

Organic Farming in Hungary

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1 The Situation of Agriculture in Hungary

The potential agricultural area of Hungary is around nine million hectares, while the total agriculturally *utilised* area is around six million hectares. Hungary is still an agricultural country. This sector employs 7.9 per cent of the labour force, producing 6.6 per cent of the gross domestic product (GDP).

2 History and Development of Organic Agriculture in Hungary

Organic agriculture in Hungary started in the 1980s. In 1983 the *Biokultura-Klub* (see below) was founded in Budapest. Two years later, the export organisation „*Natura WG*” was established. At that time, inspections were carried out by the Dutch inspection body SKAL („SEC” before 1992). Export possibilities and contacts with the organic sector outside of Hungary encouraged the first state farms to convert to organic agriculture as soon as Hungarian trade companies were founded, with the aim of establishing a Hungarian market for organic products. However, the lack of demand for these products hindered the further development of the domestic market.

In December 1987 *Biokultúra Egyesület* was officially registered as an association for organic agriculture, the environment and health. In the first years of *Biokultúra*'s existence, the development of organic agriculture was slow because of the weak domestic market. In 1992 *Biokultúra* members organically managed approximately 3,300 hectares (see table below). In 1993 this amount decreased as a result of privatisation measures and the collapse of former state farms which had converted to organic agriculture.

The export-oriented organic sector was dominated by big farms, and small farms found it difficult to find markets for their products. Apart from certified organic production, a number of home gardeners grew organic products for self-sufficiency.

After 1995 the number of farms and proportion of organic land increased rapidly due to the improved export potential, and also to the fact that *Biokultúra* was accredited through the IFOAM-Accreditation programme. This caused Western inspection bodies to increase their activities in Hungary, and Hungary was included on the third country list under EU-regulation 2092/91.

3 The Development of Organic Agriculture in Hungary in Figures

In 1999 the organically cultivated area in Hungary amounted to 34,500 hectares, constituting approximately 0.5 per cent of the agricultural land (table 1). There were 451 organic farms.



Table 1: Development of Organic Farming in Hungary: Number of Organic Farms and Agricultural Area (*Biokultúra* / *Biokontroll* certified farms)

Year	Number of organic farms	Hectares under organic management
1988	15	1,000
1989	18	1,500
1990	49	1,965
1991	56	2,840
1992	51	3,330
1993	67	2,540
1994	73	2,250
1995	97	8,632
1996	143	16,400
1997	198	19,500
1998	256	28,500
1999	451	34,500

(Source: *Biokultúra* / *Biokontroll*, 1999)

The above figures do not include self-sufficient farms and market gardens. They sell their relatively small amounts to neighbours or to family members and friends.

4 Organic Agriculture Organisations in Hungary

4.1 *Biokultúra*



As early as 1983 the *Biokultúra Klub*, the first organic agriculture organisation in Central Eastern Europe (CEE), was founded in Budapest. Its members consisted mainly of weekend gardeners, environmentalists and people interested in natural healing methods or who simply wanted to follow a different way of life. All were looking for a kind of agriculture that could produce foods without using strong, hazardous chemicals. *Biokultúra* became a full member of IFOAM (the International Federation of Organic Agriculture Movements) in January 1987, and was IFOAM's first member from the CEE region. In 1990 it organised the annual IFOAM scientific conference, the first international IFOAM conference to take place in a Central Eastern European country. *Biokultúra* has forty-eight regional sub-organisations and six sub-organisations in neighbouring countries.

4.2 *Bioszaktanácsadó*

The *Biokultúra* advisory body *Bioszaktanácsadó* was founded in 1997. It provides advice and assists farmers in making conversion plans and applying for subsidies.



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4.3 Biokontroll Hungária

Since 1996 *Biokultúra* farms have been inspected by “*Biokontroll Hungária GG*”, which has nearly completed the evaluation and accreditation process according to EN45011. Around 90% of Hungarian organic production is inspected by *Biokontroll*.

4.4 Organic Agriculture Information Centre (Biokultúra infocentrum)

Information for farmers and consumers is available through the Organic Agriculture Information Centre in Budapest, which was established at the beginning of the 1990s with EU funding. The information centre has a database and an extensive library and archive with literature on organic agriculture.

5 Land Use and Animal Husbandry

Plant production is mainly limited to grain, particularly wheat. Medicinal herbs are also cultivated. Animal husbandry is of minor importance.

Processing structures are quite well developed. There are sixteen processing firms, most of which are inspected by *Biokontroll Hungaria*, and some by SKAL.

Table 2: Main Organic Products and Their Volume in 1998

Main Products	Hectares	Tons
Wheat	3,600	14,500
Sunflower seeds	1,300	2,400
Pumpkin seeds	900	480
Corn	800	330
Legumes (alfalfa, peas etc.)	150	100
Fruit and vegetables (raspberries, currants, apples, peppers, onions)	650	6,900
Honey	650 bee colonies	80

(Source: *Biokultúra* Association, 1998)

Most farms are twenty to seventy hectares in size. In the Southeast of the country, where the topsoil is excellent, the average farm size exceeds 200 hectares.

6 Training for Organic Producers

The *Biokultúra* association has started to organise marketing seminars at home and abroad for farmers. *Grüner Zweig*, a German organisation, has been a great help in financing these courses. Excursions have also been organised to Germany, Switzerland and Austria to teach about ways of direct marketing. During the winter time, seminars on technical questions such as production, plant protection, primary processing etc. are organised at the national level.



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7 Research

Up to now, little specific research has been done on organic agriculture, except for many theses and dissertations.

The Department of Ecological and Sustainable Production Systems (Faculty of Horticulture) at the University of Horticulture and Food Industry in Budapest has a professorial chair. The department introduced organic farming as an elective subject in 1992, and it became compulsory in 1994.

Current research topics include: ecological weed management; the development of organic weed management techniques on the twenty hectare experimental field of the department, including developing machines for mechanical weed control; the effect of climatic changes on weed flora; ecological crop rotation systems; the influence of tillage on the weed seed content of the soil; environmental policy, environmental consciousness and environmental information.

Research on organic agriculture also takes place at the University of Gödöllő, which has a professorial chair for organic agriculture.

8 Advisory Service

Biokultúra has also been active in consultancy (since 1997 through its sub-organisation *Bioszaktanácsadó KG*), especially when help is needed in preparing application forms for state support for conversion.

The Ministry of Agriculture keeps a list of experts which includes experts on organic agriculture.

9 Standards and Certification

The *Biokultúra* standards were developed in 1987, and are based on the IFOAM (<http://www.ifoam.org>) standards and the standards of the British Soil Association (<http://www.soilassociation.com>). Since 1996 inspections and certifications have been carried out by the inspection body “*Biokontroll Hungária* Company for the Public Benefit,” which was set up by *Biokultúra*.

Inspection bodies from western Europe have also established themselves in Hungary (SKAL (<http://www.skal.com/>), *Naturland* (<http://www.naturland.de>), Demeter (<http://www.demeter.net>), BCS and Ecocert international (<http://www.ecocert.be/eoeng.html>). The area inspected by these bodies was about 3,000 hectares in 1996.

The accreditation of “*Biokontroll Hungária*” as a private inspection body according to EU-regulation 2092/91 by the Hungarian government gave this body an advantage over the foreign inspection bodies. Ninety per cent of the Hungarian organic producers and processors were inspected by “*Biokontroll Hungária*” in 1998.



10 State Regulation of Organic Farming

Hungary has been on the EU third country list since 1996, since the *Biokultúra* inspection system conforms to EU Regulation 2092/91.

A new state regulation came into force in autumn 1999. It consists of a basic governmental regulation and second common regulation of the Ministry of Agriculture and the Ministry of Environment. The latter is the operational regulation. (Both texts can be downloaded as Word 97 file).

11 State Support

The Hungarian state supports organic agriculture because of its export potential. Support includes its efforts to become accepted by the EU as a third country and to establish a Hungarian inspection system in accordance with EU regulation 2092/91, in addition to substantial marketing support. The development of the domestic market, however, is not supported by the state.

Since 1998 direct financial support has been available for organic farmers. Some of their expenses may be paid for in full, including: membership fees, costs of analyses and costs for consultancy. In other cases, e.g. special machinery, untreated seeds or other investments, forty per cent of the total sum may be reimbursed. The overall budget for this purpose is expected not to exceed 100 million HUF (400.000 Euro) in the year 2000. Costs for inspections and certification may also be paid for by the state on the condition that the farmer has a contract with *Biokultúra*. In the future there will also be direct payments for farmers through a new agri-environmental scheme.

12 Marketing

12.1 Organic Exports

Hungary has been on the EU third country list since 1996. This makes exports of organic produce to EU member states very easy.

About ninety-five per cent of the organic products are exported. Historically, the first target market for Hungarian products was Holland. In the period from 1986 to 1990, Dutch traders started to import Hungarian organic goods to Holland and trade them to Germany, Great Britain and Scandinavia.

Since 1990 the order of importance of the export countries has changed. The ranking in 1999 was as follows:

1. Germany	40%
2. Austria	25%
3. Switzerland	20%
4. Holland	10%
5. Others (U.S.A., Scandinavia)	5%



The overall export volume in 1999 was estimated at 15.4 million Euro.

Since crop rotations and diversification are very important elements of organic agriculture, the volume which can be produced of a given crop is limited and often can not meet a higher demand.

Animal products are of less importance, mostly because the vast majority of Western organic consumers do not eat much meat. There is a surplus of meat.

12.2 Processing

So far, there are only a few organic processors, wholesalers and other trade organisations. However, the number of companies that produce or trade with both conventional and organic products is much higher (table 3).

Table 3: Trading Structure of Organic Products in Hungary

Production Chain	Fully Organic	Organic and Conventional
Farmers	323	128
Processors	5 Mill, bakery, wine, cheese-making (goat & cow), fruit, vegetables, spices, herbs, mushrooms, confectionery.	16 Baby food industry, spices, peppers, frozen products, canned foods, dried products.
Wholesalers	1	4 (specialised in health food)
Export companies	10	
Retailers	None	22 (deal also with organic products) 400 (trade with health food only)

(Source: Organic Market Review for the Avalon Foundation by Geza Varga 1997, up-dated by Ferenc Frühwald 1999)

12.3 Marketing Channels

Organic products in Hungary are mainly marketed through “reform houses” (health food shops) and drug stores. There are approximately twenty-five conventional retailers and twelve natural food shops in Budapest that regularly sell organic products.

12.4 Consumer Awareness and Consumer Trends

The success of organic agriculture basically depends on the acceptance of its products by the public, the consumers. A common problem in all Central Eastern European countries is that there is no great consumer interest in organic products, and this also applies to Hungary. Results of consumer surveys show that personal health is a far more important purchasing factor than environmental concern.

The main reason for the slow market development, however, is the consumers’ limited purchasing power in Central Eastern European countries. In Hungary the average price premium is around thirty to fifty per cent.



A Hungarian survey (Gy. Kürthy-Baricz, 1996, University of Agriculture, Gödöllő) shows that the vast majority of consumers of organic products are people suffering from various illnesses (allergies, cancer etc.) who have to spend more time looking for proper food. The feeling of responsibility towards the environment is less important, because consumers do not believe that agriculture is a major polluter of the environment.

According to the Hungarian survey, customers who are on special diets or are vegetarians are far more precisely informed about organic quality, and they prefer that quality when buying. The survey also shows that consumers of organic products generally have higher levels of education and higher incomes, and their age range is between young and middle-aged.

The majority of organic consumers buy in specialised shops where both organic products and health foods are available. These consumers are generally more conscious about the certification systems and they care more whether a product is certified organic or not. Specialised health food shop customers are generally younger with a higher education and / or a higher income. Marketing strategies should focus on this target group. This group is the potential consumer group of the future.

Less than thirty per cent of those interviewed consume organic products more or less regularly. It should be noted, however, that the selection of interviewees in the Kürthy-Baricz study is non-representative, and that these figures therefore do not reflect reality. Considering the lack of organic products on the domestic market, it is hardly possible that almost thirty per cent of the population consumes organic products with any regularity.

Other surveys show the consumers' uncertainty: they generally do not know what the term "organic" means. When asked if they would appreciate chemical-free food, the positive answer rate was more than seventy per cent! At the same time, the rate of positive answers given to the question whether they would like to consume organic products was less than thirty per cent. The majority of the people interviewed clearly did not really understand what "organic" means.

Some demographic characteristics were also analysed, such as place of residence, age, type of diet etc. Interestingly, Central and Eastern European consumers of organic products are mainly vegetarians or at least health food consumers, in contrast to their Western counterparts. This explains the low importance of organic food of animal origin (meat, eggs etc.). This question is very important in Hungary and also in southern countries, where traditional eating habits differ substantially from a healthy diet. The eating habits of the young are more suited to the health food diet, mainly because at their age they will try almost anything unusual or funky and are less concerned about disease prevention.

13 Challenges

The lack of marketing activities in Hungary is very revealing. Basically, an overall market for organic products does not exist in Hungary, which means that only products which were pre-ordered or at least requested are produced. Due to the very limited sources of capital and to the very serious problems of liquidity among producers and



processors, there is not much back-up capital to finance risky production. In Hungary exports are the major target, and the production does not fulfil local market needs.

The effect of the exports is Janus-faced. On the one side, the huge demand from abroad is very positive for the development of production, but on the other side it contributes to the slow development of the home market, since export markets usually offer significantly higher prices for organic products. This increases the domestic price, which generates a negative attitude among Hungarian consumers. It is a real trap, since the producers' aim is to achieve the maximum profit they can get from organic agriculture.

The key to the harmonious development of production and consumption is to increase the number of producers and land under organic management. The export market requires more concentrated production with large amounts of homogenous products, while the domestic market needs a very flexible and compliant production system which can best be realised by small or middle-sized family farms (twenty to fifty hectares).

The domestic market also suffers from other problems. The new dominance of supermarkets and hypermarkets is causing small shops to go bankrupt. The only chance of survival for small shops is specialisation. Specialising in organic products could be a solution.

Another problem is that supermarkets in CEE countries usually operate on a delayed payment system, delaying payments up to sixty to ninety days, which is totally unacceptable for small farmers who suffer from a lack of finances. On the other hand, at the present level of development, organic farmers are not well-equipped or well enough organised to fulfil the requirements of the supermarkets by delivering homogeneous quality and a good assortment on schedule.

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