Market Research – Eastern Europe

Coffee in Hungary
Proexport – Colombia
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EUNITE, Nederland

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Estimado Empresario:

La búsqueda de acuerdos comerciales que nos permitan como país ampliar los escenarios y mercados de exportación, nos reta como PROEXPORT a apoyar en forma directa a los empresarios en sus iniciativas exportadoras, ofreciendo servicios dentro de un modelo del gestión comercial y compartiendo un conocimiento más detallado sobre los mercados y sus oportunidades.

Para lograr lo anterior, PROEXPORT, con inversión de recursos propios y de cooperación técnica no-reembolsables del BID-FOMIN, emprendió una labor de recolección y análisis de información de primera mano en los principales mercados de interés a través de la contratación de consultorías internacionales especializadas en investigaciones de mercados. Los resultados de estos trabajos permitieron analizar y conocer la dinámica comercial de los sectores en los cuales existe un potencial para nuestras exportaciones, así como detallar aspectos de competitividad, información valiosa para la orientación de las iniciativas exportadoras de nuestros empresarios.

La información que contiene este estudio, sobre la dinámica del sector, la demanda y consumo, la situación competitiva de los productos, estructura y características de la comercialización y logística de acceso al mercado, es una contribución e invitación a profundizar y conocer aspectos que nos permitan avanzar en la realización de negocios en escenarios internacionales.

Cordialmente,

[Signature]

Luis Guillermo Plata P.
Presidente PROEXPORT
Contents

1. Introduction ........................................................................................................ 7
   1.1 Introduction........................................................................................................ 7
   1.2 Methodology ................................................................................................... 7
2. General sector data............................................................................................ 9
   2.1 Current market developments within the specified sector.............................. 9
   2.2 Sector’s participation in total GDP................................................................. 9
   2.3 Sector’s participation in employment.............................................................. 9
   2.4 Developments in production........................................................................... 10
   2.5 Sales-, import- and export activities ............................................................. 10
   2.6 Available data about the sub-sectors ............................................................ 14
   2.7 Recommendations ......................................................................................... 14
3. Market composition and characteristics........................................................ 15
   3.1 Market size ..................................................................................................... 15
   3.2 Analysis of apparent consumption dynamics .............................................. 16
   3.3 Governmental plans and programs ............................................................... 16
   3.4 Demand in the market .................................................................................. 17
   3.5 Recommendations ......................................................................................... 18
4. Competition analysis ....................................................................................... 19
   4.1 Main trademarks available on the market..................................................... 19
   4.2 Features of the commercialized products...................................................... 20
   4.3 Marketing and advertising strategies.............................................................. 22
   4.4 Participation in the market and segments that are served............................ 22
   4.5 Quality of the product .................................................................................. 22
   4.6 Expansion plans ............................................................................................ 23
   4.7 Pricing strategy .............................................................................................. 23
   4.9 Recommendations ......................................................................................... 24
5. Distribution channels....................................................................................... 25
   5.2 Recommendations ......................................................................................... 28
   6.1 Preferential tariffs ........................................................................................ 29
   6.2 Tariffs imposed by major competitors .......................................................... 30
   6.3 Norms of origin ............................................................................................ 30
   6.4 Barriers .......................................................................................................... 32
   6.5 Licenses .......................................................................................................... 33
   6.6 Quotas ............................................................................................................ 33
   6.7 Approvals & Technical standards .................................................................. 33
   6.8 Packaging ...................................................................................................... 41
   6.9 Required documentation for import .............................................................. 43
   6.10 Import modalities or regimes involved in the process................................. 51
   6.12 Requirements for import of samples and accompanied luggage ............... 51
   6.13 Website links to rules and regulations ........................................................ 51
   6.14 Flow chart of the process and related costs ................................................. 52
   6.15 Recommendations ....................................................................................... 53

Proexport Colombia
7. Physical access ................................................................................................................. 55
  7.1 Available transportation infrastructure By road............................................................... 55
  7.2 Identification of ports, airports, roads- border passes- railways, waterways ............... 56
  7.4 Identification of other handling and distribution infrastructure ...................................... 67
  7.5 Identification of carriers that transport goods imported from Colombia ..................... 72
  7.6 Alternatives of transport and carriers providing services from Colombia .................... 74
  7.7 Costs of transportation from Colombia and main competing countries for the three types of cargo (loose cargo, general cargo, refrigerated cargo) in each modality of transport. ................................................................. 74
  7.8 International Freight and Transportation Costs ............................................................... 75
  7.9 Other costs involved in international physical distribution ............................................. 77
  7.10 Physical distribution services address book .................................................................. 77
8. Recommendations to the exporter .................................................................................. 79
Annexes ................................................................................................................................. 81
  Annex 1: Certificate of origin form A................................................................................... 81
  Annex 2: DV1 Form .............................................................................................................. 81
  Annex 3: Single Administrative Document (SAD)............................................................... 81
  Annex 4: Examples of packaging of products ..................................................................... 86
  Annex 5: Companies Directories ....................................................................................... 91
1. Introduction

1.1 Introduction

The hereby-presented report was elaborated on behalf of PROEXPORT Colombia, according to its instructions and specifications. The main objective of the report is to provide exporters of coffee and coffee products from Colombia with detailed information about the Hungarian coffee market, as well as to present an overview of potential business partners. The report aims to help to understand the key trends and issues in the coffee business and assess the competitive landscape of the Hungarian coffee industry.

The report is structured as a practical guidebook for the Colombian entrepreneur who plans to approach the Hungarian coffee market. The report contains data about specific segments of the market, its size and consumption specifics, major competitors, distribution chain, as well as practical information on import to Hungary including information on packaging and transport. The chapters are concluded by a recommendation to potential exporters. The practical recommendations and the summary of main market features are provided also in the final chapter.

Note: All numbers stated in this report are in either EURO or Hungarian Forint (HUF). The current exchange rate (18 November 2005) is 1 HUF = 0.00394 EUR, 1 EUR = 253.57 HUF.

1.2 Methodology

During the elaborations on this report, numerous organizations, institutions and companies were contacted in order to provide detailed information about the potentials of the Hungarian coffee market. Information from the Ministry of Agriculture, Ministry of Trade and Industry, the Hungarian Statistical office were employed in order to provide a detailed description of the particular market features.

Numerous entrepreneurs dealing with coffee were interviewed and various internal researches of the important suppliers were done. Additional information was acquired via the relevant Hungarian and foreign web pages and drawn from major daily newspapers.

Not all data of the past years is available yet and could therefore not be used. For example, the official statistical survey of the year 2004 done by the Hungarian
Statistical Office is to be closed by the end of November 2005, and will be published next year. Similarly, the Ministry of Agriculture will finish its Panorama of Food industry for 2004 during this fall. However, this report contains all the latest data and the most detailed data available, some of it was provided on our request, and some of it is based on estimations and knowledge of professionals active in the market.

The Hungarian food market in general, is significantly influenced by the Hungarian accession to the European Union in May 2004. Connected changes and trends are not very clear yet from the available data. In order to analyse the impact of the Hungarian accession, we have to wait for more recent data to be published.
2. General sector data

2.1 Current market developments within the specified sector

Signs of adaptation to the now many-year presence of multinational trade chains can be seen in the Hungarian economy even today. One of the most prominent examples of this is the change in the ratio of imported food.

From the viewpoint of our topic it has to be emphasized that the share of imported goods in trade chains is almost exclusive, since almost all of the coffee consumed in Hungary comes from a foreign country, though most of it is processed in Hungary.

2.2 Sector’s participation in total GDP

Table 2.2.1 Sector’s participation in total GDP (%)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National economy</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Agriculture</td>
<td>6,4</td>
<td>6,4</td>
<td>4,6</td>
<td>4,0</td>
<td>4,0</td>
</tr>
<tr>
<td><strong>Food industry</strong></td>
<td>4,2</td>
<td>4,0</td>
<td>3,2</td>
<td>3,4</td>
<td>3,7</td>
</tr>
<tr>
<td>Forestry</td>
<td>0,3</td>
<td>0,3</td>
<td>0,3</td>
<td>0,3</td>
<td>0,3</td>
</tr>
<tr>
<td>Agrarian economy altogether</td>
<td>10,9</td>
<td>10,7</td>
<td>8,1</td>
<td>7,7</td>
<td>8,0</td>
</tr>
</tbody>
</table>

Source: Hungarian Central Statistical Office

As we can conclude from the graph, the participation of food industry, also including the procession of coffee, has slightly decreased during the last years, though, still holds a relevant part of Hungarian economy besides agriculture.

Since the food industry made up 3,7% of the total GDP in 2001, the coffee industry makes up roughly 1% of the total GDP

2.3 Sector’s participation in employment

Table 2.3.1 Sector’s participation in employment (1000 persons)

<table>
<thead>
<tr>
<th>Branch</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branches altogether</td>
<td>3 697,7</td>
<td>3 811,5</td>
<td>3 849,1</td>
<td>3 883,3</td>
<td>3 883,6</td>
</tr>
<tr>
<td>Agriculture</td>
<td>258,7</td>
<td>250,3</td>
<td>234,0</td>
<td>226,3</td>
<td>223,7</td>
</tr>
<tr>
<td>Forestry</td>
<td>20,1</td>
<td>20,1</td>
<td>17,7</td>
<td>17,1</td>
<td>17,2</td>
</tr>
<tr>
<td><strong>Food industry</strong></td>
<td>158,6</td>
<td>155,1</td>
<td>152,2</td>
<td>158,0</td>
<td>161,2</td>
</tr>
</tbody>
</table>

Source: Hungarian Central Statistical Office
In this graph we see that the food industry has the most employees next to agriculture, though the number of employed has slightly increased during the past years.

Table 2.3.2 Sector's participation in employment (%)

<table>
<thead>
<tr>
<th>Branch</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branches altogether</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
</tr>
<tr>
<td>Agriculture</td>
<td>7,0</td>
<td>6,6</td>
<td>6,1</td>
<td>5,8</td>
<td>5,8</td>
</tr>
<tr>
<td>Forestry</td>
<td>0,5</td>
<td>0,5</td>
<td>0,5</td>
<td>0,4</td>
<td>0,4</td>
</tr>
<tr>
<td>Food industry</td>
<td>4,3</td>
<td>4,1</td>
<td>3,9</td>
<td>4,1</td>
<td>4,2</td>
</tr>
</tbody>
</table>

Source: Hungarian Central Statistical Office

2.4 Developments in production

Hungary is a country with a wet-continental climate; therefore the climate is not suitable for coffee production. However, processing coffee is of high importance in Hungary. Producers of almost all the trade marks mentioned in this report have a coffee processing plant in Hungary, because it is cheaper to import the coffee into Hungary in raw condition, and then process and pack it here.

According to the officials of the Hungarian Ministry of Agriculture and Rural Development dealing with commerce (Mr. Ferenc Török), there are no governmental plans to take steps in the direction of the development of coffee production, since there is no need for it, due to the huge demand existing in the market.

2.5 Sales-, import- and export activities

As mentioned before, Hungary’s climate is not suitable for coffee production. However, a lot of coffee beans are processed within the country. The tables below present the major countries Hungary is importing coffee from and exporting to. Unfortunately, trade statistics do not provide detailed information on the 8-digit HS level. However, the most detailed information that could be achieved is presented in this report.
<table>
<thead>
<tr>
<th>Measures</th>
<th>Import Value (1000 EURO)</th>
<th>Import Qty (1000 kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>4 612.710</td>
<td>6 278.7</td>
</tr>
<tr>
<td>Burundi</td>
<td>160.450</td>
<td>156.2</td>
</tr>
<tr>
<td>Cameroon</td>
<td>339.050</td>
<td>304.6</td>
</tr>
<tr>
<td>Colombia</td>
<td>138.370</td>
<td>93.5</td>
</tr>
<tr>
<td>Congo</td>
<td>9.160</td>
<td>6.9</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>35.060</td>
<td>24.5</td>
</tr>
<tr>
<td>Côte d'Ivoire</td>
<td>30.190</td>
<td>71.6</td>
</tr>
<tr>
<td>Croatia</td>
<td>61.600</td>
<td>14.2</td>
</tr>
<tr>
<td>El Salvador</td>
<td>34.320</td>
<td>22.8</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>383.080</td>
<td>360.2</td>
</tr>
<tr>
<td>Guatemala</td>
<td>9.150</td>
<td>3.9</td>
</tr>
<tr>
<td>Guinea</td>
<td>775.220</td>
<td>1 173.2</td>
</tr>
<tr>
<td>Honduras</td>
<td>341.060</td>
<td>244.3</td>
</tr>
<tr>
<td>India</td>
<td>10.180</td>
<td>7.8</td>
</tr>
<tr>
<td>Indonesia</td>
<td>3.880</td>
<td>1.5</td>
</tr>
<tr>
<td>Kenya</td>
<td>5.760</td>
<td>1.3</td>
</tr>
<tr>
<td>Mexico</td>
<td>73.870</td>
<td>60.1</td>
</tr>
<tr>
<td>Peru</td>
<td>452.880</td>
<td>330.2</td>
</tr>
<tr>
<td>Rwanda</td>
<td>378.550</td>
<td>286.6</td>
</tr>
<tr>
<td>Tanzania ,United Republic of</td>
<td>459.210</td>
<td>547.4</td>
</tr>
<tr>
<td>Togo</td>
<td>1.690</td>
<td>1.7</td>
</tr>
<tr>
<td>Uganda</td>
<td>2 262.000</td>
<td>2 905.4</td>
</tr>
<tr>
<td>Vietnam</td>
<td>6 605.500</td>
<td>9 758.5</td>
</tr>
<tr>
<td>Austria</td>
<td>2 696.290</td>
<td>1 580.5</td>
</tr>
<tr>
<td>Belgium</td>
<td>32.240</td>
<td>29</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>6.130</td>
<td>0.7</td>
</tr>
<tr>
<td>France</td>
<td>4.570</td>
<td>0.8</td>
</tr>
<tr>
<td>Germany</td>
<td>13 147.590</td>
<td>11 501.6</td>
</tr>
<tr>
<td>Italy</td>
<td>1 486.070</td>
<td>327.7</td>
</tr>
<tr>
<td>Netherlands</td>
<td>218.340</td>
<td>195.5</td>
</tr>
<tr>
<td>Poland</td>
<td>14.650</td>
<td>4.4</td>
</tr>
<tr>
<td>Slovakia</td>
<td>12.780</td>
<td>3.8</td>
</tr>
<tr>
<td>Spain</td>
<td>6.270</td>
<td>1.2</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>78.560</td>
<td>18.3</td>
</tr>
</tbody>
</table>

Source: DG Trade
As can be observed from the graph above, the major country Hungary buys coffee from is Germany, followed at a distance by Vietnam, Brazil, Austria and Uganda.

Table 2.5.2 Coffee export by Hungary by value and quantity in 2004 (CN 0901) (Overview)

<table>
<thead>
<tr>
<th>Measures</th>
<th>Export Value (1000 EURO)</th>
<th>Export Qty (1000 kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belarus</td>
<td>1.440</td>
<td>0.1</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>87.670</td>
<td>25.2</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>408.860</td>
<td>167.2</td>
</tr>
<tr>
<td>Croatia</td>
<td>35.880</td>
<td>6.1</td>
</tr>
<tr>
<td>Former Yugoslav Republic of Macedonia</td>
<td>4.430</td>
<td>1.8</td>
</tr>
<tr>
<td>Moldova, Republic of</td>
<td>16.920</td>
<td>7.2</td>
</tr>
<tr>
<td>Romania</td>
<td>2,787,830</td>
<td>1,391.3</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>1.570</td>
<td>0.2</td>
</tr>
<tr>
<td>Serbia and Montenegro</td>
<td>32.550</td>
<td>4.5</td>
</tr>
<tr>
<td>Ukraine</td>
<td>556.530</td>
<td>202.7</td>
</tr>
<tr>
<td>United States</td>
<td>4.860</td>
<td>1.8</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1,273,960</td>
<td>585.3</td>
</tr>
<tr>
<td>Germany</td>
<td>74.800</td>
<td>34.4</td>
</tr>
<tr>
<td>Italy</td>
<td>218.310</td>
<td>7,722.5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>132.330</td>
<td>61.6</td>
</tr>
<tr>
<td>Poland</td>
<td>170.290</td>
<td>85.9</td>
</tr>
<tr>
<td>Slovakia</td>
<td>64.040</td>
<td>40.7</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>20.900</td>
<td>423.3</td>
</tr>
</tbody>
</table>

Source: DG Trade

Trade statistics for different kinds of coffee for Hungary are given below.

Table 2.5.3 Trade Statistics 2004 for coffee (excl. roasted and decaffeinated) (CN 0901.11)

<table>
<thead>
<tr>
<th>Country</th>
<th>Import value to Hungary (1000 EUR)</th>
<th>Import quantity to Hungary (1000 kg)</th>
<th>Export value from Hungary (1000 EUR)</th>
<th>Export quantity from Hungary (1000 kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>457,466</td>
<td>626,540</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Colombia</td>
<td>138,370</td>
<td>93,500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>35,060</td>
<td>24,500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>38,308</td>
<td>360,200</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Peru</td>
<td>45,280</td>
<td>330,200</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Uganda</td>
<td>226,200</td>
<td>290,540</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

12 Proexport Colombia
Table 2.5.4 Trade Statistics 2004 for decaffeinated coffee (excl. roasted) (CN 0901.12)

<table>
<thead>
<tr>
<th>Country</th>
<th>Import value to Hungary (1000 EUR)</th>
<th>Import quantity to Hungary (1000 kg)</th>
<th>Export value from Hungary (1000 EUR)</th>
<th>Export quantity from Hungary (1000 kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>6605500</td>
<td>9758500</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Romania</td>
<td>-</td>
<td>-</td>
<td>29850</td>
<td>30900</td>
</tr>
</tbody>
</table>

Source: DG Trade, last updated 01/07/2005

Table 2.5.3 Trade Statistics 2004 for roasted coffee (excl. decaffeinated) (CN 0901.21)

<table>
<thead>
<tr>
<th>Country</th>
<th>Import value to Hungary (1000 EUR)</th>
<th>Import quantity to Hungary (1000 kg)</th>
<th>Export value from Hungary (1000 EUR)</th>
<th>Export quantity from Hungary (1000 kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosnia and Herzegovina</td>
<td>-</td>
<td>-</td>
<td>87480</td>
<td>25200</td>
</tr>
<tr>
<td>Brazil</td>
<td>37020</td>
<td>13000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Moldova</td>
<td>-</td>
<td>-</td>
<td>16920</td>
<td>7200</td>
</tr>
<tr>
<td>Romania</td>
<td>-</td>
<td>-</td>
<td>2757739</td>
<td>1360400</td>
</tr>
<tr>
<td>Ukraine</td>
<td>-</td>
<td>-</td>
<td>556530</td>
<td>202700</td>
</tr>
<tr>
<td>US</td>
<td>0150</td>
<td>0000</td>
<td>4860</td>
<td>1800</td>
</tr>
</tbody>
</table>

Source: DG Trade, last updated 01/07/2005

Table 2.5.3 Trade Statistics 2004 for coffee substitutes containing coffee in any proportion (CN 0901.90.90)

<table>
<thead>
<tr>
<th>Country</th>
<th>Import value to Hungary (1000 EUR)</th>
<th>Import quantity to Hungary (1000 kg)</th>
<th>Export value from Hungary (1000 EUR)</th>
<th>Export quantity from Hungary (1000 kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosnia and Herzegovina</td>
<td>-</td>
<td>-</td>
<td>0180</td>
<td>0000</td>
</tr>
<tr>
<td>Croatia</td>
<td>-</td>
<td>-</td>
<td>0080</td>
<td>0000</td>
</tr>
</tbody>
</table>

Source: DG Trade, last updated 01/07/2005
Market Researches in Eastern Europe

<table>
<thead>
<tr>
<th>Import value to Hungary (1000 EUR)</th>
<th>Import quantity to Hungary (1000 kg)</th>
<th>Export value from Hungary (1000 EUR)</th>
<th>Export quantity from Hungary (1000 kg)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>-</td>
<td>0010</td>
<td>0000</td>
</tr>
<tr>
<td>Serbia and Montenegro</td>
<td>-</td>
<td>1770</td>
<td>0200</td>
</tr>
</tbody>
</table>

Source: DG Trade, last updated 01/07/2005

As shown above, coffee processed in Hungary is largely exported to Romania and Ukraine and in smaller amounts to Moldova, Serbia and Montenegro and Bosnia and Herzegovina.

Hungary has a population of 10 million inhabitants and per capita GDP in 2004 was HUF 2993146, 11 (€ 11979, 95). Total coffee consumption was 561,000 bags and per capita consumption was 3, 33 kg. The country’s coffee imports in 2004 totalled 573,000 bags of green coffee mainly from Vietnam (28, 5% of total imports of green coffee) and Brazil (18, 2%). Imports of soluble coffee account for 44% of the country’s total imports, with Germany as the main supplier (27% of the total) followed by India (10%).

2.6 Available data about the sub-sectors

After 1990, when the old socialist system has changed, many Western European and American coffee and tea companies made investments in Hungary, partly by buying old Hungarian coffee companies and distributing the trademarks of that company together with their own trademarks, or simply by establishing new factories in the Eastern European market. As a result, practically 100 % of the Hungarian coffee industry is now in foreign hands.

Due to recent renewals of technology and infrastructure by these large multinational enterprises, they feel they are now able to face the harsh competition from within the European Union common market. They have been successful at living up to the EU health and hygiene regulations, while stay maintaining their competitive pricing within the market.

2.7 Recommendations

The Hungarian coffee market is largely dominated by multinationals with a well established position within the Hungarian market. It might therefore be hard for foreign producers to recover a spot in that market. However Latin-American countries such as Brazil and to some extend Colombia as well have been successful at making their market entrance. If this position can be maintained or even enlarged, this could offer potential to future Colombian exporters.
3. Market composition and characteristics

3.1 Market size

Table 3.1.1 Coffee consumption per capita (kg)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>kg</td>
<td>2.6</td>
<td>2.8</td>
<td>2.7</td>
<td>2.3</td>
<td>2.4</td>
<td>2.7</td>
<td>2.0</td>
<td>2.7</td>
<td>2.7</td>
<td>2.8</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Source: Central Hungarian Office of Statistics

As we can conclude from the table above, coffee consumption has been fairly even from the beginning of the nineties on. We can notice that there has been a decrease from 1997 to 1998, but from 1999 onwards, there has been a slight increasing trend in coffee consumption again. As shown in table 3.1.2, coffee consumption is likely to decrease to approximately 4 kg per capita in 2009.

Table 3.1.2 Coffee consumption per capita

<table>
<thead>
<tr>
<th>Year</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>kg</td>
<td>3.8</td>
<td>3.9</td>
<td>4.0</td>
<td>4.0</td>
<td>4.1</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Source: Economist Intelligence Unit.

Hungarian coffee consumption is however still low compared to the European average. Especially when in comparison to the Scandinavian countries, where people drink up to six times as much annually per person as the Hungarians do.

Table 3.1.2 Average European coffee consumption per capita in 2000 (kg)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Finland</td>
<td>12.82</td>
</tr>
<tr>
<td>2</td>
<td>Denmark</td>
<td>12.33</td>
</tr>
<tr>
<td>3</td>
<td>Sweden</td>
<td>11.90</td>
</tr>
<tr>
<td>4</td>
<td>Holland</td>
<td>10.20</td>
</tr>
<tr>
<td>5</td>
<td>Belgium</td>
<td>9.67</td>
</tr>
<tr>
<td>6</td>
<td>Norway</td>
<td>9.67</td>
</tr>
<tr>
<td>7</td>
<td>Switzerland</td>
<td>9.36</td>
</tr>
<tr>
<td>8</td>
<td>Germany</td>
<td>7.32</td>
</tr>
<tr>
<td>9</td>
<td>Austria</td>
<td>6.41</td>
</tr>
<tr>
<td>10</td>
<td>France</td>
<td>5.75</td>
</tr>
<tr>
<td>11</td>
<td>Italy</td>
<td>4.80</td>
</tr>
<tr>
<td>12</td>
<td>Hungary</td>
<td>2.72</td>
</tr>
<tr>
<td>13</td>
<td>Greece</td>
<td>2.12</td>
</tr>
<tr>
<td>14</td>
<td>Spain</td>
<td>1.86</td>
</tr>
<tr>
<td>15</td>
<td>England</td>
<td>1.76</td>
</tr>
<tr>
<td>16</td>
<td>Portugal</td>
<td>1.37</td>
</tr>
<tr>
<td>17</td>
<td>Iceland</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Source: The Roast and Post Coffee Company
Even though coffee consumption per person is quite low, Hungary has a very well established coffee drinking culture; 80% of Hungarians drink coffee on a daily basis. However due to the fact that coffee has been a scarce good for such a long time during the socialist area, coffee is still considered to be somewhat of a luxury item.

The secretary of the European Coffee Association recently stated that: “Eastern Europe could be the biggest potential developing market of coffee; the consumption could grow radically in Hungary, Poland and the Czech Republic”. He however also said that for coffee consumption to really kick off it would be necessary for consumers to no longer consider it as a luxury product, but as an everyday consumer good.

### 3.2 Analysis of apparent consumption dynamics

| Table 3.2.1 Apparent consumption of coffee 2000-2002 in million kgs |
|-------------------|-------|-------|-------|
|                   | 2000  | 2001  | 2002  |
| Domestic production | 4.8   | 2.1   | 3.6   |
| Import             | 30.0  | 34.4  | 35.2  |
| Total supply       | 34.8  | 36.5  | 38.8  |
| Export             | 5.5   | 6.3   | 6.5   |
| Apparent consumption | 29.3 | 30.2  | 32.3  |

*Source: Own calculations*

The analysis of the domestic consumption shows that Hungary is highly dependent on import for its domestic coffee purchase. Part of this import is re-exported again to other parts of Eastern Europe, such as Romania.

### 3.3 Governmental plans and programs

Since coffee in Hungary is considered by experts as being unhealthy, there is a campaign to decrease the consumption of coffee. This goes hand in hand with the campaign of the Hungarian Ministry of Health Care against smoking and unhealthy nourishment. The reason for this is that every third person in Hungary suffers from hypertension, meaning huge costs for the Hungarian health care system. In spite of all this, coffee is unbrokenly popular among the Hungarian. This is proven by the fact that cafés are very popular and statistics show that one café is opened each week.

---

1 Source: Hungarian Ministry of Health Care

16 Proexport Colombia
3.4 Demand in the market

The average expenditure on food per month was €58.61 in the first quarter of 2004, which meant a slight decline compared to the same period in 2003.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee</td>
<td>2.7</td>
<td>2.8</td>
<td>103.7</td>
</tr>
</tbody>
</table>

Source: Central Hungarian Office of Statistics

Looking at the change in the amount of coffee consumption between 1997 and 2004, we can conclude that in those seven years there has been a 3.7% increase in coffee consumption.

Hungarian taste

As in most Central Europe countries, consumers prefer Turkish style coffee, i.e., a non-filtered coffee prepared in the cup by just pouring hot water over grinded coffee. Therefore, mostly grinded coffee is purchased in Hungary; however, tastes have been changing. Although during last decades Hungary has still been the Central-European country that drinks more tea per capita, the demand for coffee is starting to grow again. Together with the end of communism and the arrival of multinationals, the Hungarians were able to choose what coffee to drink and there is an increasing preference for instant coffee. Soluble coffees are becoming more and more popular, mostly among the younger generation between 20 and 35 years of age. The most popular soluble coffee in Hungary is Nescafe produced by the Swiss company Nestlé.

The general food consumption of the average Hungarian citizen has doubled between 1997 and 2004. This means that the quality of life has developed a lot in those seven years, and there has been a change in the thinking of people, namely that they are willing to spend money on such things as coffee, tea, drinks and sweets, together with fruit, meat and vegetables. However, despite this development, prices play still a very important role in choosing luxury products like coffee. In Hungary, mostly women buy coffee and coffee products, as they generally are cost-conscious; most coffee sold in Hungary is cheap coffee, although the demand for high quality luxury goods is growing steadily. As prices play such an important role in purchasing coffee, Hungarian coffee consumers are not faithful to one particular brand,

The coffee markets in Central and Eastern European countries have grown faster than in Western Europe. Mainly the soluble and lower-quality (less expensive) coffees experienced an increase, though increasing disposable incomes may permit higher usage of better qualities.
Table 3.4.2 shows how the big increase in demand has been driven by the expansion of cheaper coffees and the heightened usage of Robusta coffee. This has partly also resulted from a retreat from attempting to sell a Western European product to these markets, replacing products that have been geared towards local taste preferences, like instant coffees, and, more and more, mix coffees.

Table 3.4.2

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Colombian milds</td>
<td>7.7</td>
<td>6.5</td>
<td>9.0</td>
<td>6.3</td>
<td>7.0</td>
<td>4.5</td>
<td>6.0</td>
<td>5.5</td>
<td>5.5</td>
</tr>
<tr>
<td>Other milds</td>
<td>25.4</td>
<td>26.9</td>
<td>29.1</td>
<td>17.6</td>
<td>13.5</td>
<td>17.8</td>
<td>16.7</td>
<td>12.6</td>
<td>10.8</td>
</tr>
<tr>
<td>Naturals</td>
<td>6.4</td>
<td>5.1</td>
<td>2.8</td>
<td>7.1</td>
<td>6.6</td>
<td>7.5</td>
<td>7.0</td>
<td>8.7</td>
<td>10.0</td>
</tr>
<tr>
<td>Robustas</td>
<td>60.5</td>
<td>61.5</td>
<td>59.1</td>
<td>69.0</td>
<td>72.9</td>
<td>70.3</td>
<td>70.2</td>
<td>73.1</td>
<td>73.6</td>
</tr>
<tr>
<td>Combined</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: F.O. Licht, compilation of various published datasets, ICO, customized subset of data sent to author, taken from ICO database; authors’ estimates

In the exporting market, the most important sales markets were Poland (15%), Sweden (14%), Hungary (11%), Austria (9%), Norway (9%) and Australia (8%).

The second largest soluble export market is Hungary that exceeded the British and Polish market in 1995 and represented 5% of exports in 1996.

### 3.5 Recommendations

Coffee consumption is still low in Hungary. To warm up the consumer to drink more coffee and higher quality coffees, like Colombian, it will be necessary to achieve an image change. Coffee has to stop being looked upon as a luxury item and started to be treated as an every day necessity. Together with a higher disposable income this could boost Hungarian coffee production and this rise in demand might open up the market for potential Colombian exporters.

The competition in the consumer goods sector is intense in Hungary. While brand name recognition is important, it is a great challenge for any firms to develop brand images and loyalty, as the market is overwhelmed by hundreds of new products.
4. Competition analysis

4.1 Main trademarks available on the market:

**Tchibo**
Tchibo established a branch in Budapest in 1991. Two years later, it added a coffee roasting production facility. Distribution throughout the country has been through retail outlets since then. In 1997, following the merger with Eduscho, the two companies were reconstructed together. The year 1999 saw the introduction of "Tchibo Cappuccino". During 1998, Tchibo and Eduscho shifted 9,200 tons of roast beans, with a total value of 66 million DM (€ 33,75), giving the group its 39% share of the Hungarian market by value. After Tchibo bought Eduscho, they distribute products under this brand, as well. The products sold under this brand name are: Eduscho Gála and Eduscho Dupla (both grinded and instant).

Today, with its coffee recipes adapted to suit national tastes, Tchibo is present in all segments of the roasted and instant coffee and instant specialties markets. Hungary has been the springboard for expansion into Romania and the southeast of Europe since 2000. The products of Tchibo in Hungary are: Tchibo Exclusive, Tchibo Exclusive Mild and Tchibo Family (all grinded and instant coffee products). Today Tchibo/Eduscho is Hungary’s market leader with a 39% market share, closely followed by Douwe Egberts, and with Jacobs in third position. The success of Tchibo’s entry into the former Iron Curtain countries shows is reflected in their trading statistics. In 1992 around 10,000 tons of roast coffee was sold by Tchibo in Central Europe, rising to 20,000 tons by 1995. In 1998, the volume rose to 28,000 tons, and about 32,000 tons in 1999. Some of that recent increase was due to the buy-out of Eduscho in 1997, as Eduscho's sales had been particularly strong in Hungary.

**Jacobs**
The gigantic multinational German food company Kraft produces this coffee brand. Besides being number one in seven European countries, the company is also the leading coffee exporting company in South Korea. They sell the rough equivalent of 94 billion cups of coffee annually or an estimated 257 million cups of coffee each day. The products they sell in Hungary are Jacobs Krönung, Merido Mocca, Merido Aroma, Jacobs Espresso, Mastro Espresso (coffees both grinded and instant) Cappuccino Creamfino (instant cappuccino powder), Jacobs Ice Presso (ice cofe powder) and Jacobs Café Latte (instant milk coffee powder).

**Douwe Egberts**
This coffee brand is produced by the American international food company Sara Lee. The company bought the Hungarian coffee trader Compack Ltd. in 1991, since then they are among the biggest coffee and tea traders in Hungary. Their products in Hungary are Douwe Egberts Omnia, Douwe Egberts Karaván, Douwe Egberts Paloma, Douwe Egberts Bona Vita (all sorts are available in both
grinded and instant format). They also distribute instant cappuccino and café latte products.

**Segafredo**
This Italian company, present in Hungary since 1991, sells mostly coffee to cafés and restaurants, but there is a certain type that is sold in retail as well. This brand is Segafredo Intermezzo. This coffee is considered as an exclusive product. According to merchants, the trademarks mentioned above are among the most requested ones in Hungary. For examples of products and packaging, we refer to the annexes.

### 4.2 Features of the commercialized products

**Tchibo**
Their coffees are available on the market in 500, 250 and 1000 g packs. Their instant products, such as cappuccino powders are all in 250 g packs. They offer several tastes, such as chocolate, vanilla and Irish cream. The 2 in 1 or 3 in 1 mixes are packed in 1-portion packs, and usually 10 of these make out a 205 g pack.

![Tchibo Family](image1)

*Tchibo Family 1520 Ft (6.01 EUR) /1 kg*

![Tchibo Cappuccino](image2)

*Tchibo Cappuccino 340 Ft (1.34 EUR) /250g*
Coffee in Hungary

Tchibo Family 3in1 370 Ft (5.42 EUR) / 10x16

Jacobs
The stripping is the same as in the case of Tchibo. They offer cappuccino powders with the same flavors, but also produce instant coffee packed as one portion, and it can be bought one-by-one, not only in packs of 10 pieces.

Jacobs Krönung 580 Ft (2.29 EUR)/ 250 g
Jacobs Cappuccino 360 Ft (1.42 EUR) /125g

Jacobs2in1 370 Ft (1.46 EUR) /10x16g
Jacobs Night and Day 1000 FT (3.96 EUR)/ 100 g

Douwe Egberts
The stripping is the same again, the coffee is packed in 1000, 250, and 500 g packs.

In general, the aroma of coffee is very sensitive to oxygen and moisture of the air, therefore a special packaging technique is needed. There are two kinds of techniques: the first type is used for un-grinded coffee beans. During the process, the oxygen is removed from the package with the help of nitrogen or carbon

Proexport Colombia
dioxide, then the package is filled with the coffee, and closed. The second type is used for grinded coffee. Here the oxygen is removed by vacuum, and then the package is closed. This results in a hard surface package.

### 4.3 Marketing and advertising strategies

Every brand is advertised in the television, radios, newspapers and magazines.\(^2\) There are huge campaigns carried out by all producers, because the competition within the market is harsh. There are certain games, where people can win cars or trips, if they send the barcodes from the package of the coffee back. Almost all coffee producers use this technique.

### 4.4 Participation in the market and segments that are served

Compared to most other sectors of the Hungarian economy, the share of foreign investments in the food industry is fairly high. Foreign participation in the food industry is also high in comparison to the food industries of OECD-countries.

The share of companies with majority foreign ownership was 50.8 per cent in the total sales value of the food industry in 1998 and 67.8 per cent in the total equity, while only 13.6 per cent in the number of the companies. The level of foreign participation varies widely among branches: foreign firms are totally controlling vegetable oil, sugar, beer and tobacco production while their share is insignificant in the milling and wine industries. From the total equity, € 966 million, of the Hungarian food industry (68%) belonged to foreign investors.

Countries with the biggest investment volumes have been the Netherlands (€ 237.7 million), Austria (€ 98.4 million), Germany (€ 94.2 million), Switzerland (€ 73.8 million), the USA (€ 61.5 million) and the UK (€ 57.4 million). In 1998, investors from EU-countries owned roughly half of the total equity of the Hungarian food industry, one third of the industry was owned by domestic investors and one sixth by foreign investors outside of the European Union.

In 1998, from the 80 biggest Hungarian firms, 49 were being controlled by foreign owners and these made 44.5 % of the total sales of the food industry. Foreign dominance is even more striking among the biggest firms: there was only one from the top 10, and four from the top 20, being controlled by domestic investors.

The share of foreign ownership is much lower among small and mid-size firms with less than € 20 million sales in 1998, but with 19.7 per cent not negligible.

### 4.5 Quality of the product

Most of the coffees distributed in Hungary are a certain mixture of Arabica and Robusta coffees. Arabica is responsible for the aroma, Robusta is responsible for the bitterness and the caffeine, since it contains 40-70 % more caffeine than Arabica. The bigger the amount of Arabica in the mixture is, the more tasty, and,

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\(^2\) See photo material

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of course the more expensive it becomes. The types of coffees purchased by the population are mostly mixtures, but there are types of coffees, mostly purchased by cafés that are purely made of Arabica, though, these are extremely expensive. An average cup of coffee served in a Hungarian café contains about 110-120 mgs of caffeine.\(^3\)

4.6 Expansion plans

According to the official of the Hungarian Ministry of Agriculture and Rural Development\(^4\), there are no governmental plans to take steps in the direction of the development of coffee production, or the expenditure of the Hungarian coffee market.

Since most of the Hungarian companies importing and trading with coffee are of non-Hungarian origin (they are mostly multinational companies), there is no need for abroad expansions.

4.7 Pricing strategy

Table 4.7.1 Retail prices of coffee per 1000 g.

<table>
<thead>
<tr>
<th></th>
<th>Ground coffee</th>
<th>Bean coffee</th>
<th>Instant coffee</th>
<th>Instant coffee 3in1</th>
<th>Cappuccino powder</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum price</td>
<td>1000 Ft (3,96 EUR)</td>
<td>1500 Ft (5,93 EUR)</td>
<td>8000 Ft (31,60 EUR)</td>
<td>2666 Ft (10,54 EUR)</td>
<td>2500 Ft (9,89 EUR)</td>
</tr>
<tr>
<td>Maximum price</td>
<td>2500 Ft (9,89 EUR)</td>
<td>3000 Ft (11,87 EUR)</td>
<td>15000 Ft (59,30 EUR)</td>
<td>4666 Ft (18,46 EUR)</td>
<td>6000 Ft (23,78 EUR)</td>
</tr>
</tbody>
</table>

Source: https://www.groby.hu/

As is visible from the chart above, there are huge differences in the minimum and maximum prices of coffees, depending on the type, quality and amount of the coffee that is purchased. A 6-7 % difference can also be noticed between the import and wholesale prices, and a 15-16 % difference between wholesale and retail prices.

\(^3\) Source: Hungarian Institution of Nutrition

\(^4\) Mr. Ferenc Török, expert on commerce
4.8 Segmentation of enterprises by sectors and its categorization

Unfortunately, no specific information about the number of enterprises active in the coffee sector is available. However, the coffee sector as a whole can be distinguished in two main sub sectors.

- Retail segment
- Horeca sector (or the Gastronomy sector - the HORECA sector contains all the private enterprises, most of them chains of coffee shops.

In the retail segment the share of roasted ground coffee is 1-2%, the share of roasted ground coffee is 65%, as for the instant coffees value of its percentage is growing, currently it is about 30%.

In the HORECA, most coffee bars get their supply from the same company they have the coffee machine from. The coffee served in the horeca segment is served in different variations, flavors and combinations. Cappuccino and espresso are the most popular coffees. Most of the companies in the horeca sector deal with branches, for example Jacobs, Douwe Egberts and Tchibo etc.

Overall, most enterprises are concentrated in Budapest, the surrounding Pest county and Middle Hungary. The distribution of enterprises in other regions is fairly even throughout the country. Coffee bars can be found all over Hungary, but their presence is considerable in the bigger cities, mainly Budapest, the concentration of coffee bars is significant. Retailers could be found all over Hungary, although large super- and hypermarkets ten to be located in the surroundings of the bigger cities (Budapest, Debrecen).

4.9 Recommendations

When entering the market it would be wisest to focus on potential partners or potential places for establishment in the Budapest region, where all economic activity is concentrated. The market is already used to foreign entities being present in the coffee industry, which might offer opportunities for potential exporters. However the trade marks present in the Hungarian market are very well established and might be difficult to compete with.
5. Distribution channels

5.1 Distribution and Sales Channels

Retail and wholesale distribution is developing towards western standards, combined with certain local specialties. Due to the relatively young, thin and undercapitalized local trading company structure, it is not unusual for retailing and wholesaling to be combined. As a result of the hardships of the country’s economic transition, the buying power of the middle class had been decreasing until recently. This has supported the development of low-cost and flat distribution structures. To date, the middle sections of the distribution pyramid - stocking distributors, mass merchandisers and jobbers - have not fully developed for many product groups. The prospering companies of this segment are typically wholly owned subsidiaries of European/American manufacturers, investors or major international supermarket chains (e.g., Auchan, Tesco and Cora). A typical distribution channel in Hungary starts with the importer-wholesaler, which may directly service the retailer or the end-user. Hungarian agents or distributors typically look to the foreign partner to provide marketing and promotional support and often training and financing.

Wholesalers

Wholesalers of coffee sell their goods within the confinements of their private firms. There are certain companies that do not process or retail coffee, but only sell it in huge amounts. They sell their goods usually to restaurants and cafés. Companies who process and pack coffee usually buy from trade chains, not wholesalers. Important Hungarian wholesalers are:

Tabán Trafik Kft.
6800. Erzsébet út 5/b
Hódmezővásárhely
Telephone: 0036-62-24-24-66
Fax: 0036-62-24-24-66
E-MAIL: kereskedelem@tabantrafik.hu
www.tabantrafik.hu

Regina Kft.
2890. Zsigmond u. 3.
Tata
Telephone: 0036-34-487-099
Fax: 0036-34-487-099
(No e-mail and website)

Delta Unió Kft. (Limited)
Budapest
Telephone 0036-1-206-65-22
Retailers
Retailers buy their coffee from wholesalers, who buy it from producers, or import it directly from abroad which often saves them 20-30% compared to buying coffee locally. The retail sector traditionally was characterized by small entrepreneurial, family-owned stores, but there is a transition to medium-size, financially well-established entrepreneurial business communities operating more than 2-3 shops not only in Budapest but in the countryside as well. There are thousands of small retail outlets across the country, especially in villages and alongside roads posing logistical challenges for distributors and suppliers. However, Budapest's retail sector is clearly dominated by larger department stores and supermarkets, with small family-run stores being most common in the rural areas. Examples of foreign chains with operations in Hungary include Auchan (France), Metro (Germany), Penny Market (UK), Cora (France), and Tesco (UK). Indoor shopping malls have rapidly expanded throughout the Budapest capital area, as well as other major cities. The largest mall complex in Central Europe, West End City Center, was opened in 1999 in central Budapest with construction of MOM Park, another large facility in Budapest opened at the end of 2001. In other larger cities like Gyor, Debrecen, Pecs or Kecskemet smaller shopping malls are just starting to be developed.

Supermarkets
Super- and hypermarkets, such as the three biggest ones present in Hungary, Cora (French ownership, info@cora.hu), Tesco (British ownership, info@tesco.hu) and Auchan (French ownership, info@auchan.hu) import coffee from abroad or buy it from companies operating in Hungary. These supermarkets have the advantage of buying coffee in huge amounts and therefore a lot cheaper, so they can offer it on a very low price, about which retailers are always complaining. Details about the most important supermarket chains are given in the table below.

<table>
<thead>
<tr>
<th>Company name</th>
<th>Company turnover (bln HUF)</th>
<th>Growth % (2003 = 100)</th>
<th>Number of shops</th>
</tr>
</thead>
<tbody>
<tr>
<td>TESCO-Global Aruházak Rt</td>
<td>370,0</td>
<td>32,0</td>
<td>60</td>
</tr>
<tr>
<td>CO-OP Hungary Rt</td>
<td>335,0</td>
<td>11,7</td>
<td>3575</td>
</tr>
<tr>
<td>CBA Kereskedelmi Kft.</td>
<td>273,0*</td>
<td>n/a</td>
<td>2866</td>
</tr>
<tr>
<td>METRO Holding Hungary Kft.</td>
<td>260,0</td>
<td>-/- 4,8</td>
<td>12</td>
</tr>
<tr>
<td>REAL Hungária Elelmiszer Rt</td>
<td>191,3</td>
<td>29,3</td>
<td>1998</td>
</tr>
<tr>
<td>SPAR Magyarország Kft.</td>
<td>176,5</td>
<td>53,2</td>
<td>153</td>
</tr>
<tr>
<td>PENNY Market Kft.</td>
<td>145,0*</td>
<td>-/- 17,6</td>
<td>136</td>
</tr>
<tr>
<td>Tengelmann Csoport</td>
<td>144,4</td>
<td>-/- 17</td>
<td>159</td>
</tr>
</tbody>
</table>
Coffee in Hungary

<table>
<thead>
<tr>
<th></th>
<th>PLUS Élelmiszerdiszkont Kft</th>
<th>Interfruct Kft.</th>
<th>AUCHAN Magyarország Kft.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>80,0</td>
<td>6,7</td>
<td>139</td>
</tr>
<tr>
<td></td>
<td>64,4</td>
<td>8,8</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>132,0</td>
<td>17,4</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: http://www.elelmiszer.hu/toplista.pdf

Agents

The use of local agents is recommended when establishing a sales subsidiary is not feasible. Most European competitors of all kinds of foreign companies choose to open wholly owned sales or distribution subsidiaries in Hungary, providing stronger financial and managerial support and geographical exclusivity coupled with full control in the distribution of products in general. This system for market penetration stems from the traditional European business expansion methodology of the pre-world war era.

Existing lines of distribution for a particular product often have not yet been established in Hungary. There are many firms that have the expertise and product-knowledge to distribute products; however, they may be fairly new to acting as a distributor and lack expertise. These firms are typically small without company literature and brochures. Most often companies do not even publish brochures but create their own website for their clients. The use of electronic marketing and PR is becoming more widespread than a few years ago. A typical firm in Hungary usually employs less than 50 people.

Distributors can provide strategic support for the positioning of the brand in the market through advertising and promotion. They are familiar with the local culture and can assist with after-sales services. This value-added service is increasingly important for customers and contributes to creating a positive image for firms doing business abroad. For historical reasons, heavy trading competition and the relatively small size of the Hungarian market, many distributors will usually ask for some kind of exclusivity. This custom should not necessarily discourage exporters from negotiating further, but regional or nationwide exclusivity could be tied to certain sales levels to be reached in a mutually agreed trial period. Hungarian trade fairs, which have become more and more specialized in scope and in industry sectors, are a good place to look for possible distributors. The list of upcoming trade fairs can be found at the end of the Country Commercial Guide.

Still, most Hungarian companies prefer to be an agent on a commission basis because they do not have the financial resources necessary to carry stock due to the high cost of capital in Hungary. An agent or representative acts on behalf of its principal and promotes the principal's business without actually taking title or any financial risk. Agents typically earn a 5-8 percent commission or fee on sales in Hungary in contrast to distributors who typically use higher margins depending on the industry. Use of agents is the most widespread in the more capital- and technical expertise-intensive machining, tooling and heavy industrial sectors, where skilled older engineers with a good understanding of the local market are usually readily available to represent exporters.
In order for a company to decide what form of representation best suits them, they should consider the degree of leverage they can exert over the following variables: price control, channel network, policy, and operational expenses and after-sales service.

5.2 Recommendations

This chapter presents possible channels of coffee distribution. It describes both wholesale markets and retail outlets. Retail outlets are strongly represented by the bigger international supermarket chains. Furthermore, thousands of small retail outlets are present across the country.

It is recommendable for Colombian suppliers of coffee to establish a form of cooperation with Hungarian companies active on the coffee market and in that way enter the market. The bigger retail chains often import their products themselves, so they act as a wholesaler and retailer at the same time. Smaller retail outlets mostly buy coffee via importers/wholesalers.

Using agents may have some advantages. They know the market and the local customs. An agent can open doors that otherwise will stay closed. Especially when it concerns smaller enterprises, they may prefer doing business with local organizations that speak their own language.

6.1 Preferential tariffs

All goods entering the EU are subject to import duties. External trade conditions are mostly determined by EU regulations. Hungary also uses the EU’s Harmonized Tariff Schedule (Nomenclature) on the TARIC (Integrated Tariff of the European Community) which is issued by the Commission and the Member States for the purpose of applying Community measures relating to import and exports. The level of the tariffs depends on the country of origin and the product. If there is not a special trade agreement in force, the general import tariff (conventional duty) applies.

In January 2005, Commission Regulation (EC) No 1810/2004 entered in force, which is binding in all Member States. In its Part Two “Schedule of Customs Duties”, Section II “Vegetable products” Chapter 9 deals with “Coffee, tea, maté and spices”. The subcategories 0901 contain the coffee products relevant for this report.

Colombia is included in the general system of preferences – GSP. This agreement allows products originating in the countries concerned to be imported at preferential tariffs or, for the least developed countries, duty-free. A “Certificate of Origin Form A” has to be filled in by the exporter and issued by the competent authorities. Tariff contingents and tariff ceilings do not exist anymore.

According to international agreements, Colombia is included in the SPGE group of preferences and therefore benefits from 0% tariff preference on the basis on Regulation (EC) No 2501/2001 and Commission Regulation (EC) No 2331/2003. Until July 1st 2005, this meant that Colombian exporters could introduce so-called “non-sensitive” products at a 0% tariff rate and “sensitive” products, such as all products under nomenclatures code 0901 at a 3.5% reduced rate.

However since July 1st 2005, Colombia is a member of the GSP Plus program, which assists the countries of the Andean Community, such as Colombia, in their battle against drugs. The GSP Plus will officially enter into force on 1 January 2005, but has already started to run in its preliminary form for 14 countries on 1 July 2005. Exporters based in one of the GSP Plus programs are also exempt from duties on sensitive products. Therefore, coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion (CN 0901) can be imported into the European Union from Colombia duty free.
6.2 Tariffs imposed by major competitors

Many countries from South America region are included in SPGE. Therefore, partners such as Brazil, Peru, Ecuador, Guatemala, Honduras or Chile (additional preference SPGL 3, 4%) benefit from the same custom conditions, as Colombia does.

Other serious importers such as Germany, Spain, France, Italy and United Kingdom are exempt from all import duties, because they are European Union member states as well and therefore part of the common market.

The conventional rates for third countries that do not have a general system of preferences with the European Union are the following:

Table 6.2.1 Conventional tariffs for coffee

<table>
<thead>
<tr>
<th>CN CODE 0901</th>
<th>SPECIFICATION</th>
<th>CONVENTIONAL TARRIF IN %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0901 11 00</td>
<td>COFFEE NON-ROASTED</td>
<td>• 0%</td>
</tr>
<tr>
<td>0901 12 00</td>
<td>• NON-DEPRIVED OF CAFFEINE</td>
<td>• 8,3%</td>
</tr>
<tr>
<td></td>
<td>• DECAFFEINATED</td>
<td></td>
</tr>
<tr>
<td>0901 21 00</td>
<td>COFFEE ROASTED</td>
<td>• 7,5%</td>
</tr>
<tr>
<td>0901 22 00</td>
<td>• NON-DEPRIVED OF CAFFEINE</td>
<td>• 9%</td>
</tr>
<tr>
<td></td>
<td>• DECAFFEINATED</td>
<td></td>
</tr>
<tr>
<td>0901 90</td>
<td>THE REST</td>
<td>• 0%</td>
</tr>
<tr>
<td>0901 90 10</td>
<td>• COFFEE SHELLS AND HUSKS</td>
<td>• 11,5%</td>
</tr>
<tr>
<td>0901 90 90</td>
<td>• COFFEE SUBSTITUTES WITH A CONTENT OF NATURAL COFFEE</td>
<td></td>
</tr>
</tbody>
</table>


6.3 Norms of origin

To be able to benefit from the GSP Plus 0% duties on sensitive and non-sensitive products it is necessary to prove that the product that is being imported is really from Colombia or another GSP (Plus) country. Some products clearly originate in a given country, e.g. because they are grown there from local seed. These are called “wholly obtained” goods. However, increasingly in today’s world, others are not produced in a single country.
In general terms, products are **wholly obtained** in a particular beneficiary country (or in the EC, in the case of cumulation) if only that country has been involved in their production. Even the smallest addition or input from any other country disqualifies a product from being "wholly obtained".

In practice, except for naturally occurring and related products, situations where only a single country is involved in the manufacture of a product are relatively rare. Globalisation of manufacturing processes has resulted in many products being made from parts, materials etc. coming from all over the world. Such products are not of course, wholly obtained, but they can nevertheless obtain originating status.

The condition is that the non-originating materials used (in practice: the materials imported into the beneficiary country) have undergone "**sufficient working or processing**". It must be stressed that only the non-originating materials need to be worked or processed sufficiently. If the other materials used are by themselves already originating (either by virtue of being wholly obtained, or by having been worked or processed sufficiently), they do not have to satisfy the conditions set out.

What can be considered as sufficient working or processing, depends on the product in question. For the products that belong under Chapter 9, the requirements are that the working or processing carried out on non-originating materials, which confers originating status is manufacture in which:

"Manufacture in which all the materials of Chapter 9 used are wholly obtained"

<table>
<thead>
<tr>
<th>HS heading</th>
<th>Description of product</th>
<th>Working or processing, carried out on non-originating materials, which confers originating status</th>
</tr>
</thead>
<tbody>
<tr>
<td>ex Chapter 9</td>
<td>Coffee, tea, maté and spices; except for:</td>
<td>Manufacture in which all the materials of Chapter 9 used are wholly obtained</td>
</tr>
<tr>
<td>0901</td>
<td>Coffee, whether or not roasted or decaffeinated; coffee husks and skins; coffee substitutes containing coffee in any proportion</td>
<td>Manufacture from materials of any heading</td>
</tr>
</tbody>
</table>

*Source: DG Trade*
There are three principal forms of proof used in the context of the EC GSP:

- The certificate of origin Form A\(^5\), used as proof of origin at import into the EC and in regional cumulation.
  - Regional cumulation can be present between the countries of one of the regional groups recognised by the EC GSP\(^6\). Materials originating in one country of the group which are further worked or processed in another beneficiary country of the same group are considered to originate in the latter country.
- The Invoice Declaration, which can be used for goods whose total value does not exceed € 6000 (Article 89).
- The Movement Certificate EUR1, which may be used as an invoice declaration, when goods are exported to beneficiary countries from the EC in the context of bilateral cumulation. (Article 90a).
  - Under bilateral cumulation, materials originating in the EC, within the meaning of the EC GSP RoO, and further worked or processed in a beneficiary country, are considered to originate in the beneficiary country.

The period of validity of a proof of origin is 10 months.

### 6.4 Barriers

Levying of any customs duty or charge having an equivalent effect and the application of any quantitative import restriction or measure having an equivalent effect are prohibited in the trade with third countries.

For exporters in developing countries legislative standards enforced through EU legislation and possibly through EU member states, increasingly pose obstacles when exporting to the EU. Although standards are developed in order to protect consumers, environment or improve the harmonization of the internal EU market; they are often seen as technical, non-tariff barriers to trade or as a green wall protecting the fortress of Europe when looking at environmental standards.

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\(^5\) We kindly refer you to the annexes for an example of Form A
\(^6\) The regional groups (listed in Article 72) are:
- Group I: Brunei-Darussalam, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam;
- Group II: Bolivia, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, Venezuela;
- Group III: Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Sri Lanka.
When looking at the situation of exporters in developing countries who would like to access the EU market, there are many differences to overcome. Differences between the EU and third countries in their technical regulations and conformity assessment procedures are based on legitimate origins, such as differences in local preferences regarding health, safety and the environment, and differences in levels of income and labor conditions.

Moreover, exporters in developing countries often are critically constrained by the lack of important issues such as:
- Access to credit and insurance and investment climate
- Human and physical capital, management and marketing skills
- Sufficient facilities for transport and storage infrastructures
- Transparent legal and regulatory framework
- Awareness and knowledge
- Participation in the development of standards
- Certifying bodies, test laboratories, standardization institutes etc.

Therefore, the standards in the EU could be seen as obstacles when accessing the EU market, though official barriers do not longer exist.

6.5 Licenses

The system of licenses is also submitted to EU regulations. There are no licenses required for import of coffee from third countries to EU membership countries.

6.6 Quotas

Quotas have been assigned by the European Union to specific countries for specific products, which allow for the controlled importation of specific products.

There are however no quotas for any of the products under Chapter 9 originating from Colombia.

6.7 Approvals & 6.8 Technical standards

Labeling for food items

All food items marketed in the European Union (EU) must comply with EU labeling rules, which aim at ensuring that consumers get all the essential information to make an informed choice while purchasing their foodstuffs. There are no specific labeling requirements for products containing caffeine, as all coffee contains caffeine, only in the case of decaffeinated coffee; this has to be mentioned on the packaging.
Labels of foodstuffs according to the general rules laid down by Council Directive 2000/13/EC (OJ L-109 06/05/2000) must contain the following particulars:

- The name under which the product is being sold

No trademark, brand name or fancy name may substitute the generic name but rather may be used in addition. Particulars as to the physical condition of the foodstuff or the specific treatment it has undergone (powdered, freeze-dried, deep-frozen, concentrated, smoked, irradiated or treated with ionizing radiation) must be included where omission of such may confuse the purchaser.

- The list of ingredients

Preceded by the word "Ingredients", must show all ingredients (including additives) in descending order of weight as recorded at the time of their use in the manufacture and designated by their specific name. In the case of those products that may contain ingredients liable to cause allergies or intolerances, such as alcoholic beverages, a clear indication should be given on the label by the word “contains” followed by the name of the ingredient. However, this indication will not be necessary provided the specific name is included in the list of ingredients.

- The net quantity of pre-packaged foodstuffs in metric units (litre, centilitre, millilitre) for liquids and (kilogram, gram) for non-liquids.

- The date of minimum durability consisting of day, month and year in that order and preceded by the words "best before" or "best before end" or the "use by" date for highly perishable goods.

- Any special conditions for keeping or use.

- The name or business name and address of the manufacturer, packager or importer established in the EU.

- Place of origin or provenance

- Instructions of use, where appropriate.

- Indication of the acquired alcoholic strength for beverages containing more than 1.2% by volume.

- Lot marking on pre-packaged food items with the marking preceded by the letter "L".

These particulars must appear on the packaging or on a label attached to pre-packaged foodstuffs. In the case of pre-packaged foodstuffs intended for mass
caterers (foodstuffs sold in bulk), the compulsory labeling particulars must appear on commercial documents while the name under which it is sold, the date of durability or use-by-date and the name of manufacturer must appear on the external packaging.

The labeling must not mislead the purchaser as to the food item’s characteristics or effects nor attribute the food item’s special properties for the prevention, treatment or cure of a human disease. The information provided by labels must be easy to understand, easily visible, clearly legible and indelible and must appear in the official language(s) of the Member State where the product is marketed. However, the use of foreign terms or expressions easily understood by the purchaser may be allowed.

Labeling of Genetically Modified (GM) food and Novel food

Products consisting of or containing Genetically Modified Organisms (GMOs) and food products obtained from GMOs which have been authorized for the placing on the EU market are subject to labeling requirements pursuant to Regulations (EC) 1829/2003 and 1830/2003 (OJ L-268 18/10/2003).

In the case of pre-packaged products, operators are required to state on a label that “This product contains genetically modified organisms”. This labeling obligation also applies to highly refined products (e.g. oil obtained from genetically modified maize) as well as GM additives and flavorings.

In Hungary, Surveillance and inspection of the conformity of foodstuffs to the information provided on their labels are to be carried out at different stages of the supply chain which, in case of imported products, ranges from customs clearance to retail outlets. Checks are also carried out at the premises of companies dealing in foodstuffs.

Information intended for the final consumer must be inscribed in Hungarian on the label and on the product package, if applicable. In addition, the product information may be provided on the label in other languages, too. At other marketing stages, the same data could as well be indicated in the commercial documents.

Health control of foodstuffs of non-animal origin

Imports of foodstuffs of non-animal origin into the European Union (EU) must comply with general conditions and specific provisions designed to prevent risk to public health and protect consumers’ interests.

Hence, the general rules applicable to these products are as follows:

1. General rules of hygiene for foodstuffs
2. General conditions concerning contaminants in food
3. Special provisions on Genetically Modified (GM) food and Novel food
4. General conditions of preparation of foodstuffs
5. Official control of foodstuffs

Besides, in view of fulfilling food and feed safety conditions in the EU, specifically in relation with requirements for traceability, importers are required to keep documentation available in order to identify the exporter in the country of origin, as established by Regulation (CE) 178/2002

1. General rules of hygiene for foodstuffs

The general rules of hygiene for foodstuffs and procedures for verification of compliance with these rules are laid down in Directive 93/43/EEC.

All imported foodstuffs must comply with these rules so that they ensure their safety and wholesomeness. These measures cover preparation, processing, manufacture, packaging, storage, transport, distribution, handling, sale and supply of foodstuffs.

Member States may introduce more specific hygiene provisions if they are not less stringent and do not constitute a restriction to trade in foodstuffs.

If a hygiene problem likely to pose a serious risk to human health arises or spreads in the territory of a third country, the European Commission may suspend imports from all or part of the third country concerned or take interim protective measures regarding the foodstuffs concerned, depending on the seriousness of the situation.

2. General conditions concerning contaminants in food

Contaminant substances may be present in food as a result of the various stages of its production and marketing or due to environmental pollution. Since they represent a real risk for food safety, the EU has taken measures to minimize the risk by setting maximum levels for certain contaminants in foodstuffs.

a) Maximum levels of certain contaminants in foodstuffs

Certain foodstuffs (i.e. fruit, vegetables, nuts, cereals, fruit juices, etc...) must not, when placed on the market, contain higher contaminant levels than those specified in Regulation (EC) 466/2001.

This Regulation covers four different categories of contaminants: nitrates, aflatoxins, heavy metals (lead, cadmium, mercury) and 3-monochloropropane-1,2diol (3-MCPD).
The maximum contaminant levels relate to the edible part of the foodstuffs but apply also to the ingredients used for the production of compound foodstuffs.

b) Maximum levels of pesticide residues in and on food

Member States may restrict the putting on the market within their territories of certain products containing pesticide residues if the quantity of these residues exceeds the maximum levels permitted. These limits depend on the toxicity of the substance in question.


This legislation is also applied to the same products after being dried or processed or after their inclusion in a composite food in so far as they may contain pesticide residues.

c) Maximum levels of radioactive contamination of foodstuffs

Regulations (EC) 3954/1987 (OJ L-371 30/12/1987) and 944/1989 (OJ L-101 13/04/1989) lay down the maximum permitted levels of radioactive contamination of foodstuffs (either immediately or after processing) which may be placed on the market following a nuclear accident or any other case of radiological emergency.

There is a list of minor foodstuffs (i.e. those which are consumed least) for which the maximum permitted levels are considerably higher (ten times higher).

d) Materials intended to come into contact with foodstuffs

Materials and articles intended to come into contact with foodstuffs must be manufactured so that they do not transfer their constituents to food in quantities which could endanger human health, change the composition of the food in an unacceptable way or deteriorate the taste and odour of foodstuffs.

The Regulation (EC) 1935/2004 establishes a list of groups of materials and articles (such us plastics, ceramics, rubbers, paper, glass, etc.) which may be covered by specific measures that include a list of the authorized substances, special conditions of use, purity standards, etc. Specific measures exist for ceramics, regenerated cellulose and plastics.
3. Special provisions on Genetically Modified (GM) food and Novel food

In order to ensure the highest level of protection of human health, EU legislation provides for a single authorization procedure for the placing on the market of food containing, consisting of or derived from Genetically Modified Organisms.

An application must be sent to the competent authority of a Member State and then referred to the European Food Safety Authority (EFSA) which carries out a risk assessment.

On the basis of the opinion of EFSA, the Commission drafts a proposal for granting or refusing the authorization, which must be approved by the Standing Committee on the Food Chain and Animal Health. The authorized food and feed are entered in the Community Register of GM food and feed.

GM food lawfully placed on the EU market prior to 18 April 2004 may continue to be placed on the market, used and processed provided that they are notified to the Commission before 18 October 2004.

Novel foods (i.e. foods and food ingredients that have not been used for human consumption to a significant degree within the EU before 15 May 1997) must also undergo a safety assessment before being placed on the EU market.

Companies that want to place a novel food on the EU market must submit their application to the competent body of a Member State for risk assessment purposes. As a result of this assessment, an authorization decision may be taken. The authorization decision defines the scope of the authorization, the conditions of use, the designation of the food or food ingredient, its specification and the specific labeling requirements.

Novel foods or novel food ingredients considered by a national food assessment body as substantially equivalent to existing foods or food ingredients may follow a simplified procedure, only requiring notifications from the company.
4. General conditions of preparation of foodstuffs

EU legislation lays down the rules relating to treatment of foodstuffs, food ingredients and their conditions of use in order to protect the health of consumers and guarantee the free circulation of foodstuffs in the European Union market.

Moreover, specific provisions for groups of foods are laid down in specific Directives. These include compositional requirements, hygiene requirements, list of additives, purity criteria, specific labeling requirements, etc

a) Authorized food additives and flavorings

The scope of the Directives covers food additives and flavorings used as ingredients during the manufacture or preparation of food and which are part of the finished product.

The only substances which may be used as food additives are those included in the approved common lists and then only under the conditions of use mentioned in those lists (e.g. colorants, sweeteners, preservatives, emulsifiers, stabilizers, raising agents, etc...).

b) Preparation and treatments of certain foodstuffs

Rules in relation with the manufacture, marketing and importation of foods and food ingredients that are subject to specific treatments (e.g. ionizing radiation or quick-freezing) must be fulfilled.

c) Specific provisions for certain groups of products and for foodstuffs for particular nutritional purposes

Specific provisions are applied to certain groups of products (such as cocoa, sugar, etc.) and to foodstuffs intended for particular nutritional uses (baby foods, dietary foods, gluten-free foods...). These may include specific requirements on composition, hygiene, labeling (e.g. declaration of the energy value, carbohydrate, protein and fat content), list of additives, purity criteria, etc.

The Directives establish the procedures to be followed if a particular foodstuff, though complying with the relevant specific Directive, is believed to endanger human health.

5. Official control of foodstuffs.

Directive 89/397/EEC (OJ L-186 30/06/1989) provides for official inspections of foodstuffs, food additives, vitamins, mineral salts and other elements as well as
materials or articles intended to come into contact with foodstuffs to ensure that they comply with the provisions designed to protect the health and interests of consumers.

The control may apply to import into the EU and/or to any other stage of the food chain (manufacture, processing, storage, transport, distribution and trade) and may include inspection, sampling and analysis, inspection of staff hygiene, examination of written and documentary material, examination of verification systems set up by the food operator and of the results obtained.

Inspection will be carried out by the Member State competent authorities regularly, and/or where non-compliance is suspected.

The general methods of sampling and analysis that must be carried out by official laboratories for the monitoring of foodstuffs are established in Directive 85/591/EEC (OJ L-372 31/12/1985) and their implementing measures.

**Additional information for Hungary**

**Inspection Procedure**

Health inspection has to be applied for by the importer or his representative prior to the importation, accompanied by an enclosure of the mandatory certificates related to the goods in question.

In addition to the verification of the documents, the authorities at the customs points of entry will inspect the products upon arrival by identity and/or physical checks. Sampling procedures for quality analyses can be carried out at designated control laboratories. Additional checks can be executed at all stages of the supply chain.

If the results of the inspection procedures have been proven to be favorable for the importation of the goods, the commodities can be released for free circulation.

Health controls of foodstuffs are only carried out at designated Border Inspection Posts - BIPs (*Ellenőrző állomások*).
Competent authorities

- **Földművelésügyi és Vidékfejlesztési Minisztérium** - FVM (Ministry of Agriculture and Rural Area Development)
  Élelmiszeripari Főosztály (Department of Food Industry) /
  Állategészségügyi és Élelmiszerellenőrzési Főosztály (Department of Animal Health and Food Control)
  Kossuth Lajos tér 11.
  H-1055 Budapest
  Tel: (+36) 1 301 4571 / 1 301 4135
  Fax: (+36) 1 302 4808 / 1 302 4669
  E-mail: follathg@posta.fvm.hu; balintt@posta.fvm.hu
  Website: http://www.fvm.hu

- **Fogyasztóvédelmi Főfelügyelőség** - FVF (General Inspectorate of Consumer Protection)
  Piacfelügyeleti Igazgatóság (Directorate for Market Surveillance)
  József krt. 6.
  H-1088 Budapest
  Tel: (+36) 1 459 4920
  Fax: (+36) 1 210 4803
  E-mail: makrane@fvf.hu
  Website: http://www.fvf.gov.hu

6.9 Packaging

Packaging EU

Care must be given to the packaging of products if one intends to export to the EU countries. It is obvious that the packaging must be travel-resistant. As required, products should also be protected against the elements, changes of temperature, rough handling and theft. Besides these basics issues, some importers may have specific demands concerning packaging, like information concerning the order printed on the boxes (order number, box number, name department or contact person etc.).

For environmental reasons packaging made from materials like PVC is less popular with consumers and in some cases is or will be forbidden by governments. Exporters in developing countries should be prepared to discuss this issue with potential clients and should anticipate the cost of special packaging in their selling price, if required.

The European Directive on Packaging and Packaging Waste (94/62/EC) establishes overall legislation for the treatment of packaging waste, consisting of quantitative objectives to be achieved by each of the EU member states. The
member states have the responsibility to translate the Directive into national legislation.

It is becoming increasingly difficult and expensive to dispose of waste in Europe. In principle, the importer is held responsible for disposal of the packaging waste for all goods from outside the EU. It is therefore crucial, when planning exports to the EU, to take the packaging of your products (both sales packaging and transport packaging) into consideration. To fulfil the requirements of the target market, good communication with the importer about packaging is necessary.

Outer containers should bear the consignee's mark and port mark and be numbered, in accord with packing list, unless the contents can be otherwise readily identified. The following items must appear on the two vertical sides of each outer container:

- the sales contract number
- the consignee's instruction number
- the import licence number (if applicable)
- gross and net weights

A number of issues must be addressed when selecting packaging. Broadly, they can be grouped into questions of containment for the logistics of distribution; protection to ensure the produce arrives at the point of sale in the best possible condition; marketing to present the produce in a preferred style; and environmental impact relating to the handling of the used packaging.

There is now increasing pressure to create a more environmentally friendly means of handling packaging waste. Some EU governments, rather than wait for an EU wide directive, have already enacted legislation regarding packaging and packaging waste. Their common objectives include the minimisation of waste, re-use by re-cycling and safe disposal where no other use is possible.

With reference to the packaging requirements outlined in section 3 and section 6, liquid and non-liquid coffee and chicory extracts should be pre-packaged according to section 3.1.3 and section 3.1.4.

Ground and ungrounded roasted coffee, chicory and coffee substitutes (other than those mentioned below) should be sold only in the following packaging sizes in grams:
125, 250, 500, 1,000, 2,000, 3,000, 4,000, 5,000, 10,000.

Coffee extracts and chicory extract sold in solid or paste form in individuals packages between 25 g and 10 kg must be sold in the following nominal weights in grams or kilograms:
50 g, 100 g, 200 g, 500 g, 750 g, 1 kg, 1.5 kg, 2 kg, 2.5 kg, 3 kg

42 Proexport Colombia
250 g is for mixtures of coffee and chicory extracts only and for coffee extracts intended exclusively for use in automatic vending machines.
300 g is for coffee extracts only.

### 6.10 Required documentation for import

When importing products from a third country, like Colombia, into the European Union six different documents are required;

1) Commercial invoice

The commercial invoice is a record or evidence of the transaction between the exporter and the importer. Once the goods are available, the exporter issues a commercial invoice to the importer in order to charge him for the goods.

The commercial invoice contains the basic information concerning the transaction and it is always required for customs clearance.

It is similar to an ordinary sales invoice, though some entries specific to the export-import trade are added. The minimum data generally included are the following:

- Information on the exporter and the importer (name and address)
- Date of issue
- Invoice number
- Description of the goods (name, quality, etc.)
- Unit of measure
- Quantity of goods
- Unit value
- Total item value
- Total invoice value and currency of payment. The equivalent amount must be indicated in a currency freely convertible to EUR or other legal tender in the importing Member State
- The terms of payment (method and date of payment, discounts, etc.)
- The terms of delivery according to the appropriate Incoterm
- Means of transport

No specific form is required. The commercial invoice is to be prepared by the exporter according to standard business practice and it must be submitted in the original along with at least one copy. It generally needs not be signed. In practice, the original and the copy of the commercial invoice are often signed. The commercial invoice may be prepared in any language. However, a translation into English is recommended.
2) Customs Value Declaration

The Customs Value Declaration is a document which must be presented to the customs authorities where the value of the imported goods exceeds EUR 10 000. The Customs Value Declaration must be drawn up conforming to form DV 1\(^7\), laying down provisions for the implementation of the Community Customs Code. This form must be presented with the Single Administrative Document (SAD).

The main purpose of this requirement is to assess the value of the transaction in order to fix the customs value (taxable value) to apply the tariff duties.

The customs value corresponds to the value of the goods including all the costs incurred (e.g.: commercial price, transport, insurance) until the first point of entry in the EU. The usual method for establishing the Customs value is using the transaction value (the price paid or payable for the imported goods).

In certain cases the transaction value of the imported goods may be subject to adjustment which involves additions or deductions. For instance:

- commissions or royalties may need to be added to the price;
- the internal transport (from the entry point to the final destination in the Community Customs Territory) must be deducted.

The customs authorities shall waive the requirement of all or part of the customs value declaration where:

- the customs value of the imported goods in a consignment does not exceed EUR 10 000, provided that they do not constitute split or multiple consignments from the same consignor to the same consignee, or
- the importations involved are of a non-commercial nature; or
- the submission of the particulars in question is not necessary for the application of the Customs Tariff of the European Communities or where the customs duties provided for in the Tariff are not chargeable pursuant to specific customs provisions.

3) Freight insurance

The insurance is an agreement by which the insured is indemnified in the event of damages due to a risk covered in the policy. Insurance is all-important in the transport of goods because of its exposure to risks during handling, storing, loading or transporting cargo, and other rare risks, such as riots, strikes or terrorism.

\(^7\) Please see the annexes for a sample of a DV1 form

*44 Proexport Colombia*
There is a difference between the goods' transport insurance and the carrier's responsibility insurance. The transport insurance is a contract whose covered risks, fixed compensation and indemnity are let to the holder's choice. Nevertheless, the hauler's responsibility insurance is determined by different regulations depending on the means of transport, indemnity is limited by the weight and value of the goods and is only given if the transporter was unable to evade responsibility.

The insurance invoice is required for customs clearance only when the relevant data do not appear in the commercial invoice indicating the premium paid for insuring the merchandise.

The standard extent of the transporter's responsibility is laid down in the following international conventions:

1. Road freight

International transport of goods by road is governed by the Convention for the Contract of the International Carriage of Goods by Road (CMR Convention) signed in Geneva in 1956.

Under this Convention, the road hauler is not responsible for losses of or damages to the goods if he proves that they arise from:

- the merchandise's own defect(s);
- force majeure;
- a fault by the loader or consignee.

There is no European Union's regulation regarding indemnifications for road freight.

2. The rail carrier

International transport of goods by rail is regulated by the Convention concerning Intercarriage by Rail (CIM Convention), signed in Bern in 1980.

The rail carrier is not responsible for losses of or damages to the goods if he proves that they arise from:

- the merchandise's own defect(s);
- force majeure;
- a fault by the loader or consignee.

With reference to compensation, there is currently no European regulation. Indemnification is normally limited to a maximum amount per gross kilo lost
or damaged. This system means that, for the most part, the company is unlikely to receive anything approaching the value of its goods.

3. **The shipping company**

The 1968 *International Convention on Bill of Lading*, better known as "The Hague Rules" or the "Brussels Convention" dictates the marine carrier’s responsibilities when transporting international goods.

The shipping company is not responsible for losses of, or damage to, the goods if it proves that they arise from:

- the merchandise’s own defects and loss in weight during transport;
- a nautical mistake by the crew;
- a fire;
- if the ship is not seaworthy;
- force majeure;
- strikes or a lock-out;
- a mistake by the loader;
- hidden defects on board ship, which went unnoticed during rigorous inspection;
- an attempt to save lives or goods at sea.

As far as compensation is concerned, there is currently no harmonisation at the European Union level. It is normally limited to a certain sum per kilogram of lost or damaged goods. This system causes the same problems as with rail accidents, the exporter is likely to lose much of the value of the goods.

4. **The air carrier**

The 1929 *Warsaw Convention* as well as the *Montreal draft Treaty of 1975* determines that the air carrier is not responsible for damages or loss of goods if it is proved that:

- the carrier and associates took all the measures necessary to avoid the damage or that it was impossible for them to be taken (force majeure);
- the losses arise from a pilotage or navigation mistake;
- the injured party was the cause of the damage or contributed to it.

Concerning the injured party’s indemnification, there is no European standard. Compensation is normally limited to a set amount per gross kilogram of damaged or lost goods.

The air carrier can state specific reservations at the time of receiving the cargo. These reservations will be written on the air consignment note (ACN).
(air transport contract) and will be used as evidence. However, airlines will normally refuse dubious packages or those not corresponding to the ACN.

4) Customs Import Declaration (SAD)

All goods imported into the European Union (EU) must be declared to the customs authorities of the respective Member State using the Single Administrative Document (SAD)\(^8\), which is the common import declaration form for all the Member States, laid down in the Community Customs Code (Regulation (EEC) 2913/92.

The declaration must be drawn up in one of the official languages of the EU which is acceptable to the customs authorities of the Member State where the formalities are carried out.

The SAD may be presented either by:

- Using an approved computerised system linked to Customs authorities; or
- Lodging it with the designated Customs Office premises.

The main information that shall be declared is:

- Identifying data of the parties involved in the operation (importer, exporter, representative ...)
- Custom approved treatment (release for free circulation, release for consumption, temporary importation, transit ...)
- Identifying data of the goods (Taric code, weight, units), location and packaging
- Information referred to the means of transport
- Data about country of origin, country of export and destination
- Commercial and financial information (Incoterms, invoice value, invoice currency, exchange rate, insurance...)
- List of documents associated to the SAD (Import licenses, inspection certificates, document of origin, transport document, commercial invoice...)
- Declaration and method of payment of import taxes (tariff duties, VAT, Excises, etc)

The SAD set consists of eight copies; the operator completes all or part of the sheets depending on the type of operation.

In the case of importation generally three copies shall be used: one is to be retained by the authorities of the Member State in which arrival formalities are completed, other is used for statistical purposes by the Member State of

\(^8\) See annexes
destination and the last one is returned to the consignee after being stamped by the customs authority.

**Documents associated to the SAD**

According to the operation and the nature of the imported goods, additional documents shall be declared with the SAD and shall be presented together with it. The most important documents are:

- Documentary proof of origin, normally used to apply a tariff preferential treatment
- Certificate confirming the special nature of the product
- Transport Document
- Commercial Invoice
- Customs Value Declaration
- Inspections Certificates (Health, Veterinary, Plant Health certificates)
- Import Licenses
- Community Surveillance Document
- Cites Certificate
- Documents to support a claim of a tariff quota
- Documents required for Excises purposes
- Evidence to support a claim to VAT relief

5) Freight documents

Depending on the means of transport used, the following documents are to be filled in and presented to the customs authorities of the importing European Union (EU) Member State (MS) upon importation in order for the goods to be cleared:

- Bill of Lading
- FIATA Bill of Lading
- Road Waybill (CMR)
- Air Waybill (AWB)
- Rail Waybill (CIM)
- ATA Carnet
- TIR Carnet

**Bill of Lading**

The Bill of Lading (B/L) is a document issued by the shipping company to the operating shipper which acknowledges that the goods have been received on board serving as proof of receipt of the goods by the carrier obliging him to deliver the goods to the consignee. It contains the details of the goods, vessel and port of destination. It evidences the contract of carriage and
conveys title to the goods, meaning that the bearer of the Bill of Lading is the owner of the goods.

The Bill of Lading may be a negotiable document. A number of different types of bills of lading can be used. "Clean Bills of Lading" state that the goods have been received in an apparent good order and condition. "Unclean or Dirty Bills of Lading" indicate that the goods are damaged or in bad order, in this case, the financing bank may refuse to accept the consignor's documents.

**FIATA Bill of Lading**

The **FIATA Bill of Lading** is a document designed to be used as a multimodal or combined transport document with negotiable status which has been developed by the *International Federation of Forwarding Agents' Associations* (FIATA).

**Road Waybill (CMR)**

The road waybill is a document containing the details of the international transportation of goods by road, set out by the *Convention for the Contract of the International Carriage of Goods by Road 1956* (the CMR Convention). It enables the consignor to have the goods at his disposal during the transportation. It must be issued in quadruplicate and signed by the consignor and the carrier. The first copy is intended for the consignor; the second remains in the possession of the carrier; and the third accompanies the goods and is delivered to the consignee. Usually, a CMR is issued for each vehicle.

The CMR note is not a document of title and is non-negotiable.

**Air Waybill (AWB)**

The air waybill is a document proving the transport contract between the consignor and the carrier's company. It is issued by the carrier's agent and falls under the provisions of the *Warsaw Convention*. A single air waybill may be used for multiple shipments of goods; it contains three originals and several extra copies. One original is kept by each of the parties involved in the transport (the consignor, the consignee and the carrier). The copies may be required at the airport of departure/destination, for the delivery and in some cases, for further freight carriers. The air waybill is a freight bill which evidences a contract of carriage and proves receipt of goods...

The **IATA Standard Air Waybill** is used by all carriers belonging to the *International Air Transport Association* (IATA) and it embodies standard conditions associated to those set out in the Warsaw Convention.
**Rail Waybill (CIM)**

The rail waybill (CIM) is a document required for the transportation of goods by rail. It is regulated by the *Convention concerning International Carriage by Rail 1980* (COTIF-CIM). The CIM is issued by the carrier in five copies, the original accompanies the goods and the duplicate of the original is kept by the consignor and the three remaining copies are intended for internal purposes of the carrier. It is considered the rail transport contract.

**ATA Carnet**

ATA carnets are international customs documents issued by chambers of commerce in most major countries throughout the world for the purpose of allowing the temporary importation of goods, free of customs duties and taxes. ATA carnets can be issued for the following categories of goods: commercial samples and advertising film, goods for international exhibition and professional equipment.⁹

**TIR Carnet**

TIR carnets are customs transit documents used for the international transport of goods a part of which has to be made by road. They allow the transport of goods under a procedure called the TIR procedure, laid down in the 1975 TIR Convention, signed under the auspices of the United Nations Economic Commission for Europe (UNECE)¹⁰

The TIR system requires that the goods travel in secure vehicles or containers, all duties and taxes at risk throughout the journey are covered by an internationally valid guarantee, the goods are accompanied by a TIR carnet, and customs control measures in the country of departure are accepted by the countries of transit and destination.

6) **Packing list**

The packing list (P/L) is a commercial document accompanying the commercial invoice and the transport documents, and providing information on the imported items and the packaging details of each shipment (weight, dimensions, handling issues, etc.)

It is required for customs clearance as an inventory of the incoming cargo.

The data generally included are:

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⁹ Further information may be obtained in the International Chamber of Commerce's website: http://www.iccwbo.org/index_ata.asp
• Information on the exporter, the importer and the transport company
• Date of issue
• Number of the freight invoice
• Type of packaging (drum, crate, carton, box, barrel, bag, etc.)
• Number of packages
• Content of each package (description of the goods and number of items per package)
• Marks and numbers
• Net weight, gross weight and measurement of the packages

No specific form is required. The packing list is to be prepared by the exporter according to standard business practice and it must be submitted in the original along with at least one copy. It generally needs not be signed. However, in practice, the original and the copy of the packing list are often signed. The packing list may be prepared in any language. However, a translation into English is recommended.

6.11 Import modalities or regimes involved in the process

After 1st May 2004 the custom free zones in Hungary no longer exist. Before this date those zones were regarded as a foreign entity within the Hungarian borders by customs officials. When importing products into these zones custom duties and VAT payment could be postponed till the products were actually brought into the Hungarian market.

6.12 Requirements for import of samples and accompanied luggage

The requirements for the import of samples are the same as for the general import of coffee, because coffee is a consumable product.\(^\text{11}\)

6.13 Website links to rules and regulations


\(^\text{11}\) Source: Dutch Customs Office
6.14 Flow chart of the process and related costs

6.14.1 Flow chart of the process and related costs

Goods and Import documents → Customs guarantee Transportation of goods to the inland Customs Office

Customs agent or Hungarian subsidiary Declaration for The chosen customs regime

Handling of customs proceeding The duties are paid or the custom debt is secured

Confirmation of customs declaration that serves as VAT documentation

Source: Calculation by EUNITE BV

In general, only EU entities can clear goods for customs in Hungary. Non-EU entities can carry out customs proceedings only on goods under the transit regime or under temporary admission. In other cases, foreign entities can clear goods for Hungarian customs only in exceptional cases with the permission of the Customs Office.

A foreign company exporting to Hungary and wishing to import into the country must either establish a Hungarian subsidiary to handle importation or engage a customs agent to handle customs proceedings. It is usual practice that the Hungarian purchaser of imported goods will handle customs proceedings.
When imported goods reach the EU border, they are released to the transit regime. The customs debt (all import duties that would apply on import under free circulation) must be secured with a customs guarantee at this time. The goods must then be transported to the inland Customs Office of final destination without delay. Here the goods are declared for the chosen customs regime based on the customs declaration filed by the importer (or his customs agent). The final customs debt assessed by the Customs Office is either paid or guaranteed, depending on the import regime and the conditions negotiated with the Customs Office.

If import duties are properly paid (or the customs debt is secured), the Customs Office issues a confirmed customs declaration, which serves as a VAT document for the reclaim of import VAT. In general, import VAT is applied on the total declared customs value of imported goods and the applicable amount of customs duty and any other charges levied by the Customs Office (e.g., excise duty).

From 1 January 2005, importers can reclaim the amount of import VAT paid by including the amount in their regular VAT returns, provided the importer is registered for Hungarian VAT.

VAT rates are the same as for domestic products, currently 18%, 15% or 5%. The VAT for coffee is 15%. Importers registered for Hungarian VAT can normally recover import VAT costs, provided a valid customs declaration (tax document) is obtained from the Customs Office.

Customs Valuation is on an ad valorem basis. The Customs Law declares the principle of the prompt payment of the "customs debt." Customs debt comprises the customs duty assessed, the general turnover tax (VAT), the consumption tax, any statistical fees and the customs clearance fee (1% on goods originating from GATT member countries), and any miscellaneous fees such as road fund contributions and/or environmental protection fees. The customs debt is due and payable within 5 business days following notification thereof.

### 6.15 Recommendations

We recommend potential coffee exporters to Hungary to get in contact with some or all of the above mentioned institutions. The best way to avoid any difficulties would be to get in contact with a Hungarian lawyer specialised in this field, who can provide useful tips and guidelines on the best and most efficient ways of entering the market.
7. Physical access

This chapter describes the various ways and means to transport coffee to Hungary. The highest effort was put in to give a detailed overview of various road, train and sea routes from Colombia to Budapest, with an emphasis on inter-European Union transportation. Price details are offered wherever possible, however it is important to keep in mind that after accession of the Eastern European countries to the EU, competition within the transportation market has become murdered. Therefore forwarders are extremely cautious with revealing price information and because of this it might be more useful for potential exporters from Colombia to contact transportation companies themselves. Contact details of various transportation companies are presented below.

7.1 Available transportation infrastructure

By road

The railroad network extends over 7,606 km., of which 2,191 km are electrified. The train is mostly used for the transportation of the goods.

Just like road transportation, this sector was privatized. Therefore, the infrastructure is directly administered by the territorial communities. The privatization and the concession of activities of the public service in 1998 accelerated the modernization of the structures to match the European standards.

By air

The unique international airport of the country is Budapest-Ferihegy. The main airline company MALEV Hungarian Airlines is intended for passengers and MALEV air Cargo for freight transportation. In 1999, the freight transportation recorded an increase of 26 % as compared to the previous year.

By sea

Since Hungary is landlocked on all sides, direct entry by sea is not possible. However entering from nearby ports and than transportation by truck to f.e. Budapest is definitely amongst the possibilities. The biggest commercial ports in Europe are Bilbao (Spain), Valencia (Spain), Thessaloniki (Greece), Koper (Slovenia), London (the UK), Le Havre (France), Marseille (France), Rotterdam (the Netherlands), Oostende (Belgium), and Hamburg (Germany).12

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12 Source: European Sea Ports Organization (ESPO)
7.2 Identification of ports, airports, roads- border passes-railways, waterways

Border Crossing Points

Because Hungary has six neighbouring countries, there are various points on the Hungarian border where the country can be entered. However, the all have different opening hours and possibilities. Therefore, a list of border crossing points (BCP) in the Republic of Hungary with the different opening hours and the traffic passing through is printed below.

Table 7.2.1 BCPs on the external border of the European Union

<table>
<thead>
<tr>
<th>Name of border crossing point</th>
<th>Opening hours of the BCP</th>
<th>Traffic through the BCP</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Hungarian-Ukrainian border</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Záhony-Csop</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Veterinary and phitosanitary border station; Post for the transport of double-use products and technologies, cultural values, drugs and psychotropic substances and dangerous waste</td>
</tr>
<tr>
<td>b) Hungarian-Romanian border</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ártánd-Bors</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Post for the transport of double-use products and technologies, cultural values, drugs and psychotropic substances and dangerous waste</td>
</tr>
<tr>
<td>Battonya-Turnu</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic (restriction of 3.5 tons)</td>
</tr>
<tr>
<td>Gyula-Varsand</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Post for the transport of cultural values, drugs and psychotropic substances and dangerous waste</td>
</tr>
<tr>
<td>Csengersima-Petea</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Post for the transport of dangerous waste</td>
</tr>
<tr>
<td>Kiszombor-Cenad</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic (restriction of 3.5 tons)</td>
</tr>
<tr>
<td>Nagylak-Nadlac</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Veterinary and phitosanitary border station; Post for the transport of double-use products and technologies,</td>
</tr>
</tbody>
</table>
### Coffee in Hungary

<table>
<thead>
<tr>
<th>Location</th>
<th>Mode of Traffic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Méhkerék-Salonta</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic (restriction of 3,5 tons)</td>
</tr>
<tr>
<td>cultural values, drugs and psychotropic substances and dangerous waste</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### c) Hungarian-Serbian border

<table>
<thead>
<tr>
<th>Location</th>
<th>Mode of Traffic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rőszke-Horgos</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Veterinary and phitosanitary border station; Post for the transport of double-use products and technologies, cultural values, drugs and psychotropic substances and dangerous waste</td>
</tr>
<tr>
<td>Tompa-Kelebija</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Post for the transport of drugs and psychotropic substances and dangerous waste</td>
</tr>
</tbody>
</table>

#### d) Hungarian - Croatian border

<table>
<thead>
<tr>
<th>Location</th>
<th>Mode of Traffic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barcs-Terezino Polje</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic</td>
</tr>
<tr>
<td>Berzence-Góla</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic (restriction of 20 tons)</td>
</tr>
<tr>
<td>Drávaszabolcs-Donji Miholjac</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Post for the transport of dangerous waste</td>
</tr>
<tr>
<td>Letenye-Gorican</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Veterinary and phitosanitary border station; Post for the transport of double-use products and technologies, cultural values, drugs and psychotropic substances and dangerous waste</td>
</tr>
<tr>
<td>Udvar-Knezevo (road)</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic</td>
</tr>
</tbody>
</table>

#### Railway

#### a) Hungarian-Ukrainian border

<table>
<thead>
<tr>
<th>Location</th>
<th>Mode of Traffic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eperjeske-Batyev</td>
<td>night &amp; day</td>
<td>Railway goods traffic; Veterinary and phitosanitary border station;</td>
</tr>
<tr>
<td>Záhony-Csop</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Post for the transport of dangerous waste</td>
</tr>
</tbody>
</table>

#### b) Hungarian - Romanian border

<table>
<thead>
<tr>
<th>Location</th>
<th>Mode of Traffic</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tiborszállás-Ágerdömajor-Carei</td>
<td>night &amp; day</td>
<td>International goods and passenger traffic</td>
</tr>
<tr>
<td>Biharkeresztes-Episcopia Bihorolui</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Post for the transport of double-use products and technologies, cultural values</td>
</tr>
</tbody>
</table>

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**Proexport Colombia**
### Market Researches in Eastern Europe

<table>
<thead>
<tr>
<th>Location</th>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kötegyán-Salonta</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; and dangerous waste</td>
</tr>
<tr>
<td>Lőkősháza-Curtici</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Phitosanitary border station; Post for the transport of dangerous waste</td>
</tr>
<tr>
<td>Nyirábrány-Valea lui Mihai</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic</td>
</tr>
</tbody>
</table>

**c) Hungarian - Serbian border**

<table>
<thead>
<tr>
<th>Location</th>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kelebia-Subotica</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Veterinary and phitosanitary border station; Post for the transport of double-use products and technologies, cultural values and dangerous waste</td>
</tr>
<tr>
<td>Rőszke-Horgos</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic</td>
</tr>
</tbody>
</table>

**d) Hungarian - Croatian border**

<table>
<thead>
<tr>
<th>Location</th>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gyékényes-Koprivnica</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Veterinary and phitosanitary border station; Post for the transport of dangerous waste</td>
</tr>
<tr>
<td>Magyarbóly-Beli Monastir</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic</td>
</tr>
<tr>
<td>Murakeresztúr-Kotoriba</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Post for the transport of double-use products and technologies and cultural values</td>
</tr>
</tbody>
</table>

*Source: Hungarian Customs Office*
Coffee in Hungary

Table 7.2.2 BCP’s on the internal border of the European Union on the river Danube:

<table>
<thead>
<tr>
<th>Location</th>
<th>Time Period</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mohács határkötő</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Phitosanitary border station; Post for the transport of dangerous waste</td>
</tr>
<tr>
<td>Baja Ro-Ro pier</td>
<td>from sunrise till sunset</td>
<td>Vessels dealing with combined transportation and their staff</td>
</tr>
</tbody>
</table>

On the river Tisza:

<table>
<thead>
<tr>
<th>Location</th>
<th>Time Period</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Szeged border pier</td>
<td>from sunrise till sunset</td>
<td>Passenger and goods traffic</td>
</tr>
</tbody>
</table>

IV. By air

<table>
<thead>
<tr>
<th>Location</th>
<th>Time Period</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budapest Ferihegy International Airport</td>
<td>night &amp; day</td>
<td>Goods and passenger traffic; Veterinary and phitosanitary border station; Post for the transport of double-use products and technologies, drugs and psychotropic substances, cultural values and dangerous waste</td>
</tr>
<tr>
<td>Debrecen International Airport</td>
<td>08.00-20.00</td>
<td>International goods and passenger traffic</td>
</tr>
</tbody>
</table>

Source: Hungarian Customs Office

Hungary is a transit country with more Trans-European Network lines on its territory. These are between the Slovenian and Ukrainian border (No. 1), between Austria and Romania (No. 2) and between Slovakia and Serbia-Montenegro (No. 3).

Freight from the major competing countries is being transported by all of the listed ways. In order to distinguish two major streams, we will look at two groups of countries, the European countries, that do not need sea transportation and overseas countries. This group consists of Asian countries as well as other Southern-American countries, the major competitors of Colombia, like Brazil and Peru.

Table 7.2.3 Transportation used by various countries

<table>
<thead>
<tr>
<th>Group</th>
<th>European and close European countries</th>
<th>Other( overseas) countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example</td>
<td>Italy, Slovakia, Germany etc.</td>
<td>China, Hong Kong etc. as well as Southern-American countries</td>
</tr>
<tr>
<td>Transport ways used</td>
<td>Road and rail transport to Hungary</td>
<td>Sea transport to the ports in Germany, Poland, Croatia and Slovenia than rail or road transport to Hungary</td>
</tr>
</tbody>
</table>

Source: Hungarian Transportation Association
According to transporting companies, the cheapest and fastest way is over the port of Hamburg (Germany). However, Southern-American countries also often use the Port of Rotterdam (the Netherlands).

Most Southern-American exporters transport their goods to the EU as follows;

- Colombia (or another Southern-American country) – Europe by ship.
  For transport by ship, most countries worldwide, including Southern-American countries, use one of the main ports in Europe to enter the EU. Besides Rotterdam, Hamburg is an important port as well, the port of Gdansk (Poland) is, due to its geographical position, of lesser importance than Rotterdam and Hamburg. For distances between the major European ports and Budapest, we refer to table 7.2.4

- Colombia (or another Southern-American country) – Europe by plane.
  In case exporters would like to bring the goods by plane, then it is better to choose a big European airport, like Frankfurt or Amsterdam instead of the airport of Budapest and from there transport the goods further to Hungary. As a stopover in Amsterdam or Frankfurt will be necessary anyway, it is cheaper and more efficient to use road transport for further transportation. A minority of goods is transported further by ship.

Although transportation by plane is slightly faster than transportation by ship, the last option is highly recommended, as this is by far the cheapest option. As the product is not quickly perishable, like for example fruit, sea transportation is an option. Most countries, including the major competitors of Colombia, bring their coffee products to Europe by ship and then transport it further to their final destination by road of ship.

### Table 7.2.4 (Road) distances from the most important ports to Budapest

<table>
<thead>
<tr>
<th>Port</th>
<th>Country</th>
<th>Distance to Budapest (km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hamburg</td>
<td>Germany</td>
<td>1172</td>
</tr>
<tr>
<td>Gdansk</td>
<td>Poland</td>
<td>942</td>
</tr>
<tr>
<td>Rotterdam</td>
<td>Netherlands</td>
<td>1385</td>
</tr>
<tr>
<td>Amsterdam</td>
<td>Netherlands</td>
<td>1413</td>
</tr>
</tbody>
</table>

*Source: Hungarian Customs Office*

**Borders**

Hungary has a land area of 93 thousand square kilometers. It has borders with seven countries, of which four are important for this report, namely the following:

1. Austrian, where the transports from Germany come from. The most important road border stations are Hegyeshalom-Nickelsdorf and Rábafüzes-Heiligenkreutz. The trains come over Hegyeshalom.
2. Slovakian, where the containers of Polish ports came through. In this case, the border of Rajka-Bratislava or Komárom is particularly important. The trains going to Budapest cross the border at Nagymaros.

3. Croatian, where the lorries come over Letenye. There are no big capacity train lines in this direction, but the motorway runs all the way to the Hungarian border.

4. Slovenian, which has an access to the Croatian motorway and since 2001 has a direct one-line train in the direction Koper, which was built by support of the European Union and the Central European Initiative (CEI).

Figure 7.2.5 Map of Hungary

Once the Budapest-Csepel Free Port was a seaport, but today because of the large number of bridges across the Danube, it is a delta. Today the Hungarian most important water way is the river Danube, which – through the Danube-Main-Rhine channel – ensures the contact between Hungary and the Atlantic-ocean. The river ways do not play an important role because ships are very slow and usually carry raw materials as grain, coal, brick, etc.
Road, railway data

Length of roads (in km)

<table>
<thead>
<tr>
<th>Country</th>
<th>Length (in km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>198,603</td>
</tr>
<tr>
<td>Hungary</td>
<td>188,203</td>
</tr>
<tr>
<td>Ukraine</td>
<td>169,491</td>
</tr>
<tr>
<td>Austria</td>
<td>200,000</td>
</tr>
<tr>
<td>European Union</td>
<td>4,634,810</td>
</tr>
</tbody>
</table>

Length of train lines (in km)

<table>
<thead>
<tr>
<th>Country</th>
<th>Length (in km)</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>22,473</td>
<td>2003</td>
</tr>
<tr>
<td>Romania</td>
<td>11,385</td>
<td>2003</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>9,520</td>
<td>2003</td>
</tr>
<tr>
<td>Hungary</td>
<td>7,937</td>
<td>2003</td>
</tr>
<tr>
<td>Austria</td>
<td>6,021</td>
<td>2003</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4,533</td>
<td>2003</td>
</tr>
<tr>
<td>Slovakia</td>
<td>3,661</td>
<td>2003</td>
</tr>
<tr>
<td>Croatia</td>
<td>2,726</td>
<td>2003</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1,201</td>
<td>2003</td>
</tr>
</tbody>
</table>

Main railway companies:

MÁV – Magyar Államvasutak (Hungarian State Railways)
Gysev-Roee – Győr-Sopron-Ebenfurt Vasutak (Győr-Sopron-Ebenfurt Railways)

Table 7.2.6 Number of foreign train coaches passing through Hungary annually

<table>
<thead>
<tr>
<th></th>
<th>Ukrainian</th>
<th>Romanian</th>
<th>Serbian</th>
<th>Croatian</th>
<th>Budapest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of train coaches in 2003</strong></td>
<td>108 430</td>
<td>122 840</td>
<td>109 341</td>
<td>134 564</td>
<td>0</td>
<td>475</td>
</tr>
<tr>
<td><strong>Number of train coaches in 2004</strong></td>
<td>116 097</td>
<td>156 951</td>
<td>125 689</td>
<td>127 656</td>
<td>0</td>
<td>526</td>
</tr>
</tbody>
</table>

Source: The Hungarian National Railway
Graph 7.2.7 Number of train coaches in 2003/2004 compared

Explanation of the graph:
- Yellow: number of train coaches in 2003
- Blue: number of train coaches in 2004
- In the line below: total-Budapest-Croatian-Serbian-Romanian-Ukrainian

Table 7.2.8 Foreign lorries passing through Hungary annually

<table>
<thead>
<tr>
<th>Lorries in pieces</th>
<th>Ukrainian</th>
<th>Romanian</th>
<th>Serbian</th>
<th>Croatian</th>
<th>Budapest</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>145 266</td>
<td>868 824</td>
<td>304 904</td>
<td>421 301</td>
<td>0</td>
<td>1 740 295</td>
</tr>
<tr>
<td>2004</td>
<td>159 985</td>
<td>912 061</td>
<td>337 479</td>
<td>316 314</td>
<td>0</td>
<td>1 725 839</td>
</tr>
</tbody>
</table>

According to the transporting companies, the cheapest way to transport cargo to Hungary by sea is by using the port of Hamburg.
Figure 7.2.10 Map of Hungary

Source: Lonely Planet Guides
Figure 7.2.11 Map of Hungarian provinces
7.3 **Description of status, operation, security, costs, distances, transportation arrangements and intercommunity customs**

The transportation infrastructure of Hungary is below the level of the Western countries, however still reliable and secure. For the distances and size of the Hungarian infrastructure, see the previous section.

Coffee is usually transported by shipping, trucks or on railroad.

Approx. 95% of European coffee imports are already transported in containers - the changeover to containerized coffee transport is largely complete.

Two types of container are used to transport coffee:

1.) Standard containers

Standard containers differ in the materials used for wall and ceiling construction. Corrugated steel sheet, fiber glass-reinforced plastics and, occasionally, plywood, are used. The floor always consists of wood or perforated pressure plate.

To simplify opening and closing of the containers, standard containers have a few small "ventilation holes", which have no ventilation effect but merely equalize pressure differentials on opening and closing of the containers.

A standard container stuffed with coffee should be stowed below deck. The extreme temperature differences on deck (up to 60°C between day and night) could result in container sweat during maritime transport.

2.) Ventilated containers ("coffee containers")

Ventilated containers have ventilation openings over the entire length of their sidewalls in the floor and roof areas. This ventilation is passive, i.e. the ventilated containers have to be actively ventilated from outside. Active ventilation can only take place when the hatch is closed. Upwardly directed airflow may be produced by extracting the hold air at the top and supplying fresh air in the area of the hold floor. This air then also flows through the ventilated container. This is the only way to ensure ventilation in the ventilated container.

The container floor should be lined with paper. There must be no dunnage at the sides and in the top area, since the ventilation action would otherwise be impaired or completely prevented.

The wooden flooring of the containers must be absolutely clean. If washed, it must be completely dried; the water content of the flooring should be 12%, corresponding to lumber equilibrium moisture content of 70%, so that the flooring
Coffee in Hungary

does not constitute an additional source of water vapour to dampen the coffee cargo and container atmosphere.

In general, temperatures should be between 10 and 20°C during transport of green coffee beans.

7.4 Identification of other handling and distribution infrastructure

The freight forwarders have their own storehouses and most of the storehouses below belong to a forwarding company. Below is a list of storage, logistic and custom service providers:

**ABC European Air & Sea Cargo Distribution Hungaria Kft**, Budapest, Közdnéló 1-2, Budapest, H-1181
Tel: +36 (06)1 294-2428
Fax: +36 (06)1 296-0404
e-mail: bud@abc-airsea.com
website: www.abc-airsea.com

Branch Offices - Budapest Airport, Iglo utca
LRI-Cargo Bazis, H-1185 Budapest-Ferihegy
Tel: +36 (06)1 296-8191
Fax: +36 (06)1 296-7710
e-mail: bud@abc-airsea.com

**Gebrüder Weiss Kft**, Vecses
Tel: +36 (06)29 553-900
Fax: +36 (06)29 553-953
e-mail: rainer.mittl@weisslogistics.com
website: www.gw-world.com

**AES Kft**, Budapest
Tel: +36 (06)1 266-0183/4
Fax: +36 (06)1 266-3010
e-mail: info@aescargo.com
website: www.aescargo.com

**AH Volán Kft**, Budapest
Tel: +36 (06)1 260-4406
Fax: +36 (06)1 260-5369
website: www.hartrodt.com
Airfarm Hungary Kft, Budapest
Tel: +36 (06)1 431-8534, +36 (06)1 431-8535, +36 (06)1 431-8476
Fax: +36 (06)1 261-2799
e-mail: airfarm@airfarm.org.hu
website: www.airfarm.com

Airmax Cargo Budapest Ltd, Budapest
Tel: +36 (06)1 297-6106
Fax: +36 (06)1 297-6105
e-mail: gabor@airmaxcargo.com
website: www.airmaxcargo.hu

Aviart, Budapest, Tel: +36 (06)1 427-0620, Fax: +36 (06)1 427-0619, e-mail: aviart@vipmail.hu, Website: http://fly.to/aviart

Bellville Rodair International KFT, Budapest Airport
Tel: +36 (06)29 551-306
Fax: +36 (06)29 551-311
e-mail: david.dines@brihungary.com/ attila.vereb@brihungary.com,
website: www.brihungary.com

Cargo Agencies Ltd Co, Budapest
Tel: +36 (06)1 370-8606
Fax: +36 (06)1 369-3864
e-mail: cargoag@cargoag.hu
website: www.cargoag.hu

Cargo partner Hungaria Kft, Budapest,
Tel: +36 (06)1 294-2428,
Fax: +36 (06)1 296-0404,
e-mail: bud@cargo-partner.com
website: www.cargo-partner.com

Cargoline, Budapest Airport
Tel: +36 (06)1 296-9600, +36 (06)1 296-6756
Fax: +36 (06)1 296-8621
e-mail: budap@cargoline.com

Cargoline Kft, Paty
Tel: +36 (06)23 556-600
Fax: +36 (06)23 556-681

Chapman Freeborn Air Market Ltd, Budapest
Tel: +36 (06)1 235-7858, (Airport Office) +36 (06)1 296-5483,
(24H Mobile) +36 (06)30 951-3122
Fax: +36 (06)1 235-7859
Coffee in Hungary

e-mail: bud@chapman-freeborn.com
website: www.chapman-freeborn.com

Corstjens Worldwide Movers-Budapest, Budapest
Tel: +36 (06)1 261-2651
Fax: +36 (06)1 260-1055
e-mail: info@corstjens.hu
website: www.corstjens.com

Danzas Ltd, Budapest
Tel: +36 (06)1 296-8239, +36 (06)1 296-7430, +36 (06)1 296-6062,
Fax: +36 (06)1 296-8621, +36 (06)1 296-8238

Door To Door Express, Tatabanya
Tel: +36 (06)34 305 209
Fax: +36 (06)34 305 209
e-mail: info@dtdexpress.hu
website: www.dtdexpress.hu

Euro-Line Air Cargo Kft, Budapest Airport
Tel: +36 (06)1 296-5305
Fax: +36 (06)1 296-5306, SITA: QIFANMA

Expeditors International Hungary Kft, Budapest Airport
Tel: +36 (06)2 955-2600
Fax: +36 (06)2 955-2601

FastAir-Cargo Kft, Budapest Airport
Tel: +36 (06)1 296-8828
Fax: +36 (06)1 296-8737
e-mail: tamas.baunoch@fastair-cargo.com
website: www.fastair-cargo.com, SITA: QIFALMA

Fix Bellville International Air Kft, Budapest
Tel: +36 (06)29 551-306
Fax: +36 (06)29 551-311
e-mail: david.dines@brihungary.com
website: www.bellvillegroup.com or www.brihungary.com

Hungarocargo International Forwarding Co Ltd, Budapest,
Tel: +36 (06)1 471-5150
Fax: +36 (06)1 471-5151, (Head of Airfreight) or +36 (06)1 296-7490
e-mail: inbox@hungarocargo.hu or info@hungarocargo.hu,
website: www.hungarocargo.hu

Proexport Colombia
Hunicorn International Forwarding Ltd, Budapest, 
Tel: (Director) +36 (06)1 433-1318, (Aircargo/Financial) +36 (06)1 433-1310, 
+36 (06)1 433-1314 
Fax: +36 (06)1 260-1056 
e-mail: peter@hunicorn.hu 
website: www.hunicorn.hu

In Time International Forwarding & Courier Ltd, Budapest, 
Tel: +36 (06)1 262-2222 
Fax: +36 (06)1 262-3333 
e-mail: intime@intime.hu

Intercargo Hungary Kft, Budapest 
Tel: +36 (06)1 278-3133 
Fax: +36 (06)1 278-3116 
e-mail: info@intercargo.hu

International Forwarding Solutions Ltd, Budapest, 
Tel: +36 (06)1 264-3689 
Fax: +36 (06)1 264-3699, 
e-mail: ifs-barta@vnet.hu, 
website: www.ifscargo.hu, SITA: QIFARMA

JAS Cargoways Inc Kft, Budapest 
Tel: +36 (06)1 296-9600 
Fax: +36 (06)1 296-7912, +36 (06)1 296-7799 
e-mail: general@jashungary.com 
website: www.jashungary.com, SITA: QIFCJMA, QIFBLMA

Lagermax, Budapest 
Tel: +36 (06)1 414-6217 
Fax: +36 (06)1 414-6202

MASPED Schenker Air & Sea Forwarding Ltd, Budapest 
Tel: +36 (06)1 452-8115 
Fax: +36 (06)1 452-8141 
e-mail: Kaldor.Laszlo@masped-schenker.hu 
website: www.masped-schenker.hu

Maurice Ward & Co Kft, Vecses 
Tel: +36 (06)29 551-274 
Fax: +36 (06)29 551-275 
e-mail: henrik.muller@mauriceward.com 
website: www.mauriceward.com
Menlo Worldwide (Hungary) Kft, Vecses
Tel: +36 (06)29 55-1250
Fax: +36 (06)29 55-1269

Multiway Cargo Ltd, Budapest
Tel: +36 (06)1 290 59 19
Fax: +36 (06)1 291 56 17
e-mail: mwcargo@mail.datanet.hu
website: www.mwcargo.hu

NNR + Dachser Hungary Ltd, Budapest
Tel: +36 (06)26 53-0279
Fax: +36 (06)26 33-4271
e-mail: yoshikuni.saima-nnr@dachser.com

RGW Express Kft, Budapest
Tel: +36 (06)12 96-8810, +36 (06)12 96-5500/2
Fax: +36 (06)12 96-6639, +36 (06)12 96-5500/2
e-mail: info@rgw-express.hu
website: www.rgw-express.hu, SITA: BUDFJMA

Seatrader Budapest, Budapest
Tel: +36 (06)1 424-7349, +36 (06)1 424-7048, +36 (06)1 424-8462
Fax: +36 (06)1 424-7350, +36 (06)1 424-8463
e-mail: info@seatrader.hu
website: www.seatrader.hu

Yusen Air & Sea Service GmbH, Vecses
Tel: +36 (06)29 551-294
Fax: +36 (06)29 551-290
e-mail: y-tabata@yuseneurope.com

Logmaster Kft
Tel: +36-27-538-800
Fax: +36-27-538-820, Budapest, 1139, Vaci ut 85
Racz Miklos
www.logmaster.hu

Waberer's Holding, Budapest
1239, Nagykörösi ut 135
Tel: 421-6600
Fax: 421-6609
www.waberers.com

Logsped Kft.
Web page: www.logsped.hu
Tranzit Rt.
Web page: www.tranzit.hu

Forcont, Budapest
1092, Raday utca 16
Tel: 455-4020
Fax: 455-4021

Dunafer Portolan, Budapest
1139 Frangepán utca, 7
Tel: 465-6150
Fax: 465-6199
web page: www.portolan.hu / www.dunafer.hu

Rynart Transport Kft.
web page: www.rynart.hu

7.5 Identification of carriers that transport goods imported from Colombia

This section identifies various Hungarian forwarding companies, which can transport different products by road through Europe. When boarding in a Dutch or German harbour like Hamburg, Bremerhaven, Rotterdam or Amsterdam it is always cheaper to have these goods transported by transport companies from Hungary than by local Dutch and German forwarders.

Hungarian Transportation Companies

Agentsped KFT.
1097 Budapest, Vaskapu utca 6/A
Tel: +36-1-476-0993, +36-1-476-8271
Fax: +36-1-215-0193, +36-1-216-1585, +36-1-216-1587

Birkart Logistics Magyarország Kft
Budapest, 1052 Deák Ferenc u 10
Tel: +36-1-266-4475
Fax: +36-1-317-3711
www.birkart.com

DUNAFERR Portolan Kft.
Budapest, 1139 Frangepán u 7.
Tel: +36-1-465-6150
Fax: +36-1-465-6199
www.portolan.hu

72 Proexport Colombia
Jadran Shipping Kft
Budapest, 1055 Stollár Béla u 12/C
Tel: +36-1-353-2014
Fax: +36-1-353-3294
jadranshippin@axelero.hu

MASPED Logistics KFT.
Budapest, 2120 Dunakeszi Alagi major
Tel: +36-27-540-330
Fax: +36-27-540-331

Seahorse Kft
Budapest, 1121 Tállya u 16-18.
Tel: +36-1+212-7654
Fax: +36-1-213-8898
www.seahorse.hu

Mávcargo
Budapest, 1062, Andrássy út 73-75.
Tel: +36-1-432-3419
Fax: +36-1-351-7941
www.mav.hu

Bilk kombiterminál RT.
Budapest, 1239 Európa út 4.
Tel: +36-1-289-6000
Fax: +36-1-289-6060
bilkkombiterminal@bilkkombi.hu

Hungarocargo KFT.
1146, Budapest, Hungária körút. 140-144.
Tel: +36-1-471-5150
Fax: +36-1-471-5151
www.hungarocargo.hu

Pannoncont KFT.
1037, Budapest, Montevideó u. 4.
Tel: +36-1-430-3040
Fax: +36-1-436-7980
www.pannoncont.hu
7.6 **Alternatives of transport and carriers providing services from Colombia**

**TAMPA – Transportes Aéreos Mercantiles Panamericanos S.A.**
Address: Aeropuerto José María de Córdoba, Medellín Colombia
Tel: (57-4)-569-9200
E-mail: information@tampacargo.com
Fleet: Boeing 767 F
Activity: Cargo to South-America and USA
Founded: 1973

**Lineas Aereas Suramericanas S.A.**
Address: Av. Eldorado, entrada 2, interior 7, Bogotá, Colombia
Tel: (57-1)-413-8084
Email: marthagutierrez@lascargo.com
Fleet: Boeing 727 DC 9
Activity: cargo domestic, Mexico and the Caribbean
Founded: 1972

**Aerolineas ATC S.A.**
Address: Terminal de Carga Internacional, Bogotá, AA81001 Colombia
Tel: (57-1)-414-8470
Email: atcgot@colomsat.net.co
Fleet: Lockheed L101 1f, DC8
Activity: cargo in South-America, EU, USA

Information on exact prices can be given by forwarders. Unfortunately, they were not able to determine the price without knowing the exact amount of freight. They are able to give potential clients the required information within a week.

7.7 **Costs of transportation from Colombia and main competing countries for the three types of cargo (loose cargo, general cargo, refrigerated cargo) in each modality of transport.**

Multiple transportation companies have been approached to be able to give price information about transportation costs and possibilities from Colombia. However, due to the tough competition in this market, companies were unable and/or unwilling to provide their pricelists, without a set amount of transport on which the quotation would have to be based.
7.8 **International Freight and Transportation Costs**

This section contains information on the related freight and transportation costs from the larger European harbours by road to Budapest. It is quite difficult to obtain price indications without a precise order, so the numbers below are rough estimates of costs involved with the transportation of coffee. For exact price information the forwarding companies, whose details are displayed in this section and the other sections of this chapter can be contacted.

**Intercargo Hungary Kft.**
Contact person: Szabó Katalin, Sales Dept.
Tel: +36 1 278 3133 – ext 125
Fax: +36 1 278 3116
Sales Dept: sales@intercargo.hu
Website www.intercargo.hu

Price offer made by Intercargo:

**Hamburg - Budapest door**

<table>
<thead>
<tr>
<th>Container</th>
<th>20' normál</th>
<th>40' normál</th>
</tr>
</thead>
<tbody>
<tr>
<td>8 tons brute weight(^{13})</td>
<td>€ 790,-</td>
<td>€ 1110,-</td>
</tr>
<tr>
<td>16.5 tons brute weight</td>
<td>€ 870,-</td>
<td>€ 1150,-</td>
</tr>
<tr>
<td>24 tons brute weight</td>
<td>€ 980,-</td>
<td>€ 1400,-</td>
</tr>
</tbody>
</table>

Costs include:

- Rail transportation Hamburg
- Rail terminal expenses
- Expenses of custom
- Delivery within Budapest

The costs do not include:

- The shipment expenses (drop off, doc expenses, port expenses)

**Metcosped Ltd.**
Contact person: Melinda Mlinkó
E-mail: melinda@metcosped.hu
Tel.: +36 1-462-2075
Mobile: +36 30-626-5121

---

\(^{13}\) Brute weight = the weight of the product combined with the containers' own weight
Price offer Metcosped:
*Amsterdam or Rotterdam – Budapest door*

<table>
<thead>
<tr>
<th>Container</th>
<th>20' normal x 2</th>
<th>40' normal x 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€ 1600</td>
<td>€ 1600</td>
</tr>
</tbody>
</table>

These are purely transportation costs. Any additional help with custom documents, certificates etc. will be an extra charge for the exporter.

**Seahorse Kft**
Budapest, 1121 Tályya u 16-18.
Tel: +36-1+212-7654
Fax: +36-1-213-8898
www.seahorse.hu

Price offer Seahorse:

Where it specifically concerns the transportation of coffee, Seahorse KFT can facilitate this in refrigerated containers from CFR Hamburg – DDU Budapest:

EUR 1.355,- / 20' reefer ctr, upto 20,5 to cargo weight
EUR 1.355,- / 40’ reefer ctr, upto 19 to cargo weight

And from CFR Bremerhaven – DDU Budapest:

EUR 1.355,- / 20’ reefer ctr, upto 20,5 to cargo weight
EUR 1.355, - / 40’ reefer ctr, upto 19 to cargo weight

Rates including:

- Freight charges by road carriage ex Hamburg to Budapest door;
- “Maut” charges
- German toll
- Empty return of ctr to Budapest ctr-depo (if Shipping line let us do it);

Rates excluding:

- THC and handling charge in ports;
- Customs formalities and documentation at the place of despatch;
- Storage charges of ctrs on terminals;
- DEMMURAGE / DETENTION charges;
- Outlays of phytosanitary and/or veterinary inspection;
- Fees and outlays of any mighty customs inspection ordered random or incomplete by Customs Authorities of Budapest terminal;
- Duties and taxes relating to final clearance of goods at the place of arrival;

*76 Proexport Colombia*
Demurrage charges of truck at the place of delivery (for stripping of ctrs 1 day is free, for any additional day used in full or part for stripping € 210,-/truck/day is to apply)

In that case the company has to move the container back to Hamburg, it has to charge € 370,-/20’ per container and € 660,-/40’ per container.

### 7.9 Other costs involved in international physical distribution

The additional fees for international physical distribution are presented below

**Table 7.9.1 Additional distribution costs**

<table>
<thead>
<tr>
<th>Service</th>
<th>Hamburg/Bremerhaven</th>
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<tbody>
<tr>
<td>Sluice fee</td>
<td>EUR 80</td>
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<tr>
<td>Container return</td>
<td>EUR 180-290/20’</td>
</tr>
<tr>
<td></td>
<td>EUR 330-510/40’</td>
</tr>
<tr>
<td>Drop off</td>
<td>EUR 100-330 cont.</td>
</tr>
<tr>
<td>THC in the port</td>
<td>EUR 170</td>
</tr>
<tr>
<td>+ the costs for processing the container apr. 100 Euro</td>
<td></td>
</tr>
</tbody>
</table>

### 7.10 Physical distribution services address book

Contact details are found throughout this chapter arranged according to method of transportation; sea, road or train.
8. Recommendations to the exporter

Hungary is a country where the coffee drinking culture is well established. More than 80% of Hungarians drinks coffee on a daily basis. However, coffee consumption per capita is still quite low compared to other European countries and especially compared to Scandinavia. This is largely because coffee was considered to be a luxury item during the socialist era.

However this attitude is slowly changing, which is portrayed by a rise in overall consumption. This is also due to a higher disposable income being earned by Hungarians nowadays.

Arabica is the preferred type of coffee drunk in Hungary, but as it is quite expensive it is usually mixed with Robusta. The Arabica beans and coffee are usually bought from Latin American countries whereas the Robusta coffee is mainly purchased from African and Asian countries.

Soluble coffee is becoming more and more popular, but for now grounded coffee still has a majority share in the coffee market. It is sold by multinational companies with well establish trade marks who divided the Hungarian coffee market between them after the collapse of the Soviet Union.

Colombian coffee is already being sold in Hungary, but in small amounts. On an annual basis 93.500 kgs of Colombian coffee is bought and brought to Hungary, by various wholesalers and multinational traders. Customers are already somewhat used to the product, but an important change in the coffee culture needs to be established before an actual rise in the export of Colombian coffee to Hungary can take place.

It is essential that the Hungarians learn to appreciate high quality coffee and that they no longer look at coffee as a luxury item, but as something they can drink before, during and after work as well as after dinner and in the evenings. To establish this change in the way of thinking about coffee, an effective marketing campaign should be organized. This campaign should preferably be supported by multiple coffee producers.

If however this change is created, good exporting possibilities for Colombian exporters could exist. Market entry has become less difficult after the accession to the European Union on 1st May 2004 as barriers and quotas have disappeared. Together with the rise in disposable income, which will increase even more after the introduction of the euro, the coffee market could be a welcoming place for potential Colombian exporters.
Annexes

Annex 1: Certificate of origin form A

Annex 2: DV1 Form

Annex 3: Single Administrative Document (SAD)

Annex 4: Packaging

Annex 5: Companies Directories
Annex 1 Certificate of Origin

<table>
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<th>No. 000000 (Space reserved for issuing number)</th>
<th>ORIGINAL (Space reserved for translation)</th>
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</thead>
</table>

**EUROPEAN COMMUNITY**
(Space reserved for translation)

**CERTIFICATE OF ORIGIN**
(Space reserved for translation)

| 1 Consignor (Space reserved for translation) |
| 2 Consignee (Space reserved for translation) |

| 3 Country of Origin (Space reserved for translation) |
| 4 Transport details (Optional) (Space reserved for translation) |
| 5 Remarks (Space reserved for translation) |

| 6 Item number, marks, numbers, number and kind of packages; description of goods (Space reserved for translation) |
| 7 Quantity (Space reserved for translation) |

8 THE UNDERSIGNED AUTHORITY CERTIFIES THAT THE GOODS DESCRIBED ABOVE ORIGINATE IN THE COUNTRY SHOWN IN BOX 3 (Space reserved for translation)

Place and date of issue, name, signature and stamp of competent authority (Space reserved for translation)

---

82 Proexport Colombia
### Annex 2 DV1 form

#### European Community

**DECLARATION OF PARTICULARS RELATING TO CUSTOMS VALUE**

1. **NAME AND ADDRESS OF SELLER (Block Letters)**

2a. **NAME AND ADDRESS OF BUYER (Block Letters)**

2b. **NAME AND ADDRESS OF DECLARANT (Block Letters)**

3. **Terms of delivery**

4. **Number and date of invoice**

5. **Number and date of contract**

6. **Number and date of any previous Customs decision concerning boxes 7 to 10**

   Enter X where applicable:

- **7(a)** Are the buyer and seller RELATED in the sense of Article 143(1) of Regulation (EEC) No 2454/93?
  - YES □ □
  - □ □

- **7(b)** Did the relationship INFLUENCE the price of the imported goods?
  - YES □ □
  - □ □

- **7(c)** Does the transaction value of the imported goods CLOSELY APPROXIMATE to a value mentioned in Article 25(2)(b) of Regulation (EEC) No 2013/92?
  - YES □ □
  - □ □

If 'YES', give details:

7d. Are there any RESTRICTIONS as to the disposal or use of the goods by the buyer, other than restrictions which:
- are imposed or required by law or by the public authorities in the Community,
- limit the geographical area in which the goods may be resold, or
- do not substantially affect the value of the goods?

8. **If the value of conditions or considerations can be determined, indicate the amount in box 1190.**

9. **Are any ROYALTIES and LICENCE FEES payable to the importer or any other person directly or indirectly by the buyer as a condition of the sale?**

10. **Are any ROYALTIES and LICENCE FEES payable to the importer or any other person directly or indirectly by the buyer as a condition of the sale?**

11. **Is the sale subject to an arrangement under which part of the proceeds of any subsequent RESALE, DISPOSAL, or USE accrues directly or indirectly to the seller?**

12. **If 'YES' to either of these questions, specify conditions and, if possible, indicate the amounts in boxes 15 and 16**

13. **NOTE TO BOX 7:**

   1. PERSONS SHALL BE DEEMED TO BE RELATED ONLY IF:
   - they are relatives or directors of one another's business;
   - they are legally recognized partners in business;
   - they are employees and employers;
   - they are directors or indirectly own, control or hold 5% or more of the outstanding voting stock in shares of both of them;
   - one of them directly or indirectly controls the other;
   - both are directors or indirectly controlled by a third person;
   - together they control or indirectly control a third person;
   - they are members of the same family.

   2. The fact that the buyer and the seller are related does not preclude the use of a transaction value where a single act (or Regulation (EEC) No 2013/92) and the interpretative notes of the protocol in Annex 22.

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**Proexport Colombia**

83
### Market Researches in Eastern Europe

#### 84 Proexport Colombia

<table>
<thead>
<tr>
<th>Item</th>
<th>Item</th>
<th>Item</th>
</tr>
</thead>
</table>

#### A. Basis of Calculation

11. (a) Net price in CURRENCY OF INVOICE (Price actually paid or price payable for settlement at the material time for valuation for customs purposes)...
   (b) Indirect payments – see box 10(b).
   (c) Rate of exchange...

12. Total A in NATIONAL CURRENCY...

#### B. Additions: Costs Incurred by the Buyer:

13. (a) Commissions, except buying commissions...
    (b) Brokerage...
    (c) Containers and packing...

14. Goods and services supplied by the buyer free of charge or at reduced cost for use in connection with the production and sale for export of the imported goods:
   (a) Materials, components, parts and similar items incorporated in the imported goods...
   (b) Tools, dies, moulds and similar items used in the production of the imported goods...
   (c) Materials consumed in the production of the imported goods...
   (d) Engineering, development, artwork, design work and plans and sketches undertaken elsewhere than in the Community and necessary for the production of the imported goods...

15. Royalties and licence fees – see box 9(a)...

16. Proceeds of any subsequent resale, dispossession or case accounting to the seller – see box 9(b)...

17. Costs of delivery to...
   (a) Transport...
   (b) Loading and handling charges...
   (c) Insurance...

18. Total B...

#### C. Deductions:

19. Costs in NATIONAL CURRENCY INCLUDED in A above...

20. Charges for construction, erection, assembly, maintenance or technical assistance undertaken after importation...

21. Other charges (specify)...

22. Customs duties and taxes payable in the Community by reason of the importation or sale of the goods...

23. Total C...

24. VALUE DECLARED (A + B – C)...

(*) Where amounts are payable in FOREIGN CURRENCY, indicate in this section the amount in foreign currency and the rate of exchange by reference to each relevant element and item.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Amount</th>
<th>Rate of exchange</th>
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</thead>
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### Market Researches in Eastern Europe

#### 84 Proexport Colombia
Annex 3 Single Administrative Document

Coffee in Hungary

Proexport Colombia
Annex 4 Examples of packaging of products

Tchibo

- Family Instant Coffees
- Exclusive Mild Instant Coffees
- Exclusive Instant specialties

- 3 in 1 Instant Coffees
- 2 in 1 Instant specialities

86 Proexport Colombia
Jacobs

Coffee beans/ grinded coffee
250g, 500gr/ 1000gr (beans)

Soluble coffees
75gr, 100gr

250gr, 500gr

100gr
Specialties (soluble cappuccino’s, café au lait, wiener melange, 2 in 1 etceteras)

3 in 1, bag 16 gr

Cafe au lait, bag 10 *14gr

2 in 1, bag 10 *16gr

Chocafe (in cooperation with Milka Chocolates)
bag 10 *18gr
Douwe Egberts

- Douwe Egberts 3in1
  - 10x18g and 40x18g

- Cappuccino Classic
  - 10 packs/box

- Cappuccino Choco
  - 10 packs/box

- Cappuccino Vanilla
  - 10 packs/box

- Cappuccino Amaretto
  - 10 packs/box

- Cappuccino 100g/pack

- Chocafe 100g/pack

- Vanillie 100g/pack
Market Researches in Eastern Europe

Douwe Egberts Omnia Crème
100 g

Douwe Egberts Omnia instant
50 g, 100 g
pack 75 g

Douwe Egberts Bona Vita instant
50 g, 100 g

Douwe Egberts Karaván instant
50 g, 100 g

Douwe Egberts Paloma instant
50 g, 100 g
pack 75 g

90 Proexport Colombia
Annex 5 Companies Directories

<table>
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<tr>
<th>Companies Directory</th>
<th>Country: Hungary</th>
<th>Sector: Coffee</th>
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<th>Página Web</th>
<th>Idioma</th>
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<th>Requiere Registro</th>
<th>Información Adicional con Costo</th>
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<td>Directorios Europeos</td>
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<td><a href="http://www.kompass.com/">http://www.kompass.com/</a></td>
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<td>Contenido: Nombre de la empresa; País; Dirección; Teléfono; Fax; Sitio Web; Numero de empleados; Fecha de constitución; Capital; No de registro; Identificación del IVA. <strong>Opciones de Búsqueda:</strong> País; Productos/Servicios; Empresa; Sector; Subsector; Marcas; Dirigentes; Códigos.</td>
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<td>I</td>
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<td><a href="http://www.europages.com/">http://www.europages.com/</a></td>
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<td>Contenido: Nombre de la empresa; País; Dirección; Teléfono; Fax; Sitio Web; Productos/Servicios. <strong>Descripción:</strong> Directorio en línea (en 25 idiomas) de las empresas europeas más dinámicas; Consulta gratuita de las licitaciones publicadas en el diario oficial de la Unión Europea; Directorio impreso (en 6 idiomas) de los compradores europeos más dinámicos; Directorio en CD-Rom (en 14 idiomas) de las empresas europeas más dinámicas. Permite contactar las empresa via intramil. <strong>Opciones de Búsqueda:</strong> Productos/Servicios; Empresa; Temática; País; Sector.</td>
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<p>| Directorios Húngaros |           |                      |                                                       |                  |                                |
|----------------------|-----------|----------------------|-------------------------------------------------------|------------------|                                |
| <a href="http://www.tudakozo.t-com.hu/">http://www.tudakozo.t-com.hu/</a> | H       | H                    | Contenido: Nombre; Dirección; Ciudad; Teléfono; Descripción corta. <strong>Descripción:</strong> Información de empresas Húngaras. <strong>Opciones de Búsqueda:</strong> Texto; Región; Sector; Productos/Servicios. | NO               | NO                             |
| <a href="http://www.hungarytrade.co.uk/">http://www.hungarytrade.co.uk/</a> | I       | I                    | Contenido: Nombre de la empresa; Dirección; Teléfono; Fax; E-mail; Sitio Web; Productos/Servicios. <strong>Descripción:</strong> Comisión de Comercio Húngara - Buscador de la oficina de asuntos económicos, con Información sobre las empresas Húngaras. <strong>Opciones de Búsqueda:</strong> Lista de proveedores; Sector; Productos/Servicios. | NO               | NO                             |</p>
<table>
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**Directorios por Sector**

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Idioma:

E: Español; I: Ingles; A: Alemán; C: Checo; H: Húngaro; P: Polaco; O: Otros; W: Idioma del Sitio Web