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Czech Republic

Product Brief

Fruit Juice and Fruit Nectar

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Approved by:

Allan Mustard

U.S. Embassy

Prepared by:

Petra Chot•borská

Report Highlights:

Opportunities exist for fruit juice concentrates in the still-growing Czech market for juices and nectars.

Includes PSD changes: No
Includes Trade Matrix: No
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A. Executive Summary:

- # The consumption of fruit juice has been steadily increasing since 1990, particularly in the second half of the 1990's. The growth is not over and further increase, although less rapid, can be expected.
- # The production quality and variety of fruit juices in the Czech Republic can be compared to those in West European countries.
- # Further increases in consumption depend on quality, variety, and the macroeconomic situation in the Czech Republic.

B. Consumption Trends:

Fruit juice consumption in the Czech Republic skyrocketed after 1990. Before that fruit juices represented only a minor segment of nonalcoholic beverages, and their per capita consumption was well below average per-capita consumption in Western Europe. Czech consumers, instead of fruit juices drank for various reasons (price or unavailability of these products on the market) fruit syrups or carbonated fruit beverages. Both the choice of fruit juices on the Czech market at that time and the variety of packaging of these products were very limited.

The consumption pattern changed substantially at the beginning of the 1990s. During the last ten years there has been a steady growth in fruit juice consumption, mainly due to the change of consumer preferences and availability of new products on the market . The growth of popularity of fruit juice among Czech consumers in the 1990s can be attributed to their new lifestyle after 1990, particularly to their greater "health awareness"and increasing purchasing power.

Even though the overall consumption of the last decade has shown a strong upward trend, annual consumption did not increase each year. After the strong growth of consumption in the years 1995-97 there was a period of stagnation in 1998 and 1999. Annual consumption dropped by 15% in that period; the main reason for the decrease was the impact of the economic recession in the Czech Republic on purchasing power. Fruit juice consumption revived in the years 1998 and 1999 and is expected to grow strongly again this year.

The annual per capita consumption of fruit juice in the Czech Republic has risen from approximately 5 liters in 1995 to 15 liters at present. Although these figures indicate a remarkable growth of the fruit juice market in the Czech Republic, per capita consumption is still relatively low compared to annual per capita consumption in European Union countries (the average is between 30 and 40 liters). The difference in per capita consumption between the Czech Republic and the EU is particularly large when compared to countries like Germany or Austria (about 48 and 43 liters a year). This implies that fruit juice consumption still has considerable growth potential, and will depend heavily on growth in personal disposable income.

Table 1: Comparison of per capita consumption of fruit juice in liters in selected countries in 1998	
Country	Liters
Germany	48
Austria	43
USA	37
Switzerland	37
Netherlands	34
Finland	32
Norway	31
Belgium	28
United Kingdom	26
France	25
Spain	22
Italy	17
Czech Republic	15
Greece	14
Portugal	14
Source: Verband der deutschen Fruchtsaft-Industrie e.V. (VdF), Bonn, Germany	

The quantitative growth of fruit juice consumption in the Czech Republic in the 1990s has been accompanied by a larger choice of fruit juice flavors. There has been an apparent increase in demand for “non-traditional” juice flavors (e.g., mango, papaya, passion fruit) and various combinations of these flavors with “traditional flavors” (e.g., orange, apple, peach, grapefruit) which is particularly the case of so-called multivitamin juices. Nevertheless, orange and apple juice together represent approximately 72-75% of the Czech market for fruit juice at present, which is comparable with other European countries. The difference - when compared with Western Europe - is the orange-apple juice ratio: orange juice represents between 55-60% and apple juice between 17-20% of all fruit juices in the Czech Republic, whereas in West European countries it is 30-35% for both orange and apple. In other words, unlike in the EU there is a domination of orange juice consumption over apple in the Czech

Republic.

C. Domestic and Foreign Competition:

Domestic production capacity is sufficient to cover completely domestic consumption of fruit juice. However, relatively liberal conditions for the import of fruit juice to the Czech Republic allow foreign producers to compete with domestic producers on the Czech market. Therefore, the market for fruit juice is at the moment fully saturated and competition in this branch of non-alcoholic beverages is very sharp.

The consumption of approximately 150 million liters of fruit juice in the Czech Republic in 1999 was covered by domestic producers by 85-89% and the remaining 11-15% was imported.

All fruit juices - whether from domestic production or imported - are produced solely from fruit concentrates. There are no freshly squeezed fruit juices available on the Czech supermarket shelves.

Table 2: Domestic production vs. imports of fruit juice: Approximate annual sales in the Czech Republic in liters and relevant market shares in 1999		
Fruit juice from:	Annual sales of fruit juice in the CR in million liters	Market share in %
Domestic production	128-134	85-89
Imports	17-23	11-15
Total	150	100
Source: Union of fruit juice and concentrates producers in the CR		

Domestic Production:

Domestic production of fruit juice is dominated by three major producers: Toma (bought by U.S. Whitman Corporation, the owner of Pepsi-Cola Czech Republic, in September 1999), Linea Nivnice and Walmark. Their total market share (calculated on the basis of the company's sales of fruit juice in the Czech Republic in liters) has been increasing during the second half of the 1990s up to 70% at present (see table below). This figure clearly shows that the Czech market for fruit juice is very concentrated. If we look, for instance, at the same figure in 1998 (see table below) we can see that the process of market concentration has been rather a quick one. However, further concentration of the number of producers and their market shares is expected to slow down and eventually stop in the future; the total market share of the three major companies is estimated to increase to approximately 75% (maximum 80%).

Table 3: Market share of the three major domestic producers in 1998 and 1999 (based on the company's sales of fruit juice in the Czech Republic in liters)		
Company	Market share in 1998 (in %)	Market share in 1999 (in %)
Toma	25	28
Linea Nivnice	14	21
Walmark	16	20
Total	55	69
Source: Union of fruit juice and concentrates producers in the CR		

Total sales of small domestic producers represent a market share of approximately 15-20%. None of these companies has a market share bigger than 5% and hence each has a significantly smaller importance compared to the three major producers.

Table 4: Domestic producers: Annual sales of fruit juice in the Czech Republic (in liters) and relevant market shares of total production of fruit juice in percent in 1999		
Company	Annual sales of fruit juice in thousand liters	Market share in 1999 (in %)
Toma	38.0	28
Linea Nivnice	28.0	21
Walmark	26.5	20
Fruiko	6.5	5
Limova	5.4	4
Coca-Cola Beverages „ R	4.6	3
Veseta	2.5	2
Aqua Sag	1.0	0.5
Source: Union of fruit juices and concentrates producers in the CR		

Heavy competition on the Czech fruit juice market puts strong pressure on domestic producers to export some of their production - either by direct exports or by establishing new production plants in other countries as subsidiaries. Among the three major producers only Linea Nivnice has been expanding its production, mainly by direct exports; about 20% of fruit juice produced by Linea Nivnice is exported to Slovakia, Slovenia, Croatia and other countries. In contrast, Toma has been expanding by building new production plants in Slovakia and Walmark in Slovakia, Poland, Rumania and Russia.

Imports:

As mentioned above, imports cover approximately 11-15% of the consumption of fruit juice in the Czech Republic, equal to 17-23 million liters. Almost all of these imports come from Germany and Austria and only a very tiny fraction of imported fruit juice is produced in other European countries such as Hungary, Spain, France, former Yugoslav countries, and others.

There are no imports of fruit juices from the United States except for Ocean Spray's "Cranberry Juice Cocktail" (produced by Ocean Spray Cranberries, Middleboro, Massachusetts and imported by Tesco.) It is considered a luxury product due to its price, which is 4-5 times higher compared to juices either produced in the Czech Republic or imported from neighboring countries.

It is primarily because of high transportation costs that fruit juice is not imported (with certain exceptions such as Ocean Spray's cranberry juice) to the Czech Republic from overseas and that there are very limited imports of fruit juice from other European countries than neighboring ones. While the imports of bottled fruit juice from overseas are hardly of any importance for the Czech market for fruit juice, imports of fruit concentrates play an essential role in domestic production of fruit juice.

Fruit concentrates of all flavors - apart from apple, cherry, peach, apricot, and pear - come solely from abroad and are imported directly by domestic producers of fruit juice. Even though apple, cherry, peach, apricot, and pear concentrates are produced in the Czech Republic, none of these concentrates is produced in a quantity that would be sufficient to meet the demand of domestic producers of fruit juice, and a certain amount of all these concentrates must be also imported.

While cherry, peach, apricot, and pear concentrates are imported into the country because there is not enough fruit from which these concentrates can be made, apple concentrate is imported for a different reason. The amount of apples grown in the Czech Republic would be sufficient for producing all the apple concentrate demanded by domestic producers; however, a fair amount of the apple concentrate is exported to Germany and Austria. Several German and Austrian producers of fruit juices have leased fruit presses in the Czech Republic in which they produce apple concentrate from apples grown in the Czech Republic and then export the concentrate to Germany/Austria where they produce packaged apple juices from it. Thus domestic producers of fruit juices in general must import fruit concentrates of all flavors, including apple.

Table 5: Top Origins of Fruit Concentrates Exports to the Czech Republic	
Fruit Concentrate	Exporting Country
Orange	Brazil
Apple	China, Iran, former Soviet Union countries, Poland
Grapefruit (pink and white)	U.S. (Florida)
Pineapple	South East Asia (Indonesia, Thailand, Philippines)
Peach	Hungary, Argentina, Australia
Apricot	Hungary, Argentina, Australia
Strawberry	Spain, Poland
Banana	Brazil, Caribbean region
anberry	U.S. (Massachusetts)
Cherry	domestic
Black currant	Poland
Pear	domestic
Source: Union of fruit juice and concentrates producers in the Czech Republic	

Table 6: Imports by HTS code of fruit juice items:

2009 11 Orange juice frozen

	1998			1999	
Country	MT	mil CZK	Country	MT	mil CZK
Netherlands	4,022	159	Brazil	4,856	240
Brazil	3,023	131	Netherlands	1,340	59
Germany	131	5	Belgium	347	10
Greece	75	3	Germany	268	12
U.S.	50	2	Slovenia	33	0.5
Total	7,366	303	Total	6,904	328

2009 19 Orange juice other

	1998			1999	
Country	MT	mil CZK	Country	MT	mil CZK
Austria	9,912	127	Austria	6,399	98
Brazil	2,760	112	Hungary	3,358	38
Germany	2,734	36	Brazil	1,376	69
Hungary	2,380	26	Germany	768	11
Total	18,860	339	Total	12,529	251

2009 20 Grapefruit juice

	1998			1999	
Country	MT	mil CZK	Country	MT	mil CZK
Austria	559	8	Austria	528	7
Hungary	287	4	Netherlands	194	9
Netherlands	227	11	U.S.	147	5
U.S.	199	8	Israel	85	3
Germany	133	2	Germany	82	1
Total	1,650	40	Total	1,158	30

2009 30 Juice of any other single citrus fruit

	1998			1999	
Country	MT	mil CZK	Country	MT	mil CZK
Greece	742	14	Greece	298	5
Hungary	209	2	Hungary	123	1
Italy	98	3.5	Italy	114	5
Total	1,119	27	Total	604	19

2009 40 Pineapple juice

	1998			1999	
Country	MT	mil CZK	Country	MT	mil CZK
Austria	553	9	Austria	485	9
Vietnam	169	9	Vietnam	99	5
Thailand	65	4	Thailand	50	3
Total	981	30	Total	690	20

2009 50 Tomato juice

	1998			1999	
Country	MT	mil CZK	Country	MT	mil CZK
Hungary	1,363	12	Hungary	949	10
Austria	408	5	Austria	238	4
Slovakia	103	3	Germany	55	1
Total	2,194	27	Total	1,302	16

2009 60 Grape juice (including grape must)

	1998			1999	
Country	MT	mil CZK	Country	MT	mil CZK
Hungary	23,054	203	Hungary	8,675	79
Italy	846	15	Austria	2,140	27
Austria	588	9	Italy	1,430	25
Total	24,764	232	Total	12,658	135

2009 70 Apple juice

	1998			1999	
Country	MT	mil CZK	Country	MT	mil CZK
Austria	2,420	38	Austria	2,170	25
Hungary	1,008	9	Hungary	1,189	12
Germany	249	3	Iran	753	22
Total	4,006	56	Total	5,507	91

2009 80 Juice of any other single fruit or vegetable

	1998			1999	
Country	MT	mil CZK	Country	MT	mil CZK
Germany	310	13	Germany	166	9
Austria	201	8	Poland	132	13
Italy	120	3	Italy	101	3
U.S.	0.8	0.07	U.S.	8	1
Total	1,233	50	Total	798	52

2009 90 Mixture of juices

	1998			1999	
Country	MT	mil CZK	Country	MT	mil CZK
Austria	1,610	31	Austria	1,556	29
Hungary	541	7	Netherlands	409	23
Netherlands	472	27	Poland	217	5
Germany	357	6	Germany	163	4
U.S.	4	1	U.S.	5	4
Total	3,234	90	Total	2,551	71

Note: The Netherlands and Germany sometimes seem to be significant exporters of juices, which due to their seaports and transshipments distorts the information about the real country of origin.

D. Distribution Channels:

There are three major fruit juice producers in the Czech Republic (Walmart, Toma, Linea Nivnice), which directly supply the largest retail chains and indirectly, through wholesalers and distributors, smaller retailers and restaurants. Packaging of fruit juice for restaurants does not differ in size or in other respects from retail packaging.

There also exist a number of importers of packaged fruit juice from neighboring countries. These companies supply the largest retailers either directly or through a wholesaler.

E. Pricing:

The following statements sum up fruit juice pricing in the Czech Republic:

- # Prices of domestically produced fruit juice are in general substantially lower than those of imported fruit juice. The price difference is approximately 50% for similar or comparable products. In extreme cases this difference can go up to 100%. (See table)
- # The main reason prices of domestically produced fruit juice are so low compared to prices of imported juice is apparently a price war going on among domestic producers, who have been trying to gain a bigger market share during the second half of the 1990's.
- # The price war among Czech producers has had an influence on the quality of some of the fruit juice produced domestically. This has been especially the case for fruit juices offered by smaller Czech producers since they have been unable to maintain quality while lowering the price of their products (which was necessary in order to compete with their bigger domestic competitors). However, the three major domestic producers of fruit juice have not only maintained the quality of their fruit juices while lowering the price, but in general have worked to improve it so that they meet EU standards.

Import prices of fruit concentrates are of a great importance for fruit juice producers since all fruit juice sold in the Czech Republic is made from concentrates.

Table 7: Price comparison: Most popular brands and selected kinds of fruit juice (all prices are in CZK)						
	Fruit Juices Brands					
	Domestic			Imported		
	Toma	Relax	Hello	Pfanner	Happy Day	Cappy
Orange juice 100% 1 liter	19.90	19.50	19.90	28.90	29.90	22.90
Apple juice 100% 1 liter	20.90	17.50	17.90	27.90	28.90	24.50
Grapefruit juice 100% 1 liter	23.90	21.50	21.90	33.50	36.90	-
Pineapple juice 100% 1 liter	-	23.50	-	37.50	39.90	-
Orange juice 100% 2 liters	40.90	-	-	53.90	59.90	-
Apple juice 100% 2 liters	26.90	-	-	57.50	59.90	-
Orange nectar 50% 1 liter	17.50	16.90	-	22.90	-	21.50
Apple nectar 50% 1 liter	17.90	-	-	-	-	-
Apple nectar 50% 2 liters	32.50			43.90		
Orange juice 100% Tesco brand	Tesco		1 liter		17.90	
Apple juice 100% Tesco brand	Tesco		1 liter		15.50	
Cranberry Juice Cocktail (fruit content 27%) from concentrate	Ocean Spray		32 FL OZ (946 ml)		115.00 CZK	
Source: Average retail prices in Prague supermarkets and hypermarkets						

It is expected that prices of domestically produced fruit juice will go up in the near future. The price war, a result of the effort of domestic producers to gain a larger market share on the quickly developing Czech market for fruit juice, will not continue, since the process of business concentration is more or less finished by now. The three major domestic producers will now be able to increase prices of their products mainly for two reasons. First, prices of imported fruit juices of similar or comparable quality are in most cases significantly higher. Second, recent market research shows consumers' willingness to pay a higher price for a higher quality juice.

F. Packaging and Legal Requirements:

All legal requirements for fruit juice sold in the Czech Republic are in Law 110/97 on foodstuffs and tobacco products (its English version is available on the Internet at www.czpi.cz) which is currently being amended by the Parliament, and in Decree 335/97.

Classification of Fruit Juice:

Decree 335/97 defines three groups of non-carbonated fruit beverages as following:

- # The Czech term *fruit juice* is used for a non-carbonated fruit beverage containing 100% fruit. It does not contain any coloring agents or preservatives.
- # *Fruit nectar* is primarily made from those types of fruit which contain particularly large or small amounts of fruit acid or a great deal of fruit pulp and are highly aromatic by nature. Therefore water and sugar have to be added in order to obtain a ready-to-drink product. Nectar is produced, for example, from black currants, cherry, apricots and bananas. Nectar contains neither coloring agents nor preservatives. The prescribed minimum fruit content depends on the type of fruit used, varying from 25% to 50%.
- # *Fruit-flavored drink* contains fruit juice for taste and drinking water, natural fruit flavors, sugar and possibly alimentary acids. The prescribed minimum fruit content varies between 6% and 30%, depending on the type of fruit concerned.

In this report the term “fruit juice” has been used as a generic term for two of the above mentioned groups: fruit juice and fruit nectar.

Packaging and Labeling:

Fruit juice for retail is predominantly packaged in aseptic cardboard boxes containing most typically 1 liter. In the last few years 2-liter boxes have become more popular with the change of customers' buying behavior. Consumers now own larger refrigerators and usually go shopping once a week to a large supermarket or hypermarket. Also quite popular is packaging of 200 ml or 250 ml with a straw on the box. These small juices are either sold individually or in multi packs. However, juices sold in glass bottles are rather exceptional (e.g., Ocean Spray Cranberry Juice), though it is the most common packaging for fruit sirups.

The label on fruit juice must contain the following information:

- name of producer with address
- name of importer with address
- indication of beverage group (juice, nectar, carbonated drink, etc.)
- if concentrate is made out of one fruit or vegetable, name of fruit or vegetable (e.g., orange juice), otherwise it has to be labeled mixture
- nutritional information (energy)
- information if the product was carbonated (fruit juices have to have this information if they contain at

- least 0.2% carbon dioxide)
- fruit content
 - ingredients
 - net volume (in liters)
 - expiration date (day, month, year)
 - storage information (e.g., keep refrigerated after opening)

G. Import Regulations:

Imports of fruit juice or juice concentrates do not require any import license. There are no other restrictions on import of these commodities.

According to the Harmonized Tariff Schedule of the Czech Republic for 2000, special tariffs for various kinds of fruit juice are as follows:

Tariff No:	Article Description:	Special Tariff (%)
200911	Orange juice frozen	Free
200919	Orange juice other	Free
200920	Grapefruit juice	Free
200930	Juice of any other single citrus fruit	Free
200940	Pineapple juice	Free
200950	Tomato juice	12 (from Poland, Slovenia, and Lithuania 10)
200960	Grape juice (including grape must)	4 (from the EU 2)
200970	Apple juice	20 (from the EU 10; from Hungary, Poland, Slovenia, Romania, and Bulgaria 12)
200980	Juice of any other single fruit or vegetable	3.2 (from Poland, Slovenia, and Lithuania free)
200990	Mixtures of juices:	
	Apple and pear juice mixes	17 (from Poland and Slovenia 10)
	Citrus fruit and pineapple juice mixes	Free
	Other juice mixes	4 (from Poland and Slovenia free)

H. List of Contacts:**a) Main Domestic Fruit Juice Producers / Fruit Concentrates Importers:**

Company: **Walmark, s.r.o.**
Comp.type: Importer, Processor, Distributor
Contact: Miroslav Kuca
Title: Purchasing Manager
Address: Oldřichovice 44, 739 61 Tlínec, Czech Republic
Phone: +420-659-301-231
Fax: +420-659-301-311
E-mail: info@walmark.cz
Internet: www.walmark.cz

Company: **Toma, s.r.o.**
Comp.type: Importer, Processor, Distributor
Contact: Mr. Pavel Hrdina
Title: Purchasing Manager
Address: Praňská 108, 250 81 Nehvizdy, Czech Republic
Phone: +420-202-894-444
Fax: +420-202-894-445
E-mail: tomatoma@mbox.vol.cz
Internet: www.toma.cz

Company: **Linea Nivnice, a.s.**
Comp.type: Importer, Processor, Distributor
Contact: Mr. Frantisek Ilcik
Title: Import Manager
Address: U Dvora 190, 687 51 Nivnice, Czech Republic
Phone: +420-633-616-111
Fax: +420-633-616-219
E-mail: Hello@Linea.Nivnice.cz
Internet: www.linea.nivnice.cz

b) Important Contacts:

Company: **American Embassy - Agricultural Section**
Contact: Ms. Petra Choteborska
Title: Agricultural Specialist
Address: Trziste 15, 118 01 Praha, Czech Republic
Phone: +420-2-5753-1170
Fax: +420-2-5753-1173
E-mail: choteborska@fas.usda.gov
Internet: www.usembassy-vienna.at/usda/

Company: **Czech Agricultural and Food Inspection**
Contact: Mr. Petr Baudys
Title: Deputy Director
Address: Kvetna 15, 603 00 Brno, Czech Republic
Phone: +420-5-4354-0213
Fax: +420-5-4354-0210
E-mail: baudys@czpi.cz
Internet: www.czpi.cz

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