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## Hungary

### Fresh Deciduous Fruit

### Situation and Outlook

**1999**

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**Report Highlights:** Hungary's ability to export table apples has decreased in recent years. Imports of table apples are low and consist of off-season fruit from the Southern Hemisphere. A slow decline in overall apple production will result in decreased juice concentrate production. Hungary imports processing apples from neighboring countries and does toll processing for them as well. Government export subsidies focus on concentrate sales.

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Includes PSD changes: Yes  
Includes Trade Matrix: Yes  
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## Summary

The new apple crop will be just under the previous harvest's, but the outlook in the longer term is for steady decline. A producer preference for selling bulk apples for juice rather than quality table apples for the domestic and export markets is continuing.

Government export support is focused on juice concentrate, as well. Investment supports to renew orchards are accessible for the financially strong farms and corporations only.

## Production

### Weather

Weather conditions were good in the pollination period in Spring 1999. Rainy weather afterwards developed a good to average crop. The quality of the crop, however, was spoiled by repeated hailstorms and strong winds in the main producing regions. Aging orchards receiving inadequate chemical treatments and in this cool and humid season were hit by extensive fungus infestations.

### Inputs

The main bottlenecks of production remained the same in the Hungarian apple production in 1999. Technology levels of the scattered, tiny orchard properties vary greatly. This fact makes cooperation among them difficult. Having no government credit programs for financing the current assets, farms choose the low cost, low value production resolutions, such as minimum input use and investments, bulk sales, and so on.

Only fertilizer application increased a bit, from 57 kg active ingredient/ ha in 1997 to 65 kg/ha in 1998. Orchard renovation and new planting was limited to only a few hundred hectares in each of the last years.

### Crop Quality

The 1999 apple crop is expected to be under the previous year's level partly because of the natural cycle of the dominant Jonathan variety. Some of the leading commercial farms produce new varieties but nearly the half of the overall crop is still Jonathan.

As the desire of most farms is to sell bulk meets the needs of juice concentrate producers on a shrinking market, the "culture" of how to sell table apples has not developed among domestic producers (see also under Marketing.)

The overall storage (cold and controlled atmosphere) capacities would be sufficient but the adverse economic environment and poor management of marketing channels have driven owners to store general cargo other than apples in them.

Government support for new orchard investments is not accessible to most farms. The current pace of investment activities cannot change the inadequate variety pattern and cannot stop the decline of Hungary's total apple production, either.

## Prices

The government paid HUF 6/kilogram support for processors who purchased apples above the HUF 18/kg trigger price in 1998. The industry received budget support for the interest paid on loans used to purchase the raw material, as well. Currently the Apple Producers Association, the representatives of the processors, and the Ministry of Agriculture and Regional Development are negotiating on support levels for processing apples for the 1999/2000 season. Table apples do not enjoy price support.

While producer prices of processing apples are about HUF 24-28 /kg (including the subsidy) current table apple prices on wholesale markets are about HUF 50-150/kg (USD 1 equals HUF 240).

## **Trade**

### **General**

Hungary's fresh apple sales sank to a lowpoint of 3,000 MT in 1998. CY1999 exports may be somewhat better, due to increased purchases by Romania in the beginning of 1999. Reasons behind the decline in fresh apple exports lie in the glutted EU processing apple markets and the limited quality competitiveness of Hungarian table apples.

Concerning imports, government regulations bar cheap processing apples from neighboring countries during the prime juice production season, but still apple imports rose to double of export sales. Hungarian processors perform toll processing for Ukraine and Romania. To avoid the misuse of this raw material import concentrate, re-export scheme, the government banned toll processing during the main processing season of the domestic crop.

Sources of off-season table apples are some Southern Hemisphere countries, mainly Chile and South Africa, and EU countries with better storing and marketing.

According to official statistics, the main markets for Hungarian apple juice concentrate were Germany, Austria and the U.S. Import sources of apple juice concentrate were Romania and Slovakia.

### **Export Subsidies**

The government issued a revised system of agricultural export subsidies as of January 1, 1999. Subsidy levels and the scope of commodities affected are lower than in 1999. Additionally, subsidies are granted either for a period of time or for a quota of products exported. By these measures and by establishing a separate office, the Agricultural Intervention Office, the government is seeking to keep the soaring demands of the farm sector for support under control.

Subsidy levels of apple commodities are HUF 20/kg for Apple Juice Concentrate (HS 2009 7019 and 7099) and HUF 12/kg for 100% Apple Juice, in max. 2 liter pack (HS 2009 7099).

### **Tariff Changes**

As of January 1, 1999, the government introduced the new Hungarian Tariff Schedule. The new schedule follows the previous structure: the first (I.) is the GSP column for tariffs on imports from developing countries, the second (II.) column contains the MFN tariffs, and the third column (III.) contains the preferential tariffs based on free trade agreements with the EU, EFTA, CEFTA (Poland, Czech Republic, Slovakia, and Slovenia), Turkey and Israel. If no tariff is set for the 3rd sub-columns, the MFN tariff must be imposed.

In separate orders, the GOH announced further preferential tariffs under quota (TRQ) for imports from:

The EU and CEFTA (Order #17/1998 Dec. 4.)

All countries (unilaterally given quotas) (Order #20/1998 Dec. 17.)

#### **Tariff levels of fresh apples and fruit juice and concentrate:**

	<b>Fresh Apples</b>		<b>Fruit Juice and Concentrate</b>	
	<b>Tariff %</b>	<b>Quota MT.</b>	<b>Tariff %</b>	<b>Quota MT.</b>
<b>I.</b>				
GSP Tariffs			41	
<b>II.</b>				
MFN Tariffs	58.6		43	
<b>III.</b>				
GATT TRQ Tariffs	25	7420	20	8438
CEFTA Tariffs			12	
EU TRQ Tariffs	25	600	19	470

Note: GATT and EU import quotas are set for apples, pears and quince

## **Policy**

The government provides a 40-percent subsidy on the costs of orchard investment and an additional 5 percent if the investment is a part of a cooperative venture (i.e. integrated production). Investments accomplished in an underdeveloped region of the country enjoy additional support (5 % of the costs of the investment). On the top of specific support, agricultural investment receives several kinds of across-the-board subsidies such as partial or full reimbursement of interest on production loans.

Despite these government subsidies, farms cannot finance much new investment. The land is not subject to mortgage, which is why banks want a high bank deposit as collateral from farms. Farms have chronic liquidity and profitability problems, so they are not capable of self-financing of new investment. Thus into the foreseeable future, Hungary's apple crop and apple juice basis will continue its slow decline.

## Marketing

Domestic table apple sales are on the decrease. Demand for off-seasons and good quality apples have increased but purchases of unsorted, cheap apples have dropped considerably. On the supply side, the new owners of privatized commercial orchards are unable to finance the change of containers and other packaging materials (paper trays etc.) and the storage and grading costs of quality table apple production. The conservative fruit wholesale and retailing sector does not want to share these costs either and most farms are not creditworthy at banks. The only exceptions are the fruit and vegetable departments of super- and hypermarkets which offer a safe but very competitive marketing option for the best producers.

PSD Table						
Country	Hungary					
Commodity	Fresh Apples				(HA)(1000 TREES)(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Area Planted	18000	18000	18000	18000	0	18500
Area Harvested	18000	18000	18000	18000	0	18500
Bearing Trees	10000	10000	10000	10000	0	11000
Non-Bearing Trees	1300	1200	1200	1200	0	600
Total Trees	11300	11200	11200	11200	0	11600
Commercial Production	300000	270000	270000	250000	0	220000
Non-Comm. Production	200000	230000	200000	200000	0	200000
TOTAL Production	500000	500000	470000	450000	0	420000
TOTAL Imports	18000	45000	20000	8000	0	6000
TOTAL SUPPLY	518000	545000	490000	458000	0	426000
Domestic Fresh Consump	160000	165000	165000	162000	0	160000
Exports, Fresh Only	50000	26000	45000	4000	0	6000
For Processing	308000	354000	280000	292000	0	260000
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	518000	545000	490000	458000	0	426000

Import Trade Matrix			
Country	Hungary		
Commodity	Fresh Apples		
Time period	1998	Units:	Metric Tons
Imports for:			1
U.S.	0	U.S.	
Others		Others	
Ukraine	3249		
Austria	1678		
Italy	864		
Total for Others	5791		0
Others not Listed	2364		
Grand Total	8155		0

Export Trade Matrix			
Country	Hungary		
Commodity	Fresh Apples		
Time period	1998	Units:	Metric Tons
Exports for:			1
U.S.	0	U.S.	
Others		Others	
Germany	864		
Russia	467		
Finland	343		
Austria	268		
Netherlands	217		
Total for Others	2159		0
Others not Listed	1256		
Grand Total	3415		0

PSD Table						
Country	Hungary					
Commodity	Concentrated Apple Juice				(MT)	
	Revised	1997	Preliminary	1998	Forecast	1999
	Old	New	Old	New	Old	New
Market Year Begin		07/1997		07/1998		07/1999
Deliv. To Processors	308000	354000	280000	292000	0	260000
Beginning Stocks	0	0	0	0	0	0
Production	48000	53000	0	49000	0	44000
Imports	5000	14000	0	2000	0	3000
TOTAL SUPPLY	53000	67000	0	51000	0	47000
Exports	40000	54000	0	37000	0	33000
Domestic Consumption	13000	13000	0	14000	0	14000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	53000	67000	0	51000	0	47000