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Austria

Agricultural Situation

What's New in Central Europe

2004

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Report Highlights:

This newsletter provides an update on upcoming market promotions and 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
Includes Trade Matrix: No
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WHAT'S NEW IN CENTRAL EUROPE

AGRICULTURE – POLICY – TRADE

Newsletter covers:

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

"YOU DO THE BUSINESS, WE KEEP YOU INFORMED"

News

★ Austria

USGC/NCGA Biotech Mission to Austria: On June 25, the Austrian journalist Dr. Martin Kugler of "Die Presse" daily newspaper met with representatives of the U.S. Grains Council and the National Corn Growers Association during their Biotech Fact Finding Mission to Austria and Hungary. For a translation of Dr. Kugler's June 28th article, see GAINS report AU4015.

Austria's Implementation of EU T&L Regulation: The Government of Austria amended the 1975 Austrian Food Law to conform to the new EU Traceability and Labeling (T&L) regulations. Public enforcement agencies are planning to carry out inspections to control ingredients and oversee labeling of possibly affected foodstuffs. Due to widespread public skepticism towards GMOs, Austrian retailers have informally agreed to ban all agricultural biotechnology that would have to be labeled. The food industry will use paper trails and identity preservation (IP) systems to control and document this policy. (See AU4017)

Sugar Update: In 2003, sugar beet acreage amounted to 43,267 ha, a decrease of 1,197 ha compared to the previous year. The sugar beet harvest amounted to 2.54 million MT. Yields amounted to 587 MT per ha. Austria is net exporter of sugar. Major export countries include Croatia, Romania, Italy, Bosnia-Herzegovina and Macedonia. (See AU4012*)

Pumpkin Seed Oil-The "Green Gold of Styria": Styrian pumpkin seed oil is a traditional specialty from the Austrian eastern provinces of Styria, Burgenland and Lower Austria. Total production of pumpkin seed oil in 2003 amounted to 1.5 million liters. Major export countries include Germany and other Western European countries. New target markets, where promotion activities have already started, are Japan and the United States. (See AU4011)

★ Bosnia –Herzegovina

Poultry Market Update: Bosnian poultry consumption has been increasing for several years with domestic production growing as well. At present, there is a shortage of poultry meat for processing, and Bosnian processors find imported poultry meat cheaper than locally produced product. Market opportunities for U.S. poultry products are still somewhat limited because of relatively high protective tariffs and competition by neighboring suppliers who enjoy free trade agreement provisions. (See BK4017)

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

Establishment of the State Veterinary Border Inspection Service: The Bosnia and Herzegovina National Government decided to unify its veterinary border inspections by bringing the service under the authority of the State Veterinary Office. Under the previous establishment, veterinary border inspections were a shared responsibility by three veterinary departments (two entities and one district). A single veterinary border inspection service should contribute to better protection and control of public and animal health, as well as a more efficient veterinary sector. (See BK4016)

SVA Study on Animal Genetic Resources: Bosnia and Herzegovina State Veterinary Administration (SVA) has completed a study on the country's animal genetic resources. This is the first study done after the 1992-1995 war, which resulted in extensive losses in the livestock sector and changes in animal genetic resources. The study provides general information on the country, its agricultural/livestock sector, animal genetics, and statistics. It also identifies the main problems and priorities for the livestock sector and reviews the sector's institutions and regulations. (See BK4014)

Q Fever Outbreak Reported in Banja Luka: Approximately 100 suspected cases of human Q fever have been reported in Banja Luka with the Institute for Health Protection declaring an epidemic. The disease was likely contracted from nomadic sheep flocks, and the regional veterinary inspection service is ordering farmers to relocate. The Republika Srpska Chief Veterinarian stated blood tests would likely confirm Q fever. Veterinarian officials are working to track and test suspected flocks. (See BK4012)

Establishment of State Phytosanitary Administration: The Bosnia and Herzegovina Council of Ministers recently established a State Phytosanitary Administration. The Administration has yet to be organized and staffed. Once established, it will be in charge of drafting regulations, improving plant health protection, policy issues, serving as the enquiry point and representing BiH internationally. The Ministry of Foreign Trade and Economic Relations will be the umbrella organization for the Administration. (See BK4011)

New Animal and Animal Product Import Requirements: The Government of Bosnia and Herzegovina (BiH) recently adopted a decision on the requirements for the import and transit of live animals, animal products, veterinary medicines, and animal feed and waste. This decision gives the State Veterinary Office (SVO) responsibility over "prior import approvals". Entity ministries of agriculture are no longer involved in the import approval process. Six border crossings have been designated for the import and transfer of live animals and animal products. (See BK4010)

BiH and European Integration: The European Commission (EC) recently approved a feasibility study assessing the readiness of Bosnia and Herzegovina to begin negotiations for a Stabilization and Association Agreement (SAA) on the condition that BiH makes significant progress in 16 areas identified as priorities for action. The BiH needs to harmonize its veterinary and phytosanitary legislation to that of the EU before negotiations commence. BiH is making little progress in meeting the requirements, and it is unlikely that SAA negotiations will begin in 2004. (See BK4008)

Requirements for Animal and Animal Product Export Facilities: Bosnia and Herzegovina (BiH) is enforcing new requirements for foreign facilities that export live animals and animal origin food products to the country. The export facilities must be approved for export to the European Union or come from countries that have equal or better veterinary practices than BiH. The U.S. veterinary practices are recognized as being better than BiH's. (See BK4006)

Bosnia Suspends FTA Implementation: The Bosnia and Herzegovina (BiH) Council of Ministers unilaterally suspended implementation of the Croatia and Serbia and Montenegro FTAs for several agricultural products until April 1, 2004. It is not known whether the suspension will be lifted or prolonged. Based on these FTAs, the Government is now focusing on bilateral veterinary protocols that will include lists of foreign facilities approved for export between the countries. Increased support to agricultural producers was also expected but hasn't occurred due to limited budgets. (See BK4005)

★ *Czech Republic*

Wine Market Update: Exports of U.S. wine to the Czech Republic are growing rapidly with further increases expected. The Czech Republic imports about half of its total wine consumption. Wine has partially replaced traditional Czech beer, and with higher disposable income, higher quality wines and new world wines are becoming more popular. After EU accession on May 1, 2004, the import tariff rate for wine dropped from 35% to 7 to 8% (See EZ4015).

Czech Authorities Confirm 12th BSE Case: On June 16, 2004, the State Veterinary Administration (SVA) confirmed the 12th case of BSE in the Czech Republic. The cow was born on January 4, 2000 in a cooperative in Horni Kalna in northeast Bohemia. In the next three months, 241 cows of cohort will be destroyed and tested. This incident follows recent cases confirmed on May 11, 2004 and April 22, 2004. Since February 2001, over 600,000 cows have been tested for BSE and 1,653 heads of cohort have been destroyed. Beef consumption has not decreased as a result of the BSE findings. (See EZ4014)

Czech Authorities Confirm 11th BSE Case: On May 11, 2004, the State Veterinary Administration (SVA) confirmed the 11th case of BSE in the Czech Republic. The case occurred in a four-year-old breeding bull. This incident follows recent cases confirmed on April 22, 2004 and January 23, 2004. (See EZ4013)

New GMO Law: In February 2004, the Czech Republic passed law 78/2004 on genetically modified organisms (GMO) replacing law 153/2000. The law officially came into force on February 25, 2004, and major changes include an easier approval process for contained use GMOs, as well as changes for the participation of civic associations in the approval process. In January 2004, the Ministry of Environment approved Monsanto's YieldGuard corn (MON810) for release on the market. (See EZ4011)

National Biosafety Framework: In March 2004, the Czech Republic officially finished its United Nations Environmental Program/Global Environmental Fund (UNEP/GEF) National Biosafety Framework project. The Czech Republic joined the project in July 2002. The goal of the project was to develop conditions for the safe handling of living and genetically modified organisms (LMO/GMO) and to meet the requirements of the Cartagena Protocol. The outcome of the project is a detailed report describing Czech biosafety policy; the regulatory regime; the system of handling LMO/GMO applications, monitoring and enforcement; and mechanisms for informing the public. (See EZ4010)

Oilseeds Update: In MY 2003/04, total oilseed area increased by 2.8% to 421,300 hectares, but the composition of plantings changed dramatically. Due to bad weather (frosts and drought), winter rapeseed plantings dropped and were replaced with spring sunflower, mustard and soybean plantings. Due to lower yields, total production decreased by 27% to 600,000 MT. Rapeseed production met domestic demand but exports disappeared. For MY 2004/05, oilseed plantings should return to normal with rapeseed production at 630,000 MT, sunflower at 60,000 MT, poppy seed at 15,000 MT, mustard at 40,000 MT and soybeans at 7,000 MT. (See EZ4009)

Czech Organic Production on the Rise: Organic production in the Czech Republic is projected to amount to 10% of total acreage by 2010. At present, domestic production does not meet demand and many products are imported. U.S. organic fruits, vegetables, and high value products all have good market prospects. (See EZ4007)

★ *Croatia*

HRI Market Update: Croatia's slowly improving standard of living is resulting in an increase of foods eaten away from home. In addition, tourism is growing and accounts for a significant portion of the economy. Hotel, Restaurant, and Institution (HRI) firms buy most food ingredients from specialized wholesalers. Most imported items are shipped from countries in the European Union, which creates opportunities for U.S. exporters servicing warehouses in Europe. Direct imports are negligible. U.S. food exports with best sales potential include dried fruits and nuts, fish and fish products, rice, wine, fresh fruit, and snack foods. (See HR4012)

Retail Sector Market Update: Croatia's supermarket sector has been growing rapidly with supermarkets representing 50% of total food retailing in 2002. Foreign chains such as Billa, Kaufland, DM, Ipercoop, Metro, and Mercator have all invested in this market and are present. Croatia's supermarket growth represents an opportunity for U.S. exporters. Best prospects include snack foods, processed fruit, tree nuts, wine, beer, and pet food. (See HR4009)

Swine Genetics Market: Swine genetics in Croatia are improving as commercial slaughter houses are sourcing meat units and purchasing lower fat hogs. Lower quality traditional carcasses (the largest share of production) are being heavily discounted, and these market changes are creating demand for consistent quality hogs. At present, there is a shortage of piglets for fattening. Progressive producers are responding to the new demand and are interested in crossbreeding present breeds and establishing grandparent stock. This is an opportune time for the promotion of U.S. swine genetics to Croatia. (See HR4008)

★ *Hungary*

Pre-harvest Grain Prospects: Hungary's wheat crop is expected to be 1.5 million MT above the 2003 harvest. At present, the barley crop is expected to be above 1.1 million MT. High wheat crop forecasts in Europe, financing, and storage limitations may aggravate crop handling. Trade sources expect increased wheat exports to other EU countries, as well as to third countries. (See HU4013)

1st Quarter Food and Ag Imports Up 30%: The volume of Hungary's agricultural and food imports grew 30 percent in the first quarter of 2004. Dairy, pork, and poultry imports were four to nine times higher than purchases during the same period of 2003. While farm organizations repeatedly recite the "EU shock" mantra, Hungary's first quarter agricultural exports grew by an impressive 23 percent. (See HU4012)

Hungarian Wine Tariffs Drop from 62% to 8% --Opening Market to U.S. Wine: Wine imports to Hungary are currently increasing. The dramatic drop of wine import tariffs in Hungary provides a unique opportunity for US wine exporters to position their product in this rapidly expanding new EU member country. Disposable per capita income is growing and the Hungarians are ready to spend extra money on good quality wine. US wine exporters interested in the Hungarian market must position themselves in the market now before other New World producers dominate the Hungary's import market. (See HU4010)

Oilseeds and Products – Annual report: The 2003 sunflower crop was the largest in seven years, and farm expectations are high for MY 2004/2005. Weather has been good thus far this year, and oilseed producers will receive increased direct payments under the EU Common Agricultural Policy. Stagnating poultry and swine production will limit the demand for domestic and imported protein meals in the next years. (See HU4009)

Higher Wheat and Corn Exports Expected: After the very low grain harvest in 2003, Hungary's grain trade is small. The upcoming EU accession will not result in major changes in the growing pattern. Normal weather points to an average crop in 2004. Contracting animal production will result in higher wheat and corn exports in 2004/2005. Hungary strictly follows EU biotechnology regulations, and it is expected that biotech varieties will not be introduced in the next few years. (See HU4007)

Expected Drop in Swine Production: The Government of Hungary is providing extra subsidies to the swine sector to correct market shortfalls and prepare for EU Accession when the sector will no longer be subsidized. Other EU-acceding countries, such as Czech Republic and Poland, are doing likewise. Analysts expect a drop in Hungary's pork production and export numbers in upcoming years. (See HU4006)

Sugar Update: Sugar production was low in 2003, due to drought. The Government of Hungary is imposing a high supplemental duty on sugar imports to prevent buildup of speculative stocks. (See HU4005)

★ *Slovakia*

Food and Agricultural Import Regulations and Standards: On May 1, 2004, the Slovak Republic became a member of the European Union (EU), and all EU food rules, regulations, and laws apply. For information on the laws and regulations for food, food import rules, and contact information in Slovakia, see GAINS Report LO4010

Sugar Update: In 2003, Slovak sugar factories processed 1.17 million MT of sugar beets. Although this volume was down by 172,000 MT compared to 2002, sugar production dropped by only 11,000 MT due to a high average sugar content of 16.5 %. Slovakia is a net sugar exporter. Major changes in the Slovak sugar industry are not expected with Slovakia's EU accession in May 2004. (See LO4008)

Fresh Deciduous Update: In 2002, Slovakia's fruit production dropped by 803 MT (-1 %). Consumption of fruits and fruit products decreased by 5.5 kg (-9.7 %) to 51.3 kg per capita. In 2002, the Slovak Republic imported 168,451 MT of fresh fruit and exported 14,712 MT. For processed fruits, the Slovak Republic imported 31,169 MT and exported 9,823 MT. (See LO4007)

Slovak Food Industry and EU Accession: According to the Ministry of Economy (MoE), the dynamic economic growth of Slovakia's food industry will slow down during the next decade. The slowdown will be due to sugar and dairy production quotas in the EU. The MoE also expects increased concentration in the food-processing sector due to massive foreign investment. The EU accession should result in increased food consumption in general. (See LO4006)

★ *Slovenia*

Appointment of New Slovenia Agricultural Minister: On April 20, 2004, Dr. Milan Pogacnik was appointed the Minister of Agriculture, Forestry and Food, replacing Minister Franc. His background includes 33 years of active participation in the field of education, research and professional work in veterinary medicine. (See SI4006)

*Calendar of Events in the Region**Market Promotions Activities in Austria & Central Europe***Austria**

May 2-10 Central European "Organics" Journalist Mission to U.S.
 June 11 U.S. Wine and Seafood Promotion, Loipersdorf

Czech Republic

June 14 U.S. Wine Festival (19 exhibitors, 60 wineries, 230 US wines).

Croatia

June 3-6 KRMIVA Annual Feed Conference & Trade Show, U.S. Livestock Genetics Export, Inc. speaker and trade show participation.

Hungary

Sept. 7-15 Hungarian Wine Festival, Budapest (FAS Office to attend).

Slovakia

September Slovak Wine Competition, Bratislava

*Visitors***Austria**

April 18-19 Lita Etchiverri, FAS/AGX
 June 24-25 Biotech Mission, U.S. Grains Council & National Corn Growers Assoc.

Czech Republic

April 19-21 Lita Etchiverri, FAS/AGX
 May 18-June 4 Faizur Choudry, FSIS (routine audit)
 June 29 American Farm Bureau Delegation
 August 9-11 Bryan Purcell, PECAD

Croatia

March 1-20 Aurora Craver, FSIS Inspector (routine audit)

Hungary

April 21-25 Lita Etchiverri, FAS/AGX
 June 29 American Farm Bureau Delegation
 August 16-17 Bryan Purcell, PECAD

Slovakia

August 12-13 Bryan Purcell, PECAD

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

September 6 Labor Day

Czech Republic

September 28 Statehood Day

Croatia

August 5 Patriotic Gratitude Day

Hungary

August 20 National Day

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