



**Hungary: An Industry Rapid Analysis of Export Competition
and Market Opportunities**

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Foreword

EU is a major trading partner for Egypt, absorbing at least one-third of Egyptian processed food exports. As the EU expands to include additional countries, the new members will bring strong, additional competition for Egyptian food exports both in the EU-15 and in accession country markets.¹ Some accession countries will pose stronger export competition while others will open up their markets by adopting EU tariffs and reducing their protective tariffs.

This report was prepared for ALEB, a USAID-financed project designed to increase Egyptian exports of processed fruit and vegetable products. It is one of four prepared under this project, and focuses on Hungary, the third most important accession country exporter to the EU accounting for:

- 13% of processed fruit and vegetable exports or \$592 million
- 27% of spice exports or \$18.7 million
- 18% of fruit and vegetable juice exports or \$49 million

The purpose of the report is to highlight key trends associated with EU expansion, including changes in production, trade, and consumption trends, as well as tariff changes, and how these may impact Egyptian export opportunities to EU markets. Import potential into Hungary will also be examined.

The report focuses on products identified under the Project as high priority, including the following commodity clusters:

- Processed fruits and vegetables (including frozen, dehydrated, and canned)
- Jams/Juices
- Spices/Herbs
- Table Olives/Olive Oil

¹ Thirteen countries have applied to become new members of the EU, with ten of this group poised join the EU on May 1, 2004, including:

- Poland
- Hungary
- Czech Republic
- Estonia
- Cyprus
- Latvia
- Lithuania
- Slovak Republic
- Slovenia
- Malta

Two others expect to join by 2007:

- Romania
- Bulgaria

Turkey currently is not now negotiating for membership, but expects to do so following an EU review in 2004. Accession talks could begin in 2005.

For herbs and spices, particular attention was paid to chamomile since Hungary has replaced Egypt in a number of markets as a large supplier of the product.

The project team traveled to Hungary in January, 2004 to meet with government officials, industry officials and groups and US representatives in the Country to obtain important information and data. Market basket surveys were also conducted for select products to obtain information on shelving space allocated, packaging size, retail prices and country of origin. Particular focus was given to olive oil and canned olives, as imports and the market for both these products are growing.

Meetings were held (January 5-9) with processors, producer associations, processor association, exporters, importers, food companies, and government officials (see Appendix II for a list of contacts) to get a wide perspective on these trends.

The project team has made a strong effort to summarize observations from interviews and secondary information in this report. However, it is important to recognize the wealth of data available to Egyptian processors (and others) from the internet, especially for EU regulations and tariffs which is regularly updated (see Appendix III). Thus EU regulations are provided by reference throughout the report and is not duplicated in the text.²

Separate attachments (to be sent by Fedex) to the report include:

- Brochures for selected companies detailing products they produce and export.
- Selected Import tariffs for products into Hungary

² See, for example, footnotes 7 and 8.

I. Executive Summary

This report is based on observations by the Project Team in Hungary in mid-January, 2004. The primary objective of the effort was to evaluate the potential impact of EU accession on export competition and import demand for selected products based on ALEB priorities, including frozen, dried and canned fruits and vegetables; spices and herbs; olives and olive oil; jams; and juices. In particular, it focused on potential implications for Egyptian fruit and vegetable processors. The study reviewed available information from the US Agricultural Attaches, official government sources and from interviews with firms and associations actively involved in producing, importing and marketing the products of interest. Factors evaluated include production capacity and trends; trade trends including major markets and suppliers; tariff rates; and consumer market characteristics.

The study concludes that short-term production and trade impacts from the accession will likely not be large, but in the long term could be significant. It also concludes that the Accession is expected to be quite difficult for many producers and processors, who believe that they have not had adequate information to fully understand what changes will occur in production policy and tariffs, particularly those involving third countries with free trade agreements, after May 1, 2004. And, while the following report provides information concerning a large number of commodities and products, a small number of important observations can be made.

Key Observations

- **Most trade already liberalized.** Accession is not expected to significantly boost overall sales to the EU because trade in many products was liberalized through double-zero agreements in 2000.
- **Growing prosperity is shifting consumption patterns and increasing consumption, in some important cases, which represent opportunities for exporters.** Olives could represent such a case. Although relatively small, olive oil and canned olive consumption are rising. Hungarian retailers observe that as recently as a couple years ago very little olive oil or canned olives were found on supermarket shelves. Today more than 25 brands of olive oil can be seen on the shelves of the supermarkets visited. Because of increasing health consciousness, consumers are eating more salads and consequently more olive oil and imports are up from 151 tons in 1997 to 665 tons in 2002. Canned olive imports showed similar growth, with imports in 2002 of 674 tons compared with 1997-2002 average imports of only 396 tons.

Accession likely will accelerate these trends and bring opportunities for Egyptian canned olive exports, as duties fall from 30.1% to a range of 2.9% to 8.9% depending on the HS code. Opportunities for olive oil may be more limited as it appears that olive oil duties could increase as a result of accession.

- **Jams expected to be greater export threat but could also offer import opportunities.** Hungarian jam exports should benefit from accession as:
 - Import duties will be reduced from an average of 20% to 30% to zero
 - Tax on imports of sugar containing products will be eliminated
 - Minimum import price will no longer apply

Hungarian firms expect their jam exports to grow as a result of accession and rising demand in Russia and other CIS countries. However, domestic fruit production has been declining. Unless this trend reverses (unlikely since subsidies also are being reduced) imports of fresh fruits and/or jams will be needed to meet growing domestic and export demand. In addition contacts indicate there is a market for jam flavors not produced domestically such as orange and grape.

- **Increasing herb production, particularly chamomile, could mean increased competition for Egyptian exports.** A few years ago Hungary was a major importer of chamomile but in recent years the country has become more self-sufficient and begun to expand exports. However, the domestic market for chamomile is volatile because weather changes mean wide fluctuations in domestic production. For example, unfavorable weather in 2002 reduced the chamomile harvest by 50% and imports exceeded exports. As a result, Egyptian companies should maintain contact with Hungarian companies.

Key trends affecting chamomile production in Hungary are not expected to change much as a result of EU accession because there are no import duties, taxes, minimum prices, or quotas on chamomile trade with the current EU-15 countries. Hungary has been using the EU's high quality standards for the last year.

Overall the country exports about 1.15 million kilograms of herbs compared with imports of only 132,920 kilos. Milk thistle, hip flesh berry and linden are the only herbs for which imports normally exceed exports. Imports of caraway and fennel also occur although the country is an important exporter of these products.

- **Canned fruits and vegetables dominate processing sector but frozen food production likely will grow in competition with imports from Egypt.** The canned food industry accounts for 75% of processed fruits and vegetables produced followed by the freezing industry with 22% and the dried product industry with only 3%. Discussions with importers and retailers suggest that demand for Individual Quick Frozen (IQF) products to grow both in Hungary and Eastern Europe. Globus, which has IQF plants in Hungary and Poland, accounts for 50% of the country's IQF market and is expanding, based on expected export growth in Eastern Europe and former Soviet Union countries.
- **Declining onion production could reduce dried onion exports.** Hungary is a competitor with Egyptian producers in dried onion export markets, with sales over

\$4 million in 2002, and Germany the largest market. However, domestic onion production has fallen from 170,000 tons in 1996 to 110,000 tons in 2002. The decline in onion production is attributed to the continued use of the high quality spice type onion (MAKO), which commands a higher price for dried powder than other varieties but has a 50% lower yield and takes two years to produce. Producers are attempting to change varieties.

- **Large changes in vegetable production subsidies add uncertainty to the outlook for fruit and vegetable production.** Hungary now has very large production subsidies for many agricultural products and will be required to reduce them sharply during accession. For example, vegetable production subsidies will be reduced from 70 Forint per 100 square meters (7,000 Forint per hectare) to 23 Forint per 100 square meters (2,300 Forint per hectare). Producers, processors and others are concerned that large shifts in production will be caused by the reduction, and that producers will shift away from high cost fruits and vegetables to commodities (such as corn), which do not require irrigation and have generally lower production costs.
- **Many Hungarian Companies are interested in Additional Information About Egyptian products.** Representatives of Herba Plus Ltd. And P.M.D. Company expressed strong interest in importing new products and would like to learn more about Egyptian products. These companies import directly and sell to retailers. They handle all aspects involving imports including purchasing, shipment forwarding, customs clearance, transportation, warehousing, distribution, etc. Additional information and contacts for these firms is provided in the report.

Herba Plus is one of the largest importing companies with annual sales of about \$60 million. The company owns warehouses, deep freeze facilities, a truck fleet; has access to rail lines and its own duty free zone.

P.M.D. company is unique in that it has worked with supermarkets Tesco and Cora, two of the largest chains in the country, to establish international aisles for selected countries featuring imported products.

II. Background

Country Profile

Hungary will become part of the EU on May 1, 2004. Along with this membership will come adoption of a host of EU rules governing agricultural subsidies, common import tariffs and sanitary and phytosanitary regulations. In addition, a number of significant changes in the structure of agricultural production and trade are expected, including increases in foreign investment in the food industry.

The country is the largest EU trading partner and the only east European country with a surplus in its agricultural trade with the EU, which accounts for 40% to 50% of Hungary's agricultural exports each year. Its food-processing sector is the most modern in Eastern Europe, and its export revenues are crucial to the trade balance. Processors have received a good deal of foreign investment in recent years, a trend expected to continue and accelerate once when Hungary becomes part of the EU. Some Hungarian processors expect to expand both in Hungary and into other EU countries—for example, French processors are already expanding in sweet corn processing in Hungary.

The nation's population is over 10 million. The most unfavorable and influential demographic factor is the expected strong and steady decrease in population. The annual population growth rate over the next 9 years is forecast at -0.3%, with population falling to 9.8 million by 2012, the result of low fertility and high mortality rates.

Despite the expected population decline, growth in food sales is expected to occur in two ways:

- Growing disposable income, and
- Increased exports.

EU accession is widely expected to boost income, and local producers are already increasing their investment in production and processing in anticipation of higher consumer buying power and larger markets, especially for processed and packaged foods.³

Hungarian consumers are becoming more and more quality conscious and opportunities exist for high quality food products. Tourism is growing and hotels and restaurants are demanding higher quality foods and services. There are 20,000 to 30,000 foreigners living in Hungary with an interest in buying foreign products.

³ ERS/USDA forecasts per capita GDP for Hungary (in 2000 dollars) to increase from \$5,294 in 2003 to \$8,096 in 2004, with GDP growth 4.9% per year during this time period.

The use of frozen, ready to (microwave) oven, and semi-finished food is expected to continue to increase. Changing lifestyles, urbanization, the increase in single person households, and the relatively low level of eating out support this trend.

The emerging Hungarian middle-class is increasingly concerned about health and quality of life, including food. Although organic product sales currently are small, they have the potential to grow. Hungary is still more an exporter than consumer of organic food, but the domestic awareness and consumption is growing slowly. Nevertheless, consumption patterns in Hungary appear more dependent on income than price. Major factors in upper income purchasing decisions are quality, packaging, and to a lesser extent brand recognition. Because of income stratification, demand for cheap foodstuffs and expensive luxury items have increased while sales of medium priced products has declined.

In the Hungarian food market, most contacts indicated that brands have secondary importance since consumers make little distinction between brand name, company name and product name. Sellers cannot rely on brand power for sales and price premiums to the same extent as in other European countries. Many consumers mistrust new products, names and packages, especially if their appearance comes with a price increase, in fact, only one of the companies interviewed showed strong interest in expanding markets for branded products.

Concentration in the grocery trade has increased over the last few years. By 2002, more than 52 percent of the turnover was attributable to the five biggest companies. The largest supermarket chains are Tesco (partly British owned), Metro (partly French owned), Auchan (French owned), and Cora (French owned).

Cora, Tesco and Auchan are hypermarkets bigger than 10,000 square meters. Metro, Interfruct C+C and Alfa are cash and carry shops (5,000-10,000 square meters). Other supermarket chains include Spar, Kaisers, and CBA, which are well known in the capital area and in bigger cities. Their size is typically 1,000-3,500 square meters. Profi, Penny-Market, Plus, Real are discount food stores (401-1,000 square meters) and are the backbone of the everyday food shopping.

Distribution Channels

Most importers are distributors themselves and the country's small size makes it possible for processors to buy directly from importers, in many cases—trends that are shrinking the marketing chain as dominant supermarkets and hypermarkets purchase directly from traders or processors or through their purchasing companies. These purchasing units of retailers frequently use outsourcing for both branded and store brand products. Cash and carry companies substitute as wholesalers in supplying small retailers and small institutions.

Opportunities for Egyptian Products

Representatives of Herba Plus Ltd. and P.M.D. Company expressed strong interest in importing new products and would like to learn more about products Egyptian companies have to offer. These companies import directly and sell to retailers. They handle all aspects involving imports including purchasing, shipment forwarding, customs clearance, transportation, warehousing, distribution, etc. As a result of this strong interest, details about these companies are presented below.

Herba Plus

Herba is primarily an importer of dried, canned, frozen (primarily fish), pasta and dairy products. The company's largest processed fruit and vegetable imports include:

- Olives from Spain (canned and in plastic bags)
- Olive oil from Spain, Italy, and Turkey
- Canned strawberries from Spain
 - Used in cakes
 - Imported year-round, even in May and June during Hungary's fresh strawberry season because of the consumer preference for the product's high sugar content.
- Green beans and peas from Italy
- Canned peaches from Greece and Argentina
- Jam from the United States and Canada

The company is expanding its deep freeze capacity and is interested in importing frozen fruits and vegetables. Currently because of the smaller European potato harvest, the company is seeking to import frozen French fries in 1 kilo or 2.5 kilo bags with fry cut size 10x10.

Herba is one of the largest importing companies in Hungary. It has 250 employees and includes two trading companies, one shipping company, one warehouse storage company, and a customs clearance company. Herba sales (for only the two trading companies) last year were 13 billion Forint or about US\$60 million. The company has:

- Five warehouses, including a 20,000 square foot warehouse in Budapest and four other warehouses spread out through the country, with 1,500 square feet each
- One deep freeze facility and is building two additional deep freeze facilities, with one expected to be ready this summer and the other next year.

- An 80-truck fleet (all refrigerated)
- Immediate access to rail lines.
- A duty free zone, which gives them the advantage to store imported product until a domestic buyer is found. No import taxes or other import costs are paid until the product leaves the duty free zone.

Herba imports both economy and branded products. For imports, price (greatest emphasis and dominated by national retail chains), quality, and packaging design are the most important. Herba evaluates market potential for importers.

Although Herba will pay cash to exporters on delivery, it prefers to pay exporters on average within 50 to 60 days of the date of invoice because domestic retailers do not pay Herba until 50 to 60 days after they receive the product. In the interim Herba has been willing to give an open bank guarantee to the exporter whereby Herba freezes the amount of money owed in its bank account and the exporter can withdraw that amount if payment is not received within a couple weeks of the agreed payment date.

Contacts at Herba include:

Ivanyi Bujdos
Sales Director
HERBAPlus
1151, Harsanyi K., u. 83
Budapest, Hungary
Tel: 36-1-307-5269
Tel: 36-1-308-1500
ivanyia@herbaplus.hu

Monika Bujdoso
Purchaser
HERBAPlus
H-1151, 83 Harsanyi K. Str.
Budapest, Hungary
Tel: 36-1-305-3568
Fax: 36-1-305-0070
bujdosom@herba.hu

P.M.D. Company

P.M.D. is primarily an importer that sells directly to retailers, including the large supermarkets and small grocery stores. The company's annual sales are about 11 million Euros or US\$14 million. The company imports a wide variety of products ranging from processed fruits and vegetables to washing machine detergent and cigarette lighters. Some of the processed fruit and vegetables they deal with include:

- Jams from the United States
 - Including orange and grape jellies, flavors not produced in Hungary
- Campbell soup from the United States
 - Launched as unique and viewed with strong potential because it is ready made for immediate eating (soup normally is only sold as dried product in Hungary)
- Ketchup from the United States

- Other tomato products
- Canned olives from Italy and Spain
- Ice cream toppings including fruit
- Barbecue mixes
- Frozen concentrate juices

P.M.D. is primarily interested in branded products or unique products (they call fast moving consumer foods) that will command a premium. They are willing to evaluate the market for new imported products. They also do marketing strategies, which are built into the import price or receive a rebate for it from the exporter.

P.M.D. promotes its products through posters, leaflets, and tastings. P.M.D. is unique in that it has worked with the supermarkets Tesco and Cora to establish international aisles in their stores for selected countries and featured import products. Shelf space in the aisle is divided by country. For example, Tesco's (viewed during the market basket survey) international aisle included 5 countries with selected products as follows:

- Italy – tomato paste, olive oil, canned olives
- Mexico – Tortilla chips, hot tacos
- Greece – olive oil, canned olives, jams, baked paprika
- USA – Campbell's soup, peanut butter, ice cream toppings, barbecue sauce, grape jam, strawberry jam, apricot preserve
- Oriental – noodles, etc.

Each country's shelf space included seven shelves, each 1.5 meters wide and 70 cm deep. Tesco included other imported products but those were mixed with domestic products on other shelves.

Contacts at P.M.D. include:

Daniel Poisson
 Director
 P. M. D.
 H-1138 Vaci ut 169
 Budapest, Hungary
 Tel: 36-1-239-6111
 Fax: 36-1-239-0279
fish@pmd.hu

Sandor Nagy
 Sales Manager
 P. M. D.
 H-1138 Vaci ut 169
 Budapest, Hungary
 Tel: 36-1/239-6111
 Fax: 36-1/239-0280
sandor.nagy@pmd.hu

Pal Hejjas
 Logistics Leader
 P. M. D.
 H-1138 Vaci ut 169
 Budapest, Hungary
 Tel: 36-1-239-6111
 Fax: 36-1-239-0280
pali@pmd.hu

Food Standards and Regulations

Until the middle of 2002, all food products, excluding fresh products, had to be registered and approved by the Hungarian food-testing institute - OETI. The process was slow and costly but the testing had to be completed before the product was allowed on the market.

Based on information from the U.S. Agricultural Attaché's office in Budapest, in July 2002 the Government Of Hungary terminated the import products registration system. This change was expected to give an opportunity for Hungarian traders to respond faster to good price or seasonal purchase offers. The required export administration, quality responsibilities of the Hungarian importer and the foreign vendor etc. are outlined in the 43/2002 Order of the Minister of Agriculture, Minister of Health and the Minister of Economy.

Although testing of food imports no longer is officially required, as indicated above, importers on this trip indicated that in reality all food imports from third countries still have to be tested before entry into Hungary, which is time consuming (takes about a month) and is costly.

Labeling

Labeling must be in Hungarian. In instances where retail packages are imported with labels written in the country of origin's language, the government requires that Hungarian-language label stickers be added. Labels should include the following information:

- Name of product
- Ingredients (including proportion)
- Shelf life
- Name and address of importer or distributor
- OETI number
- Country of Origin

Tariffs and tariff rate quotas (TRQs)

From May 1, 2004 Hungary will be a member of the European Union, and adopt the EU's outside tariff system. EU tariffs by trading partner can be found at the following EU website:

http://europa.eu.int/comm/taxation_customs/dds/cgi-bin/tarchap?Lang=EN

Impacts of Hungary's Accession to the EU

The initial impact of accession will be to open markets—tariffs on all products will be zero on May 1 for trade between Hungary and the rest of the EU. Companies interviewed expect only modest increases in Hungarian sales to result because most trade has already been liberalized between the EU and Hungary either fully or within tariff

quotas through the so-called double-zero agreement established in 2000. However, sales of some Hungarian products such as jam (discussed later) could improve. Also the elimination of quotas will open some markets and facilitate Hungarian exports to the EU. Exporters indicated that it has been difficult to know exactly when an EU quota was filled and the higher duty was implemented. Additional impacts include:

- All duties between Hungary and other accession countries (such as Poland) will be zero on May 1.
- EU free trade agreements with third countries will apply to Hungary giving Hungary greater export/import access to those third countries.
- Import licenses for Hungarian products entering the EU will be eliminated, which is expected to facilitate trade.
- Minimum import prices (entry fees) will no longer apply to trade between Hungary and the EU. However, EU entry prices will apply to products entering Hungary from third countries, which would in effect raise Hungarian duties. Over the last couple of years the EU has eliminated minimum prices for many products, although some remain for selected fresh products (such as tomatoes, cucumbers and other fruits and vegetables) and sugar-based products.
- Because the EU's tariff schedule will take precedence over Hungary's free trade agreements with the EFTA, CEFTA (Poland, Czech Republic, Slovakia, Slovenia, Romania, Bulgaria, Estonia), Turkey, Israel and the United States⁴, zero duties under Hungarian free trade agreements will increase if the EU has duties for those products.

Since potential market impacts for the changes observed above is great, their implications are discussed in detail in the following sections.

⁴ On January 30, 2002, the United States and Hungary agreed to a 'package' of trade concessions in which Hungary agreed to reduce or suspend tariffs on some key U.S. agricultural and industrial exports, totaling \$180 million annually. This agreement will end with Hungary's EU membership and so will other bilateral preferential agreements such as GSP (which has been worth up to USD 300-400 million in recent years).

III. Commodity Summaries

Overview

This section focuses on Hungary's processed fruit and vegetables (frozen, dehydrated, and prepared/preserved), canned olives/olive oil, spices, and jam/juice sectors as identified as high priority under the ALEB project. It highlights key production, trade, and consumption trends and how these may impact Egyptian export opportunities to EU markets and to Hungary. The observations and conclusions were based on meetings in Hungary in mid-January, 2004.

Herbs and Spices⁵

Particular attention was paid to chamomile, since Hungary has replaced Egypt as a large supplier of this product. Meetings were arranged to obtain production, trade and price data for chamomile as well as other herbs and spices.

Market. Hungary produces both cultivated and wild herbs and spices. In 2002 Hungary produced 651,600 kilos of selected herbs and spices (Table 1). Chamomile is one of Hungary's most important herbs. A few years ago Hungary was a major importer of chamomile but in recent years the country has become more self-sufficient in production and is expanding exports. Demand for chamomile is growing domestically and internationally because it is viewed as a health product. Chamomile is used as an ingredient in teas and is used to relax, aid digestion, relieve headaches and help treat allergies. Chamomile is a popular remedy in France and Spain for gas and cramps of the stomach, to treat colic and to induce sleep. It is also a common ingredient in shampoos and perfumes.

The Hungarian market for chamomile is volatile reflecting wide fluctuations in weather and domestic production. Hungary imports chamomile when domestic production does not meet domestic and/or export needs. For example, unfavorable weather in 2002 reduced the chamomile harvest by 50%, with output falling from 150,000 kilos in 2001 to 75,000 kilos in 2002. As a result imports of chamomile (21,000 kilos) in 2002 exceeded exports (18,000 kilos) (Table 2).

⁵ The following information is based on meetings with the Association of Herb Producers and Processors, Herberia, and the Fruit and Vegetable Product Council and Association.

The Association of Herb Producers and Processors represent the herb, spice and wild mushroom industry. Its members are producers, processors, and traders. The Association includes 50 members involved with herbs and spices (accounting for 70 percent of Hungary's production) and 15 members involved with wild mushrooms, which are primarily packing companies.

Herberia processes cultivated and wild herbs for domestic use and export. The company also imports when domestic production does not meet the companies domestic consumption and export needs.

The Fruit and Vegetable Product Council and Association in Hungary maintains statistics on fresh and processed fruits and vegetables as well as herbs and spices.

Because of strong demand in 2002, average domestic prices for chamomile were sharply above average export prices (Table 2). Domestic sales of Chamomile were 40,000 kilos in 2002. In 2002 Hungarian domestic prices averaged US\$5.59 per kilo and import prices averaged US\$4.30 per kilo compared with only US\$1.38 per kilo for export. Export prices were also down because of reduced export demand, which carried into 2003. However, when production is at a more normal level such as in 2001, domestic and export prices were about the same at \$4.44 per kilo.

Table 1. Hungary: Selected Herbs & Spices Area, Production, Cost, & Prices, 2002

Product	Area Hectares	Production Kilograms	Cost Forint/KG	Cost US\$/KG	Average Price Forint/KG	Average Price US\$/KG
Caraway	650	210,000	370	1.59	330	1.42
Fennel Fruit	200	100,000	180	0.77	190	0.82
Chamomile	280	75,000	1,000	4.30	1,350	5.81
Pepper Grass	40	50,000	300	1.29	450	1.94
Coriander	150	45,000	120	0.52	140	0.60
Marjoram (sweet)	20	30,000	400	1.72	650	2.80
Pumpkin Seed	80	22,000	400	1.72	600	2.58
Dill	20	20,000	200	0.86	240	1.03
Anise	110	20,000	340	1.46	400	1.72
Sage	3	15,000	350	1.51	400	1.72
Lavender	90	12,000	470	2.02	650	2.80
Garden Balm	13	11,000	100	0.43	300	1.29
Algerian Mallow	17	8,500	1,450	6.24	2,200	9.46
Milk Thistle	10	8,000	300	1.29	360	1.55
Marigold	15	7,500	500	2.15	600	2.58
Basil	10	7,000	180	0.77	200	0.86
Mint	10	4,800	550	2.37	800	3.44
Thyme	4	4,000	300	1.29	400	1.72
Borage	28	1,800	800	3.44	1,500	6.45
Total Herbs & Spices	1,750	651,600				

Note: 2002 Exchange Rate: 232.538 Forint per US Dollar (Source: ERS/USDA)

Source: A kerteszeti agazat helyzete Magyarorszagon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Many of the Hungarian herb and spice companies produce, process and trade chamomile, as well as other herbs and spices. Herbs produced for export are produced on contract. Companies sign production contracts with producers at the beginning of the season. The growing season for chamomile begins in May or early June and the crop is harvested at the end of July or the beginning of August.

In the past 70% of the chamomile harvest was collected wild and 30% cultivated. Today 50% is collected wild and 50% cultivated. Of the 50% cultivated, about 50% is contracted by producers (primarily for export) and 50% purchased on the open market. Some of the Hungarian companies have subsidiaries in other countries, such as Slovakia, Ukraine and Yugoslavia, which they contract to produce chamomile as well as other herbs and spices. This product is harvested and shipped to Hungary for processing. These shipments apparently are not always recorded as imports into Hungary because

subsidiary companies are involved and the product is usually re-exported. This outside contracting is done because of lower costs of production in these countries.

Table 2. Hungary: Domestic Sales and Trade of Herbs and Spices, 2002

Product	Domestic Sales (KG)	Avg. Dom. Price (Ft/KG)	Export Kilograms	Avg. Export Price (Ft/KG)	Import Kilograms	Avg. Import Price (Ft/KG)
Dill	10,000	240	0	0	0	0
Caraway	300,000	330	98,000	285	22,000	300
Chamomile	40,000	1,300	18,000	320	21,000	1,000
Coriander	10,000	140	0	0	0	0
Fennel Fruit	27,000	330	300,000	190	11,000	195
Lavender	5,000	300	0	0	0	0
Lovage Root	50	2,500	0	0	0	0
Majoram	20,000	750	20,000	850	0	0
Algerian Mallow	1,500	1,500	2,400	2,450	870	1,500
Garden Balm	5,000	400	8,100	360	0	0
Basil	0	0	0	0	0	0
Pepper Grass	5,000	530	41,000	450	0	0
Milk Thistle	70,000	160	0	0	35,000	130
Thyme	3,500	550	3,200	340	3,200	210
Valerian Root	0	0	0	0	0	0
Peppermint Herb	10,000	680	2,700	2,100	550	550
Anise	64,000	340	80,000	360	0	0
Marigold	0	0	0	0	0	0
Angelica Root	0	0	0	0	0	0
Milfoil Herb	2,000	320	27,000	300	6,000	220
Agrimony Herb	6,800	280	8,300	250	0	0
Wormwood Herb	5,000	180	26,300	260	0	0
Hawthorn	5,000	500	1,100	510	0	0
Wild Scouring Rush	7,000	210	15,500	180	0	0
St. Johns Wort Herb	3,700	350	0	0	0	0
Hip Flesh Berry	50,000	500	0	0	20,000	230
Goldenrod Herb	2,000	210	31,000	224	0	0
Dandelion Root	1,400	500	23,000	480	5,700	250
Linden	7,000	1,800	0	0	2,600	800
Nettle	15,000	360	70,000	230	0	0
Mistletoe	10,000	264	70,000	270	0	0
Other	16,800	NA	309,100	NA	5,000	NA
Total Herbs & Spices	702,750		1,154,700		132,920	

Note: 2002 Exchange Rate: 232.538 Forint per US Dollar (Source: ERS)

Source: A kertészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Sivestris es Szilas Kft. Is the largest producer of Chamomile oil in Hungary. The oil is used in cosmetics as well as tea.

Hip Flesh is also considered an important product by the Hungarian herb industry. This product is high in vitamin C and used as an ingredient in jam and tea. Hip Flesh production in 2002 was 50,000 kilos. This product is primarily produced for domestic consumption and imports are needed to meet domestic demand. In 2002, Hungary imported 20,000 kilos of Hip Flesh at an average price of US\$0.99 per kilo.

The largest produced herbs and spices in Hungary, though, are caraway and fennel. In 2002 caraway and fennel production were respectively 210,000 and 100,000 kilos respectively. Although both these products are widely exported (98,000 and 300,000 kilos in 2002), imports (22,000 and 11,000 kilos respectively) are needed to meet domestic and/or export demand (Table 2). Exports of caraway and fennel exceeded production and imports in 2002 as stocks were drawn down.

Hungary's largest herb/spice import is Milk Thistle. Imports in 2002 were 35,000 kilos at an average price of US\$0.56 per kilo.

Impact of EU Accession on Chamomile Trade

Major changes in chamomile production in Hungary are not expected as a result of EU accession because currently there are no import duties, taxes, minimum prices, or quotas on chamomile trade with the current EU-15 countries. Hungary has also been using the EU's high quality standards for the last year.

However there could be some impact regarding third countries such as Slovakia, which has supplied chamomile to Hungary in the past. Import duties for chamomile from third countries to Hungary have averaged 4% to 4.5%. These duties will be reduced to zero when Hungary and Slovakia become part of the EU. The contacts noted that the import duty for chamomile from Egypt is zero.

Market Opportunities

Although trade contacts indicated Hungary is becoming self-sufficient in herb/spice production, Egyptian companies should maintain contact with Hungarian companies because the Hungary does import depending on the size of the domestic harvest and prices.

The company Herberia indicated that they have imported chamomile from Egypt and have a reliable supplier. However, their most important concern regarding imports from Egypt is quality. They rank the quality of the imported chamomile from Egypt below the quality of product produced in Hungary and imported from Croatia. Growing conditions impact quality and are more favorable in Hungary and Croatia. Another concern is that although Egyptian Chamomile was lower priced than Hungarian product and imports from other countries, losses from processing Egyptian chamomile were higher. Nevertheless the company is interested in importing from Egypt and wants to continue contacts with Egyptian companies. Chamomile is often imported in 10-kilo packs. Product is semi-finished and needs further processing.

Herberia accounts for 30% to 40% of Hungarian chamomile production. Herberia processes both cultivated and wild herbs. Some chamomile is produced organically. The company owns two herb-processing plants and a tea processing facility. The tea plant produces 3 to 4 million boxes of tea (with herb ingredients) primarily for domestic use, with a small portion for export. The company produces dried chamomile flour, chamomile oil, as well as linden, rose hip (for jam and tea), and syrup (sweetener for jam). The company also sells cosmetics with herbs as ingredients.

The company has 52 franchised stores in Hungary, which sell its herb products. It also sells its products directly to grocery stores and retail chains. They have also opened a store in Slovakia to sell their brands.

Herberia also exports essential oils (savory oil, peppermint oil, and fennel oil) to France, Switzerland and Germany. Contact at Herberia is as follows:

Czirbus Zoltan
Logistics Manager
HERBARIA
1134 Dosa Gyorgy ut 144
Budapest, Hungary
Tel: 06-36-288-6700/341
06-20/975-1475
czirbus@herbaria.hu

Based on information obtained from The Association of Herb Producers and Processors, other companies dealing in herbs include:

Fitodry Ltd. (deal with exports and imports)
H-5430 Tiszafoldvar, Hunyadi ut 12
Budapest, Hungary
Tel/fax: 06-56-470-568 or 06-56-420-555

Schmidt und Co. Kft. (deal with exports and imports)
Gyogynoveny Uzem
7834 Baksa, Kulterulet Pf. 3.
Tel.: 36-72-572-080
Fax: 36-72-572-081

Jams⁶

Market. Annual Hungarian jam production ready for sale is estimated at 5,000 tons. Main jam flavors in Hungary are plum and apricot followed by strawberry and raspberry. Based on Hungarian trade data, 2002 jam exports totaled 3,410 tons (Table 3) and imports were 868 tons (Table 4). Most attractive new jams/jellies for import into Hungary are orange and grape because they are not produced domestically.

Jam consumption in Hungary is expected to continue to grow in the longer term but will depend on income and consumer habits. Jam consumption had been growing the last 5 years except for 2002 when inflation was higher. Inflation in 2003 decreased and incomes are expected to grow over time as a result of Hungary joining the EU. Consumer habits are also expected to change. In the past many consumers made their own jam from fresh fruit, but this will likely change as more consumers work and have less time to prepare food.

Table 3. Hungary Jam Exports

Product	2001			2002		
	Quantity MT	Value 1,000 US\$	Price/Unit US\$/MT	Quantity MT	Value 1,000 US\$	Price/Unit US\$/MT
Homogenized Fruit Jam, min. 13% sugar	134	265	1,978	135	279	2,067
Other Jam with sugar	469	455	970	1,046	839	802
Plum Puree, cream, min. 100 kg, 30% sugar, for factory	342	229	670	249	207	831
Cherry Jam, min. 30% sugar	74	57	770	94	100	1,064
Strawberry Jam, min. 30% sugar	158	110	696	187	172	920
Raspberry Jam, min. 30% sugar	60	62	1,033	97	95	979
Other Fruit Jam, min. 30% sugar	309	287	929	608	610	1,003
Apple puree, sauce, 13-30% sugar	478	311	651	476	156	328
Other Fruit Jam, 13-30% sugar	355	199	561	176	120	682
Other Apple Puree, including sauce	68	26	382	119	50	420
Other Fruit Jam	199	105	528	223	104	466
Total Jams and Purees	2,646	2,106	760	3,410	2,732	801

Source: A kertészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

⁶ The information on jams is based on meetings with Ocean Pacific, The Federation of the Hungarian Food Industry, and other exporters/importers.

Pacific Ocean Tartositoipari Kft. is the largest jam producer in Hungary accounting for 50% of the jam market. The main jams the company produces are apricot, strawberry and blueberry. Seventy percent of the fruit they process for jam is from domestic fruit production and 30% from imports. Pacific primarily imports fresh fruit from the EU, which is duty free since the fruit is processed and re-exported as jam.

Table 4. Hungary Jam Imports

Product	2001			2002		
	Quantity MT	Value 1,000 US\$	Price/Unit US\$/MT	Quantity MT	Value 1,000 US\$	Price/Unit US\$/MT
Homogenized Fruit Jam, min. 13% sugar	32	55	1,719	25	41	1,640
Other Jam with sugar	30	41	1,367	85	180	2,118
Plum Puree, cream, min. 100 kg, 30% sugar, for factory	0	0	0	20	12	600
Cherry Jam, min. 30% sugar	29	68	2,345	25	51	2,040
Strawberry Jam, min. 30% sugar	80	140	1,750	80	138	1,725
Raspberry Jam, min. 30% sugar	18	29	1,611	19	31	1,632
Other Fruit Jam, min. 30% sugar	349	583	1,670	319	470	1,473
Apple puree, sauce, 13-30% sugar	99	107	1,081	35	41	1,171
Other Fruit Jam, 13-30% sugar	3	11	3,667	1	4	4,000
Other Apple Puree, including sauce	364	305	838	74	50	676
Other Fruit Jam	107	125	1,168	185	322	1,741
Total Jams and Purees	1,111	1,464	1,318	868	1,340	1,544

Source: A hortászati ágazat helyzet Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Pacific Ocean is planning to expand its production sales for both the domestic market and export based on:

- Large potential for jam exports to Russia where jam consumption is expected to rise sharply. Last year Pacific's partner in Russia imported 600 tons of jam or 1.7 million bottles, 6% to 7% of the company's jam production. Pacific is a major supplier of the Metro supermarket chain in Hungary. With Metro planning to expand its stores in Russia from 3 to 50, Pacific hopes to expand its sales in Russia.
- Accession will reduce jam import duties into the EU (see section on impact of EU accession).

Pacific exports 20% of its jam production and eventually wants to increase the export share to 50%. If domestic production is not adequate to meet demand, Pacific will increase its imports of fresh fruit for processing. Currently the company is not planning to change its product line or jam flavor.

However, Pacific is looking for domestic or foreign financial partners to help them achieve their growth goals.

Impact of EU accession

According to the Pacific Ocean contact, accession could boost Hungarian jam exports to the EU for the following reasons:

- The current import duty into the EU from Hungary would be reduced from an average of 20%-30%, depending on the jam, to zero. Currently jams with citrus products are the only jams that can be imported duty free into the EU.
- The EU tax on imports of sugar containing products (including jam) would be eliminated. The tax has been a major barrier for Hungarian jam exports into the EU because this tax combined with the import duty could be equivalent to 100% of the value of the imported product. This tax is in addition to import duties and protects the EU sugar industry. The tax is based on classes of sugar content contained in imported products and applies to the value of the whole product rather than to the equivalent sugar content of the product.
 - On the other hand, EU sugar prices are maintained at a relatively high level, which would raise domestic sugar and jam prices.
- The EU minimum import price for jam will no longer apply. The EU sets minimum prices based on domestic supply conditions. Although most of the EU minimum prices have been either reduced or eliminated, jam still has a minimum import price. The minimum price impacts import prices because import duties are based on either the import value or the minimum price, whichever is “higher”.

Constraints regarding EU accession include:

- EU market is already established and it will be difficult for Hungarian companies to compete with EU-15 companies.
- Distribution costs could increase. Since it would be expensive for Hungarian companies to open distribution centers in the EU they will have to rely on intermediaries in EU, which is also costly.

Export Opportunities

As indicated above, some Hungarian companies expect jam/jelly exports to grow as a result of EU accession and growing demand in Russia and other CIS countries, however domestic fruit production in Hungary has been declining and unless this trend reverses, imports of fresh fruits and jams/jellies will be needed to meet the growing demand for

jams/jellies. Hungary production of major fruits have declined 21% since 1996, and if apples are excluded the decrease is 43% (Table 5).

Contacts indicated jams/jellies with the greatest potential for import are orange and grape because these fruit products are not produced domestically.

Table 5: Hungary Fruit Production (1,000 MT)

Product	1996	1997	1998	1999	2000	2001	2002	% Chang 1996-2002
Apple	531.0	500.0	451.0	393.0	711.0	564.0	510.0	-4.0
Plum	110.0	123.0	85.0	85.0	75.0	85.0	75.0	-31.8
Sour Cherry	65.8	65.0	48.0	42.5	38.0	46.0	47.0	-28.6
Peach	75.5	54.0	65.0	62.0	70.0	50.0	29.0	-61.6
Pear	40.8	37.0	53.0	41.5	40.0	27.0	27.0	-33.8
Cherry	21.7	22.0	23.0	19.0	16.0	15.5	15.0	-30.9
Apricot	45.0	25.0	28.0	48.0	19.5	20.0	12.0	-73.3
Red & Black Currants	26.0	12.0	10.0	11.0	9.0	10.5	12.0	-53.8
Raspberry	22.1	18.0	17.0	16.8	13.0	14.5	10.0	-54.8
Strawberry	9.6	10.0	7.5	9.0	6.0	7.5	8.5	-11.5
Blackberry	3.0	3.5	3.8	5.1	6.0	7.0	7.3	143.3
Gooseberry	8.0	4.0	3.5	2.1	2.5	3.0	2.2	-72.5
Total Selected Fruits	958.5	873.5	794.8	735.0	1,006.0	830.0	755.0	-21.2
Total Excluding Apples	427.5	373.5	343.8	342.0	295.0	286.0	245.0	-42.7

Source: A hortészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Market Survey

A market survey (Table 6) was conducted at Tesco and Auchan, the first and third largest supermarkets in Hungary to view the variety of jams sold on the market and whom imports were from. Overall the dominant jams on the shelves were strawberry and apricot. Other jams displayed were raspberry, blueberry, fruit mix, black currant, plum, forest mix, sour cherry, grape and orange. In Auchan the total jam display was about 6 meters wide, 1 meter deep, with 7 shelves. Imported and domestic jams are usually mixed on the shelves. Approximately one-third of the jams on the shelves were imported, mostly from Germany, France, Austria and Poland. In Tesco jams were also displayed in that store's international aisle under the USA display, which included grape jam, strawberry jam and apricot preserve.

Table 6. Hungary Jam Market Survey Average-January 2004

Type of Jam	Shelving Space Allocated	Packaging Size	Retail Price (Forint)	Retail Price (US\$) Exchange Rate	Country of Origin
Apricot	Top Four Shelves	450 grams	697	3.26	Germany
Apricot	Two Middle Shelves	900 grams	299	1.40	Hungary
Apricot	Two Middle Shelves	370 grams	488	2.28	France
Strawberry	Two Middle Shelves	100 grams	358	1.68	Austria
Strawberry	Two Middle Shelves	420 grams	159	0.74	Hungary
Mixed Fruit	Two Middle Shelves	270 grams	307	1.44	Poland
Strawberry	Bottom Shelf	650 grams	204	0.95	Hungary
Strawberry	Bottom Shelf	310 grams	358	1.68	Poland

Exchange Rate: 213.7 Forint per U.S. dollar

Source: Annual Report of Hungarian Horticultural Sector, 2002 (A kertészeti ágazat helyzete Magyarországon, 2002)

Olive Oil/Canned Olives

Recognizing that Hungary is not a producer exporter of canned olives or olive oil, the focus of this section is whether the market is growing and export potential for Egypt. A market basket survey was done to obtain shelving space allocated to these products (indicative of velocity), packaging sizes, retail prices, and country of origin.

Market. Olive oil and canned olive consumption have risen sharply. Imports of Virgin olive oil have increased from 109 tons in 1997 to 457 tons in 2002 (Table 7) and imports of refined olive oil have risen from only 42 tons in 1997 to 208 tons in 2002 (Table 8).

Table 7. Hungary: Virgin Olive Oil Imports (HS Code 150910)

Origin	1997		2002	
	Quantity (MT)	Value (1,000 US\$)	Quantity (MT)	Value (1,000 US\$)
Italy	107	316	262	785
Spain	2	7	155	443
Greece	0	0	20	65
Other	0	0	20	29
Total	109	323	457	1,346

Source: Kalkereskedelmi Statisztikai Evkonyv (Hungarian Statistical Yearbook of External Trade, 2002 and United Nations Statistics Division

Table 8. Hungary: Refined Olive Oil Imports (HS Code 150990)

Origin	1997		2002	
	Quantity (MT)	Value (1,000 US\$)	Quantity (MT)	Value (1,000 US\$)
Italy	33	90	108	254
Spain	3	6	93	188
Greece	2	1	6	20
Other	5	9	1	1
Total	42	106	208	463

Source: Kalkszekesdobeli Statistikai Evkonyv (Hungarian Statistical Yearbook of External Trade, 2002 and United Nations Statistics Division

Canned olive imports showed similar growth, with imports in 2002 of 674 tons compared with the 1997-2002 average import of 396 tons.

According to meetings with traders, a few years ago very little olive oil or canned olives were found on supermarket shelves. Today more than 25 brands of olive oil were seen on the shelves of the supermarkets visited (Table 9). Shelving space allocated to olive oil was about 3 meters wide and one meter deep. Olive oil prices varied widely depending on:

- Size of the container
- Packaging of the container (some bottles were more decorative than others or had free gifts attached such as free tea),
- Flavors added to the olive oil, and
- For what the olive oil is designated to be eaten with (such as with white meat or with red meat).

Because of increasing health consciousness, consumers are eating more salads and consequently more olive oil.

Table 9. Hungary Olive Oil Market Survey Average-January 2004

Type of Olive Oil	Shelving Space Allocated	Packaging Size (Bottle)	Retail Price (Forint)	Retail Price (213.7 Forint/US\$) Exchange Rate	Country of Origin
Olive Oil	All 7 Shelves	500 ml	549	2.57	Italy
Extra Virgin	4 shelves	500 ml	849	3.97	Italy
Extra Virgin	Bottom 3 Shelves	500 ml with extra 250 ml free	934	4.37	Spain
Extra Virgin (eat w/white meat)	Bottom 3 Shelves	500 ml	965	4.52	Italy
Olive Oil	Top 3 Shelves	500 ml	860	4.02	Italy
Extra Virgin	Middle Shelf	250 ml	623	2.92	Italy
Extra Virgin & Refined	Bottom 3 Shelves	500 ml	929	4.35	Spain
Gentle Extra Virgin (eat w/red meat)	Top 3 Shelves	500 ml	810	3.79	Spain
Salad & Vegetable Extra Virgin	Top 3 Shelves	500 ml	931	4.36	Spain
Extra Virgin	Middle Shelf	500 ml	950	4.45	Italy
Olive Oil (pure green)	Bottom 4 Shelves	500 ml	813	3.80	Italy
Extra Virgin	Top 3 Shelves	500 ml	1,249	5.84	Italy
Extra Virgin	Middle Shelf	500 ml	599	2.80	Spain
Extra Virgin	Bottom 3 Shelves	500 ml	1,099	5.14	Spain
Extra Virgin	Bottom 3 Shelves	500 ml	950	4.45	Italy
Extra Virgin w/wine vinegar & grape juice	Middle Shelf	150 ml	954	4.46	Italy
Extra Virgin	Top 2 Shelves	750 ml	1,237	5.79	Italy
Olive oil w/garlic flavoring	Top 3 Shelves	500 ml	1,128	5.28	Spain
Extra Virgin	Top 2 Shelves	750 ml	1,350	6.32	Italy
Extra Virgin	Middle Shelf	1 liter	1,688	7.90	Italy
Olive Oil mild taste for cooking	Middle Shelf	500 ml	778	3.64	Italy
Extra Virgin w/Balsic vinegar	Middle Shelf	250 ml	914	4.28	Italy
Extra Virgin	Bottom 3 Shelves	500 ml	851	3.98	Italy
Extra Virgin w/garlic flavoring	Next to Bottom Shelf	250 ml	861	4.03	Italy
Extra Virgin	Middle 2 Shelves	750 ml	1,142	5.34	Greece

There was not as much variety for canned olives as there was for olive oil (Table 10) and prices varied widely depending on type of packaging and size of packaging. Shelf space allocated to canned olives was 2 meters wide and one meter deep.

Table 10. Hungary Canned Olive Market Survey Average-January 2004

Type of Olives	Shelving Space Allocated	Packaging Size (Bottle)	Retail Price (Forint)	Retail Price (213.7 Forint/US\$) Exchange Rate	Country of Origin
Canned Olives	Top 2 Shelves	935 grams	709	3.23	Spain
Canned Olives filled with almonds	Middle shelf	142 grams	394	1.84	Spain
Canned Olives filled with almonds	Middle shelf	900 grams	455	2.13	Spain
Canned Olives filled with almonds	Bottom 3 Shelves	250 gram package	447	2.09	Italy
Canned Olives filled with almonds	Middle Shelf	200 grams popup can	238	1.11	Spain
Canned Olives filled with almonds	Middle Shelf	200 grams popup can	279	1.31	Spain
Canned Olives including Seed	Middle Shelf	240 gram package	333	1.56	Spain

Export Opportunities

Import demand for canned olives and olive oil are expected to continue to increase. EU countries exporting olive oil and canned olives to Hungary will not gain any advantage by Hungary joining the EU, since Hungarian imports of these products from the EU are currently duty free.

However, as a result of EU Accession, Hungary will adopt the EU tariff system which includes duties for third country imports of 122.6 Euros per 100 kilos for extra virgin olive oil (tariff code 15091010)⁷, 125.4 Euros per 100 kilos for extra virgin olive oil (tariff code 15091090)⁸ and 134.6 Euros per 100 kilos for refined olive oil (tariff code

⁷ http://europa.eu.int/comm/taxation_customs/dds/cgi-bin/tarduty?ProdLine=80&Type=0&Action=1&Lang=EN&SimDate=20040124&YesNo=1&Indent=1&Flag=1&Test=tarduty&Periodic=0&Download=0&Taric=15091010&Country=EG%2F0220&Day=24&Month=01&Year=2004

⁸ http://europa.eu.int/comm/taxation_customs/dds/cgi-bin/tarduty?ProdLine=80&Type=0&Action=1&Lang=EN&SimDate=20040124&YesNo=1&Indent=1&Flag=1&Test=tarduty&Periodic=0&Download=0&Taric=15091090&Country=EG%2F0220&Day=24&Month=01&Year=2004

15099)⁹. In comparison, according to trade contacts, Hungary's import duty for olive oil (tariff code 15091010000) from third countries currently is 6.8%.

Egypt may have a better advantage for canned olive exports to Hungary after EU accession. Contacts indicated that Hungary's current import duty for canned olives (tariff code 2005701) from third countries is 30.1%. Hungary's canned olive duties should change on May 1 in accordance to the EU tariff schedule¹⁰, as follows:

- EU preferential duty for canned olive (tariff code 200570) imports from Egypt is 8.9% compared with the third country duty of 12.8%.
- Egypt has a duty free quota for 1,000 tons of olive exports (for use other than production of oil) (tariff code 0711201000) to the EU in 2004. The duty for imports into the EU outside this quota are 2.9% for Egypt compared with the third country duty of 6.4%.
- Egypt also has a duty free quota for 1,000 tons of olive exports (tariff code 0711209000) to the EU in 2004. The duty outside this quota is 13.1 Euros per 100 kilos.

Canned, Frozen and Dried Fruits and Vegetables

This section focuses on Hungary's frozen, dehydrated and canned fruit and vegetable sectors. Meetings were held with individual processors, processor associations and traders to get a wide perspective on production and export trends in the sector and the impact of accession.

Market. Canned (prepared preserved) fruits and vegetables dominate Hungary's processing sector. The canned food industry accounts for 75% of processed foods and vegetables produced in Hungary followed by the freezing industry with 22% and the dried product industry only 3% (Table 11).

⁹ http://europa.eu.int/comm/taxation_customs/dds/cgi-bin/tarduty?ProdLine=80&Type=0&Action=1&Lang=EN&SimDate=20040124&YesNo=1&Indent=1&Flag=1&Test=tarduty&Periodic=0&Download=0&Taric=150990&Country=EG%2F0220&Day=24&Month=01&Year=2004

¹⁰ http://europa.eu.int/comm/taxation_customs/dds/cgi-bin/tarduty?ProdLine=80&Type=0&Action=1&Lang=EN&SimDate=20040124&YesNo=1&Indent=1&Flag=1&Test=tarduty&Periodic=0&Download=0&Taric=200570&Country=EG%2F0220&Day=24&Month=01&Year=2004

Table 11. Hungary: Fresh and Processed Fruit and Vegetable Supply Demand, 2002
1,000 Metric Tons

Item	Fresh	Canned	Frozen	Dried	Total
Domestic Production	962.0	758.4	225.7	28.2	1,974.2
Imports	305.2	88.2	6.3	16.4	416.1
Total Supply	1,267.2	846.6	232.0	44.6	2,390.3
Domestic Consumption	945.2	419.8	117.3	27.3	1,509.6
Exports	322.0	426.8	114.7	17.3	880.7
Total Demand	1,267.2	846.6	232.0	44.6	2,390.3

Source: A kártevési ágazati helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Table 12. Hungary: Selected Fresh Fruits and Vegetables Sold to the Canning Industry, 2002

HS Code	Product	Quantity MT	Average Price Forint/KG	Total Value Million Forint
0709601000	Peppers	17,400	69	1,208
0702000001-0702000003	Tomatoes	134,330	13	1,719
0707000501-0707009003	Cucumbers	60,000	78	4,650
0708102000-0708109500	Peas	47,778	51	2,446
0708202000-0708209500	Cowpeas	4,395	51	224
0709906000	Sweet Corn	322,750	23	7,391
	Other Vegetables	20,000	50	1,000
	Total Vegetables	606,653		18,638
0808101000	Apples	429,517	11	4,639
08082010000	Pears	1,800	75	135
0809209500	Cherries	1,700	139	236
0809200500	Cherries	25,869	63	1,630
0809100000	Apricots	1,300	143	186
0809400500	Plums	4,800	34	162
	Other Fruit	29,000	45	1,305
	Total Fruit	493,986		8,293
	Total Fruit & Veg	1,100,639		26,931

Source: Annual Report of Hungarian Horticultural Sector, 2002 (A kártevési ágazati helyzete Magyarországon, 2002)

Canned fruit and vegetable production and imports in 2002 are estimated at 758,400 tons and 88,200 tons. Roughly half of Hungary's canned food supplies are consumed domestically and half exported. Fresh sweet corn and apples account for about two-thirds of the fruits and vegetables processed by the canning industry (Table 13).

Major prepared preserved exports in 2002 included sweet corn (40%), peas (18%) and gherkins (12%). Major prepared preserved imports included tomato products (21%), canned peaches (13%), and canned pineapple (8%).

Frozen fruit and vegetable production and imports in 2002 are estimated at 225,700 tons and 6,300 tons respectively. Roughly half of Hungary's frozen food supplies are consumed domestically and half exported (Table 14). Fresh Sweet corn accounts for

57% of the fruits and vegetables processed by the freezing industry, followed by fresh peas with 14% (Table 13).

Table 13. Hungary: Selected Fresh Fruits and Vegetables Sold to the Freezing Industry, 2002

HIS Code	Product	Quantity MT	Average Price Forint/KG	Total Value Forint 1,000
0709601000	Peppers	5,615	63	352,173
0702000001-0702000003	Tomatoes	14,670	18	258,632
0704100500-0704108000	Cauliflower	8,680	60	518,717
0706100000	Carrots	11,910	21	247,847
0708102000-0708109500	Peas	52,445	51	2,683,086
0708202000-0708209500	Cowpeas	13,505	56	753,984
0709200000	Asparagus	75	277	20,740
0709519000	Mushrooms	70	252	17,640
0709700000	Spinach	2,560	22	56,602
0709906000	Sweet Corn	212,250	22	4,578,233
0809209500	Cherries	220	147	32,250
0809200500	Cherries	5,665	79	450,254
0809100000	Apricots	600	172	102,978
0809400500	Plums	4,070	41	165,039
0810100500-0810108000	Strawberries	215	154	33,052
0810201000	Raspberries	4,020	238	956,760
0810209000	Raspberries	1,890	111	209,790
0810301000	Currants	585	139	81,186
0810303000	Currants	2,260	119	269,618
0810309000	Currants	450	124	55,724
	Other Fruit	3,120	48	150,228
	Other Vegetables	30,070	40	1,210,618
	Total Fruit	351,850		9,487,654
	Total Vegetables	23,095		3,717,497
	Total Fruit & Vegetables	374,945		13,205,151

Source: Annual Report of Hungarian Horticultural Sector, 2002 (A kertészeti ágazat helyzete Magyarországon, 2002)

Major frozen vegetable exports in 2002 included sweet corn (44%), peas (17%) and tomato products (7%) (Table 14). Major frozen vegetable imports included peas (38%) and sweet corn (19%) (Table 15).

Table 14. Hungary: Frozen Vegetable Exports

Product	2001			2002		
	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT
Peas	19,545	9,590	491	16,534	9,244	559
Cow Peas	5,190	2,530	487	3,860	2,167	561
Spinach	143	96	671	151	82	543
Sweet Corn	38,760	20,761	536	43,344	27,540	635
Pepper	5,063	2,946	582	2,612	1,714	656
Mushroom	39	151	3,872	36	107	2,972
Tomato	11,860	4,377	369	7,052	3,099	439
Squash	29	65	2,241	8	18	2,250
Other Frozen Vegetables	23,044	10,362	450	23,871	10,991	460
Total Frozen Vegetables	103,674	50,878	491	97,469	54,962	564

Source: A kertészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Table 15. Hungary: Frozen Vegetable Imports

Product	2001			2002		
	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT
Peas	2,801	1,441	514	1,676	875	522
Cow Peas	245	126	514	292	141	483
Spinach	51	43	843	75	48	640
Sweet Corn	816	413	506	853	441	517
Pepper	15	2	133	71	88	1,239
Mushroom	5	15	3,000	16	35	2,188
Tomato	480	139	290	20	7	350
Squash	2	7	3,500	1	4	4,000
Other Frozen Vegetables	3,300	1,354	410	1,416	866	612
Total Frozen Vegetables	7,714	3,539	459	4,420	2,506	567

Source: A kertészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Major frozen fruit exports in 2002 included raspberries (21%), sour cherry (14%) and red currants (12%) (Table 16). Strawberries were the major frozen fruit imports, accounting for 44% of total frozen fruit imports (Table 17).

Table 16. Hungary: Frozen Fruit Exports

Product	2001			2002		
	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT
Strawberry	313	281	898	556	411	739
Raspberry	4,695	7,437	1,584	3,613	6,431	1,780
Black Currant	146	180	1,233	88	90	1,023
Red Currant	2,424	1,885	778	2,002	1,722	860
Other Berry	2,766	2,587	935	2,315	2,136	923
White Currant	115	62	539	193	172	891
Sour Cherry	2,114	1,658	784	2,384	1,961	823
Cherry & other sour cherry	203	240	1,182	148	246	1,662
Other fruit and nuts	6,449	3,907	606	5,884	4,445	755
Total Frozen Fruit	19,224	18,236	949	17,184	17,614	1,025

Table 17. Hungary: Frozen Fruit Imports

Product	2001			2002		
	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT
Strawberry	511	313	613	822	646	786
Raspberry	390	383	982	226	333	1,473
Black Currant	20	15		45	41	
Red Currant	0	0	0	0	0	0
Strawberry (tree)	20	22	1,100	65	60	923
White Currant	12	19		9	12	
Sour Cherry	82	67	817	48	17	354
Cherry & other sour cherry	32	53	1,656	60	151	2,517
Other fruit and nuts	526	519	987	340	419	1,232
Other Frozen Fruit	166	253	1,524	245	316	1,290
Total Frozen Fruit	1,759	1,644	935	1,860	1,996	1,073

Dried fruit and vegetable production and imports in 2002 are estimated at 28,000 tons and 16,400 tons respectively. Over 60% of Hungary's dried fruit and vegetable supplies are consumed domestically and 40% exported (Table 18). Dried fruit and vegetable exports in 2002 totaled 17,300 tons. Peas accounted for 64% of the total dried fruit and vegetable exports followed by onions with 8% (Table 18). Peas, cowpeas and lentils accounted for more than 50% of Hungary's dried fruit and vegetable imports (Table 19).

Table 18. Hungary: Dried Fruit and Vegetable Exports

Product	2001			2002		
	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT
Onions	1,642	5,068	3,086	1,333	4,260	3,196
Mushrooms	31	298	9,613	34	405	11,912
Potato	136	198	1,456	71	117	1,648
Tomato	27	95	3,519	28	82	2,929
Carrots	641	1,168	1,822	546	1,028	1,883
Peas	8,217	3,911	476	11,159	5,348	479
Cow Peas	4	4	1,000	3	3	1,000
Lentils	33	14	424	56	68	1,214
Other Dried Vegetables	3,237	8,413	2,599	3,623	10,222	2,821
Apples	2,189	1,742	796	437	937	2,144
Other Dried Fruit	65	168	2,585	36	169	4,694
Total Dried Vegetables	16,222	21,000	1,299	17,327	22,639	1,306

Table 19. Hungary: Dried Fruit and Vegetable Imports

Product	2001			2002		
	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT	Quantity Metric Tons	Value 1,000 US\$	Price/Unit US\$/MT
Onions	423	1,055	2,494	142	383	2,697
Mushrooms	7	24	3,429	9	9	1,000
Potato	68	63	926	84	95	1,131
Tomato	1	5	5,000	1	6	6,000
Carrots	1,018	1,327	1,304	485	646	1,332
Peas	5,950	1,460	245	4,948	1,336	270
Cow Peas	815	445	546	1,047	635	606
Lentils	2,157	1,037	481	2,112	1,004	475
Other Dried Vegetables	5,760	7,999	1,389	6,771	10,725	1,584
Total Dried Vegetables	16,199	13,415	828	15,999	14,839	951

Source: Annual Report of Hungarian Horticultural Sector, 2002 (A kertészeti ágazat helyzete Magyarországon, 2002)

Special Observations: Sweet Corn and Onions

Sweet Corn. Hungarian sweet corn production has increased from 231,000 tons in 1996 to 535,000 tons in 2002 (Appendix Table 22). French processors apparently have been investing in sweet corn processing plants in Hungary and this investment is expected to increase with accession. However, this expectation carries considerable uncertainty since Hungary will adopt EU agricultural production policies after May 1, 2004 which mean an sharp cuts in subsidies. For example, vegetables now are eligible for a payment equivalent to 70 Forint per 100 square meters or 7,000 Forint per hectare. Under EU rules, Hungary producers are eligible for only 23 Forint per 100 square meters or 2,300 Forint per hectare—less than one-third the current level. Processors (and, others) are concerned that the lower subsidies could cause significant shifts away from vegetable production to other higher priced crops. For example, they expect shifts from sweet corn, a highly specialized and high-cost crop requiring irrigation, to field corn, which does not need irrigation, needs less herbicides and uses cheaper seed.

Onions. In contrast to sweet corn, onion production has fallen from 170,000 tons in 1996 to 110,000 tons in 2002 (Appendix Table 2). The decline in production is attributed to the continued use of the high quality spice type onion (MAKO), which commands a higher price for dried powder than other varieties but has a 50% lower yield and takes two years to produce. In the first year this variety is planted as a seed and in the second year as a seedling. Farmers are experimenting with new varieties, which mature in a single year and have comparable quality, but this is developing slowly. Egyptian dried onion exports will gain if Hungarian farmers do not stop the downward trend in production by shifting to new varieties.

Specialty Frozen Products. Although the freezing industry currently accounts for only 22% of the fruit and vegetables processed in Hungary, contacts at Globus Canning, a large specialized firm, expects demand for Individual Quick Frozen (IQF) products to expand both in Hungary and in Eastern Europe. The firm's net income is \$40 billion Forint (about US\$200 million), and it produces primarily prepared preserved vegetables/fruits/meat and pre-ready meals (including mixed vegetables) but is expanding in deep frozen foods. Since 1999 Globus has tripled its IQF capacity through acquisition of plants in Hungary and Poland, and owns three production facilities for IQF in Hungary and four IQF facilities in Poland.

Globus accounts for 50% of the Hungarian IQF market share and its IQF production capacity is 100,000 tons per year (including the Poland facilities). IQF vegetables produced in Hungary include sweet corn (19,000 tons), onions (8,000 tons), green peas (18,000 tons), and red/green/yellow paprika (10,000 tons followed to a lesser extent by tomatoes, cauliflower and broccoli (7,000 tons combined). The IQF plants in Poland traditionally deal with strawberries (6,000 tons), onions (10,000 tons), broccoli/cauliflower (3,000 to 4,000 tons), and garlic, carrots, and other (18,000 to 19,000 tons).

Over 60% of Globus IQF production is exported with major markets including Germany, Ireland, Romania, Bulgaria, Croatia, Slovakia, and Russia. Globus is considering

supplying more IQF products for Hungary, which would involve importing from their subsidiary in Poland. They see relatively strong demand for IQF strawberries, sour cherries, and raspberries in Hungary

Juices

Hungary is the world's largest apple juice producer and exporter. Apple juice accounts for about two-thirds of the country's fruit and vegetable exports, followed by grape juice, citrus juices, and tomato juice (Table 20). Most of the orange juice exports are imports that are re-exported.

Citrus juices (primarily orange) account for 97% of the country's fruit and vegetable juice imports (Table 21). More than 85% of the orange juice imports are from Brazil.

Ocean Pacific also produces juices but jams are their major business. They recently started a small baby juice product line, which they are interested in exporting. They also are a major supplier of fruit toppings (such as strawberry) to McDonald's but local production does not meet import requirements.

Table 20. Hungary Fruit and Vegetable Juice Exports

Product	2001			2002		
	Quantity MT	Value 1,000 US\$	Price/Unit US\$/MT	Quantity MT	Value 1,000 US\$	Price/Unit US\$/MT
Orange Juice	12,484	4,098	328	7,415	2,851	384
Grapefruit Juice	117	64	547	453	207	457
Other Citrus Juices	1,086	336	309	1,043	337	323
Lemon Juice	73	24	329	29	11	379
Pineapple Juice	289	137	474	403	202	501
Tomato Juice	5,199	1,410	271	4,784	1,388	290
Grape Juice	18,772	4,612	246	10,705	2,648	247
Apple Juice	69,376	42,269	609	85,128	54,360	639
Other Fruit & Vegetable Juice, 1.33g/cm ³	16	12	750	20	17	850
Pear Juice, w/o sugar consist., 20 Celsius, max. 1.33g/cm ³	20	12	600	29	9	310
Cherry/ Sour Cherry Juice, w/o sugar, consist. max 1.33g/cm ³	254	508	2,000	594	814	1,370
Other Fruit/Vegetable Juice, w/o sugar, max 1.33g/cm ³	952	2,787	2,928	1,819	2,498	1,373
Other Mixed Vegetable Juice, max. 1.33g/cm ³	406	192	473	1,516	552	364

Source: A kerteszeleti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Table 21. Hungary Fruit and Vegetable Juice Imports

Product	2001			2002		
	Quantity MT	Value 1,000 US\$	Price/Unit US\$/MT	Quantity MT	Value 1,000 US\$	Price/Unit US\$/MT
Orange Juice	9,655	7,891	817	9,245	9,892	1,070
Grapefruit Juice	726	1,012	1,394	454	659	1,452
Other Citrus Juices	271	392	1,446	290	438	1,510
Lemon Juice	755	947	1,254	904	1,091	1,207
Pineapple Juice	680	681	1,001	986	1,097	1,113
Tomato Juice	6	6	1,000	18	12	667
Grape Juice	750	670	893	741	663	895
Apple Juice	2,241	1,620	723	1,336	823	616
Other Fruit & Vegetable Juice, 1.33g/cm ³	1	2	2,000	39	43	1,103
Pear Juice, w/o sugar consist., 20 celsius, max. 1.33g/cm ³	57	61	1,070	224	162	723
Cherry/ Sour Cherry Juice, w/o sugar, consist. max 1.33g/cm ³	56	167	2,982	27	62	2,296
Other Fruit/Vegetable Juice, w/o sugar, max 1.33g/cm ³	153	172	1,124	847	1,361	1,607
Other Mixed Vegetable Juice, max. 1.33g/cm ³	152	153	1,007	638	640	1,003

Source: A kertészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

IV. Summary

This report is based on observations by the Project Team in Hungary in mid-January, 2004. The primary objective of the effort was to evaluate the potential impact of EU accession on export competition and import demand for selected products based on ALEB priorities, including frozen, dried and canned fruits and vegetables; spices and herbs; olives and olive oil; jams; and juices. In particular, it focused on potential implications for Egyptian fruit and vegetable processors. The study reviewed available information from the US Agricultural Attaches, official government sources and from interviews with firms and associations actively involved in producing, importing and marketing the products of interest. Factors evaluated include production capacity and trends; trade trends including major markets and suppliers; tariff rates; and consumer market characteristics.

The study concludes that short-term production and trade impacts from the accession will likely not be large, but in the long term could be significant. It also concludes that the Accession is expected to be quite difficult for many producers and processors, who believe that they have not had adequate information to fully understand what changes will occur in production policy and tariffs, particularly those involving third countries with free trade agreements, after May 1, 2004. And, while the following report provides information concerning a large number of commodities and products, a small number of important observations can be made.

Key Observations

- **Most trade already liberalized.** Accession is not expected to significantly boost overall sales to the EU because trade in many products was liberalized through double-zero agreements in 2000.
- **Growing prosperity is shifting consumption patterns and increasing consumption, in some important cases, which represent opportunities for exporters.** Olives could represent such a case. Although relatively small, olive oil and canned olive consumption are rising. Hungarian retailers observe that as recently as a couple years ago very little olive oil or canned olives were found on supermarket shelves. Today more than 25 brands of olive oil can be seen on the shelves of the supermarkets visited. Because of increasing health consciousness, consumers are eating more salads and consequently more olive oil and imports are up from 151 tons in 1997 to 665 tons in 2002. Canned olive imports showed similar growth, with imports in 2002 of 674 tons compared with 1997-2002 average imports of only 396 tons.

Accession likely will accelerate these trends and bring opportunities for Egyptian canned olive exports, as duties are fall from 30.1% to a range of 2.9% to 8.9% depending on the HS code. Opportunities for olive oil may be more limited as it appears that olive oil duties could increase as a result of accession.

- **Jams expected to be greater export threat but could also offer import opportunities.** Hungarian jam exports should benefit from accession as:
 - Import duties will be reduced from an average of 20% to 30% to zero
 - Tax on imports of sugar containing products will be eliminated
 - Minimum import price will no longer apply

Hungarian firms expect their jam exports to grow as a result of accession and rising demand in Russia and other CIS countries. However, domestic fruit production has been declining. Unless this trend reverses (unlikely since subsidies also are being reduced) imports of fresh fruits and/or jams will be needed to meet growing domestic and export demand. In addition contacts indicate there is a market for jam flavors not produced domestically such as orange and grape.

- **Increasing herb production, particularly chamomile, could mean increased competition for Egyptian exports.** A few years ago Hungary was a major importer of chamomile but in recent years the country has become more self-sufficient and begun to expand exports. However, the domestic market for chamomile is volatile because weather changes mean wide fluctuations in domestic production. For example, unfavorable weather in 2002 reduced the chamomile harvest by 50% and imports exceeded exports. As a result, Egyptian companies should maintain contact with Hungarian companies.

Key trends affecting chamomile production in Hungary are not expected to change much as a result of EU accession because there are no import duties, taxes, minimum prices, or quotas on chamomile trade with the current EU-15 countries. Hungary has been using the EU's high quality standards for the last year.

Overall the country exports about 1.15 million kilograms of herbs compared with imports of only 132,920 kilos. Milk thistle, hip flesh berry and linden are the only herbs for which imports normally exceed exports. Imports of caraway and fennel also occur although the country is an important exporter of these products.

- **Canned fruits and vegetables dominate processing sector but frozen food production likely will grow in competition with imports from Egypt.** The canned food industry accounts for 75% of processed fruits and vegetables produced followed by the freezing industry with 22% and the dried product industry with only 3%. Discussions with importers and retailers suggest that demand for Individual Quick Frozen (IQF) products to grow both in Hungary and Eastern Europe. Globus, which has IQF plants in Hungary and Poland, accounts for 50% of the country's IQF market and is expanding, based on expected export growth in Eastern Europe and former Soviet Union countries.
- **Declining onion production could reduce dried onion exports.** Hungary is a competitor with Egyptian producers in dried onion export markets, with sales over

\$4 million in 2002, and Germany the largest market. However, domestic onion production has fallen from 170,000 tons in 1996 to 110,000 tons in 2002. The decline in onion production is attributed to the continued use of the high quality spice type onion (MAKO), which commands a higher price for dried powder than other varieties but has a 50% lower yield and takes two years to produce. Producers are attempting to change varieties.

- **Large changes in vegetable production subsidies add uncertainty to the outlook for fruit and vegetable production.** Hungary now has very large production subsidies for many agricultural products and will be required to reduce them sharply during accession. For example, vegetable production subsidies will be reduced from 70 Forint per 100 square meters (7,000 Forint per hectare) to 23 Forint per 100 square meters (2,300 Forint per hectare). Producers, processors and others are concerned that large shifts in production will be caused by the reduction, and that producers will shift away from high cost fruits and vegetables to commodities (such as corn) which do not require irrigation and have generally lower production costs.
- **Many Hungarian Companies are interested in Additional Information About Egyptian products.** Representatives of Herba Plus Ltd. And P.M.D. Company expressed strong interest in importing new products and would like to learn more about Egyptian products. These companies import directly and sell to retailers. They handle all aspects involving imports including purchasing, shipment forwarding, customs clearance, transportation, warehousing, distribution, etc. Additional information and contacts for these firms is provided in the report.

Herba Plus is one of the largest importing companies with annual sales of about \$60 million. The company owns warehouses, deep freeze facilities, a truck fleet; has access to rail lines and its own duty free zone.

P.M.D. company is unique in that it has worked with supermarkets Tesco and Cora, two of the largest chains in the country, to establish international aisles for selected countries featuring imported products.

V. Appendices

Appendix I. Hungary Fruit and Vegetable Data

Table A1. Hungary: Major Vegetable Production
1,000 MT

Product	1996	1997	1998	1999	2000	2001	2002	% Chng 1996-2002
Sweet Pepper (Paprika)	244.0	229.0	256.0	225.0	240.0	241.0	254.0	4.1
Tomato	287.0	205.0	360.0	230.0	228.0	218.0	249.0	-13.2
Watermelon	131.0	108.0	160.0	180.0	160.0	148.0	185.0	41.2
Green Peas	45.0	52.0	83.0	65.0	51.0	110.0	74.0	64.4
Sweet Corn	231.0	200.0	280.0	260.0	254.0	423.0	535.0	131.6
Snap (Green) Beans	16.3	15.0	17.3	13.0	15.3	17.6	17.9	9.8
Cabbage	66.0	88.0	80.0	72.0	85.0	75.0	68.0	3.0
Field Carrots	61.4	53.0	72.0	55.5	82.0	111.0	104.0	69.4
White Carrots	16.0	7.0	20.0	20.0	8.0	14.0	13.0	-18.8
Paraley	36.0	33.0	48.5	32.5	50.1	57.4	66.0	83.3
Cultivated Mushrooms	25.0	28.0	33.0	35.0	38.0	40.0	40.6	62.4
Onions	170.0	110.0	149.0	144.0	95.0	147.0	110.0	-35.3
Garlic	7.7	14.6	11.4	7.0	6.7	6.0	4.5	-41.6
Gherkins	24.0	40.0	31.0	29.0	27.0	35.0	60.0	150.0
Cauliflower	21.0	19.5	24.0	22.0	24.2	25.2	18.0	-14.3
Total Selected Fruits	1,381.4	1,282.1	1,625.2	1,398.8	1,364.3	1,668.2	1,799.8	38.2

Source: A kertészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Table A2. Hungary: Onion Production
1,000 Metric Tons

Year	Quantity
1996	170
1997	110
1998	149
1999	144
2000	95
2001	147
2002	110

Source: A kertészeti ágazat helyzete
Magyarországon, 2002 (Annual Report of
Hungarian Horticultural Sector, 2002)

Table A3. Hungary: Onions, Dried, Trade, 2002
Tariff Code: 0712200000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Germany	926	3,151	98	281
Sweden	114	287	0	0
Croatia	77	203	0	0
Switzerland	73	221	0	0
Austria	48	131	0	1
Slovenia	29	83	0	0
Romania	20	52	0	0
Italy	16	50	0	0
Holland	13	28	7	15
Yugoslavia	7	18	21	54
Poland	0	0	8	17
Other	10	36	9	17
Total	1,333	4,260	142	383

Table A4. Hungary: Onions, Fresh/Chilled, Trade, 2002
Tariff Code: 0703101900

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Slovakia	2,082	255	0	0
Yugoslavia	1,426	117	0	0
Germany	1,326	234	2,090	311
Lithuania	1,062	135	0	0
Czechoslovakia	984	154	0	0
Estonia	965	144	0	0
Slovenia	816	128	0	0
Austria	226	39	2,809	400
Holland	3	1	3,783	736
Turkey	0	0	1,125	246
Other	1,913	262	389	51
Total	10,803	1,469	10,197	1,745

Table A5. Hungary: Green Pea Production
1,000 Metric Tons

Year	Quantity
1996	45
1997	52
1998	83
1999	65
2000	51
2001	110
2002	74

Source: A kertészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Table A6. Hungary: Frozen Pea Trade
Tariff Code: 0710210000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Greece	3,324	1,853	0	0
Germany	2,340	1,338	62	35
Holland	2,236	1,146	0	0
Italy	1,350	797	0	0
Taiwan	1,323	664	0	0
Belgium	968	572	100	63
Croatia	759	444	0	0
China	688	330	0	0
Czechoslovakia	134	72	22	14
Poland	170	65	361	217
Yugoslavia	12	6	1,131	546
Other	3,231	1,957	0	0
Total	16,534	9,244	1,676	875

Table A7. Hungary: Prepared Preserved Pea Trade
Tariff Code: 2005400000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Russia	40,162	24,742	0	0
Lithuania	3,797	2,008	0	0
Ukraine	2,170	1,257	0	0
Latvia	2,057	1,049	0	0
Kazakhstan	1,036	677	0	0
Romania	903	460	0	0
Czechoslovakia	846	426	2	1
Poland	846	646	0	0
Lebanon	757	368	0	0
Belarus	741	485	0	0
Estonia	717	410	0	0
Germany	508	379	0	0
Slovakia	461	235	0	0
Italy	1	0	231	64
Other	1,365	756	18	12
Total	56,366	33,898	251	78

Source: A hirteleni ágazati helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

**Table A8. Hungary: Snap (Green) Bean Production
1,000 Metric Tons**

Year	Quantity
1996	16
1997	15
1998	17
1999	13
2000	15
2001	18
2002	18

**Table A9. Hungary: Snap (Green) Beans, Frozen, Trade, 2002
Tariff Code: 0710220000**

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Spain	767	431	0	0
Croatia	611	358	0	0
Sweden	387	238	0	0
Bosnia & Herz.	325	202	0	0
Slovenia	368	200	0	0
Greece	240	134	0	0
Austria	241	126	0	0
Finland	176	112	0	0
Poland	133	73	83	54
Holland	180	73	0	0
Romania	101	62	0	0
Yugoslavia	5	4	203	83
Other	326	157	6	4
Total	3,860	2,167	292	141

**Table A10. Hungary: Snap (Green) Bean, Prep/Pres, Trade, 2002
Tariff Code: 2005590000**

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Austria	894	398	3	1
Russia	352	195	0	0
Romania	211	87	0	0
Slovenia	33	23	0	0
Poland	22	20	0	0
Sweden	26	16	0	0
Croatia	39	14	0	0
Italy	0	0	899	193
France	0	0	35	26
Other	34	20	22	24
Total	1,611	773	959	245

Source: A kertészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Table A11. Hungary: Snap (Green) Beans, Prep/Pres, Trade, 2002
Tariff Code: 2005510000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Russia	3,755	3,014	0	0
Czechoslovakia	286	174	0	0
Poland	122	103	1	1
Ukraine	76	65	0	0
Italy	0	0	361	147
Other	252	200	30	21
Total	4,492	3,556	392	170

Table A12. Hungary: Tomato Production
1,000 Metric Tons

Year	Quantity		
	Field	Greenhouse	Total
1996	198	89	287
1997	110	95	205
1998	260	100	360
1999	130	100	230
2000	130	98	228
2001	118	100	218
2002	149	100	249

Table A13. Hungary: Tomatoes, Frozen, Trade, 2002
Tariff Code: 0710807000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Germany	4,853	2,036	0	0
United Kingdom	633	332	0	0
Switzerland	258	160	0	0
Austria	324	154	0	0
Holland	398	131	0	0
Liechtenstein	139	102	0	0
Bulgaria	0	0	20	7
Other	446	184	0	0
Total	7,052	3,099	20	7

Source: A kertészeti ágazat helyzeti Melysországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Table A14: Hungary: Tomatoes, Prep/Pres^{1/}, Trade, 2002
 Tariff Code: 2002109000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Russia	2,165	1,182	0	0
Lithuania	149	82	0	0
Germany	167	58	0	0
Italy	0	0	149	59
Other	387	217	11	5
Total	2,867	1,538	159	64

^{1/} Whole or in pieces

Table A15. Hungary: Tomatoes, Prep/Pres Other, Trade, 2002
 Tariff Code: 2002901100

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Poland	39	27	0	0
Bosnia-Herzg.	9	3	0	0
Italy	0	0	419	140
Sweden	0	0	2	1
Other	8	3	1	1
Total	56	33	422	142

Table A16: Hungary: Tomato Ketchup & Sauce, Trade, 2002
 Tariff Code: 2103200000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Poland	4,510	3,220	332	192
Croatia	1,572	1,568	0	0
Bosnia_Herzg.	126	117	0	0
Lithuania	106	103	0	0
Czechoslovakia	0	0	159	97
Holland	0	0	145	132
Austria	0	0	556	450
Italy	0	0	162	168
Other	340	1,645	3,999	543
Total	6,654	6,654	5,353	1,583

Source: A kertészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Table A17: Hungary: Tomatoes, Prep/Pres Other, Trade, 2002
Tariff Code: 2002903100

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Poland	4,955	3,794	0	0
Lebanon	447	413	7	1
Holland	411	360	0	0
Russia	104	82	0	0
France	0	0	528	293
Greece	0	0	2,154	1,277
Italy	0	0	1,933	663
China	0	0	361	256
Other	343	267	292	175
Total	6,261	4,917	5,274	2,665

Table A18. Hungary: Tomatoes, Prep/Pres, Other, Trade, 2002
Tariff Code: 2002909100

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Poland	1,411	2,496	0	0
Germany	248	486	0	0
Greece	0	0	3,430	2,549
Italy	0	0	2,610	1,813
China	0	0	1,550	1,019
Turkey	0	0	1,038	798
Other	260	368	21	16
Total	1,919	3,350	8,649	6,194

Table A19. Hungary: Tomato Juice, Trade, 2002
Tariff Code: 2009501000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Lithuania	1,238	350	0	0
Czechoslovakia	1,028	302	0	0
Russia	864	233	0	0
Slovakia	275	78	0	0
Other	1,380	425	18	12
Total	4,784	1,388	18	12

Source: A kerteseti ágazat helyzetéről Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

**Table A20: Hungarian Sweet Pepper (Paprika) Production
1,000 MT**

Year	Quantity		
	Field	Greenhouse	Total
1996	79	165	244
1997	59	170	229
1998	76	180	256
1999	55	170	225
2000	60	180	240
2001	53	188	241
2002	69	185	254

**Table A21: Hungary: Frozen Sweet Pepper (Paprika), Trade, 2002
Tariff Code: 0710805100**

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Germany	1,420	931	0	3
Austria	309	214	0	0
Poland	179	113	0	0
Czechoslovakia	132	81	0	0
Finland	127	107	0	0
Sweden	95	73	0	0
Slovenia	83	37	0	0
Belgium	71	30	0	0
Holland	66	52	42	65
Bosnia-Herzg.	60	23	0	0
France	24	12	0	0
Spain	0	0	25	21
Other	46	41	3	2
Total	2,612	1,714	71	88

**Table A22. Hungary: Sweet Corn Production
1,000 Metric Tons**

Year	Production
1996	231
1997	200
1998	280
1999	260
2000	254
2001	423
2002	535

Source: A kertészeti ágazat helyzete
Magyarországon, 2002 (Annual Report of
Hungarian Horticultural Sector, 2002)

Table A23. Hungary: Sweet Corn, Frozen, Trade, 2002
Tariff Code: 0710400000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
United Kingdom	11,142	7,753	0	0
Belgium	6,619	4,125	0	0
Germany	5,359	3,259	0	0
Sweden	2,581	2,006	0	0
Poland	3,177	1,882	13	14
Holland	3,221	1,682	0	0
Austria	2,308	1,366	0	0
Finland	1,497	893	0	0
Greece	1,095	671	0	0
Switzerland	813	564	0	0
Czechoslovakia	921	520	0	0
Norway	606	331	0	0
Yugoslavia	41	11	749	374
Other	3,964	2,477	91	53
Total	43,344	27,540	853	441

Table A24. Hungary: Sweet Corn, Prep/Pres Trade, 2002
Tariff Code: 2005800000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Russia	60,511	49,921	0	0
Germany	26,533	22,340	0	0
Poland	10,580	7,688	0	0
Ukraine	6,464	5,254	0	0
Czechoslovakia	2,051	1,579	0	0
France	1,711	1,529	22	22
Belarus	1,849	1,516	0	0
Austria	1,853	1,436	0	0
Slovakia	1,888	1,367	104	44
Sweden	1,708	1,343	0	0
Kazakhstan	1,312	1,108	0	0
Holland	1,268	1,023	0	0
Lithuania	1,024	805	0	0
Latvia	795	628	0	0
Croatia	645	500	0	0
USA	452	325	0	0
Thailand	0	0	163	99
Other	2,928	2,341	0	0
Total	123,572	100,705	290	165

Source: A közlekedési ágazat helyzeti Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Table A25. Hungary: Gherkin Production
1,000 Metric Tons

Year	Production
1996	24
1997	40
1998	31
1999	29
2000	27
2001	35
2002	60

Table A26: Hungarian Carrot Production
1,000 MT

Year	Field	Greenhouse	Total
1996	32.5	3.5	36.0
1997	30.0	3.0	33.0
1998	44.0	4.5	48.5
1999	28.0	4.5	32.5
2000	45.0	5.1	50.1
2001	52.0	5.4	57.4
2002	60.0	6.0	66.0

Table A27. Hungary: Carrots, Dried, Trade, 2002
Tariff Code: 0712905000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
USA	151	314	0	0
Croatia	185	284	0	0
Romania	87	150	0	0
Holland	52	107	2	8
Germany	27	63	1	1
Poland	0	0	473	619
Other	44	110	10	19
Total	546	1,028	485	646

Table A28. Hungarian Berry Production
1,000 MT

Product	1996	1997	1998	1999	2000	2001	2002
Strawberry	9.6	10.0	7.5	9.0	6.0	7.5	8.5
Raspberry	22.1	18.0	17.0	16.8	13.0	14.5	10.0
Blackberry	3.0	3.5	3.8	5.1	6.0	7.0	7.3
Red & Black Currant	26.0	12.0	10.0	11.0	9.0	10.5	12.0
Gooseberry	8.0	4.0	3.5	2.1	2.5	3.0	2.2
Total Berries	68.7	47.5	41.8	44.0	36.5	42.5	40.0

Source: A kertészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Table A29. Hungary: Strawberries, Frozen, Trade, 2002
Tariff Code: 0811109000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Austria	530	371	0	1
Switzerland	18	25	0	0
Poland	0	0	797	628
China	0	0	24	16
France	0	0	0	0
Other	9	15	0	0
Total	556	411	822	646

Table A30. Hungary: Raspberry, Frozen, Trade, 2002
Tariff Code: 0811203100

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Germany	871	1,357	0	0
Sweden	565	1,115	0	0
Switzerland	477	1,030	0	0
Austria	444	723	3	8
Finland	357	570	0	0
France	222	439	0	0
Poland	208	414	0	0
Holland	111	203	0	0
Belgium	82	166	0	0
Yugoslavia	0	0	218	319
Other	275	414	5	5
Total	3,613	6,431	226	333

Table A31. Hungary: Blackberry, Frozen, Trade, 2002
Tariff Code: 0811205900

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Germany	697	546	0	0
United Kingdom	325	386	0	0
Sweden	177	211	0	0
Switzerland	189	210	0	0
Austria	150	136	0	0
Norway	97	130	0	0
Russia	128	104	0	0
Holland	194	84	0	0
Other	358	329	65	60
Total	2,315	2,136	65	60

Source: A hortászati ágazat helyzetéről Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Table A32. Hungary: Black Currant, Frozen, Trade, 2002
Tariff Code: 0811203900

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Austria	41	32	0	0
Germany	19	24	0	0
France	20	17	0	0
Israel	5	9	0	0
Sweden	4	8	0	0
Poland	0	0	45	41
Total	89	90	45	41

Table A33. Hungary: Red Currant, Frozen, Trade, 2002
Tariff Code: 0811205100

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Germany	740	612	0	0
Austria	461	419	0	0
Belgium	314	256	0	0
Switzerland	170	185	0	0
Holland	168	89	0	0
France	81	78	0	0
Italy	38	41	0	0
Israel	28	41	0	0
Other	2	2	0	0
Total	2,002	1,722	0	0

Table A34. Hungary: White Currant, Frozen, Trade, 2002
Tariff Code: 0811209000

Country Destination/Origin	Export		Import	
	MT	1,000 US\$	MT	1,000 US\$
Germany	97	113	0	0
Finland	84	52	0	0
Switzerland	12	6	0	0
Romania	0	0	4	8
Poland	0	0	5	4
Total	193	172	9	12

Source: A kertészeti ágazat helyzete Magyarországon, 2002 (Annual Report of Hungarian Horticultural Sector, 2002)

Appendix II. Contacts From Travel

Marta Galanti
Horticultural engineer
HERBARIA
1134 Dosa Gyorgy ut 144
Budapest, Hungary
Tel: 06-36-288-67-00/325
Fax: 06-36-350-16-91
foreign.trade@herbaria.hu

Herb & Spice Trade

Czirbus Zoltan
Logistics Manager
HERBARIA
1134 Dosa Gyorgy ut 144
Budapest, Hungary
Tel: 06-36-288-6700/341
06-20/975-1475
czirbus@herbaria.hu

Herb & Spice Trade

Sandor Nagy
Sales Manager
P. M. D.
H-1138 Vaci ut 169
Budapest, Hungary
Tel: 36-1/239-6111
Fax: 36-1/239-0280
sandor.nagy@pmd.hu

Importer

Pal Hejjas
Logistics Leader
P. M. D.
H-1138 Vaci ut 169
Budapest, Hungary
Tel: 36-1-239-6111
Fax: 36-1-239-0280
pali@pmd.hu

Importer

Daniel Poisson
Director
P. M. D.
H-1138 Vaci ut 169
Budapest, Hungary
Tel: 36-1-239-6111
Fax: 36-1-239-0279
fish@pmd.hu

Importer

Josef Galambos
Secretary
Hungarian Association of Preserving Industries
H-1012 Kuny D str. 13-15
Budapest, Hungary
Tel: 36-1-202-5586
Fax: 36-1-355-5057
galambos.mksz@dbassoc.hu

Frozen Food Information

Ferenc Nemes
Agricultural Specialist
US Embassy
Bank Center, Granite Tower, 1st floor, Szabadsag ter 7. H1054
Budapest, Hungary
Tel: 36-1-475-4162
Fax: 36-1-475-4676
agbudapest@mail.datanet.hu

Istvan Kovacs
Senior IQF Export Manager
GLOBUS
H-1106 Maglodi ut 47
Budapest, Hungary
Tel: 36-1-432-1651
Fax: 36-1-260-5580
kovacs.istvan@globus.hu

**Frozen Food Information &
Exporter**

Dr. Robert Lux
General Secretary
Hungarian Fruit and Vegetable Board
35-43, Villanyi St., H 1118
Budapest, Hungary
Tel: 36-1-381-1027
Fax: 36-1-209-1697
robert.lux@fruitveb.hu

**Fruit, Vegetable, Herb, &
Spice Information**

Zoltan Fodor
Manager, Communication
Hungarian Fruit and Vegetable Board
35-43, Villanyi St., H 1118
Budapest, Hungary
Tel: 36-1-381-1021
Fax: 36-1-209-1697
zoltan.fodor@fruitveb.hu

**Fruit, Vegetable, Herb &
Spice Information**

Erika Mandovits
Deputy, Department Manager for Foreign Trade
INTERFRUCT
X. Jaszberenyi ut 43-47, H-1453
Budapest, Hungary
Tel: 36-1-265-5115
Fax: 36-1-265-5118
mandovits_erika@interfruct.hu

Importer

Eva Mike
Managing Director
LADYMPEX
H-1093, Lonyay u. 46, fcz. 5
Budapest, Hungary
Tel: 36-1-218-6020
Fax: 36-1-217-6598
ladympex@axelero.hu

Exporter/Importer

Rozsa Szirmai
Managing Director
LADYMPEX
H-1093, Lonyay u. 46, fcz. 5
Budapest, Hungary
Tel: 36-1-218-6020
Fax: 36-1-217-6598
ladympex@axelero.hu

Exporter/Importer

Ivanyi Bujdos
Sales Director
HERBAPlus
1151, Harsanyi K., u. 83
Budapest, Hungary
Tel: 36-1-307-5269
Tel: 36-1-308-1500
ivanyia@herbaplus.hu

Importer

Monika Bujdos
Purchaser
HERBAPlus
H-1151, 83 Harsanyi K. Str.
Budapest, Hungary
Tel: 36-1-305-3568
Fax: 36-1-305-0070
bujdosom@herba.hu

Importer

Pribil Gyorgy
Pacific Ocean Tartositoipari Kft.
2600 Vac. Derecske dulo 6.
Budapest, Hungary
Tel: 36-27-315-557
Fax: 36-27-315-557
pribil@pacific.hu

**Jam Information
Exporter**

Mariana Wigand
Association of Herb Producers and Processors
Memesi u. 44
Budapest, Hungary
Tel: 36-372-6200/6477
gyszt@omega.kee.hu

Herb & Spice Information

Endre Kovacs
Translator (plus does agricultural consulting)
General Manager
Transtrade
H-2890 Tata, Nagysandor J. U. S.
Hungary
Tel: 36-34-487-009
endrek@axelero.hu

**Translator & Agricultural
Specialist**

Appendix III. EU Websites

The project team traveled to Brussels on January 12, 2004 to meet with European Commission representatives to obtain EU agricultural trade policy information, which could be used in conjunction with this report regarding export competition and market opportunities for Egypt.

The purpose of this appendix is to provide Egyptian exporters with websites obtained from travel to Brussels, which include regularly updated EU regulations and tariffs. The European Commission develops and operates several databases in conjunction with Member States' Customs and Taxation Services. The databases are part of the information systems of Taxation and Customs Union and can be found at:

http://europa.eu.int/comm/taxation_customs/databases/database.htm

Some of the more useful electronic databases are:

- **TARIC – Integrated Community Tariff**
- **QUOTA – Tariff Quotas and Ceilings**
- **BTI – Binding Tariff Information**
- **TRANSIT – Transit Customs Offices**

Descriptions of the websites are as follows:

TARIC

One of the more useful databases is TARIC, the Integrated Tariff of the Community. This database contains a nomenclature in all 11 official languages with about 15,000 tariff lines. It shows all third country and preferential duty rates actually applicable as well as all commercial policy measures. For example, the database can be used by Egyptian exporters to obtain tariff information for products it exports to the EU as well as for products exported by competitor countries.

The TARIC comprises the Community legislation as published in the Official Journal of the European Union. It constitutes an instrument for practical use and information, but does not have a legal status in itself. The TARIC serves as a direct basis for the preparation of Member States working tariffs. Another field for the application of TARIC codes is in automated customs clearance. The use of the TARIC codes is obligatory in customs and statistical declarations in trade with third countries.

The database can be found at:

http://europa.eu.int/comm/taxation_customs/dds/cgi-bin/tarchap?Lang=EN

The TARIC query screen allows you to:

- Browse the TARIC publication at any simulation date in the past
- Ask the description context of a specific TARIC code (10 digits)
 - Can enter 6 digits, which are common for most countries, to obtain codes and descriptions for products up to 10 digits.
- Ask the duty rates for a specific TARIC code (10 digits) for one country or all countries
 - In case of import into the EU enter the country of origin of goods (such as Egypt) or leave the field empty to display the community tariff for all possible origins.
 - In case of exports from the EU enter the country of destination of the goods, or leave the field empty to display the community legislation for all possible destinations.
- Ask the restriction for a specific TARIC code (10 digits) for one country or all countries

Quota

For a number of products, a reduction of the customs duty payable is allowed for limited quantities of imports. This limitation takes the form of tariff quotas or of tariff ceilings. Tariff quotas may apply to imports of a specified origin, normally within the framework of preferential tariff arrangements, or to imports of all origins. Recourse to tariff ceilings is normally confined to preferential tariff arrangements.

As the EU is a customs union, tariff quotas and ceilings are managed centrally by the Commission. Taxation and Customs Union DG performs this management in the Commission's name, except in the case of tariff quotas managed by import license, in which case the management is normally the responsibility of Agriculture DG.

The database for tariff quotas and ceilings on the EUROPA web site displays the balances of each tariff quota and ceiling applicable in the present year and in the past year. It also indicates certain other important information, such as the date when a particular tariff quota or ceiling is reached. This information is subject to constant change as a result of the daily operations, which take place. The information on the EUROPA

web site is taken on the evening of each working day and is therefore correct at that time. It remains on the web site until the evening of the following working day.

This website can be found at:

http://europa.eu.int/comm/taxation_customs/dds/en/qotcau.htm

BTI

The main objectives of Binding Tariff Information are:

- Providing appropriate legal guarantees to traders
- Ensuring the uniform and correct application of the customs and statistical nomenclature in the whole Community
- Allowing the duty-rates to be established at importation, as well as the application of any other legal provisions which depend on the classification
- Allowing the use of import/export certificates or of advance-fixing certificates under the Common Agricultural Policy, or the calculation of export-refunds, etc.

This website can be found at:

http://europa.eu.int/comm/taxation_customs/databases/bti_en.htm

http://europa.eu.int/comm/taxation_customs/dds/en/cbticau.htm

TRANSIT

The Transit Customs Office List (COL) Home page comprises the list of authorized customs offices for Community/common transit operations. The information on this site is based on the data provided by the competent authorities.

This website can be found at:

http://europa.eu.int/comm/taxation_customs/dds/en/csrhome.htm