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## Czech Republic

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### Dairy and Products Annual 2015

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**Report Highlights:**

The Czech dairy sector has been struggling even before the abolition of the EU dairy quota and implementation of the Russian import ban on EU agricultural products. The dairy sector out of all Czech agriculture is the one most affected by the loss of the Russian export market. Czech dairy producers have been calling for larger support from the European and local sources. Farm gate prices of milk in 2015 dropped significantly. The Czech Ministry of Agriculture is expecting to implement new support programs in the end of 2015 and in 2016, as many as the European Union will allow.

## **General Information:**

### **Milk**

#### **Production**

Dairy cow inventories in the Czech Republic have been gradually decreasing for the last decade. As of December 31, 2014, there were 372,391 head according to the Czech Statistical Office data. This number declined by 1.03 percent to 368,552 head as of June 30, 2015. Contrary to this trend, milk yields have been increasing, mainly due to genetic improvement of the herds and continuing consolidation of the industry. Milk deliveries to dairies in 2014 reached 2.414 billion MT, which is 1.3 percent increase year-on-year. In the third quarter of 2015 milk deliveries grew 2.8 percent year-on-year. Prices of milk that hit their bottom in September of 2015 have been very slowly recovering. Production is not forecast to grow in the next six months, mainly due to oversupply of milk on the European market.

#### **Consumption**

The typical Czech consumer is quite price-sensitive. Fluid milk consumption shows an increasing trend that goes hand in hand with decline in milk prices. According to Euromonitor, in 2014 Czech consumers shifted towards shelf-stable milk, because of a decline in its prices. As a reaction shelf-stable milk prices grew in 2015, therefore consumers prefer fresh milk now. According to the Czech Ministry of Agriculture, per capita fluid milk consumption in 2014 reached 60 kg.

#### **Trade**

In 2014 the Czech Republic imported 62,568 MT of fluid milk (HTS 040110, 040120), main suppliers being Slovakia and Germany. Exports of fluid milk reached 751,324 MT, out of which approximately three quarters went to Germany. Other export destinations included Slovakia and Italy. In 2015 January – September fluid milk imports to the Czech Republic were 48,811 MT and imports reached 631,760 MT, with the same trading partners as the previous year.

#### **Policy**

The Czech dairy sector has been struggling since the EU accession in 2004. Massive investments in order to meet EU standards combined with competition coming from the other member states with different levels and structure of agricultural support resulted in a significant gradual decline in local dairy production. Underdeveloped vertical integration of the industry results in Czech Republic exporting raw milk and importing products with value added. In order to improve this situation, the Czech and Moravian Dairy Producers' Union invested heavily (50 million CZK, U.S. \$ 1.96 million) in a Czech dairy market promotion in the Russian Federation. This effort was, however, wasted by the Russian import ban that came shortly afterwards. Madeta, the largest Czech dairy producer estimated the revenue loss at 100 million CZK (U.S. \$ 3.93 million), according to Czech media. The Czech Ministry of Agriculture is therefore ready to provide any special support to dairy sector that will be

approved by the European Union. Support to dairy sector in the Czech Republic is supposed to increase by 1 billion CZK (U.S. \$ 39 million), which will be aimed at the primary producers of milk.

## **Cheese**

### **Production**

Cheese production in 2014 as reported by the Czech Statistical Office reached 116,640 MT, which was a 1.29 percent decline when compared to previous year. In 2015, January – September, cheese production reached 91,185 MT, which is 2.9 percent higher when compared to production in the same period of 2014. The increase in cheese production is mainly due to the surplus of raw milk on the market and trend is not foreseen to continue.

### **Consumption**

According to the Czech Statistical Office data, the Ministry of Agriculture, and Euromonitor estimates, cheese consumption has been gradually increasing in last three years, reaching 10.7 kg per capita in 2014. Growing demand does not, however, drive the increase in local production, as consumers prefer imported specialty cheeses, which became more popular in recent years. Specialized cheese shops and increased imports help to satisfy consumers' new tastes. The most popular kind of cheese among Czech consumers, however, remains Edam (Eidam) that has a long tradition in the Czech Republic, a large share of total cheese production and favorable price.

### **Trade**

Total imports of cheese (HTS 0406) in 2014 were 88,606 MT, with the largest shares originating from Germany and Poland. Exports in 2014 totaled at 47,357 MT and went mainly to Italy, Slovakia, Poland, Germany and United Arab Emirates. Imports of cheese increased in the third quarter of 2015 by 2.8 percent year-on-year, reaching total of 66,408 MT for the period of January – September 2015. Export of cheeses grew by 3.7 year-on-year, amounting to 36,630 MT.

## **Butter**

### **Production & Consumption**

In 2014 the Czech Republic produced 39,496 MT of butter, according to the Ministry of Agriculture. Production data for January – September show 1.62 percent decline in 2015.

Butter consumption in both, 2013 and 2014, is reported at 5.1 kg per capita and no significant changes are forecast.

### **Trade**

Imports of butter (HTS 040510, 040590) in 2014 totaled 18,560 MT and originated mainly from

Germany, Poland and Belgium. Exports were 5,133 MT and went mainly to Slovakia, Italy and the Russian Federation. Foreign trade with butter in the first three quarters of 2015 reached 15,431 MT in imports and 2,219 MT in exports. When compared to the same period of 2014, exports dropped significantly in 2015, by 40 percent, primarily because of the Russian import ban. Imports, on the other hand, grew by 25 percent.

## **Full Fat Dry Milk**

### **Production & Consumption**

Production of full fat dry milk leveled off, reaching 13,461 MT in 2013 and 13,681 MT in 2014. January – September data for 2015 show only very slight decrease in production. Consumption data for full fat dry are not published, however FAS calculation shows stable consumption, oscillating annually between four and five thousand MT.

### **Trade**

In 2014 Czech Republic imported (HTS 040221, 040229) only 658 MT of full fat dry milk, mainly from Germany, Slovakia and Hungary. Exports of 10,323 MT of full fat dry milk went to Lebanon, Slovakia, Hungary, Bulgaria and other countries, including also third countries like Saudi Arabia or Thailand. January – September trade data of 733 MT signalize significant growth of imports, major suppliers being Poland and Germany. Exports in the same period of 2015 were 7,687 MT and show increasing trend year-on-year as well, with the top three destinations being Slovakia, Lebanon and Columbia.

## **Skim Milk Powder**

### **Production & Consumption**

Total production of skim milk powder in 2014 was 26,142 MT. January – September production in 2014 reached 21,352 MT, while in the same period of 2015 it decreased by 11.75 percent to 18,843 MT. Consumption estimate shows a declining trend, FAS estimate for 2015 slightly exceeds six thousand MT of skim milk powder.

### **Trade**

Imports of skim milk powder (HTS 040210) in 2014 totaled at 1,548 MT, with Poland, Germany and Belgium being the major suppliers. Exports reached 18,872 MT and the main buyers were non EU countries, Bangladesh and Thailand. In 2015, January – September both trade directions show increase year-on-year, trading partners remaining the same.

## **Related Reports**

For more details on situation in the EU dairy sector please refer to the [EU-28 Dairy and Products](#)

[Annual 2015 – European Dairy Industry Adjusts to the Post-Quota Realities](http://gain.fas.usda.gov), available in our GAIN system at <http://gain.fas.usda.gov>.

End of Report.