



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 8/5/2005

GAIN Report Number: HU5010

Hungary

Grain and Feed

Crop Situation Update

2005

Approved by:

Sarah Hanson
U.S. Embassy

Prepared by:

Dr. Ferenc Nemes

Report Highlights:

In July, the Ministry of Agriculture and Rural Development (MARD) reduced its total wheat and coarse grain crop forecast to 14.5 million MT from its June 2005 figure of 17.4 million MT and calculated Hungary's carryover grain stock from 7.1 to 7.2 million MT. This means that Hungary must handle more than 20 million MT of grain this season. By August 1, eighty percent of the 1.135 million hectares of wheat had been harvested. Analysts expect a 5.2 million MT total crop. However, wet weather affected the gluten content and falling numbers. This year industry expects only 65 to 70 percent of the total crop will be of milling quality. Cornfields look good. Abundant rainfall and hot weather in late July helped to offset the weaker early development. MARD estimates are at 7 million MT from 1.220 million hectare.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Vienna [AU1]
[HU]

Production

After the record grain crop of 2004/2005, Hungary's grain production area for 2005/2006 remained the same and early forecasts indicated a strong average crop for wheat, barley and other "small grains". However, rain, cool weather, and strong winds and hailstorms reduced both the volume and the quality of the crop. In addition, unfavorable weather from July 4-17 hampered the harvest.

In early July (and as a result of the above developments), the Ministry of Agriculture and Rural Development (MARD) reduced its total wheat and coarse grain crop forecast to 14.5 million MT from its June 2005 figure of 17.4 million MT. On July 1 (the first day of the new harvest), the MARD calculated Hungary's carryover grain stock at 7.1 to 7.2 million MT. This means that Hungary must handle more than 20 million MT of grain this season.

Wheat

By August 1, eighty percent of the 1.135 million hectares of wheat had been harvested. Analysts expect a 5.2 million MT total crop. Wet weather, particularly in the western part of the country, spoiled the gluten content and falling numbers of the wheat. Last year about 80 percent of the wheat crop was of high "milling" quality (vs. feed wheat). This year industry expects only 65 to 70 percent of the total crop will be of milling quality.

Barley and Rye

Winter barley has been fully harvested while spring barley, rye and triticale are 50 percent harvested.

Corn

Cornfields look good. Abundant rainfall and hot weather in late July helped to offset the weaker early development. MARD estimates are at 7 million MT from 1.220 million hectare.

Consumption

Domestic food use of cereals may increase a bit, but feed use is not expected to rise. Corn and other feed grains (barley, triticale, rye, etc.) may result in a moderate consumption increase in 2005 and 2006. Reasons being:

- Stagnating poultry production in 2005/2006, swine production may continue dropping
- Feed mill output may drop to 3.8 million MT in 2005 from 4.9 million MT in 2003/2004.
- The expected substitution of other ingredients (protein feed, etc.) with more feed grain (This is a practice of small-medium farms feeding their own crop. However, the shrinkage in animal production occurred mainly among small-medium farms).
- Starch production is not an alternative in Hungary. Bio-ethanol production has not taken off in Hungary either (for more information on Hungary's Biofuels situation, see GAINS report HU5001).
- Intervention prices are keeping feed grain prices (or at least expectations) high.

Market/Prices

Quality problems for new harvest wheat drove the price of excellent milling quality wheat up. Spot prices are at about the intervention level price of HUF 25,000/MT (USD 125/MT) for the high quality wheat; HUF 21,000/MT (USD 105/MT) for wheat still meeting the intervention criteria; and HUF 17,000-18,000/MT (USD 85-90/MT) or less for feed wheat. The Government of Hungary (GOH) provides a loan program with reduced interest rates to animal producers to purchase their farms' feed wheat and coarse grain demands just after harvest. This program may ease the chronic grain storage shortage as well.

Intervention

The Agricultural and Rural Development Office (MVH), Hungary's "paying Agency", has purchased 3.7 million MT of the 4.1 million MT offered for intervention. The total capacity of storage offered and registered by the MVH for storing intervention stocks is 4.662 million MT. 118,00 MT of grain (of the 138,000 MT sold at tenders) had been removed from intervention storage by July 25, 2005. To prevent a grain storage crunch, the GOH asked the Ministry of Economy and the Ministry of Defense to offer any empty transition storage facilities to the MVH. At the same time, the rule for loading bunker silos with grain was changed from a maximum height of 3 meters to 5 meters. The GOH expects considerable expansion of Hungary's storage capacity by the time of the corn harvest (starting late September) particularly at Concordia public warehousing company and at TIG, a company handling Hungary's strategic commodity stocks. Farms and trading companies are also actively taking steps to increase their storage capacities. The GOH's preferential loan program of HUF 40 bn (EUR 166 million) to boost grain storage capacities and the EU Agricultural and Rural Development Program (AVOP) may create about a 1 to 2 million MT expansion in quality storage capacities by the end of the year. In the short-term, businesses are investing in reconstructing elevators and updating infrastructure rather than building new facilities.

Trade

GOH officials welcomed the EU tenders for selling grain to the countries of the Iberian peninsula from Hungary. However, the price offers received by Hungarian traders were too low (EUR 72-82/MT), and that is why only minor volumes of wheat have been shipped from the country. A technical and administrative handicap for Hungary is that the main ports of exit for Hungarian grain shipments out of the EU are in Romania (Constanca) and Croatia (Rijeka).

Corn export sales (mainly to the EU-25 by barges) have accelerated in the past two weeks, due to increased prices. However, in the case of stronger demand (either in the EU or elsewhere) the infrastructure for removal (loading, transport) is limited. The GOH is planning to update ports and their railway access and facilities at the Danube river. These ambitious storage investments will only be realized in the next 2 to 3 years.