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Hungary

Poultry and Products

Annual

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Report Highlights: Hungary's poultry sector is balanced and will enjoy new market opportunities because of a recent trade agreement with the EU. At the same time, decreasing poultry numbers and domestic supplies offer a niche for U.S. exporters of chicken parts and poultry genetics.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Temporary shortages increased producer prices for poultry at the end of 1999. This, coupled with higher feed prices and energy costs, contributed to a rise in consumer prices.

A consumption shift towards high value products is helping further expand the turkey sector. The EU is a key market and a recent trade deal and increasing processor specialization should result in increased Hungarian exports.

Production

General

Total production of slaughter poultry decreased about 5 percent in 1999. The reduction was largest for chicken (9 %) and geese while duck remained level and turkey production grew substantially. Strong exports and increasing domestic prices drove increased producer turnover in the first half of 2000. The industry expects a slight growth in the poultry market and temporary shortages of chicken in the second half of 2000.

In 1999, the egg market was depressed and prices were under the production costs. Beginning in the second half of 1999, an organized stock reduction program managed to stabilize the number of hens at

5.3 million. The egg market should be fairly balanced in the coming year.

January 2000 opening stocks of adult poultry were 25.9 million, 4.7 million less than a year ago. The number of hens dropped by 9 percent and duck and turkey populations were also lower. Opening numbers of geese were above the January 1999 level.

Production Factors

Since 1998, production costs for poultry have increased more than consumer prices. Beginning in 2000, domestic poultry meat prices started to rise, mostly because of a 20 percent increase in feed prices, a 16 percent increase in energy prices increase, depressed retail prices, and decreasing poultry meat supplies.

Fluctuations in domestic feed grain prices strongly influence poultry feed prices and therefore poultry production. A drought this year may drive up feed costs somewhat later in the year. Feed quality has, however, improved a lot in the recent years. Farms experience fewer feed quality problems and the feed conversion factor has improved to 2.1 : 1 from 2.3 : 1 five years ago.

Consumption

Poultry consumption bottomed in 1998 but started an upward turn in 1999 and poultry consumption is slowly exceeding that of pork (which has historically dominated the Hungarian diet). Per capita consumption figures are difficult to estimate because household production and use is high for both poultry and pork, although it is clear that the consumption of processed poultry products is increasing faster than for traditional cuts. While in the past cheaper cuts sold well in Hungary, in 1999 domestic sales of higher priced parts and value added products accounted for much of the increase in consumption.

Per capita consumption of main food items:

	1996	1997	1998
Meat & products, kg	60.1	60.0	61.8
of which Beef	6.3	5.2	5.0
Pork	26.0	26.8	24.0
Poultry	24.8	24.4	25.0
Fish, kg	2.7	2.5	2.8
Milk & Dairy, kg	127.5	135.0	148.2
Eggs, kg	16.0	15.0	15.0
Fats & Oils, kg	36.8	36.0	36.7
of which Lard	18.6	18.0	17.4
Butter	1.5	1.5	1.1
Veg.oil, Margarine	15.7	15.5	16.6

Source: Central Statistical Office, Hungarian Statistical Yearbook, 1997-1999

Trade

The majority the poultry meat exports are destined for markets in the EU. Germany and Austria are the biggest markets within the EU. According to the Hungarian Poultry Board, the July 2000 trade liberalization deal between Hungary and the EU (the so called 'double zero' agreement) may have positive results for Hungary's poultry exports. This deal will end export subsidies and lower tariffs for 72 percent of Hungary's and 54 percent of the EU's unprocessed agricultural products (details of the agreement have not yet been published). The agreement will be applied retroactively for imports starting July 1, 2000. Despite the loss of export subsidies to the EU, Hungary's sales are expected to increase. (See Tariff Changes.)

Romania has the best market potential among Hungary's neighbors. Under the CEFTA free trade agreement, Romania has given a 34% preferential tariff for the Hungarian poultry (this is why sales figures were so high in 1998). However, an arbitrary increase in the tariff in 1999 to 49 percent hurt Hungarian sales. The countries of the former Soviet Union purchase just 6-7,000 MT annually from Hungary.

Total poultry meat export decreased about nine percent in 1999 along with production. Sales of chicken dropped most, about 18 percent, while turkey and duck sales increased. Since the Ministry of Agriculture is anticipating market shortages of slaughter chicken and turkey in the

second half of this year, the preferential tariff rate quota for baby chicks (turkey) and hatching eggs (see Tariff Changes) have been recently expanded. Chicken part imports may also be necessary. Hungary's CY 1999 breeder poultry imports totaled about USD 6.3 million, of which about 2 million from the USA.

Import Trade Tables: Poultry Meat

Import Trade Matrix			
Country	Hungary		
Commodity	Poultry, Meat, Total		
Time period	CY	Units:	MT
Imports for:	1998		1999
U.S.	0	U.S.	233
Others		Others	
Austria	3914	Austria	2642
Italy	1579	Belgium	2348
Belgium	1551	Germany	1250
Denmark	920	Denmark	254
France	957		
Total for Others	8921		6494
Others not Listed	4763		886
Grand Total	13684		7613

Export Subsidies

A major portion of the 'double zero' trade deal with the EU includes ending export subsidies. Thus, the following table showing export subsidies for poultry destined for "third" country markets only.

Subsidy Levels by Main Poultry Commodities:

<i>HS Tariff #</i>	<i>Commodity</i>	<i>Subsidy HUF/kg</i>	
<i>Destination</i>		<i>CIS Countr.</i>	<i>All Countries excl. EU and CIS</i>
	Chicken		
0207 11	whole (fresh, chilled)	70	55
0207 12	whole (frozen)	70	50
0207 13, 14	parts (fresh, chilled, or frozen)		
	deboned meat		55
	breast (w/ bone)		39
	legs (w/ bone)	70	55
0207 26	Turkey		
	deboned meat (fresh, chilled, or frozen)	38	38
0207 32	Duck, Geese, Guinea fowl		
	Duck whole (fresh, chilled, frozen)	28	28
	Duck, Gfowl (boneless)	60	60
	Duck, Gfowl (w/ bone)	35	35
1602 32	Prepared, canned meat, edible organs (min 57% chicken)	25	25

Note: The basis of an export subsidy is the net weight of the exported commodity.

Tariff Changes

The following table contains the import tariffs on live poultry and poultry products. Most Favored Nation (MFN) tariffs mean the general tariff level. Based on free trade agreements with the EU, EFTA, Turkey, Israel, Bulgaria, Czech Republic, Estonia, Latvia, Poland, Romania, Slovakia, and Slovenia (the latter eight countries will be referred to later as "CEFTA") the tariff schedule may contain

preferential tariffs or a preferential tariff rate quota. Recent tariff changes by the Hungary-EU 'double zero' agreement are included in the table.

Tariffs of poultry and poultry products				
	Breeder Poultry		Poultry Meat	
	Chicken	Turkey	Chicken	Turkey
HS code	0105 11 11 00	0105 12	0207 14	0207 24
MFN tariffs	22	37.4	39	39
Preferential tariffs				
CEFTA Cz tariffs	9	9	20	15
CEFTA SI tariffs	9	9	20	15
CEFTA Po tariffs	9	9	28	28
CEFTA Ro tariffs	9	9		
			Liver from any poultry	
EU			0	
Preferential tariffs under quota				
	All breeder poultry		Poultry meat and edible offal	
EU Quota (MT)	70		15000	
EU Tariff	0		0	
GATT Quota (MT)**	11425*			
GATT Tariff	15			
	* Joint quota for poultry meat and live animals (HS 0105, 0207)			
Unilaterally given TRQs**				
Quota	For 3.7 million pc baby poultry and 8.6 million hatching eggs			
Tariff	0			

	** Open for all countries			

Production, Supply, Demand

Poultry Meat

PSD Table						
Country	Hungary					
Commodity	Poultry, Meat, Total			(1000 MT)(MIL HEAD)		
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	20	20	15	15	15	10
Production	400	360	405	370	0	375
Whole, Imports	10	1	10	2	0	2
Parts, Imports	0	7	0	12	0	13
Intra EC Imports	0	6	0	7	0	8
Other Imports	10	2	10	7	0	7
TOTAL Imports	10	8	10	14	0	15
TOTAL SUPPLY	430	388	430	399	15	400
Whole, Exports	38	20	38	18	0	20
Parts, Exports	92	94	92	92	0	95
Intra EC Exports	0	62	0	65	0	65
Other Exports	0	52	0	45	0	50
TOTAL Exports	130	114	130	110	0	115
Human Consumption	270	244	270	264	0	260
Other Use, Losses	15	15	15	15	0	15
Total Dom. Consumption	285	259	285	279	0	275
TOTAL Use	415	373	415	389	0	390
Ending Stocks	15	15	15	10	0	10
TOTAL DISTRIBUTION	430	388	430	399	0	400
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Production, Supply, Demand
Chicken

PSD Table						
Country	Hungary					
Commodity	Plty, Meat, Chicken -16 wks			(1000 MT)(MIL HEAD)		
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	11	11	12	10	10	10
Production	235	220	235	215	0	210
Whole, Imports	0	0	0	0	0	0
Parts, Imports	0	0	0	5	0	0
Intra EC Imports	0	0	0	0	0	0
Other Imports	0	0	0	5	0	0
TOTAL Imports	0	0	0	5	0	0
TOTAL SUPPLY	246	231	247	230	10	220
Whole, Exports	24	15	26	14	0	12
Parts, Exports	31	32	32	31	0	27
Intra EC Exports	32	20	32	30	0	26
Other Exports	0	27	0	15	0	13
TOTAL Exports	55	47	58	45	0	39
Human Consumption	167	162	167	165	0	163
Other Use, Losses	12	12	12	10	0	10
Total Dom. Consumption	179	174	179	175	0	173
TOTAL Use	234	221	237	220	0	212
Ending Stocks	12	10	10	10	0	8
TOTAL DISTRIBUTION	246	231	247	230	0	220
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0

Production, Supply, Demand
Turkey

PSD Table						
Country	Hungary					
Commodity	Poultry, Meat, Turkey				(1000 MT)(MIL HEAD)	
	Revised	1999	Preliminary	2000	Forecast	2001
	Old	New	Old	New	Old	New
Market Year Begin		01/1999		01/2000		01/2001
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	58	73	55	78	0	81
Whole, Imports	0	0	0	0	0	0
Parts, Imports	5	2	5	4	0	3
Intra EC Imports	0	0	0	0	0	0
Other Imports	5	2	5	4	0	3
TOTAL Imports	5	2	5	4	0	3
TOTAL SUPPLY	63	75	60	82	0	84
Whole, Exports	2	1	3	1	0	1
Parts, Exports	22	25	22	29	0	31
Intra EC Exports	0	10	0	14	0	16
Other Exports	24	16	25	16	0	16
TOTAL Exports	24	26	25	30	0	32
Human Consumption	35	45	31	48	0	48
Other Use, Losses	4	4	4	4	0	4
Total Dom. Consumption	39	49	35	52	0	52
TOTAL Use	63	75	60	82	0	84
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	63	75	60	82	0	84
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0