CZECH FOOD INDUSTRY AFTER 10 YEARS OF EU ACCESSION

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FACTORS, EFFECTS, GOALS AND CHALLENGES

Changes 2003 - 2013

- Structural changes – privatisation, restitution after 1989,FDI.
- Market developments.
- Supports and other policy measures related to food industry.
- Effectiveness, competitiveness on the EU single market and towards the third countries.

What to do after 2014 – CAP 2014+

- Supports
- Other measures

PRIVATISATION, RESTITUTION, FDI IN FI

1989 = 105 large state firms, no small businesses

•Privatisation mainly by voucher system (larger firms).

•Restitution (smaller firms).

•FDI = brewery, dairy, sugar refinery, starch, sweets.

•Bad experience with property links between farms and processors.

Situation before EU accession

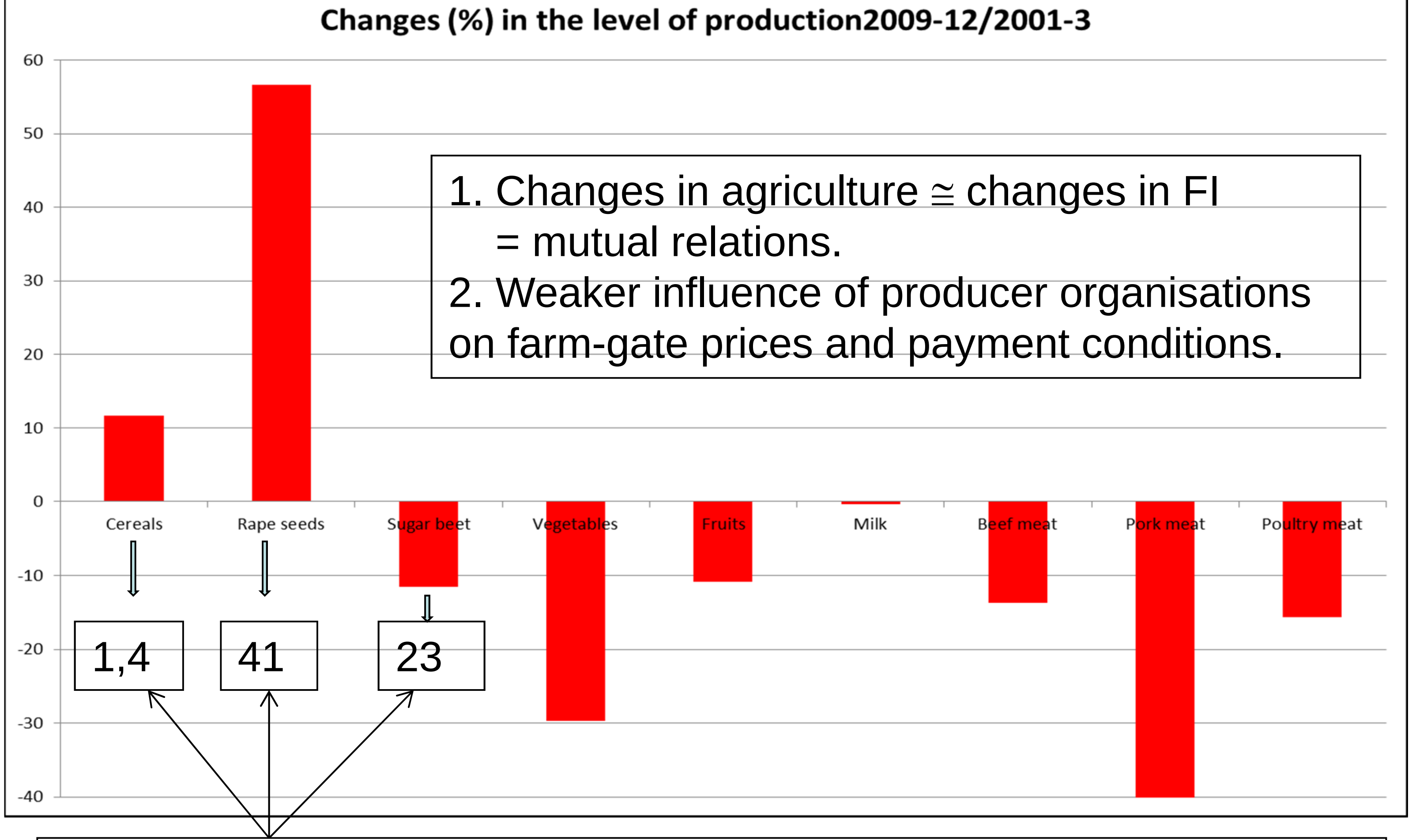
•Atomisation = more than 2 500 companies + many small businesses with investment supports (e. g. bakeries).

After 2004 = mainly ownership but not technological concentration

•Horizontal consolidation (bakeries)

•Vertical integration (AGROFERT)

Market on farm level: production of farm commodities after 2004 = simple crops growing, other crops and livestock declining



1. Changes in agriculture ≅ changes in FI = mutual relations.
2. Weaker influence of producer organisations on farm-gate prices and payment conditions.

Share of production (%) for bio-fuel + 200 bio-gas stations (maize) = growing competition for agricultural biomass

FOOD MARKETS – types, promotion, marketing

- Trade – the state SPS control for imports + weaker institutional supports of exports.
- Global („massive“) domestic markets:
  - KLASA – organised and supported by the government – all EU foods of given quality are eligible.
  - CZECH FOOD – organised by the Food Industry Chamber without governmental supports.
- Regional products – promotion and marketing:
  - Organised and partly supported by the regional governments.
  - Organised by the Association of regional producers without regional supports.
- Farm markets and other form of „short chains“: organised by municipalities + direct sales on farms + direct deliveries to households + „local chains“ in gastronomy, etc.

TRADE

- Turnover has enormously increased (more than doubled, especially exports.
- The main destination – the EU intra-trade (more than 90 %). The consequence of the abolishment of tariffs on the EU single market.
- A growing importance of exports of raw materials against a growing volume of imported processed food (even processed from the Czech raw materials).
- It is particularly true for livestock products.

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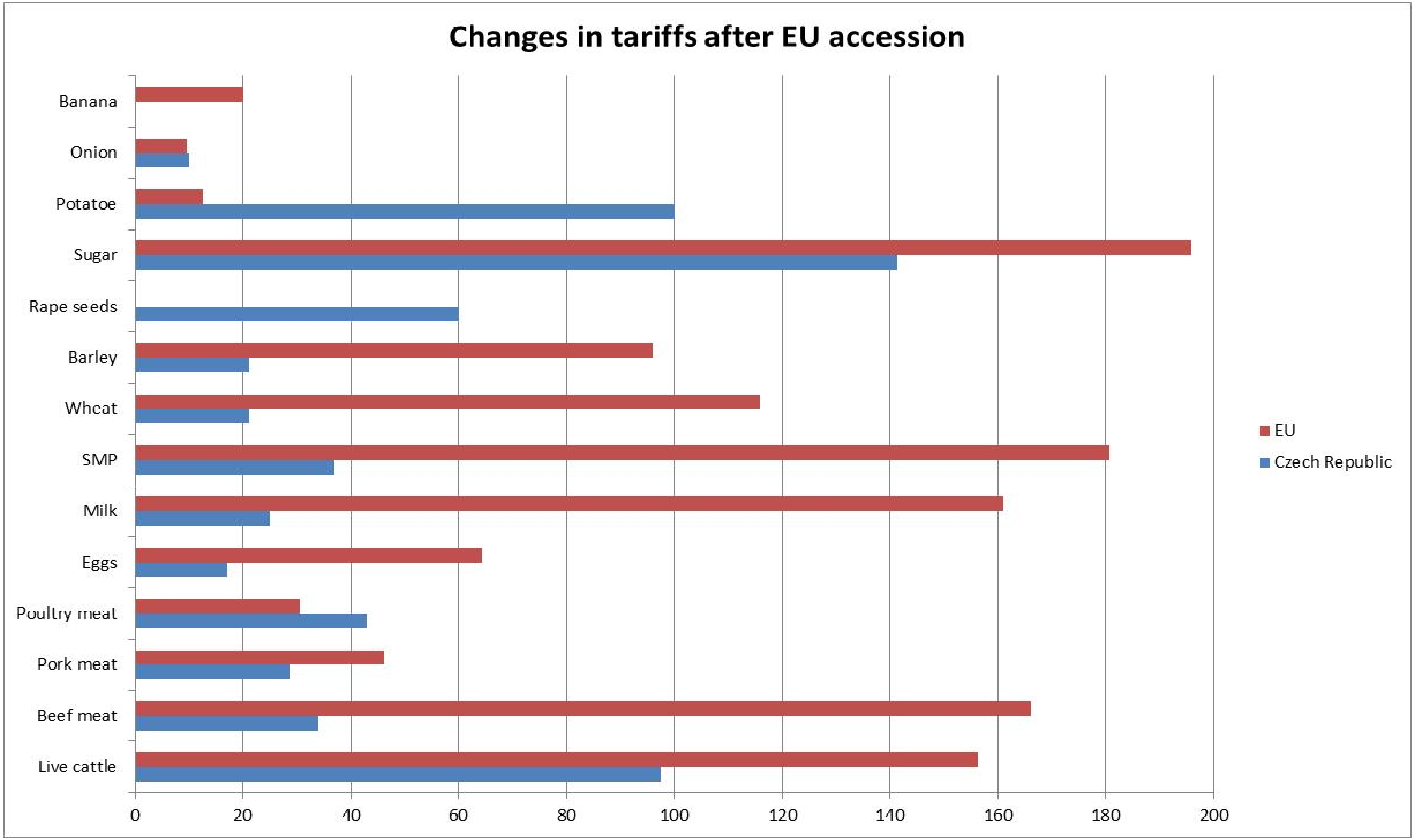
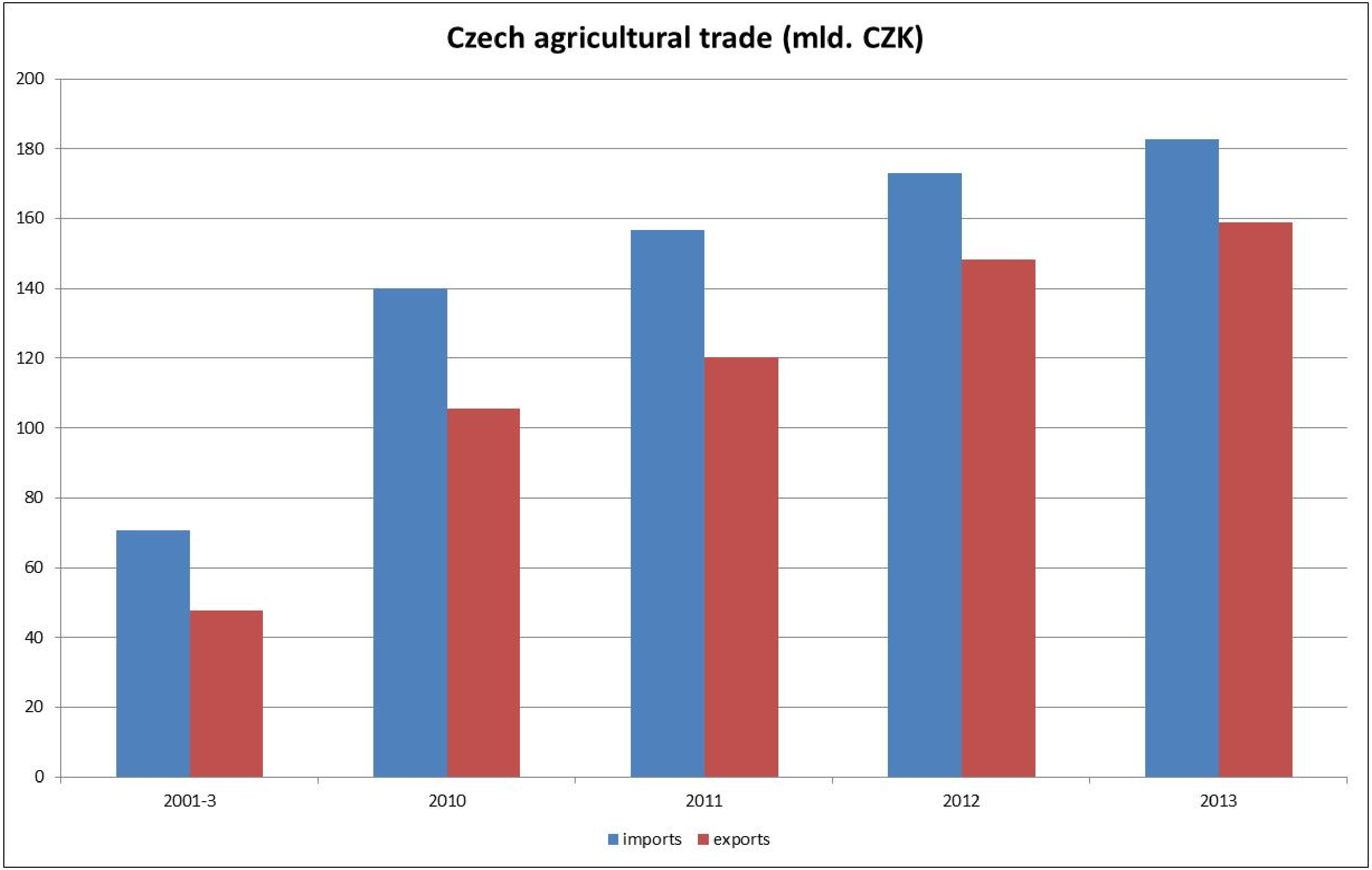
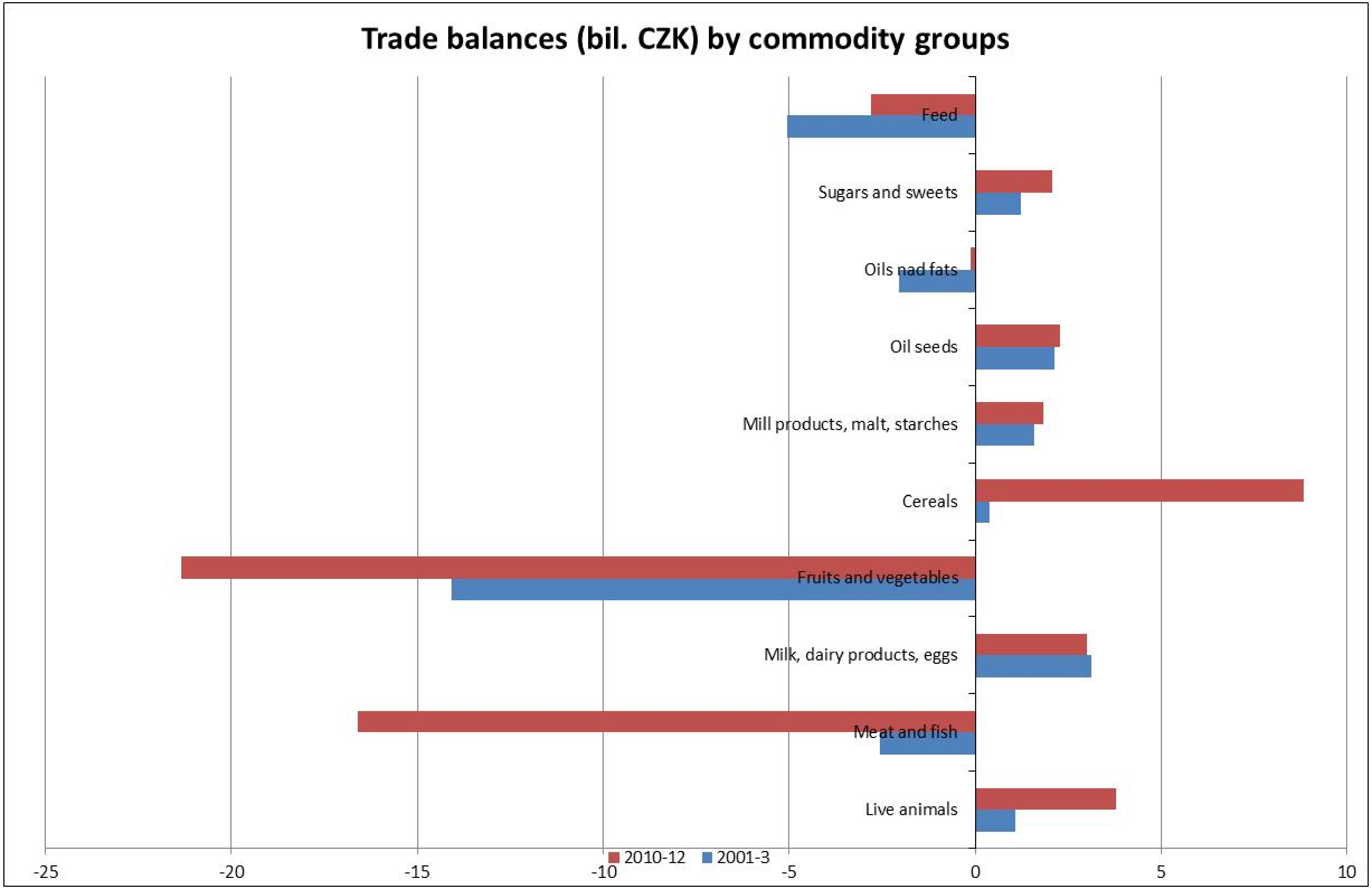
Tariff protection against the third countries has increased on the EU single market

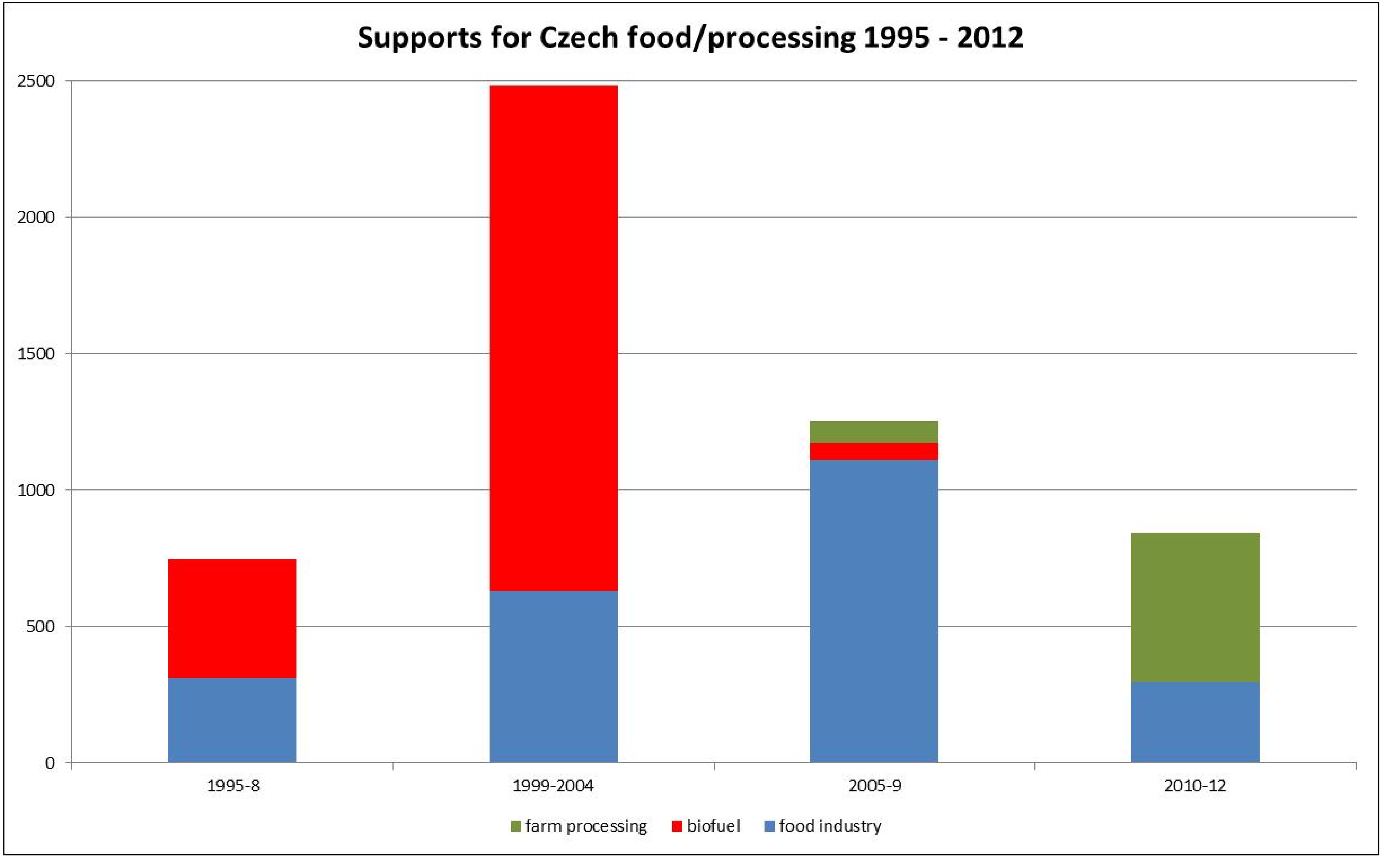



Czech agricultural trade (mld. CZK)
200
180
160
140
120
100
80
60
40
20
0
2001-3
2010
2011
2012
2013
imports
exports



Trade balances (bil. CZK) by commodity groups
Feed
Sugars and sweets
Oils nad fats
Oil seeds
Mill products, malt, starches
Cereals
Fruits and vegetables
Milk, dairy products, eggs
Meat and fish
Live animals
2010-12
2001-3
-25
-20
-15
-10
-5
0
5
10

Direct supports for food industry has been sharply decreasing



EFFECTS – total economy + size structure

Position of food industry in the national economy

Indicator	Unit	2003	2011		
		CR	CR	EU 27	EU 15
Share in the GVA	%	3,27	2,44	2,04	1,95
Share in employment	%	3,12	2,48	2,15	1,96
GVA/1000 workers[1)]	mil. €	18,07	27,69	47,04	56,81
- CR/CR, CR/EU	**%**	**x**	**153,24**	**58,86**	**48,74**
Wages per month[1)]	€	474	804	1778	2237
- CR/CR, CR/EU	**%**	**x**	**169,62**	**45,22**	**35,94**

1) 2004 instead of 2003.

Size structure of the Czech food industry firms[1)]

Number of workers	Number of firms		Index 2013/2008
	2008	2013	
100-199	143	137	95,8
200-499	98	86	87,8
500-999	22	15	68,2
1000-1999	7	6	85,7
more than 2000	3	3	100,0
Total	**273**	**247**	**90,5**

1) Firms with more than 100 workers.

Source: Czech Statistical Office.

EFFECTS BY INDIVIDUAL BRANCHES - 1

The share of sale incomes in the total sales in the Czech food industry (%)

Identity number	Branch	2005	2012	Difference (p. p.)
10.1	Meat processing	26,02	23,45	-2,57
10.2	Fish processing	0,72	0,62	-0,10
10.3	Fruits and vegetable processing	3,05	2,47	-0,58
10.4	Plant and animal oils and fats	7,55	4,01	-3,54
10.5	Dairy	18,59	17,13	-1,46
10.6	Mills and starch	4,17	4,27	0,10
10.7	Bakeries, confestioners	14,51	13,51	-1,00
10.8	Other food products	17,15	20,65	3,50
10.9	**Feeds**	**8,24**	**13,89**	**5,65**
Total		**100,00**	**100,00**	**x**

Source: Panorama of the Czech food industry 2013.

EFFECTS BY INDIVIDUAL BRANCHES - 2

Labour productivity[1)] (000 CZK)

Identity number	Branch	2005	2012	Index 2012/2005
10.1	Meat processing	350	372	106,4
10.2	Fish processing	460	442	96,2
10.3	Fruits and vegetable processing	447	535	119,6
10.4	Plant and animal oils and fats	748	739	98,7
10.5	Dairy	422	660	156,6
10.6	Mills and starch	502	481	95,7
10.7	Bakeries, confestioners	311	361	116,2
10.8	Other food products	614	664	108,1
10.9	**Feeds**	**633**	**1340**	**211,7**
Total 10		**418**	**512**	**122,4**
11	Beverages	1156	1439	123,5

1) Accountancy value added per 1 worker.

Source: Panorama of the Czech food industry 2013.

CONCLUSIONS

- Effectiveness growing, but still much lower than competitors in EU. It is particularly problem of primary processing (slaughterhouses, mills, dairies, …)
- Trade – turnover 2,4 times higher, but growing exports of raw materials and imports of processed products.
- Increasing utilisation of farm biomass for renewable energy – growing competition for biomass.
- Growing but still marginal importance of „short chains“ and other market segments.
- Feed = promising branch in spite of reduction in livestock production (petty feed!).
- Quality + innovations + effectiveness = main orientation for future (RDP 2014-20 + Food Industry Technological Platform + research + FDI…).

THANKS FOR YOUR ATTENTION