



Prepared by:
U.S. Embassy Vienna

Date: 12-May-1999
GAIN Report #HU9006

A faint, light-colored outline map of the world is centered in the background of the page, showing the continents and major country borders.

Market Brief - Sector

Hungary : Exporting to Certain Retail Chains

This report was prepared by the USDA's Foreign Agricultural Service for U.S. exporters of food and agricultural products. This information is in the public domain and may be reprinted without permission. Use of commercial or trade names does not imply approval nor constitute endorsement by USDA/FAS.

Vienna [AU1], HU

Summary

Most food products must be tested by the Hungarian food testing institute OETI before being permitted to enter the Hungarian market.

In general, hypermarkets belong to companies which at the same time run supermarkets. Most of the large food retail shops belong to foreign companies eager to increase the number of their outlets. In general, the food chains do not import directly but buy from local wholesalers. While local and EU products dominate the market, all chains offer at least some U.S. products. The most important U.S. products are rice, almonds, dried fruits, and whiskey. U.S. traders interested in selling to Hungarian food chains should offer their products to the corresponding head purchasers. In addition, U.S. exporters should send offers to Hungarian food wholesalers, many of which have business relations with the large food chains. Furthermore, it is useful to interest wholesalers in representing U.S. food products. This will ease the flow of U.S. products to the Hungarian market.

A. General

Excluding fruits and vegetables, it is mandatory for all food products to be tested by the Hungarian food testing institute OETI (address: Gyali ut 3/a, H-1097 Budapest, Hungary; phone: +36 (1) 215 4130; fax: +36 (1) 215 1545) before they are allowed to debut on the Hungarian market. The cost for such a test is approximately HUF 120,000 per commodity.

To begin the trial process, the importer applies for testing. If the product is in accord with Hungarian food regulations, it then receives a number (so called "OETI number"), under which it can be marketed for a three-year time period. After this period has expired, the product must be retested and issued a new number. The OETI number is always indicated on the label.

Labeling must be in Hungarian. In the case that retail packages are imported with labels written in English, the government requires that Hungarian label stickers be added. Labels should include the following information:

Name of product
Ingredients
Shelf life
Name and address of importer or distributor
OETI number

The Hungarian food market is dominated by local products. Among imported foods, products from the EU prevail. However, all larger food chains also offer some U.S. products. The main items coming from the U.S. are rice, almonds, raisins, and whiskey.

B. Food Chains

1. SPAR

Company Description

Spar Hungary Limited belongs mainly to the Austrian share holding company Spar with headquarters located in Salzburg, Austria. One-fifth of the Hungarian shares are owned by the cash & carry chain Metro, while Spar also controls 20 percent of the Hungarian Metro stock.

Spar Hungary possesses roughly 100 supermarkets and six hypermarkets. The latter are operated under the name Interspar and are located in Budapest (two outlets), Gyor, Szekesfehervar, Szentendre, and Debrecen. With an annual total turnover of HUF 20 billion, approximately 75 percent is attributed to foods. Spar predicts that their share (supermarkets and hypermarkets combined) of the entire Hungarian food market being somewhere between two and 4 percent.

Since Hungarians enjoy the large variety that hypermarkets offer, these stores are doing quite well. For this very reason, further hypermarkets have been planned. In 1999, Interspar will open four such markets in Nyiregyhaza, Pecs, Szombathely, and Zalaegerszeg.

Purchasing

Product selection and purchasing are carried out independently via the Austrian mother company. Spar Hungary does not carry out imports itself but does so through wholesalers. If Spar buyers are interested in a product, they ask an importer to purchase the product for them. Products are usually offered by wholesalers who do most of the warehousing; however, Spar also owns a storage facility of its own in Bicske/Budapest.

In order to be able to buy larger quantities and, consequently, achieve better prices, Spar and Metro order certain products from wholesalers by way of their joint company, Metspa.

In the near future, Spar Hungary intends to import products under its own name. In addition, when Hungary becomes an EU member, Spar Hungary will buy from its mother company in Austria.

U.S. exporters interested in selling to Spar Hungary should send product information to the head purchaser at the following address:

Gajdos Bela
Spar
Puskas Tivadar u. 9 Pf.: 312
H-2040 Budaors

Phone: +36 (23) 508 000 or
+36 (23) 508 099
Fax: +36 (23) 508 045

If Spar is interested in a product, it will buy the good via a local importer. The importer would also have to oversee the official registration, which is a precondition for marketing the product in

Hungary.

Promotion

Spar Hungary advertises products in various newspapers and distributes two separate editions of biweekly flyers. In addition, it carries out in store promotions, which are usually initiated by wholesalers. Spar Hungary is interested in the fact that in-store promotions for certain products are carried out repeatedly, and not just once.

U.S. Products

Spar Hungary has few U.S. food products in stock, but a relatively wide assortment of U.S. alcoholic beverages is available. California wine, however, is not included in their assortment. The following U.S. products are sold: Hawaiian pineapples, rice (Uncle Ben's); Seven Crown, Four Roses, Fames and Pepper, Early Times, Jack Daniels, and Jim Beam Bourbon whiskey, Smirnoff vodka, Seagram gin, and Bacardi rum.

2. TESCO

Company Description

In 1995, Tesco acquired several shops from Global TH, which became the basis for the new chain. Presently, Tesco has three supermarkets and five hypermarkets. The latter have nearly 9,000 square meters each and are located in Budapest (two outlets), Szekesfehervar, Szeged, and Kaposvar. Headquarters are located in Budaors, near Budapest.

With more than 20,000 products in stock, the food assortment is very large. In regards to turnover, Tesco ranks number five among Hungarian food retailers and continues to climb. By the end of 1999, four additional hypermarkets in Niregyhaza, Pecs, Debrecen, and Miskolcs will be opened, and six additional openings are planned for 2000.

In contrast to most other large food retail companies, Tesco has a large selection of fresh seafood in three of its four hypermarkets. A majority of the seafood offered is European and Chinese carp, which are produced in large quantities in Hungary. In addition, fresh seafood (particularly cod, salmon, crustacea, and shellfish), as well as frozen seafood, are also available.

Purchasing

Usually, Tesco does not import products directly but buys from wholesalers and importers who do the warehousing. Only around 400 products are imported by Tesco's foreign trade division in Gyöer from the mother company, located in England. For these products, small warehouses are available.

U.S. traders interested in supplying products to Tesco should contact the chief buyer at the following address:

Tesco
Ms. Emoeke Takacs
Chief Buyer
Szabadsag ut. 117
H-2040 Budaoers

Phone: +36 (23) 507 200

Fax: +36 (23) 507 222

If the chief buyer agrees to purchase a product, it will be imported through a wholesaler.

Promotion

Tesco frequently hosts in-store promotions. Promotion weeks previously held include weeks where gifts for children were distributed and various national weeks, e.g., English and German weeks. So far, an American week has not been sponsored. In addition, leaflets are distributed

biweekly. Suppliers interested in advertising in such leaflets pay between 300,000-400,000 forint per product and per circulation.

Tesco is interested in sponsoring American in-store promotional weeks and advertising U.S. catfish.

U.S. Products

Tesco has a large assortment of U.S. products that includes the following: jams, citrus jellies, barbecue, steak, spaghetti sauces, maple syrup, peanut products, cake mixes, muffins, various fudges, chocolate chips, various flavored instant meals, buttered pop corn, various flavored nut mixes, canned beans, Uncle Ben's rice, and assorted Bourbons whiskies. As with Spar, no Californian wines are being marketed. Because Hungary is such a large producer of high-quality wines, only a small niche market would exist for U.S. wines. Overall, Tesco is very interested in U.S. foods, especially seafood, and U.S. food shows. Regarding fresh seafood, Tesco is only interested in a continuous supply with two deliveries per week. Cold storage must be by the importer/wholesaler.

3. Auchan

Auchan is a French company with 426 supermarkets and 209 hypermarkets in 11 countries in Europe, America, and Asia. In Hungary, Auchan has only one outlet so far. It is a hypermarket of more than 10,000 square meters which was opened in April 1998 in Budapest. The total commodity range includes 50,000 items and the turnover reached HUF 24 billion in the first year. As the outlet is doing very well, two additional hypermarkets are under construction in the Budapest area. The company's plan is to have ten hypermarkets in Hungary by 2005.

Auchan's philosophy is to use as many local products as possible. Thus, the bulk of the turnover is achieved with products produced by Hungarian or local international companies. Only 5% of the total turnover is in imported products. Although the company is French-owned, only a few items come from France.

Purchasing

Auchan has no storage facilities for commodities. Except for a few items directly imported from France, all products are purchased from local wholesalers, who deliver once per week. U.S. traders may offer their products to the head purchaser at the following address:

Auchan Magyarorszag Kft.
Attn: Jean Sebastien Blum
Head Food Purchaser
Sport u. 2-4
2040 Budaoers
Hungary

If the head purchaser is interested in the offer, products must be imported through a local

wholesaler. Most U.S. items are imported by the firms listed on the last two pages. Auchan says it is advisable to make all offers also to these companies.

As Auchan is interested in a regular, long term supply, it is easier to get access to the company if a Hungarian wholesaler is the representative of the U.S. products.

Promotion

In-store promotions are usually value promotions, i.e. special offers at reduced prices. In addition, a bi-weekly leaflet with circulation of 300,000 is distributed. No national weeks have been carried out so far. Auchan would be interested in organizing American weeks. However, they would only promote U.S. products which are in continuous supply.

U.S. Products

Auchan's hypermarket has a whole row with five shelves of U.S. products. The U.S. assortment is considerably larger than the French one. According to the head purchaser, U.S. products are selling well, particularly ethnic foods. Besides the latter, the U.S. assortment includes: peanut butter, pop corn, chocolate sauce, maple syrup, canned beans, asparagus, barbecue sauce, marshmallows, nuts, almonds, dried fruits, and several Bourbons whiskies. In the head purchaser's opinion, Hungarians prefer Bourbons to Scotch.

Importer/Distributors of US Food Products

Amero-Kommersz Kft.
Attn: Ferenc Gergely
Tetenyi ut 38/B
H-1119 Budapest

Phone: +36-1 206-5504
Fax: +36-1 203-2201

Bako Hungaria Ltd.
Attn: Vera Lantos
II. Rakoczi F. u. 2.
H-2310 Szigetsziklos-Lakihegy

Phone: +36-2 447-5475
Fax: +36-2 447-5111

Blue Tulip Ltd.
Ulloi ut 81.1113
Attn: Mr. Karoly Menyhart
H-1091 Budapest

Phone: +36-1 216-8006
Fax: +36-1 216-0553

Delforg Export-Import Co.
Attn: Gyula Sandor
Gyali ut 37
H-10197 Budapest

Phone: +36-1 357-1121
Fax: +36-1 280-6334

Eurobusiness
US-Hungarian Trading Ltd.
Attn: Tamas Reich

Balogh Adam koz 7.
H-1025 Budapest

Phone: +36-1 394-4393
Fax: +36-1 394-4343

Heinz Kecskemet Canning Factory Ltd.
Attn: Tamas Csongovai
PO Box 9.
H-6+1 Kecskemet

Phone: +36-7 648-1381
Fax: +36-7 648-1233

Intercooperation Co. Ltd.
Attn: Tamas Sugar
Kesmark u. 11-13.
H-1 158 Budapest

Phone: +36-1 416-0415
Fax: +36-1 416-0366

Riceland Trading Co. Ltd.
Attn: Zoltan Konrady
Bank Center, Park Tower,
2nd floor
H-1 944 Budapest

Phone: +36-1 302-9292
Fax: +36-1 302-9291