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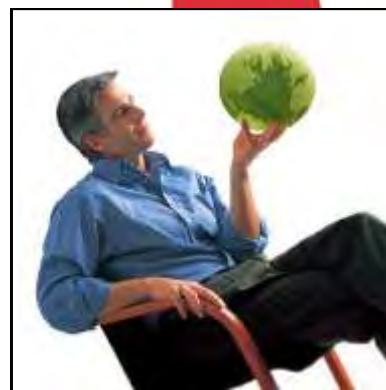
MARKET ANALYSIS REPORT | JANUARY 2013

# The Hungarian Consumer

## Behaviour, Attitudes and Perceptions Toward Food Products



Source: Shutterstock.



## The Hungarian Consumer

### Behaviour, Attitudes and Perceptions toward Food Products



#### ► EXECUTIVE SUMMARY

With a population of 9.9 million, Hungary is a small but open market that is highly engaged in international trade. Strategically located at the heart of the Central European region, Hungary joined the European Union (E.U.) in 2004. While the 2008 economic downturn negatively affected Hungary's economy, exports helped the country recover in 2010 and 2011.

Although not part of the euro zone, Hungary is nevertheless affected by the economic challenges in the region, and began negotiations with the European Union and the International Monetary Fund (IMF) for a financial assistance package in July 2012 (Economic Intelligence Unit [EIU], 2012a).

In 2011, agri-food and seafood trade between Canada and Hungary totalled over C\$16.2 million. In the same year, Canadian exports to Hungary amounted to C\$5.8 million, up from C\$4.7 million in 2010, while imports from Hungary amounted to C\$10.4 million (Statistics Canada, 2012).

Hungarian consumers have developed a strong penchant for high-quality and convenience-oriented food products in recent years, a result of the country's increasing urban/suburban population and corresponding busier lifestyles. This has fuelled demand for fast food, frozen and chilled processed food, and ready-made meals. However, greater health awareness has also sparked interest in health and wellness, including fish and seafood, organic, and fortified/functional agri-food products. Hungary's aging population is expected to increase the relevance of this trend in future years, while the growth of single-person households and households composed of couples without children is expected to fuel demand for non-essential items and smaller portion sizes.

This report is intended to inform the export and marketing strategies of Canadian businesses looking to enter the Hungarian and/or Central European marketplace. For additional information on the Hungarian market, the following Agriculture and Agri-Food Canada reports may also be of interest:

♦ *Packaged Food Sales in Hungary*

[[http://publications.gc.ca/collections/collection\\_2012/agr/A74-1-54-2012-eng.pdf](http://publications.gc.ca/collections/collection_2012/agr/A74-1-54-2012-eng.pdf)]; and

♦ *Comparative Consumer Profile: The Czech Republic, Hungary, and Poland*

[[http://publications.gc.ca/collections/collection\\_2012/agr/A74-2-2012-5-eng.pdf](http://publications.gc.ca/collections/collection_2012/agr/A74-2-2012-5-eng.pdf)].

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#### ► DID YOU KNOW?

Hungary is a  
“soup eating” nation.

Water and Fire,  
Hungarian Cuisine



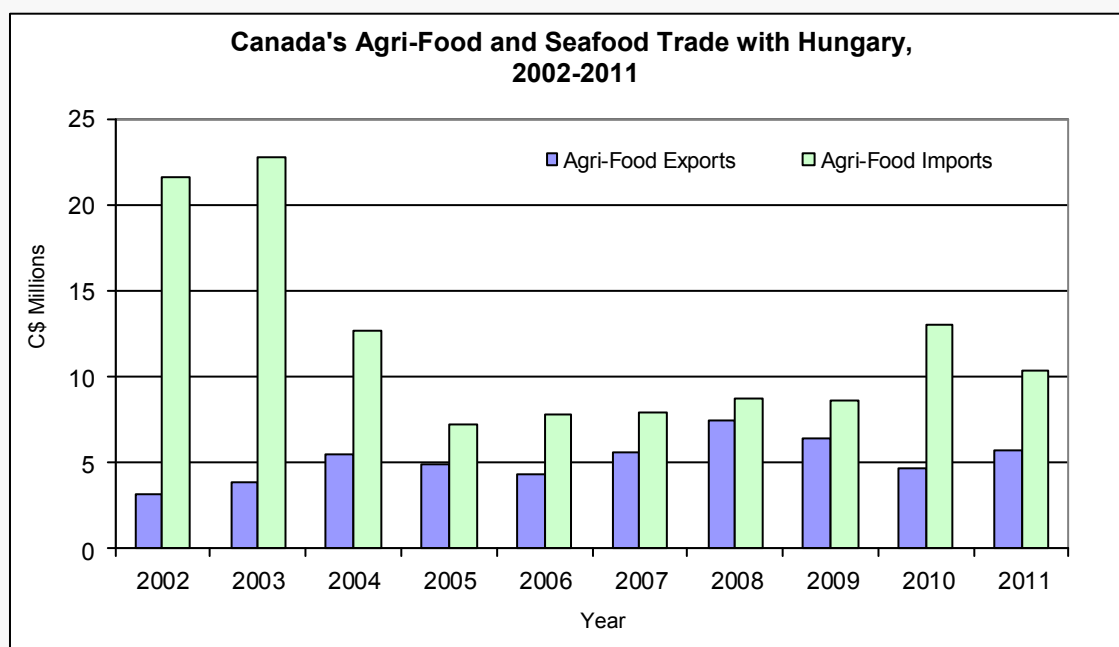
## ► GLOBAL TRADE POSITION

Hungary's membership in the E.U. makes it part of the largest agri-food importer in the world. In 2011, Hungary imported close to US\$6 billion in agri-food and seafood products, and exported over US\$9.7 billion, maintaining a positive trade balance of US\$3.7 billion. Specifically in terms of fish and seafood products, Hungary imported US\$79.2 million in 2011, a 14% increase from US\$69.4 million in 2010 (Global Trade Atlas [GTA], 2012).

After joining the E.U. in 2004, Hungary's imports from Canada climbed to a peak in 2008, but then dropped off in more recent years as other member countries became preferred trading partners. In 2011, the top five countries exporting to Hungary were Germany, Poland, the Netherlands, Slovakia and Austria (GTA 2012). Canada exported approximately C\$5.8 million in agri-food and fish and seafood products to Hungary in 2011, up from US\$4.7 million in 2010. The top five agri-food and seafood exports included dog or cat food, dried lentils, bovine semen, whiskies, and live eels (Statistics Canada, 2012).

Conversely, following initial drops in 2004 and 2005, Canadian imports from Hungary have regained some momentum in recent years, as illustrated in the graph below. Canada's imports from Hungary were valued at C\$10.4 million in 2011, and top commodities included grape wines; sparkling grape wines; products consisting of natural milk constituents; fresh, chilled, or frozen edible meat offal (not otherwise specified); and frozen duck, geese, or guinea fowl cuts and edible offal (Statistics Canada, 2012).

In 2011, bilateral trade between Canada and Hungary totalled over C\$16.2 million (Statistics Canada, 2012).



**Source:** Statistics Canada, 2012.



## ► GLOBAL TRADE POSITION (continued)

### *Economy*

Hungary's economy underwent major changes over the past 16 years as it transitioned to a market economy. The country, which is extremely reliant upon trade with its European neighbours, has benefitted from global and regional trade liberalization. Hungary's gross domestic product (GDP) totalled US\$139.7 billion in 2011. Despite current economic challenges, it is expected to experience faster economic growth than the United States and other western European countries, with 2.6% real GDP growth predicted between 2012 and 2030. Hungary's value-added agriculture\* sector accounted for over \$2.7 billion or 3.5% of the country's GDP in 2010 (World Bank, 2011).

In 2009, the agriculture sector employed approximately 4.6% of the population, down from 20% in 1985 (World Bank, 2011). Hungary's currency is the Hungarian forint; in a March 2012 radio interview, Hungarian Prime Minister Viktor Orban was quoted as saying that 2018 would be the earliest possible date for Hungary to adopt the euro (Gergely, 2012).

**Comparison of Economic Indicators, Hungary and Canada**

|   | Hungary                                    | Canada                                     |
|---|--|--|
| GDP<br>(official exchange rate)                               | US\$139.7 billion<br>(2011)                | US\$1,737 billion<br>(2011)                |
| GDP real growth rate  | 1.6% (2011)<br>1.3% (2010)<br>-6.8% (2009) | 2.5% (2011)<br>3.2% (2010)<br>-2.8% (2009) |
| Unemployment rate   | 10.9% (2011)                               | 7.5% (2011)                                |
| Inflation rate<br>(consumer prices, average national measure) | 3.9% (2011)<br>4.9% (2010)                 | 2.9% (2011)<br>1.8% (2010)                 |

*Sources: EIU, 2012.*

Like other countries, Hungary was negatively affected by the global economic downturn in 2008, and GDP declined by 6.8% in 2009 (CIA, 2012). The Hungarian government introduced a number of policies to reduce business and personal income taxes while imposing additional taxes on certain sectors, including financial institutions, retailers, and energy and telecom companies (CIA, 2012).

Despite positive real GDP growth rates in 2010 and 2011, Hungary's dependence upon the euro zone as an export market makes it vulnerable to the effects of the recession in the region. The Economist Intelligence Unit (EIU) expects negative real GDP growth of 0.8% in 2012, as a result of continuing economic austerity measures, low consumer confidence, and overall stagnant global growth. Between 2013 and 2016, real GDP is forecasted to grow by approximately 1.6% each year (EIU, 2012b).

Inflation is expected to be 5.5% in 2012 as a result of increases to the value-added tax (VAT), consumption tax, and a new telecom levy. High inflation will persist in 2013, as other taxes come into effect, including taxes on insurance policies and financial transactions. From 2013 to 2016, yearly inflation is expected to average 3.6%; however, inflationary effects are expected to be lessened by the predicted appreciation of the Hungarian forint against the euro (EIU, 2012).

*\*Value-added agriculture builds on the primary/raw product or service of an agricultural business by adding a new component through processing and/or manufacturing that has economic value and consumer appeal. For example, a fruit farm that normally sells its product to a retailer may add value by expanding into pick-your-own, direct sales to consumers at their farm or local market and/or the sale of jams and jellies made onsite (OMAFRA, 2010).*



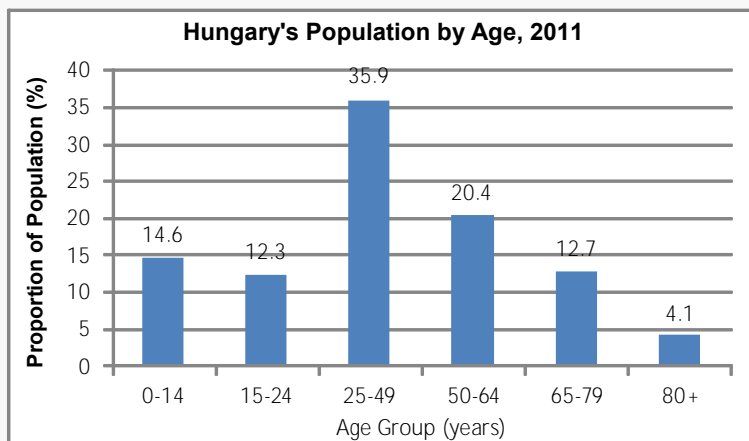
## ► DEMOGRAPHICS

### Population

Hungary has a population of 9.9 million consumers, and shifting demographics are affecting consumer demand for food products. As a whole, Hungary's population is aging, evidenced by increasing life expectancy, which was 70.7 years for males and 78.6 years for females in 2010. By 2030, a quarter of the population will be 65 years or older. This, combined with a labour force participation rate that has hovered just above a low 50% since 2005, means that there will be fewer than three working-age people per pensioner by 2030 (EIU, 2012c). To alleviate the strain on the pension fund, the Hungarian government increased the retirement age to 65 from 62, as of 2011 (Euromonitor International, July 2011a; Hungarian Central Statistical Office, 2009).

Along with improved life expectancy, this aging trend is associated with a low fertility rate, declining birth rates, and an increasing number of Hungarians starting families later in life (Euromonitor, 2011). Since 1980, the Hungarian population has decreased by 700,000 people, and a further reduction of 300,000 people is expected in the next 20 years (EIU, 2011). The population growth rate is expected to be -0.18% in 2012 (CIA, 2012). As a result, future consumer spending growth will likely focus on products that meet the needs of the aging population.

Urbanization has also been increasing, with 68% of the population inhabiting urban areas in 2010; however, there has been a recent trend towards suburban living (CIA, 2012; Euromonitor International, July 2011a). Many residents of urban centres are migrating to areas just outside large cities. The urban population grew by 1% between 2006 and 2010 and is expected to increase by 1.3% by 2020 (Euromonitor International, July 2011a). As of January 1, 2012, approximately 1.7 million people lived in the capital city, Budapest. Approximately 5.2 million people lived in other towns, and about 3.0 million lived in villages (Hungarian Central Statistical Office, 2012).



Source: Eurostat, 2012.

### Households

In 2011, there were 4.2 million households in Hungary. Single-person households are the most prevalent type in Hungary, having grown 15.5% from 2006 to 2011 to represent about one in three households (1.4 million).

According to Euromonitor, this large number can be explained by the 20% of the population that is widowed or divorced, as well as the growing number of Hungarians who are getting married at a later age. Other consumers represented here are young Hungarians who have moved out of their parents' homes. As these consumers have no dependants, they usually have a reasonable level of disposable income. Consumers in single-person households tend to spend more on non-essential goods and services, and are also interested in smaller portion sizes and ready-made meals (Euromonitor International, July 2011a).

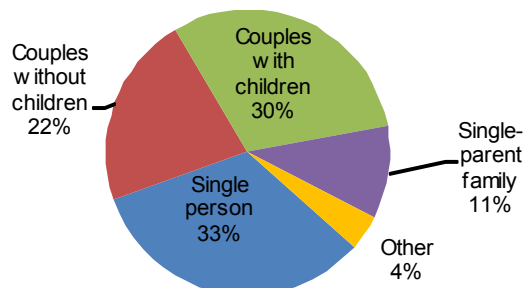


## ► DEMOGRAPHICS (continued)

### Households (continued)

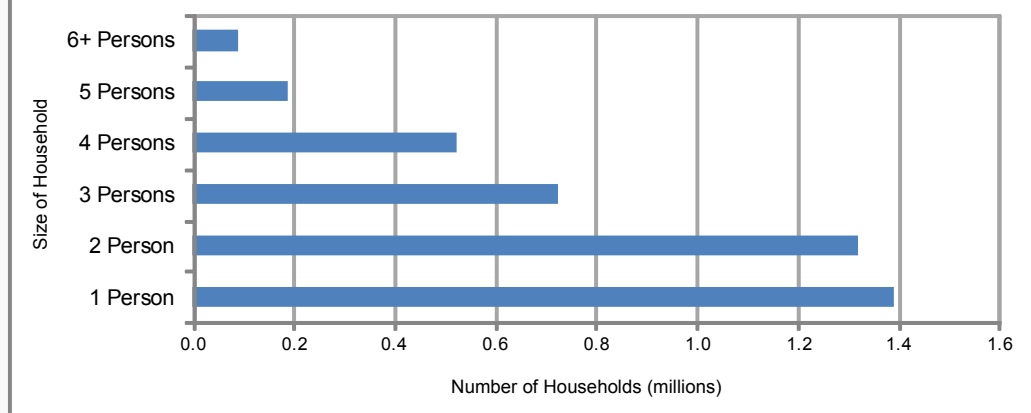
Couples with children are the second-largest household type in Hungary, growing 0.3% from 2006 to 2011 to represent 30% of all households, or 1.3 million (Euromonitor International, January 2012b). While this segment remains an important consumer group in Hungary, it is expected that demand for goods and services for children will decrease, largely as a result of a declining child population (Euromonitor International, July 2011a). Along with getting married later in life, many Hungarian couples are postponing or forgoing having children. Between 2006 and 2011, households of couples without children increased by 1.5%, reaching 22% of all households. In 2011, there were over 1.4 million children in Hungary, a decline from over 1.5 million in 2006 (Euromonitor International, January 2012).

**Hungarian Households by Type, 2011**



Source: Euromonitor International, January 2012.

**Hungary, Households by Size, 2011**



Source: Euromonitor International, January 2012.

### Health and Lifestyle

As the Hungarian population ages, health issues will play an increasing role in consumer lifestyles and food purchase decisions. As in many countries, the most common causes of death in Hungary are circulatory system diseases, particularly heart disease, and cancer (Eurostat, 2012). Around 50% of the Hungarian population is classified as overweight or obese (35.8% and 20.2%, respectively). Childhood obesity and diabetes are becoming more prevalent, which may be the result of increased fast food consumption in this demographic, and the increasing pace of family lifestyles (Euromonitor International, July 2011a).



## ► CONSUMPTION AND EXPENDITURE

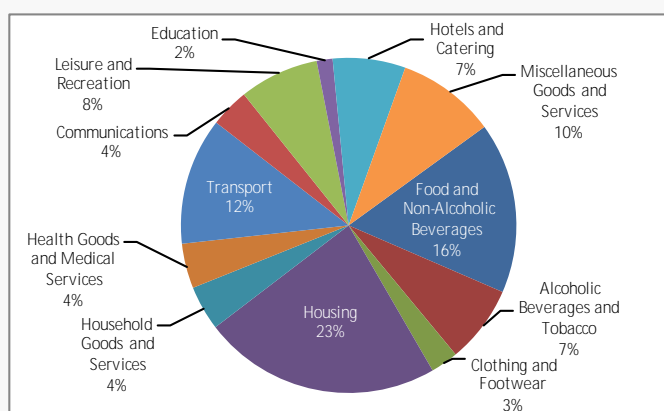
### *Expenditure Overview\**

The economic downturn diminished consumer confidence and reduced annual gross income in real terms by 2.4% from 2006 to 2008, and a further 7% from 2008 to 2010 (Euromonitor International, July 2011a). While average income recovered somewhat in 2010, increasing by 8%, price increases meant that consumer purchasing power did not grow, resulting in decreased consumer expenditures in 2009 and almost no increase in 2010. Rebounding to US\$75.3 billion in 2011, overall consumer expenditure in Hungary is expected to experience slow positive growth from 2013 to 2016, to reach almost US\$77.2 billion (Euromonitor International, January 2012b).

In 2011, Hungarian consumers spent 16% of their total expenditures on food and non-alcoholic beverages for a grand total of US\$12.4 billion, up from US\$12.0 billion in 2010 (Euromonitor International, January 2012b). Per capita expenditure on food and non-alcoholic beverages amounted to around US\$1,245.0 in 2011, of which US\$1,084.7 was spent on food and US\$160.3 was spent on non-alcoholic beverages (Hungarian Central Statistical Office, 2012).

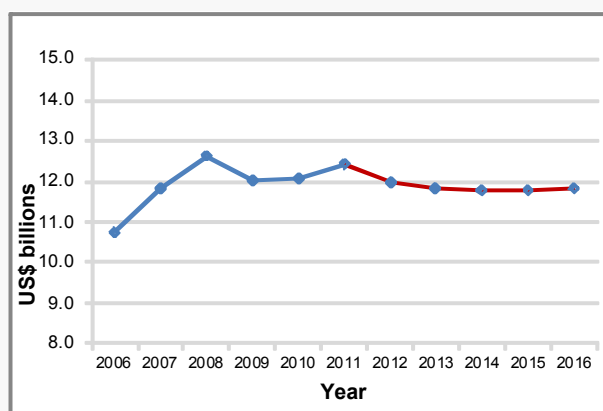
Of total Hungarian consumer expenditures on food and non-alcoholic beverages in 2011, about US\$10.8 billion was spent on food, while US\$1.6 billion was spent on non-alcoholic drinks. According to Nielsen (2011), the top food and non-alcoholic beverage categories in Hungary, in terms of sales, are processed meat, cheeses, carbonated soft drinks, coffee, flat waters, mineral waters, fruit juices, snacks/chips, and cooking oils. Accordingly, in 2011, consumers spent the most on meat (US\$3.3 billion), followed by milk, cheese, and eggs (US\$1.9 billion), bread and cereals (US\$1.8 billion), and vegetables (US\$1.3 billion). The category with the lowest consumer expenditure was fish and seafood at US\$122.7 million. Spending on mineral water, soft drinks, and juice amounted to over US\$1.0 billion, while consumer expenditures on coffee, tea, and cocoa amounted to US\$595 million (Euromonitor International, January 2012b).

**Consumer Expenditure by Type, 2011**



Source: Euromonitor International, January 2012b.

**Historic/Forecast Consumer Expenditure on Food and Non-Alcoholic Beverages, 2006-2016**



Source: Euromonitor International, January 2012b.

\*Expenditure data sourced from Euromonitor International in this section is measured in current prices using fixed 2011 exchange rates.





## ► CONSUMPTION AND EXPENDITURE (continued)

### Grocery Shopping

Store-based retail in Hungary recorded total value sales of US\$29.7 billion in 2011, US\$16.4 billion of which was attributed to grocery retailers. Overall, the grocery retail market saw 11% growth between 2006 and 2011, despite some contraction experienced in 2010. This growth can largely be attributed to increased prices rather than volume sales. By 2016, grocery retailing is expected to record US\$18.6 billion in sales (Euromonitor International, November 2011).

Convenience stores comprise the largest share of the grocery market in value terms. This is largely due to the high number of outlets in this channel and their close proximity, as rising oil prices force consumers to shop closer to home. The convenience store channel is seeing growing outlet numbers while becoming increasing consolidated. Many small, independent grocers are choosing to affiliate themselves with the larger chain banners (such as Coop Hungary) as a convenience store format, when they feel they can no longer compete as an independent. Between 2011 and 2016, convenience stores are expected to have a constant value compound annual growth rate (CAGR) of 3%, as well as a 3% increase in the number of outlets. By 2016, they are expected to account for 32% of the market (Euromonitor International, April 2012).

Hypermarkets have the second-largest grocery market share, as they offer a wide range of products and are able to offer consumers sales and deals (Euromonitor International, April 2012). These channels are generally favoured by consumers on weekends (Euromonitor International, July 2011a). Despite limited space to expand the number of outlets, 12 new hypermarkets were opened in 2011. Hypermarkets saw the most growth in 2011, compared to total retail channels, with value sales increasing by 4%, likely due in part to price increases. Between 2011 and 2016, they are expected to experience slower growth, with a constant value CAGR of 2%, as their locations are not as convenient for consumers (Euromonitor International, April 2012).

Discounters experienced 2% growth in value sales in 2011. This channel offers high-quality, essential products at low prices, shorter wait times at checkout, and outlets located close to consumers in city centres. In addition, consumers who frequent these channels for discounted items also often end up purchasing other items, such as fresh fruit, which are priced comparatively higher in discounters than in other retail channels. This has also contributed to increases in value sales among discounters (Euromonitor International, April 2012).

Suburbanization has shifted the consumer market found on the outskirts of large cities. Now that these areas have become suburban, many smaller or independent shops are closing, as supermarkets and shopping malls arrive. However, the aging population is expected to increase the demand for home-based services and different types of mobile stores, such as “rolling butchers” and other fresh food stores. Many consumers already purchase supplements and medicines from mobile stores (Euromonitor International, July 2011a).

#### Top Five Grocery Retailers in Hungary

| Company       | Store types under company banner      | Outlets in Hungary (April 2012) | Company share based on % retail value sales |      |      |
|---------------|---------------------------------------|---------------------------------|---|------|------|
|               |                                       |                                 | 2009  | 2010 | 2011 |
| Tesco         | Hypermarkets and small grocery stores | 205                             | 16.7  | 18.0 | 19.2 |
| CBA           | Supermarkets                          | 3,072                           | 13.7  | 14.0 | 14.0 |
| Coop Hungary  | Four sub-brands based on store size   | 3,000                           | 10.3  | 10.8 | 11.4 |
| Spar          | Hypermarkets, supermarkets, and “City | 388                             | 9.8   | 9.5  | 9.4  |
| Reál Hungária | Two sub-brands based on store size    | 2,320                           | 6.1   | 6.2  | 6.2  |

**Sources:** Euromonitor International, April 2012; European Commission, 2012.





## ► CONSUMPTION AND EXPENDITURE (continued)

### Consumer Tastes and Preferences

Food and cooking are important parts of Hungarian culture, characterized by the use of a wide variety of high-quality, domestically produced ingredients. Hungarian consumption patterns are deeply rooted in tradition, and authentic Hungarian cuisine is rich in protein, carbohydrates, and fat. It is known for its spiciness and for incorporating popular ingredients, such as paprika, lard, onions, potatoes, sour cream, and meat, especially pork (Euromonitor International, July 2011a). Traditional Hungarian cuisine has been influenced by a number of cultures, from the earliest Magyars, to the Italians, French, and Austrians. The Turkish culture particularly affected Hungarian cuisine through the introduction of coffee, sour cherries, and paprika, among other foods (Frommers, 2012).

According to the Hungarian Statistical Office (2012), 2010 per capita consumption of food and beverages in terms of quantity amounted to the following:

- 83.3 kg of cereals (includes 43.3 kg of bread);
- 76.9 kg of vegetables (includes 29.1 kg of potatoes);
- 58.3 kg of mineral water;
- 53.7 kg of meat (includes 0.9 kg of beef and veal; 5.8 kg of salami, sausage and ham; 16.0 kg of pork; and 17.1 kg of poultry);
- 52.9 litres of milk;
- 37.1 kg of fruit (includes 11.3 kg of apples);
- 27 litres of soft drinks;
- 16.6 kg of fats (butter, lard, edible oils, etc.);
- 13.5 kg of sugar;
- 12.8 litres of fruit juice;
- 12 kg of yogurt and sour cream;
- 5.4 kg of canned milk, milk powder, and cottage cheese;
- 5.5 litres of wine; and
- 149 eggs.



Source: Planet Retail.

Soup, originating from the traditional nomadic Magyar diet, remains a staple dish for Hungarians. It is prepared and consumed in a variety of ways. For instance, *gulyás*, which is a hot meat soup, often prepared with pork, carrots, and potatoes, may be served at lunch as the first course. Other heavy soups, such as *halaszle*, a fish soup, may be served as a meal on their own. Cold fruit soups, *gyümölcs leves*, made with sour cherries or apricots, are also popular (Frommers, 2012).

Main dishes are usually meat-based, including beef, pork, lamb, turkey and chicken, and may include other staples such as pasta dumplings, cabbage, and rich sauces made with paprika or tomatoes. Hungarian-produced salami, cheese, and wine are also widely consumed. Potatoes are a popular side dish, as are rice and pasta (Water and Fire). Snack foods include *palacsinta* (stuffed pancakes) and pastries, for which Hungary is known. Hungarians also consume a significant proportion of desserts and sweets. Hungarian cakes tend to be very sweet and cream-filled. For instance, *turós táska*, is a dessert strudel filled with cheese, *túró rudi* is a log-shaped cheese dipped in chocolate, and *somlói galuska* is a dessert made from cubes of cake, layered with rum flavouring, vanilla sauce, chocolate sauce, and whipped cream (Frommers, 2012; Water and Fire).



## ► EMERGING TRENDS

### *Urban Lifestyle*

Changing rural and urban demographics in Hungary are significantly affecting the consumer market. As more of the population migrates to urban areas in search of better employment and education opportunities, urban consumers make up more of the consumer market. Urban consumers differ from rural consumers by favouring a modern retail format that provides a large variety of products. In comparison, rural consumers prefer smaller shops and are sometimes more engaged in self-sufficient farming (Euromonitor International, July 2011a). As mentioned previously, this urban shift is changing the food and beverage shopping preferences of Hungarian consumers, to the benefit of some distribution channels, such as convenience stores and hypermarkets, as well as certain food categories, namely packaged products that offer convenience and time-saving properties. However, while these properties are increasingly valued, Hungarian consumers as a whole remain very price sensitive (Euromonitor International, April 2012).

The switch to urban lifestyles has been accompanied by increased Internet penetration among Hungarian consumers. As Internet access has increased, so too has the market size of internet-based retailing. While Internet retailing has a small market share compared to other retail channels, as urbanization continues, it is expected that Hungarian consumers will engage more in these services, which are largely based in urban areas (Euromonitor International, July 2011a).

As urban consumers lead busier lifestyles, demand is expected to increase for prepared or packaged food and drink. In 2011, packaged food sales totalled US\$6.2 billion, steadily increasing from around US\$5.3 billion in 2007. The top five packaged food categories in Hungary include dairy (US\$1.7 billion), bakery (US\$1.1 billion\*), chilled processed food (US\$722.0 million), confectionery (US\$538.3 million), and canned/preserved food (US\$301.1 million). Excluding dairy, these categories have seen consistent positive growth from 2006 and 2011, despite the economic downturn, and all categories, including dairy, saw overall growth during this period (Euromonitor International, July 2011b; Euromonitor International, August 2012).

According to the Canadian Trade Commissioner Service (2010), Hungary's waning processing sector means that the demand for many types of value-added packaged and processed foods will have to be met through imports to the country.

### *Eating Out*

Food purchases are a major aspect of consumer spending, and with rising inflation and unemployment rates, Hungarian consumers are cooking meals at home more often (Euromonitor International, July 2011a). However, while demand for fast food in general has slowed, it still remains popular, especially since street stalls/kiosks and fast food outlets offer value-oriented meal options. The economic downturn has had an impact on the number of fast food service establishments, particularly full-service restaurants. In contrast, fast food outlets have expanded in numbers, mostly due to the value for money they can offer consumers.



Source: Planet Retail.

\*The market size of bakery products was determined using current prices and U.S. fixed 2011 exchange rates, while the market sizes for other products were determined with current prices and U.S. fixed 2012 exchange rates, due to the nature of Euromonitor International's data update process.



## ► EMERGING TRENDS (continued)

### Health and Wellness

Hungarian consumers are becoming more health-conscious, as indicated by the increase in sales of healthy foods and beverages, private health insurance, and the rise of health and wellness tourism. For example, there has been greater demand for bottled water and a wider variety of poultry, fish and seafood, dairy products, fruits, and vegetables. This trend is in its early stages, despite consumers being more aware of the benefits of living a healthy lifestyle; for the most part, it has yet to significantly change consumer diet and exercise habits (Euromonitor International, July 2011a).

Nevertheless, Hungary's aging population is expected to increase demand for healthy food and drinks. While seniors have less purchasing power compared to other segments of the population, they are more interested in buying essential items and healthcare products, such as vitamins. Middle-aged consumers are also interested in healthy food options and dietary supplements (Euromonitor International, July 2011a). Between 2006 and 2011, sales of sports nutrition products grew by 51.3%, and sales of vitamins and dietary supplements grew by 29.3%. Sustained consumer interest is expected to increase sales of sports nutrition products from US\$23.2 million in 2011 to US\$25.1 million in 2016, and increase sales of vitamins and supplements from US\$200.0 million to US\$219.0 million over the same period (Euromonitor International, January 2012a).

The Hungarian Government has undertaken a number of initiatives to encourage healthier lifestyles, including implementing a tax on certain foods that have a high content of sugar, fat, or caffeine. This tax came into effect in September 2011. While it is collected from the product manufacturer, it is expected to affect the prices of products such as chips, soft drinks, chocolate, and sweets. For example, in late 2011, the rates imposed were US\$0.023 per litre on soft drinks, US\$0.95 per kilogram on salty snacks, and US\$1.19 on energy drinks (Foreign Agricultural Service, 2011).

In terms of health and wellness food and beverage products, all categories saw positive value sales growth between 2005 and 2010. Notably, fortified/functional food and beverage value sales increased by 70.6%, with a CAGR of 11.3%. According to forecasts by Euromonitor International, this category will continue to see the most growth, with a CAGR of 9.8% from 2010 to 2015. Overall, the market size for all health and wellness products is expected to reach approximately US\$2.6 billion by 2015, up from US\$2.0 billion in 2010, with a CAGR of 4.6% (Euromonitor International, April 2011)

**Hungary, Historic/Forecast Market Sizes, Health and Wellness by Type, US\$ millions**

|                                  | 2010           | 2015           | CAGR<br>2010-2015 |
|----------------------------------|----------------|----------------|-------------------|
| Better-for-you                   | 630.4          | 709.4          | 2.4%              |
| Food intolerance                 | 42.7           | 56.0           | 5.6%              |
| Fortified/functional             | 379.2          | 605.5          | 9.8%              |
| Naturally healthy                | 909.4          | 1,074.7        | 3.4%              |
| Organic                          | 82.3           | 110.4          | 6.1%              |
| <b>Health and wellness total</b> | <b>2,044.0</b> | <b>2,556.1</b> | <b>4.6%</b>       |

**Note:** Forecast figures are determined using constant 2010 prices and fixed 2010 exchange rates.

**Source:** Euromonitor International, April 2011.



## ► EMERGING TRENDS (continued)

### *Organic*

Although organic food consumption remains low in Hungary, demand has increased. In 2010, organic packaged food and beverages had a market value of US\$82.3 million, representing just under 1.5% of total packaged food sales. This is an increase from 2005, when organic sales were valued at US\$36.7 million, or 0.8% of the total packaged food market. By 2015, organic packaged food is expected to reach a total value of US\$110.4 million (Euromonitor International, April 2011; July 2011b). As the economy gradually recovers, greater awareness of the benefits of living a healthy lifestyle and taxes on unhealthy food will inform consumer choices and encourage the sale of organic food. Hungary's local organic food production and processing remains undeveloped, so in 2009, approximately 70% of all organic food was imported. Hungarian organic shops have focused on vegetarian products; organic meat products, which would better complement the traditional Hungarian diet, are not widely recognized yet (Canadian Trade Commissioner Service, 2010).

Price remains one of the major obstacles for organic foods and beverages in Hungary. According to Euromonitor International, only 13% of Hungarian consumers buy organic products occasionally. However, Hungarians are very concerned with food safety and prefer fresh, natural food. Therefore, demand for organic food offerings is expected to see continued growth (Euromonitor International, July 2011a).

One segment of the population that is particularly interested in organic food is families purchasing for their babies. From 2006 to 2010, organic baby food and special baby milk products saw an increase in growth. During the downturn, families focused their spending on their babies, often opting for products like organics, which are perceived to be healthier and safer than other packaged baby food (Euromonitor International, July 2011a).

### *Fish and Seafood*

A landlocked country, Hungary imports the majority of its fish and seafood products. While consumption is lower than many other European countries, Hungarians consumed 3.5 kg of fish and seafood per capita in 2011 (Euromonitor International, February 2012). In 2011, consumer expenditure on fish and seafood amounted to US\$122.7 million (Euromonitor International, January 2012b). The fresh fish and seafood market has increased from 32,300 tonnes in 2007 to 34,800 tonnes in 2011. Packaged fish and seafood has seen constant positive growth in the past five years as well, with canned/preserved fish and seafood increasing from sales of US\$36.8 million in 2007 to US\$50.6 million in 2011. That same year, chilled fish and seafood increased from US\$3.2 million to US\$4.0 million and frozen processed fish and seafood increased from US\$17.7 million to US\$24.2 million (Euromonitor International, August 2012).

Although Hungarians import most of their fish and seafood products from other E.U. countries, Canadian lobster and scallops are available in a few retail chains, including METRO, Auchan and Cora, as well as a few culinary shops in Budapest. Canadian lobster is also listed in the product assortment of all key HRI suppliers in the country. Hungarians also import tuna, herring, sardines, hake, salmon, shrimp, and mussels, all of which are canned, fresh, or frozen. With health and wellness receiving greater consumer focus, fish and seafood consumption is expected to increase, as it is seen as a healthy and safe source of protein, compared to some meat products (Canadian Trade Commissioner Service, 2010).



Source: Planet Retail.



## ► CONCLUSION

Hungarian consumers are living increasingly busy lifestyles, with ongoing urbanization and suburbanization affecting consumer attitudes, preferences and behaviours towards food products. Hungarians are looking for products that offer added convenience and time-saving properties, but remain very value-oriented. Larger-format stores that offer one-stop shopping are growing in popularity amongst suburbanites, but many consumers are willing to shop at multiple locations in order to acquire the best deals. However, rising oil prices have meant that most consumers do not wish to travel far to do so, maintaining the successful growth of convenience stores.

Hungary's aging population is also expected to shift consumption to food and beverage products that appeal to older consumers, but households with children will remain an important market, as these consumers tend to have a significant level of disposable income. Health and wellness has become an important concern, particularly with the country's high obesity rate. While consumers have not substantially changed their overall diet or exercise habits, awareness of the benefits of living a healthy lifestyle is increasing. With the addition of government initiatives to encourage healthier diets, this trend is expected to become more apparent in future consumer consumption patterns.

A number of categories have already seen significant positive growth as a result of the health and wellness trend, including organic packaged food, as well as fish and seafood products. While Hungarian consumers are price-sensitive, they are increasingly concerned about the healthful properties and overall quality of their food. Organic foods and beverages do not yet have a market size as large as some other health and wellness categories, with price as the major barrier; however, the image of organic products as fresher and safer greatly appeals to Hungarian consumers. Furthermore, as consumers begin to seek healthier protein sources, demand for fish and seafood is expected to continue growing, which will likely be met through increased imports. As a whole, market opportunities for healthier products that also offer consumers good value for money, are expected to continue growing.

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