

# Czech Republic HRI Turns on Tourism

By Petra Chöteborská

**A**lready a member of NATO (the North Atlantic Treaty Organization) and with its forthcoming accession this year to the EU (European Union), the Czech Republic is making significant progress integrating into the global economy.

In calendar 2002, the United States exported \$12.9 million worth of agricultural products to the Czech Republic. U.S. consumer-oriented food products, which made up more than two-thirds of this amount, are being channeled into the country's restaurant sector.

It is important for U.S. suppliers to note not only the country's trend toward eating out, but the vast potential of its tourism industry.

## Decade of Restaurant Growth

In 2002, sales in the Czech Republic's HRI (hotel, restaurant and institutional) food industry reached \$1.9 billion, up 30 percent from 1998. HRI sales account for about 17 percent of the total food sector.

While the early 1990s brought many new food establishments to the country, the restaurant industry focused on upgrading during the second half of the 1990s. Several conditions have helped stimulate this sector: increased purchasing power that fed a trend toward eating out, a lower VAT (the value-added tax fell from 22 to 5 percent) and a demand for convenience foods by time-starved consumers.

After EU accession, larger urban areas will no longer have a monopoly on upscale restaurants. Foreign investment



60074

will help create new demand in smaller cities and rural areas for the middle to upscale restaurant segments.

In 2002, the country hosted more tourists (14 million) than residents (10 million). After the Czech Republic accedes to EU membership, the popular destination will appear on even more travel itineraries. Prague will always be a tourist destination. But after accession, citizens of other EU countries will not

need passports to travel to the Czech Republic. The euro currency will arrive in about six years.

## HRI Characteristics

More than 55,000 HRI establishments serve meals in the Czech Republic. Of this total, only 11 percent are institutional, but this segment claims 30 percent of sales. Commercial restaurants make up the remainder.

## Odds and Ends of the Marketplace

- Only items certified free of biotech content can gain entry into the Czech Republic.
- U.S. meats cannot be imported because veterinary certificates between the two countries have not been negotiated.
- Restaurants will become more expensive after EU accession. (The VAT will increase, and new demand will push up prices.)
- As yet, there is no wholesale chain supplying hotels and restaurants.
- U.S. microwaveable popcorn, salsa, cranberry juice and frozen juice concentrates have no competition.
- Most imported almonds (85 percent) come from California.
- U.S. whiskey and bourbon claim a 45-percent market share.

## U.S. SUPPLIERS SHOULD NOTE NOT ONLY THE COUNTRY'S TREND TOWARD EATING OUT, BUT THE VAST POTENTIAL OF ITS TOURISM INDUSTRY.

The institutional sector, especially the workplace cafeteria, is expected to expand the most in coming years. The Czech preference for the day's biggest meal being consumed at noon suggests an emphasis on hot meal services as cafeterias proliferate.

From 1998 to 2001, restaurants for middle and upper income consumers spearheaded industry growth. In 2002, their sales were up 93 percent from 1998, reaching \$610 million.

Future restaurant growth is expected to concentrate on these middle and upper income segments. This is promising news for U.S. suppliers, since pricier restaurants buy more imported products than their less expensive counterparts.

Over half the country's restaurants remain low-cost establishments (mostly pubs) serving mainly beer, but also a limited food menu. Sales from these restaurants reached \$321 million in 2001. As mid-level and upscale restaurants thrive, however, lower-end pubs are seeing a decline in business.

### Market Matters

Mid- and low-cost restaurants are more likely to purchase imported products in discount stores, while larger, more expensive restaurants tend to buy from importers. Only 5 percent of imports are brought in directly, usually by large luxury hotels. Most imports enter the country and are distributed via importers and distributors.

While the majority of foods consumed in restaurants are domestic, imports do account for 20-25 percent. Most come from the EU because of lower duties: seafood, produce, nuts, dairy products, pastas and sauces, breakfast cereals, wines and spirits.

Hotel restaurants account for less than half the total HRI sales, and they serve primarily the high-end markets of large cities. Though most Czech hotels are independent, there will usually be one upscale international hotel and several more economical chains represented in the largest cities.

While most restaurants are independ-

### Best Prospects for U.S. Suppliers

- Microwaveable popcorn
- Tex-Mex products
- Canned sweet corn
- Peanut butter
- Pancake syrups
- Cake mixes
- Pastas and powdered sauce mixes
- Almonds and other nuts, raisins and other dried fruits
- Wines
- Whiskey and bourbon

### Other Products With Potential

- Seafood
- Cheeses and salsa nacho chips
- Frozen juice concentrates
- Cranberry juice

ent, there are some Western fast-food chains such as McDonald's and KFC. International cuisines are also becoming popular as consumers seek new dining experiences.

The major advantage of domestic products is price, and quality can be exceptional. Imports do, however, give consumers a wider choice and are important in filling gaps due to a lack of domestic products. ■

*The author is an agricultural specialist with the FAS Office of Agricultural Affairs at the U.S. Embassy in Prague, Czech Republic. Tel.: (011-420-2) 5753-1170; Fax: (011-420-2) 5753-1173; E-mail: [agprague@fas.usda.gov](mailto:agprague@fas.usda.gov)*



60072

For details, see FAS Report EZ3009. To find it on the Web, start at [www.fas.usda.gov](http://www.fas.usda.gov), select **Attaché Reports** and follow the prompts.

