Food Industry in Hungary
Agri-food industry is historically strategic industry in Hungary.

Biggest employer within the manufacturing industry.

3rd largest production industry (10,9% of industrial production).

Positive trade balance (export sales in 2014 increased by 7,1%).
Why to invest in the Hungarian food sector?

- Food-processing sector is among the most modern in the CEE region with a significant foreign investment stock.
- The only net exporter of food products in CEE.
- Strong market: per capita consumption levels are among the highest in the region.
- Hungary is 100% GMO free.
- Abundant raw material supply from high quality agricultural products.
- Road infrastructure is considered one of the best in the region.
## Labour: Food Industry

Average gross wages in 2014, EUR

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Hungary</th>
<th>Central Hungary</th>
<th>Central Transdanubia</th>
<th>Western Transdanubia</th>
<th>Southern Transdanubia</th>
<th>Northern Hungary</th>
<th>Northern Great Plain</th>
<th>Southern Great Plain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing and mining manager</td>
<td>1 826</td>
<td>2 026</td>
<td>2 120</td>
<td>1 668</td>
<td>1 477</td>
<td>1 592</td>
<td>1 666</td>
<td>1 557</td>
</tr>
<tr>
<td>Food industry engineer</td>
<td>1 054</td>
<td>1 075</td>
<td>1 108</td>
<td>1 246</td>
<td>892</td>
<td>962</td>
<td>1 162</td>
<td>930</td>
</tr>
<tr>
<td>Chemical engineer</td>
<td>1 340</td>
<td>1 369</td>
<td>1 607</td>
<td>1 347</td>
<td>1 450</td>
<td>1 071</td>
<td>824</td>
<td>921</td>
</tr>
<tr>
<td>Chemist</td>
<td>1 399</td>
<td>1 429</td>
<td>1 754</td>
<td>968</td>
<td>1 220</td>
<td>1 044</td>
<td>1 440</td>
<td>1 232</td>
</tr>
<tr>
<td>Food industry technician</td>
<td>777</td>
<td>877</td>
<td>624</td>
<td>904</td>
<td>827</td>
<td>667</td>
<td>649</td>
<td>770</td>
</tr>
<tr>
<td>Baker, confectionery maker</td>
<td>518</td>
<td>539</td>
<td>761</td>
<td>446</td>
<td>452</td>
<td>410</td>
<td>472</td>
<td>531</td>
</tr>
<tr>
<td>Butcher</td>
<td>488</td>
<td>519</td>
<td>510</td>
<td>471</td>
<td>502</td>
<td>535</td>
<td>431</td>
<td>478</td>
</tr>
<tr>
<td>Food, beverage products machine operator</td>
<td>602</td>
<td>512</td>
<td>830</td>
<td>569</td>
<td>683</td>
<td>599</td>
<td>585</td>
<td>557</td>
</tr>
<tr>
<td>Packing, bottling, and labelling machine operator</td>
<td>567</td>
<td>584</td>
<td>665</td>
<td>584</td>
<td>448</td>
<td>514</td>
<td>586</td>
<td>473</td>
</tr>
</tbody>
</table>

FDI into the food, beverage and tobacco industry in Hungary

Hungary's FDI stock of food industry by countries (2014, %)

- Netherlands: 28%
- Austria: 20%
- Switzerland: 12%
- Germany: 13%
- France: 5%
- Belgium: 4%
- Luxembourg: 4%
- Italy: 2%
- Cyprus: 2%
- United States: 4%
- Other: 6%

Source: Central Bank of Hungary, 2015
Fruit and vegetable sector

- Perfect ecological and climatic circumstances
- High quality products
- Up-to-date technologies and variety of fruits and vegetables
- Experience and tradition in the cultivation
- 36 medium and large-sized companies are in the industry
- There are 97,037 fruit producer in Hungary
- Brands in the sector: Bonduelle, Globus, Univer, Kecskeméti Konzerv, Szatmári Konzervgyár
Agricultural output (Billion EUR)

Source: Hungarian Central Statistical Office, 2015
Fruit production

Fruits (thousand tons)

Source: Hungarian Central Statistical Office, 2015
Vegetable production

Vegetables (thousand tons)

Source: Hungarian Central Statistical Office, 2015
Milling and baking industry

**Milling industry:**
- Turnover is about 920 million EUR
- 14 medium or large sized companies
- 41 mills in Hungary

**Baking industry:**
- Turnover is more than 966 million EUR
- many small sized companies
Grain maize and corn-cob-mix (per capita production, kg)

Source: Eurostat, 2015
Sunflower seed (per capita production, kg)

Source: Eurostat, 2015
Wheat and spelt (per capita production, kg)

Source: Eurostat, 2015
Meat and poultry industry

Turnover in 2012 was 3.15 billion EUR

Almost 100 medium- or large-sized companies

Main markets of the industry:
Spain, Japan, South Korea

High quality products

Traditionally important sector

Turnover in 2012 was 3.15 billion EUR

Almost 100 medium- or large-sized companies

Main markets of the industry:
Spain, Japan, South Korea

High quality products

Traditionally important sector
Poultry

Poultry (1000 pieces)

Source: Hungarian Central Statistical Office, 2015
Dairy industry

• Industry turnover is 1,1 billion EUR (2013)
• 27 medium or large-sized company
• 3rd largest turnover in the Hungarian food industry
• Milk is of high quality thanks to the developed breeding and feeding technologies
• Hungary is net exporter of raw milk and a net importer of processed dairy products
Milk production

Milk production (M liter)

Source: Hungarian Central Statistical Office, 2015
Organic farming in Hungary

- The special characteristics of the climate and soils give a unique flavour and excellent nutritional value
- Exceptional conditions for organic production
- **Hungary is GMO free** (secured by the Constitution)
- Many of Hungary’s extensive fields are free from chemical pollution
- **Strict quality control** and organic certification
Organic market in Hungary

- 112 thousand hectares of land for organic production
- More than 1300 enterprises
- Approx. 100 million euros’ equivalent of organically certified food per year
- 85% of the total organic production is exported
- Most of it leaves the country as raw material or as low added value product
- Significant gap in processing capacities – huge market opportunities for organic food processing companies

Source: Biokontroll, Research Institute of Organic Agriculture, 2015
Latest major investments

2015
- Tisza TK: iso-sugar and starch manufacturing
- Master Good Ltd.: poultry slaughtering and processing
- MCS Slaughterhouse: pig slaughter, boning and processing plant

2014
- Hell Energy: energy drink production

2013
- Agro Trust: pet food manufacturing
- Nestlé Purina: pet food manufacturing

2012
- Bonduelle: canned and frozen vegetables manufacturing
- Haribo: gummy and jelly sweets manufacturing
- Dr. Oetker: produce of baking powder, cake mixes, yogurts etc.

2011
- POPZ: microwave popcorn manufacturing
- Givaudan: savoury flavour manufacturing plant
- PEZ: sweets manufacturing
All the ingredients are together

- **High quality raw materials** for the food sector.
- Hungary’s agriculture is **100% GMO free**.
- **Excellent infrastructure** for storage and transportation.
- From Hungary the **export potential** of food products is very strong.
- Traditionally strong institutional system for agricultural education.
Thank you for your attention
Subsidies for investment projects in Hungary

The Hungarian Investment Promotion Agency (HIPA) supports investments with a one-stop-shop service. As part of the support package, HIPA undertakes all-inclusive project management for projects granted direct cash subsidies (EKD) by a discretionary government decision, and provides VIP treatment and comprehensive information about other subsidies available.

The Hungarian Government, through HIPA as intermediary, offers wide range of investment incentives in order to assist you with a prosperous investment in Hungary.

1. **Cash grants:**
   - Subsidy with Individual Government Decision (EKD)
   - EU co-financed tenders

2. **Development tax allowance**
3. **Training subsidy**
4. **Workshop establishment aid**
5. **Social tax allowance**
6. **Job creation subsidy**

Subsidy for large investment projects is also subject to an adjusted regional aid ceiling, on the basis of the following scale:

<table>
<thead>
<tr>
<th>Eligible expenditure</th>
<th>Adjusted aid ceiling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to EUR 50M</td>
<td>100 % of regional ceiling</td>
</tr>
<tr>
<td>For part between EUR 50-100M</td>
<td>50 % of regional ceiling</td>
</tr>
<tr>
<td>For part exceeding EUR 100M</td>
<td>34 % of regional ceiling</td>
</tr>
<tr>
<td>Subsidies</td>
<td>Form</td>
</tr>
<tr>
<td>-------------------------------------------</td>
<td>--------------------------</td>
</tr>
</tbody>
</table>
| Subsidy with Individual Government Decision (EKD) | cash, non-refundable, post-financed decided individually by the Hungarian Government | Asset investment:  
- min. EUR 20 M investment volume, and 100 new jobs in the following counties: Fejér, Komárom-Esztergom and Győr-Moson-Sopron  
- min. EUR 10 M investment volume, and 50 new jobs in the following regions: Northern Hungary, Northern Great Plain, Southern Great Plain, Southern Transdanubia and in the following counties: Veszprém, Zala and Vas  
- min. EUR 20 M investment volume, and 100 new jobs in case of starting investments undertaking new economic activities implemented by large enterprises in the preferred areas of Central Hungarian region (in case of SME’s capacity expanding can also be eligible)  
- min. EUR 5 M investment volume, and 100 new jobs in case of starting investments undertaking new economic activities implemented in the following regions: Northern Hungary, Northern Great Plain, Southern Great Plain, Southern Transdanubia and in the following counties: Veszprém, Zala and Vas  | „request list“ containing core investment data submitted to HIPA |
| EU co-financed tenders                    | cash, non-refundable, post-financed specified by the tender | Job creation:  
- min. EUR 10 M investment volume  
- in Northern Hungary, Northern Great Plain, Southern Great Plain, Southern Transdanubia and Veszprém, Zala, Vas counties: min. 50 employees  
- in Fejér, Komárom-Esztergom and Győr-Moson-Sopron counties: min. 100 employees  
Creation or expansion of Regional Shared Service Centers:  
- min. 50 new jobs in every region of Hungary that can be subsidized | specified by the tender |
| Development tax allowance                 | tax allowance following the completion of the investment exemption for 80% of the corporate tax payable for 10 years following the fulfillment of the investment | Depending on the created workplaces, on the volume of the investment and on wage cost growth | request should be submitted to the Ministry of National Economy |
| Training subsidy                          | cash, non-refundable, post-financed 50-70% of eligible training costs | min. 50 new jobs | letter of intent needs to be submitted to the relevant minister |
| Workshop establishment aid                | cash, non-refundable, post-financed max.73% of eligible costs | min. 50 employees with student contract (available only for large enterprises) | letter of intent needs to be submitted to the relevant minister |
| Social tax allowance                     | tax allowance The social tax is either 0% or 12,5% or 14% depending on the type of labour group (instead of 27%) | The tax allowance can be granted for prioritized groups up to gross wage of HUF 100 000 for researchers and developers with PhD up to gross wage of HUF 500 000 for PhD students up to gross wage of HUF 200 000 | The claim of the allowance is to be indicated in the tax documentation |
| Job creation subsidy                      | cash, non-refundable, post-financed decided individually by the Hungarian Government | Granted Subsidy with Individual Government Decision, min. 250 new jobs, investment in a disadvantaged area | letter of intent needs to be submitted to the relevant ministry |
Conditions of claiming cash subsidy based on the decision of the Hungarian Government

The cash subsidy based on the decision of the Hungarian Government, can be claimed for asset investment, OR for job creation purposes as follows:

- **In case of asset investment:**
  - min. EUR 20 million of investment volume and 100 new jobs created in the following counties: Fejér, Komárom-Esztergom and Győr-Moson-Sopron
  - min. EUR 10 million of investment volume and 50 new jobs created in the following regions: Northern Hungary, Northern Great Plain, Southern Great Plain, Southern Transdanubia and in the following counties: Veszprém, Zala and Vas
  - min. EUR 20 million of investment volume and 100 new jobs created in case of starting investments undertaking new economic activities implemented by large enterprises in the preferred areas of Central Hungarian region (in case of SME’s capacity expanding can also be eligible)
  - min. EUR 5 million of investment volume and 100 new jobs created in case of starting investments undertaking new economic activities implemented in the following regions: Northern Hungary, Northern Great Plain, Southern Great Plain, Southern Transdanubia and in the following counties: Veszprém, Zala and Vas
  - Moreover in case of investments aiming the creation or the expansion of Regional Shared Service Centers creating min. 50 new jobs in every region of Hungary that can be subsidized
In case of job creation investment:

- **min. EUR 10 million of investment volume and 100 new jobs created** in the following counties: Fejér, Komárom-Esztergom and Győr-Moson-Sopron
- **min. EUR 10 million of investment volume and 50 new jobs created** in the following regions: Northern Hungary, Northern Great Plain, Southern Great Plain, Southern Transdanubia and in the following counties: Veszprém, Zala and Vas
- **min. EUR 10 million of investment volume and 100 new jobs created** in case of starting investments undertaking new economic activities implemented by large enterprises in the preferred areas of Central Hungarian region (in case of SME’s capacity expanding can also be eligible)
- Moreover in case of investments aiming the creation or the expansion of Regional Shared Service Centers creating **min. 50 new jobs** in every region of Hungary can be subsidized
EU co-financed tenders

In the 7-year financial period of the European Union between 2014 and 2020 Hungary will be entitled to approximately EUR 40 billion of financial source.

Generally it can be said that this period will be characterized by the followings:

- **60 % of the sources granted by the European Union will be spent on economic development** (instead of the 20 % allocated in the previous period)
- the support of the SMEs, R&D and rural development will be more pronounced

EU funds are available for a number of development goals, like asset acquisition, infrastructural development, new construction, renovation, service development, job creation and financing human resources costs.

For further information and a tailor made incentive package please contact HIPA

HIPA – Hungarian Investment Promotion Agency
Phone: +36 1/872-65-20
E-mail: investment@hipa.hu

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The agriculture and food industry is a traditionally very important sector for the Hungarian economy. Hungary has been able to maintain a GMO-free zone within its territory, which provides comparative advantage for the marketing of bio food products. Hungary has notable agricultural areas and products of agricultural origin, especially compared to its relative size. As a net exporter of agricultural products, Hungary, is a significant supplier to the EU market. The geographical characteristics of the Carpathian Basin, the centuries-old agricultural and food-related know-how, the EU membership and the commitment of the country to invest in the future of its agriculture and food industry are all present at the same time in Hungary right now.

The factors presented below show that Hungary provides an investment environment with comparatively low risk levels and high profit margins for agricultural and food industry projects.
The Hungarian territory, due to a high proportion of agricultural land, high quality soils and low rental fees, provides favourable conditions for agricultural land use.

Eighty per cent of the total territory of Hungary is agricultural production area. More than half (59%) of this area is arable land and around a quarter (26%) is forest. The ratio of the total arable land in Hungary is higher than the EU average.

More than one-third of these lands have favourable soil characteristics (brown forest soil with high humus content). Domestic lands are not contaminated and are not tainted with toxic substances. This fact means that Hungarian soils have favourable conditions for agricultural production and are suitable to generate materials for the bio food production activities of eco-farms that are committed to health-conscious nutrition.
The availability of water resources throughout the whole country allows for an increased yield and efficiency in agricultural production. Natural conditions in Hungary are favourable for geothermal energy production and utilization.

Hungary has a quite diverse territory considering precipitation and temperature, because it lies on the borderline of three different climatic zones (oceanic, continental and Mediterranean). Annual precipitation in Hungary ranges between 500 and 750 mm. Hungary is extremely rich in thermal waters. These reserves are significant on an international scale as well. Thermal water (with temperatures over 30°C) is available in about 80 per cent of the territory of Hungary.

There is a massive and skilled labour force employed in the agricultural sector with qualifications acquired from a wide range of universities, training schools and vocational training institutions. Scientific know-how is also available locally, offered by internationally recognized university experts and research institutes.

The agricultural sector employs more than 200,000 full-time workers. Experts are trained at six internationally recognized universities and vocational schools in Hungary. The average wage level for agricultural workers has not changed (risen) significantly during the past decade. Agricultural wages are approximately 80 per cent of the average wages in the national economy.

Production as well as investments in the agricultural sector have increased in the previous years. Hungary is ranked in the top five within the EU in terms of the contribution of agriculture to the GDP as well as the share of utilized agricultural area in the territory. The agricultural income of farmers almost doubled in the last decade, which implies that investments in agriculture could retain their desired value.

Hungary is fourth within the European Union concerning the total contribution of agricultural income to the gross national income. The share of agriculture in the Hungarian GDP increased from 3.5 per cent (2010) to 4 per cent (2013). The size of gross agricultural production in 2013 reached the value of EUR 7,306 million. This agrarian output was produced by over 8,000 companies and almost half million sole holders. Investments in 2013 (approximately EUR 835 million) showed a nine per cent growth compared to the corresponding period in the preceding year.
Sixty per cent of the total land area is utilized as agricultural area (only the UK has a higher ratio), making Hungary second in this regard. Compared to the size of the country (two per cent of the EU total), a relatively high share (4.4 per cent) of the total EU crop production is in Hungary.

**PERFORMANCE OF THE HUNGARIAN FOOD INDUSTRY**

The Hungarian food industry offers well-known and unique commodities with a wide range of traditional food products. The profitability and economic performance of the sector have started to rise steadily, showing definite signs of recovery from the financial crisis.

Concerning production value, the food industry is at the first place among other processing industries in Europe. This sector will have a strategic importance in the upcoming years as well, making it a primary target for EU funds. In order to confirm its commitment, Hungary has developed a separate strategy on the food industry for 2014 to 2020.

There are over 5,000 registered food businesses in the country. The food sector represented 2.4 per cent of investments in Hungary in 2013. The investments in the food sector (approximately EUR 351 million) realized a one per cent growth in 2013, compared to the corresponding period in the preceding year. In the case of the food business, 69 per cent of the money invested was spent on machinery and 31 per cent on construction.

In 2013, the Hungarian food business generated a total revenue of EUR 10,400 million, and could realize profits before tax of EUR 244 million. The food processing sector started to rise steadily in 2013: the utilization of Hungarian agricultural commodities by the domestic food industry, the total economic output, and the number and size of companies operating in the sector all started to recover following the great financial crisis.

| FINANCIAL INDICATORS OF THE HUNGARIAN FOOD INDUSTRY (2009-2013) |
|------------------------|--------|--------|--------|--------|--------|
| Operating profit       | 358    | 325    | 339    | 242    | 316    |
| Profit before tax      | 199    | 227    | 137    | 173    | 244    |
| Net profit             | 2      | 5      | -71    | -6     | 62     |
| million EUR            | 400    | 350    | 300    | 250    | 200    | 150    | 100    | 50     | 0      | -50    | -100   |
The majority of foreign trade in Hungary is carried out within the European Union, with well-established trading partners. Hungary is a net exporter in the agricultural sector, providing mainly crops, meat and meat products to its importing partners.

Most of the Hungarian agricultural foreign trade is conducted within the European Union. Hungarian exports are rather balanced (more countries are included), while imports are more concentrated (from fewer countries).

Within agricultural exports, primarily crops, meat, fruit, vegetables, animal feed, oil, fat are relevant in this order of importance on the product level. Similarly to exports, meat, fruit, vegetables, animal feed and crops, in this order, form part of the imports. Besides imported products, dairy products, egg, bevarages, tobacco, coffe, tea, cacao and spices represent exported goods.

The value of Hungarian agricultural trade with the EU-28 has been increasing dynamically: a more than three-fold growth of exports implies that Hungary has made use of the expanding market opportunities. This development seems to be balanced, as the export value has increased towards the EU-15 and EU-13 by a similar ratio. Import flows have increased as well, but Hungary could strengthen its position of being a net agricultural exporter within the EU, showing a surplus in its agricultural balance sheet.
WHY INVEST?
• Over 80 per cent of the surface of the country is covered with good quality soil
• Non-polluted lands are awaiting to be cultivated
• Hungary promotes GMO-free and bio food production
• The climatic environment is free of extremities
• The outstanding underground and surface water reserves are favourable for agriculture
• A high number of thermal springs are available for energy and agro-tourism purposes
• EU funds are available for agriculture and rural development
• Skilled labour is available for agriculture in the country
• There are an appropriate scientific background and databases
• The country has a favourable geographic location (transport hub region)