Weekly organic market
in Újpest, Budapest.

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Past, present and future

Organic agriculture in Hungary

Hungary offers good conditions for organic production. Its constitution bans the use of GMOs. Many of its low-intensity agricultural areas (mostly pastures, meadows, fallows) are free from the effects of agro-chemicals. There are currently 127,000 hectares of certified organic land (about 2.5% of the total agricultural area). More than 1500 enterprises produce approximately € 25 million (equivalent) of organically certified food. Yet it is also clear that the country's organic sector has not yet reached its potential and that there are numerous unexploited opportunities.

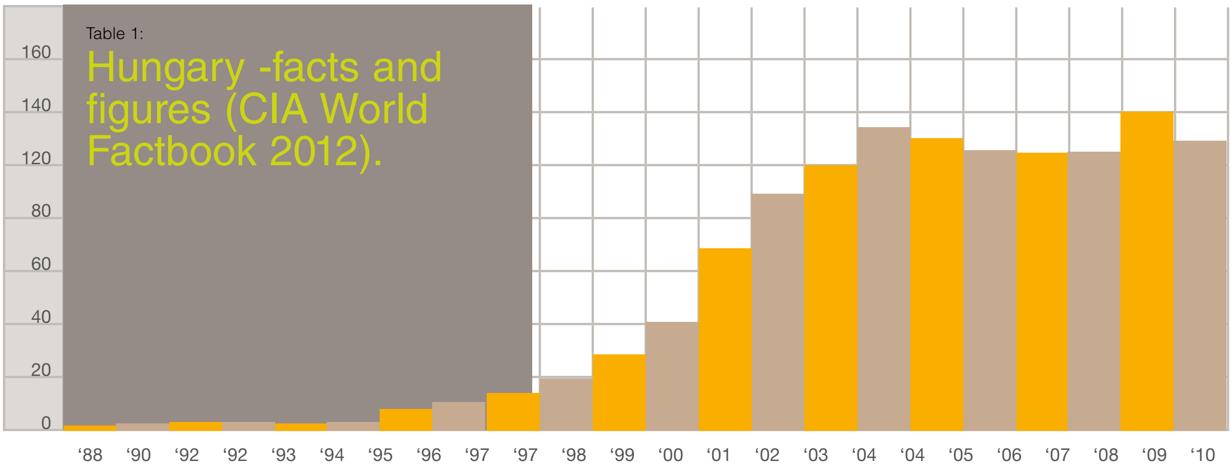


Table 1:
Hungary -facts and figures (CIA World Factbook 2012).

While the organic sector grew quickly between 1996 and 2004, it has since been stagnating. The percentage of organic land in Hungary is just half of the European Union average and Hungary is one of the few European countries where the organic sector has not been expanding. This is partly due to a lack of effective policy incentives, such as suitable subsidies or administrative support, a lack of coordination of export marketing initiatives and of any broad awareness-raising campaign for domestic consumers. A large part of organic produce is still sold as conventional. Better cooperation between stakeholders is required for the sector to move forward.
The Hungarian Government recently approved the National Rural Strategy which aims to generate demand for high-quality, GMO-free, locally produced food. The document considers organic agriculture as a strategic sector which deserves strong support. The strategy sets very ambitious objectives for the future development of organic agriculture in Hungary. It aims to have 350,000 hectares of certified organic land by 2020, almost a threefold increase on the current total. It is anticipated that subsidies for organic conversion and for yearly certification costs will play a major role in achieving this. Organic producers will also receive priority in future calls from the Rural Development Ministry for diverse support programmes, such as the young farmers' initiative. Organic animal husbandry and apiculture will receive particular support, as these are priority areas within the Ministry's agricultural development policy. The National Rural Strategy also foresees the creation of an Organic Action Plan, which will set out a detailed programme for the sector's development.

Production volume and structure

Organic farming in Hungary first started in the 1980s. By 1988 there were just 15 organic farms. This figure rose to 108 by 1995, 471 by 2000 and reached its peak in 2009 when there were 1660 certified organic units. The area under organic cultivation grew from 1,000 hectares in 1988 to 128,690 in 2004 and 140,292 in 2009. Since 2009 the number of operators and the total cultivated area have decreased, dropping back to the 2005 level.

Grasslands make up the majority of registered organic land (51.7%), followed by arable crops (38.9 %), perennial crops (4.4 %), and vegetables (1.3 %). Although more than half the organic area is grassland, organic animal husbandry is relatively insignificant compared to crop production. In 2010 less than 100 farms kept certified organic livestock, which is less than one tenth of the organic produces. This is because most of the animals grazing on organic fields are not certified, as farmers consider the certification costs to be too high (and the existing regulations do not stipulate that only certified animals can be kept on organic grasslands). As a result organic grasslands receive substantial subsidies without creating any final organic product to speak of, showing the inadequate structure of the current support scheme.

The organic market – wholesale and retail structure

Today, organic products in Hungary have just a small market share. About 85% of total production is exported. Most of it leaves the country as raw materials or as low added-value produce. Most of the produce goes to the EU, principally Germany, Austria, the Netherlands and, outside of the EU, to Switzerland. At the same

Table 1:
Retail channels for organic products (Frühwald, 2012).

TYPE	SHARE
Malls, supermarkets	60%
Specialized stores	20%
On-line sales	6-7%
Farm sales	2-3%
Organic markets, fairs, events	6-10%

time, the majority of the (modest) organic assortments in Hungarian food stores are processed imports. Some estimates suggest that 90% of domestic organic consumption is made up of imports.

There is a significant lack of organic processing capacity in Hungary and this could provide interesting potential market opportunities for organic food processing companies. This market opportunity is further enhanced by Hungary's proximity to countries with large organic markets.

Supermarket chains are playing an ever-increasing role as distributers of organic products and, as elsewhere, it can be assumed that they will play a major role in expanding the domestic market. However, only few domestic organic producers can currently meet the volumes, quality standards and the regularity of deliveries demanded by the supermarket chains. Pilot projects for product development, quality assurance and cooperation in production are needed to help domestic producers tap into this market. The formation of farmers' production and marketing groups, organic farmers' markets and local producer-consumer networks can also be important vehicles for distributing certified local organic products and expanding the domestic market.

Factors that motivate the consumption of organic produce

In contrast to Western European countries, Hungarian consumers are mainly motivated to buy organic by health considerations. Studies have shown that organic products are favoured because they are free from GMOs, toxic chemicals, additives, artificial flavourings and colourings, preservatives, and are perceived as having a higher quality. Taste, nutritional value and price are less important motivating factors, and ecosystem protection plays a minimal role for most Hungarian consumers.

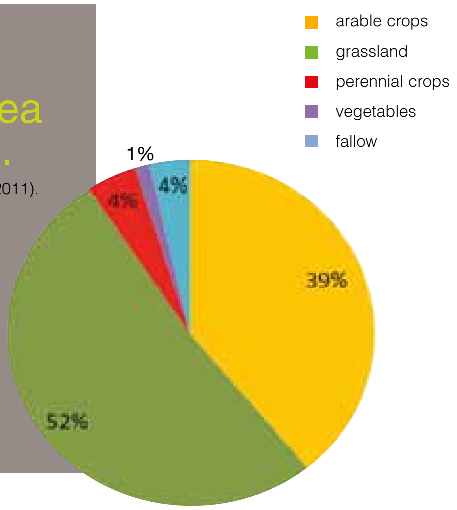
Although demand for organic products is growing, a large percentage of the population, even some of those who regularly purchase organic products, cannot define what organic means, and the difference from non-organic products. Effective outreach programmes and reasoned marketing campaigns are needed to disseminate credible information and to develop consumer awareness. Dissolving the misconceptions about organic production is crucial for increasing domestic consumption.

Future trends

The future development of organic agriculture in Hungary depends a lot on the EU's Common Agriculture Policy, how this will be implemented nationally and, most of all, on the realisation of the new National Rural Strategy. Hungarian organic production needs a stronger practice-oriented research basis, there needs to be more dissemination work - underpinned by local scientific evidence - and efforts to increase consumer awareness in order to establish a stable and growing organic sector.

Cooperation and a better communication between organic stakeholders (producers, traders, umbrella organisations, certifiers, and research institutions) is crucial for effective lobbying work and for Hungarian agriculture to play a role in facing up to global challenges, such as climate change or water and oil scarcity.

Figure 3
Land use types of certified organic area in Hungary in 2010.
(Biokontroll Hungária, Hungária Öko Garancia 2011).



Hungary statistics

TYPE	SHARE
Area	93,028 km2
Population	9,958,453 (July 2011 est.)
GDP per capita (PPP)	$19,600 (2011 est.)
Total agricultural land	67.000 km2
GDP composition by sector	agriculture: 3.7% industry: 31.3% services: 65% (2011 est.)

It is anticipated that market demand for organic products will continue to steadily increase, and some organic farming methods will soon become mainstream agricultural practices. The development of organic agriculture could play a key role in maintaining Hungary's competitiveness on agricultural markets. This is increasingly recognised within current agricultural policy. Joint efforts by Hungarian organic stakeholders are needed to ensure the realisation of the promising policy plans.

Research

The Hungarian Research Institute of Organic Agriculture (ÖMKi) is a private non-profit research centre, founded by the Swiss Research Institute of Organic Agriculture (FiBL) in 2011. The aim of ÖMKi is to advance science and innovation in organic agriculture in Hungary. ÖMKi's motivated team works closely with many stakeholders in the Hungarian organic movement, initiating, coordinating and implementing innovative research projects, as well as providing training and extension services. This year it started to build up an on-farm experimentation network that has engaged many organic farmers. ÖMKi regularly organises workshops and vocational trainings for farmers and other stakeholders (often in partnership with other organisations). It has also established a popular PhD and postdoctoral scholarship programme in order to foster the development of a new generation of Hungarian scientists, who will be deeply involved researching organic agriculture and sustainable production methods. Thus, ÖMKi is striving to support the development and competitiveness of Hungarian organic agriculture and food production in the long run. ■

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An organic wheat field in western Hungary.

Table 3

Willingness of Hungarian consumers to pay premium

(%) for food characteristics (Füredinė Kovács, A. 2006).