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Agricultural Situation

What's New in Central Europe

2006

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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
Unscheduled Report
Vienna [AU1]
[AU]



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”

Intro

Dear reader,

The USDA/FAS Central Europe team headed by Agricultural Counselor in Vienna, Mr. Quintin Gray, would like to wish you happy and successful 2006!

In 2005, USDA/FAS offices in Central Europe working with local food suppliers, and U.S. industry groups, organized several events promoting U.S. foods, mainly U.S. wines. Our offices organized wine tastings in Prague, Zagreb, and Ljubljana and hosted a wine dinner in Croatia and a gourmet U.S. food luncheon in Budapest.

The results of these events have been impressive. Following one of these events, one of the largest Central European beverage importer/distributor negotiated with a large U.S. winery to be their sole representative for Central and Southern Europe. This agreement should increase U.S. wine sales in Central Europe. In addition, other U.S. wineries have started exporting wines in the retail stores and HRI sectors in Croatia and the Czech Republic.

The gourmet festival in Hungary and similar activity in Austria resulted in increased sales of U.S. chocolate, wild salmon, and Keta Kaviar. Keta Kaviar is now represented in a major Austrian retail chain and the importer reports strong sales figures.

The major constraint in the region is lack of product awareness, however, great progress has been made through favorable newspaper articles and TV spots in Slovenia, Croatia, Czech Republic and Hungary.

We would like to thank you for your support. We are looking forward to a great 2006.

News in the Region

★ Austria

Biotechnology Austria to Lead GMO Debate: Austria views the Swiss referendum against GMOs as strong support for its anti-GMO stance and is planning a pan-European debate in April in Vienna on biotech farming during its EU presidency. (See report AU5029) **

** Attaché reports are available on the internet at
<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>

Austrian Sugar Beet Farmers and Sugar Industry Fear EU Sugar Reform: A recent study by the Federal Institute of Agricultural Economics concluded that implementation of the EU sugar reform will result in a 12.2% to 20% income loss for Austrian sugar beet farmers with some farms going out of business. The Austrian sugar refining industry will also be hit hard by reform with the country's sole sugar refiner, AGRANA, thinking that it will be forced to close one of its three factories in Austria. (See report AU5028) Since the passage of Sugar Reform, AGRANA has decided to close its factor in Austria (Hohenau Factory) and a factory in Slovakia (the Rimavska Sobota factory). (See report AU6001).

Retail Food Sector Annual Report: Total food retail sales in Austria increased by 4.9 percent from 2003 to 2004 and reached a value of \$13.9 billion USD (Euro 11.1 billion). Recent food retail sector developments include greater demand for health foods, wider diversification and internationalization of consumer tastes, and strong demand for increased convenience. U.S. products with the best market opportunities include: dried fruit and tree nuts (including organic products), rice, wine, petfood, convenience food, ready to eat meals, and organic and health food products. (See report AU5027)

Austria Requires Mandatory Housing of Poultry and Domestic Birds: On December 16, 2006, Austrian Health Ministry let expire its measure enacted on October requiring the mandatory housing of poultry and domestic birds 22 because of Avian Flu outbreaks in Europe. Under the requirement, poultry growers and hobby breeders were required to house their poultry and birds. The ordinance may be reenacted if deemed that the Avian Flu situation has worsened. The Austrian Health Minister and the Agricultural Minister stated that this measure was a necessary precaution in response to recent avian flu cases in the Romanian Danube-delta and in an area of Moscow. (See report AU5023)

Biotechnology - European Court of Justice Rules Against Upper Austria's GMO-free Zones: On October 5, the European Commission's Court of First Instance ruled against Upper Austria's request to have upper Austria declared a GMO-free zone. The European Commission originally rejected the province's GMO-ban two years ago, saying that there was no scientific justification for the ban. For this reason, Upper Austria prompted a court action and finally lost the legal battle on agricultural biotechnology against the European Commission. This was the first time the Court had ruled on a general prohibition of biotech crops in a region. (See report AU5022)

★ *Bosnia-Herzegovina*

Avian Influenza Preparedness Measures: On October 28, the Bosnia and Herzegovina Council of Ministers set up an avian influenza task force (AITF) in order to prepare for the possible spread of avian influenza (AI) from neighboring countries. The Government also approved the establishment of a reference laboratory for HPAI detection and the purchase of diagnostic materials and protective equipment. Earlier in the month, the State Veterinary Office (SVO) had banned the import of all live poultry and wild birds and their meat and products (except hermetically closed and heat-treated cans) coming from Croatia. The SVO also required the mandatory housing of all poultry and ordered special hygiene, feed, and water supply measures at poultry farms. During October, sales of both imported and locally produced poultry meat decreased dramatically because of the AI detections in Europe. Currently, there are no U.S. poultry exports to the BiH.

Grain and Feed Crop Update: According to the Bosnia and Herzegovina (BiH) Entities' Agricultural Ministries unofficial estimates, the winter wheat area is approximately 72,000 hectares, down 10% from the previous season. The reason for this was adverse summer weather that lowered vegetable production, and therefore limited farmers' financial capabilities to sow wheat. The Ag Ministries reported total corn production at 1,140,891 MT

harvested from 208,000 ha. The changing summer weather conditions and heavy rain in September did not reduce corn yield; however, the weather conditions affected corn quality, which is lower than usual. Total winter barley area is estimated at 14,200 ha (4,200 ha in the Federation and 10,000 in the RS). (See report BK5012)

★ *Czech Republic*

Czech Republic Names New Minister of Agriculture - Jan Mladek: On November 16, President Klaus named Jan Mladek the new Minister of Agriculture. Former Minister Petr Zgarba resigned on November 10 after being implicated in a land speculation scandal. Mr. Mladek, a 45-year-old Social Democrat, is the first Minister of Agriculture to have an economics (vs. agricultural) background and will enjoy the advantage of having no ties to the strong agricultural lobbying groups in the Czech Republic. He will stay in office until regular elections are held in June 2006. (See report EZ5014)

★ *Croatia*

Exporter Guide Annual: Croatia imports a significant portion of its food consumption. EU accession, the country's steady growth in tourism, and continued economic reform could make Croatia a significant long-term importer of some U.S. food products, including seafood, wine, pet food and consumer food products. Croatian imports of consumer food items have more than tripled from \$267 million in 1993 to \$883 million in 2004. Croatian consumers are strongly anti-biotech. (See report HR5018)

Croatia Confirms H5 Avian Influenza: On October 19, the Croatian Veterinary authorities detected the avian influenza virus H5 in six dead swans found at the Grudnjak fish-breeding farm. The virus samples were sent to the reference laboratory for avian influenza in Weybridge, Great Britain to identify the virus strain. As a result, Croatia banned all garden chicken sales and wild bird hunting; required mandatory housing of all poultry; and instituted more stringent hygienic and bio-safety measures on all poultry production facilities including more stringent disinfection measures for transportation vehicles. Croatian veterinary authorities destroyed 10,000 poultry at the Grudnjak fish-breeding farm with total estimated damages at around \$162,946. Poultry export trade losses were estimated at \$750,000 per month. Poultry production is one of the few sectors where Croatia enjoys a trade surplus. (See report HR5014)

Croatia Confirms H5N1 Avian Influenza: On October 26, the reference laboratory for avian influenza in Weybridge, Great Britain confirmed that samples taken from dead swans from the fish-breeding farm Grudnjak were infected with the highly pathogenic H5N1 Avian Influenza virus strain. These results were announced as Croatian Veterinary authorities detected additional cases of the avian influenza virus H5 in dead swans located just a few kilometers away from Grudnjak in a near by fish-breeding farm. Croatian authorities took appropriate quarantine measures immediately and destroyed all domestic poultry in a radius of 3 kilometers from the second finding. The dead swans from both locations were from the same flock with one bird having a leg marking from Hungary. The virus samples from the second finding were sent to Weybridge, Great Britain to identify the virus strain. (See report HR5015)

Croatia Confirms 2nd Case of H5N1 Avian Influenza in Dead Swans: On November 2, the Croatian Ministry of Agriculture confirmed that samples taken from dead swans from the fish-breeding farm Ribnjak "1905" were infected with the highly pathogenic H5N1 avian influenza virus strain. The dead swans were from the same flock that had migrated and

landed at the fish-breeding farm Grudnjak where the first confirmed finding of H5N1 was found. One of the swans from Ribnjak "1905" had a leg marking from Hungary, which the Croatian authorities officially reported to Hungarian authorities. (See report HR5016)

Food and Agricultural Import Regulations and Standards Export Certificate Report:

This report provides information on the export certificates required by the Government of Croatia for food and agricultural products. (See report HR5013)

★ Hungary

Avian Influenza Threat Hurts Poultry Sales: Retail sales of poultry meat have dropped 15 to 20 percent in the past few weeks. Consumption of broilers decreased the most (about 30 percent), the reductions for turkey, geese, and ducks sales were less. Value-added products, such as oven-ready products, breast-ham, and sausages, did not experience declines. No major cross commodity effects have been observed so far. The Hungarian Poultry Product Board launched an attractive and timely public relations campaign at the beginning of the Avian Influenza (AI) scare. The Hungarian poultry associations have agreed on an approximate one-third voluntary reduction in output. (See report HU5015)

Hungary Exporter Guide Annual Report: Hungary is a middle-income country with a developed and export-oriented food-processing sector. Hungary's GDP growth rose from about 3 percent in 2003 to roughly 4 percent in 2004. Hungary's accession to the EU in May 2004 began a new chapter for the country's food trade. Import tariffs for major U.S. products exported to Hungary decreased, and the administrative process for distributing products became simpler. The Hungarian food distribution system has changed drastically in the past six years with hypermarkets and shopping centers developing quickly. Hungarian consumers are becoming more quality conscious, and market segmentation is creating new opportunities for high quality U.S. foods and beverages. Tourism is a leading industry, and hotels and restaurants are demanding higher quality foods. (See report HU5013)

★ Slovenia

Slovenia Requires Mandatory Housing of Poultry in NW and SW Regions: On October 22, Slovenian Veterinary Administration (VURS) published a Resolution on the Implementation of Regulation on Avian Influenza for high-risk regions in Northwest and Southwest Slovenia. The measure was enacted in response to the H5N1 avian influenza detection in swans in neighboring Croatia. The measure requires mandatory housing of all poultry in the northwest and southwest regions of Slovenia. (See report SI5005)

Calendar of Events in the Region

UPCOMING MARKETING EVENTS in 2006

SPRING 2006 - SOUTHERN USA FOOD FESTIVAL IN THE CZECH REPUBLIC

In cooperation with the Department of Agriculture for Florida and Georgia and SUSTA the Southern USA Food Festival will be held in the Prague.

SUMMER 2006 – USA WINE FESTIVAL IN AUSTRIA

In cooperation with the California Wine Institute and New York Wine Institute

SPRING/SUMMER/AUTUMN 2006

U.S. dried fruit and nut promotion for Central Europe. A GBI initiative involving various U.S. cooperators and private industry organizations to promote dried fruits and nuts in Central Europe. The promotion will consist of market research, creation of a website, a seminar in Hungary and Croatia and a WUSATA initiated reverse trade mission to California in September 2006.

Recent Market Promotions Activities Austria & Central Europe

Austria

Czech Republic

November 10-11 Wisconsin Governor Jim Doyle's Trade Mission

Hungary

October 6 Celebration of the 10th anniversary of AGP Omaha (feed company) in Hungary

Visitors

Hungary

December 13	Daniel Rahier, Gov and Public Affairs and Jozsef Mate, Public Affairs, Pioneer Hi-Bred to exchange views on the "Coexistence Regulation" and GMO moratorium of the Government of Hungary
December 1-4	Thomas Payne, Thomas J. Payne Market Development to discuss the Global Based Initiative for Dried Fruits and Nuts in the region for FY 2006
October 19-23	Nancy Cochrane, ERS, USDA to meet Ministry of Agriculture, commodity Association, and research contacts to review effects of Hungary's EU accession on the different agricultural sectors
October 17-19	Rick O'Meara, CMP, GFD, FAS, USDA to survey grain situation, grain trade, and intervention storage in Hungary.
October 12-14	William H. Danforth, M.D. Chairman of the Board, Donald Danforth Plant Science Center, Saint Louis

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

December 26	Monday	Christmas Day
2006		
January 2*	Monday	New Year's Day
January 16	Monday	M. Luther King's Birthday
February 20	Monday	President's Day

Austria

December 25	Sunday	Christmas Day
December 26	Monday	St. Stephen's Day
2006		
January 1	Sunday	New Year's Day
January 2	Monday	New Year's Day
January 6	Friday	Epiphany
January 16	Monday	M. Luther King's Birthday
February 20	Monday	President's Day

**Bosnia –Herzegovina
2006**

January 2	Monday	New Years Day	
January 3	Tuesday	New Years Day	(BIH)
January 6	Friday	Christmas	(Banja Luka)
January 7	Saturday	Christmas	(Banja Luka)
January 9	Monday	Day of Republic	(Banja Luka)
January 10	Tuesday	Kurban Bajram	(Sarajevo and Mostar)
January 16	Monday	Martin Luther King Jr.'s Birthday	
February 20	Monday	President's Birthday	
March 1	Wednesday	Independence Day	(Sarajevo and Mostar)

Czech Republic

December 26	Monday	St. Stephen's Day
2006		
January 2*	Monday	New Year's Day
January 16	Monday	M. Luther King's Birthday
February 20	Monday	President's Day

Croatia

December 25	Sunday	Christmas Day
December 26	Monday	St. Stephen's Day/Christmas Observance
2006		
January 1	Sunday	New Year's Day
January 2	Monday	New Year's Observance
January 6	Friday	Epiphany
January 16	Monday	Martin Luther King's Birthday
February 20	Monday	Presidents Day

Hungary

December 24	Saturday	Christmas Day
2006		
January 2	Monday	New Year's Day
January 16	Monday	Martin Luther King Jr. Birthday
February 20	Monday	Presidents Day
March 15	Wednesday	1848 March 15 Revolution Day

Slovakia

December 24	Saturday	Christmas Eve
December 25	Sunday	Christmas Day
December 26	Monday	St. Stephen's Day
2006		
January 1	Sunday	Slovak Republic Day
January 2	Monday	New Year's Day
January 6	Friday	Epiphany
January 16	Monday	Martin Luther King's Birthday
February 20	Monday	President's Day

Slovenia

December 25	Sunday	Christmas Day
December 26	Sunday	National Day
2006		
January 1	Sunday	New Year's Day
January 2	Monday	New Year's Day
January 16	Monday	Martin Luther King Day
February 8	Wednesday	Day of Slovenian Culture
February 20	Monday	President's Day

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Slovakia, Slovenia

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