USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 5/3/2006

GAIN Report Number: EZ6007

Czech Republic

Grain and Feed

Crop Update

2006

Approved by:
Sarah Hanson
U.S Embassy

Prepared by:
Petra Choteborska

Report Highlights:
According to the Czech Statistical Office (CSO), total grain production reached 7.66 million MT for MY2005/06. The Ministry of Agriculture (MoA) expects total grain production to be approximately the same in MY2006/07 at between 7.7 and 8 million MT. The MoA estimates slightly larger areas for wheat and corn and smaller areas for barley, oats, and rye. Due to a long winter and spring flooding, spring crop plantings have been delayed. The area for spring wheat and barley will be lower, while corn area will increase due to its later planting. Winterkill is expected to be between 10 to 20% due to the prolonged snow cover and spring flooding. According to industry sources, Czech farmers will increase Bt corn area to between 1,500 and 2,000 hectares in 2006. At present, grain feed use has declined by about 10% since last year due to lower animal numbers. Grain utilization for industrial use is expected to grow with increased bioethanol production.

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

Production

According to the Czech Statistical Office (CSO), total grain production reached 7.66 million MT for MY2005/06. Final numbers for the MY2005/06 harvest include:

	MY 2004/05			MY 2005/06		
Crop	Area (1,000 ha)	Yield (MT/ha)	Production (1,000 MT)	Area (1,000 ha)	Yield (MT/ha)	Production (1,000 MT)
Wheat	863	5.84	5,043	820	5.05	4,145
Barley	469	4.97	2,330	522	4.21	2,195
Corn	90	6.13	552	98	7.17	703
Rye	59	5.29	59	47	4.19	197
Oats	59	3.88	59	52	2.92	151
Total	**1,609**	**5.46**	**8,784**	**1,612**	**4.75**	**7,660**

(Source: Czech Statistical Office)

The Ministry of Agriculture (MoA) expects total grain production to be approximately the same in MY2006/07 at between 7.7 and 8 million MT. The Ministry of Agriculture estimates slightly larger areas for wheat and corn and smaller areas for barley, oats, and rye.

Due to the long winter and spring flooding, spring crop plantings will be delayed. The area for spring wheat and barley will be lower, while corn area will increase due to its later planting. Winterkill is expected to be between 10 to 20% due to the prolonged snow cover and spring flooding. The Ministry of Agriculture is expected to publish more precise crop information during the second half of May.

Biotech Corn

According to industry sources, Czech farmers will increase Bt corn area to between 1,500 and 2,000 hectares in 2006. In 2005, Czech farmers planted Bt corn (MON 810) for the first time on 270 hectares. According to a Ministry of Agriculture survey, farmers that grew Bt corn reported a 5 to 20% increase in yield; lower occurrence of corn borer; and lower myco-toxin levels.

Consumption – Utilization

According to the Ministry of Agriculture and the trade, grain feed use has declined by about 10% due to lower animal numbers. The Czech Republic had twelve cases of Avian Influenza (AI) in the beginning of April 2006. These cases, combined with prior AI occurrence in other EU countries, have resulted in Czech poultry consumption dropping by 10%. Czech poultry production is currently on the decline. Cattle and swine numbers have been going down for several years.

Grain utilization for industrial use is expected to grow with increased bioethanol production. Currently, there is marginal bioethanol production in the Czech Republic.

Trade

The Czech Republic imported 15,000 MT of wheat, 90% of which is from Slovakia and the rest from other neighboring countries in MY 2005/06 (July 2005 - February 2006). The MoA expects wheat imports for MY 2005/06 to be around 25,000 MT. To date, the Czech Republic has exported 1 million MT of wheat, out of which almost half went to Jordan and Algeria, for MY 2005/06. The remainder was exported to other EU countries.

Between July 2005 and February 2006, the Czech Republic imported 3,000 MT of barley, out of which 83% was from Slovakia, and the remainder from Germany, Austria and Spain. During the same period, the Czech Republic exported 268,000 MT of barley, out of which 163,000 MT to Germany, 37,000 MT to Austria, 13,000 MT to Poland, and 35,000 MT went to non-EU 25 countries including Tunisia, Russian and Croatia. The Ministry of Agriculture expects total barley imports to total 5,000 MT with total exports at 330,000 MT in MY 2005/06.

During the same time period, the Czech Republic imported 12,000 MT of corn (with the majority of corn being supplied by Slovakia) and exported over 107,000 MT of corn (out of which 95,000 MT went to Germany, 1,500 MT went to Switzerland, and the rest went to other EU countries).

Prices

The price of milling wheat has been around 2,900 CZK (US$120) in 2006, which is about 1% less than in the same time last year. The price of feed wheat reached approximately 2,300 CZK (US$97), which is also about 10% less than in 2005. The price of malting barley has been around 3,200 CZK (US$135) 12% less than in 2005, and price of corn has been 2,800 CZK ($118), which is slightly less than last year.

Intervention

Up until April 11, 2006, the State Agricultural and Intervention Fund (SAIF) had contracted for 718,680 MT of storage space from two major agricultural companies in the Czech Republic, Agrofert and Agropol, for 2005 crops. By that date, the SAIF had received offers from farmers for 702,295 MT, out of which 279,232 MT was for wheat, 196,931 MT was for barley, and 226,132 MT was for corn. Of the total storage amount, the SAIF returned 61,694 MT due to administrative problems, farmers withdrew 73,194 MT, and 36,925 MT was rejected for insufficient quality. By April 11, 2006, the SAIF had purchased 411,721 MT of grains from the 2005 harvest.

In 2004, the SAIF purchased and put 907,918 MT of grains into intervention, out of which 717,479 MT (79%) was sold. The SAIF still has 189,988 MT of grain from the 2004 harvest in storage (56,026 MT in the Czech Republic and 133,962 MT in Belgium).

This year there was adequate storage space for intervention purchases. This was due to the lower harvest in 2005 compared to 2004 (7.7 mill MT in 2005 compared to 8.78 mill MT in 04) of which a higher share was feed wheat (which does not go into intervention), and higher prices paid by the SAIF to warehousing companies.

Policy – Storage Capacity

The Czech Republic's problem with storage capacity is not due to a lack of high quality elevators for long-term storage. Instead the problem lies with the fact that the government privatized almost all of the storage capacity at the beginning of the 1990s, and today there are only two major agricultural companies, Agrofert and Agropol, that own most of the high quality elevators for long-term storage (elevators for long-term storage are called the "ZZN" (Zemedelske zasobovani a nakup = Agricultural Supply and Purchase).

In 2004, the year of the Czech Republic's EU accession, the SAIF was inexperienced with the common EU market and offered 35 CZK/MT to the warehouse companies. As a result, the SAIF did not secure enough storage capacity, which in combination with overproduction caused enormous problems with grain storage last year. Last year, the SAIF increased the price to 50 CZK (approx. $2) for 1MT of storage capacity. The SAIF has kept the same price for this year which is a favorable price for the warehousing companies.

Even though storage capacity is not a problem this year, the SAIF does not want to depend on tenders and search for storage capacities that it must purchase from farmers. As a result, the Ministry of Agriculture prepared a plan for constructing a new warehouse with a 100,000 MT capacity (originally the Ministry talked about 300,000 MT capacity) to store intervention purchases. The proposal is currently being reviewed by interested parties and then will go to the government, which should make a decision sometime in September (after the June general elections).

There are two lobby groups with one supporting and the other opposing the construction project. Farmers, as represented by the Agrarian Chamber, argue that they do not want to be at the mercy of two major agricultural trading companies that control prices. Farmers are requesting that new state-owned warehouses to be built with a capacity of 1 million MT. They argue that the SAIF needs to have storage capacity for intervention purchases and should not depend on private companies to rent out their warehouses. The new warehouse would be horizontal (current silos are vertical), which is better for corn storage and would cost approximately 400,000 million CZK ($16 million).

The "Union of warehouses" (composed of the two agricultural trading companies and some smaller farmers) argues that there is enough storage capacity, and it is a waste of money to construct new storage facilities. They argue that the SAIF should offer better conditions to private companies in order to motivate them to sign long-term contracts with the SAIF for intervention stocks. Total storage capacity of these "ZZN" is 4.5 million MT, and farmers have another 5 million MT for short-term storage. The Ministry of Agriculture also supports the reconstruction and building of smaller farmers' warehouses through its "Operational Program".

(Exchange rate: April 2006: $1 = 23.66)