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Agricultural Situation

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Report Highlights:

Reduction of cattle and swine herds in the Czech Republic slowed down in 2016 due to temporarily improved prices in swine sector and abolishment of dairy quota. In general Czech animal production has been facing an ongoing crisis and therefore the Ministry of agriculture comes forward with introducing new support programs in 2016. U.S. beef and pork found their niche on the stagnating Czech meat market because of their quality and different characteristics.

General Information:

Cattle

Production

In general, Czech animal production has been experiencing a long term decline that was induced by European Union (EU) accession. As of December 31, 2015, the Czech cattle herd was 1.366 million head of cattle, out of which 566,319 were cows. First half of 2016 shows, however, inverse development: total cattle inventories increased from the end of 2015 by 1.3 percent to 1.384 million head and cow inventories increased by 0.7 percent to 570,162 head.

At the beginning of 2016's second quarter, there were 1.415 million head of cattle, out of which 583.7 thousand were cows. Those numbers show 0.6 percent year-on-year growth in both categories. Dairy cows inventories keep dropping (- 1percent), while the number of beef cows increased by 3.6 percent. This development reflects the complicated situation of the EU dairy market after the end of the EU dairy quota.

Consumption

Plummeting milk prices resulted in reduction of dairy cow herd and increased slaughter. Further reduction of cow herd can be foreseen. In 2015 cattle slaughter totaled 231,196 head, out which 99,071 head were cows. In first half of 2016 cattle slaughter reached 120,000 head out of which cow slaughter reached 54,100 head.

Trade

Exports of live bovine animals from the Czech Republic continue to significantly exceed imports. Most of the exported animals are for breeding purposes and numbers grew by 20.2 percent year-on-year in the second quarter of 2016, reaching 33,800 head. Exports of bovine animals for slaughter increased in the second quarter of 2016 by 2.1 percent to 17,400 head. Main exports destinations remain Turkey (mainly breeding), Austria and Germany (slaughter). Imported animals in the second half of 2016 equaled to 6,300 head, coming mainly from Italy, Austria and Slovakia.

Policy

Abolishment of the EU dairy quota lead to an expansion of the dairy herd in Europe, which, combined with the Russian ban on certain agricultural imports, resulted in sinking milk prices. Many Czech dairy farmers struggle and have reduced their herds and call for financial help. The Czech government heard

them out and was able to increase the amount of subsidies flowing into the animal production sector.

According to the Ministry of Agriculture, Czech farmers with dairy cows and/or sows received in 2016 to date 604 million CZK (U.S. \$26,684,000) in the form of a special compensation payment. By the end of 2016 they will be still able to receive an additional 2.9 billion CZK (U.S. \$120,911,000), out of which 900 million CZK (U.S. \$37,525,000) will be an excise tax refund for fuels used in animal production, 850 million CZK (U.S. \$35,462,000) will be available within two new national subsidy programs for dairy cow farmers, and 1.1 billion (U.S. \$45,890,000) as compensation for feed crop losses caused by drought last year.

European Commission also approved and allocated funds for financial aid to dairy farmers. The sum allotted to Czech farmers reaches 10.3 million EUR (U.S. \$11,609,000) and is said to be the 10th highest within the 28 EU members. This amount can be topped up from the national budget by a matching amount.

Beef

Production

Total beef and veal production in 2015 amounted to 68,286 MT, which represented a 4.2 percent increase, when compared year-on-year. In the second quarter of 2016 beef production increased by 7.4 percent year-on-year. Upward trend in production is connected to increased slaughter due to the crisis in the dairy sector, as beef consumption stagnates.

Consumption

Beef consumption in the Czech Republic has been flat for several years at around 9 kg per capita, declining to 7.5 kg per capita in 2013. Total meat per capita consumption in the same year reached 74.8 kg, which means beef accounted only for 10 percent of total meat consumption. According to the Ministry of Agriculture's Situation and Outlook Report, thirty years ago this share was at 33 percent. The reasons for such a drop in beef consumption are meat price development and changes in diet and lifestyle. Prices of other kinds of meat grew proportionately less and/or are in general more affordable. Czech consumers have been slowly but surely shifting towards healthier eating and started to prefer faster preparation of meals.

In the Czech Republic there is a niche market for high quality beef, it is sold in retail and offered by restaurants. Demand for U.S. beef by importers and the hotel-restaurant sector is larger than the available supplies that are limited by the EU's High Quality Beef quota. For many the substitute product is beef originating from Australia.

Trade

The Czech Republic is a net importer of beef. According to the Czech Statistical Office, imports in 2015 grew by 4.9 percent, reaching 24,605 MT. Major suppliers included Poland, the Netherlands, Germany, and Austria. In the second quarter of 2016 imports kept growing, and increased by 17 percent year-on-year to 7,438 MT.

Imports from the U.S. are strongly influenced by exchange rate fluctuations and availability. When compared year on year, there was an 18 percent drop from 312,813 MT in 2014 to 265,398 MT in 2015. The first six months of 2016 show some increase, as the imported amount of U.S. beef reached 141,175 MT.

Czech beef exports go mainly to Slovakia and in 2015 they totaled at 8,408 MT, an increase of 9.5 percent. In the second quarter of 2016 exports grew again, by 20 percent year-on-year, reaching 2,708 MT.

Swine

Production

The continuous decline of swine inventories in the Czech Republic that started after the Czech Republic joined the EU in 2004 seems to stop in the first half of 2016. In the second quarter of 2016 inventories increased by 3.5 percent, from 1.555 million head as of December 31, 2015, to 1.61 million. This is, however, rather a temporary development connected to currently improved producer prices. Long term price development and outlook are not so optimistic.

Sow inventories have been developing in the same direction, increasing from 95.8 thousand head as of December 31, 2015 to 97.1 thousand head in the second quarter of 2016, as published by the Czech Statistical Office on August 1, 2016.

Consumption

According to the Czech Statistical Office, in the first half of 2016, the slaughter of hogs reached 1.213 million head. The decline in slaughter slowed down in the second quarter of 2016, when compared to the first quarter. In 2015, slaughtered hogs totaled 2.441 million head.

Trade

In the first quarter of 2016 foreign trade in swine slowed down in year-on-year comparison. Both imports and exports declined, by 22 percent and 15.9 percent, respectively. In imports, pigs up to 50 kg (piglets) prevailed, originating mainly from large and highly competitive producers in Denmark and Germany. Czech producers exported mainly pigs over 50 kg, for slaughter in neighboring Slovakia,

Germany and Hungary.

In the second quarter of 2016, the trend of declining imports of piglets continued, dropping by 34.8 percent. The trend in exports changed, on the other hand, as exports of slaughter pigs grew year-on-year by 11.6 percent. Total number of swine imported into the Czech Republic in the first half of 2016 reached 112.7 thousand, while exports were 146.1 thousand.

Pork

Production

The meat production decline of the second quarter of 2016 turned out to be even smaller, when compared to slaughter, only 0.7 percent year-on-year, because of increased average slaughter weight reaching 116.2 kg. As reported by the Czech Statistical office, pork production in the first half of 2016 was 111,673 MT. Total pork production in 2015 reached 227,739 MT. For the whole year of 2016, FAS Prague foresees a slight further decline in pork production.

Strong competition coming from neighboring EU states has been pushing the prices down considerably. Some swine producers went out of business and some farmers eliminated swine production from their portfolio of activities. The Union of Pig Breeders in Bohemia and Moravia filed a complaint with The Office for the Protection of Competition (antimonopoly office), saying that pork imported from other EU member states is sold at dumping prices. The Office however did not start the administrative procedure, stating that such issue does not fall under their area of responsibilities.

Consumption

Consumption of meat in the Czech Republic in general exceeds the European average. Pork accounts for more than 50 percent of total meat consumption in the Czech Republic. Per capita consumption of pork has been stagnating, reaching 40.7 kg in 2014.

Trade

The Czech Republic is a net importer of pork. Imports that originate mainly from Germany, Spain and Poland slightly declined by 0.5 percent year-on-year in the second quarter of 2016. In 2015 imports of fresh, chilled and frozen pork reached 257,706 MT, which was a 6.7 percent increase year-on-year.

U.S. pork made it to Czech high end restaurants and can be found in some cash and carry type outlets. The imported amount of U.S. pork, fresh/chilled reached 38 MT in 2015. In 2016 the number will grow, as in the first six months it climbed to 22 MT.

Exports of pork dropped in 2015 significantly, by 21.1 percent year-on-year to 34,127 MT. The major

export destination for Czech pork remains Slovakia. In the first quarter of 2016 the declining trend in pork exports continued, in the second quarter it changed, showing slight growth of 1.7 percent, when compared to the same period of the previous year.

Policy

In January 2016 The European Union opened again a Private Storage Aid (PSA) scheme for certain cuts and lard, as an emergency measure to help stabilize farmer's situation after the Russian import ban. Czech farmers, however, do not use this tool, as it was typically used by much larger producers.

Related Reports

For more details on situation in EU livestock sector please refer to the EU-28 Livestock and Products Annual 2016 available in our GAIN system at <http://gain.fas.usda.gov>.

End of Report.