Organic Agriculture in Hungary - Past, Present and Future

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Introduction

Hungary offers promising conditions for organic production. Its constitution bans the use of GMOs and many of its low-intensity agricultural areas (mostly pastures, meadows, fallows) are free from the effects of agro-chemicals. There are currently 124'000 hectares of certified organic land, which is about 2.5 percent of the total agricultural area. The domestic market is estimated to amount to 25 million Euros. However, it is also clear that the country's organic sector has not yet reached its full potential and there are numerous unexploited opportunities. While the sector grew quickly between 1996 and 2004, it has since been stagnating (Figure 89). 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. The stagnation 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 a lack of broad awareness-raising campaigns for domestic consumers. A large part of the organic produce is still sold as conventional. Better cooperation between stakeholders is required for the sector to move forward.

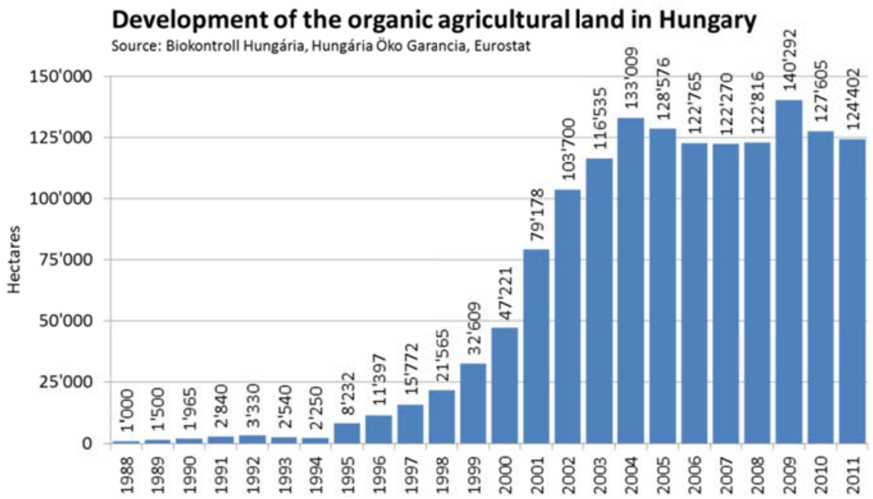

Figure 89: Development of organic agricultural land in Hungary 1988-2011
Source: Biokontroll Hungária, Hungária Öko Garancia, Eurostat

The Hungarian Government recently approved the National Rural Strategy, which aims to generate demand for high-quality, GMO-free, locally produced food, and the document considers organic agriculture as a strategic sector that 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, which is 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 goal. 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, but there were just 15 organic farms by 1988. 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 hectares in 2004, and 140'292 hectares in 2009. Since 2009, both the number of operators and the total cultivated area have decreased, dropping back to the 2005 level.

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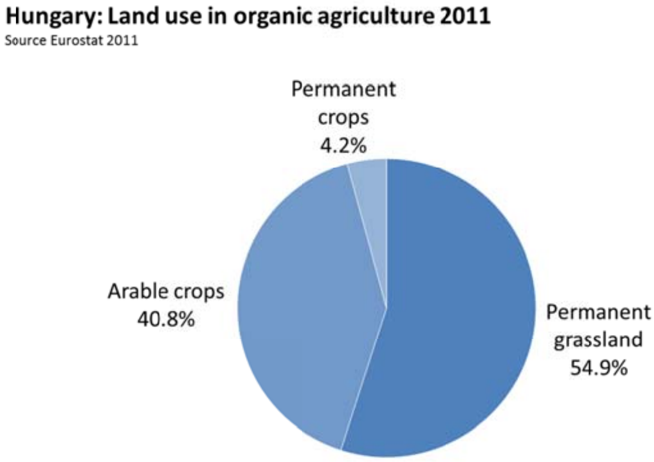

Figure 90: Land use types of certified organic area in Hungary in 2011
Source: Eurostat

Grassland makes up the majority of registered organic land (55 percent), followed by arable crops (41 percent), perennial crops (4.2 percent).

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 producers. The reason is that most of the animals grazing on organic fields are not certified because 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 grassland. As a result, organic grasslands receive substantial subsidies without creating any significant organic production: a situation that shows the inadequate structure of the current support scheme.

Picture: An organic wheat field in western Hungary. Photo courtesy: ÖMKi

The organic market – wholesale and retail structure

Today, organic products in Hungary have just a small market share and about 85 percent of the organic production is exported. Most of the products leave the country as raw materials or as low added-value produce and most of go to the European Union: mainly to Germany, Austria and the Netherlands, and to Switzerland. At the same time, the majority of the (modest) organic product range in Hungarian food stores consists of processed imports. Some estimates suggest that 90 percent 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 distributors of organic products (Table 58) and 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.

Table 58: Retail channels for organic products

Type	Share
Supermarkets	60%
Specialized stores	20%
On-line sales	6-7%
Farm sales	2-3%
Organic markets, fairs, events	6-10%

Source: Ferenc Frühwald 2012

Weekly organic market in Újpest, Budapest. Photo courtesy: ÖMKi

Factors that motivate consumption of organic produce

Hungarian consumers are mainly motivated to buy organic for health considerations. Studies have shown that organic products are favoured in Hungary 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 domestic 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 or state the difference between organic and non-organic products. Effective outreach programmes and marketing campaigns are needed to disseminate credible information and to develop consumer awareness. Removing misconceptions about organic production is crucial for increasing domestic consumption.

Future trends

The future development of organic agriculture in Hungary is heavily dependent on the European Union'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, and there needs to be more dissemination work that is underpinned by local scientific evidence. Furthermore, efforts are needed to increase local consumer awareness to enable the local organic market to grow.

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

It is anticipated, that market demand for organic products will continue to increase steadily, 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 in 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.

The role of ÖMKi for organic farming research in Hungary

The Hungarian Research Institute of Organic Agriculture (ÖMKi, www.biokutatas.hu) 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. In 2012, it started to build up an on-farm experimentation network that has engaged many organic farmers. ÖMKi regularly organises workshops and vocational training 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 in 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 term.