

# Agropol Group at the forefront of services to Czech farmers

*The Czech Republic is one of the countries in Eastern Europe that is preparing to join the European Union. Since the liberation from the planned economy system in 1989 developments are significant. The Agropol Group is an example of reforming a centrally organised agricultural mogul to a modern commercial organisation.*

By Ing. Jindrich Sátek

**T**he agricultural system in the former Czechoslovakian Republic was built up in the seventies based on the framework of the centrally planned economy. This meant the creation of a unified system of grain silos and compound feed plants located evenly in individual regions. A general directorate that operated the system headed the state agricultural supplies and purchase companies.

Feeding of livestock was then strictly applied in form of compound feed supplies manufactured according to uniform formulas with centrally allocated feed components. At the end of the eighties, around five million tonnes of compound feed was produced each year in Czechoslovakia.

After the political changes in 1989, the relations in the economic area changed as well; animal production reduced dramatically (by almost 30%) and also compound feed production declined. As a result of ownership changes in the agricultural sector, the feed industry was decentralised and accustomed to the local production conditions.

In 2001, the total production of industrial compound feed plants in the Czech Republic was three million tonnes (mt) of compound feed, subdivided in:

- poultry feed: 1.2 mt
- pig feed: 1.33 mt
- cattle feed: 0.35 mt
- other feeds: 0.12 mt

Another 0.6 million tonnes are produced by home mixing farmers using simple technical equipment or compound feed mobile plants.



**One of the agro-centres of the Agropol Group – the company Tagrea (grain silo and compound feed plant).** (Photos: Sátek/Agropol)

Five specialised domestic producers supply a substantial volume of micro ingredients and premixes to compound feed; they are also imported in low quantities. Given the present dislocation of the plants, the sale of compound feed is directed mainly to their close surroundings, in an attempt to minimise the cost of transport. There is a strong competition among the plants. Producers distribute the feed with their own vehicles.

### Restitution and privatisation

In the restitution and privatisation of agricultural property, which was completely nationalised and collectivised into cooperatives and state farms in the fifties, there was no significant restoration of private family farms after 1989. Approximately 75% of land area continued to be managed by the cooperatives or business companies with an average area of around 1,000 ha. More than 50% of the agricultural companies, specialised in pig and poultry feeding, do not have their own crop production.

Due to price relations and oversupply of domestic cereals, they are in particular (almost 70%) used for the production of compound feed. Other components used are legumes, mill feed products, rapeseed cake and imported soybean meal (approximately 0.48 mt a year).

### Compound feed plant equipment

Most of compound feed plants in the former Czecho-



**Slaughter and operations for poultry meat processing in Jihočeská drubež, a member company of the Agropol Group holding.**



**The fluvial port on the river Elbe with the Agropol Port's goods loading facility provides transport of feed components, in particular of soy, from the Hamburg sea port.**

slovakia were built according to the set rules of the projects and were equipped with machines of domestic make. Only few plants were equipped with imported technology, such as Bühler. In recent years, however, the compound feed plants were considerably modernised including implementation of domestic grinding mills, pellet presses and imported mixers, and weight systems for micro ingredient proportioning. No expanders and extruders have been used in the feedmills so far.

### Feed safety

Safe feed is an important issue in the Czech Republic and there is much attention for technological equipment in the compound feed plants. The Feed department of the Agriculture Central Inspection and Testing Institute subordinated to the Ministry of Agriculture of the Czech Republic tests all Czech feed plants if they comply with re-registration rules. The re-registration is at present required by the applicable Feed Act. Its objective is to exclude any equipment from the production process that is not capable to meet the strict criteria of the new Feed Act reflecting the requirements of the European Union.

Within the framework of the Act, the production of compound feed for ruminants shall consistently be

separated from the production of compound feed for monogastric and other animals. Producers that fail to comply with these conditions will not be allowed to further produce compound feeds.

### The Agropol Group

The initial joint stock company Agropol was founded in 1990. Its basic tasks in particular included importing protein components, exporting crop products, the sale of fertilisers and agrochemicals and for its shareholders to ensure reconstruction and modernisation of technically outdated compound feed plants. The shareholders of Agropol were all of the 70 former state Agrarian Supplies and Purchase companies, dealing with the aforesaid issues in individual districts of the Czech Republic. During the ongoing privatisation, Agropol became a purely private company, which gradually developed into the present holding, Agropol Group.

The total consolidated turnover of Agropol Group, which at present employs 2,100 people, attained more than CZK 12.3 billion (€402 million) with profit of CZK 405 million (€13.2 million) for 2001. As a result, the year 2001 became the most successful for a five-year period of the holding's existence.

CEO of the Agropol Group holding Ing Jirí Malůs expresses its business plans in the following words: "Our objective is to build in the Czech Republic a modern group of mutually interconnected firms for trade in agricultural commodities, for the production of high-quality compound feeds and other services to farmers. The activities of the company in the production of compound feed should meet completely the standards of safety, and, ultimately, those for the standards of foodstuffs".

Other tasks of the holding include supporting systematically the prosperity of Czech agricultural enterprises. Its business partners – farmers – show, with the holding's contribution, satisfactory economic results. The employees of the holding are prepared to further support the intensification of agricultural production in the Czech Republic and improve services to farmers.

There is a task facing the holding for the nearest years – to further modernise the compound feed production lines and laboratories to assure the quality of the used raw materials and the finished products in individual agro-centres. Agropol also assists in the implementation of modern elements of management by using their interconnected information system and computer technology so that it develops as a stable element in the Czech agrarian market.

### Re-registration of feedmills

Following the Czech Feed Act (No. 91/1996 Coll.) re-registration of the feedmills in the Czech Republic is taking place. This re-registration is mainly carried out to raise the quality level of the compound feed supplied to the domestic livestock farmers, but also to improve the inner economics of the compound feed producers. For example, within the framework of the Agropol Group holding, which owns thirteen feedmills in its nine agro-centres, more than €7 million were invested to modernise production operations. Additional €4 million were mostly invested in the modernisation of hygienic facilities, including poultry welfare, with their integrated poultry meat processor Jihoceská drubez Vodnany. After a successful inspection by commissioners of the European Union the enterprise obtained the A1 certification for the unlimited export of their goods to the EU countries.

By means of its subsidiaries and agro-centres, the holding also got access to significant foreign organisations associating the purchasers and warehousemen of grain and oil seeds and producers of compound feed. Through these people the holding monitors the developments in world prices of commodities, new developments and organisational steps needed for optimal performance. By doing so Agropol accordingly then allocates investments in production.

The European organisation of feed compounders, Fefac, is an example of such a foreign organisation where Agropol became a member of through the Czecho-Moravian Association of ZZN Organisations. This association represents the compound feed producers in the Czech Republic and cooperates with the EU structures.

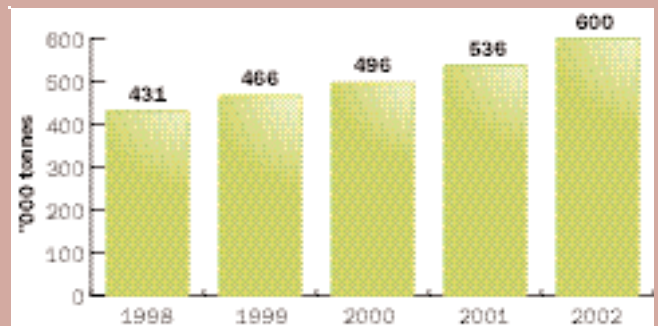
### Nine agro-centres

The agro-centres form a group of nine companies for agricultural supplies and purchase operating in individual regions of the Czech Republic. In addition to compound feed production they purchase, dry, clean and store crop commodities and deliver fertilisers, pesticides and other agrochemicals to farmers. They also supply machines and garden tools, construction and other materials to farmers.

These agro-centres also provide services, such as mechanised harvesting of cereals, oil-plants (in particular rapeseed), peas, poppy, lucerne seeds and other agricultural plants.

They have also well-equipped laboratories for quality control of the raw materials purchased from farmers for compound feed production. Besides that there

Figure 1 - Compound feed production of the Agropol Group holding in individual years



is current monitoring of the quality during production and of the final product quality level of compound feed. In addition, the laboratories provide services to farmers in the analyses of fodder to determine feed rations, in particular for cattle, in soil analyses, and in relation to the general public, such as analyses of water from local resources.

The total storage capacity of the agro-centres is one million tonnes, which is more than 22% of the total storage capacity in the Czech Republic. In addition to their own commercial needs they maintain storage capacity for the State Tangible Reserves Administration and the State Agricultural Intervention Fund.

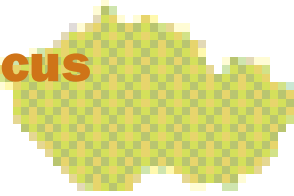
In 2001, the agro-centres produced 536,000 tonnes of compound feed, mostly for poultry (260,000 t) and pigs (250,000 t); the remainder being cattle feed. The target for 2002 is to produce 600,000 tonnes of compound feed (Figure 1).

### Four trading companies

The trading companies of Agropol include subsidiaries dealing with specific activities.

- *Agropol Trading*, import of soy meal (120,000t a year), import and export of plant products (rape-seed, cereals, maize).

It is a company with a solid position and good reputation among the trade partners in the Czech Republic and abroad, which continues to increase its market shares in the selected commodities. The company strengthens the position of the Agropol Group holding in key areas, mainly the trade in feed, oil seeds and cereals. It has also been successfully entering the market in meat, meat products and semi-products produced in a member organisation of the holding, Jihoceská drubez Vodnany, to which it provides com-



**The companies in the Agropol Group renewed the fleet for compound feed transport by containers on DAF undercarriages.**

mercial services mainly in trade activities oriented abroad.

- *Agropol Chem*; sale of mineral fertilisers and agrochemicals for the protection against pests and application of chemical preservatives. The activity of the company is focused in particular on distribution of agrochemicals, including application activities and special consultancy. The sales of seeds for sowing have also been developing in a promising way.

*Agropol Chem* also participates, in cooperation with another Czech agency, in the implementation of two Canadian types of soy grown in the Czech Republic, which has indicated promising results in its production conditions.

- *Agropol Servis* equips grain silos and compound feed plants related to the Agropol Group holding and other companies with machines and equipment for the technological process of compound feed production. The company reconstructs compound feed plants and grain silos including modernisation of production facilities with complex utilisation of computer technology, delivers automotive vehicles for the transport of compound feed and agri-products, equips laboratories, and delivers handling technology for the operating units.

In the Czech market, it represents leading world firms from Sweden (seed cleaning equipment), Germany and Denmark (machines and equipment for compound feed plants), Spain (hammer mills) and The Netherlands (compound feed mixers). In the area of machinery for silos and compound feed plants, the firm also has a long-term cooperation with many Czech suppliers of machinery. As a result *Agropol Servis* is acting as a turnkey company.

At present, the company focuses on gradual unifi-

cation of technological equipment of individual agrocentres, expecting a simpler and quicker provision of both its services and deliveries of machines and technological units.

- *Agropol Port* is a fluvial port on the river Elbe for loading and unloading of agricultural products from lorries to river boats with an annual capacity of 200,000 tonnes (mainly transport to Hamburg in Germany).

## Poultry processing division

- *Jihoceská drubež Vodnany*, with two other separate operating plants, processes 50,000 tonnes of chickens a year, which is 20% of the total consumption in the Czech Republic. It forms an integrated vertical organisation with other companies in the holding, purchasing poultry from the farmers, who are supplied with compound feed from the holding's agrocentres.

The company also exports part of its products abroad. In October 2001 EU commissioners inspected the plant. The result of the inspection was positive and the firm was assigned to the A1 category and may further export poultry products to the countries of the European Union.

## Preparing for EU entry

The developing concepts of the holding as a whole at present are clearly dedicated to prepare the Czech Republic for entry into the European Union. All agrocentres of the Agropol Group have attained certification for the EU ISO 9002 standard and the work on certification for higher degrees of ISO continues. Certification for the ISO standards is being intensively made in the other subsidiaries of the Agropol Group as well. The certificates for ISO 9002 and ISO 14 001 concerning the quality control system and the environment management system were successfully re-certified. Until the end of 2002, extending audits will be made according to the CSN EN ISO 9001:2000 and CSN EN ISO 14 001:1997 standards.

The Feed Act in effect in the Czech Republic as of January 1<sup>st</sup>, 2001 caused the enterprises of the Agropol Group holding to use their best efforts to improve the quality of the compound feed produced. Therefore, large financial investments have been allocated to its compound feed plants since 1999. At present the plants are able to meet the strict requirements of the Act and match in compound feed quality with the most advanced enterprises in the countries of the European Union. ●