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Hungary

Fresh Deciduous Fruit

Annual

2002

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Report Highlights: The apple crop was hit both by spring frosts and summer drought in 2002 and the crop is the smallest in three years. Export and domestic sales are stagnating along with production. The main channel for apple processing is juice concentrate. In 2002, Hungary considerably reduced trade barriers for apple products imported from the EU.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Vienna [AU1], HU

PRODUCTION**Weather**

As in 2001, winter and spring frosts decimated apple flowers in 2002. A drought, which lasted until the end of July, has also reduced crop expectations. The quality of the fruit is good but the overall crop is the lowest in the last three years.

PS&D Fresh Apples

PSD Table						
Country	Hungary					
Commodity	Fresh Apples				(HA)(1000 TREES)(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Planted	18000	18000	175000	175000	0	174000
Area Harvested	18000	18000	175000	175000	0	174000
Bearing Trees	10500	10500	10000	10000	0	10000
Non-Bearing Trees	1500	1500	2000	2000	0	1500
Total Trees	12000	12000	12000	12000	0	11500
Commercial Production	450000	450000	260000	375000	0	295000
Non-Comm. Production	250000	250000	160000	230000	0	175000
TOTAL Production	700000	700000	420000	605000	0	470000
TOTAL Imports	6000	6000	7000	4100	0	4500
TOTAL SUPPLY	706000	706000	427000	609100	0	474500
Domestic Fresh Consump	140000	140000	120000	135000	0	140000
Exports, Fresh Only	7000	7000	6000	24500	0	20000
For Processing	559000	559000	301000	449600	0	314500
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	706000	706000	427000	609100	0	474500

PS&D Apple Concentrate

PSD Table						
Country	Hungary					
Commodity	Concentrated Apple Juice				(MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Deliv. To Processors	559000	559000	301000	449600	0	314500
Beginning Stocks	0	0	0	0	0	0
Production	82000	82000	47500	70000	0	50000
Imports	15000	15000	11500	10000	0	10000
TOTAL SUPPLY	97000	97000	59000	80000	0	60000
Exports	72000	72000	39000	50000	0	32000
Domestic Consumption	25000	25000	20000	30000	0	28000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	97000	97000	59000	80000	0	60000

Inputs

The Hungarian government is paying HUF 12,000 per hectare (about \$44/ha) in support for fruit producers in 2002. Farms may also receive investment support for planting orchards. The basic subsidy is 50 percent of the investment costs plus a medium-term loan with an interest rate that is 40 percent lower than the prime rate. In spite of state subsidies, investments into orchard planting are modest - slightly above 1,500 ha in 2001. A fire blight bacteria outbreak (which was first detected in Hungary in 1997) destroyed hundreds of hectares of apple orchards in 1999 and 2000. The government pays many of the costs associated with combating fire blight, such as chemical treatment and measures that help to prevent the spread of the disease.

Fertilizer use (in active ingredient kilograms) increased in 2001 to 90 kg/ha but it is still under the 127 kg/ha level that was reported in 1990.

Crop Quality

The quality of the 2002 crop thus far is good. Modern commercial orchards produce popular new table varieties but the overall crop is still dominated by the Jonathan variety. This is the major apple variety in Szabolcs-Szatmar-Bereg County which accounts for about 60 percent of total Hungarian production. Since Hungary lost its traditional table apple market in to FSU several years ago, and

growers have not been able to introduce Hungarian grown apples into western Europe, there is no real market pressure to change varieties and technology. Successful lobbying for higher minimum prices for the major industrial (juice) apples is a stronger motivation for many farmers than the expensive and risky investments in new varieties and growing techniques.

Domestic consumption of fresh apples decreased from 25-30 kg/year per capita in the early 1990s to about 12 kg actually. Reasons for the decline include increased competition from tropical and out season fruits and the weaknesses of the domestic fresh apple supply. Average per capita fruit juice consumption (of all kinds) is 31.1 liters per year in Hungary. This is a rather high figure relative to other countries.

Overall storage (cold and controlled atmosphere) capacity is in theory sufficient to store more than ten percent of the total commercial crop. However, the poor financial condition of some orchards and poor management of marketing channels for fresh fruit have driven warehouse owners to focus on servicing other, more profitable sectors. The government is launching a storage support program for 50,000 MT table apples starting in October 2002

Prices

Farms, processors and the government negotiated HUF 2.7 billion (about \$11 million) support package for crushing apples in 2002. The support is HUF 5/kg if the processor pays a minimum HUF 10/kg price for the apple producer. Table apples do not enjoy price support.

Wholesale market prices for fresh table apples through the production year were as follows:

HUF/kilogram

2001	October	50-160
2002	February	80-200
2002	April	110-240
2002	August	70-200
2002	September	80-110

(USD 1 was equal HUF 270 in 2001 and HUF 245 in 2002)

Trade

General

Hungary's table apple exports has been stagnate since 1998 at the 6,000-7,000 MT level. The sudden growth of sales in 2001 was attributed to the short European supply rather than the improved overall competitiveness of Hungarian table apples. Short term forecasts indicate only a modest increase of table apple exports.

Imports of off-season table apples exceeds exports. Sources are usually Southern Hemisphere countries, but increasingly EU countries (Italy, France, Austria) are supplying Hungary due to their better storage practices and, in the past, high export subsidies. Hungary “imports” apples from Ukraine and Romania for processing under contract and much of the concentrate is re-exported.

Hungary has started to increase apple juice concentrate imports from low cost suppliers such as China to meet increased domestic demand and maintain consistent exports. Other sources are Poland, Romania and Slovakia, supported by low prices and import tariffs for CEFTA countries (See at Tariff Changes).

The main markets for Hungarian apple juice concentrate are Germany, Austria and the USA.

Trade Matrices for Fresh Apples

Import Trade Matrix			
Country	Hungary		
Commodity	Fresh Apples		
Time period	CY	Units:	Metric Tons
Imports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Italy	2122		
Austria	916		
Chile	373		
Total for Others	3411		0
Others not Listed	764		
Grand Total	4175		0

Export Trade Matrix			
Country	Hungary		
Commodity	Fresh Apples		
Time period	CY	Units:	Metric Tons
Exports for:	2001		2002
U.S.	0	U.S.	0
Others		Others	
Romania	4917		
Austria	6659		
Bosnia	5926		

Slovenia	1865		
Total for Others	19367		0
Others not Listed	5147		
Grand Total	24514		0

Export Subsidies

Fresh apples and apple products do not currently receive export subsidies.

Tariff Changes

As of January 1, 2002, 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, Turkey, Israel, Bulgaria, Czech Republic, Estonia, Latvia, Poland, Romania, Slovakia, and Slovenia (the latter eight countries will be referred to later as "CEFTA"). If no tariff is set for the 3rd sub-columns, the MFN tariff must be imposed.

Under a separate decree, the Government of Hungary announced further preferential tariffs under quota (TRQ) for imports from the EU and CEFTA and any WTO country (GATT TRQ).

The MFN and CEFTA tariffs, and the CEFTA and GATT TRQs and tariffs remained unchanged for 2002, but the EU received further trade preferences. Apple juice and concentrate imports from the EU became duty free and table apples got quota increase (from 7,000 to 8,400 MT) and in quota tariff reduction (from 25% to 0).

Tariff levels of fresh apples and fruit juice and concentrate:

	Fresh Apples (0808)		Fruit Juice and Concentrate	
	Tariff %	Quota MT.	Tariff %	Quota MT.
I.				
GSP Tariffs			37.2	
II.				
MFN Tariffs	49.3		39.2	
III.				
GATT TRQ Tariffs	25	10212	20	8505
CEFTA Tariffs			12	
EU Tariffs			0	
EU TRQ Tariffs	0	8400*		

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

* excluding apples for processing between September 16 - December 15.