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Czech Republic

HRI Food Service Sector

Annual Report

2005

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Report Highlights:
The food service market reached over 3.4 billion USD in 2003 and is forecast to grow by 4 to 5% in the next five years. Even an increase in the Value Added Tax (VAT) for the foodservice sector (from lower rate of 5% to the basic level of 19%) as a result of the EU accession in May 2004, has not impacted the sector much. The Czech currency has appreciated by 8% against the U.S. dollar since 2004, which is helping U.S. exporters. Consolidation in the HRI sector has not yet happened, and a major share of sales are generated by independent hotels and restaurants. Most U.S. export products are shipped through the EU, which creates opportunities for U.S. exporters servicing warehouses in Europe. Direct imports are still small with most importers focusing on a particular commodity (i.e. wine, seafood).

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1]
[EZ]

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I. MARKET SUMMARY

- The Czech Republic has a stable, growing economy (around 3.6%) with growing disposable incomes. Inflation in 2003 was around 1.1%. However, the current Social Democratic government is unable to prevent unemployment growth, and the gap between relative prosperity and near poverty is getting bigger.
- The foodservice market reached over 3.4 billion USD in 2003 and is forecast to grow by 4-5 % in the next five years.
- The foodservice market changed dramatically in the past 15 years – after the fall of communism in 1989, state-owned restaurant chains disappeared from the market and many new entrepreneurs opened new restaurants.
- As a result of privatization, the sector is extremely fragmented and the majority of operators (99.6% of units) are independent. A stronger focus on quality is evident as restaurants operate in an increasingly competitive market.
- Three quarters of the restaurants are independent "stand-alone" operations; the only restaurant chains are in the fast food sector (McDonald's, KFC, Subway).
- Expenditures in the food service sector reached one third of total expenditures on food.
- The number of foreign tourists doubled since 1992 and has remained stable at around 7 million during the last 6 years, which is more than half of the total Czech population of 10 million inhabitants.
- With the EU accession on May 1, 2004, the Czech government met all EU requirements and shifted the foodservice VAT from the decreased level of 5% to the basic level of 19%. The impact on the foodservice has been minor.
- Imported products in foodservice include wine, fish and seafood, beef (from Argentina, however, after EU accession it is possible to import US hormone-free beef), rice, cheese, ham (with pizzerias importing much Italian crude ham and mozzarella and parmesan cheese), vegetables, and special ingredients. There is no official data on the value of HRI imported products. However, in the mid and upper market segments, the percentage of imported products is sizeable and increasing.

Eating habits:

- Eating out is becoming much more popular – since 1990 expenditures on foodservice grew eleven times faster than overall food expenditures. In the early 1990s people went to a restaurant usually to celebrate something; it was a treat. With growing purchasing power Czechs eat out much more often, especially young professionals living in Prague (the number of "SINKs" and "DINKs" – single/double income no kids – is increasing as people wait until their thirties to start a family).
- The capital city Prague differs from the rest of the country – Prague has a high number of luxury and various ethnic cuisine restaurants (Mexican, Italian, Indian, Chinese, American, French, Thai), which are very often frequented by tourists and Prague residents.
- In smaller cities and rural areas, people tend to eat more at home as is the case with the older generation in Prague.
- Typical Czech cuisine (meat, heavy sauces, dumplings) is on the menu in lower price restaurants and pubs, while mid- and upper-level restaurants offer lighter, healthier alternatives – e.g. full meal size salads are becoming more and more popular.
- Czechs tend to eat their main meal of the day at noon, in canteens or restaurants that offer cheaper lunch menus. In the evening they usually eat sandwiches or quick meals from frozen ingredients that are becoming more popular (vegetable dishes, fish, fruit dumplings, pizza). Family cooking is done mainly on the weekends.

- Czechs have the highest per capita consumption of beer (160 liters) in the world. Wine is becoming increasingly popular both in foodservice and at home (consumption grew from 16 to almost 20 liters per capita in the past years). According to Czech Statistical Office data, U.S. wine imports to the Czech Republic reached 1.56 million USD in 2004 due to growing demand for 'exotic' New World wines and promotional activities (including FAS sponsored wine promotions).

Market size in million USD:

	1999	2000	2001	2002	2003
Consumer foodservice by type	2 820,6	2 586,2	2 708,7	3 162,6	3 733,8
Cafés/bars	945,3	861,9	896,5	1 023,2	1 196,7
Full-service restaurants	995	923,3	976	1 162,4	1 382,3
Fast food	248,4	221,4	227,3	266,4	317,6
100% home delivery/takeaway	-	-	-	-	-
Self-service cafeterias	544,8	496,7	520,2	603,2	708,1
Street stalls/kiosks	87,1	82,9	88,6	107,5	129,1

Source: Euromonitor 2004

Market size growth prediction in %:

	2003-04	2004-05	2005-06	2006-07	2007-08
Consumer foodservice by type	4,2	4,2	4,7	5	5,4
Cafés/bars	3,6	3,2	3,6	3,9	4,3
Full-service restaurants	4,8	4,9	5,4	5,7	6,2
Fast food	5,7	6,2	6,7	7	7,2
100% home delivery/takeaway	-	-	-	-	-
Self-service cafeterias	3,2	3,5	4	4,4	4,9
Street stalls/kiosks	6,1	6,2	6,6	5,9	5,5

Source: Euromonitor 2004

Market size – number of units:

	1999	2000	2001	2002	2003
Consumer foodservice by type	26 882,0	27 089,0	27 135,0	26 984,0	26 831,0
Cafés/bars	7 255,0	7 342,0	7 400,0	7 351,0	7 280,0
Full-service restaurants	8 452,0	8 364,0	8 239,0	8 115,0	7 964,0
Fast food	2 616,0	2 664,0	2 683,0	2 667,0	2 682,0
100% home delivery/takeaway	-	-	-	-	-
Self-service cafeterias	1 305,0	1 310,0	1 313,0	1 314,0	1 315,0

Source: Euromonitor 2004

Market size – number of units – outlook:

	2003	2004	2005	2006	2007	2008
Consumer foodservice by type	26 831,0	26 763,0	26 758,0	26 804,0	26 807,0	26 781,0
Cafés/bars	7 280,0	7 210,0	7 140,0	7 060,0	6 976,0	6 887,0
Full-service restaurants	7 964,0	7 865,0	7 796,0	7 754,0	7 716,0	7 698,0
Fast food	2 682,0	2 707,0	2 751,0	2 807,0	2 859,0	2 910,0
100% home delivery/takeaway	-	-	-	-	-	-
Self-service cafeterias	1 315,0	1 315,0	1 313,0	1 309,0	1 303,0	1 293,0
Street stalls/kiosks	7 590,0	7 666,0	7 758,0	7 874,0	7 953,0	7 993,0

Source: Euromonitor 2004

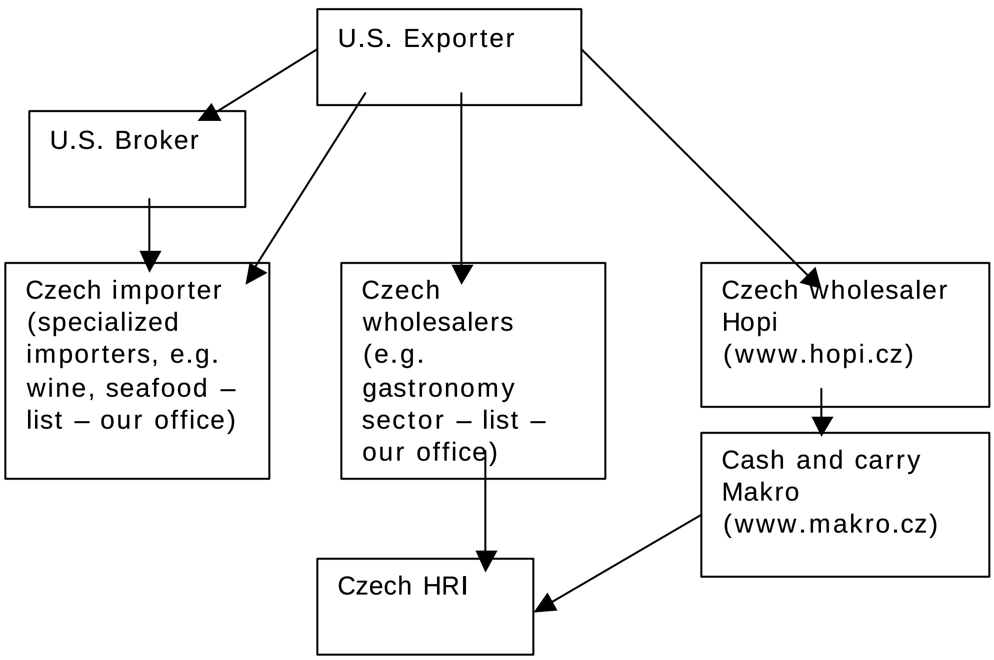
According to a Euromonitor forecast, the number of fast food restaurants and street kiosks will grow in the next five years, while the number of cafes/bars and full-service restaurants will decline. This is due to the fact that people will want to spend less time sitting down in restaurants and spend more time at work or their hobbies.

Advantages	Challenges
Growing disposable incomes	Falling population numbers
Low prices of food and labor	Growing unemployment
Popularity of Czech Republic as a tourist destination	Still low average disposable incomes
Stronger currency - $ depreciated by 20% since last year towards CZK and by 31% since 2003 (current exchange rate: 1$ = 23 CZK)	Increased VAT from 5% to 19% foodservice sector since the EU accession on May 1, 2004
Economic and political stability	Low penetration by international operators (except for fast food)
Foreign investment in fast food	There is no wholesale chain supplying HRI sector, to get products in this sector is more complicated (C&C Makro, importers, wholesalers)
Growing popularity of eating out	Price competition of EU countries (one market – duty free)
There is a 40% growth of the upper segment market, which has the highest share of imported products	Upper segment market hotels and restaurants are mainly in Prague and a couple of other large or tourist cities (e.g. Brno, Karlovy Vary); the rest of the country is relatively 'poor'
Some products have a lower import duty after the EU accession (e.g. wine, distilled liqueurs)	Unawareness of high quality of U.S. food products (e.g. dried fruit, frozen drinks, snacks, ingredients and ready frozen meals)

II. ROAD MAP FOR MARKET ENTRY

ENTRY STRATEGY AND MARKET STRUCTURE

- The best way to establish relations with the Czech HRI sector for U.S. exporters is to start business with Czech importers and wholesalers
- More expensive hotels and restaurants buy directly from importers and distributors; mid and low segment restaurants purchase food from the cash and carry wholesaler Makro
- Most food products served in hotels and restaurants are of Czech origin
- Imported products include fresh produce, sea fish, alcoholic beverages, beef, etc.



SUB-SECTOR PROFILES

Hotels

- Food sales in the hotel sector are less than half that of restaurant sales
- Hotel sales are primarily in the high end market hotels of large cities (Prague, Brno, Karlovy Vary) and predominantly by business travelers
- Most Czech hotels are independent, some are franchised in the OREA chain

Top hotels in the Czech Republic

Hotel chain	Hotel name and category	Location	Turnover in 2003 in $ million
International			
InterContinental Hotels Corp.	InterContinental, 5*	Prague	$52
Holiday Inn	Holiday Inn, 5* Holiday Inn Congress Center, 4*	Brno Prague	$5.2 $9.3
Marriott International Inc.	Renaissance Hotel, 5* Marriott Hotel, 5* Marriott Executive Apartments, 5*	Prague Prague Prague	$21.6 $26.5 N/A
Hilton Hotels Corp.	Hilton, 5*	Prague	$52
Corinthia Hotels International	Corinthia Towers Hotel 5* Corinthia Panorama Hotel 4*	Prague Prague	$20 $18
Radisson SAS	Radisson SAS Alcron 5*	Prague	$18
Four Seasons	Four Seasons Hotel 5*	Prague	N/A
Movenpick	Hotel Movenpick Praha 5*	Prague	N/A
Best Western International	8 hotels in Prague 4* 1 hotel in Brno 4* 1 hotel in Brno 3*	Prague Brno Brno	N/A
Vienna International	Hotel Savoy 5* Hotel Palace 5* Andel's Hotel 4* Hotel Diplomat 4* Hotel Le Palais 5* Hotel Dvorak 5*	Prague Prague Prague Prague Prague Karlovy Vary	N/A $1.6
Accor Hotels	6 hotels in Prague	Prague	N/A
Domestic			
Orea Hotels	25 hotels in the CR	Whole country	$54
Fortuna Hotels (partner Choice Hotels Europe)	Quality Hotel Prague Comfort Hotel Prague Airport	Prague Prague	N/A

Restaurants

Full Service Restaurants

- Full Service Restaurants account for the largest sector of the foodservice market and their sales are growing.
- Full service restaurant chains are slowly appearing in the market (e.g. Coloseum – pizzeria; Jarmark – various style dishes, self service), but their share is very small.
- Ethnic (mainly Italian pizzerias, Mexican, and Chinese; also French, Indian, Japanese, Middle East, Thai, etc.) and 'experience' restaurants (Ambiente, Pravek) are becoming more and more popular.
- Many restaurants in the city center offer special lunch menus, which are usually much cheaper than their standard menu, in order to attract people working in the neighborhood.
- Restaurants purchase ingredients and raw materials from producers, importers, and wholesalers.

Market size by restaurant type
In million USD

	1999	2000	2001	2002	2003
Full-service restaurants	995	923,3	9761	162,4	1 382,3
Casual dining @ full-service restaurants	-	-	-	-	-
Pizza full-service restaurants	84,4	82,3	89,1	108,5	130,1
Other full-service restaurants	910,5	841	886,91	053,91	1 252,2

Source: Euromonitor 2004

Fast Food

- Fast food represents a relatively small part of the consumer foodservice market (less than 10% share of total restaurant sales)
- Sales in fast food are stagnating or slightly declining due to healthier eating habits - fast food chains even though they offer salads etc. are considered 'unhealthy' eating
- Over 50% of consumers are school kids and students

Chained consumer foodservice:

% value	Global Brand Owner	2001	2002	2003
MdConald's	McDonald's Corp	82,7	80,5	80,2
KFC	Yum! Brands Inc	-	16,0	16,3
Pizza Hut	Yum! Brands Inc	-	1.9	1.8
Harvey's	Cara Operations Ltd	1,2	1,1	1
Little Ceaser's Pizza	Ilitch Holdings Inc	0,6	0,5	0,5
Subway	Doctor's Associates Inc	-	-	0,2
KFC	Tricon Global Restaurants Inc	13,4	-	-
Pizza Hut	Tricon Global Restaurants Inc	2.1	-	-
Total	Total	100	100	100

Source: Euromonitor 2004

Name	Turnover/Sales in 2003 ($ million)	No. of Employees	No. of Restaurants	No. of Customers
Mc Donald's	**83**	**3 600**	**70 (Franchisees 21)**	**38 113 780 in 2003**
American Restaurants	31 (in 2002)	**500 - 999**	**KFC 30**	**-**

Source: company resources/Albertina

Fast food – market size by product in mil. USD

	1999	2000	2001	2002	2003
Fast food	2 616,0	2 664,0	2 683,0	2 667,0	2 682,0
Bakery products	750	721	671	614	583
Burger	831	844	862	883	908
Chicken	368	367	361	352	347
Ice cream	278	305	318	325	336
Fish	-	-	-	-	-
Latin American	-	-	-	-	-
Middle Eastern	-	-	-	-	-
Asian	-	-	-	-	-
Pizza fast food	216	231	264	282	293
Convenience stores	-	-	-	-	-
Other fast food restaurants	173	196	207	211	215

Source: Euromonitor 2004

Institutions

- Czechs typically eat a bigger meal at noon and smaller meal/sandwich in the evening.
- During socialism cafeterias were part of a firm, where the majority of employees ate at noon. Many companies fell apart after the revolution and small businesses have been established. The larger companies today have sold their cafeterias (new companies rent their space) to private caterers such as Eurest, Sodexho or GTH. Even though today employees enjoy a wider range of establishments for their mid-day meals, the share of catering companies is growing. These caterers also provide meals to many hospitals and retirement homes.
- Catering companies purchase ingredients and raw materials from producers, importers, and wholesalers.

General Catering

Name	Turnover / Sales in 2002 ($ million)	No. of Employees	No. of Restaurants	Customers
Eurest	112	4 600	300	daily catering 250,000 people in Czech government, army, cantinas of private companies, hospitals, jails, schools
Sodexho	N/A	1,700	Over 200	number of major clients: 140 cantinas of private companies, state offices, schools, hospitals, army
Aramark	12	500 - 999	N/A	hospitals, cantinas of private companies, state offices
GTH Catering	14	700	58	monthly catering 400,000 people in state offices, army, schools, hospitals, private companies

Source: company resources/Albertina

Catering for special events

Name	Revenues from Catering in 2003 ($ million)	No. of Employees	No. of guests at largest event catered in 2003
Zátiší	N/A	36 - 132	3,700
Intercatering	4	53 - 62	27,500 (in 5 days)
Vyšehrad 2000	3	68 - 120	2,200
Golem	4 (in 2001)	over 100	1,600

Source: company resources/Albertina

III. COMPETITION

- Domestic food production supplies the HRI sector with most products including meat, vegetables, beverages (beer, wine), and most ingredients.
- Imported products include specialties (e.g. pastas for Italian restaurants), fish and seafood (many restaurants now offer at least salmon from the sea fish range), vegetables, rice, wine, and spirits.
- Major competitors for U.S. exporters are EU countries (namely the neighboring countries like Germany, Slovakia, Poland, Austria, and other EU countries like the Netherlands, Italy, Hungary, Spain, Belgium, France, and Denmark)
- U.S. exporters have the biggest advantage with specialty products (wine, spirits, ingredients, popcorn, tex-mex, nuts, etc.) or products with lower prices than in the EU (e.g. some seafood)

Major competitors (over 1% market share) – import of agricultural products
January – October 2004

Partner Country	1,000 USD			% Share			% Change
	2002	2003	2004	2002	2003	2004	2004/2003
World	2019701	2590266	3438038	100.00	100.00	100.00	32.73
Germany	414665	535411	845859	20.53	20.67	24.60	57.98
Slovakia	224352	276903	369510	11.11	10.69	10.75	33.44
Poland	168810	220795	335127	8.36	8.52	9.75	51.78
Netherlands	101058	122252	267936	5.00	4.72	7.79	119.17
Austria	96783	127534	178179	4.79	4.92	5.18	39.71
Italy	108869	135268	171005	5.39	5.22	4.97	26.42
Spain	104354	139648	158802	5.17	5.39	4.62	13.72
Hungary	81770	105477	130096	4.05	4.07	3.78	23.34
Belgium	51064	64723	117899	2.53	2.50	3.43	82.16
France	71947	84736	113539	3.56	3.27	3.30	33.99
Denmark	36867	45892	65640	1.83	1.77	1.91	43.03
China	48232	76673	65316	2.39	2.96	1.90	-14.81
Brazil	48667	70419	58203	2.41	2.72	1.69	-17.35
United States	**52184**	**56881**	**50641**	**2.58**	**2.20**	**1.47**	**-10.97**
United Kingdom	21824	24224	43913	1.08	0.94	1.28	81.28

Source: Global Trade Atlas

The following tables show major competitors in product areas, where the U.S. has a share over 1%. These areas are:

- live animals
- fish
- dried fruit and nuts
- miscellaneous food items
- beverages
- tobacco

Commodity: 01, Live Animals

Partner Country	1,000 USD			% Share			% Change
	2002	2003	2004	2002	2003	2004	2004/2003
World	11951	13630	21304	100.00	100.00	100.00	56.30
Slovakia	3620	3818	6083	30.29	28.01	28.56	59.34
Germany	1893	2132	3111	15.84	15.64	14.60	45.89
United Kingdom	2046	1982	2371	17.12	14.54	11.13	19.63
Poland	502	1515	2362	4.20	11.12	11.09	55.85
Netherlands	755	926	2336	6.31	6.79	10.97	152.40
France	1162	671	1545	9.73	4.93	7.25	130.06
Austria	721	666	1320	6.03	4.89	6.19	98.15
Belgium	83	64	392	0.69	0.47	1.84	510.90
United States	**374**	**443**	**370**	**3.13**	**3.25**	**1.74**	**-16.37**
Israel	0	0	266	0.00	0.00	1.25	0.00
Spain	0	2	211	0.00	0.02	0.99	9677.54
Ireland	2	54	148	0.02	0.39	0.69	174.68
Hungary	46	309	126	0.38	2.26	0.59	-59.28

Source: Global Trade Atlas

Commodity: 03, Fish And Crustaceans, Molluscs And Other Aquatic Invertebrates

Partner Country	1,000 USD			% Share			% Change
	2002	2003	2004	2002	2003	2004	2004/2003
World	38120	42948	45861	100.00	100.00	100.00	6.78
China	9541	8050	8628	25.03	18.74	18.81	7.19
Denmark	3976	4327	5764	10.43	10.08	12.57	33.21
Argentina	1847	6600	3516	4.84	15.37	7.67	-46.72
Poland	1151	1671	3376	3.02	3.89	7.36	101.99
Ireland	3508	4013	3205	9.20	9.34	6.99	-20.13
Netherlands	2709	2111	3172	7.11	4.92	6.92	50.26
Germany	473	775	2909	1.24	1.80	6.34	275.61
Norway	3202	3914	2531	8.40	9.11	5.52	-35.33
United States	**2148**	**1671**	**2022**	**5.63**	**3.89**	**4.41**	**21.02**
France	938	1634	1393	2.46	3.80	3.04	-14.73
Slovakia	478	757	1174	1.25	1.76	2.56	55.20
Turkey	89	478	1057	0.23	1.11	2.31	121.38
Spain	729	1064	889	1.91	2.48	1.94	-16.52
Italy	634	565	860	1.66	1.32	1.88	52.09
Sweden	11	72	594	0.03	0.17	1.30	724.60
New Zealand	670	279	594	1.76	0.65	1.30	112.76
Canada	1783	1016	594	4.68	2.37	1.29	-41.60

Source: Global Trade Atlas

Commodity: 08, Edible Fruit And Nuts; Peel Of Citrus Fruit Or Melons

Partner Country	1,000 USD			% Share			% Change
	2002	2003	2004	2002	2003	2004	2004/2003
World	191206	241790	281894	100.00	100.00	100.00	16.59
Spain	29059	40658	46304	15.20	16.82	16.43	13.89
Italy	33440	38916	31646	17.49	16.09	11.23	-18.68
Germany	1768	1944	24860	0.92	0.80	8.82	1178.98
Netherlands	2217	1486	19105	1.16	0.61	6.78	1185.82
Belgium	2324	2879	17575	1.22	1.19	6.23	510.41
Colombia	9170	11602	14703	4.80	4.80	5.22	26.72
Greece	13439	15325	14145	7.03	6.34	5.02	-7.70
Poland	5842	6533	11624	3.06	2.70	4.12	77.93
Panama	13180	8717	10577	6.89	3.61	3.75	21.34
Costa Rica	8576	8293	9047	4.49	3.43	3.21	9.09
Ecuador	8792	14674	8036	4.60	6.07	2.85	-45.24
South Africa	9103	10194	8000	4.76	4.22	2.84	-21.52
United States	**5141**	**7539**	**7488**	**2.69**	**3.12**	**2.66**	**-0.68**
Cyprus	3694	5289	7161	1.93	2.19	2.54	35.41
Turkey	7650	9597	5983	4.00	3.97	2.12	-37.66
Slovakia	3687	6424	5787	1.93	2.66	2.05	-9.92
Hungary	5788	7581	5341	3.03	3.14	1.89	-29.55
France	4537	4091	5246	2.37	1.69	1.86	28.24
Iran	3906	4844	4348	2.04	2.00	1.54	-10.23

Source: Global Trade Atlas

Commodity: 21, Miscellaneous Edible Preparations

Partner Country	1,000 USD			% Share			% Change
	2002	2003	2004	2002	2003	2004	2004/2003
World	172886	223978	258629	100.00	100.00	100.00	15.47
Germany	28100	38601	49943	16.25	17.23	19.31	29.38
Poland	23933	29226	40517	13.84	13.05	15.67	38.63
Slovakia	12748	15415	22212	7.37	6.88	8.59	44.09
Hungary	9201	9918	18077	5.32	4.43	6.99	82.27
Netherlands	7180	7676	14315	4.15	3.43	5.53	86.49
United States	**9885**	**11916**	**14074**	**5.72**	**5.32**	**5.44**	**18.11**
Austria	7962	10469	13210	4.61	4.67	5.11	26.18
Italy	6837	11120	9816	3.95	4.96	3.80	-11.72
Denmark	5367	7591	9788	3.10	3.39	3.78	28.95
France	6751	9989	8859	3.91	4.46	3.43	-11.32
Spain	6913	8229	8098	4.00	3.67	3.13	-1.59
Switzerland	5263	12818	7904	3.04	5.72	3.06	-38.33
Colombia	10579	14585	7117	6.12	6.51	2.75	-51.20
Brazil	9084	11776	6859	5.25	5.26	2.65	-41.75
United Kingdom	2314	2964	4014	1.34	1.32	1.55	35.45

Source: Global Trade Atlas

Commodity: 22, Beverages, Spirits And Vinegar

Partner Country	1,000 USD			% Share			% Change
	2002	2003	2004	2002	2003	2004	2004/2003
World	99564	133055	194948	100.00	100.00	100.00	46.52
Slovakia	16813	27344	26785	16.89	20.55	13.74	-2.04
Germany	5372	10822	24906	5.40	8.13	12.78	130.15
Austria	11315	16643	21338	11.36	12.51	10.95	28.20
Italy	12871	16420	19922	12.93	12.34	10.22	21.32
France	9069	12822	19530	9.11	9.64	10.02	52.31
Spain	5658	6304	14410	5.68	4.74	7.39	128.59
Hungary	6548	8349	10089	6.58	6.27	5.17	20.84
Netherlands	2621	2807	9465	2.63	2.11	4.86	237.18
United Kingdom	3790	4082	6692	3.81	3.07	3.43	63.97
Poland	4049	2518	6671	4.07	1.89	3.42	164.91
Ireland	1593	2016	5475	1.60	1.52	2.81	171.52
Belgium	1304	1724	4384	1.31	1.30	2.25	154.27
United States	**4181**	**3799**	**3978**	**4.20**	**2.86**	**2.04**	**4.71**
Chile	969	1636	3351	0.97	1.23	1.72	104.87

Source: Global Trade Atlas

Commodity: 24, Tobacco And Manufactured Tobacco Substitutes

Partner Country	1,000 USD			% Share			% Change
	2002	2003	2004	2002	2003	2004	2004/2003
World	63041	82486	131827	100.00	100.00	100.00	59.82
Germany	7745	9840	35607	12.29	11.93	27.01	261.86
Slovakia	10283	17115	12051	16.31	20.75	9.14	-29.59
United States	**16592**	**13135**	**11777**	**26.32**	**15.92**	**8.93**	**-10.34**
Poland	2837	5275	8531	4.50	6.39	6.47	61.72
Brazil	4965	7966	7601	7.88	9.66	5.77	-4.58
Malawi	1594	3518	6448	2.53	4.26	4.89	83.30
Netherlands	1164	2142	6322	1.85	2.60	4.80	195.06
Greece	1973	3090	6261	3.13	3.75	4.75	102.63
Austria	166	379	5310	0.26	0.46	4.03	1299.82
India	223	750	4999	0.35	0.91	3.79	566.38
France	1411	2042	4389	2.24	2.48	3.33	114.93

Source: Global Trade Atlas

IV. BEST PRODUCT PROSPECTS

- All U.S. products need good promotions – for the HRI sector on effective approach includes menu promotions (e.g. U.S. chefs demonstrate recipes for U.S. ingredients to chefs of top hotel and restaurants), wine tastings (for hotel and restaurant owners and sommeliers and for special wine stores), seafood promotions (for importers and chefs of hotels and restaurants). FAS organizes such promotions, and U.S. Exporters interested in this market should contact our office for additional details (see end of report for contact information).

Category A: Products Present in the Market That Have Good Sales Potential

Product **Comments**

- **WINE**: U.S. wine exports are still relatively small (around 1% of Czech total imports) but have grown significantly to $1.56 million in 2004 (Czech Statistical Office); advantage: the reason for this growth is a growing popularity of the New World wines; challenge: to sell high quality wines at higher prices while retailers look to the very low price category (e.g. one U.S. wine imported by Tesco is sold for $3.8 at the retail lever, which is considered good price); more expensive U.S. wines are positioned as luxury items and cost more than they do in the U.S.

- **NUTS AND DRIED FRUIT:** In 2004, the Czech Republic imported nuts (0802 HTS – other nuts incl. *almonds and pistachios*) worth of $25 million, out of which $11 million was sourced from the U.S.. The Czech Republic imported $6 million worth of raisins (080620) out of which slightly less than $1 million was from the U.S. These products compete with lower quality, lower priced products from countries such as Iran and Pakistan; advantage: growing demand for better quality products; challenge: to persuade Czech retailers to carry both kinds of nuts (more expensive/better quality/less expensive/lower quality) and not push importers only on price.

- **SPIRITS:** Bourbons and other types of U.S. spirits are well established in the Czech market; advantage: these products have been heavily supported by TV commercials and have a stable market share; challenge: the whole spirit segment is stagnating while Czech are slowly switching to wine consumption.

- **FISH AND SEAFOOD:** **T**otal import of live, fresh and frozen fish, fish fillets, and seafood (03 HTS) to the Czech Republic in 2004 was $58 million, out of which $3 million was from the U.S. (the actual number may be higher as a result of transshipments); advantage: lower cost products, availability; challenge: higher transportation costs than from Europe.

- **RICE:** In 2004, total rice imports accounted for $22 million, out of which $600,000 was from the U.S.; advantage: high quality product, which needs promotion; disadvantage: higher cost.

- **POPCORN, PEANUT BUTTER:** Products associated with the U.S.; advantage: little or no competition; challenge: increasing Czech consumers' preferences for these products

Category B: Products Not Present in Significant Quantities but Which Have Good Sales Potential

Product **Comments**

- **BEEF:** U.S. hormone free beef is exported to the EU and after the Czech Republic's accession to the EU may be exported on the Czech market; advantage: Prague has several specialized beef steak houses and many expensive restaurants; challenge: U.S. beef would have to be promoted as a product of high quality and special taste to compensate higher price (compared to Czech beef).

- **HEALTHY/ORGANIC:** Demand for organic and healthy products is growing and is higher than supply.

- **CONVENIENCE/POWDERS:** People work longer hours and have less time for cooking, which increases demand for convenience foods; frozen meals of good value have a good market potential; high quality powder mixes for various beverages are not available on the Czech market and have a good market prospect.

- **ETHNIC/SPECIALTY/GOURMET:** Some ethnic food, e.g. koscher food, has a good potential since the Czech Republic and especially Prague is visited by many ethnic groups who oftentimes cannot find their special products on the Czech market.

- **FRESH FRUIT:** Red grapefruit and other fresh fruit from the U.S. have good sales potential, since consumption of fresh fruit is rising and consumers are seeking new and more exotic products.

Category C: Products Not Present Because They Face Significant Barriers

- **PRODUCTS CONTAINING GMO:** Even though Round-up Ready soybean is approved for use in food, Czech retailers request a certification from importers that states their products are GMO free; in the HRI sector this may not be so strict, so some products made from GM crops are imported (e.g. soybean oil); however, items like tacos and other corn chips would face difficulties in the Czech market

V. POST CONTACT AND FURTHER INFORMATION

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(Exchange rate: average 2004: 1$ = 25 CZK, January 2004 1$ = 23 CZK)