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## Czech Republic

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### Organic Product Brief

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Product Brief

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**Report Highlights:**

In 1990, after the change of the national political system, organic agriculture in the Czech Republic started to write its history. Three organic farms were pioneers in this field; today there are over 4,250 organic farms registered covering a total area of over 505,000 hectares. Moreover, there are over 540 registered producers of organic products. They include wine, milk and dairy products, fruit and vegetables, and beef. The Czech market for organic packaged food is \$40 million USD, while the total market size with organic products is around \$80 mil USD. Consumption of organic products is still small (less than \$8 USD per person per year, while the EU average is over \$47 USD), but the market is slowly growing with support from the Ministry of Agriculture and several domestic companies producing and importing organic products. Some of these private companies contribute to marketing and inform consumers on the benefits of organic products through their own channels, magazines, webpages, etc. About 50 percent of organic products are imported. The best prospects for U.S. organic products would be for innovative products with an interesting label. Successful products from the United States could be dried fruit and nuts, pulses, snacks, cereals and products with a longer shelf life.

**General Information:****Definition:**

The Ministry of Agriculture defines organic products as those products produced in accordance with the Czech law 242/2000 Coll. on organic agriculture, Council Directive 834/2007 and EU Commission Directive 889/2008. The Ministry of Agriculture mentions on its webpage health benefits and quality of organic products. “Organic products, unlike conventional, do not contain any chemical additives, preservatives, stabilizers, nor artificial colorings. It has been proven that organic products have a higher nutritional value and contain more vitamins and minerals than products from conventional agriculture. Organic vegetable has a lower content of nitrates by up to 50% and a lower content of pesticides by over 90% in comparison with conventional vegetable.” Organic products must be labeled “bio” and certified by the Ministry of Agriculture.

*Source: Ministry of Agriculture*

**Coverage:**

Organic products include a spectrum of products. The Czech Republic is a producer of organic wine, beef, milk and dairy products, baby food, fruit and vegetables, and some regional products such as honey. About 50 percent of organic products are imported. The best prospects for U.S. organic products would be for innovative products with an interesting label (but should first consult with a Czech importer). Successful products from the United States could be dried fruit and nuts, pulses, snacks, cereals and in general products with a longer shelf life.

**Sources of Information:**

The Czech Ministry of Agriculture supports organic farming in the Czech Republic. Some information can be found on the Ministry’s webpage: <http://eagri.cz/public/web/en/mze/agriculture/organic-farming/>

In November 2016, the Ministry of Agriculture hosted an international conference on organic agriculture “Biosummit 2016”, <http://www.biosummit.eu/en/>. The Prague-based FAS Marketing Specialist attended this conference and used the information gathered at the conference in this report.

The Czech Technology Platform for Organic Agriculture supports research, education and implementation of organic farming by bringing together farmers, researchers, universities and institutions, and consumers. It closely cooperates with the international organizations focused on organic farming. More information can be found here: <http://www.ctpez.cz/en/english>.

FAS met with founder and director Otakar Jiranek of Country Life, a pioneer company on the Czech organic market. Country Life operates a farm, owns stores and restaurants, has a distribution center and e-shop, and publishes the magazine “Dobroty”, which distributed for free in their stores and contains a lot of information on organic agriculture, new products, recipes etc. Much of the information included in this report is attributed to the Country Life company. A link to the Czech website of the company: [www.countrylife.cz](http://www.countrylife.cz)

Another important company and a professional association on this market is PRO-BIO, [www.probio.cz/en/](http://www.probio.cz/en/), which has been influential in promoting organic agriculture.

**Market Size:**

Organic packaged food products remain relatively expensive in the Czech Republic and only people with higher incomes can afford to purchase organic products on a frequent basis. Fresh organic products

are more popular among Czech consumers. In organic packaged food, the most intensive interest is in organic baby food and organic dairy. The size of organic packaged food was \$40 USD million in 2015. Total market size with organic products is around \$80 million USD and is growing slightly. Per capita consumption of organic food per year is less than \$8 USD, while the EU average is over \$47 USD.

Hipp is the leading player in organic packaged food, holding a retail value share of 13% in 2015, followed by Country Life, PRO-BIO and Hame. Country Life is a successful domestic company which offers its own organic products and imported organic products. The company runs an online shop, continues to penetrate more multiple retail chains, and is active in the introduction of new products. Country Life also publishes a quarterly magazine (editions in spring, summer, autumn and winter) about organic food and good quality ways of eating and living. Magazine Dobroty (“Delicacies”) is published in an edition of 40,000 copies and available for free at its stone shops and also online. The magazine covers various themes on healthy living and presents recipes besides the promotion of organic products offered by Country Life. Newly-launched organic products are introduced here. New U.S. products could also be featured in this magazine and imported by Country Life.

**Production:**

In 2015, there have been 542 producers registered as producers of organic products. Most of them produce wine, milk and dairy products, fruit and vegetables and meat.

Organic animal production in 2015 composed of 17% of cattle (of total cattle), out of which 2% were dairy cows; 44% sheep; 36% goats; and 21% horses. Production of organic poultry and swine is negligible. Organic beef cows are the fastest growing sub-sector of organic animal production and most of the meat is exported.

Organic grain area has grown significantly since 2001, mainly organic wheat, which has grown from 9,000 MT in 2001 to 66,000 MT in 2015.

**Area:**

In 1990, after the political system change, organic agriculture in the Czech Republic started to write its history. Three organic farms were pioneers in this field. In November 2016, there have been over 4,250 organic farms registered with a total area of over 505,000 hectares. This area represents a 12 percent share on total agricultural land. Organic farmers farm on 40 percent of permanent grassland area, 2 percent of arable land and over 10 percent of permanent cultures, such as orchards or vineyards.

**Consumption:**

Consumption of organic products depends on the purchasing power of Czech consumers. Czech consumers with a “green” way of living show a positive attitude towards organic products and stronger purchasing power create favorable conditions for sales of organic packaged.

Organic dairy was largest within organic packaged food in 2015, accounting for a retail value share of 35%, followed by organic baby food with 26%. Organic baby food market is growing, as prices remain at reasonable levels due to the private label products of leading drugstore chains and the presence of the popular local brand from Hame. Also, women are giving birth at an older age; they are more cautious and seek the best quality for their babies.

**Sales of organic packaged food in the Czech Republic:**

U.S.\$ mil.	2010	2011	2012	2013	2014	2015
Organic Dairy	14.3	14.5	14.6	14.5	14.6	14.3

Organic Baby Food	9.7	10.4	10.8	10.9	11.0	9.7
Organic Rice, Pasta and Noodles	8.1	8.4	8.4	8.4	8.5	8.1
Organic Frozen Meat, Seafood, Fruit and Vegetables	2.5	2.5	2.5	2.5	2.5	2.5
Organic Oils and Fats	2.5	2.5	2.4	2.3	2.3	2.5
Organic Baked Goods	0.7	0.7	0.7	0.7	0.7	0.7
Organic Biscuits and Snack Bars	0.2	0.2	0.2	0.2	0.2	0.2
Organic Breakfast Cereals	0.6	0.6	0.7	0.7	0.7	0.6
Organic Confectionery	0.4	0.4	0.4	0.4	0.4	0.4
Organic Spreads	0.1	0.1	0.1	0.1	0.1	0.1
Organic Sweet and Savoury Snacks	0.8	0.8	0.8	0.8	0.8	0.8
Organic Packaged Food	40.0	41.2	41.6	41.6	41.9	40.0

Source: Euromonitor

### Trade:

Around 50% of organic products are imported, mainly from the neighboring countries like Austria, but also from Germany and France. The best prospects for U.S. organic products would be for innovative products with an interesting label (which should first be consulted on with a Czech importer). Successful products from the U.S. could be dried fruit and nuts, pulses, snacks, cereals and in general products with a longer shelf life.

### Policy & Regulations:

Rules on organic products and the labelling of organic products were modified on July 1, 2012 (Regulation 505/2014/EU). Organic products from the EU, including those from producers in the Czech Republic, are required to carry the uniform logo (in the form of a green leaf with 12 white EU stars) and the appropriate code, which was voluntary previously. The country code where the organic product underwent the final inspection must also be included. In the case of the Czech Republic, it is "CZ." The logo can only be used on products which derive at least 95% of their ingredients from organic agriculture. In addition to the uniform EU logo, a regional logo can also be used, which in the case of the Czech Republic is the "green zebra", so-called due to the green stripes on the logo.



At Biosummit conference in November 2016, Mr. Gallas, the Director of Environment and Organic Farming Department, summarized barriers and opportunities for development of organic farming in the Czech Republic.

Barriers for Organic Farming in CR	Opportunities for Organic Farming in CR
Insufficient use of production capacity (in terms of quantity and quality) – 80 percent of organic farming area is permanent grassland	Growing interest of society on improving the environment
Insufficient trust of consumers in organic ("bio")	Growing demand for high quality and local food

products as a result of lack of information	products
Need for more information for agricultural professionals that organic farming is useful	Media scandals on food products from conventional agriculture
Scandals with organic products in media – little positive news, negative news are given much more space in media	Good examples of organic farming in other countries
Insufficient technical advisory system (“extension service”)	Increased interest in farmers markets, direct sales from farms
Strong lobby of antagonists of organic farming	Support of the Ministry of Agriculture
Bureaucracy, complicated legislation	Initiative of some private companies (e.g. Countrylife) to inform consumers on benefits of organic farming (via magazine)
Weak coordination among institutions in organic agriculture	Research – Czech Technological Platform for Organic Agriculture provides a connection between research, producers and consumers
Higher prices of organic products (e.g. organic beef is twice the price of conventional)	
Undeveloped market – weak horizontal and vertical cooperation among companies; there is no marketing organization for organic products	

*Source: Ministry of Agriculture – Biosummit Conference*

In November 2015, the government approved the Action Plan for the Development of Organic Farming, bringing new opportunities for both farmers and food producers. The new plan focuses more on the quality and productivity indicators of organic farming as opposed to the previous plan, which placed an emphasis on the expansion of cultivated areas. One of the objectives of the plan is to support domestic organic products, to increase their representation locally and to concentrate on products that can be produced in the Czech Republic and to decrease the need to be imported.

### **Certification Organizations:**

Organic products are certified by the Ministry of Agriculture. Usage of the EU logo is voluntary for organic food from non-EU countries. Yet the control is undertaken in 11 countries on the basis of agreements on the equivalence of organic food control systems (e.g. Switzerland, the United States, Australia and New Zealand, Israel, Argentina, Costa Rica and India). The geographical origin of organic food can be identified by the appropriate country code.

Control of products certified as organic is carried out by three organizations: Control of Organic Farming (“KEZ”, [www.kez.cz](http://www.kez.cz)), Biocont (<http://www.biocont.cz/en/biological-plant-protection.htm>) and ABCert ([www.abcert.cz](http://www.abcert.cz)). Besides these private companies, the Central Institute for Supervising and Testing in Agriculture (<http://eagri.cz/public/web/en/ukzuz/portal/>), under the Ministry of Agriculture, also controls organic products as of January 2010.

General food control (not only of organic products) is done by the Czech Agriculture and Food Inspection Authority (<http://www.szpi.gov.cz/en/default.aspx>), Czech Trade Inspection Authority ([www.coi.cz/en/](http://www.coi.cz/en/)), State Veterinary Administration (<http://en.svscr.cz/>) and Customs Administration of the Czech Republic (<https://www.celnisprava.cz/en/Pages/default.aspx>).

The Association of Organic Farmers Pro-Bio tightened the rules for labelling organic food in 2014: the

special local organic logo started to be awarded only to local organic food, thereby allowing Czech consumers to easily distinguish between local and foreign organic products. Following the rule change, imported organic rice, for example, is no longer awarded the local logo, but there is a certain degree of tolerance. Organic biscuits produced from Czech organic flour, Czech organic eggs and Czech organic butter sweetened with organic sugar, which is not available in the country, can obtain it. The improved local logo is based on the existing logo which consists of the phrase “BIO-organic product” with green stripes in the background. The new layout of the label has changed the notice, as well as implementing a minor change to the shade of green used.

**Opportunities & Challenges for Sellers of Organic Products:**

<b>Opportunities</b>	<b>Challenges</b>
Demand for new, innovative products	Fear of GMO contamination in U.S. agricultural products
Demand for products labeled “free from” (e.g. free from GMO, palm oil, lactose, gluten etc.)	Confusing terminology – U.S. “organic” is not always understood correctly in the EU. In most EU countries organic agriculture is called “bio”
Attractive design and labels in Czech language (label should be consulted on with a Czech importer)	Long distance for shipment of U.S. products, logistics (e.g. compared to neighboring Austria)
Products with longer shelf life (e.g. dried fruit and nuts)	Exchange rate fluctuations can make U.S. products more expensive than expected
New USDA proposal for ingredient labeling	Ingredient labeling not in force yet

Source: FAS

**Marketing:**

The number of distributors of organic products grew five times since 2007 to 409 organizations in 2015. Organic products are sold mainly in specialty stores (Country Life and other companies) that are often located in shopping malls.



They are also sold directly in retail. Some organic products are sold at farmers markets. The Ministry of Agriculture supports organic agriculture as well as private companies, such as Country Life or Pro-bio.

**Prices:**

Organic packaged food products remain relatively expensive in the Czech Republic and only people

with higher incomes can afford to purchase organic products on a frequent basis. Organic beef is even twice as expensive as conventional beef, although in many cases it comes from the same producer. Only a few Czech consumers are willing to pay the premium price.