

Required Report: Required - Public Distribution

Date: December 09,2019

Report Number: EZ2019-0011

Report Name: Exporter Guide

Country: Czech Republic

Post: Prague

Report Category: Exporter Guide

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Report Highlights:

The Czech Republic is a prosperous, industrialized, and export-driven economy which serves as an entry point for companies expanding to the developing markets in central and eastern Europe. With one of the fastest growing economies in the European Union and the booming tourist industry, the Czech Republic offers opportunities for U.S. exporters of fish and seafood, dried nuts, food preparations, distilled spirits, wine and prime beef.

Market Fact Sheet: Czech Republic

Executive Summary

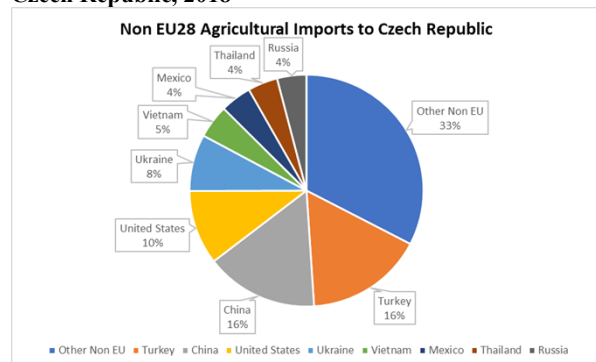
Though with only a population of 10.6 million, the Czech Republic is one of the most prosperous and industrialized economies in central Europe and serves as an entry point for U.S. companies expanding beyond traditional markets in western Europe to the developing markets in the east. As the European Union (EU) member, the Czech market complies with EU market entry regulations.

In 2018, the economic growth slowed down to 3.0 percent. Imports of agricultural and food products totaled USD 10.5 billion, which is about six percent of the Czech Republic's total import value, with Germany, Poland and The Netherlands being top importers.

Agricultural Imports

The US ranks third among non-EU28 importers after Turkey and China. Imports of all agriculture related products from the United States totaled over USD 108 million while consumer-oriented products account for USD 10.7 million. Dried nuts and fruits, fish, food preparations, wine and spirits are the most widely imported consumer-oriented products imported by the Czech Republic.

Import of Agricultural Products from Non EU28 to the Czech Republic, 2018



Food Processing Industry

The food and beverage industry in the Czech Republic accounts for 2.5 percent of GDP and for 2.6 percent of employment. In 2018, 10,415 companies of the sector generated total sales of \$ 17.5 billion and employed 112,000 persons all over the country. The major sub-sectors are meat processing and fodder production, whereas beverages production is dominated by beer brewing and production of beer ingredients, particularly malt.

Food Service Industry

The hotels/restaurants sector employs 170,000 people in more than 60,000 business units. The healthy eating trend, international cuisines and growing inbound tourism positively affect foodservice performance.

Quick Facts CY 2018

Imports of Consumer-Oriented Products (USD million):
302.5

List of Top 10 Growth Products Imported from the US

- | | |
|-------------------------|-------------------|
| 1. Whiskey and Bourbon | 2. Frozen Fish |
| 3. Almonds | 4. Essential Oils |
| 5. Pet Food Ingredients | 6. Hop Pellets |
| 7. Wine | 8. Pistachios |
| 9. Sauces | 10. Snack Food |

Czech Republic Retail Brands (Companies)

- | | |
|--------------------------------|----------------------------|
| 1) Kaufland (Schwarz) | 2) Albert (Ahold) |
| 3) Lidl (Schwarz) | 4) Tesco (Tesco Plc) |
| 5) Penny Market (Rewe) | 6) Coop |
| 7) Billa (Rewe) | 8) Globus (Globus Holding) |
| 9) Makro Cash&Carry (Metro AG) | |

GDP/Population

Population (millions): 10.65
 GDP (billions USD): \$231.7
 GDP per capita (USD): \$21,857
 2018 Economic Growth Rate: 3.0%
 2019 Economic Growth rate (estimate): 2.6%

Exchange rate

1 USD = 23.145 Czech Crown (11/27/2019)

Food Retail Industry

After growth of 3.4 percent in 2017, retail sales growth slightly slowed down in 2018 and 2019. The fastest growth channel will remain internet retailing, which already started to be a strong competitor to traditional grocery retailers. Although still limited to major urban areas, online shopping for food has created a much more competitive market, challenging stationary retailers to expand or to enhance consumers' shopping experience.

Strengths	Weaknesses
Growing economy and consumer expenditure, booming tourist industry	U.S. exporters face competition from tariff-free products from other EU member states
Opportunities	Threats
Change in food habits, growing popularity of new gastro trends and of high-quality products	Tariff barriers imposed on agricultural products can make exporting from the US difficult

Sources: Trade Data Monitor, Czech Statistical Office, GfK Czech Republic, Euromonitor Intl, Czech National Bank

SECTION I MARKET OVERVIEW

Building on its geographical location and strong industrial base, the Czech Republic has opened its markets and attracted foreign direct investments. The economy has become highly integrated in global trade chains and economic growth has been strong, though volatile.

The country is one of the most equal societies in terms of disposable income. However, there are large differences among regions as well as industry sectors. Large city areas as Prague and Brno enjoy highest income rate, almost zero unemployment and opportunities of career development. At the same time, the Northwest and North Moravia regions suffer from a significantly higher poverty rate and large numbers of property executions.

As a medium-sized, open, export-driven economy, the Czech Republic is heavily dependent on foreign demand, especially from the Eurozone. More than eighty percent of Czech exports go to EU states, particularly to Germany. Similarly, top import source countries are Germany, Poland and Slovakia. The Czech Republic recorded a general trade surplus for the fourth consecutive year in 2018. However, Czech imports of agricultural products outpaced exports by 22 percent.

Services account for 59 percent of the economy, manufacturing for 28 percent and agriculture for 2.5 percent. The Czech agricultural sector is not large, but productivity is high by Eastern European standards. It is difficult, however, to compete with Poland, where the agricultural sector is larger and costs are lower.

○ Population and Key Demographic Trends

In December 2018, the Czech population was 10.6 million, a slight increase since 2017. The Czech Republic is characterized by wide population dispersion. Over 10 percent of the population is centered in Prague, the only city with more than one million inhabitants, while the majority of Czechs live within 30 minutes of other major commercial/industrial hubs (Brno, Plzen, Ostrava, etc.).

Low levels of income inequality have led to the development of a large middle class accounting for 48 percent of the country's total households in 2017, one of the highest in the world. While this share is expected to remain significant during 2018-2030, a moderate rise in income inequality will also support growth of top and bottom income classes. This trend will generate opportunities for premium goods and services including recreation, leisure, hotels, and restaurants.

The Czech Republic faces significant challenges of an ageing society. The population is ageing more rapidly than in most European countries as the 20-39-year old population declines.

Young adults and mid-lifers segments, earning the highest incomes, will decline over next 10-15 years, whereas seniors and teens will experience growth. The median age of the Czech population is constantly rising. In 2018, 19.6 percent of the total population was 65 years and older. Demographic shifts such as growing city-life preferences and increasing portion of older age groups reshape consumer lifestyle and purchasing decisions.

Table 1: Czech Republic Demographics 2014-2018

	2014	2015	2016	2017	2018
Birth Rates /1000	10.43	10.50	10.65	10.78	10.30
Fertility Rate	1.53	1.57	1.60	1.67	1.64
Death Rate /1000	10.03	10.54	10.19	10.50	10.50
Age 0 – 19 years (%)	19.59	19.72	19.91	20.10	20.28
Age 20 - 39 years (%)	28.35	27.50	26.64	25.87	25.16
Age 40 – 64 years (%)	34.22	34.47	34.65	34.80	34.96
Age 65+ years (%)	17.84	18.31	18.80	19.23	19.60

Source: Czech Statistical Office

○ Size of Economy, Purchasing Power and Consumer Behavior

In 2017, the Czech economy was one of the fastest growing economies in Europe (4.6 percent). The growth slowed down to 3.0 percent in 2018 and is projected to further decrease in 2019. Although it is projected to ease to 2-2.5 percent in 2020-2021, household consumption and government spending will still drive growth. The inflation is projected to stay above the 2 percent target of the central bank and a very low unemployment, about 2 percent in 2019, contributes to persistent high growth of wages. The limited labor market has led to shortages of skilled employees in many industry sectors and is becoming the constraint to future growth.

A weaker-than-assumed Czech Crown exchange rate will likely result in higher inflation and interest rates. Given its high participation in global trade chains, the Czech economy is highly exposed to trade protectionist measures and uncertainty surrounding Brexit.

The Czech Republic has an average per-capita purchasing power of EUR 8,394 (US\$ 10,150), which is 60.2 percent of the European average (42 countries including non-EU). Its value is the highest in CEE (Central and Eastern Europe) and has been growing for last four years. Besides the economic growth, the strength of the Czech Crown, i.e. the CZK/EUR exchange rate, is an important factor. Among Czech districts, Prague has the highest purchasing power, 31 percent higher than the national average.

Table 2: Consumer Expenditures Czech Republic in \$USD Per Capita - Value at Current Prices

Consumer Expenditures	2014	2015	2016	2017	2018	2019
Consumer expenditures	9,737	8,511	8,912	9,905	11,390	12,329
Consumer expenditures on food and non-alcoholic beverages	1,585	1,369	1,426	1,601	1,839	1,989
Consumer expenditures on alcoholic beverages and tobacco	806.5	713.4	747.9	834.8	963.2	1044.2

Source: Euromonitor Intl

In 2019, consumer expenditures on food and beverages (including alcoholic beverages and tobacco) are estimated at about \$3,000 per capita, accounting for 24 percent of total consumer expenditures. The 24-25 percent share of food and beverage of the total remains stable over the years.

○ **Overall Business Climate**

The Czech Republic is a fully established parliamentary democracy with one of the most advanced economies among CEE countries. Its economic policy is consistent and predictable. An open investment climate is a key element of the economy. Located in the center of Europe, it is a gateway to both eastern and western markets, combining skilled labor force, a good work ethic and greater use of technology. It features high degree of entrepreneurship, good conditions for doing business and high percentage of English-speaking population in large cities. Extensive dependency on exports leaves the country vulnerable to a rise in trade protectionism or other economic shocks. Nevertheless, the investment outlook is encouraging and the International Monetary Fund (IMF) predicts that by 2023 the Czech Republic will be wealthier than Italy on a per capita basis. (*Source: Euromonitor Intl*)

○ **Recent Trends**

In general, food products registered robust value growth and a similar static volume in 2019 due to a trade-up to higher quality and price products. This is the impact of a good economic growth, low unemployment, and rising purchasing power on consumers' behavior. A trend toward healthy eating is also on rise in the Czech Republic; shoppers are paying more attention to added-value health benefits, place of origin, and free-from indicators. Health trends lead to popularity of high protein and high fiber products with less sugar. Both producers and consumers focus on low sugar products, mainly in snack bars, biscuits, spreads, and breakfast cereals.

However, despite rising purchasing power, Czech consumers, particularly the older generations and in rural areas, remain quite price-sensitive, with many actively seeking out discounts and special offers when shopping for food. Older age group is the major target for weekly and bi-weekly advertising flyers regularly issued by key retailers. With promotional purchases accounting for 47 percent of Fast-Moving Consumer Goods (FMCG) sales, the Czech Republic ranks first in the EU.

According to GfK Consumer reports, prices of food and non-alcoholic beverages increased by 1.0 percent during 1Q 2019 compared to 1Q 2018. Combining with the 0.6 percent trading-up trend, Czech households paid in average 1.6 percent more for this FMCG segment.

Hypermarkets remained the most important retails distribution channel in 2019, followed by discounters and supermarkets.

Although still limited to major urban areas, online grocery shopping reached USD 138 million sales value in 2018 and is expected to double in four years. For more details, see the latest [Retail Foods Report](#) available at <https://gain.fas.usda.gov/#/search>

Czech millennials enjoy trying food and beverages novelties, new shopping experiences, convenience products, and snacks. Frequently they prefer eating outside the home, i.e. at school/office, on the way, at fast foods or trendy bars. A new trend is apparent when following social media messages posted by young people; followers are no longer impressed by expensive cars and smart phones, but rather by unusual lifestyles, including experience in exotic travel, unique events, and trendy restaurants.

o **Table 3: Advantages and Challenges for U.S. Suppliers on the Czech Market**

Advantages (strengths and market opportunities)	Challenges (weaknesses and competitive threats)
Growing economy and income level	Transatlantic transportation is costly and takes time
One of the largest markets in Eastern Europe	Significant economic reliance on Germany and strong German competition
Solid domestic demand, high employment and growing consumer expenditure	High promotion costs to increase consumer awareness
Developed distribution system, highly integrated with Germany	Conservative consumers demanding local and low-price products
A large middle class generates demand for goods/services beyond the basic needs	Czech language labelling requirements
Growth of urban population	Highly open economy can be vulnerable to any future crisis
Change in food consumption habits towards new trends, particularly among younger generations and in tourist areas	High social security and housing costs dent the proportion of discretionary spending of Czech households
Growing segment of consumers seeking out high quality rather than just low-price products and services	U.S. exporters face competition from tariff-free products from other EU member states
New tourism trends encouraging new “gastro” travel concepts	
Growing pet food market	
The Czech Republic, a landlocked country, produces only freshwater fish such as carp and trout. Sea fish and seafood are imported	
The climate limits growing seasons and products	
Currency appreciation could encourage the import	

Retail chains in the Czech Republic have recognized the growing importance of private labels, which have become one of very important communication and competition tools. Private labels of packed grocery excluding fresh products account for 24 percent of value spent. In the past, customers used to purchase these products mainly for their low cost, however, all retailers are now striving to change image of private labels to be perceived as a good price-value purchase.

Czechs are on the top of the list of the number of household pets per capita in the EU and the pet food market is growing. As disposable incomes rise, pet owners look for wellbeing products and are willing to spend more for higher quality. This trend, together with growing pet population, will drive increase in sales of pet products. Specialized pet shops are the largest distributor of pet food followed by hypermarkets. Internet retailing has recently become a very popular channel of shopping for pet care products, extending a very competitive landscape in this sector.

SECTION II EXPORTER BUSINESS TIPS

o Market Research and Local Business Customs

The Czech market offers good opportunities for U. S. exporters of select consumer-oriented agricultural products. The Czech Republic has a developed distribution system in food and beverages segments. A good market entry strategy would be to find and support a strong Czech partner or distributor. The Czech Republic is geographically small with most decision-makers concentrated in the capital city of Prague. An agent or distributor based in Prague can offer good coverage for the entire country, and in many cases for the Slovak market as well. In most cases targeted marketing campaigns are highly recommended when promoting a new consumer product.

Czech firms are very price-sensitive and the market is dominated by cost-conscious consumers. Although Prague is the seventh wealthiest region in the EU, retailers complain they are unable to move goods unless they are on sale. However, recently there has been a subtle shift in the consumer market, including food, towards prestigious name brands over low-cost competitors. As the result, price is still the major purchasing factor for most Czech consumers, however awareness of quality, health benefits and food safety issues is increasing. In addition, popularity of organic, raw, gluten-free and zero-waste (package-free) food products is growing.

The VAT rate is currently 15 percent on all food products, except products classified as essential for child nutrition (reduced to ten percent rate).

o General Consumer Tastes and Trends

The traditional Czech cuisine contains a lot of protein and saturated fat and carbohydrates, e.g. pork, dumplings, thick gravies. The changing lifestyle of Czech consumers has led to increased interest in functional and healthier food, including more fresh fruit and vegetables, poultry, fish, wholegrain bakery products, cereals, and rice. This lifestyle development is, however, mainly a

characteristic of the urban and younger population. This change in eating patterns, along with large popularity of chefs' cooking shows on TV, makes Czechs more open-minded when it comes to experimenting with food and trying new tastes.

SECTION III IMPORT FOOD STANDARDS & REGULATIONS AND IMPORT PROCEDURES

See the latest Food and Agricultural Import Regulations and Standards (FAIRS) GAIN reports - The Czech Republic, which can be found on the USDA GAIN database <https://gain.fas.usda.gov/#/search> or on the FAS Europe website.

[Food and Agricultural Import Regulations and Standards Report – Prague, Czech Republic 2018](#)

Harmonized certificates and information related to trade with commodities subject to veterinary controls are available on-line at the website of the State Veterinary Administration: <https://en.svs-cr.cz/trade-with-vet-commodities/general-information/>

As a member of the European Union, EU import rules fully apply to the Czech Republic. Complete information on EU import rules for food products may be found at: <https://www.usda-eu.org/trade-with-the-eu/eu-import-rules/>

SECTION IV MARKET SECTOR STRUCTURE AND TRENDS

Over the past few years there was a strong consolidation trend in both retail and food processing sectors. Although domestic products hold the largest share of the market, a significant share is imported, mainly from Germany, Poland, and the Netherlands.

All leading food retailers in the Czech Republic are part of large German or British retail groups. The top three companies (Schwarz Group, Rewe, Ahold) have a 57 percent market share. The Czech Republic has recently experienced the boom of internet retailing including online shopping for all food categories. Online purchases reached a breaking point in 2018 at 10 percent of total retail sales. Grocery online sales has been a very popular trend, showing 70 percent year-on-year growth. With food accounting for 2.5 percent of FMCG internet sales, the Czech Republic ranks third in Europe following the UK and France. Although still limited to major urban areas, online shopping for food has already created a much more competitive market, challenging stationary retailers to expand or to enhance consumers' shopping experience. Despite fierce competition, complex logistics and demanding "last mile" management, the largest Czech online food retailer "Rohlik.cz" reached \$113 million sales in 2018 and plans to expand their business into other Central and Western European countries.

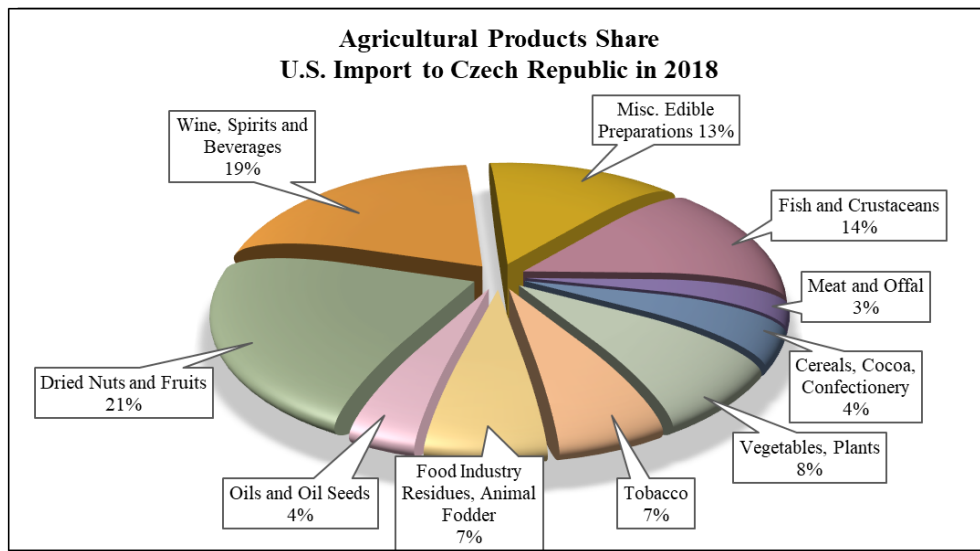
- Market Opportunities for Consumer-Oriented Products in the Hotel, Restaurant and Institutional, Retail Food and Food processing Sector

The Czech Republic is a large tourist destination. The 2017 season was the first year when the country welcomed the record number of 10 million foreign travelers, the same number as the local population. Particularly the capital city of Prague attracts a constantly growing number of foreign tourists every year, more than 8 million in 2018. Popularity of some other regions, e.g. Southern and Western Bohemia, has been recently increasing as well. Tourism contributed almost \$14 billion to Czech GDP in 2018, accounting for about 6 percent. The trend encourages further growth of food service sector, particularly of new and unusual gastro travel concepts, offering new opportunities for U.S. exporters.

Food and beverage production is an important industry accounting for 2.5 percent of the GDP. The most important subsectors include meat, dairy and milling/bakery productions. The key beverage industry is beer brewing and beer-making ingredients production.

SECTION V. AGRICULTURAL and FOOD IMPORTS

Table 4: U.S. Import to Czech Republic in 2018



Source: Czech Statistical Office

The United States has had a trade deficit with the Czech Republic every year since 1990's, although its value has been slowly decreasing. Agricultural products account for 2 percent of U.S. exports.

Although locally produced and EU-imported agricultural products dominate the Czech market, there are good opportunities for U.S. products, particularly at the upper end of the market. In

2018, the total agricultural, fish and forestry imports from the United States valued at \$108 million.

Official U.S. export numbers do not include significant transshipments of U.S. products from other EU countries, particularly from the Netherlands and Germany. This means many products imported to the Czech Republic are not included in US-to-Czech export statistics since the first point of entry into the EU is most likely a port of Rotterdam or Hamburg. While direct sales from the United States reflect a stagnant market, indirect sales via transshipments are on the rise, as evidenced by the availability and variety of U.S. food products found in the Czech market today.

Table 5: Food Imports – Prospects for U.S. Exporters

Product Category	Total Czech Imports 2018 million USD	Czech Imports from the U.S. 2018 million USD	Market Attractiveness for U.S. Exporters
Fish and Seafood	253.0	14.1	As Czech consumers move toward a healthier diet and lifestyle, fish consumption is on the rise. U.S. fish and seafood products that have good opportunities in the Czech market include: Alaska pollock, Pacific salmon, hake, scallop, shrimp, and lobster.
Tree Nuts	182.0	21.0	Most tree nuts are used as ingredients by the food processing sector. Almonds are the most important commodity within this category.
Wine & Spirits	526.6	16.5	Consumption of U.S. wines and spirits is on the rise among Czech consumers. The U.S. is a mainstay in the bourbon market, and is seeing its share of wine grow rapidly as the popularity of New World wines expands.
Pet Food	383.0	7.3	46 percent of Czech households keep a dog or a cat and as such are on the top list in number of pets per capita in the EU. The demand for pet food is rising and most of pet food ingredients are imported.
Beef	206.9	2.9	Despite a slight decrease in total beef consumption, Czech consumers have recently discovered the tastiness of high-quality U.S. beef which has become a promising prospective product for the Czech market.
Hop Pellets	11.05	0.8	Czechs have the highest per capita beer consumption in the world, i.e. 141 liters in 2018. Although both Czech beer and hops are major export commodities, niche market opportunities for U.S. export exist. This is because of recent boom of microbreweries and growing popularity of more heavily hopped beer, such as IPAs. Opportunities Exist for U.S. Craft Beer and Hops in Czech Republic

SECTION VI. KEY CONTACTS AND FURTHER INFORMATION

Homepages of potential interest to the U.S. food and beverage exporters are listed below:

Foreign Agricultural Service Prague	https://cz.usembassy.gov/embassy/government-agencies/foreign-agricultural-service/
Foreign Agricultural Service Washington	http://www.fas-usda.gov
USDA/FAS/Europe	http://www.fas-europe.org
U.S. Mission to the European Union	http://www.usda-eu.org
European Importer Directory	http://www.american-foods.org/

One tip for U.S. exporters is to approach the governmental trade promotion agency [CzechTrade](#) that offers a business partner search assistance.

Please view our [Country](#) for more information on exporting U.S. food and beverage products to the Czech Republic and Slovakia, including market and product “briefs” available on specific topics of interest to U.S. exporters.

If you have questions or comments regarding this report, or need assistance exporting to the Czech Republic, please contact the U.S. Foreign Agricultural Service Office in Prague at the following address:

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 E-Mail: AgPrague@fas.usda.gov
 Homepage: www.fas-europe.org

Attachments:

No Attachments