FOOD INDUSTRY IN HUNGARY
HUNGARY
SMART.
AMBITIOUS.
COMPETITIVE.
**ABOUT HUNGARY**

**MAIN FIGURES**

- **Area**: 93,023 m²
- **Time Zone**: GMT + 1 Hour
- **Population**: 9,797,561 (2017, HCSO)
- **Capital**: Budapest
  - Population: 1,752,704 (2017, HCSO)
- **Other Major Cities**:
  - Debrecen (201,981)
  - Szeged (161,137)
  - Miskolc (157,177)
  - Pécs (144,675)
  - Győr (129,301)
- **Currency**: Forint (HUF)
- **GDP (PPS)**: EUR 192,855 Million (2016, HCSO)
- **GDP Growth**: 4.0% (2017, HCSO)
- **Inflation**: 2.4% (2017, HCSO)
- **Form of Government**: Parliamentary Republic
- **Climate**: Temperate (similar to the rest of the continental zone)
- **Risk of Natural Disasters**: Very Low
- **Membership in International Organisations**:
  - EU, UN, OECD, WTO, NATO, IMF, EC
  - EU member since 2004

**Food Industry in Hungary**

**Other Major Cities**

- Debrecen
- Szeged
- Miskolc
- Pécs
- Győr

**Population**

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**Food Industry in Hungary**
Hungary is an open economy where particular emphasis is placed on encouraging foreign direct investment (FDI). Partnership with potential investors is a national priority; special attention is paid to the needs of companies already settled in Hungary, and to the further improvement of the business climate.

Inward FDI stock amounted to 66% of the GDP (2016), the highest ratio in the region.

Source: wiiw FDI Database

Food Industry in Hungary

You can count on the Government’s commitment to further improve the business climate.
ABOUT HUNGARY
BUSINESS ENVIRONMENT

INVESTMENTS IN FOCUS

IN ORDER TO IMPROVE THE BUSINESS CLIMATE THE HUNGARIAN GOVERNMENT...

- has introduced a new incentive scheme supporting technology intensive investments.
- has created the most competitive CIT in the EU with 9% flat rate.
- has modified its taxation and incentive system related to R&D activities to make Hungary the innovation hub of CEE.
- is committed to further reduce taxes on employment.
- is helping companies to function reliably by providing a clear agenda on economic development and FDI strategy.
- has introduced its unique economic development plan based on Industry 4.0 requirements.
- further improved the practice-based dual education system built on industry needs.
- offers companies a strategic partnership and provides them with fast access to the Government.

Food Industry in Hungary

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GASTRO STORY
The dining scene in Budapest is livelier than ever, practically you can find the cuisines of every culture in the capital, from high-end Michelin-star restaurants to no-frill eateries, small bistro's and must-try food trucks.

EXPAT'S LIKE HUNGARY
Budapest is a city full of surprises and wonders, with its lively centre, pretty parks, majestic river, tall church spires, and lavish spas. One of the most exciting cities in the world, Budapest is full of secrets, hidden spots to explore, and old favourites to revisit. This is the city where being bored is not an option.

EXPLORE THE COUNTRYSIDE
Hungary’s diverse countryside offers a wide range of outdoor activities: 11,000 kilometres of hiking routes; more than 4,000 kilometres of cycle paths; 14 golf courses; 10 national parks; and many protected nature reserves for those in love with fresh air. The protected Pusztar-region, the Great Plain, the romantic Danube Bend with its historic sites, and pretty baroque towns, such as Eger, attract visitors all over the year. Lake Balaton, the largest fresh water lake in Central Europe, is a perfect holiday resort.

INTERNATIONAL SCHOOLS
Expatriates looking to stick with the curricula of their home countries can choose from a range of private international schools for their children. There are also many English, German or French public and private pre-schools for children aged from three to six. The school year starts in September and ends in June, and school buses are usually available at private schools. There are many opportunities to study in a foreign language at universities too.

Did you know that…
the kindergarten and the elementary school division of the International School of Debrecen will start to operate in September 2019 and its upper school education starts running from September 2020?
Keeping Hungarian agriculture GMO-free is a matter of extremely high strategic importance.

The total abolition of the utilization of GMO in the country’s agriculture represents an ever-increasing competitive advantage for Hungary.

The ban on GMO is laid down in the country’s Constitution and in the corresponding legislation.

All parliamentary parties have worked together to formulate Hungary’s GMO-free strategy and the process of implementation aimed at its realization in complete agreement.

"AGRANA has substantial and successful affiliated companies in Hungary, since 1990 at Hungrana, since 1991 at the sugar factory Magyar Cukor in Kaposvar, and since 2002 at four apple juice concentrate plants. All of our investments are characterized by considerable growth over the years. Due to the strategic importance of this region AGRANA stood and stands clear to its investments in Hungary and does not intend to change that."
FOOD INDUSTRY IN HUNGARY

QUALITY INGREDIENTS ARE AVAILABLE ON A LARGE SCALE

HUNGARY is a major producer of numerous agricultural products in Europe – especially compared to the country’s size.

Among the TOP3 crop producers of the CEE region

<table>
<thead>
<tr>
<th>Crop</th>
<th>Total Production (thousand tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHEAT AND SPELT</td>
<td>HUNGARY: 5,237, POLAND: 4,498</td>
</tr>
<tr>
<td>SUNFLOWER SEED</td>
<td>HUNGARY: 1,870, BULGARIA: 1,739</td>
</tr>
</tbody>
</table>


http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tag00047&language=en
You can count on high quality raw materials.

**Fruit Production (thousand tons)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Apple</th>
<th>Sour cherry</th>
<th>Plum and greengage</th>
<th>Peach</th>
<th>Apricot</th>
<th>Watermelon*</th>
<th>Honeydew melon*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>592</td>
<td>70</td>
<td>48</td>
<td>44</td>
<td>21</td>
<td>190</td>
<td>22</td>
</tr>
<tr>
<td>2014</td>
<td>780</td>
<td>92</td>
<td>45</td>
<td>39</td>
<td>23</td>
<td>219</td>
<td>12</td>
</tr>
<tr>
<td>2015</td>
<td>511</td>
<td>77</td>
<td>46</td>
<td>37</td>
<td>20</td>
<td>196</td>
<td>16</td>
</tr>
<tr>
<td>2016</td>
<td>497</td>
<td>74</td>
<td>48</td>
<td>40</td>
<td>24</td>
<td>185</td>
<td>20</td>
</tr>
</tbody>
</table>

**Vegetable Production (thousand tons)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Potato</th>
<th>Tomato</th>
<th>Sweet pepper</th>
<th>Green peas</th>
<th>Carrot</th>
<th>Onion</th>
<th>White cabbage</th>
<th>Sugarbeet**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>478</td>
<td>136</td>
<td>77</td>
<td>68</td>
<td>67</td>
<td>60</td>
<td>67</td>
<td>991</td>
</tr>
<tr>
<td>2014</td>
<td>567</td>
<td>153</td>
<td>84</td>
<td>88</td>
<td>84</td>
<td>62</td>
<td>60</td>
<td>1067</td>
</tr>
<tr>
<td>2015</td>
<td>452</td>
<td>200</td>
<td>116</td>
<td>95</td>
<td>78</td>
<td>60</td>
<td>65</td>
<td>911</td>
</tr>
<tr>
<td>2016</td>
<td>429</td>
<td>173</td>
<td>137</td>
<td>111</td>
<td>91</td>
<td>62</td>
<td>53</td>
<td>1121</td>
</tr>
</tbody>
</table>

**All Gathered Fruits (thousand tons)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>850</td>
<td>1040</td>
<td>778</td>
<td>755</td>
</tr>
</tbody>
</table>

**All Gathered Vegetables (thousand tons)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1441</td>
<td>1514</td>
<td>1601</td>
<td>1626</td>
</tr>
</tbody>
</table>
The geographical fragmentation and wide range of climatic conditions within the country constitute a source of diversity of production and establish a rich choice for processing.
YOU CAN COUNT ON THE HUNGARIAN FOOD INDUSTRY’S EXPERIENCE

Regina Kuzmina
Managing Director
Unilever Hungary Ltd.

“The country’s superb geographical location, skilled workforce and qualified professionals all contribute to the prosperous operation of the Budapest HQ and the three factories creating 1,550 workplaces. Our company considers Hungary to be one of its strategic production centres, and throughout the past 27 years, we carried out significant investments in the country.”

MOST RELEVANT SEGMENTS OF THE HUNGARIAN FOOD INDUSTRY

1. meat processing and preserving
2. mineral water, soft drinks, alcoholic and other beverages
3. pet food and feed production
4. milk processing, dairy products
5. sweets, snacks, convenience and other foods
6. fruit and vegetable processing and preserving

DISTRIBUTION OF THE PRODUCTION VALUE OF FOREIGN AFFILIATES IN THE HUNGARIAN FOOD SECTOR BY CONTROLLING COUNTRY, 2015

- Switzerland: 22%
- USA: 18%
- Austria: 17%
- Germany: 9%
- France: 8%
- Netherlands: 7%
- Italy: 7%
- Czech Republic*: 3%
- Belgium: 3%
- Other countries: 3%
- UK*: 2%
- Other countries: 3%
“Excellent people in an excellent business destination – this is what Hungary means to our company. We are committed to Hungary since 1968 having invested more than HUF 120 billion only in the last two decades in our production capabilities. The production, transportation and sales of our drinks – including our employees – provide jobs for nearly 13,000 people and two-thirds of the raw materials used for the production of beverages are provided by local suppliers. We export products to 25 countries so Hungary has become a major regional hub in the Coca-Cola Hellenic group. And we are determined to go even further..."
INSTITUTIONS OF HIGHER EDUCATION are engaged in food industry related programs. Several additional universities provide agriculture, biology, chemistry and health related BSc, MSc courses and higher-level vocational trainings as well.

LABOUR FORCE EDUCATION

Hungary has a strong and highly differentiated system to develop skills and competencies required by the food industry.

There is a traditionally strong institutional system for agricultural training, education and research.

Classical trades and crafts (such as butchers, bakers, machine operators, etc.) are taught in the framework of secondary vocational training, while the system of training technicians, managers, and other mid-level professionals can only be entered by students having completed secondary vocational or grammar schools.
Hungarian basic research is internationally recognized, and applied research has produced a number of new products and technologies. The main focus of agriculture related scientific studies is on developing climate-proof, yet GMO free crops (grains, soy and sorghum). Similarly to education research activities, Hungary’s agriculture and food industry has a long history. Seed breeding has an important status in agricultural research and is an integral part of each organizations on the next page.

José Matthijsse
General Manager
HEINEKEN Hungária Sörgyárak Zrt.

“Innovation is of key importance in the Hungarian added value. Finding the Hungarian small and medium sized entrepreneurs who contribute to the innovation of our technologies and products has brought real benefits for our company. Together with the high quality Hungarian agricultural raw materials, this provides our products a sustainable business growth.”
Approximately 47 percent of the country’s total area is covered by arable land. It is geographically significant that approximately two-thirds of Hungary’s territory is flat and lie lower than 200 metres above sea level.

47% ARABLE LAND

66% FLAT TERRITORY

(Source: HCSO, 2017)

“Thanks to its three factories, market presence and significant innovation opportunities, Nestlé Hungária plays an important regional role in Nestlé’s global life. Having been present for 27 years in the country, Nestlé invested more than 100 billion HUF. In 2017, we completed a 20 billion HUF expansion in our Bük pet food factory. Nestlé continues to plan ahead for long term presence that brings stability and new opportunities to the almost 2000 domestic suppliers of our company.”

Péter Noszek
Market Head
Nestlé Hungária Ltd.
“Hungary, and Makó was selected as the site for Givaudan’s biggest green field investment because of the rich heritage of food production in the region and new infrastructure which provides easy access the fast growing markets of Central and Eastern Europe as well as Western Europe. The excellent food industry education at University of Szeged, ensures a pool of highly skilled local employees that has been driving the site to become the flagship of Flavour Division by the end of its first five years of operation in Makó.”
Hungary has direct connection to all significant harbours and terminals in Europe. Several main train lines connect Hungary with the main ports of Western Europe (e.g. Hamburg, Bremerhaven, Rotterdam), the Adriatic (Koper, Rijeka, Trieste), the Mediterranean (Piraeus) and the Black Sea (Constanta) with regular block train services.
The railway network spans the entire country and is an integral part of the international railway network, thus providing easy access by international express trains from the neighbouring regions and numerous other European countries. The total length of the Hungarian railway system is 7,712 km, of which 1,224 km (15.9%) is double-track, whilst the electrified railway network has a total length of 3,083 km (40%).

Hungary is ranked Nr. 6 by railway line density in Europe. 

*Source: Eurostat*
The Investment Sites Database lists more than 1150 green- and brownfield sites, industrial parks and offices throughout Hungary. It simplifies the task of matching investors’ needs to potential locations. Searchable by size, location, available infrastructure and incentives, the database is an excellent starting point for any prospective investor.

IPA operates an internal database of industrial parks, investment sites, and industrial halls in Hungary. The Investment Sites Database is one of the most comprehensive resources of its kind, the HIPA database is part of the information package for potential investors.

“Nissin instant noodle factory based in Kecskemét is serving customer in all Europe from 2004. By delivering our brands (CUP NOODLE, SOBA, SMACK) in great quality with engaged team we could grow our business year on year. To sustain this grow we made a greenfield investment by creating two times bigger capacity factory in 2017 with over EUR 30 million investment. Nissin is confident Hungary has all human and material resources and has a good geography location for our business.”

Zoltán Tárkány-Szűcs
Deputy Factory Director
Nissin Foods Ltd.

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HOW DO WE SUPPORT YOUR FOOD INDUSTRY PROJECT?

BEFORE YOU MAKE A DECISION WE OFFER YOU....

- one-stop-shop management consultancy services to address your business needs.
- tailor-made incentive offers and information packages on the business environment, labour market, tax regulations, etc.
- location search & evaluation + site visits.
- meetings with HR & real estate agencies, law firms and other consultants based on your needs.
- reference visits at companies that are already established in Hungary.
- assistance with your incentive application.

AFTER YOU HAVE CHOSEN HUNGARY

We are open to your feedback and offer mediation between government and business based on your inputs.

We support your further expansion and plans.

PLEASE CONTACT US
Address: 1055 Budapest, Honvéd utca 20.
Customer service: investment@hipa.hu
Telephone: +36 1 872 6520
Web: www.hipa.hu
As a member of the European Union, Hungary’s regulations on incentive opportunities are in accordance with the EU rules. One of Hungary’s competitive advantages over other countries in the region is the Government’s strong commitment to increase the competitiveness of SMEs and large enterprises in Hungary. Alongside the regulatory tools that contribute to the competitive business environment of local companies, Hungary offers wide-ranging incentives to facilitate foreign direct investments and reinvestments by local enterprises. In addition to the “Made in Hungary” type investments, increasing emphasis is being put on “Invented in Hungary” type of projects with the aim of supporting the implementation of Industry 4.0 solutions and the strengthening of Hungary as an innovation hub of Europe. From the beginning of 2017, favorable changes have been introduced in the non-refundable VIP cash grant system supporting R&D projects and technology-intensive investments.

These incentives include, but are not limited to:

- **Cash Subsidies** for investments, training, job creation and R&D
- **Tax Incentives** reduction of corporate tax, social tax, or for encouraging R&D activities...
- **Training Subsidies**
- **Low-Interest Loans**

Regional grants are the most typical forms of incentives for greenfield / brownfield investments or reinvestments. The maximum amount of regional incentive is shown on the regional aid intensity map. The map above illustrates that regional aid available for investment for a large enterprise may be up to 50% of the eligible costs of the investment, depending on the region. For investments not exceeding EUR 50 million, the maximum intensity ratio can be increased by 10 percent for medium-sized and by 20 percent for small enterprises.

For information on up-to-date and individual incentive packages please contact HIPA directly.