CBI MARKET SURVEY

The spices and herbs market in Hungary

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments in the spices and herbs market in Hungary. The information is complementary to the information provided in the CBI market survey 'The spices and herbs market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1 Market description: consumption and production

Consumption

To give an idea of the demand for different product groups, apparent consumption (production + imports - exports) is calculated. Please apply these data with care, as they can only be used as an indication of the market. Also see chapter 1 of the CBI market survey covering the EU market.

Hungary is a large-sized consumer of spices and herbs in the EU, accounting for 12% of total EU consumption of the selected spices and herbs. In 2008, the country consumed over 40 thousand tonnes. Consumption of spices and herbs in Hungary decreased on average by 7.9% annually. However, after a period of decline, apparent consumption increased in 2007 and 2008.

This same development was seen in the apparent consumption of paprika, chillies & allspice, by far the most important product group in Hungary. Paprika is considered to be the country's national spice. Apparent consumption declined by 9.6% annually on average and amounted to 34 thousand tonnes in 2008. The market for spice seeds, the second-largest product group, was less dynamic. It fluctuated somewhat and amounted to 2.7 thousand tonnes in 2008.

The consumption of pepper, the third-largest product group, increased moderately by 3.9%, reaching 1.0 thousand tonnes in 2008. Of the less consumed product groups, most experienced growth, especially turmeric (59 tonnes) and vanilla (3 tonnes). Consumption of mixtures (468 tonnes), cinnamon (165 tonnes) and ginger (82 tonnes) fluctuated strongly. Apparent consumption of saffron is not available; however the market for it is very small.

Consumption of other spices and herbs, including mixtures, fluctuated strongly and reached 2.3 thousand tonnes in 2008.

Industry sources indicate that there is still a lot of uncertainty on the market due to the recent economic crisis, and that traders are reluctant to build stocks. There is an overriding hesitance in making predictions on how the spices and herbs market will develop in the coming years.

Consumption trends

Hungary's continued economic growth has increased consumer incomes and bolstered the country's retail grocery and foodservice sectors. Furthermore, an ageing population and a growing health consciousness contribute to increases in demands for healthier foods. However, Hungarian traditional eating habits remain widespread. In general, Hungarian consumer tastes and trends follow the same path as the rest of Europe, featuring fast-paced lifestyles which lead to growth in convenience food, packaged food and take-outs.

The rise of income in Hungary also influences the consumption of organic spices and herbs, which are generally more expensive than conventional produce. Demand for more expensive and luxurious products generally increases when more people have the means to pay for them. On an EU level, the Hungarian organic market is still very small. Organic food sales reached € 20 million in 2006. Nevertheless, after Poland and Czech Republic, it is the third East European organic market. Although exact figures are lacking, it is clear that the market for organic spices and herbs in Hungary is also very small. This is mainly due to the fact that organic spices and herbs are more expensive than conventional spices and herbs, as the price of these products is still a major challenge for many Hungarian consumers. However, along with the economic development of Hungary, it is expected that the market for organic spices and herbs will grow.

The economic crisis did result in a scaling back in consumption; however, this does not immediately translate into a fall in apparent consumption of spices and herbs. Spices and herbs are also used in cheaper food products.

For more information on consumption trends, please also refer to the CBI survey covering the EU market for spices and herbs.

Production

After Romania, Hungary is the second largest producer of spices in the EU. This mainly concerns the production of paprika, chillies & allspice. The statistical database of the Food and Agriculture Organization of the United Nations (FAOSTAT) reports a total spice production of 37 thousand tonnes in 2008, indicating an annual average decrease of 9.7% between 2004 and 2008. This decline was caused by a fall in the production of paprika, chillies & allspice. In 2008, this amounted to 33 thousand tonnes. Other products produced in Hungary are spice seeds (2.8 thousand tonnes) and other spices and herbs, including mixtures (1.6 thousand tonnes). Production of both increased somewhat during the review period.

The statistical agency of the EU (Eurostat) indicates that the cultivation of officinal herbs, aromatic plants and plants for seasoning increased strongly by 31% to over 16 thousand tonnes in 2008. This makes Hungary a relatively large EU cultivator of these herbs. A considerable amount of herbs is collected in the wild in Hungary, although most is used for medicinal purposes.

According to the European Herb Growers Association (2006), herbs which are commonly grown in Hungary are caraway, fennel, aniseed, dill, summer savoury and coriander. Especially, aniseed and caraway are also wild collected.

Production trends

Organic farming is growing considerably. In 2007, the organic area totalled 122 thousand hectares, accounting for 2.9% of total agricultural land. This area has been increasing for years. A large majority (90%) of the organic products is exported. Organic cultivation of officinal herbs, aromatic plants and plants for seasoning is only a fraction of this, 188 ha in 2008. Another 23 ha is still under conversion.

Furthermore, the trends which have been described in the CBI market survey, covering the EU spices and herbs market, are also applicable to Hungary.

Opportunities and threats

+/- Hungary is a large market for spices and herbs. However, this mainly concerns the consumption of paprika, chillies & allspice, which is produced in Hungary on a large scale, limiting opportunities for developing country (DC) suppliers of this product.

+/- Most other product groups experienced a growing apparent consumption, however, markets are very small.

- Opportunities for DC suppliers are limited in the organic market, as the organic market for spices and herbs is still very small. Besides, Hungary produces organic herbs itself and in general 90% of the Hungarian organic products is exported.

For more information on opportunities for and threats to exporters in developing countries, stemming from trends and patterns in consumption of spices and herbs, please refer to chapter 7 of the CBI market survey, covering the spices and herbs market for the EU.

2 Trade channels for market entry

Spices and herbs, mostly entering the EU as whole, un-ground products, share the same trade channels. The most important partners for developing country exporters to the EU are a small number of specialised importers and brokers, many of whom are located in The Netherlands and Germany. Organic spices and herbs are most often imported by importers specialised in organics. Direct trade by processors and, to a lesser degree, food processors has become more prevalent, but here large and consistently high-quality volumes are relevant. It should be noted that in Hungary a more substantial part of spices and herbs is imported from traders in other EU countries, instead of directly from developing countries. The most important end-users are the retail sector and the catering sector, and especially the food-processing industry.

The main trade channels for spices and herbs are shown and further explained in the CBI market survey covering the EU market for spices and herbs. It should be noted that, throughout the various trade channels, different prices and margins apply to spices and herbs. There is no specific information about the prices and / or margins for spices and herbs in Hungary.

Companies which could be of interest include:
- Bio-Drog-Berta KFT - http://www.bioberta.hu
- Szegedi Paprika CCo - http://www.szegedipaprika.hu/english/frame

Good Internet sources for encountering trade partners in Hungary, like importers, agents and processing industries are the following:
- Food world - http://www.thefoodworld.com - an extensive on-line food business directory, with full EU coverage. Condiments, spices and herbs are a separate product group.
- Europages - http://www.europages.com – on-line business directory, with full EU coverage. Condiments, extracts and spices are a separate product group, falling under the category of 'Food & related products'.
- HerbImporters.com - http://www.herbimporters.com - provides contact information of 135 European importers of herbs and herbal medicine products at a cost of US$15.
- SpiceImporters.com - http://www.spiceimporters.com - provides contact information of 220 European importers of spices, seasoning and flavouring at a cost of US$20.

On line market places such as those below are also useful:
- Agronetwork.com - http://www.agronetwork.com/global
- Organic-market.info - http://www.organic-market.info – on-line magazine for organic trade.
- Spices Trade world - http://spices.tradeworlds.com
- IngrIDnet - http://www.ingridnet.com - for ingredient suppliers.

For information on *prospects* for the spices and herbs market in Hungary:
- FAO's statistical database FAOSTAT, available at http://faostat.fao.org – is a valuable source.
- Furthermore, Hungarian trade associations mentioned in section 6 of this survey, and the Hungarian statistics agency (http://portal.ksh.hu/portal/page?_pageid=38,119919&_dad=portal&_schema=PORTAL) can be a source of information.

- The 2004 IENICA report is somewhat outdated but still offers relevant information. It describes the situation for the spices and herbs market in Hungary and other EU member countries - http://www.ienica.net

3 Trade: imports and exports

Imports
Hungary is an average-sized importer of spices and herbs in the EU, accounting for 1.6% of total EU imports in 2008. Imports amounted to € 18 million/ 6.9 thousand tonnes, signifying an annual increase of 13% in value and 9.0% in volume in the period 2004-2008.
The increase in total imports is the result of a large rise in imports from other EU countries, indicated by an annual average growth of 19% during the review period. Moreover, in 2008, a large majority of imports came from EU countries (76%). About 23% of imports was sourced in DCs, while in 2004 DC supplies accounted for 37% of total imports. This is due to Hungary's entry into the EU in 2004 when other EU countries became more accessible as suppliers. However, notwithstanding the impact of Hungary's accession to the EU, in recent years, import values from DCs remained stable.

Austria was the leading supplier in 2008, accounting for 23% of total imports by Hungary, followed by The Netherlands (16%), Serbia (14%) and Spain (14%). Imports from China increased considerably, indicated by an annual average growth rate of 70% and accounting for 6% of total imports.

Paprika, chillies & allspice was the largest product group imported (49%), followed by pepper (27%) and mixtures (14%). Of all spices and herbs imported, turmeric grew most by 26% in value and by 21% in volume, although accounting for less than 1% of total imports. Another small but fast grower, at least in volume terms, has been vanilla. The imports of paprika, chillies & allspice showed a considerable annual growth in both value (13%) and in volume (12%). Pepper showed a strong increase in terms of value (22%), but remained stable in terms volume. Imports of mixtures indicated a steady growth, showing an 8.6% increase in terms of value during the review period, while showing an annual increase of 10% in terms of volume.

Exports
Total exports were estimated at € 11 million, amounting to 3.6 thousand tonnes in 2008. With a market share of 1.5%, Hungary is among the average-sized exporters of spices and herbs in the EU. In contrast to the growing total EU export of spices and herbs in the period 2004-2008, exports by Hungary witnessed an overall decline, both in terms of value (3.5%) and in terms of volume (6.4%).

The large majority of exports from Hungary was directed to EU countries (87%). Over two-fifths of the exports are supplied to Germany (42%), followed by Slovakia (11%) and the Czech Republic (9%).

Opportunities and threats
+/- Spices and herbs imports have increased considerably in Hungary. However, the size of total imports in relation to the size of the consumption market is rather small, because of the relative large production in Hungary itself. These developments are directly linked to paprika, chillies & allspice imports. This product group is widely consumed and produced in Hungary.

\- Although total imports are increasing, Hungary imports spices and herbs mostly from intra-EU countries. Considering the impact of Hungary's accession to the EU, this is likely to endure. Therefore, Hungary is becoming less interesting to DC exporters of spices and herbs.

+/- Product groups which experienced highest import growths are turmeric and vanilla, however their markets are very small.

- Uncertainties on the markets, due to the recent economic crisis, give rise to developments in consumption and production which are not entirely foreseeable. It is not clear how and to what extent this can affect the trade in spices and herbs to and within the EU.

Exporters should take into account that the same trend can be an opportunity for one exporter and a threat to another. Please, review these opportunities and threats according to your own situation. Chapter 7 of the CBI market survey 'The market for spices and herbs in the EU' presents an example of an analysis of whether a trend/development is an opportunity or a threat.

Useful sources

- EU Expanding Exports Helpdesk - http://exporthelp.europa.eu
- Eurostat – official statistical office of the EU - http://epp.eurostat.ec.europa.eu
- Understanding Eurostat: Quick guide to easy Comext

http://epp.eurostat.ec.europa.eu/newxtweb/assets/User_guide_Easy_Comext_20090513.pdf

4 Price developments

Prices of spices and herbs can be found in the CBI market survey covering the EU market, as the indications of prices given there do not differ from those in Hungary. Prices of spices and herbs depend on origin and buyer preferences (quality demanded, order size etc.), and on negotiations with partner companies. Prices provided in the market survey covering the EU should be used as a reference point only. Margins charged by different intermediaries are influenced, among others, by the type of spice or herb, current and expected future harvest situation, availability and number of sources, the level of demand and trends in prices.

Useful sources for price information are:

- ITC Market News Service (MNS) - http://www.intracen.org/mas/mns.htm
- Public Ledger - http://www.agra-net.com
- International Pepper Community - http://www.ipcnet.org
- Indian Spices Board - http://www.indianspices.com

5 Market access requirements

As a manufacturer/ supplier in a developing country preparing to access Hungary, you should be aware of the market access requirements of your trading partners and the Hungarian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select spices and herbs and Hungary in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm

Information on tariffs and quota can be found at http://exporthelp.europa.eu

The standard VAT rate in Hungary is 25%. A reduced rate of 18% applies to basic foodstuffs.

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Hungary, visit the following websites:

Trade associations

- Federation of Hungarian Food Industries / Élelmiszerfeldolgozók Országos Szövetsége (FHFI) - http://www.efosz.hu

Trade press

No trade press of interest was encountered in Hungary.

Trade fairs

- Foodapest - http://www.foodapest.hu/index.php?action=m10akt&lc=en - International Food, Drink and Hospitality Exhibition. The most recent event was held February 2010 in Budapest, Hungary.
- UKBA - http://www.ukba.hu/2008_kiallitas.php – International Confectionery, Bakery and Gastronomy Show. The most recent event was held February 2010 in Budapest, Hungary.

Other

- A possible source of cultural specifics of Hungary could be: http://www.kwintessential.co.uk/resources/global-etiquette/hungary-country-profile.html
- Information on Hungarian business culture can be found at: http://www.worldwide-tax.com/hungary/indexhungary.asp, or: http://www.businessculture.com/hungary/index.html

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