



INDUSTRY SPOTLIGHT:

BEVERAGES

June, 2021



ABOUT

Industry Spotlight is a publication of the American Chamber of Commerce in Kosovo (AmCham Kosovo) which aims to shed light on the development of various industries in Kosovo, their main difficulties in exercising business activity in the country, opportunities for growth and contribution to the country's economic development. This is the second edition of Industry Spotlight, placing focus on the beverages industry.

OVERVIEW

From a geographical perspective and considering Kosovo's fertile land for growing fruits and herbs, the industry of beverages in Kosovo possesses favorable opportunities for businesses primarily concerned with the production of fruit and/or vegetable juices and alcoholic drinks. More specifically, 53% of Kosovo is cultivable land¹ thus making it convenient for fruitful use.

The beverages industry in Kosovo supplies many Kosovar and foreign businesses with various alcoholic and non-alcoholic drinks including, among others, natural and sparkling bottled water, energy drinks, carbonated drinks and so on. Thus, though with various difficulties, many Kosovo businesses have been able to penetrate to the foreign market. Hence, this sector has been categorized as one of the sectors with a potential of export².

During the years 2009 - 2019, the beverage industry has been among the positive trends of export growth³. In addition, during 2019, Kosovo's exports to CEFTA countries amounted to 164.8 million euros (43.0%) of total exports where beverage products were one of the 3 most exported ones (12.9%)⁴. Only in 2019, in terms of the beverage sector, Kosovo has had more exports to CEFTA countries than imports. This highlights the capacities of the beverage industry to supply businesses in Kosovo and as well as the foreign market. Thus, this in turn helps the country's economy by bringing in income to Kosovo as well as reducing the unemployment rate in the country. In addition, in 2021, the beverage industry is listed as one of the main export groups⁵.

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https://www.climatelinks.org/sites/default/files/asset/document/2017_USAID_Climate%20Change%20Risk%20Profile%20-%20Kosovo.pdf

2

https://www.undp.org/content/dam/kosovo/docs/AFT/Analyze%20e%20tri%20politikave%20prioritare%20mbi%20zhvillimin%20e%20tregtise%20dhe%20burimeve%20njerezore_UNDP2014.pdf

³ <https://ask.rks-gov.net/media/5451/tregtija-e-jashtme-vjetore-2019.pdf>

⁴ <https://ask.rks-gov.net/media/5451/tregtija-e-jashtme-vjetore-2019.pdf>

⁵ <https://ask.rks-gov.net/media/5952/tregtia-e-jashtme-e-mallrave-shkurt-2021.pdf>

Presently no public data exists on the number of local businesses or distributors in the beverages industry. Nevertheless, the Business Registration Agency, which operates within the Ministry of Trade and Industry, lists the businesses involved in the aforementioned sector based on the categories that follow:

Code	Main activity	Operating businesses
1101	Distillation, refining and combination of beverages	66
1102	Wine production from grapes	60
1103	Production of cider and other fruit-based wines	6
1104	Production of other undistilled fermented beverages	17
1105	Beer production	29
1107	Production of soft drinks; production of mineral water and other bottled water	181
1032	Fruit and vegetable juice processing	97
4634	Wholesale of beverages	656

LEGISLATION AND SUPPORTIVE AGENCIES

Considering that the beverages industry comprises of many businesses who offer various drink products, alcoholic and non-alcoholic, the government of Kosovo has drafted laws and articles that treat the industry as separate businesses rather than as one. In addition, some of the laws that have been drafted and which have an impact on the industry of beverages are as follows:

- **Law No. 04/L-185 On Special Excise Rates on Initial Production and Small Production of Alcoholic Products Manufactured in Kosovo**

The purpose of this law is to stipulate the special excise rates for small producers of alcoholic products and to establish a method of determination of quantities and alcohol percentage in alcoholic products.

- **Law on Amending and Supplementing Law No. 03/L-112 On Excise Tax Rate in Kosovo**

This law regulates the norms of excise taxes for goods presented in Annex A of the aforementioned law, which in the territory of the Republic of Kosovo are issued in free circulation. The Excise Tax Rate for beverage drinks includes the data provided in the following table:

Description	Rate
Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored, and other nonalcoholic beverages, not including fruit or vegetable juices of heading 2009	0,045 €/L
Beer made from malt	500 €/Hl abs.alc.100%vol in 20oC(1)
Wine of fresh grapes, including fortified wines; grape must other than that of heading 2009	500 €/Hl abs.alc.100%vol in 20oC(1)
Vermouth and other wine of fresh grapes flavored with plants or aromatic substances	500 €/Hl abs.alc.100%vol in 20oC(1)
Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and nonalcoholic beverages, not elsewhere specified or included	500 €/Hl abs.alc.100%vol in 20oC(1)
Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher; ethyl alcohol and other spirits, denatured, of any strength	500 €/Hl abs.alc.100%vol in 20oC(1)
Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages	500 €/Hl abs.alc.100%vol in 20oC(1)

In addition, within the Ministry of Agriculture, Forestry and Trade exists the Department for Vineyards and Wine. This Department further on consists of the Division of Wine whose duties and responsibilities are as follow:

- Proposing, drafting and ensuring implementation of documents and policies and strategies for development of Wines;
- Preparing strategic plans for development of Wines;
- Managing the requests for safety number (NZK);
- Creating conditions for training and human capacity enhancement in analytical and organoleptic testing of the wine;
- Issuing documents regarding quality control of wines;
- Managing and organizes the process of organoleptic testing of the wine;
- Receiving inspection reports from respective inspector;
- Checking the reports of the stated data from production companies for annual production and stocks;
- Drafting procedures regarding establishment of professional commissions related to wine quality control;
- Responding to complaints from wine production companies;
- Preparing and distributing reports from Wines for interested parties.

CHALLENGES

The beverage industry has somewhat flourished in the last decade as data related to exports and imports show. Nevertheless, this industry continues to face many obstacles that hinder its effectual performance. A financial challenge for businesses operating in the beverages industry for many years has been the excise tax rate for juices that was 4.5 cents per liter. Despite the request of local businesses that manufacture fruit juices to lower the excise tax rate, this request was denied on 2020 by the Parliamentary Committee on Budget and Finance. The reason behind this was the committee's belief that this alternative would not provide a favorable outcome due to the creation of a more competitive market for local businesses. In addition to this, lowering the excise tax rate would be in contradiction with the Stabilization and Association Agreement and CEFTA. Nevertheless, despite this challenge as a great financial burden, local businesses continued to operate in the market. On July 9, 2020, the government decided to reduce the excise rate by 88.9% for certain types of liquids that contain sugar thus making the payment only half a cent per liter (0.005 euro ltr).⁶

In addition to this, another challenge of the aforementioned business is considered the liberalization of the electricity market. This is based on the assumption that such a liberalization would directly influence the price of energy. In other words, if energy becomes more expensive than as a result the price of beverages in the market would need to be raised as well. Also, another challenge related to energy is power outages. The power outages in Kosovo disrupt manufacturing⁷, especially for businesses that need to preserve their products at a certain temperature. Hence, this not only puts a financial toll on businesses but also affects the quality of their products.

Moreover, due to the high unemployment rate and bad economic situation in Kosovo, consumers behavior has changed, meaning that people are more prone to consume inexpensive beverages, especially in terms of alcoholic drinks. This outcome exhibits a challenge for well-known brands who consist of a high quality and hence expensive price.

Furthermore, considering that product exhibition in highly frequent markets is important in creating brand awareness and sales, such an approach may be unaffordable for businesses who are new to the market and hence not financially stable. The price for exhibiting products in easily visible places is set by the owner of the market and it may be affordable. However, considering the tight competition in the market, this price is susceptible to become higher with every received offer by beverage companies. Not only this, but also, despite Kosovo institutions activities in stopping parallel trade, such a phenomenon is still present especially in terms of alcoholic drinks. Hence, companies are susceptible financial loss.

⁶ <https://kallxo.com/gjate/vendimi-i-dyshimte-i-qeverise-hoti-per-heqjen-e-akcizes-ne-pije-joalkoolike/>

⁷ <https://www.worldbank.org/en/country/kosovo/brief/energy-in-kosovo>

OPPORTUNITIES

Kosovo has advanced credibly in integrating itself into the regional and global markets through free trade arrangements with CEFTA, the EU, Turkey and the U.S.⁸ This, in turn, has created favorable opportunities for businesses operating in the beverage sector to penetrate the regional and global markets. Nevertheless, considering the competitive market, the aforementioned businesses can focus on promoting their products even further in the countries in which they operate as well as in new countries. Considering that Kosovo diaspora resides in many countries all over the world, they could boost the reputation and popularity of Kosovo beverages even further. Thus, this would eventually result in a higher brand awareness and greater market share. In addition, considering that the necessary goods in Kosovo required to make an end product, a beverage, are relatively cheaper than in other countries, this would result in the Kosovo beverages being offered at a more affordable price to consumers, hence gaining an advantage in comparison to other foreign competitors.

In addition, considering that Kosovo has the youngest population in Europe, companies that offer beverages can focus on developing new beverage products that specifically adapt to the needs of young consumers and to their lifestyle. This in turn would also entail creating a brand image of a beverage that appeals only to youth.

⁸ <http://www.undp.org/content/dam/kosovo/docs/AFT/Potential%20Export%20Markets.pdf>



Coca-Cola HBC Kosovo is the distribution center of Coca-Cola HBC for the Kosovo market. Coca-Cola HBC is one of the world's largest fillers for Coca-Cola brands. Coca-Cola HBC Kosovo is one of the largest companies in the non-alcoholic beverage industry and is the distributor of Coca-Cola products in the Kosovo market since 2003.

Coca-Cola HBC Kosovo, sells and distributes a wide range of carbonated soft drinks, including well-known brands such as Coca-Cola, Coca-Cola Zero, Fanta and Sprite; as well as brands like Rosa water, and brands licensed by other companies, such as Fuze Tea and Schweppes

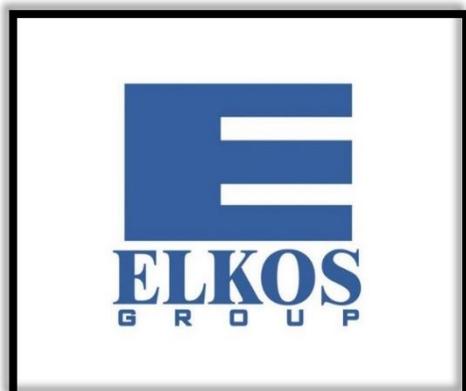
Contact: +383 38 540 690



Devolli Corporation is a company situated in Kosovo which is committed to continue to gradually enhance and expand their production program and service portfolio, consisting of a wide range of activities, but at the same time to maintain a stable status of assets. With its comprehensive network, "Devolli Corporation" manages to supply with its products and services all parts of Kosovo, Albania and Macedonia. Slowly but steadily, the company is expanding its exports in other countries as well.

Devolli Corporation is primarily known for its coffee brands and has furthermore opened a chain of coffee shops named Prince Coffe House in Kosovo and in USA. In addition to this, Devolli Corporation also consists of a customs terminal and the Devolli Logistics System.

Contact:



Elkos Group has long-term relationships with many international partners where it also cooperates with well-known brands by distributing their goods to customers.

Elkos Group distributes various products in the Kosovo market such as food products, beverages, hygiene, household, personal care, toys, auto cosmetics & tools, electrical, technical and so on. In terms of beverages, Elkos Group distributes well-known alcoholic and non-alcoholic brands such as BADEL 1862, Evian, Pfanner, Plantaze, Robby Bubble, Gjergj Kastrioti Skënderbeu and Stock Spirits Group.

Elkos Group currently owns six Distribution Centers based in the cities: Peja, Prishtina, Prizren, Ferizaj, Gjilan and Mitrovica.

Contact: +381 038 601 040



Meridian Corporation was founded in 1990 and serves the people of Kosovo by offering high-quality international and local food and beverage brands through over 4,000 loyal partner outlets, as well as through convenience markets and first-class bakeries that provide nutritious alternatives to the industry norm.

For many years, Meridian Corporation has been a distributor of a wide range of beverage brands in the Kosovo market. These brands fall in the categories of soft drinks, energy drinks, alcoholic drinks and juices. Meridian Corporation is the distributor of the following beverage brands for the Kosovo market: Red Bull, Rauch, Happy Day, Bravo, Yippy, Cafemio, Coca Cola, Carlsberg, Tuborg, Somersby, Nikšičko Pivo, Efes, Miller high life, Folonari, Bovin Winery, Bovin Winery, Acqua Panna, S.Pellegrino, Ocean Spray, Zagori, TEEKANNE and Spirit of Drini.

Contact: meridian@meridian-ks.com | +383 38 404 343



Birra Peja is a company that operates in Kosovo since 1968. This company deals mainly with the production and sale of alcoholic beverage called Birra Peja. It supplies the Kosovo market with beers of different types such as Beer Peja, Beer Peja Dark, Beer Peja Zero packaged in glass, cans, plastic bottles and barrels (30 liters and 50 liters). The products of Birra Peja company are also offered outside Kosovo, in this case in the market of Montenegro, Switzerland, and Albania.

Contact: info@birrapeja.com



FLUIDI Company has two factories one in Presevo and one in Gnjilane, where there is a wide range of the production of non-alcoholic beverages. In the Kosovo market, FLUIDI offer a wide range of beverages such as fruit juices, carbonated soft drinks, and Energy Drinks.

In terms of beverages, FLUIDI offers the following well-known brands in the market: Jaffa Champion, RC Cola, Double Force, Red Rain, Ciao! In addition, FLUIDI has branches in 26 countries all over the world including, among others, Germany, United Kingdom, USA, Italy and so on.

Contact: info@fluidi.net | +381 (0)17 664 687



Emona Group is a wholesale and retail enterprise which offers food and hygiene products from local and international certified manufacturers. It has its own brand of tea named EMONA brand but also is a distributor of many food and nonfood products. Some of the brands that can be found under the umbrella of Emona Group are Camel, Nuts, Scarlino, Family, Bravo Crem, Basso, Pami the Vita GO! beverage and so on. Vita Go is a beverage consisting primarily of fruit juice and is sold only in small packages.

Contact: +38328570665



Gekos Group is distribution company with more than 20 years of experience on distribution, offering products from top Brands of Tobacco & Alcohol products to the consumers.

Since more than 15 years is an authorized dealer of Imperial Tobacco offering the brand products (West, Davidoff, Gauloises, Boss and Style) also on authorized dealer for alcoholic brands like Diageo – Guinness UDV (Johnnie Walker, Smirnoff, Bailey's, J&B) also Hennessy & Moet (Hennessy Cognac, Moet Chandon, Dom Perignon. In a context of the basic activity of the company – distribution, it has two systems in function: (i) wholesale from the two central storage houses in Prishtina and Ferizaj (sale from warehouse and direct distribution to the wholesalers with organized transport vehicles and (ii) direct distribution system to the retail network.

Contact: info@gekosgroup.com | + 381 38 228 314



KFC- KFC is the first international brand in Kosovo to offer food from the original recipe which consists of 11 spices and seasonings. It's Finger Lickin 'Good. In addition to this, KFC also serves beverages to its customers.

Today KFC has more than 23,000 restaurants in more than 125 countries around the world. In Kosovo KFC was opened in 2016 and there are already 12 restaurants where you can enjoy the original recipe of KFC.

Contact: info@kfc-ks.com | 0800 21212



KOS-TRADE is one of the largest trade and distribution company in Kosovo regarding alcohol drinks and hygienic products, founded in 2002 in the capital city of Kosovo, Prishtina. In terms of alcoholic drinks, KOS-Trade is a distributor of the following brands: Jack Daniel's, Jägermeister, Roberto Cavalli, Vodka Finlandia, Woodford Reserve, Chambord Liqueur, Glendfiddich, Tullamore Dew, Southern Comfort, Carolans, Pepe Lopez, Jose Cuervo Especial/Clasico, La Chica, Williams Roner, Grant's, Santiago de Cuba and Hendrick's Gin.

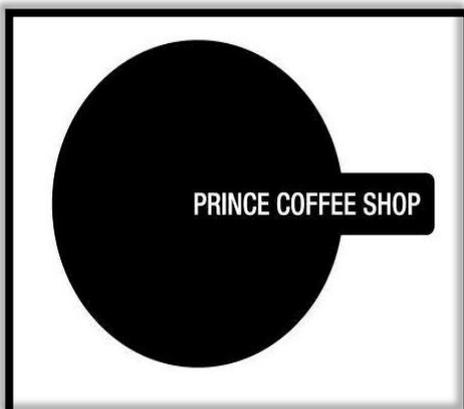
Contact: info@kos-trade.com | +381 38 22 50 90



Migros Group is a company that distributes world brands such as: Nestle, Colgate, Saponia, Dijamant, Jamnica, Aia,, Koestlin, Selpak etc. The history of this company is a continuation of tradition over 250 years with grain mills. The main distribution center of this economic entity is located in KOSOVA, Industrial Zone 4.

The cooperation with the BRANDS that this company represents prove their approach to the Kosovo's market and beyond. The company covers about 3500 buyers throughout the territory of Kosovo.

Contact: info@auloni.com | (383) 38 543 038



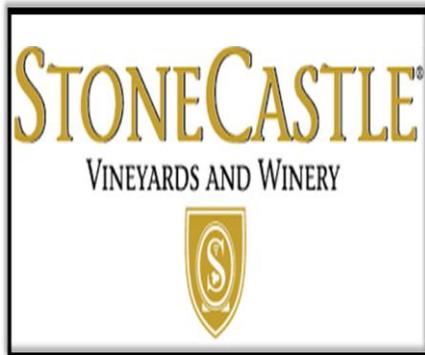
Prince Coffee House- The history of Prince Coffee House began in 2009 with its first coffee shop in Prishtina. Prince Coffee House now offers high quality sweets, coffees, milkshakes and smoothies which are produced with love and dedication for our customers. Now Prince Coffe House has managed to create a network of coffee shops throughout Kosovo having over 350,000 customers per month and 3.5 million of products served every year in their 12 stores in Kosovo, Albania and New York.

Contact: +383 45 562 562



Meridian Express is a network of retail stores near every neighborhood, which can be visited by customers without having to use the car. It is present in big cities like: Prishtina, Ferizaj, Mitrovica, Gjakova, Gjilan, Peja and Prizren. Meridian Express aims to serve its customers in every neighborhood, saving customers' time, offering fresh products, a very pleasant environment to purchase and very friendly service to each customer. In addition, Meridian Express continues to invest since the first day on its loyal customers by rewarding them for every purchase they make through the Loyalty Program.

Contact: contact@meridianexpress.com | 0800 20 200



Stone Castle Vineyards and Winery is a hidden gem in the heart of Rahovec Valley. It is a private estate that comprises more than 5,552 acres of premium vineyards and land. The Winery was built in 1952 and since 2006 it has been owned and operated by the Gecaj Family. Stone Castle takes great pride in growing high quality grapes and producing approachable, premium wines while combining the latest technological advances with traditional winemaking methods. From handpicking the grapes that meet quality standards to de-stemming and fermentation, aging in oak barrels, bottling, corking, and labeling, there is so much that goes into every bottle of wine.

Contact: info@stonecastlewine.com | +383 29 276 053



Buka Bakery starts everything out of passion for cooking. Using the German style of cooking, Buka offers a feast of flavors for all the senses, through a wide range of different breads and pastries, naturally fermented and with the right amount of calories. Buka Bakery is a chain of coffee shops and quality bread products. Buka is equipped with international certificates of ISO standards, and has been awarded the status of "Super Brand Kosovo", being listed as one of the most likable brands by consumers in Kosovo.

Contact: info@bukabakery.com | 038 434 043

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