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Czech Republic

Sugar

Annual Report

2004

Approved by:

Sarah Hanson
U.S. Embassy

Prepared by:

Petra Choteborska

Report Highlights:

The Czech Republic is amending the Czech Sugar Act 114/2001 as it prepares to join the EU on May 1, 2004. The quota for MY 2003/04 will remain at 454,862 MT. The domestic portion of the quota will increase from 71% to 95%. The export portion will drop from 29% to 5%. The Czech Republic will join the EU sugar regime in two stages. It will implement EU tariffs for trade with other countries upon accession, and it utilize EU minimum prices, intervention purchases and export subsidies on July 1, 2004, the beginning of EU marketing year for sugar. The Czech Republic must count sugar stocks and report to Brussels by May 1, 2004.

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

Czech Sugar Regulation

The first sugar regime was introduced in 2000. Currently sugar is regulated by government regulation 114/2001 Col. The system consists of:

- a) Individual production quotas
- b) Guaranteed prices of sugar beet, sugar, and molasses

There is no intervention price for sugar.

For MY 2003/04 total production quota of 454,862 MT is divided among eight sugar producers:

Company (ownership)	Refineries	Individual production quota
Cukrovary TTD (French-German)	Dobrovice, Ceske Mezirici	168,271 MT
Eastern Sugar Czech Republic (French-British)	Nemcice, Hrochuv Tynec, Kojetin	102,473 MT
Moravskoslezske cukrovary (Austrian)	Hrusovany, Opava	86,344 MT
Cukrovar Vrbatky	Vrbatky	20,203 MT
Litovelska cukrovarna	Litovel	20,762 MT
Hanacka potravinarska spol.	Prosenice	25,185 MT
Neli	Cesky Brod	13,484 MT
Cukrovar Vrdy	Vrdy	18,140 MT
Total		454,862 MT

The Ministry of Agriculture is preparing an amendment to 114/2001 for the time period right after EU accession in May 2004. The most important issues include:

- Shorter quota year 2003/04 (quota year is in the Czech Republic from September until August, this year it is 4 months shorter – until the end of April, the day of accession); the quota for MY2003/04 will remain the same, but the division of between domestic (type A) and export (type B) quota will change from 71%/29% now to 97%/3% after the accession
- Minimal prices of sugar - currently 17,300 CZK/MT (\$640), maximum price of molasses - currently 1,800 CZK/MT (\$67), minimal price of sugar beet for 2004/05 at 1,470 CZK/MT (\$54) – a price very close to the EU (47 Euro). The Ministry expects that current minimal price of sugar beet 980 CZK (\$36) for 2003/04 will remain after the accession until the beginning of July, new marketing year in the EU.

The second legislative measure is called “euro-regulation”, which will be based on the Commission Regulation 1260/2001 and will be more specific. The Czech Republic will join the EU sugar regime in two steps. The first step on May 1, 2004, the day of accession, will include EU’s tariffs and import/export outside the EU. The second step will follow in July 2004, the beginning of EU’s marketing year for sugar, and will include price regulations, export subsidies, intervention purchase price of 632 Euro/MT, handling sugar over the quota limit, trade with other countries etc.

According to the Commission Regulation 60/2004, the Czech Republic and other accession countries must report stocks of sugar and sugar products containing over 10% of sugar to

the day of the accession, May 1, 2004. The State Agricultural and Food Inspection will check the stocks. The EU will look at the numbers and by October 31, 2004 will set maximum level of stocks for each country. By May 1, 2005 each new member state will have to get rid off stock surplus (by exporting without subsidies, feeding or use in fuels) and prove this by July 31, 2005.

Since the Czech Republic adopted simplified scheme of payments, it will distribute 25% of direct payments to farmers based on area, not on commodities. Sugar is regulated through minimal prices for sugar beet and for sugar and it can be expected that after the EU accession price of sugar will increase.

EU sugar regime will continue until 2006. After that it is still uncertain how the EU will regulate sugar production. If the system will be liberalized, prices will drop.

Production

In the early 1990s there were 52 sugar refineries in the Czech Republic. During the past 13 years the majority of them were closed down. Currently there are 12 refineries, owned by eight companies. The largest refineries belong to French, German, British and Austrian investors.

Production of sugar has declined over the past 8 years from 610,000 MT to 516,000 MT in 2003/2004. The difference between 516,000 and production quota will have to be exported without subsidy. Sugar production will remain stable until 2006 (production is limited by the quota system). At the moment it is difficult to predict what will happen after 2006.

Average sugar content is 16% (in MY 2003/04 18%), the average yield (tons of beets per hectare) is around 50 MT/ha and the average output (tons of sugar per hectare) is 7 MT/ha.

Exact cost of production is not available, but is lower than in the EU and it is below minimum prices (therefore, producer prices are less than \$36/ha for sugar beet and \$640/MT for sugar).

Sugar beet seeds are imported. One of the largest importers is Syngenta (www.syngenta.cz).

Consumption

Sugar consumption has been stable over the past 5 years. Per capita consumption of sugar is 41 kg, which is higher than in the EU (38.4 kg). It is expected that consumption in the Czech Republic will not change dramatically, maybe in the long term it will decrease slightly.

(Exchange rate: March 2004: 1USD = 27 CZK)