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Hungary

Oilseeds and Products

Annual

2004

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Report Highlights:

The 2003 sunflower crop was the largest in seven years, and farm expectations are high for MY 2004/2005. Weather has been good thus far this year, and oilseed producers will receive increased direct payments under the EU Common Agricultural Policy. Stagnating poultry and swine production will limit the demand for domestic and imported protein meals in the next years.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
Vienna [AU1]
[HU]

Production

After a record area and bumper crop of sunflower in 2003, forecasts for 2004/2005 indicate 5 percent lower area. About 430,000 ha (of the planned 482,000 hectare area) are crushing varieties, 40,000 ha are devoted to bird feed (pet food) and 10,000 ha are confectionary sunflower varieties.

Area of rapeseed plantings increased in the fall of 2003 to 112,000 ha. The green crop suffered frost damages during winter, without adequate snow cover. About 25 percent of the area will be plowed under. The harvested area is going to be only about 85,000 ha. Spring forecasts indicate better than average rapeseed yields.

Soybean production remains confined to traditional micro-climatic regions in the Danube basin. Both area and crop yields are expected to be stable. However, after the severe drought in 2003, this stability means definite growth.

Production Factors

Fertilizer use in 2003 was at 460,000 MT active ingredients, 8.7 percent above the 2002 level. Analysts expect higher fertilizer use and more rational input use from 2004 as a result of increased production support for oilseeds.

Prices and leasing fees for agricultural land were low in Hungary until 2003. Due to increasing EU and GOH support, leasing fees and land prices have started to increase. Direct payment on arable land was HUF 7,000/ha (USD 34/ha) in 2003. This support may reach HUF 38,000/ha (USD 183) in 2004 [although a part of it may effectively be paid out only in 2005; see Policy section for additional information].

Consumption

The major consumer of sunflower seed is the sole crushing company of Hungary, Bunge Rt. There are production organizers, who specialize in sunflower seed exports, as well. About one third of the total sunflower crop goes for export and includes low oil pet food (bird-seed) varieties.

Half of the rapeseed crop is usually exported, the other half is used for crushing. The minor domestic soybean crop is partly crushed in Croatia under long-term contracts or processed for special products for human consumption. The Hungarian crushing industry does not process soybeans.

Vegetable oil meal consumption for animal husbandry is based on imported soybean meal and domestic and imported sunflower meal. Total vegetable oil meal consumption and imports decreased in 2003, and this tendency continues in 2004/2005.

Swine stock numbered 4.7 million at the end of 2003, the lowest in ten years. Opening stocks of adult poultry in 2004 were 55.4 million, 2.3 million lower than a year ago. The increase in chicken, turkey and geese numbers could not counterbalance the drop in the number of layers and ducks.

Production in the main compound feed consuming sectors, poultry and swine, will decline further in 2004 and 2005 (see Gain Reports HU4001 Poultry and Products and HU4006 Livestock and Products reports). Preliminary compound feed production data for CY 2003 shows an 8 percent drop from the previous year. Feed for swine was 2.1 million MT, poultry 1.6 million MT, cattle 0.6 Million MT, and other mixed feed 0.2 million MT.

Prices

The crushing industry does not fix prices in its production contracts for sunflower-seed. Purchase prices are derived from the August international commodity exchange prices for sunflower oil. Harvest normally starts at the end of August.

Prices of sunflower seed for crushing, (bulk) sunflower oil, and sunflower meal in Hungary at the end of February, 2004 were the following:

Sunflower Seed	USD 300.47/MT
Sunflower Oil	USD 494.09/MT
Sunflower Meal	USD 136.26/MT

April 2004 futures prices on the Budapest Commodity Exchange (BCE) for the main kinds of oilseed were the following:

Sunflower for October 2004	USD 290.73/MT
Rapeseed for August 2004	USD 320.00/MT

Wholesale protein feed prices in April 2004 were as follows:

Soybean Meal (imported)	USD 471.15/MT
Sunflower Meal (domestic)	USD 144.13/MT

Trade

The upward trend in oilseed exports continued in 2003/2004. Sunflower seed exports grew by 52 percent in 2003, but the volume of rapeseed destined for international markets dropped due to poor crop. Main destinations for oilseed sales are EU countries.

The biggest buyers of Hungarian vegetable oil are FSU countries (Russia, Belarus), and countries in the region such as Poland, Bosnia and Slovenia.

Soybean meal imports have stabilized at a high level, in spite of fluctuations in animal production. Whenever it is possible, feed and pet food manufacturers try to substitute animal protein with vegetable protein because of the EU's policy against feeding animal proteins. The industry would like GM-free soybean products, but no one seems willing to pay higher prices for GM-free soybeans. In any event, the testing of shipments and certification are (so far) sporadic. The main supplying countries are Brazil, Netherlands and the USA.

Export opportunities for U.S. businesses are best for soybean meal, peanuts, sunflower planting seeds, corn oil, and special frying oils and shortening.

Trade Matrix for Soybean Meal

Import Trade Matrix			
Country	Hungary		
Commodity	Meal, Soybean		
Time period	CY 2002	Units:	MT
Imports for:			
U.S.	18605	U.S.	
Others		Others	
Brazil	665735		
Netherlands	79095		
Argentina	47304		
Total for Others	792134		0
Others not Listed	35707		
Grand Total	846446		0

Export Trade Matrix			
Country	Hungary		
Commodity	Meal, Soybean		
Time period	CY 2001	Units:	MT.
Exports for:			1
U.S.		U.S.	
Others		Others	
Bosnia-Herzegovina	1374		
Romania	945		
Ukraine	70		
Total for Others	2389		0
Others not Listed	95		
Grand Total	2484		0

Tariffs

After the May 1, 2004 accession of Hungary to the European Union, the EU Common External Tariffs for oilseeds and products will be applied.

Policy

Year 2004 will be a cornerstone year for production support in the farm sector. The EU domestic support priorities differ from Hungary's, and this may lead to changes in the production structure in the next years.

Hungary's agricultural support budget was USD 838.3 million (HUF 216.3 bn) in 2002 and USD 1,021.7 million (HUF 235 bn) in 2003.

In January 2004, the Ministry of Agriculture (MOA) terminated many kinds of domestic production support due to two main reasons; first, the MOA was starting the transition to the EU support regime; second, the GOH needed to initiate austerity measures due to overspending in its central budget in 2003. Farmers started road demonstrations as a response to the cut of traditional forms of subsidies. MOA had to bring back some transitional support measures (valid until May) worth HUF 50 bn (USD 244 million) for swine, poultry and dairy.

The above unexpected spending, as well as the HUF 80 bn (USD 390) worth of carryover obligations from 2003 reduced the national agricultural budget of 2004. The GOH launched a (HUF 100 bn; USD 488 million) loan guarantee program for farms under EU and domestic government supplemental subsidies when the short budget occurred (paid only from the end of the year). Commercial banks and farms will finance the loan guarantees until the relevant "Paying Agency" grants direct payments.

The original GOH agricultural budget plan for CY2004 is about HUF 290 bn (USD 1,415 million). HUF 154 bn (USD 751 million) comes from the Hungarian budget, HUF 136 bn (USD 663) is expected from different EU funds.

Concerning the structure of the direct payments in Hungary, the country proposed the following Complementary National Direct Payment (CNDP) version under the Single Area Payment Scheme (SAPS).

Breakdown of Complementary National Direct Payments in Hungary		
	Forint (HUF)	US Dollar (USD)
EU Direct Payment (25%)	76 bn	370 million
Compl. National Direct Payment (30%)	92 bn	449 million
of which		
Arable land	72 bn	351 million
Rice	0.7 bn	3 million
Tobacco (Burley and Virginia Schemes)	4.5 bn	23 million
Beef cattle (Beef and Suckler cow Schemes)	9.4 bn	46 million
Dairy	3.6 bn	18 million
Ewes	1.7 bn	8 million

The EU has not approved the above direct payments proposal of the GOH. This is why the final per hectare payments are not known. However, direct payments for oilseeds, forecasted at above HUF 30,000 (USD 144)/ha, will be higher than the production support of the previous years. This may create better financing for the oilseed production and will increase land prices and leasing fees.

The other factor that affects per hectare direct payments is the registered area. Hungary claimed EU direct payments for 4,477,000 ha, but until now only 3.5-3.6 million ha have been registered. This may reduce the overall budget and per hectare direct payments.

Biotechnology

The Hungarian government may potentially be one of the EU's more forward-leaning members in support of biotechnology. Although the Hungarian government has pledged to adopt all relevant labeling and traceability legislation passed by the EU, the Hungarian government has allowed field tests for herbicide resistant corn, wheat and other crops.

Extensive biotechnology research is taking place in Hungary, which indicates the country's interest in further developments, and the use of biotech will likely grow over time. Hungary has promulgated the main pieces of legislation required by the time of accession (such as executive orders on the labeling of food; sampling and threshold [GMO] limits for imported materials; responsibilities of different authorities in enforcement etc.). However, Hungary's considerable grain and seed business will not open for biotech varieties in the near future. Seemingly the country follows the EU's hesitant (de facto) application of rules already made (several GMO plant varieties have passed the required field tests and are waiting for (the deserved) registration). The GOH has not shown any sign of having a real agricultural biotechnology policy so far, rather than repeating the importance of a "GMO-free" image for the country.

Country	Hungary		(1000 HA)(1000 MT)			
	Oilseed, Sunflower					
Commodity	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin	08.2002		08.2003		08.2004	
Area Planted	415	415	550	504	0	482
Area Harvested	415	415	550	504	0	482
Beginning Stocks	0	0	0	0	0	0
Production	777	779	975	900	0	850
MY Imports	2	2	0	8	0	5
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	779	781	975	908	0	855
MY Exports	245	245	245	480	0	390
MY Exp. to the EC	120	120	168	369	0	270
Crush Dom. Consumption	496	496	688	383	0	418
Food Use Dom. Consump.	13	15	17	20	0	22
Feed,Seed,Waste Dm.Cn.	25	25	25	25	0	25
TOTAL Dom. Consumption	534	536	730	428	0	465
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	779	781	975	908	0	855

Country	Hungary				(1000 HA)(1000 MT)			
	Oilseed, Soybean							
Commodity	2002	Revised	2003	Estimate	2004	Forecast		
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]		
Market Year Begin	10.2002		10.2003		10.2004			
Area Planted	26	26	29	29	0	28		
Area Harvested	26	26	29	29	0	28		
Beginning Stocks	0	0	0	0	0	0		
Production	53	53	55	62	0	64		
MY Imports	15	5	15	4	0	5		
MY Imp. from U.S.	0	0	0	0	0	0		
MY Imp. from the EC	0	0	0	0	0	0		
TOTAL SUPPLY	68	58	70	66	0	69		
MY Exports	10	10	8	8	0	10		
MY Exp. to the EC	0	0	0	0	0	0		
Crush Dom. Consumption	7	7	7	7	0	5		
Food Use Dom. Consump.	5	5	5	5	0	5		
Feed,Seed,Waste Dm.Cn.	46	36	50	46	0	49		
TOTAL Dom. Consumption	58	48	62	58	0	59		
Ending Stocks	0	0	0	0	0	0		
TOTAL DISTRIBUTION	68	58	70	66	0	69		

Country	Hungary		Oilseed,		Rapeseed	
	Commodity d		(1000 HA)(1000 MT)		Forecast	
Market Year Begin	2002	Revised	2003	Estimate	2004	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
	06.2002		06.2003		06.2004	
Area Planted	142	142	91	91	0	112
Area Harvested	127	127	70	67	0	85
Beginning Stocks	0	0	0	0	0	0
Production	208	201	104	88	0	158
MY Imports	6	6	0	0	0	0
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	214	207	104	88	0	158
MY Exports	110	105	25	50	0	85
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	99	99	76	35	0	70
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	5	3	3	3	0	3
TOTAL Dom. Consumption	104	102	79	38	0	73
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	214	207	104	88	0	158