognized brand in packages of 0.1 g, 0.5 g, or 1 g. Suppliers are renowned brands (Cosmoveda, DE, Sonnentor AT, Oliviers, FR), and stores usually sell a range of their products—therefore, they are not interested in creating direct

supply lines with producers. The key reason for this is that small volumes are sold only annually, so there is little interest in researching opportunities for new products.

Market prices differ significantly and, in certain cases, are extremely high. Prices for organic saffron range from 10 € to more than 30 € for 1 g. For imported non-organic saffron from India or Iran, the market price is around 7 € per gram of saffron. All prices are excluding the Value Added Tax (VAT).

The key distributor company, Prema d.o.o., is presently purchasing saffron and other products from their Austrian supplier, Sonnentor. Prema recommended developing direct links with Sonnentor, as they are looking for new suppliers of saffron. This seems the only viable entry point into supply channels serving Slovene stores and distributors.

3.3 VALUE CHAIN – THE KEY BUYERS (RESTAURANTS)

For Kosovo producers, the restaurants represent the most promising segment of the saffron market in Slovenia. The analysis focused mainly on questions related to volumes, market prices, and suppliers to renowned Slovenian restaurants.

Approximately one-half of the chefs in Slovenian restaurants who were contacted use saffron as a spice, but most of them use it sporadically. They usually purchase the spice directly from their suppliers. The price of the saffron purchased ranges between 12 and 17 €/gram. Annual amounts purchased are small. Average annual consumption per restaurant is between 20 and 50 grams, with only a small number listing higher amounts, but still all lower than 200 grams per year. A second important fact is that they all mentioned the quality of saffron to be important in their purchases.

The preferred supplier country is Italy, probably because it is one of the main supply lines for other food products as well. Alternatively, restaurants purchase from persons travelling to countries of production who bring the saffron back when they return. This is quite an important alternative, as the purchased amounts are small. Only one restaurant owner mentioned the supplier to be a trading company from Slovenia. This confirms information gathered from storeowners, citing that restaurants are not their buyers.

After discussing the potential price ranges for Kosovo saffron and the quality of the product, tested in independent laboratories, restaurants showed significant interest in exploring potential market linkages. The quality of saffron was very important to all chefs contacted, and they all cited good quality as one of the primary reasons they were buying from their present supplier.

A sample tasting of food prepared with their saffron and a product from Kosovo could convince them to change current suppliers. All restaurants interviewed expressed interest in participating in an event where saffron would be taste-tested. The readiness to host such an event has yet to be discussed, as chefs are typically very busy and have little time available for such endeavors. Almost all who use saffron have confirmed their interest in cooperating with future NOA project activities, should it be decided to further target Slovenian markets.

Slovenian restaurants can constitute a core of interested buyers if promotion of Kosovo-produced saffron is organized for them directly in Slovenia.

4.0 CONCLUSIONS AND RECOMMENDATIONS

The saffron produced in Kosovo by NOA-supported producers could target Slovenian markets and fetch reasonable prices. Consumption of saffron is steadily growing in the market, and existing supply chains are not strong, as evidenced by the fact that there are a number of different countries supplying the country in recent years.

Quality and the organic production are key elements on the demand side, and good quality organic saffron can easily be marketed between 8 and 15 €/per gram. Of course, the final price for the producers will have to include all costs connected to transport, distribution, and promotion, which will be needed for initial market penetration.

As the volume of saffron produced in Kosovo is relatively small (harvest in fall 2013 amounts to 10 kg of saffron), important customers can also be small buyers of saffron, such as restaurants, usually purchasing amounts of 5-20 grams. This market is relatively strong, but the problem is sporadic purchases. This problem might be tackled with the development of an electronic ordering system and regular (bi-monthly) delivery of supply.

Most promising are opportunities to grow relations with restaurants that serve high-quality food, by inviting them to a presentation and tasting event organized in Slovenia. During such an event, the qualities of the saffron could be presented to potential buyers who are connoisseurs of good quality food products, and interest in the development of direct or indirect supply lines could be discussed. This would include discussion regarding quantities, pricing, and payment modalities. Such an event should be organized well in advance so that chefs are able to plan for their participation. Ideally, an organizing partner would be one of the restaurants, but this has not been investigated further and would be done as a follow-up should the need arise.

Alternatively, another viable option is obtaining direct contact with a prominent supplier of spices that sells the saffron in Slovenia. Prema d.o.o., distributor of the product line “Sonmentor,” indicated that the latter may be interested in purchasing saffron from Kosovo. They explained this company is already purchasing saffron in the region (Romania, Albania) and that they are interested in identifying alternative producers. The company is inclined toward “fair trade” and cooperatives’ production, and is only interested in organic (eco) saffron. Should NOA be interested in exploring this opportunity further, direct communication with the contact person from Sonmentor should be initiated.

A concrete plan for a marketing and promotion event should be prepared. Such an event should take place in early spring 2014 in order to plan for the new season of dishes in the restaurants. The event should serve as a showcase for Kosovo saffron as well as a business meeting where potential buyers will be presented.

Entering the market with one’s own brand does not seem feasible due to many reasons, one of them being small individual purchases in retail stores, and the linkage of stores to a single, large line of well-known branded products from the European Union (EU).

At this moment there is no need to organize direct meetings with producers from Kosovo. Meetings with project team members would be more effective, as they will be more capable of presenting the product and its advantages to potential buyers/users.

The potential for saffron to enter the Slovene market is quite strong. Continued exploration of the Slovene market can potentially also serve as a starting point for broader penetration into further regional markets (Austria, North Italy, and Croatia).

ANNEX: LIST OF STORES AND DISTRIBUTORS SELLING SAFFRON IN SLOVENIA

Stores/Distributers	Phone	Email
PREMA d.o.o.	+386 (01) 510 11 35	info@prema.si, mojca.sekulic@prema.si
Sonnetor:		Johann.Haas@sonnentor.at
HIŠA ZAČIMB	+ 386 31 611 787	trgovina@hisazacimb.si
BURDIGALA D.O.O.	+386(0)40 500 433	info@oliviers-co.si
BIO PRODAJALNA NORMA	+386 2/ 320 40 22	norma@norma.si
KALČEK D.O.O.	+386 1 5233 582	info@kalcek.si
COOL HOUSE LJ	01 518 90 44 Tel: 01 546 54 22	info@coolhouse.si
Svilna pot	+38640-567-437	info@svilnapot.com
OMNIAEXPORT d.o.o.	+386 (0)41 574 274	
SURJA d.o.o.	041 251 784	info@surja.si
Vigros d.o.o.	02/536 10 70	info@vigros.si

Restaurants	Phone	Email
Gostilna Čubr	(01) 834 11 15	info@gostilna-cubr.com
Gostilna KALAN	(02) 8036462	olga.kalan@siol.net
Gostilna KR PAN	01-521-12-20	gostilna.krpan@siol.com
Gostilna Pri Danilu	04/5153-444	gostilna@pridanilu.com
RESTAVRACIJA JB	01 433 13 58	restavracija.jb@siol.net
As	01 425 88 22	gostilna.as@siol.net
Dam, restavracija	05 333 11 47	info@restavracija-dam.si
Franko	05 389 41 20	info@hisafranko.com
gostilna Gordia	05 651 30 85	cepandrej@hotmail.com
restavracija Grad Otočec	07 384 89 00	vida.trenz@terme-krka.si
Grad Socerb	05 659 23 03	gradsocerb@siol.net
gostilna Grič	03 758 03 61	info@zlati-gric.si
Kendov dvorec	05 372 51 00	info@kendov-dvorec.com
Krištof	04 234 10 30	kristof@siol.net
Marina	05 660 44 19	ivek@hotelmarina.si
Restavracija Maru	030 200 222	restavracija.maru@gmail.com
Pavus	03 620 07 23	info@pavus.si
Pikol	05 333 45 23	info@pikol.si
Vila Podvin	08 384 34 70	info@vilapodvin.si
Restavracija Prestige	02 512 50 50	recepција.livada@terme3000.si
Gostilna Pri Kuklju	01 788 90 98	gostilna.kukelj@siol.net
Pri Lojzetu Zemono	05 368 70 07	zemono@zemono.si
Primula	05 330 00 00	info@primula.si
Promenada	04 579 18 39	restavracija-promenada@hotelibled.si
Rožmarin	02 234 31 80	rozmarin@rozmarin.si
Gostilna Skaručna	01 832 30 80	gostilna@skarucna.si
Špajza	01 425 30 94	info@spajza-lj.si
Tilia	01 721 48 44	tilia@siol.net
Restavracija Topli val	05 389 93 00	topli.val@siol.net
Villa Andor	05 615 50 00	villa@andor.si

U.S. Agency for International Development Kosovo

Arberia (Dragodan)

Ismail Qemali St., No.1

Pristina, Kosovo, 10130

Tel: ++ 381 (0)38 59 59 2000

Fax: ++ 381 (0)38 249 493

www.usaid.gov/kosovo