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Hungary

Tobacco

Situation and Outlook

1999

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Report Highlights:

Hungary's tobacco production and cigarette output is slowly increasing. Although the tobacco industry relies on imported raw material to a great extent, both tobacco farming and tobacco processing are important to local employment .

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Hungary is trying to stabilize tobacco production while dealing with increased volume and technical levels, for their future EU membership. The GOH does not use direct support, instead, the tobacco industry runs a development budget for farms. Cigarette production is slowly increasing. The black market with their low prices, as well as illegal imports, are still a problem.

Production

Both the total area farmed and the total crop of tobacco increased in 1998. Proportions of the Virginia type flue cured tobacco increased while the amount of air cured big leaf domestic tobacco decreased.

The Joint Development Fund of the Tobacco Curing Industry for Farms, has been helping with investments in new irrigation, artificial drying, and the change of seedling production technology, in order to displace methyl-bromide and other dangerous chemicals. The use of up-to-date production technology may result in further growth in the tobacco industry. Although the GOH does not give specific support for tobacco farming, tobacco production is going to receive substantial help from the SAPARD program which is sponsored by the EU.

Spring weather in 1999, up to this point, was ideal for tobacco seedling production.

Unmanufactured Table

| | | | | | | |
|------------------------|------------------------|---------|-------------|---------|----------|---------|
| PSD Table | | | | | | |
| Country | Hungary | | | | | |
| Commodity | Tobacco, Unmfg., Total | | | | (HA)(MT) | |
| | Revised | 1997 | Preliminary | 1998 | Forecast | 1999 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 10/1997 | | 10/1998 | | 10/1999 |
| Area Planted | 6600 | 6600 | 7000 | 7000 | 0 | 7300 |
| Beginning Stocks | 13800 | 13800 | 14400 | 14400 | 13800 | 14400 |
| Farm Sales Weight Prod | 10800 | 10800 | 11700 | 15,375 | 0 | 15300 |
| Dry Weight Production | 9100 | 9100 | 10400 | 12,500 | 0 | 12000 |
| U.S. Leaf Imports | 1500 | 1500 | 500 | 2900 | 0 | 3000 |
| Other Foreign Imports | 17500 | 17500 | 17500 | 15100 | 0 | 16100 |
| TOTAL Imports | 19000 | 19000 | 18000 | 18000 | 0 | 19100 |
| TOTAL SUPPLY | 41900 | 41900 | 42800 | 44900 | 13800 | 45500 |
| Exports | 1000 | 1000 | 1500 | 2000 | 0 | 2000 |
| Dom. Leaf Consumption | 11000 | 11000 | 9000 | 11000 | 0 | 11400 |
| U.S. Leaf Dom. Consum. | 1500 | 1500 | 1500 | 1500 | 0 | 1300 |
| Other Foreign Consump. | 14000 | 14000 | 17000 | 16000 | 0 | 17700 |
| TOTAL Dom. Consumption | 26500 | 26500 | 27500 | 28500 | 0 | 30400 |
| TOTAL Disappearance | 27500 | 27500 | 29000 | 30500 | 0 | 32400 |
| Ending Stocks | 14400 | 14400 | 13800 | 14400 | 0 | 13100 |
| TOTAL DISTRIBUTION | 41900 | 41900 | 42800 | 44900 | 0 | 45500 |

Unmanufactured Flue Table

| | | | | | | |
|-----------|---------|--|--|--|--|--|
| PSD Table | | | | | | |
| Country | Hungary | | | | | |

| Commodity | Tobacco, Unmfg., Flue Cured | | | | (HA)(MT) | |
|------------------------|--------------------------------|---------|-------------|---------|----------|---------|
| | Revised | 1997 | Preliminary | 1998 | Forecast | 1999 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 10/1997 | | 10/1998 | | 10/1999 |
| Area Planted | 2800 | 2800 | 3000 | 3400 | 0 | 3500 |
| Beginning Stocks | 6230 | 6230 | 5130 | 5130 | 4530 | 3830 |
| Farm Sales Weight Prod | 4100 | 4100 | 4970 | 5660 | 0 | 5600 |
| Dry Weight Production | 3300 | 3300 | 3900 | 4600 | 0 | 4500 |
| U.S. Leaf Imports | 1000 | 1000 | 1000 | 1300 | 0 | 1300 |
| Other Foreign Imports | 5500 | 5500 | 6000 | 6000 | 0 | 6000 |
| TOTAL Imports | 6500 | 6500 | 7000 | 7300 | 0 | 7300 |
| TOTAL SUPPLY | 16030 | 16030 | 16030 | 17030 | 4530 | 15630 |
| Exports | 1000 | 1000 | 1000 | 1000 | 0 | 1200 |
| Dom. Leaf Consumption | 3000 | 3000 | 3000 | 3700 | 0 | 3400 |
| U.S. Leaf Dom. Consum. | 900 | 900 | 1000 | 1300 | 0 | 1000 |
| Other Foreign Consump. | 6000 | 6000 | 6500 | 7200 | 0 | 7300 |
| TOTAL Dom. Consumption | 9900 | 9900 | 10500 | 12200 | 0 | 11700 |
| TOTAL Disappearance | 10900 | 10900 | 11500 | 13200 | 0 | 12900 |
| Ending Stocks | 5130 | 5130 | 4530 | 3830 | 0 | 2730 |
| TOTAL DISTRIBUTION | 16030 | 16030 | 16030 | 17030 | 0 | 15630 |

Unmanufactured Dark Air & Sun Table

| | | | | | | |
|-----------|---------|--|--|--|--|--|
| PSD Table | | | | | | |
| Country | Hungary | | | | | |

| Commodity | Unmfg., Dark Air & Sun Cured | | | | (HA)(MT) | |
|------------------------|------------------------------|---------|-------------|---------|----------|---------|
| | Revised | 1997 | Preliminary | 1998 | Forecast | 1999 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 10/1997 | | 10/1998 | | 10/1999 |
| Area Planted | 3800 | 3800 | 4000 | 3600 | 0 | 3800 |
| Beginning Stocks | 3860 | 3860 | 2660 | 2660 | 3160 | 2860 |
| Farm Sales Weight Prod | 7300 | 7300 | 8000 | 9480 | 0 | 9700 |
| Dry Weight Production | 5800 | 5800 | 6500 | 7900 | 0 | 7500 |
| U.S. Leaf Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Foreign Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Imports | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL SUPPLY | 9660 | 9660 | 9160 | 10560 | 3160 | 10360 |
| Exports | 0 | 0 | 0 | 0 | 0 | 0 |
| Dom. Leaf Consumption | 7000 | 7000 | 6000 | 7700 | 0 | 8000 |
| U.S. Leaf Dom. Consum. | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Foreign Consump. | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL Dom. Consumption | 7000 | 7000 | 6000 | 7700 | 0 | 8000 |
| TOTAL Disappearance | 7000 | 7000 | 6000 | 7700 | 0 | 8000 |
| Ending Stocks | 2660 | 2660 | 3160 | 2860 | 0 | 2360 |
| TOTAL DISTRIBUTION | 9660 | 9660 | 9160 | 10560 | 0 | 10360 |

Consumption

The demand for domestic tobacco uses up about one third of Hungary's total production. Their aim is to increase the share of domestic tobacco consumed internally to above 50% by the year 2002.

The tobacco advertisement law of Hungary is more liberal than that of the EU's. However, according to GOH sources, there are no major differences between the two systems. This will allow Hungary to adopt the EU legislation more easily when they become full members.

There was some property restructuring in the cigarette industry last year. R.J. Reynolds Tobacco International, one of the four big multinationals dominating Hungary's tobacco industry, sold its plant to an up and coming domestic company, V. Tabac. V. Tabac has considerably increased its share of the low price cigarette category. It has also opened up an international market by buying a plant at Arad, Romania.

Trade

General

Overall, the importation of tobacco has increased in the last few years. However, the breakdown of imports by country of origin has not changed. Hungary imports most of its tobacco from the Orient. This includes burley and several different tobacco mixes. This is the reason why the PSD data for total tobacco consumption differs from the aggregate sum for Flue Cured and Dark Air & Sun Cured tables.

| | | | |
|---------------------|---------------------------|--------|-------------|
| Export Trade Matrix | | | |
| Country | Hungary | | |
| Commodity | Tobacco, Unmfg., Total | | |
| Time period | 1997 | Units: | Metric Tons |
| Exports for: | | | 1 |

| | | | |
|-------------------|------|--------|---|
| U.S. | | U.S. | |
| Others | | Others | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 0 | | 0 |
| Others not Listed | 1422 | | |
| Grand Total | 1422 | | 0 |

| | | | |
|---------------------|---------------------------|--------|-------------|
| Import Trade Matrix | | | |
| Country | Hungary | | |
| Commodity | Tobacco, Unmfg., Total | | |
| Time period | 1997 | Units: | Metric Tons |

| | | | |
|-------------------|-------|--------|---|
| Imports for: | | | 1 |
| U.S. | 2873 | U.S. | |
| Others | | Others | |
| Italy | 2824 | | |
| Turkey | 2365 | | |
| Zimbabwe | 2357 | | |
| Malawi | 1931 | | |
| Greece | 1824 | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 11301 | | 0 |
| Others not Listed | 5141 | | |
| Grand Total | 19315 | | 0 |

Tariff Changes (Tobacco)

MFN tariffs for leaf tobacco have decreased to 56% 1999 while, the tariff for oriental tobacco remained at 32%. TRQ tariffs and the total quota of 6.52MT8 also did not change :

2401 10 Leaf tobaccos (excluding 2401 1060 and 2401 1090) - 47%

2401 10 9000 - 8%

2401 20 Tobacco w/o stem (excluding 2401 2060 and 2401 2090) - 47%

Cigarette

General

After hitting the bottom in 1997, cigarette production began to increase in 1998, and the industry reports further growth for 1999 as well. The new multinational owners of Hungary's

privatized tobacco factories have invested \$300 million between 1992-1998. The technical level of production and the quality of the products has developed a great deal. The output of non-filter products fell to a minimum, and the production of light brands reached 30 percent.

The export of cigarettes is about 4-6 billion pieces annually. The main destinations for these products is the FSU and the Middle East. Annual legal imports are 300-400 million pieces. They come from Italy, Greece, France and Belgium. Smuggled and “privately imported” cigarette of 2-3 billion pieces comes from the Ukraine, Romania and some Far East countries.

Manufactured Table

| | | | | | | |
|-----------------------|---------------------------|---------|-------------|---------|-----------|---------|
| PSD Table | | | | | | |
| Country | Hungary | | | | | |
| Commodity | Tobacco, Mfg., Cigarettes | | | | (MIL PCS) | |
| | Revised | 1997 | Preliminary | 1998 | Forecast | 1999 |
| | Old | New | Old | New | Old | New |
| Market Year Begin | | 10/1997 | | 10/1998 | | 10/1999 |
| Filter Production | 25300 | 23900 | 25800 | 25100 | 0 | 26200 |
| Non-Filter Production | 1800 | 1800 | 1700 | 1700 | 0 | 1300 |
| TOTAL Production | 27100 | 25700 | 27500 | 26800 | 0 | 27500 |
| Imports | 300 | 400 | 400 | 300 | 0 | 400 |
| TOTAL SUPPLY | 27400 | 26100 | 27900 | 27100 | 0 | 27900 |
| Exports | 5200 | 5200 | 5000 | 3400 | 0 | 4000 |
| Domestic Consumption | 22200 | 20900 | 22900 | 23700 | 0 | 23900 |
| TOTAL DISTRIBUTION | 27400 | 26100 | 27900 | 27100 | 0 | 27900 |

| | | | |
|---------------------|---------------------------|--------|-------------|
| Import Trade Matrix | | | |
| Country | Hungary | | |
| Commodity | Tobacco, Mfg., Cigarettes | | Million Pcs |
| Time period | 1997 | Units: | |
| Imports for: | | | 1 |
| U.S. | NA | U.S. | |

| | | | |
|-------------------|-----|--------|---|
| Others | | Others | |
| Germany | 202 | | |
| Austria | 71 | | |
| United Kingdom | 38 | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| Total for Others | 311 | | 0 |
| Others not Listed | 89 | | |
| Grand Total | 400 | | 0 |

Tariff Changes (Cigarette)

Duties on tobacco products were reduced in 1999 by about 6 percent as required by the WTO.

Actual MFN import tariff rates on processed tobacco products are as follows:

| Tariff number | Commodity | Tariff, percent, ad val. |
|---------------|---------------------------|--------------------------|
| | | |
| 2402.10 .000 | Cigar, all kinds | 52.2 |
| 2402.20 .004 | Cigarettes | 63 |
| 2402.90 .001 | Other | 63 |
| 2403.10 .011 | Pipe tobacco | 63 |
| 2403.10 .996 | Other (&above 250g) | 63 |
| 2403.10 .003 | Homogenized regained tob. | 63 |

| | | |
|--------------|------------------------|----|
| 2403.99 .007 | Other (tob. derivates) | 63 |
|--------------|------------------------|----|