



# ***SINER-GI project***

## ***Budapest Regional meeting***

***24 - 26 October 2007***

### **Case Studies presentations**

#### **Case presentations**

##### **Paprika of Kalosca and of Szeged- Hungary**

*Allaire G. (INRA), Ansaloni M. (INRA), Estelle Biénabe (CIRAD),  
Barna Kovacs (Corvinus U.), Tālis Tisenkopfs (U. of Latvia)*

# 1. Case presentation

- *Name:* KALOCSAI FŰSZERPAPRIKA ŐRLEMÉNY – KALOCSA GROUND PAPRIKA
- SZEGEDI FŰSZERPAPRIKA ŐRLEMÉNY
- *Type of product:* Paprika red powder made from grinding the dried pods of mild varieties of the pepper plant (*Capsicum annuum* L.)
- *Location:* The two principal areas of production around the cities of Szeged and Kalocsa, located on the Southern Great Plain
- *Size:* Area of production: 2.000 ha; Number of producers: between 1 and 2. 000; Number of processors: between 30 and 40; Production: between 4 and 5. 000 tonnes (including imported raw materials)
- *Markets:*
  - *Export:* Industrial markets, supermarkets, speciality shops
  - *Domestic:* supermarkets, speciality shops, farmers markets, grey markets, direct sales
- *Recent history:* structural transformation > drastic decrease > scandals and loss of reputation > regaining the market > diverse strategies



# 1. Types of paprika: grades and meanings



## ORGANOLEPTICS

**A balance of aroma, colour, flavour, sweetness and spiciness**



## CULTURE

- Paprika powder ranges from bright red to brown. Its flavour ranges from sweet and mild to more pungent and hot, depending on the type of pepper
- Noble Sweet (*Édesnemes*): The most commonly exported paprika; bright red and slightly pungent
- Special Quality (*Különleges*): The mildest and brightest red of all Hungarian paprika
- Delicate (*Csípmentes Csemege*): Ranging from light to dark red, a mild paprika with a rich flavour

- Paprika ethnography: Embedded fruit; Tradition, identity, memory
- Economic and social history
- Culinary and cuisine
- Paprika Museum
- Paprika book (92 kilos)
- Awards from the Parliament

- Exquisite Delicate (*Csemegepaprika*): Regional Meeting, 24-26 Oct. 2007
- Similar to Delicate, but more pungent
- Pungent Exquisite Delicate (*Csípős Csemege*)

• Inherited reputation and trust: 3

**“Our own Hungarian paprika”**

# 2. Protection scheme

## FOUR PROTECTION SYSTEMS

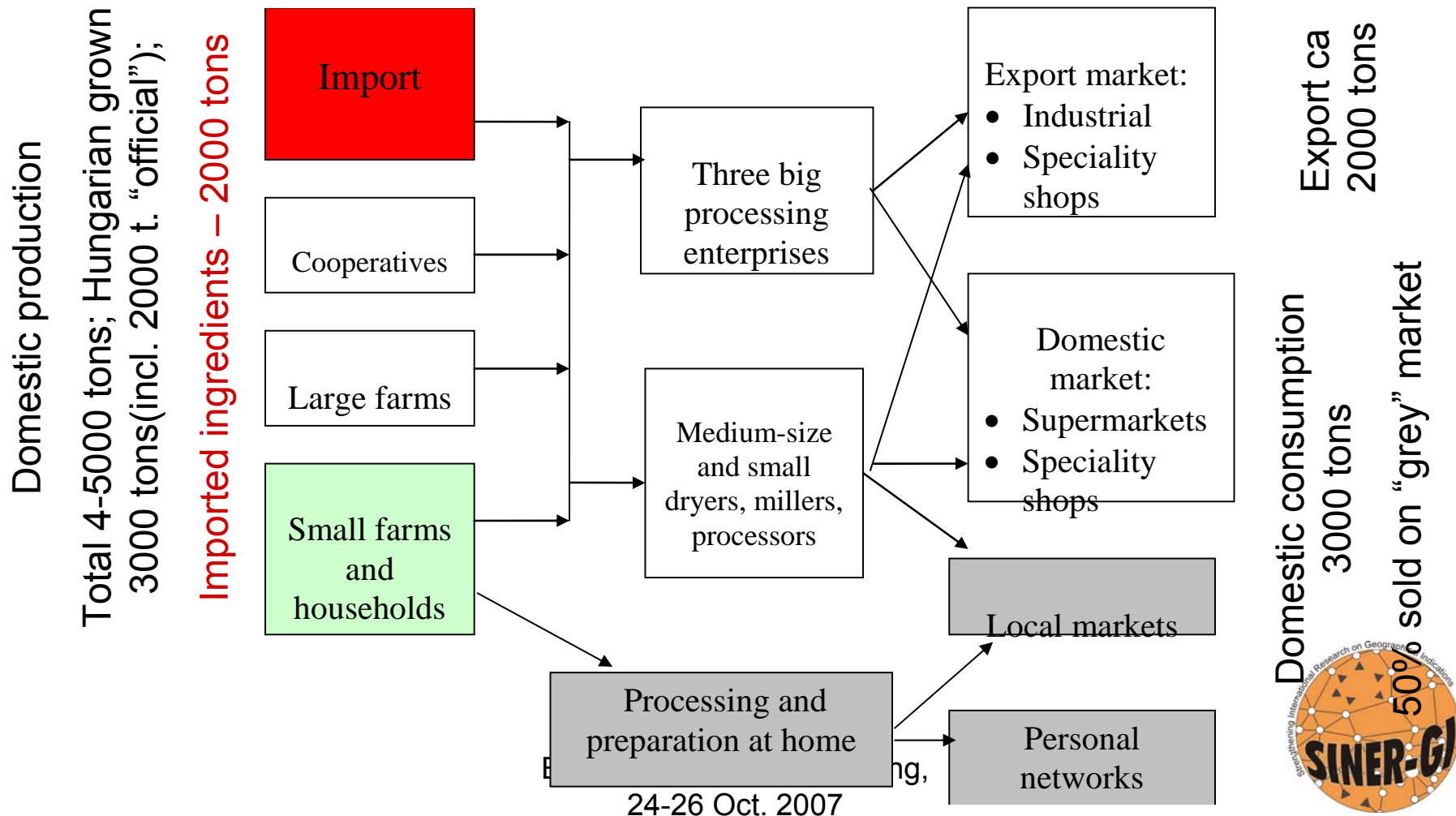
- WTO
  - Under TRIPS: Hungary is a member of the Lisbon Agreement (1958, Paprika Agreement in 1969). Under TRIPS two region names / places of origin - “Kalocsa” and “Szeged” were protected.
- EU
  - Before EU entry: Hungary adapted its regulations in line with the EU regulations.
  - After joining the EU in 2004: The domestic system for registering GI (Law XI of 1997) was harmonized with the European system (Reg. 2081/92). Whilst the Hungarian text opened up the possibility for a single body to submit an application (individual property right), the European text specifies that the application must establish a collective property right.
- National protection system
  - Codex Alimentarius Hungaricus - Hungarian Food Book from 1930s, last ammended in 1997, gives the definition of paprika powder, determines materials which can be used, production process, quality requirements, classification of product, organoleptic, physical and chemical characteristics, marking and naming requirements.
- Tacit / Quasi GI protection
  - Hungarian Quality – collective trade mark owned by the Ministry of Agriculture and awarded by the Hungarian Agricultural Marketing Cetntre - a label which represents a mixture of quality and origin.
  - Wide spread use of place names in companys names, brand names, trade logos, product names, private labels: public awareness and connotations use of geographical denominations



# 3. Motivations and stakeholders

- **Growers:** Small farms, large farms, cooperatives, households; incentives and disincentives for producers
- **Dryers, millers, processors:** Concentration, modernisation, upscaling, oligopoly, innovation
- **Paprika research institutes:** Deregulation, privatisation, research and development, innovation
- **Local authorities:** Decentralisation
- **Paprika Council:** Interprofessional body, safeguarding and promoting Hungarian paprika, proposing redefinition of the standards (Codex Aliment.)
- **GI consortiums:** Two current consortiums and applications to EU in progress; Failed application efforts in the past; Conflictual relations; Disorganised collective action
- **Industrial buyers on export markets:** Not very interested in Hungarian Paprika GI
- **Consumers in Hungary:** “Endogeneous” reputation and trust regardless GI registration; “mature” reputation, “emergent” GI system
- **Policy institutions** (MoARD, HPO): Legal procedures in place; rather “formal” policy implementation
- **Public support organisations** (e.g. Agricultural Marketing Centre): ~ to marketing activities, developing labels, some assistance with appli

# Market structure and supply chain organisation





# 5. Comparison with other cases – initiatives

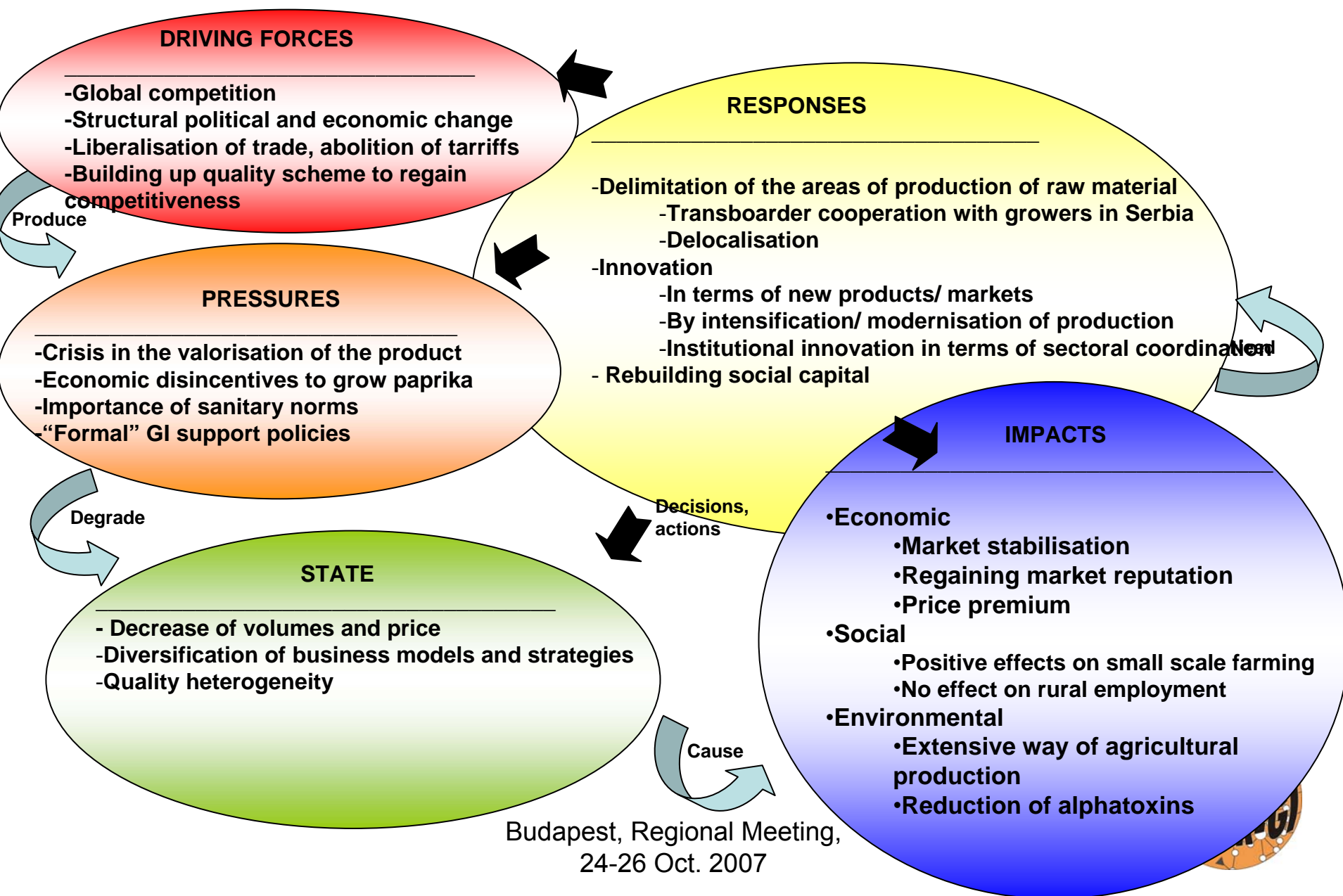
- **Arany Sárfehér Wine from Izsák region**
- 19 settlements in the Western part of the Hungarian Great Plain, near Kecskemét
- Local traditions of viticulture, the regionally characteristic grape varieties
- ASF Cooperative: established in 2003, producing and marketing the quality origin wine, champagne and grape juice under the name of HELIBOR (the name of Champagne Factory owned by the Coop)
- 500 members; 5,600 tons of grape produced; 2,000 tons processed in wine (2006)
- The state acknowledgement of Arany Sárfehér as protected origin grape, wine
- GI as market differentiation strategy for origin wine
- Market success: Scaling-up, consolidating market position, rising producers income
- Factors: Producers cooperation, collaboration with grape research institute, political lobbying. The turning point was network improvement, cooperation, obtaining of a HELIBOR Champagne factory, new brand development, including GI identification and protection
- Future strategies: The Champagne Factory develops new brands with localized symbols and names (such as water birds, the Carpathians, the first Hungarian king, special protected origin species)

# 5. Comparison with other cases - initiatives

Comparative dimensions	Paprika	Arany Sárfehér Wine from Izsák
Basis of GI	Origin, heritage, long standing production system	Tradition, clear market differentiation strategy
Definition of the product	Public, collective	Public GI, private trade mark
Networks and social processes	Broad, complex, conflictual	Organised, concentrated, collaborative (the role of social capital)
Supply chain	Diversified, multiple actor strategies	Vertically integrated with cooperative in the centre
Impacts	Short term: -0+ Long term: ++	Short term: ++ Long term: ?
Protection system	General GI protection  Budapest. Regional Meeting.	GI protection + Trade mark protection + special protection for wines



# 6.1 Trends and perspectives: GI system



## 6. 2 Trends and perspectives: GI protection schemes

*(organization and political strategies )*

PRODUCERS STRATEGIES

**Globalisation path:** Big processors; imported paprika; upscaling; volumes; industrial market; export; price over origin

**Market adaptation:** Small producers (e.g. *Rubin Kft*); increase the volume; secure position in the export market; use of local ingredients; reputation of Hungarian paprika; GI consortium

**Niche market:** (e.g. *Bioberta*, *Chilli Trade*) preserving the old traditions; using local varieties; specific method of drying; processing into granules; organic paprika; health food market; differentiating the product; price premium; producer's control; no expansion plans

**New integration model:** Tradition + innovation; enterprising planters; small processors; Paprika Institute; new technology; tunnel hothouses; hybrid seeds; investments

**Re-orientation:** From paprika powder to production of sauces

SCENARIO 1  
Convergence

SCENARIO 2  
Divergence

SCENARIO 3  
Hybrid

OUTSIDE  
GI

SCENARIOS INSIDE AND OUTSIDE GI SYSTEM

Budapest, Regional Meeting,  
24-26 Oct. 2007



# Group discussion

# Towards scenarios

- Would paprika case confirm scenarios:
  - Convergence: GIs would have sui generis protection, SC actors would have converging vision
  - Divergence: correspond with weakening position of GIs vis a vis trade marks, diverse initiatives, no clear perception what GIs are, room for opportunistic behaviour; protection schemes addressed by private actors
  - Plurality: It is possible to have diversity of GI products; GIs coexist with other types of quality products; consumers and media understanding of this fact

# 1st question: How the developments would fit in one or another scenario?

- Start from discussion on domestic and export market and expectations on these markets (actors in the areas are aware of the special quality; export markets – big processors demand colour, in their case GI protection is not a stake.
- Both names Kalocsa and Szeged are registered and have good reputation; after the toxin scandals product reputation and market suffered; after toxin scandals consumers don't want to buy paprika from these areas, instead they buy from small artisanal producers, because they are sure of quality – this market will survive for Hungarian consumers.
- Consumer survey on fresh paprika in Croatia figured out low consumer awareness about GIs; if consumers were aware of GIs they would demand GI protection schemes. Laws on GI in Croatia in accordance with EU, one product in procedure of registration. In Croatia producers mainly use own labels.
- In Hungarian case consumers know the name of Kalocsa and Szeged paprika, these names are famous. Industrial consumers are guaranteed from the risks of toxins, because due to climatic and production conditions the level of toxins is low in Hungarian paprika

# 1st question: How the developments would fit in one or another scenario?

- There is possibility for local actors to protect the traditional paprika with addition of some innovation
- It is a matter of local organisation. In Croatia producers connections are weak. Until they don't find the way to cooperate, it would be difficult to fully develop GI
- There is an issue of control – who will control the characteristics of production. Sanitary controls and regimes, enforcement of sanitary norms could lead towards strengthening GI approach – to have collective organisation to deal with sanitary requirements
- In Hungary this could be partnership solution: producers together with government support

# Scenarios, trajectories, impacts

Dirk ©	CONVERGENCE	DIVERGENCE	PLURALITY
How development fits the scenario	•	• Seems the likely scenario	• Seemingly, we are not moving towards convergence scenario • Consumers are decisive force – they do not pay tribute to GI as much as to origin related quality •
Impacts ON actors power configuration	•	• In “black market” there is a real price – 700 Ft against 300 Ft in supermarkets • GI cover a bulk of producers • Great diversity in terms of regions, markets, valorisation of the product • Fooling the consumers through blending	• Consumer groups may have greater influence; if consumers are inactive, that may lead towards plurality scenario • Leader groups could play the role through their initiatives and definitions to protect origin paprika from blending
GI trajectory	• Szeged consortium is moving towards “clarifying the situation” • Two GIs build different relations with different markets, esp. domestic and export • Consumer protection office can play increasing role • Leader groups may require specification production requirements in Codex Alimentarius	• Government institutions may help • DUAL ROUTE: You may have dual / two GI registrations for HP in two regions • On global market it may jeopardise reputation	• Heterogeneity: which choices are made in code of practices: • towards artisanal GIs with favour of quality • towards more export oriented (This seems to take over, the power of big processors)
Impact on sustainable development	• If GI recover paprika reputation this would be in favour of RD	• GI registration is a matter of social capital rebuilding – there are some evidences from the two	• The ageing of rural population might undermine the artisanal/ household way of growing paprika –



# Conclusions

- Situation at crossroads
- Two ways out
  - Revival of traditional product through GI (1st scenario)
  - Industrial way – big producer's way (95% of production controlled by one consortium) (2nd scenario)
- Need for more active policies and mobilisation of social capital
- Especially given the contrasting situation in Hungary from the situation in old member states:
  - Consumers trust in product is high, the price premium it two/three times more, but consumers' and SMEs awareness about GI is low
  - Policies are more inactive

# THANK YOU