



SINER-GI project

Montpellier Plenary meeting

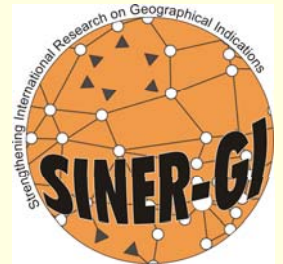
6 – 7 September 2006

Case presentations

Paprika of Kalosca - Hungary

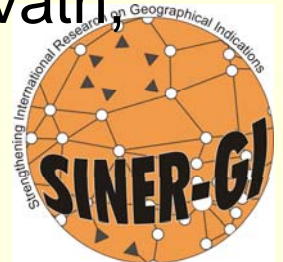
Allaire G., Ansolini M., Cheyns E.

Paprika of Kalosca - Hungary



Sources:

- FP5 IDARI project (Integrated Development of Agriculture and Rural Institutions in Central and Eastern European Countries):
- - *“Europeanization and the reality on the ground: Implementation of the European regulation on geographical indications for agricultural products in Hungary: The case of paprika”*, by Matthieu Ansaloni (Steering Committee: Allaire G. (INRA); Bienabe E. (CIRAD); Cheyns E. (CIRAD); Forgacs C. (University of Budapest); Fouilleux E. (CNRS/CIRAD)), April 2006.
- - *“Case Study on Food Quality: Spicy Paprika in Hungary. Part: Perception of Producers, Traders and Consumers”*, by Csaba Forgacs, Katalin Horvath, Andras Balint, April 2006.



Outlines

- ***The Hungarian Paprika***
 - The product
 - Grading and qualification of the product
 - Market of Hungarian paprika
- ***Legal framework and the issue of Europeanization***
- ***The system of actors and the issue of the transformation of the former socialist system (the case of the Kalocsa paprika industry)***
- ***Conclusions***



1. The product

- Paprika is a red powder made from grinding the dried pods of mild varieties of the pepper plant (*Capsicum annuum* L.)
- Paprika powder ranges from bright red to brown. Its flavour ranges from sweet and mild to more pungent and hot, depending on the type of pepper and part of the plant used in processing
- One third of the territory of the Hungary would be suitable for paprika production. The two principal areas of production are around the small cities of Szeged and Kalocsa, both located on the Southern Great Plain



1. Types of paprika (grades)



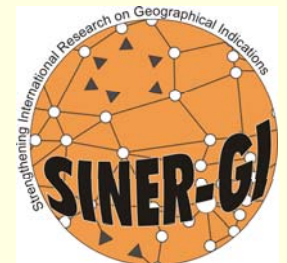
- Special Quality (*Különleges*): The mildest and brightest red of all Hungarian paprikas, with excellent aroma.
- Delicate (*Csípmentes Csemege*): Ranging from light to dark red, a mild paprika with a rich flavor.
- Exquisite Delicate (*Csemegepaprika*): Similar to Delicate, but more pungent.
- Pungent Exquisite Delicate (*Csípös Csemege, Pikant*): A yet more pungent Delicate.
- Rose (*Rózsa*): Pale Red in color with strong aroma and mild pungency.
- Noble Sweet (*Édesnemes*): The most commonly exported paprika; bright red and slightly pungent.
- Half-Sweet (*Félédes*): A blend of mild and pungent paprikas; medium pungency.
- Hot (*Erös*): Light brown in color, this is the hottest of all the paprikas.



1. Market structures

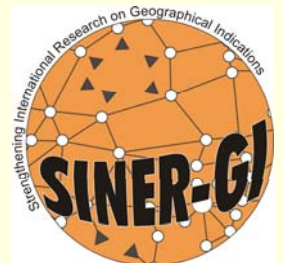
- There are **two Hungarian markets** with many **informal** channels beside the **formal** ones,
- and an **export** market.
- 20 processing companies
- The leader : Kalocsai Paprika rt : 40% market share
- The distinction between “official” market and products and “homemade products” and “free” market is inherited from the socialist period and is **transitional**.
The part of auto-consumption and of the domestic and communitarian networks are likely to go down, while an artesian production and small scale processing enterprises could join the legal market framework.

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1. Consumer's perceptions

- IDARI researchers separate the consumers into 2 parts:
 - the first group cares about the quality of paprika, prefers the home made paprika, and use to buy the product directly from the producers or through the informal network,
 - the second group is using the paprika powder sold in the supermarkets. They also care about the quality, but just as much as in case of the other products. For them the factory-processed paprika with quality control is the good quality



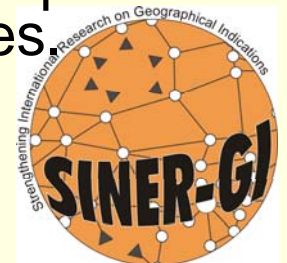
1. Quality core aspects

- *Grades*
- *Sanitary traceability*
 - Issue of the mode of control of these aspects.
Home operation of drying can be the cause of sanitary problems. This could be a delicate issue in the elaboration of a code of practice for a PDO product (Piment d'Espelette).
- *Origin*
 - Origin is relevant in combination with grades.
Origin account for consumers for the upper grades, both on the official market and on the informal market.



1. Production, productivity, quality and market stakes

- The industry and the whole paprika sector are facing **upscaling** stakes in term of **productivity**, **organisation** and **regulation**
- One scheme using European tools to conserve this quality structure could be the following:
 - A PGI scheme for Hungarian paprika with the control of sanitary parameters which could cover the all main “official” producers by a large geographical area of production with the subtle issue of importation of raw material;
 - A PDO scheme for Kalosca paprika based on the superior grade type of production which mainly (it seems) is the same in large or small scale companies as it is a small scale activity in large companies



2. Legal framework and the issue of Europeanization

- Two aspects
 - Legal system
 - Market

- And thus governance issues linked with system of actors and stakeholders (see latter)



2. Legal system

- Hungary was member of the Lisbon Agreement (1958, paprika agreement in 1969) and before entry EU, has adapted its regulation in line with the EU regulation. In 1996, the Food Act was promulgated in this perspective. As part of it, Law XI of 1997 concerns trademarks and GIs
- In 2004, when Hungary joined the EU, the domestic system for registering GI (Law XI of 1997) was harmonized with the European system (Reg. 2081/92). Whilst the Hungarian text opened up the possibility for a single body to submit an application (individual property right), the European text specifies that the application must establish a collective property right
- **Issue of the capacity of actors to manage this type of collective property right**



2 Economical upheaval

- The collapse of COMECON generated a drop in national paprika production: 79900 t in 1986, 40000 t in 2000 (60000 t in 2001)
- On another side Europeanization increase international competition. After Hungary's EU accession, the former tariff of 42.5% on importation was abolished. This leave opportunity to foreign paprika traders to sell their products on the Hungarian market at competitive prices
- **Issue of normalisation**



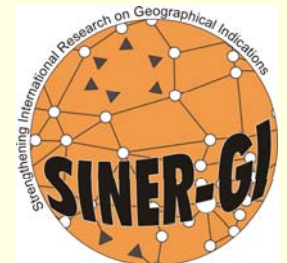
3. The system of actors and the issue of the transformation of the former socialist system

- Who own the name (IG) ? What are the consequences of polity changes on the property of the name ?
 - Ambiguities of the liberalisation process (means of production, processing unit, product marks)
- Transition in social structure
 - Conservation of the elite
 - Production mainly in cooperative form
 - Differentiation of the independant producers



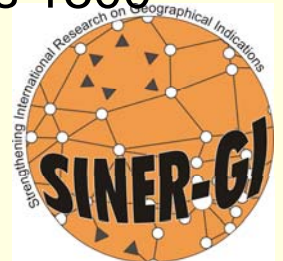
3. Kalosca industry regime changes

- In 30's, definition of paprika area and creation of coop (or syndicate) of the producers, processors, traders of Kalocsa Paprika : collective trademark ("Kalocsa Hungarian Paprika«), inspection body
- IN 1946, nationalisation of the coop (and of the mark ?) as Kalocsa State agro-industrial complex, renamed Kalocsa Region Agro-industrial Association (KAGE) in 1977 and reorganised (7 production co-ops among members)
- Privatization of KAGE began in 1990 and was completed in 1997, but it is essentially a formal demembering of the industry. The main part of the primary production remains in co-op forms
- **Issue of contractualisation**



3. Social structure of the agricultural production

- The Kalocsa region has 1249 farms including 16 collective farms for 7155 hectares. Among family farm we can distinguish subsistence activities and new entrepreneurs
- **Collective farms**
(ex. of former members of KAGE)
 - "Blue Danube Agricultural Cooperative" farms a total UAA of 1200 hectares and employs 130 people, fresh paprika is sold to Kalocsa Paprika rt. It is the largest supplier to the company.
 - Fájisz Cooperative farms 1250 hectares and employs 135 people. This structure results from the dismantling of the previous structure,
 - Valter Agrogep kft (Plc), located in Dusnök, farms 1800 hectares and employs more than 150 people.



- **Subsistence farms** :

for some, mostly older farmers and with small acreage (less than 2 ha), agriculture is seen as a refuge from unemployment, we can call them subsistence farmers.

. For example, Attila (45yrs, 2 ha) is in charge of an irrigation station; paprika growing is a secondary activity and he delivers almost all his production to Kalocsai Paprika rt. Another type of subsistence farming are more oriented to auto-consumption (poultry) and beside the production they deliver to Kalocsai paprika rt they process by their own small amount of paprika.

- **Entrepreneurs**

when the creation of a farm goes with a professional project.

For example, Lajos was a labourer in the cooperative of his village.

When confiscated land was returned to its original owners, he choice to get returned 4 hectares and buy land until 40 hectares

Some sell part of the production to paprika rt but all are processing and marketing



Conclusions

- Mature Gi seeking for new life
- Issue of professionalisation and contractualisation
- Issue of the double EU system PGI/PDO



Thanks

