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Hungary

Fresh Deciduous Fruit

Annual Report

2005

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Report Highlights:

The apple crop for 2005/2006 will be 32% lower than last year at 440,000 to 470,000 MT. Cold, rainy weather in May spoiled fruit setting during pollination, and humid, cool weather throughout the summer resulted in extensive fungus infestations. Domestic and export demand will be met with supplies. However, juice concentrate production will be lower.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1]
[HU]

Weather

Cold, rainy weather in May spoiled fruit setting during pollination. Humid and cool weather throughout the summer resulted in extensive fungus infestations. The start of the fruit harvest will be delayed by weeks, and this will increase the risk of frost damage.

Production

The processing industry and the Government of Hungary (GOH) expect a reduced crop for 2005/2006 with a drop from 680,000 MT to 440,000-470,000 MT this year. Apples will be smaller than the previous year, and fungus and wind damage have spoiled the appearance of the fruit. The share of graded table apples will be lower than average years. However, domestic and export demand for fresh product will be met. According to a recent agricultural census, the structure of Hungary's apple varieties is still dominated by traditional varieties as follows:

Jonathan types	55.0 %
Of which	
Jonathan	32.5 %
Idared	13.5 %
Delicious types	13.5 %
Of which	
Starking	6.8 %
Golden types	21.1 %
Other varieties	10.4 %
TOTAL	100.0 %

Inputs

Under the EU's Common Agricultural Policy (CAP), Hungarian apple producers get the "basis area payment" of the Single Area Payment Scheme (SAPS). This amount (per hectare) was 25% of the direct area payment of the EU15 countries' farms in 2004 and 30% in 2005. However, in the EU15 countries, area payment does not apply to orchards only on arable land and grasslands. Hungary may use this payment under the SAPS until 2007, when the country may change for the Single Farm Payment Scheme (already introduced in some EU15 countries). The above basic area payment enjoyed by Hungarian orchard farmers was HUF 18,000/ha (USD 90.0/ha) in 2004 and would be HUF 19200/ha (USD 98.0/ha) in 2005.

Apple producers may apply for further infrastructure (irrigation, storage), marketing, and environmental support under different CAP programs via their sales organizations (cooperatives).

The Government of Hungary has issued the rules for applying the EU regulation concerning the removal of products from the market in case of overproduction. Product removal may be used for table apples (up to an administrative ceiling). Producer sales cooperatives may withhold certain amounts of product from the market under EU support (but the apples can not end up in commercial channels).

Consumption (Apples)

Domestic consumption of fresh apples decreased from 25-30 kg/year per capita in the early 1990s to about 12 kg in 2002. Reasons include the increased competition from tropical and off-season fruit, as well as weaknesses in the Hungarian domestic fresh apple supply. During recent years, domestic table apple consumption has increased slowly. However, imported off-season fruit is supplying part of this demand. In addition, inexpensive Polish apples may become competitive with domestic table apples given both countries recent EU accession.

Hungarian producers were not interested in grading and storing their product in past years. Depressed prices in supermarket chains were hardly above bulk crushing apple prices. Moreover, because Hungary lost its table apple market in the Former Soviet Union countries and is unable to compete in western European markets, there is no real pressure to change varieties and technology.

Prices

According to the analyses of a Hungarian research institute (Research Institute For Agricultural Economics [AKII]), there are big differences between the farm producer prices, the sorted and packaged producer prices, the consumer market prices, and retail (hypermarket) prices.

Producer and market prices of apple (Golden D) HUF/kilogram, 2003-2004

	2003	2004
Producer price for processing*	19.0	10.8
Producer price for table apple	12.1	18.5
Sorted wholesale price	131	154
Consumer (farm) market	142	159
Hypermarket	172	171

* These prices include the HUF 5.0/kg government subsidy

Note: USD 1 was equal HUF 224 for 2003 and HUF 200 for 2004

Trade

The imports of fresh apples decreased in 2004 and 2005. The main suppliers included Italy, Austria, and Netherlands. Slowly increasing off-season imports (from Chile, Argentina, and South Africa) are hard to track because of their small volume purchases from west European importer-distributors.

Exports increased in 2004-2005, particularly to north and neighboring EU countries. A major third country buyer for Hungarian apples is Romania.

Apple Juice

Production

More than half of Hungary's commercial apple crop goes for further processing. The majority of it goes to juice production. Juice concentrate stocks were high during the second half of 2004 due to depressed international market prices. The stocks have dried up by now, and growing industrial apple prices are harbingers for a better season. Total juice production in 2005, however, will be lower than in 2004 due to the reduced apple crop.

Consumption (Juice)

Domestic fruit juice consumption in Hungary is slowly increasing, although the cool 2005 summer did not support the soft drinks sector. Per capita fruit juice consumption is about 8 liter/year. This compares to Austria at 30 liter/year and Germany at 38 liter/year. The most popular kinds of fruit are oranges, peaches and apples. However, mixes and fruit vegetable mixes are on the rise. The competition between producers and brand names is highest among fruit juices and the fruit drinks segment. The Hungarian Food Codex sets three categories: fruit juice (made of 100% fruit, with no additives), nectar (high percentage of fruit [peach, pears 50%; black currant 25% etc.] additives may only be citric acid or lemon juice and/or sugar), and fruit drinks (low fruit content, additional additives [colorings etc.] permitted). Hungarian consumers are not yet knowledgeable about the differences, and this is why the misuse of terms is frequent (particularly at restaurants/bars).

Production costs

EU membership increased competition and reduced the prices for Hungarian fruit juice producers. Competition from Greece and Italy has lowered prices for peach, pear, apricot, and grape concentrates. Production costs of juice makers increased by the growth of import tariffs from 7 to 12.5 percent and the price of sugar. Increases in the environmental fee on (non-recycled) packaging materials and the strong national currency have also had a negative affect on the fruit juice sector.

Trade

The main markets for Hungary's apple juice concentrate are Germany, Austria and the United States. The United States imports USD 8-14 million worth of concentrate from Hungary annually.