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Voluntary - Public

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Law on retail chain stores restricts large retailers

Report Categories:

Retail Food Sector

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Report Highlights:

Overriding a presidential veto, the Czech Parliament has introduced a new law that regulates the behavior of retail chains. Retailers may be fined up to CZK 10 million (\$570,000) if caught abusing their market power to force suppliers to lower prices. The law gives retailers no more than 30 days to pay a supplier and bans sales prices being lower than production costs. The potential regulations are controversial, in particular provisions to evaluate sales prices. The legislation represents the mood of the Czech Republic where the country is faced with being overwhelmed by the import of cheap food produced elsewhere in the European Union. A threat to Czech agriculture is that its citizens are buying more food from their EU partners in the West.

General Information:

Policy:

The Chamber of Deputies yesterday overturned the President's veto and approved the bill that regulates the behavior of retail chains. Retail chains are obliged to pay their suppliers within 30 days of delivery. If retail chains fail to do so, it is obliged to pay to the supplier interest for the delayed payment. Retailers are now prohibited from setting the price of products under their production costs.

Since market liberalization, this new law has been the biggest legislative intervention in the area of food retailing.

Some suppliers are afraid the new bill will not improve their situation since retail chains can earn their profits on many sections of their stores, like non-food or seafood. Because the law also requires tracking and reporting of suppliers' prices, much information will now be public to competitors. The law might have negative consequences for local small suppliers, since the retail chains may be inclined to prefer large foreign suppliers as their chance of being sanctioned is lower.

The controversial bill regulating the power of retail chains was supported in the Parliament by Social Democrats, Communists and the Green Party. The Civic Democrats as well as the president opposed the bill, since they think it represents severe interference in the market.