Evaluation of the CAP measures applicable to the wine sector

Case study report: Hungary
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This case study was carried out by the expert Péter TŐTH from the Agrár Európa Ltd
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Glossary

CAP Common Agricultural Policy
COMTRADE United Nations International Trade Statistics Database
CMEF Common Monitoring and Evaluation Framework
CMO Common Market Organisation
CN Combined Nomenclature
CTR Criterion
EAGF European Agricultural Guarantee Fund
EAFRD European Agricultural Fund for Rural Development
EAU European Union added value
EC European Commission
EEA European Environment Agency
EEC European Economic Community
EEIG European economic interest group
EQ Evaluation question
EU European Union
EUROSTAT Statistical Office of the European Commission
FADN Farm Accountancy Data Network
FAO Food and Agriculture Organization of the United Nations
FNVA Farm net value added
GATT General Agreement on Tariffs and Trade
MIO Million €
MS Member State
NGO Non-Governmental Organization
NSP National Support Programmes
OIV International Organisation of Vine and Wine
PDO/PGI Protected Designations of Origin (PDO) and Protected Geographical Indications (PGI)
PO Producer Organisation
PPS Purchasing Power Standard
RD Rural Development
RDP Rural Development Program
RDR Rural Development Regulation
SDG Sustainable Development Goals
SME Small and Medium Enterprises
SO Standard Output
SPS Single Payment Scheme
SSG Special Agriculture Safeguard
SWOT Strengths, Weaknesses, Opportunities, Threats
TEU Treaty on the European Union
TFEU Treaty on the Functioning of the European Union
UAA Utilised Agricultural Area
USA United States of America
USDA United States Department of Agriculture
VAT Value Added Taxes
WTO World Trade Organisation
1. DESCRIPTION OF THE WINE SECTOR IN HUNGARY

1.1 Introduction of the case study area

Hungary holds 2.0% of the EU area under vines. About 1.2% of the national UUA is vineyards. It is representative of a producing Member State with a high share of PDO/PGI: 97% of the vineyard area is eligible for the production of PDO/PGI. Most of the Hungarian wines is consumed locally, about a quarter of the production is exported (26.3% in 2016).

The wine growing regions are concentrated in the centre and west of the country, as shown on the map below.

![Map of vine regions, Hungary](image)

The vine-growing regions of Hungary, as showed on the map, are the following:

1. Sopron wine region.
2. Nagy-Somló wine region.
3. Zala wine region.
5. Badacsony wine region.
7. Balatonboglár wine region.
8. Pannonhalma wine region.
10. Etyek-Buda wine region.
11. Ászár-Neszmély wine region.
12. Tolna wine region.
13. Szekszárd wine region.
15. Villány wine region.
16. Hajós-Baja wine region.
17. Kunság wine region.
18. Csongrád wine region.
19. Mátra wine region.
20. Eger wine region.

The most famous wine region of Hungary is Tokaj-Hegyalja Wine Region. Tokaj-Hegyalja is perhaps the most famous part of Hungary. The region is renowned for its vineyards and wine cellars throughout the world. Tokaj-Hegyalja is one of the first strictly designated wine-producing regions in the world, boasting the oldest system of land division by balks.

The cultural and historical past of Tokaj is remarkably rich, but first of all it is renowned for its special wines. “Vinumregumrexinorum” – The wine of kings, the king of wines – exclaimed Louis XIV when first tasting TokajAszú. Tokaj is beyond doubt the finest wine in Hungary, which is acknowledged so much that it is remembered even in the Hungarian national anthem.
The history of the wine-producing region stretches back to A.D. 290, for the petrified grape leaf found in Erdőbénye dates from this period. The conquering Magyars, arriving in the area in the 10th century, found a flourishing viniculture.

The wine-producing area of Tokaj-Hegyalja lies in the north-western part of the country – close to the Slovak and Ukrainian borders – extending over the eastern and southern slopes of the Zemplén mountains, for around 60 kilometres. 6600 hectares of vineyards of 27 localities within the triangle formed by three distinct mountains, Mt. Sátor of Sátoraljaújhely and that of Abaújszántó, and Mt. Kopasz of Tokaj, belong to the wine-producing region, with the town of Tokaj as its centre.

The soil of the region – which significantly influences the type of wines produced here – is of an extremely special composition: the base is composed of tuff and volcanic rock upon which clay and loess form the surface layer. The climate of Tokaj is fairly cool – the area approximately lies at the latitude of Aube Champagne – the average annual temperature is only 10.5 °C.

The Tokaj-Hegyalja Wine Path Society was founded in Tarcal in 1997. The primary purpose of the society is the establishment of the touristic infrastructure of the wine path, in accordance with European standards. In the wine-producing region of Tokaj-Hegyalja, the planting and processing of only four white grape varieties is permitted: Furmint, Hárslevelű (both are original Hungarian varieties of grape), Muscat Lunel and Oremus. Seven different types of wine may be produced from these varieties of grape. It is important to note that only white wines are produced in this region.

The also famous wine regions for red wines are Szekszárd, Eger and Villány Wine Regions. The best white wines are produced around the Balaton lake: Balatonfelvidék, Badacsony, Balatonfüred-Csopak and Balatonboglár Wine regions.

1.2 Main wine products of Hungary

In Hungary all types of wines are produced: white, red and sparkling. But 2/3 of total production and consumption is white ones. As it is explained before, the most special wine of Hungary is produced in Tokaj Region. It is the very old type of white natural sweet wine of Aszu. Interesting for this wines that can be made only out of 4 varieties, and two of them are very old Hungarian varieties not cultivated in other countries. There are some more Hungarian origin white varieties as well, like Kéknyelű cultivated in Badacsony Region. As far as red wine grape varieties are concerned, most of the grapes are coming from abroad, like Cabernet Franc, Cabernet Sauvignon, Pinot Noir, etc. There is a Hungarian origin red variety, like Kadarka, but cultivated on very small areas.

1.3 Structure of the sector

Structure of the sector

The production of wine in Hungary has a very long tradition. In the last 15 years the vineyard area has decreased by 15%. Especially the production of white varieties decreased – by 18.6 % - while the red varieties have decreased only by 5.8 %.

In Hungarian wine sector, the production of white wines is determinative, 2/3 of the total area. The structure of vineyards is very fragmented. The average size of the vineyard parcel is 0.48 ha. The vineyards in general are very aged; the average age in the country is 26 year. The vineyards are typically cultivated by families. 73 % of vineyards are cultivated by the land owners. The number of corporations is increasing, the concentration of the production is on the way, but this trend is very slow. Co-operatives are almost missing in the Hungarian viticulture.

The most dynamic vineyard size development is recognised in the group of vineyards with 5-10 ha, and 10-30 ha and 30-100ha. Above the 100 ha the concentration is very limited; their number is 20-25 vineyards.

In the last 15 years the structure of varieties has significantly changed. In 2003 the most cultivated white varieties were Italian Riesling and Furmint. Now the order is the following Bianca, Furmint and Italian Riesling. Bianca is very popular to its resistance, easy cultivation although the quality of wine produced is not very high. As far as the red varieties are concerned, the ranking is the following: Blue Franc, Cabernet sauvignon, Merlot, Zweigelt, Cabernet franc, Pinot noir.

The total area of vineyards in Hungary is actually 63,506 ha. In 2013 45,712 ha were harvested for commercial purposes, i.e.72 % of the total area. This is in volume 3,755,879q, with an average of 82.16 q/ha.
The situation in the supply chain

In the privatisation of wineries the vine producers could not take part. Typically the wineries were privatised by financial investors and foreign investors, quite often by western countries wine co-operatives. Consequently the position of vine producers in the supply chain is very weak; they have a very weak bargaining power. Due to the lack of co-operation and any integration among vine producers they are absolutely dependent on the supply strategy of wineries. So – as in many other agricultural sectors in Hungary – the supply chain is fragmented, and the vine producers are the weakest chain-links, and are very far away from the customers. In Hungary it is very common that wine makers are cultivating their own vineyard and processing and selling. These medium or larger wineries are buying up grapes from smaller producers not having processing facility. It is also common to cultivate and process exclusively for their own consumption.

Supply strategy of wineries

In Hungary many wineries have vineyards and are self-sufficient either totally or to a major extent. Taking into consideration that land in Hungary might be owned exclusively by private person and not by legal entity, it means in this case the vineyard is owned by the owners of winery or they are renting the land from third persons.

According to recent research, the wineries have typically long term contracts with an average of 10-20 suppliers. There is one state owned winery in Tokaj Region which has many hundreds of small scale suppliers. In very limited cases we find that the winery plays a role of integrator. It means it coordinates the planting of new vineyards, or reconstruction, gives an advice on variety and on support system, etc. In such a cases both sides are thinking for long run, and there is mutual trust. The most important criteria is the quality of vine, followed by the way of harvest (manual and mechanised) and the distance from the winery (transport costs).

There is no statistic about what percentage of wineries covering their need totally, self-sufficient and not buying outside of their estate. Probably not too many. There is one state owned large winery in Tokaj Region, Called Grand Tokaj. Grand Tokaj cultivating 54 ha its own vineyard, but buying up from 1000 ha which is cultivated by 1200 small wine growers.

Distribution channels of wines

Typically wineries have several distribution channels. The large scale corporations are selling their products directly to large retail chains, and selling to wholesalers as well. Many of them have their own retail shop(s) and exporting directly abroad.

The medium sized wineries are supplying some of the retail chains, selling to wholesalers and HORECA sector. The large number of small scales tries to sell directly to HORECA sector and locally.

All stakeholders said – even the bigger ones – that they bargaining position is the supply chain is very weak.

As far as selling prices are concerned, the highest price is realised in case of direct distribution to consumers, for all size categories. Second place in ranking is the export price, and the lowest one the retail chain.

The direct distribution is very favourable from the cash flow point of view as well, payment without delay, very often cash.

Figure 2: Structure of the supply chain

Source: NemzetiÉlelmiszerláncNyomonkövetési Platform, National Food Chain Monitoring Platform
## 1.4 Statistics at Case study level

### Table 1: Vineyard areas and production in Hungary

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PDO</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vineyard area (ha)</td>
<td>-</td>
<td>46430</td>
<td>46652</td>
<td>53480</td>
<td>53109</td>
<td>50933</td>
</tr>
<tr>
<td>Production (hl)</td>
<td>1198541</td>
<td>1442937</td>
<td>1267597</td>
<td>1330391</td>
<td>1161636</td>
<td>1469319</td>
</tr>
<tr>
<td><strong>PGI</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vineyard area (ha)</td>
<td>-</td>
<td>9342</td>
<td>9123</td>
<td>9506</td>
<td>9673</td>
<td>12246</td>
</tr>
<tr>
<td>Production (hl)</td>
<td>306174</td>
<td>502877</td>
<td>1203880</td>
<td>1175076</td>
<td>1304430</td>
<td>1007579</td>
</tr>
<tr>
<td><strong>Wine without PDO/PGI</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vineyard area (ha)</td>
<td>-</td>
<td>8916</td>
<td>8988</td>
<td>1813</td>
<td>1463</td>
<td>2081</td>
</tr>
<tr>
<td>Production (hl)</td>
<td>313022</td>
<td>514146</td>
<td>83109</td>
<td>67715</td>
<td>69844</td>
<td>70914</td>
</tr>
</tbody>
</table>

Sources: HNT

### Table 2: Area by variety (ha) in Hungary

<table>
<thead>
<tr>
<th>Variety</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kékfrankos</td>
<td>7097</td>
<td>6719</td>
<td>6845</td>
<td>7015</td>
<td>7267</td>
<td>7593</td>
</tr>
<tr>
<td>Bianca</td>
<td>3832</td>
<td>3917</td>
<td>4365</td>
<td>4639</td>
<td>4898</td>
<td>5062</td>
</tr>
<tr>
<td>Cseresznyőszeres</td>
<td>3758</td>
<td>3747</td>
<td>3926</td>
<td>4107</td>
<td>4299</td>
<td>4315</td>
</tr>
<tr>
<td>Olasz rizling</td>
<td>3793</td>
<td>3559</td>
<td>3742</td>
<td>3806</td>
<td>3933</td>
<td>3989</td>
</tr>
<tr>
<td>Furmint</td>
<td>3762</td>
<td>3559</td>
<td>3674</td>
<td>3800</td>
<td>3865</td>
<td>3905</td>
</tr>
<tr>
<td>Cabernet sauvignon</td>
<td>2549</td>
<td>2663</td>
<td>2725</td>
<td>2718</td>
<td>2677</td>
<td>2665</td>
</tr>
<tr>
<td>Chardonnay</td>
<td>6848</td>
<td>2334</td>
<td>2351</td>
<td>2370</td>
<td>2464</td>
<td>2466</td>
</tr>
<tr>
<td>Merlot</td>
<td>1784</td>
<td>1813</td>
<td>1837</td>
<td>1909</td>
<td>1961</td>
<td>2044</td>
</tr>
<tr>
<td>Aletta</td>
<td>1096</td>
<td>1177</td>
<td>1321</td>
<td>1453</td>
<td>1677</td>
<td>1787</td>
</tr>
<tr>
<td>IrsaiOlivér</td>
<td>1061</td>
<td>1089</td>
<td>1212</td>
<td>1358</td>
<td>1531</td>
<td>1728</td>
</tr>
<tr>
<td>Szürkebarát</td>
<td>1465</td>
<td>1482</td>
<td>1499</td>
<td>1560</td>
<td>1595</td>
<td>1691</td>
</tr>
<tr>
<td>Rizlingszőlveny</td>
<td>1635</td>
<td>1597</td>
<td>1562</td>
<td>1621</td>
<td>1670</td>
<td>1683</td>
</tr>
<tr>
<td>Zweigelt</td>
<td>1704</td>
<td>1693</td>
<td>1699</td>
<td>1690</td>
<td>1687</td>
<td>1663</td>
</tr>
<tr>
<td>Hárselevél</td>
<td>1591</td>
<td>1507</td>
<td>1517</td>
<td>1559</td>
<td>1603</td>
<td>1636</td>
</tr>
<tr>
<td>Zöldvettelini</td>
<td>1221</td>
<td>1229</td>
<td>1258</td>
<td>1317</td>
<td>1381</td>
<td>1497</td>
</tr>
<tr>
<td>Cabernet franc</td>
<td>1287</td>
<td>1275</td>
<td>1270</td>
<td>1344</td>
<td>1368</td>
<td>1404</td>
</tr>
<tr>
<td>Ottonemuskotány</td>
<td>1152</td>
<td>1167</td>
<td>1196</td>
<td>1231</td>
<td>1257</td>
<td>1304</td>
</tr>
<tr>
<td>Rajnai rizling</td>
<td>1102</td>
<td>1189</td>
<td>1216</td>
<td>1236</td>
<td>1261</td>
<td>1296</td>
</tr>
<tr>
<td>Chasselas</td>
<td>1443</td>
<td>1232</td>
<td>1226</td>
<td>1206</td>
<td>1159</td>
<td>1129</td>
</tr>
<tr>
<td>Pinot noir</td>
<td>1061</td>
<td>1044</td>
<td>1055</td>
<td>1063</td>
<td>1092</td>
<td>1126</td>
</tr>
</tbody>
</table>

Sources: HNT

### Table 3: Number of wine growers in Hungary

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Of which PDO/PGI</td>
<td>26332</td>
<td>30726</td>
<td>32459</td>
<td>33108</td>
<td>33446</td>
<td>33434</td>
</tr>
</tbody>
</table>

Sources: HNT
Table 4: industry structure in Hungary

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wine producers (number)</strong></td>
<td>1830</td>
<td>1873</td>
<td>1551</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1830</td>
<td>1873</td>
<td>1551</td>
</tr>
<tr>
<td>- Of which co-operatives</td>
<td>no data</td>
<td>no data</td>
<td>no data</td>
</tr>
<tr>
<td><strong>Distilleries of wine products (number)</strong></td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>- Of which co-operatives</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Ministry of Agriculture

N.B. In 2017, the number of wine producers are decreasing due to concentration. No coops in wine sector in Hungary (better saying there are 2 or 3).
2. THEME 1: NATIONAL SUPPORT PROGRAMMES

2.1 Description of the implementation

2.1.1 Financial allocation

Hungary has programmed four measures in the NSP: Restructuring & conversion, investments, promotion and by-product distillation. In Hungary the NSP is focusing mostly on restructuring and conversion. The 82% of budget is spent on this particular measure. At national level, on the 2014-2017 implementation period, the distribution of expenditures between the measures was the following:

Figure 3: Distribution of expenditures from 2014 to 2017 per measures

Source: Financial monitoring data of the NSP, DG Agri

Figure 4: Expenditure from 2013 to 2017 per measure (in M€)

Source: Financial monitoring data of the NSP, DG Agri

Since 2013, **100% of the budget was spend** on each implementation year. The reason for not giving investment support from 2016 was that the government decided to use Rural Development Program for investment type of support in the wine sector.

2.2 Description of the measures

Table 5: Implementation choices on the restructuring and conversion measure

<table>
<thead>
<tr>
<th>Type of aid and rate of support</th>
<th>Non-reimbursable support. Maximum 12.500 EUR/ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>The beneficiaries of the support referred to in Article 46 of Regulation (EU) No 1308/2013 are vine growers as defined in Article 2(a) of the Commission Delegated Regulation (EU) 2018/273.</td>
</tr>
<tr>
<td>Eligibility and selection criteria</td>
<td>Minimum score of vineyard (see explanation in IQ1.1 of §2.3.2. More than 200 scores in the vineyard cadastre. Submission of individual plan. Valid authorisation for the planting from the planting authority.</td>
</tr>
<tr>
<td>Implementation period</td>
<td>2015-2018</td>
</tr>
<tr>
<td>Information regarding the management of the measure</td>
<td>This measure is regulated by the Decree No 142/2012 of 27 December 2012 of the Minister for Rural Development. For the management is responsible the Ministry, the Paying Agency (Treasury) and the State Office of Pest County (for the on-the-spot control).</td>
</tr>
</tbody>
</table>
Table 6: Implementation choices on the promotion measure

<table>
<thead>
<tr>
<th>Type of aid and rate of support</th>
<th>Support provided for programmes for promotion of PDO/PGI wines exclusively in third countries. 50% of expenditures are supported. Minimum support 25,000 EUR maximum support 250,000 EUR per programmes.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Wine Community, winery, civil organisation with a membership minimum 75 % of wineries, corporation in which minimum of member is member of the Wine Community.</td>
</tr>
<tr>
<td>Eligibility and selection criteria</td>
<td>Market analyse of the targeted county, objective with indicators, strategy of the programme, description of target group, description of main market messages, detailed description of planned actions, detailed budget, justification of size of marketed wine, description of budget management.</td>
</tr>
<tr>
<td>Implementation period</td>
<td>2015-2017</td>
</tr>
<tr>
<td>Information regarding the management of the measure</td>
<td>The decision on support is made by the Ministry of Agriculture. The administrative and financial control and management is made by the Paying Agency.</td>
</tr>
</tbody>
</table>

Table 7: Implementation choices on the by-product distillation measure

<table>
<thead>
<tr>
<th>Type of aid and rate of support</th>
<th>Aid rate for raw alcohol distilled from grape marc EUR 1.1/hl degree, for raw alcohol distilled from wine lees EUR 0.5/hl degree.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beneficiaries</td>
<td>Any distillery registered in Hungary and capable of making raw alcohol for industrial use from the wine by-products delivered.</td>
</tr>
<tr>
<td>Eligibility and selection criteria</td>
<td>The applicant may produce crude alcohol of industrial origin from the by product. It has technical and personal conditions for the take-over of by-products.</td>
</tr>
<tr>
<td>Implementation period</td>
<td>2015-2018</td>
</tr>
<tr>
<td>Information regarding the management of the measure</td>
<td>Paying Agency (Treasury) and the National Tax Authority (excise tax). Decree No 70/2012 16 July 2012 of the Minister for Rural Development.</td>
</tr>
</tbody>
</table>
2.3 Effects of the NSP at the level of growers

2.3.1 Information on the implementation of the restructuring and conversion measure

The following information are from the NSP implementation reports. The results in the financial year 2015-2016 are the following:

Table 8: Results in the financial year 2015-2016:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Number of applications paid</th>
<th>Area receiving support (ha)</th>
<th>Amount of aid paid (EUR)</th>
<th>Average amount (EUR/ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Varietal conversion</td>
<td>1 273</td>
<td>1 277.89</td>
<td>12 662 570</td>
<td>9 909</td>
</tr>
<tr>
<td>Relocation of vineyards</td>
<td>1 166</td>
<td>1 696.65</td>
<td>14 509 533</td>
<td>8 552</td>
</tr>
<tr>
<td>Total:</td>
<td>2 439</td>
<td>2 974.54</td>
<td>27 172 103</td>
<td>9 135</td>
</tr>
</tbody>
</table>

In the NSP the Ministry expected to receive 2 200 individual plans and to renew some 2 000 ha of vineyards per year under the support programme for the restructuring and conversion of vineyards. 45 % of the vineyards can be renewed by varietal conversion (810 ha/year) and 55 % by relocation (990 ha/year).

In 2017 Hungary achieved 22% of its objective regarding the individual plans and 65.2% more than its objective regarding the renewal of vineyards.

In the financial year 2017 the results are the following:

Table 9: Results in the financial year 2017:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Number of applications paid</th>
<th>Area receiving support (ha)</th>
<th>Amount of aid paid (EUR)</th>
<th>Average amount (EUR/ha)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Varietal conversion</td>
<td>1 356</td>
<td>1 472.73</td>
<td>13 085 013</td>
<td>8 885</td>
</tr>
<tr>
<td>Relocation of vineyards</td>
<td>1 159</td>
<td>1 720.21</td>
<td>14 459 492</td>
<td>8 406</td>
</tr>
<tr>
<td>Total:</td>
<td>2 515</td>
<td>3 192.94</td>
<td>27 544 505</td>
<td>8 627</td>
</tr>
</tbody>
</table>

In 2017 Hungary achieved 14.3% of its objective regarding the individual plans and 59.6% more than its objective regarding the renewal of vineyards.

According to interviews with wine makers the NSP significantly contributed to the production potential both in terms of quantity and quality. The NSP had no effects on management practises. But contributed to strengthen competitiveness of producers and directly/indirectly contributed to the income’s increase.

No monitoring data featuring the converted area per variety or the concerned areas with/without PDO/PGI are available.

2.3.2 Synthesis of the interviews

IQ 1.1 To what extent did the restructuring and conversion operations supported by the NSP impact the production potential of vineyards, in terms of quantity? In terms of quality? at the level of the region / of the Member State?

National/regional authorities:

We consider it important to plant varieties which are most connected to the soil and climatic characteristics and vine-growing traditions of the wine region, and for which there is long-term demand. One of our objectives is to implement the support for restructuring in the best production sites and areas; therefore, we give preference to those producers whose area has an above average score according to the vineyard cadastre. (The vineyard cadastre is a qualification/classification system. Qualifying the quality of the area for vineyard. The main natures are the following: agrometeorology, land quality, water management, erosion, the orientation of the land. The maximum score 407, and the area below 200 score is not suitable for vineyard.) The government of Hungary pays particular attention to sustaining and creating jobs. Preserving the population in rural areas, and the protection and development of local employment opportunities therefore play an important role. To this end, we focus on family businesses by giving preference to applications that affect smaller areas.

We would like to introduce a new criterion among the priority criteria for producers who use the harvest of their plantations themselves and carry out their activities with a corresponding degree of qualification. These
considerations can provide greater security for competitive grape production. Long-term, sustainable grape cultivation is based on the use of the highest quality planting material. Therefore, it is preferable to give preference to producers who use planting material of higher quality for their planting.

- **National/local representatives and producers organisations**

Due to the relatively very high cost of renewing/restructuring vineyards (especially in the mountainous areas of Hungary), in most cases producers only implement such operations if they received subsidy. The application and implementation system of the aid for restructuring and reconversion of vineyards has been continuously developed in Hungarian through-out the past years with a view to create a subsidy tool fulfilling both the requirements of the EU and expectations of the Hungarian producers and policy-makers. With the help of restructuring aid cca. 2/3 of the vineyards has been renewed since the EU-accession of Hungary, and still is the main measure which allows the producers to adjust their production to the needs of the - slowly but continuously - changing market.

The flexibility of the NSP provides a legal and subsidy framework which helps both the small-scale, high-quality orientated producers (with "hand-crafted wine-products") and the large-scale, commercial wine producers to develop their businesses. The most important measure is clearly the aid for restructuring and reconversion of vineyards, which allows producers to change for a more modern (more efficient) vine cultivation method, while another support measure helped to modernize the most important machinery used by vine- and wine-producers.

In the last 10 years approximately half of the Hungarian vineyards have been reconstructed. The problem with the support for reconstruction and conversion financed by the NSP is that the support was given not to the best production sites as it was planned in the NSP. According to our non-official data (official data on the territorial structure of the support is not available), the higher proportion of support was used in the Alföld area (16., 17. and 18. wine regions on the map in the study). These by far are not the best production sites in Hungary. In these wine regions the weather is very volatile; there is no production stability at all. Moreover, due to reconstruction the production has been increased by quantity and very little by quality.

The varieties planted are also not the most competitive ones. One example: the variety Bianca is over planted, this size of Bianca is not justified by market studies.

As another consequence of this: this production sites producing wines with lower price categories. Depending on the vintage, in some years wines produced on such a low category lands are not price competitive with import, especially Italian wines. It means wines are produced by more expenditures than import price. So indirectly these reconstructions contributing to wine import increase. In other words that is less expensive to import wines than sell these low category wines produced locally.

In those areas which has very good production sites (close to 400 points in the vineyard cadastre), we recognise essential increase of qualities, which was the objective of the EU. These vineyards are competitive internationally. It means the measure achieved its objective in the best locations.

- **Beneficiaries**

The restructuring and conversion measure primarily contributed to the improvement of quality and not the quantity. It was the objective of the EU and the local government and professional organisations as well.

The reconstruction and conversion measure is the most important measure of NSP. Every 30 years the vineyards have to be renewed. The implementation of measure was successful in Hungary as far as quantity. It was less successful in terms of quality. The primary objective was to support reconstruction in the best production areas. In practice most of the support was given to vineyards located in medium quality of wine cadastre. The costs of reconstruction on hilly areas are much higher than on plains, but the unit cost was the same everywhere. Another mistake was the selection of varieties. The producers selected varieties taking into consideration not the quality of vine produced but some other factors, like resistance, high yields etc.

In Pannonhalma Winery they reconstructed the areas where there was 2,500 grape/ha and planted 5,000/ha, so the production potential has doubled. In terms of quality they planted the latest clones of the variety authorised for production in that particular region. So in both in terms of quality and quantity restructuring measure had a positive impact.

Production potential increased less but quality improved more. In reconstruction programme the company could plant a variety which is very much popular.
IQ 1.2 Did the NSP measures intend to support changes in the vineyard management practices or foster specific practices (i.e. organic agriculture, low mechanised systems, etc.)?

- **National authorities:**
The NSP measures were not relevant to support changes in the vineyard management practices. [However, some examples are given below (see highlighted in yellow) showing that the measure did have some impact on improvement of vineyard management practices.]

IQ 1.3 To what extent did the NSP result in changes in the management practices of vineyards? Which practices were introduced/abandoned? Did those changes have an impact at national or regional level (e.g. acting as role model)?

- **National/regional authorities:**
  Not relevant.
- **National/local representatives and producers organisations**
  To minimum extent.
- **Beneficiaries (growers, producers)**
  All beneficiaries agree that the NSP had no impact on management practices.

IQ 1.4 Have the NSP measures impacted the costs of production?

- **National/regional authorities:**
The aim of the NSP is to increase the competitiveness of vine growers, one of its objectives is reducing production costs.
- **National/local representatives and producers organisations**
  There is clear correspondence between the financial support paid for the modernization of the production unit (both the vineyards and the machinery used) and the more cost-effective operation of the beneficiaries. The measure reconstruction and conversion has impacted the cost of production positively. Having modern support systems in vineyards for example lowered the cost of production significantly.
- **Beneficiaries (growers, producers)**
  Producers advices are not homogenous. There was generally a positive impact on cost of production: some made a plantation which can be better mechanised, and it is lowering the cost of production. Although not significantly since just 10% of the total area was reconstructed.

Some said that there should be a difference to account for the higher production costs of vineyards, or any other plantations. Indeed, in Hungary the vineyards receive direct payment as crops receive.

IQ 1.5 Have the NSP measures resulted in a better adaptation of the vineyards structure and management practices to market demands? E.g. in terms of variety, quality

- **National/regional authorities:**
  It is a key point to Hungary to indicate that in restructuring and conversion of vineyards measure prevail market demands. Regional plans on restructuring and conversion of vineyards must be made concerning the conditions, which in case of non-fulfilment exclude aid, even if the available budget would make it possible.

Criteria to meet with market demands:
- use of vine varieties (prioritized variety by regional plan - non-prioritized variety by regional plan)
- vine management technics
- use of planting material (base-certified),
- amount of planting material,
- type of vine nursery school (domestic vine nursery school – non-domestic vine nursery school),
- quality of planting material (grafts - cuttings)

- **National/local representatives and producers organisations**
  There is clear correspondence between the aid for restructuring and reconversion of vineyards, and the more "market-orientated production" of the beneficiaries. At this point, the regulatory role of the Ministry of Agriculture shall be highlighted: the national legislation introduced the system of "wine-county plans", and later on, since this year - the system of "restructuring plans". The system of "wine-county plans" aimed to
establish a set of rules for each wine-county, where the rules orientated the producers which species, cultivation methods, and other parameters of vine-cultivation are providing better options for fulfilling the market expectations, and only those producers could receive aid for restructuring of their vineyards, who respected all the rules included in the relevant "wine-county plan".

Since 2018 the legislation is further developed, the new "restructuring plans" based on the product descriptions of the PDO and PGI wine-products are taking over the place of the territory-based "wine-county plans". Those producers who are fulfilling the rules set out in the new “restructuring plans” (practically producing grapes for PDO/PGI wines) may benefit from a higher amount of restructuring aid than others.

Yes, except the wine regions mentioned in the point 1.1..

- **Beneficiaries (growers, producers)**
  NSP measures resulted in better adaptation of vineyard structure to market demand in general. In Hungary the problem was/is the lack of market knowledge by the producers. Not having adequate information on the demand of the markets, producers planted not very competitive varieties. One example is the situation with variety Bianca, which the producers thought it can successfully compete with some Italian import wines. Having planted the better for the vineyard area clones, it was a step forward to the better adaptation of the vineyard to the market demand. Having new varieties, more wines can be sold to export especially.

IQ 1.6 **Have the NSP measures had an impact on the income of wine growers?**

- **National/regional authorities:**
  The ministry has no data for this.

- **National/local representatives and producers organisations**
  Yes, in an indirect way. The NSP measures allows the producers to shift towards a more cost-effective winegrowing.
  Yes the NSP measure had an impact on the income in every wine regions concerned.
  More market-orientated operation, which means higher income possibilities for them.

- **Beneficiaries (growers)**
  Indirectly yes. The cultivation of renewed plantation is less costly and more effective. In the reconstructed part of the vineyard the yield was sometimes doubled. The income slightly increased in some farms.

2.3.3 **Conclusion of the expert**

- **Impact of the NSP on the production potential in terms of quantity and quality**
  The NSP measure restructuring and conversion has significantly contributed to both the improvement of quantity and quality of vineyards and consequently the wines produced. The only serious criticism was the distribution of support. The entire objective was exclusively support the very best production areas contributing to further improvement of quality. The figures show that more support was given to wine regions on Alföld, the Great Hungarian Plane, where we have relatively poor natural conditions and very volatile climate. As the interviewee said, those wineries “has strong lobby capacity”.

- **Impact of the NSP on the vineyard management practices**
  Unfortunately the NSP had no any impact on management practices. The beneficiaries of the support were concentrating on reconstructing old vineyards for new varieties and did not pay attention to improving the management practice.

- **Impact of the NSP on the competitiveness of wine growers**
  Yes, directly and indirectly the NSP improved the competitiveness situation of Hungarian wine growers. Especially it was via restructuring of the very aged plantations by varietal conversion. [Normal renewal of vineyards is not eligible for support.]
2.4 Effects of the NSP at the level of producers and products

2.4.1 Effects on the competitiveness key factors of wine producers

2.4.1.1 Synthesis of the interviews

IQ 1.7 Could you please explain what are the current issues encountered by the wine sector in your Member State /region and describe the strategies implemented by the wine producers to address them?

- National authorities
  The MoA has defined with the HNT a strategy to address wine sector’s issues¹.
- Representatives of the sector/interbranch organisations/industry unions
  The main issues are: low prices paid for wine products by the trade partners, lack of sufficient labour-force, vineyards abandoned by elderly producers and a negative campaign concentrating only on the alcohol-component of wine-products from the side of several international organisations.

Possible strategies against the negative issues named above:

- low prices paid for wine products by the trade partners: production shall be shifted towards the higher quality with geographical indications. It resulted in the very high share of PDO/PGI wines on the market which is close to 97%. Non PDO/PGI wines are mostly sold directly from the winery or in the wine pubs;
- lack of sufficient labour-force: the interbranch organisation cooperates with and puts a pressure on the competent ministries in order to transform the educational system or to involve certain groups of unemployed people in the work-peak periods;
- vineyards abandoned by elderly producers: appropriate measures shall be taken in order to ensure that abandoned vineyards will be taken over by other producers. The aid for restructuring of vineyards has a significant positive role in this regard;
- negative campaign concentrating only on the alcohol-component of wine-products from the side of several international organisations: intensive communication, individual actions and cooperation with the Wine in Moderation movement to highlight that responsible wine consumption is part of culture, tradition and gastronomy. The industry shall find appropriate ways to inform consumers on all relevant additives and information related to wine others than only using the labels as information carriers. We mean publishing brochures, organising campaigns, running TV programmes, etc.

As we mentioned in the point 1.1, the major share of production sites had been renewed, reconstructed in the last 10 to 20 years. So the production basis is stronger than before, consequently quantity produced has increased. But the consumption of wine has stagnated in the country. So the big current issue for winemakers is to have the appropriate product structure. It means to have lower priced, lower quality, but at the same time higher quality, higher positioned wines as well. To have an access to market, especially the retailers chains.

What is almost absolutely missing is the up to date marketing campaigns, self-designed and managed marketing strategy. We are missing even the qualified wine export experts, who really understand the EU and extra EU markets, the strategies of retailers etc.

- Wine industries/wine growers cooperatives/wineries
  One of the largest issues in Hungary is the extremely fragmented structure of vineyards. In such a fragmented farm structure, less opportunity to produce high quality wines. At the same time the only opportunity to be competitive for Hungarian wine makers is to produce high quality wines. The is no driving force in Hungary to encourage producers to move into that direction.

The most important issues of the wine sector are:

- Effectiveness,
- Competitiveness,
- Changing the way of thinking by producers,
- Better adaptation to market demands.

Unfortunately the producers do very little to address these issues. There are no medium term business strategies on the level of wineries. There is a lack of market information, and intention to learn more about the market demands.

¹http://hnt.hu/agazati-strategia/
In Pannonhalma Region the area of vineyards has decreased significantly. Without the reconstruction measure of the NSP this wine region could have disappeared.

The main issue is the shortage of labour. We have strategy on both sides:

- We change method of calculation, more mechanisation,
- Building worker accommodation facility to invite workers from further regions of Hungary.

**Wholesalers or brokers**

1. The competent authorities identified the importance of regulations for the business life of especially small scale wineries. The very high national administrative burden made the business life for small scale operators very difficult. So the government changed the rules and introduced more simple rules for smaller operators.
2. The National Council of Wine Communities (HNT) in theory should play a very important role in the sector, especially as a certified by the government Interbranch organisation. We “outsiders” do not recognise how this role is implemented, realised. The HNT seems to be a very bureaucratic institution without much practical results.

**IQ 1.8 Did the actions undertaken by the wine producers with the support of the NSP contribute to improve the competitiveness key factors of EU wine products? Please explain how.**

- **National authorities**

  Our national support programme focuses on varieties which are most connected to the soil and climatic characteristics and the vine-growing traditions of wine districts, and for which there is a long-term demand. Moreover, one of our objectives is to involve the best production sites; therefore, preference is given to areas with higher vineyard cadastral points.

- **Representatives of the sector/interbranch organisations/industry unions**

  Support measures of the NSP helped the beneficiaries to transform their production into a more competitive way, raised the technical know-how and the innovation capacity. The most used measure was reconstruction and conversion, which contributed to change the variety structure significantly. The varieties planted requested to modernise the processing technology as well. It is the chain from the variety to processing and marketing, which had to be rebuilt. Most of those producers, who could develop their businesses with the help of the aids from the NSP measures, parallel developed their brand image and improved their marketing activity.

  Actually the Hungarian wine sector is not competitive. Not competitive especially in prices, sometimes in quality as well. The modern marketing is absolutely missing as it was already mentioned. The NSP could not change this situation. Although the variety structure has become more competitive, but other factors remained non-competitive.

- **Wine industries/wine growers cooperatives/wineries**

  If we investigate this individually on the level of individual wine makers yes, NSP contributed to improve the competitiveness of wine sector in the EU and in Hungary. If we evaluate the success of the NSP at National level, the picture is different; the project is not very successful in Hungary due to the fact that mass, low quality production was supported at the final end.

  Yes, contributed to all aspects listed above.

  Yes contributed. But there were distortional effects as well. The reconstruction budget was spent not for the best wine locations.

  We were involved in the promotional activity. In this field yes, there is a development into a right direction. But we also realise improvement in all five categories mentioned. We even realise improvement in prices, which are higher now.

  The better variety structure improved our sales.

**IQ 1.9 What were the impact of the NSP measures on your supplies, in terms of quality, volume and origin?**

- **Wine industries/wine growers cooperatives/wineries**

  Yes the NSP had a positive impact on all what is listed above. We could buy higher quality engraftment.
In terms of quality, volume and origin the NSP played a certain role. But the most important factor is the market. Every decision should be taken based on analyse of market. Any financial support should play just a secondary role.

Before the NSP support, engraftmets were imported. Having larger support for reconstruction many new Hungarian companies were founded for local production of the propagation material for vineyards.

We are normally buying grapes from smaller producers in large quantity. Having better variety structure we are not forced to buy that much. Raw materiel supply has become stable.

- Wholesalers or brokers

We in the promotional measure significantly improved the export of old Hungarian wine Furmint. Variety Furmint was not known in the USA wine market before. We started to introduce this wine having support from NSP and were very successful. As a direct market effect, our partner wineries sold 60 000 bottles Furmint wine in the USA (80 % of this was coming from Tokaj Wine Region and 20 % from all others in Hungary).

**IQ 1.10 Did the actions undertaken by the wine producers with the support of the NSP contribute to changes as regard the organisation and coordination of the operators in the supply chain? Please explain how.**

- National authorities

Restructuring and conversion of vineyards gives the opportunity to our producers to improve their vineyards according to the market demands. Competition for grapes that are met with market demands is growing. This growth encourages operators for a better coordination.

- Representatives of the sector/interbranch organisations/ industry unions

Promotion measure has a positive effect in this relation at those wine producers who were involved. For the promotional measure both associations and/or individual producers could apply.

There are some positive changes in the organisation of supply chain. More Hungarian wines are sold by the foreign retail chains. However this is just a very small step forward. As in every Member State the position of producers is the weakest in the chain, comparing to other stakeholders.

- Wine industries/wine growers cooperatives/wineries

No, there is no any impact of NSP on the organisation in the supply chain.

Not. And we should not expect too much in this regards from NSP.

Yes. Due to support and larger volume new Hungarian companies were formed to provide full services. New supply channels have been established. These companies offer services like: planning the plantation, taking care of all certificates, and planting the grapes. These are complex services which did not exist before the NSP.

No change realised. One aspect is positive: we can plan for longer times, and can negotiate supply for a certain period, not just ad hoc.

- Wholesalers or brokers

Not really. The chain has not been “shorter”.

**2.4.2 Effects on the capacity of operators to adapt to customers’ expectations**

**2.4.2.1 Synthesis of the interviews**

**IQ 1.11 Did the NSP measures contribute to the capacity of operators to adapt to customers’ expectations, using innovative integrated approach?**

- National authorities

Yes, the Hungarian NSP gives advantages to producers whose interest is to restructure and convert their vineyards to meet with customers’ expectations. Regional plans on restructuring and conversion of vineyards must be made concerning the conditions, which in case of non-fulfilment exclude aid, even if the available budget would make it possible. Defining minimum conditions are necessary to ensure that available resources
are spent on vineyards which are able to produce competitive, quality vintage.

- **Representatives of the sector/interbranch organisations/industry unions**
  Yes, the aid for restructuring and conversion of vineyards, the aid for procurement of winery machinery and the promotion measure have positive effects in this relation.

No, because most of budget is spent on reconstruction and conversion. The overuse of this measure did not allow to use other measures which could better contribute to adapt to consumers’ expectations.

- **Wine industries/wine growers cooperatives/wineries**
  Yes, very modestly.
  To some extent yes.

- **Wholesalers or brokers**
  The reconstruction measure contributed to establish vineyards which can be better mechanised, to use modern machines and innovative technology elements.
  Yes. In the promotional measure we organised a lot of wine tastings. We asked US participants to explain what type of Furmint was the best for their taste. We conveyed this message to our partners/wineries. The ones who understood the message and adapted its wine accordingly, has reached very good business results.

  Not contributed.

**IQ 1.12 What types of supported investment were made to adapt to the evolving demand?**

- **National authorities**
  Development and modernisation of vineyards (by the aid for restructuring and conversion of vineyards), and modernisation of the technical infrastructure (by the aid for procurement of winery machinery), based on NSP.

- **Representatives of the sector/interbranch organisations/industry unions**
  Development and modernisation of vineyards (by the aid for restructuring and conversion of vineyards), and modernisation of the technical infrastructure (by the aid for procurement of winery machinery).

  To minimum extent investments were supported, so it is no chance to evaluate.

- **Wine industries/wine growers cooperatives/wineries**
  It is not relevant. There were no investment support from NSP.

  There were no investments supported.

  We did not take part in the investment measure.

**IQ 1.13 Did the promotion measure was used to support studies of new markets to identify consumers’ preferences?**

- **National authorities**
  No.

- **Representatives of the sector/interbranch organisations/industry unions**
  I have no information on it.

- **Wine industries/wine growers cooperatives/wineries**
  We did not take part in the promotion measure.

  As to our knowledge, not.

  We do not know.

**2.4.3 Effects of other factors on the competitiveness and overall performance of wine producers**

**2.4.3.1 Synthesis of the interviews**

**IQ 1.14 How did the market shares evolved for your major wine products? on intra and extra EU markets? What are the main factors explaining these changes?**

- **Wine industries/wine growers cooperatives/wineries**
Our market shares slightly increased both on intra and extra EU markets. The main factors were better adaptation to market demand, price competitiveness, and marketing interventions. We exclusively sell our wines in the HORECA sector. It is growing everywhere.

The market shares of our wines evolved. The promotional support facilitated our export to Extra EU markets, Canada.

Yes, we could export more wines. Around 30% of our production is exported. Due to reconstruction and quality and quantity improvements we started to export to third countries.

Yes our market share is evolved. Having more competitive variety we could increase sales.

- **Wholesalers or brokers**

  Our partners/wineries had not exported any bottle of wine to US market before the implementation of the NSP. So the 60,000 bottles exported by the support of NSP is an important evolvement. The main factors: support and professionally designed marketing campaign on the US wine market.

**IQ 1.15 What are the other factors that could have had an impact on the competitiveness, product quality and market orientation of the EU wine sector (e.g. evolving demand, increased competition, climate change, etc.)?**

- **National authorities**

  We agree with HNT, we do not have specific data.

- **Representatives of the sector/interbranch organisations/industry unions**

  Besides the evolving demand and increased competition, the importance of the continuous development of production factors (vineyards [species, cultivation method, density], wine-making skills and know-how), the marketing and promotion activity shall be mentioned. In addition, a positive campaign on the responsible wine consumption has a major significance.

  Change of the consumption habits. For instance the consumption of rosé wines, or the reductive types of wines is increasing. We can recognise the increased consumption of other, similar alcoholic drinks, like Ciders.

- **Local interbranch organisations**

- **Wine industries/wine growers cooperatives/wineries**

  Climate change, changing of the consumers habits. There is a growing demand for the traditional wines, traditional varieties.

  Change of consumers’ habit. Climate change also had an impact on market orientation of the EU wine sector. New varieties like the Hungarian Furmint has becoming very popular on EU wine market.

  Climate change. The ripening is faster. Very recently we had to double our wine press capacity to be able to press wine within a shorter period.

  Climate change. Our sales is very much dependent on the weather conditions in the competing Member States.

- **Wholesalers or brokers**

  2017 vintage was poor especially in the main wine countries of the EU Italy and France. So there was a shortage of these wines. As logical consequence the retailers imported wines from other countries very often from third countries.

  In the net wine importing countries, like the USA the consumption started to increase.

**2.4.4 Conclusion of the expert on the effects of NSP measures on the competitiveness and overall performance of wine producers**

The NSP improved the general competitiveness of the sector. Especially the largest in fund size measure for restructuring and conversion. For those vineyards which received support for restructuring it was a serious improvement for their overall performance. They get a more modern plantation with less costs of cultivation.
The NSP support has contributed to changing the variety structure of the Hungarian wine sector, as a result we have more competitive varieties.

2.5 Effects of the promotion measure

2.5.1 Effects of the promotion measure on the recovery/capture of foreign markets

2.5.1.1 Information collected in the implementation reports

The promotional measure was used exclusively for promoting Hungarian wine in third countries. The target countries were: USA, Canada, China, Switzerland. The main objectives of these promotional activities were the following:

- Introduce Hungarian wines on the relatively new for Hungary markets,
- Inform the public of these target countries about the wine regulation and strict control system of the EU,
- Switzerland is not a new market for Hungary. But so far the white wines were exported mainly, so for the Swiss consumer Hungarian wine should be white. The promotional activity aimed at introducing high quality red wine from Villány Wine Region.
- Introducing a new Hungarian white and dry wine from Tokaj Region, the old Hungarian variety Furmint on the USA market. Furmint has for centuries been used for production of natural sweet wine Aszu. In the last years Furmint is used for making dry type of wine very successfully.

The Hungarian Federation of Winecraftsmen, which is an association of 15 Hungarian wineries, and one wine trader in 2015 successfully bid for 25,000 EUR promotional supports from the NSP. The target country was China.

The objectives of the project were:

- To promote the high value added of Hungarian wines on the Chinese market.
- To convey a message that these Hungarian wines represent a National heritage, they are part of the Hungarian culture.

To implement these objectives the Federation has for 15 month been organising wine shows, wine tastings and larger events with media participation in China.

The results of the promotional programme can be summarised as follows:

- Establishing with more than 50 Chinese wine experts personal and professional relations,
- Establishing new trading relations, contracting with new wine importers,
- Due to involvement of media the knowledge about Hungarian viticulture has significantly increased in China,
- As a direct consequence of the promotional activity, the members of the Federation could sell:
  - 9,000 bottles white wine, Furmint,
  - 52,000 bottles wines in the price category 5.4-9.6 EUR/bottle,
  - 30,000 bottles wines in the price category 9.6-14.4 EUR/bottle,
  - 6,366 bottles wines by price above 14.4 EUR/bottle,
  - 45,000 bottles special wines from Tokaj Wine Region, Aszu and Szamorodni.
- They could promote and sell very special Hungarian wines like Furmint, Aszu, Szamorodni.
- The Federation collected more information about the state of the Chinese wine market and the consumption habits.
2.5.2 Effects of the promotion measure on the reputation of EU wines

2.5.2.1 Synthesis of the interviews

IQ 3.1 What are the EU wine products benefiting from the best reputation abroad? Please specify:
- Their origin (France/Italy/Spain/etc.)
- Their category (red/white/sparkling/etc.)
- Their quality (PDO/PGI/wine variety)

- Representatives of the sector/interbranch organisations/industry unions
  1) Their quality 2) Their origin 3) Their category.
- Wholesalers or brokers

The order is the following: 1. Origin, 2. Variety, 3. Category. In the US wine market this is the order. The US consumer is checking the first origin. The order is the following: 1. France, 2. Italy, 3. Spain and then the rest of the world. After that they check the variety of wine.

IQ 3.2 Did the promotion measure contribute to strengthen the reputation of the national wines?

- National authorities

The use of the “Hungarian Wine Publicity Guidelines” (Magyar BorArculatiKézikönyv) is obligatory for the applicants. Thus, promoted wines represented a more uniform Hungarian wine image, which not only promoted the image of the relevant geographical product but also the country’s image.

- Wine industries/wine growers cooperatives/wineries

There is a growing demand for the traditional wines, traditional varieties. Promotional measure contributed to promote these traditional wines, like Furmint in the third countries market. Not really. There is no image “Hungarian wine”. There are some Hungarian brands known on the market. Like Tokaj wines, some red wines from Villány and Szekszárd. We have still not been able to built up image of Hungarian wine, as a general brand.

IQ 3.3 Apart from the NSP, were there any other factors that could have impacted the reputation of national wine products abroad?

- National authorities

Participation in international exhibitions and wine competitions.

- Representatives of the sector/interbranch organisations/industry unions

Yes, there were other marketing and promotion activities implemented by several market operators, associations or organisations, financed from their own sources.

Yes, there were. We have in the country a so called Centre for Agricultural Marketing, AMC, which is financed by the government budget. AMC has financially supported and managed participation of many Hungarian wineries on the International wine shows, exhibitions etc..

Another example: we do have a large state owned winery in Tokaj wine region, called Grand Tokaj. This company is financing also participation of smaller family wineries from Tokaj area on International wine shows.

- Wine industries/wine growers cooperatives/wineries

In Hungary the Central Tourist Agency did a lot to strengthen the reputation of Hungarian wines abroad. The Agency has been using wine production as part of the building the country image. Another government supported program is the activity of the state owned Tokaj Region based company Grand Tokaj.

As it was mentioned above, the stronger brands impacted the reputation of National wines but to a limited extent.

A remarkable development of tourisme in Hungary is an important factor to strengthen image of our wines.

- Wholesalers or brokers

The story behind the label. Heritage.
2.5.3 Effects of the promotion measure on wine companies’ income

2.5.3.1 Synthesis of the interviews

IQ 3.4 Are there spill-over effects of the promotion support on wine producers’ income?

- **National authorities**
The question can be examined based on market data and reports. Based on this, we can conclude to the revenue growth indirectly.

- **Representatives of the sector/interbranch organisations/industry unions**
Yes, for those who were involved in such projects.
Scarce.

- **Wine industries/wine growers cooperatives/wineries**
There were no spill-over effects for sure.
There was no spill-over effect.
Spill-over effect should not be expected. But many of smaller supports and synergy of them could lead to significant effect.
We did not take part in promotion measure.

- **Wholesalers or brokers**
Not the promotional measure was too short to achieve spill-over effect.

IQ 3.5 Were there any other factors that could have impacted the wine producers’ income?

- **National authorities**
The oversimplifying negative campaign against wine-consumption, or increase in the proportion of other alcoholic beverages (fruit wine, beer).

- **Representatives of the sector/interbranch organisations/industry unions**
The oversimplifying negative campaign against wine-consumption (as a simple “alcohol-consumption”), and some unnecessary rules for labelling.

- **Wine industries/wine growers cooperatives/wineries**
One serious issue for Hungarian wine producers is the continuously growing import of the low quality, cheap wine from Italy. It is a consumer protection problem as well, due to the very low gusto value. This import has very negative impact on the wine producers’ income, and strengthening the black economy.
Those wineries which are successfully building their brand get much higher income.
The more favourable general economic climate and the rise of consumption of wines had a positive impact.
The successful promotional activity supported by NSP had an indirect impact on other markets as well. The wine traders are communicating with each other. When the British importer has learnt about the good sales of Tokaj Furmint in the USA, immediately requested big supply for his county as well. We call it: secondary effect in sales.
The situation with yield in competing Member States. The price policy of suppliers, like bottle manufacturers.

2.5.4 Additional benefits or negative effects in third countries generated by the support for promotion

2.5.4.1 Synthesis of the interviews

IQ 3.6 Are there any additional benefits or negative effects arising from the promotion operations implemented in third countries?

- **National authorities**
Through wine, the entire Hungarian culture and gastronomy can be shown.

- **Representatives of the sector/interbranch organisations/industry unions**
Wine is not only a food product, but a carrier of national culture, tradition and an inseparable element of gastronomy.
2.5.5 Conclusion of the expert on the effects of the promotion measure

This measure is exclusively useful for Hungary. As it was mentioned there is no image of Hungarian Wine. And very few local brands were built up and known internationally. So we would need 10 times more money for promotional measure as it was available for this period.

The contradiction of this activity is the following:

- The NSP is financing only 50% of expenditures. To finance another half is very difficult for almost all wineries. They proposed that Hungarian Government should add another 30% and the 20% own money would not be a problem. It is just a suggestion. The government has not yet reacted to this initiative. It depends on the sector budget, which is not that large.
- The marketing activity should be continuous. This measure gave money for 3 years and in most of the cases the wineries could not continue the marketing activity on the same market and lost even those results which were achieved during the 3 years period. So this measure should be a “permanent” type.

2.6 Effects of the information measure

2.6.1 Effects of the information measure on responsible consumption of wine

2.6.1.1 Other national campaigns on responsible consumption of wine/alcohol

HNT is a member of the Wine in Moderation Program (https://www.wineinmoderation.eu/en/home/)

2.6.1.2 Synthesis of the interviews

IQ 4.1 In your Member States, did the operations implemented under the information measure contribute to raise the awareness on responsible consumption of wine? Please be specific on the results achieved.

- National authorities
  Not relevant.
- Representatives of the sector/interbranch organisations/industry unions
  Not relevant, information measure was not applied in the territory of the country.

The subject of responsible wine consumption was not on the agenda in Hungary in the past. Just very recently some measures and some events were initiated by the governmental and civil organisations.

Wine industries/wine growers cooperatives/wineries

The awareness on responsible consumption of wine is just starting to increase in Hungary. We – with a management of my wife – launched a so called Wine in moderation campaign. The results can be expected much later.

Not yet. Wine in moderation just started in Hungary, we do not have much result yet.

There was no information measure in Hungary.

Not relevant for Hungary.

IQ 4.2 Were there any other factors that could have influenced the awareness on responsible consumption of wine?

- National authorities
  Not relevant.
- Representatives of the sector/interbranch organisations/industry unions
  Not relevant, information measure was not applied in the territory of the country.

There were no other factors.

- Wine industries/wine growers cooperatives/wineries
  Not really. In my view the low categories of wines should be withdrawn from the market. It is untruth that we should supply the low income people with these wines. Very often these “wines” are false and made not from vines. We would suggest serious government intervention to stop selling and consuming such products. [Note: As a general rule, any wine placed on the market has to meet the production and food safety standards, i.e. they have to comply with the EU oenological practices and labelling and presentation rules for their production and commercialisation, otherwise they must be withdrawn from the market.]
The general trends of wine consumption in the EU. The consumption of white wines is increasing while the consumption of red ones is stagnating.

In the Rule of St. Benedict you can find the following rule:
"Everyone has her own gift from God, one in this way and another in that" (1 Cor. 7:7). It is therefore with some misgiving that we regulate the measure of others' sustenance. Nevertheless, keeping in view the needs of the weak, we believe that a hemina of wine a day is sufficient for each. But those to whom God gives the strength to abstain should know that they will receive a special reward.

So the Abbey Winery produced a wine with the name of Hemina. On the back label of the bottle the consumer can read this Rule. Hemina is a unit of measurement in Roman Empire. 1 hemina = 273 ml.

The company is regularly organising wine presentations in Universities, which are linked to the information, propaganda on responsible wine consumption. Younger generation, schoolchildren are regularly taking part in a special lecture and performance on responsible wine consumption.

2.6.2 Effects of the information measure on consumers’ knowledge of EU quality scheme

2.6.2.1 Other national campaigns on EU quality schemes

There were no any other campaign to enhance the knowledge on EU quality scheme.

2.6.2.2 Synthesis of the interviews

IQ 4.3 In your Member States, did the operations implemented under the information measure contribute to enhance the knowledge of EU quality schemes? Please be specific on the results achieved.

- National authorities
  Not relevant.
- Representatives of the sector/interbranch organisations/industry unions
  Not relevant, information measure was not applied in the territory of the country.
- The common Hungarian wine consumer doesn’t know about the EU quality schemes.
- Wine industries/wine growers cooperatives/wineries
  Yes. Step by step the consumers realize the EU quality schemes and their role in standardising the high level of wine production in the EU.
  There was no effect.

In Hungary the EU quality scheme is not known. In our promotional measure in the USA we everywhere, always spread information on the EU PDO/PGi scheme.

We do not know.

IQ 4.4 Were there any other factors that could have influenced the level of knowledge on EU quality schemes?

- National authorities
  Not relevant.
- Representatives of the sector/interbranch organisations/industry unions
  Not relevant, there was not such information measure applied.
  We don’t know.
- Wine industries/wine growers cooperatives/wineries
  Yes, we would like to get more information on the good practices and bad practices from EU member states. Slowly, but the situation on the markets is clearing up.
This subject is part of our performances for schoolchildren.

2.6.3 Conclusion of the expert of the effects of the information measure

Not relevant for Hungary.

2.7 Efficiency of the management of the NSP

2.7.1 Achievement of the technical targets of the NSP

Table 10: Rate of achievement of the foreseen expenditures per measures

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Restructuring &amp; conversion</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Green harvesting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harvest Insurance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>100</td>
<td>100</td>
<td></td>
<td></td>
</tr>
<tr>
<td>By product distillation</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In a separate Excel file of the Treasury

Table 10: Rate of achievement of the foreseen expenditures per measures

The data shows that Hungary overfulfilled the objectives of the NSP. Especially the restructuring and relocation measure was very successful and overfulfilled. The measure was advertised at many professional forums and published in technical newspapers. There was a very big need for such a support.

2.7.2 Selectiveness of the management procedures

Table 11: Main criteria/procedure(s) ensuring the relevance of the selected applications

<table>
<thead>
<tr>
<th>Promotion</th>
<th>The Minister makes decision according to 555/2008 EC Regulation &amp; 5 (2). Taking into consideration the previous activity of the applicant in the target markets.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restructuring &amp; conversion</td>
<td>Checking the eligibility criteria, Individual plans are classified based on the priority criteria.</td>
</tr>
<tr>
<td>Green harvesting</td>
<td></td>
</tr>
<tr>
<td>Harvest Insurance</td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>Examination of eligibility criteria.</td>
</tr>
<tr>
<td>By product distillation</td>
<td></td>
</tr>
<tr>
<td>Innovation</td>
<td></td>
</tr>
</tbody>
</table>

Source: National Support Programme

2.7.3 Description of the management procedures of application files

Please describe the management procedure of the grant files (selection, processing, monitoring, payment, etc.), based on answers to IT n°2.3.

The applicants submit individual plans and application for payments in a paper form, including all the accompanying documents. These documents are processed by Paying Agency (the Treasury) and published on their web site: https://www.mvh.illamkinestar.gov.hu/hu_HU/tamogatasok-listazo/-/tamogatas/762/kozlemeny. The data received in this documentation is saved in the special relevant module of the IACS, Integrated Administration and Control System. The IACS consists of several modules, like applicant’s registration module, guaranty management and financial module, and other horizontally available modules like vismaior management and measure’s eligibility criteria review modules. In the designing the informatics system the Paying Agency paid special attention to have opportunity for many cross-checking and calculations by algorithm to avoid making any errors by the staff. For the effective control the system is capable to check the Parcel Number of the applied parcel in the public cadastre. All these checks and data saving are down by two persons to follow the four eyes principle. The final decision is recorded if both have the same
decisions. In case of discrepancy the decision of their boss is necessary. All activities in the IACS are recorded automatically and the authorisation of the person is always checked by the system.

During the so called administrative control all applications are checked for the content and form also by two people. In case the eligibility of application cannot be for sure evaluated the rule concerned gives an opportunity for request the supply of deficiency. After the approval by administrative control department the files transferred to the on-the-spot control department. (In case of the approval of individual plans there is no need for the on-the-spot control, payments are also not happen, just the preliminary approval of activity is happening.) The Protocol of the on-the-spot control is processed by the department responsible for administrative control. And based on the all data available this department makes the decisions which might be: approval, partly approval, and refusal. This decision is recorded in the IACS. This is the end of the control procedure and the decision is transferred to financial module. The financial department is responsible for: remittance, transfer and accounting.

### 2.7.4 Data on workload linked to the NSP implementation

*Based on answers to IQ 2.4, please summarize the costs related to the administration and payment of the NSP. The costs related to controls are not included.*

<table>
<thead>
<tr>
<th>Workload in Full-time equivalent (FTE)</th>
<th>Other cost (premises, IT, equipment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>National authorities</td>
<td></td>
</tr>
<tr>
<td>Payment services</td>
<td>11 FTE</td>
</tr>
<tr>
<td>Administrators /</td>
<td>25 million HUF/year</td>
</tr>
</tbody>
</table>

Source: Treasury. It is estimation.

### 2.7.5 Synthesis of the interviews

#### 2.7.5.1 Questions related to the effects of the financial parameters

**IT 2.5** Compared to a budget that would have been manage on a 5 year period, have the yearly management of the NSP’s budget fostered an orderly implementation of the measures on all the duration of the programme?

- **National and regional authorities**

  There is no possibility of transferring aid between years.

**IT 2.7** Have the yearly management of the NSP’s budget fostered/hindered the selection of the more relevant applications? Have it been an obstacle to the support of multiannual projects or structuring projects?

- **National and regional authorities**

  There is a possibility to reallocate aid within a year.

**IT 2.9** Have the yearly budgetary limits created a specific workload, related in particular to the need to close the budget each year?

- **National and regional authorities**

  Yes. The yearly budget limit in many cases created a peak work, or additional workload. In case of run-out of yearly budget we were forced the over applications relocate to the next year budget. For that we had to send to the applicants the so called carry-over decision and next year restart the processing of the applications.

**IT 2.6** Have the absence of obligatory co-financing facilitated the access to support for beneficiaries? Please give details per measure

- **National and regional authorities**

  There is no significance for applicants.

**IT 2.10** Have the absence of obligatory national co-financing facilitated the management of the funds at the level of the managing authorities?
National and regional authorities

From the implementation point of view the lack of co-financing has no impact; on the contrary it makes our work easier. Otherwise we had to work record and check two times.

IT 2.8 Did the absence of obligatory national co-financing encourage the Member State to reach the EU budgetary limit, financing sometimes less relevant operations?

- National and regional authorities

Not really.

2.7.5.2 Questions related to the overall effectiveness of the programme

IT 8.2 How do beneficiaries demonstrate their actual need of EU support, and that normal operating costs are not financed by the EU budget? Please detail per measure if needed.

- National and regional authorities

There is no data available.

IT 8.3 Do you think that the measures have supported actions that would have been carried out anyway (without the EU support)? Please detail per measure if needed.

- National and regional authorities

In the case of restructuring vineyards, the size of installed plantations falls significantly by 90%, when there is no support for the program.

IT 8.4 How do you make sure that the costs of the supported operations correspond to the market prices for similar operations? Please detail per measure if relevant.

- National and regional authorities

Standard scales of unit costs are determined by the document submitted by the National Agricultural Research and Innovation Centre (NARIC).

In case of promotional activity the clearing is based on the Invoices.

2.7.6 Opinion of the expert

- Effects of the financial parameters

<table>
<thead>
<tr>
<th>POSITIVE EFFECTS</th>
<th>NEGATIVE EFFECTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Yearly budgetary limits</strong></td>
<td>Gives an opportunity for planning. It is clear both for the authorities and potential applicants what they could expect for that particular year.</td>
</tr>
<tr>
<td></td>
<td>You cannot transfer form one year to another. So everybody is forced “to spend as much as possible”.</td>
</tr>
<tr>
<td><strong>Absence of obligatory national co-financing</strong></td>
<td>In promotional measure I already mentioned that 30% national contribution would be necessary.</td>
</tr>
</tbody>
</table>

- Relevance of the selected application and risk of deadweight

Restructuring support was spent in many “poorer” wine growing areas, which may partly affect its relevancy.

- Good practices set at Member State and/or regional level ensuring the justifiability of the expenditures:
  - For the restructuring support the Ministry of Agriculture worked out the very detailed table with eligible unit costs. The unit costs were calculated by the very competent Research Institute of Agricultural Economics. In separate Excel file enclosed.
2.8 Coherence of the NSP

2.8.1 Coherence of the objectives of the NSP with other EU/CAP objectives

2.8.1.1 Synthesis of the interviews

IQ 12.1 According to you, are the objectives of the NSP coherent with:
- the EU overall objective of environmental sustainability?
- the EU overall objective as regards public health and prevention of harmful alcoholic use?
- the EU overall objective of balanced territorial development?

▪ National authorities
Yes
▪ Representatives of the sector/interbranch organisations/industry unions
Yes

We are not in the position to evaluate. The Federation of Wine Growers has not enough information on the questions enlisted above.

2.8.2 Coherence and complementarity of the NSP measures with corresponding measures

2.8.2.1 Identification of measures with similar objectives

In connection with investments in enterprises in accordance with Article 50 of 1308/2013/EU:
The measure cannot be applied from the financial year 2016-2017 in NSP.
Investment measure applicable from Hungarian Rural Development program from financial year 2017-2018 (VP-3-4.2.2-16)

In connection with promotion in accordance with Article 45 of 1308/2013/EU
The measure cannot be applied from the financial year 2016-2017 in NSP.
Promotion measures defined is Regulation 1144/2014/EU are opened to Hungarian wine producers.

2.8.2.2 Synthesis of the interviews

IQ 13.1 According to you, are there synergies/complementarities between the NSP measures and:
- the corresponding measures in the RDP? Please explain.
- the corresponding measures contained in the horizontal regulation on promotion measures of agricultural products?
- the corresponding measures contained in other EU policies?

▪ National authorities
There is a positive coherence between the support measure for the plantation of new vineyards (financed from RD funds) and the aid for restructuring and reconversion of vineyard.
The investment in wine enterprises (from the RDP since 2016) also contributes to increasing the competitiveness of the sector.

▪ Representatives of the sector/interbranch organisations/industry unions
There is a positive coherence between the support measure for the plantation of new vineyards (financed from RD funds) and the aid for restructuring and reconversion of vineyard.
The promotion measure of the NSP is in line with the relevant EU legislation for the horizontal promotion measure, hence both measures are aiming the raise the prestige and the demand of/for the agricultural products produced in EU member states.
There is a clear synergy with the RDP. But there is a clear demarcation line as well.

IQ 13.2 Is the risk of overlapping avoided?

▪ National authorities
Absolutely. The control authority shall examine it in all case.
• Representatives of the sector/interbranch organisations/industry unions

Yes, we are speaking about synergies and not double financing, which was excluded. Due to clear demarcation, there is no overlapping at all.

IQ 13.3 Did you benefit from Rural Development Programme measures? If yes, which one(s)?

• Wine industries/wine growers cooperatives/wineries

Yes, we successfully bid for machinery for vineyards and equipment’s for winery. In the last 10 years we changed our technology completely, mostly due to support provided by RDP.

Yes, we benefited from RDP both for vineyards and the winery as well. RDP is a very useful programme for modernising the production technology.

Yes, we benefited from RDP. We modernised our wine processing technology (new press, new fermentation reservoir, etc.) and bought new machinery for our vineyards.

Yes, we benefited from RDP. We applied for support for:

• Building reconstruction,
• Modernising vineyard machinery,
• Modernising wine making technology.

2.8.3 Conclusion of the experts on the coherence of the NSP

The NSP was absolutely well designed to be coherent with other EU CAP policies and regulations concerned.

2.9 Relevance of the NSP

2.9.1 Analysis of the needs of the sector

Table 12: SWOT analysis of the wine sector in Hungary

<table>
<thead>
<tr>
<th>STRENGTHS</th>
<th>WEAKNESSES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old tradition</td>
<td>Lack of co-operation and integration</td>
</tr>
<tr>
<td>The development of wine drinking culture</td>
<td>Aged vineyards, behind the times support systems, unfavourable variety structure</td>
</tr>
<tr>
<td>Favourable and divers natural conditions, optimization of production sites</td>
<td>Problems with competitiveness</td>
</tr>
<tr>
<td>Development of education</td>
<td>Lack of well-known brands</td>
</tr>
<tr>
<td>Well-designed organizational structure, self-management of wine regions (Wine Communities)</td>
<td>Poor marketing activity locally and abroad</td>
</tr>
<tr>
<td>Strong authority control system</td>
<td>Increase of import</td>
</tr>
<tr>
<td>Broad structure of vine varieties</td>
<td>Few companies are able to export</td>
</tr>
<tr>
<td>Common market organisation of the EU, support system</td>
<td>Less developed wine tourism</td>
</tr>
<tr>
<td>Investment support for wineries from RDP</td>
<td>Volatility in production volume and quality</td>
</tr>
<tr>
<td>Protected designation of origin</td>
<td>Very fragmented farm structure, slow trend in concentration</td>
</tr>
<tr>
<td>Promotion of Extra-EU markets</td>
<td>Risk in quality labour force</td>
</tr>
<tr>
<td>Vine cadastre</td>
<td></td>
</tr>
<tr>
<td>International markets demanding old, special Hungarian varieties</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OPPORTUNITIES</th>
<th>THREATS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Favourable and divers natural conditions</td>
<td>Supply strategy of retail chains, fairer food supply chain</td>
</tr>
<tr>
<td>Continues economic development of the country</td>
<td>Growing import pressure, free trade agreements</td>
</tr>
<tr>
<td></td>
<td>Price sensitivity of consumers</td>
</tr>
<tr>
<td></td>
<td>Demographic problems, declining population</td>
</tr>
</tbody>
</table>

Source: own elaboration, based on the interviews

The main needs of the sector are the following, in that order:
1. Need n°1 Restructuring of vineyards,
2. Need n°2 Brand building and marketing
3. Knowledge transfer
4. Etc.

2.9.2 Synthesis of the interviews

IQ 15.2. From your point of view, are the NSP measures suited/well designed to address the need of the wine sector at the EU level? national level? At regional level?

- National and regional authorities
  Yes, the NSP measures will help maintain or increase the competitiveness of the wine sector both at Member State and EU level.

- National representatives of the wine sector
  It is clear that the system of NSPs provides a much more flexible framework for the Member States where they can adjust the measures and financial resources available for the needs of their wine sector than other CMOs.
  At the EU level the measures are designed well. At National level we are not satisfied with the formulation of calls for support and other regulations. There is a lack of strategy and the reconstruction measure is overmuch.

- Beneficiaries
  Not. The measures were designed well on EU level, but not well on the national level. The NSP is freeze the situation of new Member States. They have been in the worse situation at the beginning of the program than old Member States producers. Another serious problem for Hungary is the lack of a strategy for the medium and long term development of the sector. Not having strategy any measure is just a short term intervention without measurable results.

NSP measures were suited well at the EU level. We are not satisfied with the local, National level. As it was already mentioned the money for reconstruction went not to the best sites.

Difficult to evaluate. Hungary does not have a wine sector concept or strategy. HNT has elaborated a strategy paper but it was not admitted by the whole sector. Not having clear strategy difficult to write a clear regulation for the support measure.

It was well designed. We could easy apply, it was rather simple excercise.

IQ 15.3. How did the increase of the NSP budget in 2014 impact the management of the NSP?

- National and regional authorities
  From the point of view of the implementation of processing of the increased budget of course created more workload for Paying Agency, but it was manageable for the Member State. On the other hand more applicants get support.

IQ 15.4. Are the budgets on each measure appropriate to address the needs of the sector?

- National and regional authorities
  Yes.

- National representatives of the wine sector
  Hungary could use even larger financial resources for the development of the wine sector, but surely, the NSP provides a more flexible financial management.

No. The reconstruction measure is over budgeted at promotion’s expense.

IQ 15.5. From your point of view, can the NSP and the scheme of authorisation allow for the development of the wine production and consumption?

- National and regional authorities
  Yes.

- National representatives of the wine sector
  Yes.
  Yes.
IQ 15.6. From your point of view, are those schemes needed to maintain the supply/demand balance?

- **National and regional authorities**
  Yes.
- **National representatives of the wine sector**
  Yes.

The stronger promotion activity would maintain the supply/demand balance.

### 2.9.3 Opinion of the expert

Our main priority is to increase the competitiveness of the sector. Investments to the restructuring of vineyards are financed from the NSP, while investments to wine making are financed by the Rural Development Plan. Moreover, a shift towards promotion is probable.

### 2.10 EU added value and subsidiarity

#### 2.10.1 Synthesis of the interviewees

**IQ 17.1.** In your opinion, what would have been done (/how would have the wine sector been supported) at national or local level, in the absence of the EU NSP?

- **National and regional authorities**
  There is no alternative of NSP.

- **National representatives of the wine sector**
  The same or similar support measures shall be applied.

There would have been some development but not as strong as with EU funds. The EU support would have been replaced by foreign direct investments, probably.

**IQ 17.2.** From your point of view, did the fact that the support was provided to the wine sector in the framework of EU regulation create an added value? i.e.
- it results in more effectiveness than if actions would have been carried out at national level only?
- it is more efficient than actions that would have been carried out at national level only?
- it creates more synergies between instruments and policies than actions that would have been carried out at national level only?

- **National and regional authorities**
  There is no alternative to NSP.

- **National representatives of the wine sector**
  Wine CMO is one of the many CMOs of the Common Agricultural Policy and seems to be more efficient (more adequate to the needs of the sector) than those. In line with the aims of the CAP, the system of NSPs serves well the producers and the support measures helped / helps the development of the grape and wine sector. [This is contradictory to what was said earlier in this study.]

**IQ 17.3.** Do you know of any specific cases in which a lack of flexibility in the EU framework has hindered the added value of the programme?

- **National and regional authorities**
  Not relevant.

**IQ 17.4.** Would you have any proposal of improvement in the sharing of responsibilities between EU and Member States:

- Regarding the design of the measure?
- Regarding the implementation of the programmes?

Please specify which measure is concerned.
National and regional authorities

Regulations applicable from 2016 are less flexible on eligibility and priority criteria for each measure. We recommend that the regulations give more right for Member-States to apply eligibility criteria that are not listed in regulation. It would be more useful if member states can decide how they priorities applications.

2.10.2 Conclusion of the expert

As it was mentioned in the interviews the “Wine CMO” is one the best CMO of the Common Agricultural Policy. The objectives are clear and the regulations are well designed. The wine production and market is a well organised sector in the EU.

Even so not so easy to identify elements of EU added value. One of the elements which are not part of the NSP is the food safety. In the US for instance you can use whatever oenological practices you wish, it is not so strictly regulated. In the EU the consumers can be sure in general about the safety of food and particularly the wine, which is produced under control. The control system of food safety is a serious added value of the EU.
### 3. THEME 2: SCHEME OF AUTHORISATIONS OF VINE PLANTINGS

#### 3.1 Description of the implementation of the scheme in 2016 and 2017

Until 2015, planting rights were possible to buy by the producers from the national reserve of planting rights. According to the ministerial decree 38/2013.(V. 24.) VM the price was between 50 000 and 150 000 HUF (i.e. between ~ 150 € and ~ 450 €). After that some replanting rights were being bought from other producers, so the market was created. The planting rights were able to use to plant vineyards for PDO or PGI wines.

The price of planting rights on the free market was more or less the same as the price of planting rights from national reserve. We have no data on prices of planting rights on the market.

#### Figure 5: Area available for new plantings and granted in 2016, 2017 (in ha)

<table>
<thead>
<tr>
<th>Year</th>
<th>Area to be granted according to priority criteria</th>
<th>Priority criteria used</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>0%</td>
<td>-</td>
</tr>
<tr>
<td>2017</td>
<td>100%</td>
<td>areas to be newly planted which contribute to increasing the competitiveness at farm holding and regional level</td>
</tr>
</tbody>
</table>

#### 3.2 Synthesis of the interviews

**IT 11.1 Do you assume that the new scheme of authorisations will impact the structure of the vineyard (in terms of distribution of varieties, type of wine, size of holdings, age structure of the vineyard), at regional level? at national level? Are there already evidences of such effects?**

- **National and regional authorities**
  - The new scheme of authorizations started 2 years ago, so it is too early to assess the results of the new system.
  - It should be noted that the possibility of increasing vineyards has not been used fully by Hungarian producers, but the number of applications is growing year by year

- **Producers organizations and/or interbranch organisation**
  - The new scheme of the authorisations shall be reviewed and those elements which hinder the smooth and flexible operation of the system shall be abolished or modified, in order to make the authorisation procedure more efficient.
- We do not have too much practical experience. The calling for application is too complicated. The priority criteria targeted small scale producers, but very few applied. The permitted area will not be spent, for sure.

- **Beneficiaries**
  - Yes there is an impact on structure of the vineyards and distribution of varieties. Age structure has been improved, but size of holdings remained unfavourable. For this the reconstruction and conversion measure had an impact. The same problem is here, lack of medium and long term strategy. We need a vision of what should be the future of Hungarian wine sector.
  - It will impact the positive change of the structure of the vineyards, but it was too short time, we do not have real experience, any figures to answer this question.
  - This modification is forward. Supporting the best locations, and filter the fraud. We think it is producer friendly.
  - This modification was positive, as a consequence of the new scheme, we had a positive impact in terms of distributing new varieties.

**IT 11.2** If so, do you assume that the new scheme of authorisations will result in a vineyard structure that will be better adapted to the market’s expectations? Are there already evidences of such an effect?

- **National and regional authorities**
  - It should be noted that the possibility of increasing vineyards has not been used fully by Hungarian producers.
  - However, Hungary’s intention is to enforce the principles of the specified priority criteria.

- **Producers organizations and/or interbranch organisation**
  - There are no clear evidences in this regard. There was too short time to evaluate.
  - We don’t know.

- **Beneficiaries**
  - Per se is not. We need vision, strategy and forecasts about the market development.
  - As it was mentioned: yes, later on it will result in a vineyard structure that will be better adapted to the marker expectations, but it needs longer time to achieve it.
  - Yes. It is supporting the producers which are more professional.
  - Certainly will be positive effect on adaptation to market demand. Because there was a possibility to improve variety structure.

**IT 11.3** Do you assume that the new scheme of authorisations will impact the economic value of vineyards? Are there already evidences of such an effect?

- **National and regional authorities**
  - Yes. It is implemented by the priority criteria. The new scheme of authorizations started 2 years ago, so it is too early to have evidences of such an effect.

- **Producers organizations and/or interbranch organisation**
  - Probably the new scheme will have a positive impact on the economic value of vineyards (vineyard prices will be higher) but for the moment there are no clear evidences in this regard.
  - It will not have an impact on economic value of vineyards.

- **Beneficiaries**
  - Yes, the production sites will be more up to date and their value increasing.
  - Yes, if the plantation is modern and located in the best areas it will impact the economic value of vineyards.
  - Yes to some extent increasing.
  - Certainly will increase the economic value of vineyards.
3.3 Conclusion of the experts

As any regulation, the new scheme of authorisation is also dependent on the way of implementation. Since Hungary has only 2 years’ experience it is too early to evaluate its contribution to competitiveness of wine growers. Probably it will contribute to increase competitiveness of wine growers.

This new scheme probably will be keeping the balance between demand and supply. The trend of decreasing the area of vineyards in Hungary is continuing, unfortunately. As the market analyses show, the consumption of quality wines is increasing in Europe, so there would be a market.
4. THEME 3: WINE PRODUCTS DEFINITION, RESTRICTIONS ON OENOLOGICAL PRACTICES AND AUTHORISED WINE GRAPE VARIETIES

4.1 Detailed description of the implementation at Member State and regional level

Table 13: Description of main local specificities in oenological practices and authorised varieties

<table>
<thead>
<tr>
<th>Geographical level for the rule (MS or region)</th>
<th>Type of wine product concerned</th>
<th>Description of the specific rule (compared to EU standards defined in the regulation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oenological practices</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Authorised wine grape varieties</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MS (Hungary)</td>
<td>wine products without GI</td>
<td>1308/2013 EU regulation article 120. paragraph (2) point b) subpoena i) forbidden variety names: aranysárfehér, cirfandli, furmint, juhfark, kabar, kadarka, kéknyelű, kővérszőlő, zéta</td>
</tr>
</tbody>
</table>

Source: 127/2009 FVM rendelet 28. § (1) bekezdés a) pont, valamint 54. § (1) bekezdés, local regulation

4.2 Competitiveness distortions due to specific rules on oenological practices

4.2.1 Datasets on competitiveness indicators

Table 14: Change in competitiveness indicators of HU wines between 2008 and 2015

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Production costs (FADN, million HUF)</td>
<td>33260</td>
<td>42164</td>
<td>59179</td>
<td>64261</td>
<td>71899</td>
<td>55601</td>
<td>67656</td>
<td>53722</td>
<td>47727</td>
</tr>
<tr>
<td>Exports in value bn €</td>
<td>0.0726</td>
<td>0.0666</td>
<td>0.0760</td>
<td>0.0781</td>
<td>0.0745</td>
<td>0.0727</td>
<td>0.0805</td>
<td>0.0827</td>
<td>0.0896</td>
</tr>
<tr>
<td>Exports in volume mhl</td>
<td>0.66</td>
<td>0.704</td>
<td>0.814</td>
<td>0.757</td>
<td>0.632</td>
<td>0.626</td>
<td>0.553</td>
<td>0.628</td>
<td>0.65</td>
</tr>
<tr>
<td>Market share in value</td>
<td>0.36</td>
<td>0.36</td>
<td>0.36</td>
<td>0.33</td>
<td>0.29</td>
<td>0.27</td>
<td>0.30</td>
<td>0.29</td>
<td>0.30</td>
</tr>
<tr>
<td>Market share in volume</td>
<td>0.73</td>
<td>0.80</td>
<td>0.84</td>
<td>0.73</td>
<td>0.60</td>
<td>0.61</td>
<td>0.54</td>
<td>0.59</td>
<td>0.62</td>
</tr>
</tbody>
</table>

Source: Central Statistical Office, and FADN database Synthesis of the interviews

4.2.2 Effects of oenological practices on marketing conditions for producers and traders

5.10 Did oenological practices as applied in your Member State/region/PDO-PGI territory help to improve the marketing conditions of concerned wines?
- **National authorities:**
  Yes.
- **National representatives of the wine sector (e.g. Wine growers’ unions / industry unions / interbranch organizations):**
  Yes.
In general, yes.
- **Wine industries / wine growers cooperatives / wineries:**
  It depends on the product description of the particular wine region. If the product description is well designed yes the oenological practices will improve the marketing conditions of concerned wines.
There is a problem with the oenological practices on the world markets. All potential competitors like Australia, New Zealand, USA have less strict regulations for oenological practices. So we have disadvantage visa vie these countries, for instance.
Yes improved. In Tokaj Wine Region especially the yield restriction or limitation had a very positive effect.
The Hungarian regulation is prohibiting to produce sparkling wines with fruit content, which is common for instance in Italy. So our marketing conditions are bad.

**IQ 5.11 Were oenological practices as applied in your Member State/region/PDO-PGI area more or less constraining than for main competing wines?**
- **National authorities:**
The application of the three prohibited procedures is not a disadvantage at national level.
- **National representatives of the wine sector (e.g. Wine growers’ unions / industry unions / interbranch organizations):**
  Not constraining.
- **Wine industries / wine growers cooperatives / wineries:**
  In the higher quality segments is not. In the lower categories yes our oenological practices are constraining than for main competing wines, like wines form USA.
I don’t know it.
Yes constraining.
It is relevant for those products like TokajiAszu, production of which is very complicated technology.
Yes is constraining. Repeat the example of flavoured wine.
IQ 5.12 Are the decisions of the EC concerning the changes in marketing standards taken in a timely manner? Can you provide examples?

- **National authorities**
  Not relevant.
- **National representatives of the wine sector (e.g. Wine growers’ unions / industry unions / interbranch organizations)**
  We don’t know.
- **Wholesalers or brokers**
  We support very much the PDO/PGI schemes of the EU. This is the future for marketing of wines. Another factor is the cultivation of special vine varieties. This is the way for Hungary. We should not compete with world famous varieties, which are cultivated better in many other places of the world.

4.2.3 Effect of oenological practices on the safety and quality of the products

IQ 5.1 How do EU rules on oenological practices contribute to the safety of EU wine products?

- **National authorities**
  The rules set by the EU provide for a more safe wine production.
  The strict EU regulation on oenological practices is contributing to the situation that the wines produced in the EU are better defined than other food products and contain less additives. Since the oenological practices are standardised, this is contributing to fairer competitiveness within the EU market, and food safety for consumers. From the point of view of food safety, this regulatory framework creates a product type which is controllable and safe for consumers on a very high level.
- **National representatives of the wine sector (e.g. Wine growers’ unions / industry unions / interbranch organizations)**
  The rules set by the EU provide for a more safe wine production.
  Contributes. In the last 10-15 years there were no safety problems in the country.

IQ 5.2 Was there any major safety issue related to EU wine products in your Member State during the last 10 years?

- **National authorities**
  No. We have received some notices from the public when we identified some safety issue by negligence or by wilfulness. These wines were not sold in the retail, were identified in some village pubs, or illegal alcoholic departments.
- **National representatives of the wine sector (e.g. Wine growers’ unions / industry unions / interbranch organizations)**
  No.
- **Others (e.g. consumers organisation):**
  No, there were no.

IQ 5.3 How do EU rules on oenological practices contribute to offering a standard degree of quality for EU wine products?

- **National authorities**
  Based on the EU’s decision, EU rules are based on the OIV rules. The OIV’s strict decision-making system is a guarantee of quality for EU wine products also in third countries.
  We believe in the importance of standardised oenological practises. It is important both from the point of view of food safety and to have fair competition on the market. It is contributing to the very high quality level of European wines. Standardisation is guaranteeing the food safety for consumers.

  Standardising the oenological practices is contributing to a standard degree of quality.
4.2.4 Relevance and added value of specific oenological practices and restrictions on varieties

IQ 14.2 For what reasons were restrictions regarding varieties initially set up?

- **National authorities**
  Hungary applies only one restriction. The names of certain vine grape varieties cannot be displayed on wines without PDO/PGI.

- **National representatives of the wine sector (e.g. Winegrowers’ unions / industry unions / interbranch organisations)**
  There are no special restrictions regarding varieties except for direct producer species.

- **Local producers’ organisations / interbranch organisations**
  There were no restrictions.

IQ 14.3 Are the initial justifications for restrictions still relevant today?

- **National authorities**
  Yes.

- **National representatives of the wine sector (e.g. Winegrowers’ unions / industry unions / interbranch organisations)**
  Yes.

- **Wine growers**
  The same problem is again. To justify any variety restriction you need vision, strategy. Variety structure should be part of the sectoral strategy. It is difficult to judge priority of varieties without understanding the vision of the sector, not having the coherence between the government’s intent and the sectors interest.

  At National level there is still disagreement as far as variety policy is concerned. In some wine regions, like in our region Tokaj, the variety issue is solved. We have been cultivating for many decades the same sort of vines. We agree that it is necessary to indicate the main varieties for particular wine region. But in our case, since we are too small, according to our regulation we have only 3 varieties authorised. It is too little, we would need at least 5 or more.

  Yes, still the justification is relevant.

  Not, it is not relevant any more.

IQ 14.4 Today, what are the issues at stake regarding the use of varieties in wine production?

*When answering, please distinguish issues related to competitiveness, quality and other*

- **National authorities**
  Demand by consumers, international and national trends, experience on adaptation to the specific geographical area.

- **National representatives of the wine sector (e.g. Winegrowers’ unions / industry unions / interbranch organisations)**
  Mostly commercial issues, to meet the consumers’ taste for selling more wine. Producers choose varieties that fit to the actual consumption trends.

  Standardising the oenological practices is contributing to a standard degree of quality.

- **Wine growers**
  There is a lack of professionally done market research. The National Council of Wine Communities should be responsible for developing a high level market research. Having such a paper and discussing it with the main representatives of the sector, we could form a strategy for variety policy.

  Hungary is a small wine producer country having too many wine regions and cultivating too many varieties. We have to decide whether we want to create a National variety(ies) or continuing with the diversity of products. This is the strategic issue which has not been decided yet.

  There are no issues. There is no need to introduce new variety. Hungarian old varieties are very market conform.
Early varieties are becoming very popular, especially the fragrant varieties.

IQ 16.4 What would be the consequences of applying strictly OIV definitions, rules on oenological practices and rules concerning authorised wine grape varieties in the EU?

- National authorities
  The EU’s current procedure is appropriate. Taking strictly OIV definitions would not be useful.

- National representatives of the wine sector (e.g. Wine growers’ unions / industry unions / interbranch organizations)
  Hungarian regulations are already strict enough, so applying the OIV definitions and rules would not have any serious consequences.

4.3 Comments and conclusions of the expert

4.3.1 On the effectiveness of EU rules on competitiveness and quality

All stakeholders admitted that the strict EU regulation on wine production is a competitive advantage for Europe. Our consumers and third country’s consumers are sure about the safety and quality issues about the wines produced in the EU. So there is no question this system has to be maintained and further improved.

We have to build up an image in Europe that wine is not just an alcoholic drink but part of our tradition, heritage and ancient culture. The responsible wine consumption is increasing as a new trend.

4.3.2 On the relevance of EU rules and their added value compared to OIV rules

All stakeholders highlighted that there is no need to apply OIV rules. Everybody is satisfied with the EU rules. [This last part of the phrase was contradictory with point 4.2.3. IQ 5.3.] So please keep the present system, and in trade negotiations request exporters to follow European standards.
5. THEME 4: EU RULES ON LABELLING AND PRESENTATION

5.1 Description of the labelling rules applied at Member State and local level

5.1.1 Description of specific labelling rules applied in your Member State, region or main PDO/PGIs (including restrictions on variety labelling)

The EU labelling rules are operative in Hungary. The only specific rule is the following: on the label of non PDO/PGI wines the variety names listed below are forbidden to mark:

aranysárfehér, cirfandli, furmint, juhfark, kabar, kadarka, kéknyelű, kövérszőlő, zéta.

Source: Decree 127/2009 of the Ministry of Rural Development, 48-57.§.

5.1.2 Description of the system set up for controlling the labelling

The competent authorities and the National Council of Wine Communities drafted a guide about the labelling rules for non-PDO/PGI wines. This guide is available for all stakeholders concerned. In this guide via concrete examples is explained the regulatory prescriptions on labelling. In Hungary even for the non-PDO/PGI wines is obligatory to submit samples of each lot to be sold on market for controlling in the authority’s laboratory. During this licensing procedure the competent authority (NÉBIH) is taking the bearings of what information should be put on label. The competent authority, NÉBIH is controlling in the retail shops whether the producers comply with the regulation or not. Including the data on origin, name to be used for that particular wine etc..

5.2 Existing national data on non-compliance with labelling rules

In the laboratory of our authority (NÉBIH) in 2017 we investigated 16 000 wines’ lots. In 120 cases we found misuse of labelling regulation and in 27 cases the origins of wines were misused.

5.3 Synthesis of the interviews

5.3.1 Effects of labelling and presentation rules on the adequate information of consumers

IQ 6.2 Do EU rules on labelling allow an adequate, clear and sufficient information on the products?

- National authorities

Yes, according to our opinion the label contains sufficient information.

IQ 6.2 Do EU rules on labelling allow an adequate, clear and sufficient information on the products?

- National authorities

Yes the information provide is sufficient, no need for other data or information.

IQ 6.3 Is the information provided sufficient as regards health warnings, alcohol content, calorie and nutritional aspects?

- National authorities

We believe that regulation on wine labelling already give consumers enough information regarding these issues as well. This is the opinion of the government, there were no discussions on this subject.

Yes the information provide is sufficient, no need for other data or information.

IQ 6.4 For foreign wines sold on the local market, do the languages used allow an adequate, clear and sufficient information on the products?

- National authorities

In most of the cases yes. In 2017 just in 3 cases we found no adequate information on the products.

IQ 6.5 Is there any other type of information that would be necessary to add on the labels to ensure an adequate, clear and sufficient information on the products?

- National authorities
No we believe that information is sufficient enough.

**IQ 9.1** To what extent do consumers understand the specificities of PDO/PGI labelling compared to non-PDO/PGI labelling?

- **National authorities:**
  We don’t have relevant data.

To understand the specificities of PDO/PGI and non-PDO/PGI is depends on the marketing activities. It is not a regulatory issue, it is more issue of market activity. Consumers are aware of the PDO/PGI system but not paying to much attention to it.

**IQ 9.2** Without labelling restrictions applied to PDO/PGI wines, to what extent would consumers be misled?

- **National authorities:**
  We very much agree with the PDO/PGI system. It is a basic element of the wine CMO. So it is necessary to maintain this system. Without labelling restrictions the consumers would be misled by the producers, and it would create an unfair competition.

  We very much support the maintenance of restrictions for labelling of non-PDO/PGI wines. In case of abolition of this regulation the consumers will be misled and the unfair producers would have enjoyed the unfair price advantage.

### 5.3.2 Effects of labelling and presentation rules on marketing conditions and fair competition between operators

**IQ 6.6** Did the new rules on labelling allow an increase in the quantity of production marketed/traded?

- **National authorities:**
  The new rules did not affect the sales.

- **Representatives of the sector:**
  Labelling rules have little effect on quantity of wines marketed/traded.

**IQ 6.7** Did the new rules on labelling allow an increase in the value of production marketed/traded?

- **National authorities:**
  The new rules do not seem to affect the sales. In fact, too little has changed.

- **Representatives of the sector:**
  Labelling rules have little effect on the value of wines production marketed/traded.

**IQ 6.10** Do the new rules contribute to ensure a fair competition between operators?

- **National authorities:**
  Yes, the new rules contribute to ensure a fair competition between operators. The current rules provide less and less opportunities to mislead the consumers.

- **Representatives of the sector:**
  Fair competition is not determined by the labelling rules. Unfair competitors can have fair labels, while law-abiding producers may have unintentional mistakes.

**IQ 6.11** In your opinion, what changes would be necessary in the labelling rules to ensure a fair competition between operators?

- **National authorities:**
  Labelling the name of producer should not be replaced by the bottler or codes of the bottler. The most important from the quality point of view is the producer. The value added is very limited by bottler. The consumers would like to know the person or a company which cultivated the grape and made the wine.

- **Representatives of the sector:**
  Indication of the name of the producer would be necessary – not only of the bottler.

**IQ 6.8** Were the rules on labelling simple to implement?

- **National authorities:**
It is difficult for producers to understand, so we have made guidelines to help the correct application of the labelling rules.

Not. We have many times confronted with problems of labelling. Especially it was the case for very small producers who were not following the change in regulation and made many mistakes. The most frequent mistakes were, indicating such variety name on the label which is not authorisied in that particular wine region, but having a marketing value.

- **Operators:**
  - Yes, the rules on labelling were not too difficult to implement. The only difficulty in Hungary is the following. The so called product description is different by wine regions. As a consequence the labels might be slightly different by wine regions. It causes information problems for consumers.
  - Yes it was simple.
  - It is too complicated. It is not lifelike. We can not put the name of the parcel on the label because the GPS coordinates were not yet notified to the Commission. New notification process is too long.
  - The EU labelling rules were very simple to implement. But the same rules in the USA are very difficult to follow. Every label has to be certified by US authority which is long lasting and costly operation. It should not lead to change the EU regulation, which should remain as it is now.
  - No, for us the implementation was not so simple.

**IQ 6.9  What would be the consequence of rules requiring more detailed information (on ingredients for instance)?**

- **National authorities**
  - This is not a labelling question but general consumer information that should not be solved on the wine label. However, more detailed information is just more occasion for producers to fail to comply with labelling rules.
  - Would make difficulties for producers and in the same time would not bring any advantage for producers and for consumers. We actually had no issue with additives.

- **Representatives of the sector**
  - Consumers’ resistance – too much information makes less interest. The wines are not consumed for the sake of chemistry but because of its enjoyment value. It must be highlighted that according to the general experiences, consumers are paying attention to only a part of the currently compulsory information on the labels. It is very likely, that consumers have a different priority list than legislators.
  - Consumers know that wines contain a certain amount of alcohol, and they mostly know what the alcohol makes with human body.
  - Nevertheless, the indication of the sugar and energy content may be useful for those with diabetes or who are on a diet.

- **Operators:**
  - No more detailed information is needed. We should keep image of wines as part of the human being, human culture. Wine is not a simple alcoholic drink; it is part of human history and culture. Labels should transmit these messages to consumers clearly.
  - No, we firmly oppose any more information on labels.
  - The most important is that the label should contain the truth. Any change would create many difficulty for wineries and not support the interest of producers.
  - There is no need for any additional information.
  - I have a suggestion. We should compulsory introduce the use of QR code system. We should put QR code on the back label and put whatever information we wish. The consumer using smart phone can check this information even in the store.

**IQ 9.5  (to non-PDO/PGI wine producers)If you could change some of the labelling rules for non-PDO/PGI wines, what would you change? What additional quantity of wine would this change in the rules allow to sell? What would this represent in value?**

- **Operators:**
  - We produce exclusively PDO/PGI wine I have no information on other segments of the market.
  - We produce exclusively PDO/PGI wines so no experience with non-PDO/PGI wines.
  - Not relevant for us. We are trading exclusively PDO/PGI wines.
IQ 9.3 Are there any audits or reporting data existing on non-compliance with EU labelling rules??

- National authorities
  The competent authority (NÉBIH) investigated in 2017 16 000 wine lots. Just in case of 120 lots we identified non-compliance with EU labelling rules. We 3 times a year controlling the local authorities work on the wines’ controlling

- Representatives of the sector
  This question concerns the competent control authority only.

5.4 Comments and conclusions of the expert

5.4.1 On the effectiveness of labelling rules on the adequate information of consumers

All stakeholders agreed that the existing regulation on labelling is sufficient. Nobody, neither authority nor producer suggested to put more information on label. Everybody agreed that more information on wines, like responsible consumption, types of wines should be passed to consumers by another ways. Like the campaign of Moderation in wine, wine shows, TV programmes, etc. are the opportunities for public to learn more about the wines and the way of consumption.

5.4.2 On the effectiveness of labelling rules on marketing conditions and fair competition between operators

The labels contain everything what is important for marketing. Since the labelling rules are also standardised in the EU, this is contributing to fairer competition between wine makers. There is no need for significant change.
6. THEME 5: CERTIFICATION PROCEDURES, MONITORING AND CHECKS

6.1 Description of the local implementation of the rules

6.1.1 Description of certification procedures applied in your Member State and region

The National Council of Wine Communities for decade operates a proprietary IT database (the so-called „Vineyard Register”) that includes all the relevant data and information of the businesses of the wine community members (including e.g. size of the area, geographical location, grape variety, average yield, support system of the plantation, amount of vine/acre). In this comprehensive database all the commercial vineyards are registered, with all of their descriptive data. Based on the information registered in this database and controls made on-the-spot, wine community officials issue Certificate of Origin of the grape, on which the vintage year, the grape variety, the harvested amount, the area of origin and the potentially applicable PDO/PGI are listed.

This is a compulsory document for each lot of grape, wine, even for non-PDO/PGI. Furthermore, on the Certificate of Origin of the wine, data are marked such as the colour, country of origin, vintage, practiced oenological methods of the product, the serial number of the primal Certificate of Origin of the grape(s), and the potentially applicable denomination of origin. Due to recent development of the database, the Wine Register is able to determine all the potentially applicable PDO/PGI from the data stored in it. We do not have in Hungary actually such a magnetized cards system which exists in Spain for instance.

6.1.2 Description of monitoring and checks procedures applied in your Member State and region

The competent wine’s authority, the National Food Chain Safety Office, NÉBIH is controlling all the sector according to EU Regulation 1308/2013. Controlling the following elements:

- Origin and quality of wines,
- Certification of the winery, circumstances of wine holding,
- Quality of supplemental materials,
- Compliance of packaging materials,
- Technical aspects of the wine making,
- Quality of wines produced for retail,
- Data registered in book cellar,
- Etc.

The certification of wineries is made by the County State Offices. During the certification process the inspector is on-the-spot controlling the quality and operation of all technological equipments used for making wines. The quantity of grapes produced is controlled and certified by HNT. They control the conformity between the quantity of wine grapes and wines produced. NÉBIH is accepting the certificate of HNT. But the Certificate for Circulation of wines is issued by NÉBIH. NÉBIH taking into consideration the documents of HNT and compulsory laboratory control. For 5 years period 100% of operators are controlled. The inspector at the same time controlling the hygiene circumstances adherence. The objective of this inspection is to support the production of high quality produce. The mentioned authority, based on on-the-spot control, and controlling all documents submitted by the applicant winery, is publishing the operating permit. The certification procedure is regulated by the 25/2010 (III. 19.) Ministry of Agriculture regulation.

NÉBIH is authorised to check the data registered in book cellar. NÉBIH is in charge of collecting compulsory declarations and analysing the coherence. Especially:

- Quantity in the storage,
- Transported quantity. Since the wine is subject to excise duty in Hungary, it is very much controlled by the Tax Authority (NAV). There is a so called compulsory wine accompanying document. The Excise Movement and Control System is operating in Hungary. It is operated by Tax Authority, NAV. NAV is sending monthly reports to NÉBIH. Etc.
- Oneological practices, etc.
The wine makers are obliged to keep the accounts in book but NÉBIH is in charge from time to time to check it. In case of irregularity winery is penalised. As it was already mentioned NÉBIH sets up a yearly controlling, monitoring plans. In these plans the operators to be controlled in that particular year are determined. There are ad hoc controls as well, very often together with the Tax Authority, NAV.

The control is carried out by two organisations. County State Offices, district wine inspectors and the wine inspectors of NÉBIH. There is a yearly controlling plan for each County. The controls are implemented based on yearly plans. But NÉBIH uses the risk analyses method as well, to select operators to be checked. NÉBIH is developing control plans for the County State Offices as well. In case of extraordinary event the Chairman of NÉBIH disposes an immediate control activity.

All controls are recorded and quarterly reports are published. The planned controls are carried out with warning. In case of suspicion the control could happen without warning.

The quality of wines is measured in two ways: sense perception and sampling. Control of retailers and transportation is always done without warning. Approximately 10% of retailers are controlled per year.

In case of infringement the sanctions could be the following:

- Fine,
- Closing the winery concerned for interim period,
- Cancellation of operating permit.

The competent authorities and the National Council of Wine Communities drafted a guide about the labelling rules for PDO/PGI and non-PDO/PGI wines. This guide is available for all stakeholders concerned. In this guide via concrete examples is explained the regulatory prescriptions on labelling. In Hungary even for the non-PDO/PGI wines is obligatory to submit samples of each lot to be sold on market for controlling in the authority’s laboratory. In Hungary the regulation is so strict that all lots to be sold has to be controlled by the authority’s laboratory. During this licensing procedure the competent authority (NÉBIH) is taking the bearings of what information should be put on label. The competent authority, NÉBIH is controlling in the retail shops whether the producers comply with the regulation or not. Including the data on origin, name to be used for that particular wine etc. These controls are part of the yearly control plans.

We confronted with the following difficulties. In case of import wines from the EU member state we had serious difficulties to get the sufficient documents on origin and quality parameters. In 2016 and 2017 we had problems in 24 cases. In Hungarian regulation we always are requesting certificate of origin. It is not the case for many EU Member States. In case of import it causes serious difficulty.

### 6.1.3 Description of the control system related to NSP implementation

For the implementation of the most important measure of the NSP restructuring and conversion are responsible the following organisations: Hungarian State Treasury (the Paying Agency), State Office of Pest County and the Judge Mountains (local representatives) of the National Council of Wine Communities.

The administrative control of so called individual plans and applications for payments is done by the Treasury, as it is described in the point 3.6.3. During this control procedure the Treasury checks availability of all the necessary documents and the eligibility of the applicants. After that the file is transferred to the State Office of Pest County which is doing on-the-spot control. During this the parcel is measured and the variety planted is checked. The situation is clear. The applicants had to submit so called individual plans, indicating the area of their vineyard for which the reconstruction support is applied. This had to be checked and approved. In practice we confronted with some technical difficulties but could solve them. Such difficulties appeared: areas not eligible for support, in downhill area difficulty in measuring, non eligible areas like building, trees exemption from the total area, etc. The most frequent reason for difference between the area declared and the area measured and supported was that the applicant in the declaration was using the data of cadastre, while on the spot measurement has always been more precise than the data in the cadastre.

The on-the-spot control is implemented according to guidelines of the Commission, and having a contract between these two organisations. The results of control is recorded in protocol with photos and returned to the Treasury. The Paying Agency is making a decision based on both administrative and on-the-spot controls.

The so called Judge Mountains are responsible for issuing the planting authorisations and also controlling the technicality of planting. Since 2014 all inspections related to planting or cutting is the competency of Judge Mountains. The Judge Mountains according to relevant regulations monitoring, checking any cuttings of
plantations, or new plantings and recording in the HEGYÍR database. It is compulsory for all vineyards, independently whether it is supported or not. The State Office of Pest County is controlling exclusively those areas which had been declared for support, following the relevant EU guideline.

The Treasury is responsible for controlling the commitments keeping the plantations in cultivation for 10 years. Within this 5% of the supported plantations every year controlled on-the-spot. We control the quality of cultivation and the necessary number of vines per hectare. Just those areas could be eligible for support which have planting authorisation. The Paying Agency in all cases is checking the validity of the planting authorisations and whether the owner of the authorisation is the same person who is actually cultivating the vineyard. In case the area declared is not owned by applicants the Paying Agency requesting a Statement from the owner that the tenant will cultivate the particular vineyard at least for 10 years.

In case of by-product distillation administrative control is done by the Treasury. Since this activity has an excise duty, the companies are checked by the excise department of the National Tax Authority. The protocols of checking by excise staff are handed over to the Treasury and used as document for administrative control. Any movements of wine products are recorded in the Wine Cellar Book.

The administrative control of promotional measure is done by the Treasury. On-the-spot control is done by the staff of Ministry of Foreign Affairs in the target countries. The necessary documentation is completed by the Treasury and sent to Ministry of Foreign Affairs.

In the implementation of control system of conversion measure we face one serious difficulty, the strict deadlines regulated by law. Since more organisations are involved we need a very careful planning and coordination. The deadline for payment the support is 15th of October. Since many organisations are involved in controlling, there are frequently coordination difficulties. We can solve them with overwork, very precise planning and strict coordination. In Hungary we have a yearly application system.

The traceability of wine-products in Hungary is supported by two documents: accompanying document and certificate of origin. The certificate of origin is at the same time certifying the geographical origin, meaning that it is certifying the wine characteristic as well. For wine exported from Hungary the exporter must obtain a so called voucher for export. These vouchers are issued by Government County’s Offices and are the same for intra-EU export and for third country export. It is compulsory for any export destination.

The data on the certificate of origin, accompanying document, and voucher for export are self-certified by the consignors, and have to be conforming to the inward and outward register. The authorities recognise these data and control them randomly.

According to the EU rules (Articles 10 to 12 of Commission Delegated Regulation (EU) 2018/273), the accompanying document is a multi-purpose document: besides its mandatory use for assuring monitoring and traceability of every transport of wine products, it is also a document that can be used to certify the origin, status of PDO/PGI and other characteristics of wine products, and also as a certificate for exported wine products. Therefore, one single document could serve all the purposes mentioned above, for which in Hungary three different documents are apparently issued or requested.

Another relevant element that needs to be pointed out in the context of wine exports is the introduction of a specific EU wine export certificate through Commission Delegated Regulation (EU) 2018/273 (see Article 12(1)(b)), meant to play the multi-purpose role of certificate of origin, health and authenticity of wines exported to third countries. Hungary, like all the EU Member States, would have to offer the possibility to wine exporters to use such a certificate whenever they may need to use it in third countries.

### 6.2 Existing national data on non-compliance and workload

#### 6.2.1 Data on workload linked to the monitoring and checks system implementation

<table>
<thead>
<tr>
<th>Type of check</th>
<th>Workload in Full-time equivalent (FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vineyard register</td>
<td>Authorities Operators Other</td>
</tr>
<tr>
<td>Declarations</td>
<td>15862 FTE</td>
</tr>
</tbody>
</table>

AGROSYNERGIE – Case study: Hungary
Evaluation study of the impact of the CAP measures applicable to the wine sector 44
The workload of 109 employee per year expressed in working days.

### 6.2.2 Existing data on fraudulent manipulation of wine

Yes. In 2017 we investigated 16 000 wines’ lot. Just in 3 cases we identified manipulation on origin.

### 6.2.3 Existing data on non-compliance with NSP rules

In case of administrative and on-the-spot control the task of the Paying Agency is to filter out non eligible applications. As a result of this control a certain rate of applications is either totally or partly refused. The most frequent reason for refusal is a simple administration mistakes insufficiency of applications.

In case of **reconstruction measure** the applicants very often:
- had forgotten to sign the declaration,
- not submitting the Contributor Statement of the land owner,
- no evidence for the origin of propagation material,
- mistakes in calculations,
- the size of the declared area is mistaken, etc.

Other reasons for refusal are incorrect implementation of the reconstruction. For instance the applicant planted variety which is restricted in that wine region, or implemented an activity which was not indicated in their individual plan. Reasons for refusal are also if the reconstructed area is smaller than it was approved and supported, or the state of plantation is incorrect, for instance less live grape per ha.

In case of support for **wine making machinery** the most frequent mistakes were:
- the applicant procured not that type of machine which was declared,
- the machine was manufactured more than 2 years before the application.

In case of **promotional measure** there were cases when the payment was refused. For instance the applicant submitted invoices (travel, hotel, etc.) for such a destination which is not at all related to place of promotional activity. Or the invoices were issued for the name of persons who was not at all involved in the promotional activity.

The rate of refused payments for error applications before the payment was realised were the following:
- for reconstruction measure 4.4-5.7%,
- for promotional measure 0.1-1.7%
- for wine machinery measure 1.5%.

The error rate is calculated by „GUIDELINES FOR THE CERTIFICATION AUDIT OF THE EAGF/EAFRD ACCOUNTS“. „This document aims to give guidance on the Management Declaration (hereinafter referred to as MD) to be provided by each director of a paying agency (hereinafter referred to as PA) pursuant to Article 102(1)(c)(iii) of Regulation (EU) No 1306/2013 of the European Parliament and of the Council[1] and Article 3 of Commission Implementing Regulation (EU) No 908/2014 of 6 August 2014.”... „The error rate at population level should be calculated on the basis of the difference between the amount claimed and the amount which the beneficiary

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was entitled to before application of penalties as a result of the administrative checks and on-the-spot-checks (OTSC) based on the random sample. In case a random sample is not available, the analysis should be based on a reliable sample (please indicate in a footnote). The data/results should be comparable to the ones reported to DG AGRI in the respective control statistics."

Another group of errors are the errors detected during the **ex post controls**. We call them classical irregularities. Ex post controls in case of reconstruction measure is done by the Paying Agency, in case of promotional and machinery/investments measures were done by the National Tax Authority (NAV). We have detected irregularities like the vineyard was not cultivated (obligation for 10 years), or the wine making machine was not operating. The NAV in some cases detected irregularities in administration of the company.

Please find below the data for claimed back by the Paying Agency support for all measures.

### Reconstruction and conversion measure

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of cases</th>
<th>Reclaimed support (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>3</td>
<td>76,034</td>
</tr>
<tr>
<td>2014</td>
<td>1</td>
<td>30,496</td>
</tr>
<tr>
<td>2015</td>
<td>3</td>
<td>81,397</td>
</tr>
<tr>
<td>2016</td>
<td>4</td>
<td>84,577</td>
</tr>
<tr>
<td>2017</td>
<td>10</td>
<td>380,191</td>
</tr>
</tbody>
</table>

### Wine making machinery measure

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of cases</th>
<th>Reclaimed support (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>2</td>
<td>140,981</td>
</tr>
<tr>
<td>2015</td>
<td>1</td>
<td>9,649</td>
</tr>
<tr>
<td>2016</td>
<td>4</td>
<td>82,434</td>
</tr>
</tbody>
</table>

### Promotional measure

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of cases</th>
<th>Reclaimed support (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>2</td>
<td>237,607</td>
</tr>
<tr>
<td>2017</td>
<td>3</td>
<td>492,367</td>
</tr>
<tr>
<td>2018</td>
<td>1</td>
<td>314</td>
</tr>
</tbody>
</table>
6.3 Synthesis of the interviews

IQ 7.1 to 7.3 Is the certification procedure simple to apply? Please distinguish wines with PDO/PGI, wines without PDO/PGI and traded wines

 National / regional authorities

The Hungarian wine law has been implying a systematic certification on all wines for a long time. Therefore, producers are used to it and apply it simply.

Yes for our authority was simple. According to Hungarian wine law, it is obligatory for PDO/PGI and non-PDO/PGI wines the preliminary control of all wines’ lot to be traded. It means 100% of wines put on markets are controlled. In case of PDO/PGI wines sensory investigation is made by the sensory jury locally. They control whether the lot is corresponding to product description of particular wine region or not. In case of non-PDO/PGI wines the sensory jury is the National Wine Expert Commission. The authority NÉBIH is controlling the compliance with EU and local rules.

The control is made by the County State Office’s inspectors locally and the inspectors of the NÉBIH for the whole country, but there is a close co-operation between these two authorities. The control is managed by quarterly and yearly inspection plans which is approved by the Chairman of NÉBIH. In case of unexpected events there is an opportunity for immediate controls. On the results of inspection, the NÉBIH is publishing quarterly and yearly reports. Based on these reports using risk analyses designing the inspection plans of the upcoming year. The overall inspection of wineries is done with notice. In case of suspicion of irregularity the inspection is without notice.

Inspectors are checking the legal status of the winery and the hygiene situation of the operation. Also controlling the accounts about the stock, the origin of the raw materials, and compliance with the regulation for oenological practices.

The quality control of wines is done organoleptic for all kind of wines and taking samples for laboratory check. All wines are controlled in Hungary. We are the user of European Databank of Isotopic Data. We have one certified laboratory for this European system. Our comment is the following: very easy to submit data, and on the other hand very difficult and time consuming to get data from this system.

The inspection of transports are done always without notice. In this case we control the origine of the stock transported. In case of irregularity immediate action is taken by the inspectors.

All wines are controlled before the selling. 100 % of wines made in Hungary are preliminary controlled. But the same lot can be controlled later as well. In case of irregularity the certain lot can be blocked or in case if this lot has already been sold to retailers the authority should withdraw from circulation.

 National representatives of the wine sector (e.g. Wine growers’ unions / industry unions / interbranch organizations)

There have been a certification procedure in the Hungarian legislation since the early 20th century, so yes, it was simple to apply. Hungarian wines with PDO/PGI, wines without PDO/PGI and traded wines are certified and checked the same way. In other words all wines, all types and categories are checked equally.

In all Hungarian product descriptions, the PDO/PGI product description contains several wine types. All wine types of the certain PDO/PGI product description are checked by the same Local Wine Judging Committee, sensory jury. So the composition of Wine Judging Committee, sensory jury is regulated in the product descriptions.

In case of non PDO/PGI wine all lots are checked in the laboratory of NÉBIH every time, every year. There is no certification forward. Every lot should have certification before putting in circulation. Inspectors are checking the hygiene and traceability. From time to time the National Wine Experts Committee is also checking non PDO/PGI wine organoleptic.

Based on the release permit the NÉBIH issues for all lots exported to third countries quality certificates in 4 languages.

IQ 7.4 When change occurred in the certification system, did it allow an increase in the quantity of wine marketed or exported?

 National / regional authorities

We do not want to change the current system.
We have not observed a change in the quantity of wines marketed or exported. In 2012 we lower the price for the control of wines. As a consequence we received more lots but the general quantity has not changed.

- **National representatives of the wine sector (e.g. Wine growers’ unions / industry unions / interbranch organizations)**

Less strict rules may have such an effect, but it would not serve the interests of the consumers.

**IQ 10.1 Did you encounter any difficulties or problems in the implementation of monitoring and checks EU requirements?**

- **National / regional authorities**

No. We confronted with the following difficulties. In case of import wines from the EU member state we had serious difficulties to get the sufficient documents on origin and quality parameters. In 2016 and 2017 we had problems in 24 cases. There are lists of EU authorised offices and laboratories, but it is very often difficult to identify the relevant ones.

Digitalisation is also possible. If the client is capable to use an IT system, the NÉBIH has developed the so called Wine System and all certification and other procedures can be managed via Internet. This IT Wine System is widely used in Hungary.

- **Paying Agency**

According to our opinion sanctions identified in the relevant regulation are too strict. For instance: the way of calculation of the eligible area, if it is smaller than the requested area, is not clear-cut, and whatever options we use it is too strict, in our opinion. In case of the reduction does not exceed 20% there is no problem. But in this case we have to deduct from the eligible support the difference between the requested and eligible support twofold. As it was already mentioned the applicant using the data of cadastre and could happen that the difference is more than 20%. If the applicant makes any other mistakes as well, for instance planting restricted variety can reach 50% reduction. In such a cases he could lose the total support.

- **National representatives of the wine sector (e.g. Wine growers’ unions / industry unions / interbranch organizations)**

No.

- **Local producers’organisations /interbranch organisations**

- **Wine growers**

Not.

There was no difficulty.

Not.

There was no difficulty.

**IQ 10.2 Did you encounter any difficulties or problem in the implementation of the control system related to NSP implementation?**

- **National / regional authorities**

No.

- **Paying Agency**

Not.
## ANNEX 1 – DESCRIPTION OF THE NSP MEASURES

### Table 15: Description of the measures eligible under the National Support Programmes

<table>
<thead>
<tr>
<th>Eligible measures</th>
<th>Content of the measure</th>
<th>Implementing conditions</th>
<th>Type of aid</th>
<th>Existing in the 2008 Wine CMD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotion (Art. 45)</td>
<td>Support for information or promotion measures concerning Union wines either (a) in MS to inform consumers about the responsible consumption of wine and PDO/PGI or (b) in third countries to improve their competitiveness (in this case, only PDO/PGI wines or wines with an indication of the wine grape varieties are eligible).</td>
<td>Beneficiaries shall be professional organisations, wine producer organisations, associations of wine producer organisations, temporary or permanent associations of two or more producers, inter-branch organisations or bodies governed by public law. Private companies are only eligible for Point (b) of the measure. Support granted shall last no longer than 3 years for a given beneficiary and, for Measure (b), for a given third-country market it can be extended for a maximum of two years if justified by the effects of the operation. Information in Member States: priority shall be given to operations concerning several MS / several administrative or wine regions / several PDO and PGI. Promotion in third countries: priority shall be given to new beneficiaries or beneficiaries targeting a new third country.</td>
<td>Max. 50% of the eligible expenditure</td>
<td>Yes</td>
</tr>
<tr>
<td>Restructuring and conversion of vineyards (Art. 46)</td>
<td>Support for MS that submitted the inventory of their production potential. Support can cover: varietal conversion, relocation and replanting of vineyards and improvements to vineyards management techniques.</td>
<td>Beneficiaries are wine growers, i.e. natural or legal person who farm an area planted with vines. Replanting of vineyard following a mandatory grubbing-up for health or phytosanitary reasons shall be eligible under certain conditions.</td>
<td>Compensation up to 100% of the loss of revenue OR contribution to 50% of the costs incurred (75% in less developed regions)</td>
<td>Yes</td>
</tr>
<tr>
<td>Green harvesting (Art. 47)</td>
<td>Support for total destruction or removal of grape bunches still in their immature stage, reducing the yield of the relevant area to zero.</td>
<td>Beneficiaries are wine growers, i.e. natural or legal persons who farm an area planted with vines. Areas concerned must be kept in good vegetative conditions and no negative impact on the environment shall result from the application of the measure. MS can restrict the measure according to timing of different varieties, environmental or phytosanitary risks, etc. No support shall be granted in case of complete or partial damage of the crops. Green harvesting support cannot apply to the same parcel for two consecutive years.</td>
<td>Flat rate payment / ha (not exceeding 50% of the costs incurred and loss of revenue)</td>
<td>Yes</td>
</tr>
<tr>
<td>Mutual funds (Art. 48)</td>
<td>Support for the setting-up of mutual funds</td>
<td>Beneficiaries are wine growers or producers of wine products. Support period shall not exceed three years.</td>
<td>Temporary degressive aid covering the administrative costs of the fund</td>
<td>Yes</td>
</tr>
<tr>
<td>Harvest insurance (Art. 49)</td>
<td>Support for the subscription of harvest insurance safeguarding producers’ incomes after losses caused by natural disasters, adverse climatic events, diseases or pest infestations.</td>
<td>Beneficiaries are wine growers. Member States may grant the support through insurance companies as intermediaries under certain conditions, but the amount of the support must be transferred in full to the producer. Member States must ensure that the support does not distort competition in the insurance market.</td>
<td>Financial contribution to the insurance premium, not exceeding 80% in case of insurance against adverse climatic events assimilated as natural disasters and 50% in other cases (insurance against losses caused by any adverse climatic events / by animals, plant diseases or pest infestations).</td>
<td>Yes</td>
</tr>
<tr>
<td>Eligible measures</td>
<td>Content of the measure</td>
<td>Implementing conditions</td>
<td>Type of aid</td>
<td>Existing in the 2008 Wine CMD</td>
</tr>
<tr>
<td>-------------------</td>
<td>------------------------</td>
<td>-------------------------</td>
<td>-------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Investments (Art. 50)</td>
<td>Support for tangible and intangible investments in processing facilities and winery infrastructure, marketing structures and tools, intended to improve the overall performance of the enterprise and its adaptation to market demands, as well as to increase its competitiveness.</td>
<td>Beneficiaries can be wine enterprises producing or marketing the wine products, wine producer organisations, associations of two or more producers or interbranch organisations. Eligible actions are immovable property, new machinery and equipment, architect/engineer and consultation fees, feasibility studies, computer software and patents/licences/copyrights. Replacement investments are not eligible. Support cannot be granted to operations benefiting from promotion support. Priority must be given to operations likely to have positive effects in terms of energy savings, global energy efficiency and environmentally sustainable processes.</td>
<td>Support dedicated to small/medium-sized enterprises, with maximum aid rate of 40% of the eligible investment costs (50% in less developed regions, 75% in outermost regions, 65% in the smaller Aegean islands)</td>
<td>Yes</td>
</tr>
<tr>
<td>Innovation in the wine sector (Art. 51)</td>
<td>Support for tangible or intangible investments aimed at the development of new products, processes and technologies, intended to increase the marketability and competitiveness of EU wine products.</td>
<td>Beneficiaries can be wine enterprises producing or marketing wine products, wine producer organisations and associations of two or more producers. Research and development centres may participate and interbranch organisations may be associated with the operation. Support is granted for tangible and intangible investments including for knowledge-transfer for the development of new products, processes and technologies, or other investments adding value at any stage of the supply chain. Priority must be given to operations likely to have positive effects in terms of energy savings, global energy efficiency and environmentally sustainable processes; including an element of knowledge transfer; and ensuring the participation of research and development centres.</td>
<td>Aid rate up to 40% of the eligible investment costs (50% in less developed regions, 75% in outermost regions, 65% in the smaller Aegean islands)</td>
<td>No</td>
</tr>
<tr>
<td>By-product distillation (Art. 52)</td>
<td>Support for voluntary or obligatory distillation of by-products of wine-making. The alcohol resulting from the supported distillation must be exclusively used for industrial or energy purposes.</td>
<td>Beneficiaries are distillers that process the by-products delivered to distillation into alcohol with an alcoholic strength of at least 92% by volume, to be used exclusively for industry or energy purposes. Support includes an amount to compensate the costs of collection, to be transferred to the producer when relevant.</td>
<td>Aid paid to distillers that process by-products into raw alcohol of min. 92% by volume. A lump-sum amount covering the cost of collection of by-product must be transferred from the distiller to the producer when relevant.</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Agrosynergie based on regulations (EU) No 1308/2013, 2016/1149
ANNEX 2 - LIST OF THE LITERATURE AND INTERVIEWS

List of the interviews

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Date of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Agriculture,</td>
<td>26 March</td>
</tr>
<tr>
<td>Ministry of Agriculture,</td>
<td>26-28 March</td>
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<tr>
<td>Hungarian State</td>
<td>29-30 March</td>
</tr>
<tr>
<td>Treasury (Paying Agency),</td>
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<tr>
<td>National Food Chain Safety Office,</td>
<td>5 April</td>
</tr>
<tr>
<td>National Council of Wine Communities, Interbranch Organisation,</td>
<td>3-4 April</td>
</tr>
<tr>
<td>(HNT)</td>
<td></td>
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<tr>
<td>Federation of Hungarian Vine and Wine Producers,</td>
<td>3 April</td>
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<tr>
<td>Hungarian Federation of Winecraftsmen,</td>
<td>10 April</td>
</tr>
<tr>
<td>Winery A</td>
<td>6 April</td>
</tr>
<tr>
<td>Winery B</td>
<td>11 April</td>
</tr>
<tr>
<td>Furmint USA, Marketing expert,</td>
<td>13 April</td>
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<tr>
<td>Kyera Ltd., Wholesaler,</td>
<td></td>
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<tr>
<td>Winery C</td>
<td>11 June</td>
</tr>
<tr>
<td>Winery D</td>
<td>13 June</td>
</tr>
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Documents and reports collected

The sector description was written by Agrár Európa Ltd. Agrár Európa Ltd. is a consulting company specialised for agribusiness and agropolicy. We develop a number of studies every year on different agricultural sectors. Last year we have developed a larger market study on wine sector for one of the Hungarian Commercial Bank.

The main source for this study was the book published by Bertalan SZTANEV on the Wine CMO of the CAP. It is the most detailed description of the EU regulations related to wine sector and its implementation in Hungary. This book is updated when it is necessary.