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CENTRAL EUROPE
Co-funded by
the European Union

Food4CE

ALTERNATIVE FOOD NETWORKS IN HUNGARY

Short report summary

Food4CE

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1. Executive summary

Hungarian AFNs are marked by their emphasis on local and seasonal produce. The primary goal is to reduce the distance between producers and consumers, thereby supporting local agriculture and reducing the carbon footprint associated with long-distance food transport. Key practices include direct sales through farmers' markets, subscription-based CSA programs, and local food delivery services. These networks often focus on organic farming and sustainable practices, promoting healthier eating habits and environmental stewardship.

The logistical aspects of AFNs in Hungary vary, with a mix of traditional and innovative solutions employed. Storage practices are diverse, ranging from basic pallet and shelf storage to more sophisticated setups depending on the scale of the operation. Transportation logistics involve a combination of personal vehicles, small vans, and in some cases, collaboration with third-party logistics providers. Challenges such as seasonal fluctuations in production and varying demand impact the ability of AFNs to maintain consistent supply and optimize distribution.

To enhance their effectiveness, Hungarian AFNs need to address several key areas. Supply chain consistency is a major concern, as the seasonal nature of production and the small scale of many operations can lead to supply disruptions and inefficiencies. Improved coordination among producers and better logistical planning are essential for stabilizing supply and meeting consumer demand more reliably.

Technology integration is another critical area for development. Embracing digital tools for inventory management, order processing, and distribution can significantly enhance operational efficiency. However, many AFNs face challenges in adopting these technologies due to cost constraints and limited technical expertise. Overcoming these barriers is crucial for scaling operations and modernizing processes.

Finally, government support and policy advocacy play a vital role in the growth of AFNs. Access to financial support, grants, and favourable regulations can help address logistical challenges and promote sustainable practices. Increased public awareness and support for local food systems can also drive demand and support for AFNs, further contributing to their success and impact.

In summary, AFNs in Hungary are characterized by their focus on local, sustainable food systems, diverse logistical practices, and community engagement. Addressing challenges related to supply chain consistency, technological advancement, and securing government support are essential for the continued growth and effectiveness of these networks.

About the Food4CE project:

Food4CE is a European project funded by the INTERREG Central Europe Programme, aimed at supporting Alternative Food Networks (AFNs) in their efforts to create sustainable and resilient food supply systems. Within Food4CE 5 local and 1 Transnational Innovation Hub (IH) will be established and will focus on advancing AFNs logistics efficiency through the development of innovative tools and solutions.

Two innovative tools, the Knowledge Transfer Platform and the Matchmaking Platform will be developed within the project. The former is intended for sharing logistics best practices and solutions, while the latter is intended for creating new B2B logistics solutions and services. The aim is to facilitate knowledge transfer and exchange between different regions and actors, and to create a unique mutual support network for AFNs in Central Europe.

Food4CE will also provide jointly developed regional action plans for each participating region and transnational (CE) policy guidelines for AFN support. The project aims to establish a sustainable and lasting AFN support mechanism, which will continue working even after the project end.

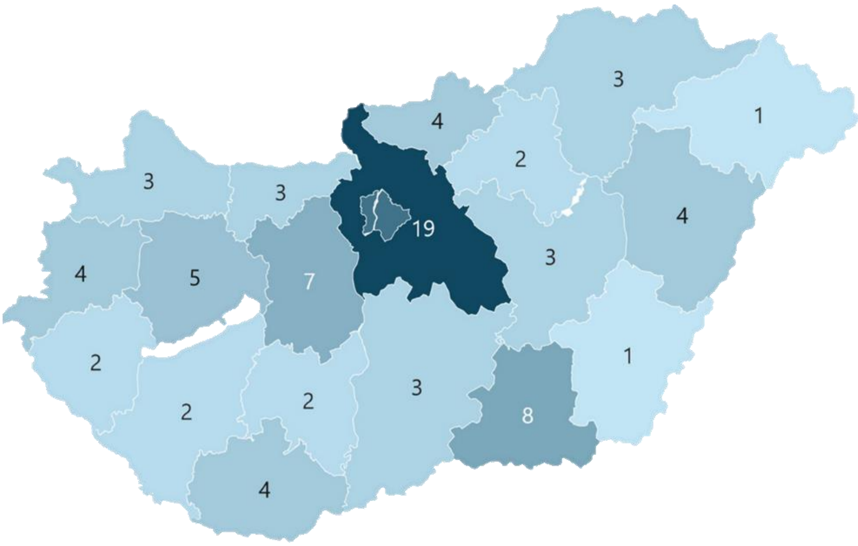
By establishing local and transnational Innovation Hubs and developing innovative tools and solutions, Food4CE project aims to facilitate knowledge exchange and cooperation between different actors and regions, leading to a sustainable and lasting AFN support mechanism.

2. Alternative Food Networks (AFNs) in Hungary

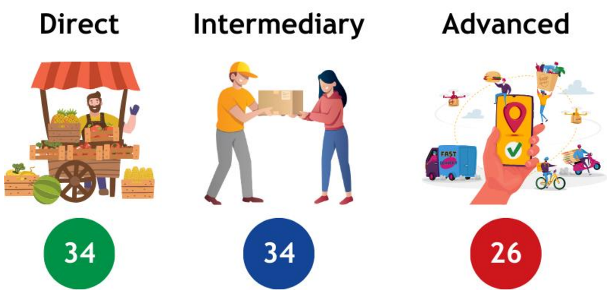
2.1. Research overview

The number of identified AFNs within Hungary is 94, where most AFNs are located in the Közép-Magyarország (Central Hungary) region (33). This region includes the capital, Budapest, and Pest county.

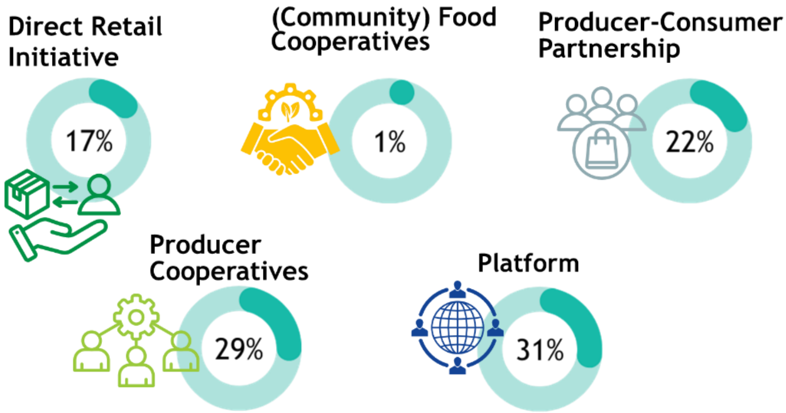
Geographical location



34 (36%) of the listed AFNs were categorised as direct, 34 (36%) as intermediaries and 26 (28%) as advanced, based on the level of complexity. The product assortment was systematically classified into three distinct categories: shelf-stable, refrigerated, and frozen products. Each category encompassed a diverse range of items, including vegetables, fruits, eggs and dairy, meat and fish, substitute products, stock products, baked products, ready-to-eat meals, drinks and other (non-food) products.



Within the research, 5 forms of AFNs were identified. In the case of direct retail initiative the products are sold directly from the producer to customers without intermediaries. This direct-to-consumer model allows farmers to bypass traditional distribution channels and keep more of the profits from their products. (Community) food cooperatives are community-based, member-owned grocery stores that prioritize local and organic food. Members of a food co-op typically pay a fee to join and have a say in the store's operations, including what products are stocked, how they are priced, and how profits are distributed. Producer-consumer partnership connects farmers directly with consumers, who are willing to share the risks and benefits of farming. Consumers support the producer's operations, e.g. through fixed annual fees, and receive a share of the producer's products, depending on product availability (harvest season etc.). In the case of producer cooperatives, the producer cooperates with other producers to produce/process/distribute/sell/promote products. Lastly, the platform gathers producers, which distributes/sells/promotes their products and products of other producers.



The most common form, found in 29 AFNs, was the platform, followed by the producer cooperative (27), and the producer-consumer partnership (21). The (Community) food cooperative was found in only one AFN.

2.2. Assessment of advanced AFNs

The group of advanced AFNs that was analysed included 16 AFNs. Only advanced complexity level AFNs were chosen, as their practices are more likely to be potential examples of best practices. It is important to note that a high level of complexity refers to AFNs that have their own online platforms for selling products and offer delivery through their own vehicles or logistics operators. The AFNs we surveyed consider it important to trace the origin of their products, to optimise the transportation of products, to reduce the number of intermediaries, to ensure fair pricing, to offer local products to nearby customers and to support local producers.

2.2.1. Storage methods

Numerous storage methods are used by Alternative Food Networks (AFNs) for various food categories. The majority of fruits and vegetables are stocked on shelf-stable, reflecting a focus on providing fresh produce. Eggs and dairy are split between shelf-stable and refrigerated storage due to different requirements for eggs versus dairy. Meat and fish follow a similar pattern, with some products needing refrigeration while others do not. Most substitute and stock products are shelf-stable, indicating longer shelf life, and baked goods are also mostly shelf-stable, suggesting they are meant for immediate consumption. The overall scarcity of frozen foods across categories highlights a consumer preference for fresh, daily products.

2.2.2. Distribution channels

There are various distribution channels used across Hungary. Among 6 defined means of distribution the most utilized is use of own delivery with an average of 35%. This suggests that the surveyed AFNs prefer to have control and access to their own distribution channels. Self-collection also has a considerable of average of 28%, which dictates that it is another preferred means of distribution, followed by delivery by parcel service (19%). The shop at producer's site occurs in 10% of AFNs, the market stall in only 12%. Roadside sale plays a rather insignificant role in the distribution channel as less than 1% uses this means.

2.2.3. Key customers

Customer preferences for Alternative Food Networks (AFNs) focus on taste and flavour, quality and freshness, and a personal connection to food producers. In contrast, ethical practices and delivery proximity were less prioritized. The target customers of the surveyed AFNs are diverse and dynamic. The major customer group consists of private consumers, representing an average of 69%. In contrast, industrial food companies occupy a smaller niche at 2%, indicating that this group is not the primary target of most AFNs. Retailers, wholesalers, and hotels have moderate averages of 14%, 7%, and 10%, respectively. This shows that AFNs rely differently on these channels.

2.2.4. Marketing channels

The most critical activities for Alternative Food Networks (AFNs) are marketing and advertising, confirmed by 69% of AFNs, followed by logistics and warehousing, regarded by 63%. AFNs have identified different ways to reach a wider market to promote the local products. The most utilized advertising channel are social media channels with an average of 52%. It is important to note that the other crucial channels AFNs prefer to use include: their own home page (17%), direct advertising (15%) and online advertising (11%). This indicates a shift in the balance between digital and offline customer contact or interaction towards online contact. The popularity of the remaining 7 channels in general seems to have declined recently, they are relatively backward forms, so it is clear that AFNs are trying to keep up with the innovations and trends.

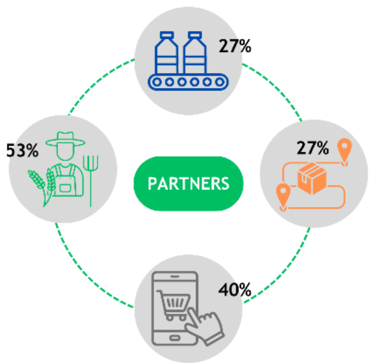
2.2.5. Value proposition

Communication is the most crucial resource for delivering value in Alternative Food Networks. This underscores the need for clear and effective communication to connect with consumers and convey the value of AFN products. Distribution channels and motivation are also vital, indicating that how products reach consumers and the drive behind these efforts are key to the AFNs' success. Other significant resources include consumer needs, know-how, human resources, and production facilities, reflecting the diverse elements required to maintain and enhance value propositions.

Overall, AFNs prioritize direct engagement with consumers and efficient distribution, supported by motivated teams and adequate facilities, while relying less on specialized resources like patents and consulting.

2.2.6. Key partners

Local farmers are the primary strategic partners for Alternative Food Networks (AFNs) highlighting the heavy reliance on locally sourced food products. IT platforms and retailers also play a significant role in the food supply chain. Additionally, transport and logistics providers, along with food processors, are recognized as important partners.



2.2.7. Market presence

The market presence of Alternative Food Networks (AFNs) in Hungary is growing, driven by a rising interest in sustainable and locally sourced food. These networks, including community-supported agriculture, farmer's markets, and food cooperatives, are becoming more prominent as consumers seek alternatives to conventional food systems. AFNs in Hungary focus on local production, direct sales, and minimizing environmental impact, contributing to their increasing visibility and relevance in the market. Despite challenges, such as limited consumer awareness and logistical hurdles, AFNs are carving out a niche by appealing to consumers who value quality, freshness, and a personal connection to food producers.

2.3. Challenges and opportunities for AFNs

Alternative Food Networks (AFNs) in Hungary face significant challenges, such as limited consumer awareness, infrastructure and logistical difficulties, regulatory barriers, and restricted access to resources, they also present substantial opportunities. AFNs can drive local economic development, promote environmental sustainability, and foster stronger community connections. Additionally, they enhance health and nutrition by providing fresh, locally sourced food and contribute to greater resilience and food security by decentralizing and diversifying the food system. By addressing these challenges, AFNs have the potential to play a vital role in creating more sustainable and resilient local food systems.

This report highlights the rise and socio-economic benefits of Alternative Food Networks (AFNs) in Hungary, along with showcasing diverse actors and practices contributing to local economies and communities. The Food4CE project has played a key role in fostering collaboration and innovation among AFN stakeholders.

Despite progress, challenges such as scaling, market access, and regulatory support remain, and further collaboration and policy development are needed to ensure the sustainability and resilience of Hungary's food systems.