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Austria

Agricultural Situation

What's New in Central Europe

2004

Approved by:

Sarah Hanson
U.S. Embassy

Prepared by:

Jana Mikulasova

Report Highlights:

This newsletter provides an update on upcoming market promotions, including the Austrian and Central European Media Mission for U.S. Organics and USA Wine Festivals. Find an overview of recent market trends, trade policy issues, and commodity analyses for the countries of Austria, Bosnia-Herzegovina, Croatia, Czech Republic, Hungary, Slovenia, and Slovakia.

Includes PSD Changes: No
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WHAT'S NEW IN CENTRAL EUROPE

AGRICULTURE – POLICY – TRADE

Newsletter covers:

★ Austria ★ Bosnia –Herzegovina ★ Czech Republic ★ Croatia ★ Hungary ★ Slovakia

“YOU DO THE BUSINESS, WE KEEP YOU INFORMED”

News

★ Austria

Biotechnology - Consumer Attitudes on Biotechnology: Austrian consumers are one of the leading opponents to green biotechnology. The majority of Austrians prefer no biotech products in agriculture and food because they believe that genetically modified food carries an incalculable risk for future generations and that the natural order is at risk. Given recent unfortunate European experiences with food disasters, the Austrian consumers have no trust in food safety and biotech legislation. (See AU4009*)

Biotechnology - Major Food Retailers Say “NO” to Biotech Foods: Major Supermarket chains in Austria, e.g., Billa, Merkur and Hofer, announced that they would stock and sell no Biotech food products. A recent survey conducted by Global 2000 and Greenpeace shows that 90% of the Austrian food retail sector agreed not to sell food containing genetically modified products. The new EU labeling regulation on GM food applies on April 18, 2004. Little impact foreseen on US trade. (See AU4006)

FAIRS Product - Specific Food and Agriculture Import Regulations and Standards: The most immediate concern in Austria is Biotech products. Austria follows EU rules and regulations regarding Biotech labeling. The major Austrian food chains collectively agreed to refrain from selling any products containing Biotech ingredients. It remains to be seen how these supermarkets and the consumers react to discovering Biotech yeast is used in beer and bread production and Biotech rennet is used in yogurt and cheese production. This report continues to be updated. (See AU4005)

Austria and GMO: The Consumer is always right! During the visit of a distinguished USDA scientist to discuss Biotechnology the Austrian consumers raised a couple of interesting observations regarding Biotechnology and U.S. agricultural export policy in general. This message is only to pass along their comments and should in no way be interpreted as agreement with these observations. (See AU4003)

Austrian Observations on Biotechnology in Food and Agriculture: The Austrians are proud and protective of their mountain agriculture and their organic crop production. Until we can answer questions Austrian consumers and scientists raise, or sell Biotech products that provide immediate consumer benefits, the Biotech promotion issue in Austria, and neighboring countries, will be frustrated. Answers or replies to any of these observations, official or unofficial, are welcomed. Biotech opponents believe that the Biotech industry is unable to adequately respond to these observations. (See AU4002)

* Attaché reports can be found on the Internet at <http://www.fas.usda.gov/scripts/attacherep/default.asp>

★ Bosnia–Herzegovina

Bosnia-Herzegovina - Private testing for Biotech content in food products: Retailers concerned about Biotech content in food established a one-year testing program to test all foods available in the Bosnian market. Bosnian consumers after the war believe imported food is of lower quality than that produced locally. (See BK4004)

Organic Products Ag Situation & Market Update: Organic production in Bosnia and Herzegovina (BiH) is in the beginning stages of development, and the organics market is still undeveloped. Limited quantities and selection of organic products can be found in large supermarkets and in a few specialized stores. Most consumers find organic products expensive and believe the products are for people with health problems. Consumers also believe that most locally produced foods are similar to organic products because of Bosnia's traditional agricultural practices. (See BK4003)

Bosnia Wine Market: Bosnia and Herzegovina (BiH) imports approximately 60% of its annual wine consumption. Major suppliers include Croatia, Serbia and Montenegro, and Slovenia. Per capita consumption is around 3.5 liters. This is low when compared to other European countries. Pre-war wine production at around 178,000 hl has dropped to 75,000 hl. Production is mostly located Herzegovina. Consumers prefer lower quality wines with a retail price below \$4.00 - \$5.00. Higher quality wines retail at about \$6.00. (See BK4001)

★ Czech Republic

Sugar Annual Report: 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 97%. The export portion will drop from 29% to 3%. 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. (See EZ4006)

Retail Food Sector Market Update: The Czech retail sector is becoming increasingly concentrated with the top ten retailers having 55% market share. Discount, specialized and convenience stores are increasing in number. Ready-to-eat meals have a strong growth potential. About 25% of food products are imported. As consumers become more affluent, quality will become more important. U.S. food exports with good sales potential include dried fruits, nuts, wine, distilled liquors, seafood, rice, sauce, spices, baking mixes, and snacks. (See EZ4005)

HRI Food Service Sector VAT Increases for HRI Sector: The Czech Republic will increase the value-added tax (VAT) in the hotel, restaurant, and institutional (HRI) sector from 5% to 22% on May 1, 2004, the day of EU accession. Prices of restaurant food and drinks are expected to rise by 10-12%. There will be an opportunity for U.S. frozen food products as consumers are expected to eat out less and buy more frozen convenience meals. (EZ 4003)

Changing Czech Food Industry: The Czech food industry has changed significantly in the past 14 years. While most industries experienced concentration, meat processing is just now beginning to concentrate. On January 1, 2004, Czech veterinarians closed down 320 food processors due to incompatibility with EU regulations. Only market leaders, usually backed by foreign capital, will be successful in the EU market. (See EZ4002)

★ *Croatia*

Biotechnology Testing of Biotech Products: Croatia officially announces rigorous food testing on gmo (biotech) substances. This is the result of a big scandal with first gmo food testings and public fear of gmo. The Croatian Government will also speed up the procedure of forming the Food Agency and start adopting all necessary regulations for gmo labeling. (Croatia has the Law but on the books but so far no rules or regulations on how to specify or test the labeling procedure. See HR 3019). Croatian Health Minister commented on the situation by saying: "The position of the government is that Croatia must be a **GMO-free** country and gmo products will not be produced in Croatia. Those imported from abroad must be subject to stringent checks". (See HR4006)

Grain and Feed Corn Update: The Croatian Government decided to introduce TRQ with 0% tariff on 150,000MT of corn because cattle breeders complained that high corn prices forced the feed prices to rise too much. The shortage in corn supply caused the Croatian Government first to introduce 30% export tariffs from September 2003 through March 2004 to reduce any outflows. This new 0% TRQ in addition to being of interest to importers, should cause farmers who were holding corn hoping for higher market prices to bring it to market. There could be a possibility for US corn and soybean sales to Croatia this spring. (See HR4005)

Livestock and Products Croatia to permit the import of beef from BSE-free countries: Croatia recently advised the EU that it would allow the imports of beef from EU countries, like Austria and Finland that are free of BSE. (See HR4004)

Tobacco and Products Annual Report: Croatian tobacco and cigarette production, imports, and exports are stable. Tobacco imports from the United States have stabilized between 400 and 600 MT per year. One anticipated change that could influence all aspects of tobacco and cigarette production and trade is the acquisition of Trvornica Duhana Rovinj (TDR) by British American Tobacco or Philip Morris. Some Croatian production could move to Yugoslavia as part of the deal. This reports contains adjusted cigarettes and tobacco PS&D tables for 2002 and 2003, as well as PS&D forecasts for 2004. (See BK4003)

Croatia Biotech Update: This report describes the line of thinking of Croatia's anti-biotech activists and the majority of Croatians and Croatia Anti-biotech campaign and activities of the Croatian NGO - Green Action (Zelena Akcija – ZA). (See HR4002)

Croatia Wheat Update: The new Government of Croatia (elected the end of 2003) has announced it will allow 30,000 MT of wheat to be imported under a 0 % tariff TRQ and release 26,000 MT of wheat from governmental stocks. This action is being taken because of the tight wheat supply due to last year's poor harvest. The price for bread has already increased by 10 percent. If the import measure does not result in a lowering of bread prices, the Government is thinking to announce a second 0% tariff TRQ for 50,000 MT. The current concern regarding the tight wheat supply is a bit premature given Croatia harvested slightly over 600,000 MT of wheat and consumption is at a maximum 630,000 MT. (See HR4001)

★ Hungary

Fishery Products Fish and Seafood Market Brief: The market for imported seafood is around \$15 - \$20 million annually. Per capita consumption is low, at around 6 pounds per year, and until recently, most consumers were only familiar with traditional carp dishes served at Christmas. This is changing rapidly, and the market for U.S. salmon, shellfish, and frozen prepared fish products (for institutional use) is growing. About 80 percent of imported seafood is consumed in hotels and restaurants. Modern hypermarkets (e.g., Tesco, Metro, Auchan, Cora, Interspar) have large fish departments with fresh and frozen, and live fish. (See HU4004)

Grain and Feed Government Issues Wheat Export Levies: On January 19, the Government of Hungary (GOH) issued an order to impose export levies on wheat and wheat flour until May 1, 2004, the date Hungary joins the EU. The GOH also plans to release 120,000 MT of wheat from its strategic reserves for flour milling and has opened duty-free import quotas for wheat and rye (400,000 MT each) for the period of January- May 1, 2004. Commercial interest for duty free import quota shares is high, but no purchases have been reported yet. (See HU4003)

Livestock and Products Beef Cattle Production: Following Hungary's EU membership in May 2004, producers will receive lucrative subsidies for beef cattle production. Industry associations are forecasting beef cattle numbers to increase from 30,000 head to 100,000 head in five years. However, actual cattle production and export numbers aren't expected to increase as farmers will simply switch their marginal dairy/dual purpose cattle to beef production. Hungary exports 120,000-126,000 head of slaughter cattle annually and imports 3,000-10,000 head. Hungary exports 5,000 to 10,000 MT of beef annually and imports 2,000 to 7,000 MT. Current EU policies for hormone treated beef block U.S. beef exports to Hungary. (See HU4002)

Poultry and Products Voluntary Production Reductions for Waterfowl: The Association of Hungarian Goose Producers (AHG) is planning a voluntary reduction of goose production in 2004. Overproduction and economic conditions resulted in billions of losses in this portion of the poultry sector last year. (See HU4001)

★ Slovakia

Livestock and Products Swine Fever update: Various outbreaks of swine fever within the country resulted in the sacrifice of over 24,000 pigs to control the disease. The Ministry of Agriculture states that swine fever is now eradicated from the country. (LO4005)

Retail Food Sector - High prices force cutback in food purchases: The implementation of the EU's 19% value added tax on many food and alcohol products, plus increased prices for gasoline, electricity, rents, etc. severely pinched consumer resources and resulted in a sharp cutback in food purchases. A decline of 10% in total yearly retail food expenditures is predicted. Given this tight price scenario, there are no additional export opportunities foreseen for U.S. products at the moment. (LO4004)

Tobacco and Products Tobacco Update – New Smoking Legislation: The Slovak Republic recently initiated laws restricting the sale and use of tobacco products. While this law is said to comply with EU regulations, it does in some ways appear to be stricter than EU requirements. (LO4003)

Slovakia Consumer Perceptions of Biotech: According to a recent survey, more than half of the Slovaks think biotechnology and GMOs are "useful" or "rather useful" in agriculture,

medicine, and ecology. They remain negative about biotech use in the food sector. More than 40% think there is only limited information on biotechnology. Almost 21% had never heard of "GMOs". In general, Slovaks trust scientific institutions, medical associations and non-governmental environmental organizations to protect their interests and rights. (See LO4002)

Slovakia BSE Overview: The State Veterinary and Food Administration (SVPS) conducted laboratory examinations on 7,427 beef samples in November, out of which none were found to have bovine spongiform encephalopathy (BSE). Since the beginning of the year Slovak vets tested a total of 80,968 beef samples, finding two BSE positive. Slovak vets discovered the latest case of BSE, or mad cow disease, in Slovakia in mid-April 2003. This was the thirteenth case of a BSE positive cow in Slovakia. (See LO4001)

★ *Regional*

Biotechnology - Status of Biotech Regulations in Central Europe: This report provides an overview of the current regulatory environment for biotech products in Austria, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, and Bosnia and Herzegovina. Attitude of the region towards biotechnology is halfhearted at best with all countries except Bosnia and Herzegovina having implemented strict laws and regulations on the registration and commercial release of biotech products. Croatia, in an attempt to establish a "GMO-free" country, has already established a traceability system. Consumers' continued concerns and fears on biotechnology ensure political and regulatory opposition in most central European countries. A listing of related reports is included. (See EZ4001)

Calendar of Events in the Region

Market Promotions Activities Austria & Central European

- March 1-4** **USDA INFORMATION BOOTH AT THE *Salima* 2004**
This trade show is scheduled for March 2-5 (Tuesday-Friday) it is a bi-annual show held in the Czech city of Brno. It is by far the largest food show in the Czech Republic and also attracts buyers from Poland, Hungary, Slovakia, and other countries in the region.
Prior to the entry of the Czech Republic to the European Union in May 2004, this trade fair is for the food industry professionals, a very well timed opportunity for defining and strengthening their positions on the local markets, as well as looking for new market opportunities in the surrounding countries.
The Agricultural Office will have an information booth there, exhibiting HVP products already in the local market as well as representing and collecting trade leads on for a USA exhibitor trading with dried fruits and nuts
- March 23** **Holstein Breeding Seminar** at Szekesfehervar, HUNGARY.
Accelerated Genetics, WWSires, Holstein Genetika Kft.
- May 1-9** **Austrian and Central European Educational Media Mission on US Organic Products**
This group comprising of influential media from Austria and the Czech Republic will visit the All Things Organic Trade Show in Chicago and with the support of OTAN and MIATCO visit organic livestock operations in the Chicago area. In addition, visits with organic producers of dried fruits and nuts are planned. The last day will be spent in Portland and the program is organized under the theme: "from the farm to the plate – All Things Organic" A US chef educates the group how an organic restaurant sources its products and its success with the concept by his customers.
- May 3-5** **Brussels Seafood Show**
Marketing Specialist will attend the Brussels Seafood Show visiting with USA traders and members of all Seafood Associations.
- June 14** **USA Wine Festival in Prague- Czech Republic**
Approximately 25 exhibitors will participate at this USA wine festival which is organized in cooperation with the Californian Wine Institute Expecting to feature around 200 different wines to an audience of 200 Czech and Slovak importers, traders, retailers and high income customers who are important wine customers
- Fall 2004** **Hungarian Wine Tasting in Budapest**
After EU accession Hungary significantly reduces wine import tariffs. This creates new opportunities for USA wines in this up to now strictly patriotically driven wine market.

*Visitors***Austria**

February 6-10	Sharon McClure, HTP
February 21-28	Phil Harlan and Lindsey Itle, ICD Cochran Program
March 10-12	John Runge, CRI, (EMO Bovine Genetics Project in Croatia)
June 23-25	U.S. Grains Council for the EU Biotech Mission

Czech Republic

February 11-13	David Leishman, DLP
February 15-19	Phil Harlan, ICD Cochran Program

Croatia

February 22-24	Phil Harlan, Lindsey Itle, ICD Cochran Program
March 10-12	John Runge, CRI, (EMO Bovine Genetics Project in Croatia)

Hungary

February 10-12	American Soybean Association delegation
February 19-21	Phil Harlan, ICD Cochran Program
February 24-25	David Leishman, DLP
June 23-25	U.S. Grains Council for the EU Biotech Mission

*Holidays and Embassy Closures***All Posts**

May 31	Memorial Day (embassies closed)
July 5	Independence Day
April 12	Easter Monday

Austria

May 20	Ascension Day
June 10	Corpus Christi Day

Bosnia –Herzegovina

April 9	Good Friday
May 3	Labor Day

Czech Republic

July 6	Jan Hus Day
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Croatia

June 10	Corpus Christi Day
June 22	Croatian Uprising Day
June 25	Croatian State Day

Hungary

(See All Posts Holidays)

*Contact us for Additional Info***Austria**

Office of Agricultural Affairs
American Embassy
Boltzmanngasse 16
A-1090 Vienna Austria
Tel: 43-1-31339-2249
Fax: 43-1-3108208
Email: agvienna@usda.gov
<http://www.usembassy.at/en/usda>

Bosnia-Herzegovina

Office of Agricultural Affairs
American Embassy
U.S. Embassy
Ali Pasina 43
71000 Sarajevo, Bosnia-Herzegovina
Tel: (387)(33) 445 700, x 2099
Fax: (387)(33) 212 692
E-mail: StanojcicS@usembassy.ba

Czech Republic

Office of Agricultural Affairs
American Embassy
Triste 15
11801 Prague, Czech Republic
Tel: 420-2-5753-1170
Fax: 420-2-5753-1173
Email: Petra.Choteborska@usda.gov
Email: AgPrague@compuserve.com

Croatia

Office of Agricultural Affairs
U.S. Embassy
Thomas Jefferson 2
1010 Zagreb, Croatia
Tel: 385-1-611-2467
Fax: 385-1-665-8950
Email: amisir@inet.hr

Hungary

Office of Agricultural Affairs
Bank Center Building
Szabadsag Ter 7
H-1054 Budapest, Hungary
Tel: 36-1-475-4162
Fax: 36-1-475-4676
Email: Ferenc.Nemes@usda.gov
Email: agbudapest@mail.datanet.hu

Slovakia

For information about Slovakia, please contact our Austrian or Czech office.

Visit our website: at <http://www.usembassy.at/en/usda/> which provides a broad range of useful information on the Austrian and Central European food market, trade, import rules, and other useful information.