

CBI MARKET SURVEY

THE VEGETABLE OILS AND FATS (INCLUDING OIL SEEDS)
MARKET IN THE CZECH REPUBLIC

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the vegetable oils & fats and oil seeds market in the Czech Republic. The information is complementary to the information provided in the CBI market survey 'The vegetable oils and fats (including oil seeds) market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

1 Market description: consumption and production**Consumption*****Vegetable oils and fats***

- The Czech Republic is a small consumer of vegetable oils and fats, accounting for 1.1% of total EU25 consumption. In 2005, total Czech consumption of the selected vegetable oils and fats (excluding olive oil) amounted to 89 thousand tonnes, representing a decrease of 11% compared to the preceding year.
- Within the group of vegetable oils and fats, sunflower oil is the leading consumer product, accounting for 47% of total consumption in the Czech Republic. Palm oil is the second leading consumer product, representing a market share of 40% of total Czech consumption, followed by palm kernel oil (9%), coconut oil (2%) and groundnut oil (1%).
- According to data from the International Olive Oil Council (2006), the Czech Republic is a negligible consumer of olive oil, with consumption amounting to 2.8 thousand tonnes in 2006. Consumption is expected to increase to 3.1 thousand tonnes for 2007.
- Trends influencing the market for vegetable oils and fats, including oil seeds, are health concerns (causing, among others, a shift away from fatty acids and hydrogenated fats towards more unsaturated fats), increasing demand for bio fuels and a growing interest in sustainably produced (i.e. organic) vegetable oils and fats. All these factors are expected to further boost future demand for the products discussed. For more information on trends in vegetable oils & fats and oil seeds, please refer to the CBI survey covering the EU market.

Oil seeds

- The Czech Republic is a small consumer of oil seeds, accounting for 1.5% of total EU25 consumption.
- Of the selected oil seeds, Fediol (2006) only reports a consumption of sunflower seed. In 2005, total consumption of sunflower seed amounted to 58 thousand tonnes, representing a decrease of 11% compared to the preceding year.

Production***Vegetable oils and fats***

- The Czech Republic is a relatively small producer of vegetable oils and fats (excluding olive oil), accounting for 1.4% of total EU25 production. Between 2004 and 2005, production of vegetable oils and fats in the Czech Republic decreased by 11%, amounting to 25 thousand tonnes in the latter year.
- Within the group of vegetable oils and fats, sunflower oil is the main product produced in Czech Republic, accounting for 96% of total production in 2005, followed by groundnut oil (4%).

- The International Olive Oil Council does not provide data on production of olive oil in the Czech Republic.

Oil seeds.

- The Czech Republic is a relatively small producer of sunflower seed, accounting for 2% of total EU25 production. In 2005, production of sunflower seed in the Czech Republic amounted to 75 thousand tonnes, representing an increase of 4% compared to the preceding year.

Opportunities and threats

- The Czech market for vegetable oils & fats and oil seeds is relatively small, limiting the opportunities for developing country exporters.
- However, Czech production of vegetable oils and fats is not sufficient to meet domestic demand. This is not only the case for the most popular vegetable oils (sunflower oil), but also for the smaller oils like palm, palm kernel and groundnut oil; the latter three are not even produced in the Czech Republic. This could offer interesting opportunities for developing country suppliers
- Please refer to Chapter 7 of the survey covering the EU market for general opportunities and threats in the EU.

2 Trade channels for market entry

The distribution of vegetable oils & fats and oil seeds in the Czech Republic does not differ substantially from the distribution as described in the CBI survey covering the EU market for vegetable oil and fats (including oil seeds). However, the trade channels for the Czech Republic deviate to some degree from that structure, as the lion's share of Czech imports of vegetable oils & fats and oil seed is imported from other EU countries, instead of directly from developing countries. Please refer to the EU survey for a more comprehensive explanation of the main trade channels in the EU.

Vegetable oils and their raw materials can be traded directly from the source to the European processing industry or through one or more traders (agents, exporters, importers etc.). In general, large volumes go straight from producer to processor, while suppliers of smaller volumes may opt to use agents, brokers or importers.

The margins charged by the different intermediaries in the vegetable oil and oil seed trade are influenced by many different factors like the type of product, current and expected prices, cost of refining, availability, processing possibilities, etc. All these factors make it extremely difficult to provide information on typical margins in the trade of vegetable oils and fats and oil seeds.

Interesting companies in the Czech Republic are:

- Gaston (<http://www.gaston.cz/scripts/index.php>),
- Agropol (<http://www.agropol.cz/index3.php?srv=01&lng=en>)
- Jan Horak-HH corporation: (<http://www.hhcorp.cz/contact>)
- Oleapol A.S. (<http://www.oleapol.cz/index1.htm>)

Good sources for finding companies working in the vegetable oils and fats (including oil seeds) market are:

- Members list of the EU Oil and Protein-meal Industry (Fediol): <http://www.fediol.be/>
- Europages: <http://www.europages.com> (online business directory, with full EU coverage. 'Oils and fats, edible' are a separate product group, falling under the category of 'Food & related products'.)

Online market places such as the below are also useful:

- Agronetwork.com: <http://www.agronetwork.com/global>
- Organic Trade Services: <http://www.organics.com> (also offering organic industry news)
- Ingridnet: <http://www.ingridnet.com> (for ingredient suppliers)

3 Trade: imports and exports

Imports

Vegetable oils and fats

- The Czech Republic is a very small importer of vegetable oils and fats, accounting for 0.7% of total EU25 imports.
- In 2005, the Czech Republic imported € 53 million / 73 thousand tonnes of vegetable oils and fats, representing an average annual increase of 18% in terms of value and 8% in terms of volume since 2001.
- In 2005, developing countries supplied 4% of all imports into the Czech Republic. Imports from developing countries decreased by an annual average rate of 28% in the period reviewed amounting to € 2.1 million in 2005.
- Within the group of vegetable oils and fats, palm oil and sunflower oil are the leading import products, accounting for a market share of 33% and 26% respectively. Furthermore, imports of cocoa butter show a strong annual average increase in value terms between 2001 and 2005, representing an annual average rate of 69% amounting to € 7.1 million in the latter year.

Oil seeds

- The Czech Republic is a relatively small importer of oil seeds, accounting for 1.0% of total EU25 imports.
- In 2005, the Czech Republic imported € 7.8 million / 28 thousand tonnes of oil seeds representing an average annual increase of 25% in terms of value and 31% in volume since 2001.
- In 2005, developing countries supplied 23% of all imports into the Czech Republic. Imports from developing countries increased by an annual average rate of 27% in the period reviewed amounting to € 1.8 million in 2005.
- Within the group of oil seeds, sunflower seed is by far the leading import product, accounting for a market share of 86% of the total import value in 2005. Imports of sunflower seed show an annual average growth of 32% in the review period.

Exports

Vegetable oils and fats

- The Czech Republic is a negligible exporter of vegetable oils and fats, accounting for a slight 0.05% of total EU25 exports.
- In 2005, the Czech Republic exported € 2.6 million / 3.6 thousand tonnes of vegetable oils and fats, representing an average annual decrease of 24% in terms of value and 13% in volume since 2001.

Oil seeds

- The Czech Republic is a small-to-medium exporter of oil seeds, accounting for 3% of total EU25 exports.
- In 2005, the Czech Republic exported € 11 million / 45 thousand tonnes of oil seeds, representing an average annual increase of 1% in terms of value and 3% in volume since 2001.
- A large part of the export value (more than 70%) is destined for other EU member countries, in particular Germany and, to a lesser extent, The Netherlands, Austria and Poland.

Opportunities and threats

- The Czech Republic does not seem to be an interesting market for developing country suppliers of vegetable oils & fats and oil seeds, since imports of these products into the Czech Republic are relatively small. Moreover, developing countries only play a minor role in the supply.

- On the other hand, imports of both product groups in terms of value as well as volume increased at a rapid pace during the survey period.
- Please refer to Chapter 7 of the survey covering the EU market for general opportunities and threats in the EU.

Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>

4 Price developments

The Chicago Board of Trade is the most important market for several vegetable oils and oil seeds. Prices established at this exchange largely determine prices for these and related products all over the world.

Due to improved technology, different vegetable oil products are substitutable: this has a major impact on price settings. For example, palm oil is becoming increasingly popular in the food industries throughout the EU (including the Czech Republic) and, consequently, the price rises.

Some other factors also influence prices of vegetable oils and oil seeds:

- The climatic conditions.
- Increasing demand for bio-fuels.
- Increased demand for vegetable oils and fats, due to improved welfare world-wide.
- Driven by health concerns, the substitution of animal fat to the advantage of vegetable oils and fats.

With regard to oil seeds, in general, the prices of large volumes of oil seeds depend on exchange rates, in which the value of the dollar is a dominant factor. Prices of most products are not fixed and may fluctuate strongly, depending on season and global yields. Furthermore, the price of the oil seeds is heavily dependent on their quality. Oil seeds are traded by standard contracts, in which the price for a particular quality is stated.

For information on prices for vegetable oils & fats and oil seeds, please refer to the CBI surveys covering the EU market for vegetable oils and fats (including oil seeds).

5 Market access requirements

As a manufacturer in a developing country preparing to access the Czech Republic, you should be aware of the market access requirements of your trading partners and the government of the Czech Republic.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select vegetable oils and fats and Czech Republic in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>

Information on tariffs and quota can be found at <http://export-help.cec.eu.int/>

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from

<http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in Czech Republic, visit the following websites:

Trade Associations

- Federation of Food and Drink industry of the Czech Republic (<http://www.foodnet.cz/>)

Trade fairs

- Salima - Food International Fair Brno: <http://www.bvv.cz/homepage-gb>
- Harmonie - Trade Fair of Healthy Nutrition and Natural Products Prague: <http://www.pva.cz>
- Siesta- International Trade Fair of Food and Beverages Prague: <http://www.pva.cz>

Other

- A possible source of cultural specifics in the Czech Republic:
<http://www.kwintessential.co.uk/resources/global-etiquette/czech.html>

There is no trade press relevant for this sector in the Czech Republic.

This survey was compiled for CBI by ProFound – Advisers In Development

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