

USDA Foreign Agricultural Service

# GAIN Report

Global Agricultural Information Network

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## Czech Republic

**Post:** Prague

### Annual Retail Sector

**Report Categories:**

Retail Food Sector

Agriculture in the Economy

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**Report Highlights:**

Consumers in the Czech Republic are transitioning from hypermarkets to convenient stores when shopping for food in reaction to the shrinking economy and continued concern with spending.

## **General Information:**

In 2009, the Czech Republic saw negative growth in both grocery and non-grocery retailing as a consequence of the global financial crisis and only marginal growth in 2010 as consumers continued to be cautious with spending. However, grocery retailing was less affected by the financial crisis since consumers consider most grocery products to be essential and therefore opt to purchase. In 2010, the economy in the Czech Republic began its recovery with grocery retailing, which comprised 46 percent of all retail value sales, at nearly \$18 billion. By 2015, food retail is expected to see a 3.6 percent value growth.

## **SECTION I. MARKET SUMMARY**

### **A. SUPERMARKETS/HYPERMARKETS/SUPERCENTERS/CLUB/WAREHOUSE OUTLETS**

**Supermarkets:** For the purposes of this report, a supermarket is defined as any full-line, self-service grocery store generating a sales volume of \$2 million or more annually. Present foreign-owned supermarkets include Tesco Stores CR, a.s. with 40 supermarkets and Ahold Czech Republic, a.s. (Albert's) with 224 supermarkets. Customers preferring supermarkets mostly decide on a basis of their easy availability and because of the pleasant and clean environment. The popularity of supermarkets has declined slightly with 15 percent of Czech consumers using supermarkets as their main shopping place for groceries.

**Hypermarkets:** A hypermarket is a very large food and general merchandise store with approximately 180,000 square feet of selling space. While these stores typically devote as much as 75 percent of the selling area to general merchandise, the food-to-general merchandise sales ratio is typically 60/40. Hypermarkets have established their dominant position in the Czech market with 43 percent of Czech households utilizing hypermarkets as their main shopping place for groceries. People primarily choose hypermarkets due to the wide choice of goods.

**Supercenters:** Supercenters are large food/drug combination stores and mass merchandisers under a single roof. Supercenters offer a wide variety of food, as well as non-food merchandise. These stores average more than 170,000 square feet and typically devote as much as 40 percent of space to grocery items. Supercenters are not popular in the Czech Republic.

**Club/Warehouse Outlets:** Club Outlets offer products at lower prices but stores are difficult to access and require an annual membership. With thirty-six outlets, Peal, a.s. is the leading Cash and Carry operator in the Czech Republic followed by Makro Cash & Carry with thirteen outlets. Sapa Asian Trade Center is a warehouse outlet located in South Prague. The majority of the market space at Sapa is devoted to large warehouses full of miscellaneous goods and produce and food vendors. Most of the goods and produce sold at Sapa are shipped from Asia.

**Discount Stores:** While younger consumers (under 40) with higher education prefer shopping in hypermarkets and supermarkets, discount stores and small shops are popular with older customers and customers with lower education level. Discount stores have maintained the second position of market share with 25 percent of Czech households identifying discount stores as their main shopping place for groceries. Discount stores generally attract consumers who are looking for a combination of favorable prices and reasonable quality.

**B. CONVENIENCE STORES/GAS MARTS/KIOSKS**

**Convenience Store:** Any full line, self-service grocery store offering limited line of high-convenience items. Open long hours and provides easy access. The majority sell gasoline with annual sales of \$2 million or more. It is expected that the trend of quick and convenient way of shopping will strengthen and therefore the popularity of convenience stores will grow. By 2015, convenience stores are predicted to see an increase in both terms of constant value sales and number of outlets with growth of 5 percent and 7 percent respectively.

**Kiosks:** Kiosks typically sell press material, fruits, and vegetables. Kiosks that sell newspapers are often located near bus stops and train stations. Kiosks that sell fruits and vegetables usually are located on market squares and throughout cities.

**Gas Marts:** Gas Marts usually offer ready-to-eat products, beverages, and car accessories. They are located near highways and major through-fares.

**C. TRADITIONAL MARKETS**

Traditional markets are shops that have evolved out of convenience stores and are located throughout the Czech Republic. Traditional markets strength is in their accessibility and the fact that they are locally owned and managed.

**D. OVERALL RETAIL FOOD SALES OVER THE PAST 5 YEARS**

In 2010, grocery retailing included 46 percent of the total retailing market in the Czech Republic excluding sales tax, valued at \$17.915 billion. Between 2005 and 2010 grocery retailers saw a 16 percent jump in current value growth. [1]

**Table A: Retail Sales (in US\$ Billions)**

	2005 (US\$B)	2006 (US\$B)	2007 (US\$B)	2008 (US\$B)	2009 (US\$B)	2010 (US\$B)
Grocery Retailers	\$15.448	\$15.448	\$16.988	\$17.471	\$17.668	\$17.915

## E. EXPECTED GROWTH RATE OF THE OVERALL FOOD RETAIL MARKET

By 2015, forecast sales for grocery retailers are expected to be \$18,552,993,114. Over the next 5 years grocery retailers are expected to see a 3.6 percent value growth. [2]

**Table B: Retail Sales Forecast in (US\$ Billions)**

	2010 (US\$B)	2011 (US\$B)	2012 (US\$B)	2013 (US\$B)	2014 (US\$B)	2015 (US\$B)
Grocery Retailers	\$17.915	\$17.520	\$18.040	\$18.171	\$18.350	\$18.553

## F. TRENDS IN DISTRIBUTION CHANNELS

Czech consumers tend to distinguish amongst individual grocery retailers for certain products. As a result, the major supermarkets and hypermarkets have begun to profile significantly and due to different combinations of price, assortment, and quality of goods they are able to attract customers to various categories of goods. For example, Globus is popular among Czech consumers for meat, sausages, and organic food shopping. Kaufland and Lidl chains are successful with their offer of fruits, vegetables, and pet food. Consumers go to Tesco to purchase soft drinks and Albert's is the favorite place for pastry and delicatessen shopping. Billa is a choice place for cheese, fruit, and vegetables shopping, whereas Penny Market has been popular for its dairy products, coffee, and tea. [3]

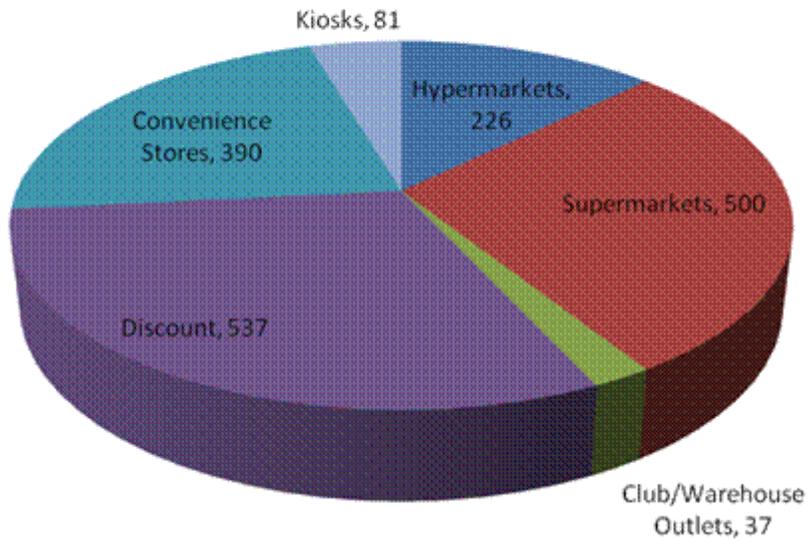
## G. DOLLAR VALUE OF IMPORTED FOOD VS. DOMESTIC PRODUCTS OVER THE PAST 5 YEARS

After the EU accession, the Czech Republic lost its self-sufficiency in a few commodities and imports became higher than local production. This applies mainly to pork. Typical characteristic of Czech agri-food sector is export of raw materials and import of high value product. The following chart shows orientation values of local production and imports. However, since the numbers come from different sources, different methodology may cause inaccuracy in comparison of production and import values.

PRODUCT	YEAR	LOCAL PRODUCTION [thousand USD]	IMPORT [thousand USD]
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<b>Meat and meat preparations</b>	2006	1 301 647	557 774
	2007	1 307 664	751 081
	2008	1 331 712	971 684
	2009	1 260 058	987 308
	2010	n/a	1 022 655
<b>Dairy products and birds eggs</b>	2006	937 388	397 244
	2007	939 390	549 879
	2008	958 694	629 323
	2009	951 586	576 791
	2010	n/a	625 673
<b>Cereals and cereal preparations</b>	2006	921 674	370 769
	2007	958 027	491 468
	2008	1 086 915	612 299
	2009	1 130 278	511 199
	2010	n/a	535 833
<b>Vegetables and fruit</b>	2006	362 368	1 117 738
	2007	367 373	1 377 688
	2008	372 544	1 612 578
	2009	360 478	1 415 582
	2010	n/a	1 574 784
<b>Sugars, sugar preparations and honey</b>	2006	157 780	176 103
	2007	145 551	256 011
	2008	139 334	232 580
	2009	147 980	240 033
	2010	n/a	227 471
		FAO stat	Czech Statistical Office Date of generation : 18.08.2011 Time : 10:55:57

### NUMBER AND TYPE OF RETAIL OUTLETS



#### **I. TRENDS IN SERVICES OFFERED BY RETAILERS SUCH AS INTERNET SALES.**

In 2010, internet retailing accounted for 3 percent share of overall value sales of retailing to generate sales of \$1,566,645,003. By 2015, it is expected that internet retailing will account for 6 percent share of overall value sales of retailing reaching \$3,443,248,649. In 2010, no leading chained store-based retailer offered online shopping but this is expected to change as Tesco Stores CR AS plans to establish an online shop in the Czech Republic. [4]

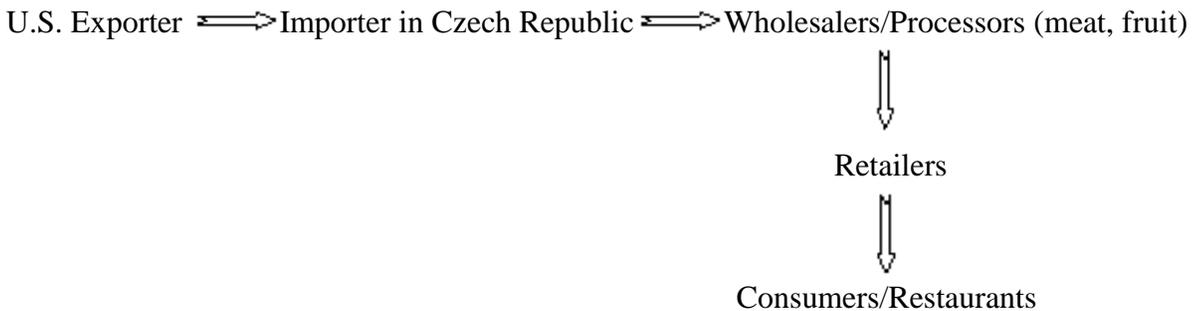
#### **J. ADVANTAGES AND CHALLENGES FOR U.S. EXPORTERS IN THE CZECH MARKET**

Advantages	Challenges
Bourbon is only produced in Kentucky and there is increased popularity and knowledge of Bourbon due to the event held for distributors by the Distilled Spirits Council hosted at the Ambassador's Residence in 2010.	
California Wines are gaining popularity in the Czech Republic after the wine tasting event held for distributors in 2010 at the Ambassador's Residence.	European wines are of the same quality as California wines and less expensive.
Rise of gourmet shops within Prague that sell American foods and beverages	View that European products are of higher quality, i.e. wine and cheese.
Interest in organic products is on the rise and more than 33 percent of organic consumers are not satisfied with the current supply. The organic market is a good place for market entry for U.S. exporters.	For goods entering the country from outside the EU, import authorizations must be obtained from KEZ (Organic Farming Control) and the Ministry of Agriculture.
Fish consumption is on the rise. The U.S. fish and seafood products having good opportunity in the Czech market.	

**SECTION II. ROAD MAP FOR MARKET ENTRY**

**Entry Strategy**

For U.S. exporters considering the Central European and Eastern European market the Czech Republic's location and business environment makes it a natural test market. U.S. exporters and importers working in the Czech Republic should collaborate to have U.S. products enter the Czech market. Depending on the type of product, the importer will contact either a wholesaler or processor. Processors are utilized when importing meats, fruits, and vegetables. Wholesalers will sell the imported products to retailers. Retailers, in turn, will sell the imported products to their customers.



**A. SUPER STORES, SUPERMARKETS, HYPER MARKETS OR SUPER CENTERS, CLUB AND WAREHOUSE OUTLETS**

Notably, all major supermarkets and hypermarkets are foreign-owned: Tesco Stores (UK), Albert's,

(Netherlands), Kaufland (German), Globus (Germany). Major supermarkets and hypermarkets have been successful in the Czech Republic. There are 268 hypermarkets in the Czech Republic and 88 percent of the Czech population lives within a 20km radius of a hypermarket. [5] Within the Czech capital of Prague there are 23 Hypermarkets fighting for customers. However, we are now seeing shopping centers reduce the selling space of grocery outlets by about 25 – 40 percent. In addition, the Czech Republic saw a decrease in new hypermarket openings. In 2010 only 10 new hypermarkets were opened, which is 4 less than the previous year. This trend relates to the economic crisis and the resulting change in shopping behavior as consumers prefer a quick and effective way of shopping for grocery products. Growth in the larger stores remains subdued as customers curtail their spending on non-food in the current environment.

In 2010, Kaufland stores were the place where Czech households spent the most money on food with 19 percent of households claiming Kaufland as their main grocer. Albert stores and Penny Market discount chain share the second place (both chains have identical preferences of 12 percent households each). Tesco and Lidl also gained their position in the TOP 5 chains (each of them having preferences of about 10 percent households). [6]

Tesco has been pushing for more aggressive growth in Central and Eastern Europe due to slower sales on the US and UK markets. [7] Tesco Czech Republic opened 18 stores in 2008, 21 stores in 2009 and 30 stores in 2010. The 2010 expansion of hypermarkets was clearly headed by Tesco with 7 new stores. Tesco has 173 outlets in the Czech Republic and had sales of \$1.97 billion in 2010.

<b>Retailer Name</b>	<b>Ownership</b>	<b>Hypermarkets</b>	<b>Supermarkets</b>	<b>Super Centers</b>	<b>Club/Warehouse Outlets</b>	<b>Discount</b>	<b>2010 Sales Figures</b>
Kaufland	German	93					

v.o.s. Schwarz							
Albert's Ahold Czech Republic, a.s.	Netherlands	279	55				\$2.43 billion
Tesco Stores CR, a.s.	UK	64	40				\$1.97 billion
Globus CR, K.s.	German	14					
Billa, s.r.o.	German		196				
Lidl, v.o.s. Schwarz	German					213	
Penny Market, s.r.o. Rewe	German					324	
Spar Ceska Obchodni, s.r.o.	Austria		36				
Peal, a.s.	Czech				36		
SAPA	Czech				1		
Country Life Bio Market	Czech		4				

## B. CONVENIENCE STORES, GAS MARTS, KIOSKS

Convenience stores are seen as the perfect alternative between large supermarkets and small independent grocers. It is expected that the trend of quick and convenient way of shopping will strengthen and the popularity of convenience stores will grow. For example, Tesco opened its first two convenience stores in the Czech Republic in 2007 and by 2010 Tesco operated 30 in the Czech Republic. In 2011, Tesco purchased 128 Zabka and Koruna convenience stores in the Czech Republic for 1.02 billion koruna (\$52.8 million) as part of its long-term strategy taking advantage of the fast developing segment of the retail market. In 2010, Billa also opened its first smaller Billa outlet with a selling space of approximately 200 square meters.

Retailer Name	Ownership	Convenience Stores	Gas Marts	Kiosks	2010 Sales Figures
Tesco Express Tesco Stores CR, a.s.	UK	69 *including 47 stores newly acquired from Koruna in 2011		81 * all kiosks newly acquired from Zabka in 2011	\$1.97 billion
Hruska, s.r.o.		321			
Zabka Penta	Polish				
Koruna					

### C. TRADITIONAL MARKETS - “MOM AND POP” SMALL INDEPENDENT GROCERY STORES AND WET MARKETS

**Potraviný:** In the Czech Republic a traditional market is known as a “potraviný” and it carries a limited selection of staples and other convenience goods. Potraviný’s are very popular amongst Czech consumers because of its easy accessibility, pleasant and helpful staff, and easy orientation in the store. Potraviný’s are generally operated by the large Vietnamese population found in the Czech Republic and many of the goods sold at a potraviný were purchased wholesale from Sapa Asian Trade Center found in South Prague.

**BioMarkets:** The Czech domestic market for organic food is developing rapidly. Specialty shops associated with the PRO-BIO Association of Organic Farmers offers the largest selection of food products.<sup>[8]</sup> More than 50 of these shops exist across the country, with some operating for more than 10 years. However, retail markets continue to suffer from shortages of basic organic commodities such as eggs, poultry, fruits, vegetables, milk, butter, and cheeses. More than 33 percent of organic consumers are not satisfied with the current supply. Growth in the domestic market is mostly due to consumer demand, which is predominantly met via increased imports. [9]

**Farmer’s Markets:** Prague, the capital of the Czech Republic is currently witnessing a Farmer’s Market frenzy. Prague’s first farmer’s market was held in spring 2010 and vendors were overwhelmed. According to Prague officials over 15,000 people turned out to purchase locally produced fresh vegetables, free range eggs, home-produced smoked meats, and baked goods. Most items were completely sold out within a couple of hours. Due to the success, two more open air farmer’s markets opened in Prague in 2010 and more are expected in 2011. Like the popularity of convenience stores, Czech consumers see farmer’s market as an alternative to the supermarket experience providing an altogether more fulfilling experience. [10]

### SECTION III. COMPETITION

Local production and products sourced from within the European Union, mainly Germany, France, Italy, Great Britain, Spain, Finland, Switzerland, Austria, and the Netherlands provide the main competition for American products.

From 2010 to 2011 U.S. exports to the Czech Republic have decreased. For retailers, local brands are preferred over American products because American exports are too expensive. Grocery retailers are very careful with pricing their products because the grocery retail industry is highly competitive in the Czech Republic.

**Organic Imports and Exports:** Organic products brought into the Czech Republic from other European Union member states are not classified as imports due to free movement within the EU community. For goods entering the country from outside the EU, import authorizations must be obtained from KEZ (Organic Farming Control) and the Ministry of Agriculture. This process is required by article 11, paragraph 6 of European Union regulation 2092/91. In 2005, the Ministry of Agriculture issued 32 authorizations for goods from eight countries outside the EU: Japan – 12, China – 6, Paraguay – 4, Turkey – 3, Canada – 2, Egypt – 2, Mauritius – 2, South Africa – 1.

In accordance with Act No. 242/2000, 27 certificates for exporting organic products were issued in 2005. All organic exports outside the EU were sent to Turkey.

Prospects for organic agriculture in the Czech Republic are good. Government subsidies are expected to increase and consumer interest continues to grow. [11]

### SECTION IV. BEST PRODUCT PROSPECTS

**Dried Fruits and Nuts** (almonds, raisins, pistachios, prunes, walnuts and other dried fruits and nuts) (Harmonized Tariff Schedule codes: 0802, 0806, and 0813) [12]

In mil. USD	2008	2009	2010
Total market size	131	106	115
Total local production	3	3	3
Total exports	17	23	21
Total imports	145	126	133
Imports from the U.S.	18	14	21

Almonds are mostly imported from California. Almonds sell well in retail, especially in the hypermarkets. The processing sector (primarily bakers and confectioners) continually seeks lower

cost ingredients, while consumers, buoyed by greater purchasing power vis-à-vis the Czech Koruna-US Dollar exchange, seek higher-quality products. The Almond Board of California is active in the Czech Republic, holding seminars and participating at Snack Food shows. Other highly sought imported dried fruits include raisins, prunes, and cranberries. Thanks to a very aggressive public relations campaign over the past couple of years by the Cranberry Marketing Committee, the sale of cranberries has been the most significant in this product group.

**Wine and Spirits** (Harmonized Tariff Schedule codes: 2204 and 2208) <sup>[13]</sup>

<b>In millions USD</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Total market size	1,401	1,378	1,399
Total local production	1,165	1,173	1,220
Total exports	82	69	78
Total imports	318	274	257
Imports from the U.S.	13	9	10

Consumption of U.S. wines and spirits are on the rise among Czech consumers. Bourbon, only produced in Kentucky, is a mainstay in the market, and the popularity of U.S. wines is growing rapidly. While direct sales from the U.S. reflect a stagnant market, indirect sales via transshipments through European countries like Germany and Netherlands is on the rise as evidenced by the availability and breath of these U.S. beverages found in the Czech market today. In 2010 both the U.S. Distilled Spirits Council and California Wine Institute were active on the market.

**Fish and Crustaceans** (Harmonized Tariff Schedule code: 03) [14]

<b>In millions USD</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Total market size	104	107	104
Total local production	55	56	60
Total exports	85	70	76
Total imports	134	121	120
Imports from the U.S.	7	6	7

The Czech Republic, a land-locked country, produces only fresh water fish such as carp and trout (carp is a traditional Christmas dish). Sea fish and seafood are imported. With as the Czech consumer’s move toward a healthier diet and life style, fish consumption is on the rise. The U.S. fish and seafood products having good opportunity in the Czech market include: Alaskan salmon, Alaskan Pollock, scallop, shrimp, lobster, mackerel, and herring.

**Soybean Meal** (Harmonized Tariff Schedule code: 2304) [15]

<b>In millions USD</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Total market size	242	196	177
Total local production	0	0	0
Total exports	3	1	1
Total imports	245	197	178
Imports from the U.S.	3	1	1

Due to unfavorable growing conditions, the Czech Republic must rely on imported soybean meal to meet requirements of its poultry and shrinking livestock sectors. Most meal is imported through either Germany or Holland via barge or rail. Major competitors remain Argentina and Brazil. In recent years the pet food sector (HTS 2309) has been the growth market for U.S. mixed feed with imports reaching USD 3 million.

Note: Many U.S. products enter via Germany or Netherlands and therefore are not captured as direct U.S. exports to the Czech Republic.

**SECTION V. POST CONTACT AND FURTHER INFORMATION**

If you have any questions or comments regarding this report or need assistance exporting to Czech Republic, please contact the Office of Agricultural Affairs in Prague at the following address:

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Please visit the Foreign Agricultural Service home page ([www.fas.usda.gov](http://www.fas.usda.gov)) for more information about exporting U.S. food products to the Czech Republic. Importer lists are available from our office to exporters of U.S. food products.

[1] Euromonitor International: Country Market Insight January 2011 – Retailing Czech Republic

[2] Euromonitor International: Country Market Insight January 2011 – Retailing Czech Republic

[3] INCOMA GfK company “HYPERMARKET 2011”

[4] Euromonitor International: Country Market Insight January 2011 – Retailing Czech Republic

[5] INCOMA GfK company “HYPERMARKET 2011”

[6] INCOMA GfK company “HYPERMARKET 2011”

[7] <http://www.ceskapozice.cz/en/business/companies/tesco-buys-czech-stores-zabka-koruna-kc-1-bln-penta> Dec. 23, 2010

[8] The PRO-BIO Association is a non-governmental, non-profit organization that supports and promotes ecological methods of farming and the use of organic food in the Czech Republic.

[9] Read more at Suite101: Organic Farming in the Czech Republic: Crop Production, Inspections, Domestic Market, Imports and Exports <http://www.suite101.com/content/organic-farming-in-the-czech-republic-a215743#ixzz1HFD0haQX>

[10] [www.farmarsketrziste.cz](http://www.farmarsketrziste.cz)

[11] Read more at Suite101: Organic Farming in the Czech Republic: Crop Production, Inspections, Domestic Market, Imports and Exports <http://www.suite101.com/content/organic-farming-in-the-czech-republic-a215743#ixzz1HFDzLZbn>

[12] Source: Czech Statistical Office <http://apl.czso.cz/pll/stazo/STAZO.STAZO>

[13] Source: Czech Statistical Office <http://apl.czso.cz/pll/stazo/STAZO.STAZO>

[14] *Id.*

[15] *Id.*