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Hungary

Oilseeds and Products

Annual

2003

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Report Highlights: As with last year, sunflower producers are looking at an abundant crop, high domestic and high export prices in 2003/2004. Rapeseed production will drop due to winter damage. Despite higher domestic production and imports of sunflower-seed meal, Hungary's animal production sector relies heavily on imported soybean meal. Hungary's 2004 EU membership will not change tariff conditions for the imports of oilseeds and products.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Production

After minor area increase of sunflower-seed production in 2002, further growth is forecasted for 2003. The main reasons for this are the good prices last year's sunflower-seed crop received and the dry weather this spring. Sunflower-seed has proved to be the most drought tolerant row crop in recent years in Hungary.

Rapeseed planting in the fall of 2002 was lower than usual. Fields were damaged by the long winter and icy snow cover. The March 2003 Ministry of Agriculture and Regional Development (MOA) evaluation rated 42% of fields weak and only 22% good condition. A considerable reduction in (harvested area is expected.

Soybean production remains confined to traditional micro-climatic regions in the Danube basin. Both area and crop yields are forecast to be stable.

Production Factors

Fertilizer use is slowly increasing but estimates for 2002 (410,000 MT active ingredients) still put usage at sixty percent of 1990 levels. A pressing concern is the change in the composition of the fertilizer used. Farmers cultivating leased land tend to use less phosphate and potassium but more nitrogen fertilizer. The inadequate level and composition of nutrients contributes to fluctuations in crop yield and quality. The government does not directly subsidize fertilizer but producers must demonstrate a minimum threshold of spending on fertilizer and quality seeds as a condition of receiving per-hectare production subsidies.

Prices and leasing fees for agricultural land are low in Hungary and because of this, crop production is competitive compared to western European farms. Land costs are increasing in Hungary because the CAP is expected to bring higher returns and because of set aside requirements that will increase the value of marginal lands.

Consumption

General

A single domestic vegetable oil crusher (Cereol Rt., owned by Bunge, USA) located in the middle of the country processes most of the high oil sunflower-seed crop. This plant's consumption is stable. About one third of the total sunflower crop goes for export and includes low oil petfood (bird-seed) varieties as well. Cereol's recent purchase prices have been competitive with export prices. The stable market is enhancing farmers' interest in expanding production in 2003.

Production of vegetable protein meals grew last year and this trend will continue in 2003. The quality of sunflower meal is improving due to investments in processing. Soybean meal imports have stabilized at a high level, in part due a BSE-related ban on the use of meat and bone meal. Compound feed production in Hungary was about 5 million MT in 2002 but will remain flat in the coming years due to stagnate animal production.

Swine opening stocks in 2003 were six percent higher than a year ago, but low domestic prices and a saturated market may result in a considerable decrease (about 10%) in production later in the year. Opening stocks of poultry were eight percent lower than in 2002, especially for broilers

and layers. Numbers for ducks and turkey grew. Forecasts indicate a stagnate poultry sector until the spring of 2004.

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. Cereol's basic price (without bonuses) was USD 255/MT while the free domestic market price (for export) was about only USD 214/MT.

Spring 2003 futures prices on the Budapest Commodity Exchange (BCE) for the main kinds of oilseed were the following:

Sunflower for October 2003	USD 235/MT
Soybeans for July 2003	USD 254/MT
Rapeseed for August 2003	USD 216/MT

Trade

Oilseed exports started to grow on the basis of abundant crop in 2002 and plans for further area expansion may bring enhanced seed exports in the 2003/2004 season as well. Rapeseed is normally the most export oriented oilseed grown in Hungary. In the current marketing year, low crop forecasts will reduce exports. Domestic crushing is generally smaller than seed exports. 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 been stabilized at a high level, in spite of the fluctuations of the animal production. Whenever possible, feed and petfood manufacturers try substitute animal protein with vegetable protein because of the EU's policy again 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 is (so far) sporadic. The main supplying countries are Brasil, Netherlands, USA and Yugoslavia. This latter custom processes a part of the Hungarian soybean crop.

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 2001	Units:	MT
Imports for:			1
U.S.	32973	U.S.	
Others		Others	

Brasil	554814		
Netherlands	112104		
Total for Others	666918		0
Others not Listed	71749		
Grand Total	771640		0

Export Trade Matrix			
Country	Hungary		
Commodity	Meal, Soybean		
Time period	CY 2001	Units:	MT.
Exports for:			1
U.S.		U.S.	
Others		Others	
Romania	2488		
Yugoslavia	2213		
Ukraine	226		
Total for Others	4927		0
Others not Listed	449		
Grand Total	5376		0

Export Subsidies

Currently Hungary does not subsidize exports of oilseeds, vegetable oil, or oil meals.

Tariff Changes
The import duty on oilseeds and meals is zero.

Actual (CY 2003) import tariffs for vegetable oils and products (in percent ad valorem):

	MFN tariff	CEFTA tariff
Sunflower seed and rapeseed oil (1512, 1514)		
Raw	25	15
Other	39.1	20
Table Oil	39.1	20
Shortening (1517)	40	20
Margarine (1517)	40	20

Imports of table oils and margarine from the EU enjoy the following preferential tariffs as of January 2003:
Sunflower oil - 0 percent under a 12,000MT quota (for CY2003)
Rapeseed oil - 4,000MT - 0 percent under a 4,800 MT quota (for CY2003)
Margarine 9.8-14.7 percent under a 6,300 MT quota (for CY 2003)

The new GATT quota open for imports from any country for 2003 is as follows:

Sunflower-seed and Safflowerseed oil	2,600 MT - 8 percent
Rapeseed and mustard oil	987 MT - 8 percent
Margarine and table oil	3,977 MT - 30 percent

After the 2004 accession of Hungary to the European Union, EU Common External Tariffs for oilseeds and products will not differ from the actual Hungarian applied tariffs.

Policy

Hungary's agricultural support budget was USD 838.3 million (HUF 216.3 bn) in 2002 and is USD 1,021.7 million (HUF 235 bn) in 2003. The government has made major changes in the complex system of production subsidies for 2003 in order to help producers to make change to the CAP in 2004. Still, the 2003 production subsidies are more representative of the traditional Hungarian system rather than the CAP.

As a result of the Copenhagen agreement, EU accession countries will receive the following percentage EU direct payments: 25% in 2004, 30% in 2005, 35% in 2006. From 2007, direct payments will increase by 10% annually. Payments for new member countries will reach the level of payment that 'old members' receive by 2013. To compensate for this inequality, an additional 30% may be paid to farmers from Hungary's national budget, increasing the subsidy to 55% of the normal EU direct payments. Also, one-fifth of the Regional Development Fund (financed by the EU) may be spent on this domestic "top-up"

Agricultural subsidy budgets for the next years will be the following:

2004 USD 1.12 billion
2005 USD 1.21 billion
2006 USD 1.32 billion

EU membership, at least in the early years, will not result in a considerable increase in agricultural subsidies for Hungary.

Hungary's EU membership will lead to an increase in production of field crops (grain/oilseeds/protein crops, sugar beets) and tobacco. Nearly three quarters (73%) percent of the direct payments under the CAP will go to grains/row crops. On the other hand, the horticultural sector (fruits, vegetables and wine) will face a more competitive environment. Direct payment for soybeans, 00 (canola) rapeseed and high oil content sunflower seed (considering 55% of the EU normal payment) is about USD 173/hectare.

A study compared the crop prices and input prices between the EU and Hungary. Hungary has a certain gain in the field of input prices (excluding fuels). But crop price comparisons did not reflect cheaper inputs. And Hungary will probably not be able to maintain its lower input costs (land and labor) under the CAP. Land lease prices will likely increase, not only because of the higher subsidies, but because of additional land needed by the set-aside requirement.

The level of influence that EU membership has on the different types of farms will vary widely. According to some forecasts, five percent of Hungarian producers will collect 90% of agricultural subsidies under the CAP.

Biotechnology

In July 1998, Hungary passed an Act called 'Organisms Modified by Gene Technology' (XXVII/1998). Parliament also approved the "application chapters " of the legislation in January 1999 (Decree No. 1/1999). This legislation is strictly based on older EU directives (such as EC 90/220). Amendment proposals from the scientific community and industry representatives were mostly ignored during the drafting of the legislation. Nevertheless, there appears to be little public opposition to biotechnology in Hungary.

The LXVII/2002 Act on "Gene Technology Activities" came into force on April 1, 2003 and amends the above Act of 1998. The amendment's main goal is full compliance with corresponding EU directives (which is somewhat of a moving target). Some new aspects of this Act are chapters on antibiotic resistance genes and monitoring. The executive orders implementing the act have yet to be written but will probably be in place later in 2003. These will cover: re-classifying the responsibilities of authorities, threshold limits, application procedures, etc.

A key element of Hungary's biotechnology regulation is the 'Reporting Committee on Biotechnology Activities,' which is a seventeen member body that approves or rejects the applications of new biotechnology products or field trials of new plant varieties. While most members of the Committee are eminent scientists, non-government organizations (NGO) have four members on the committee. Importantly, industry representatives have not been allowed on

the Committee. One possible reason for this is that most of the companies promoting biotechnology are foreign.

The legislative process has been rather slow thus far and regulators are closely following the EU's example. This has hampered the introduction of new GMO varieties in Hungary. Nonetheless, several foreign and domestic GM varieties have been approved for field trials, environmental impact testing, and feeding trials.

GM Crop Field Tests

Year	Name of species	Number of (new) permits issued
1999	Rapeseed	4
2000	Corn	10
	Rapeseed	2
	Sugar beet	6
	Potato	1
	Tobacco	1
	Wheat	1
2001	Corn	13
	Potato	1
	Spring Wheat	2
	Tobacco	1
2002	Corn	11
	Potato	2
	Spring Wheat	2
	Tobacco	2

PSD Table						
Country	Hungary					
Commodity	Oilseed, Sunflowerseed				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		08/2001		08/2002		08/2003
Area Planted	337	400	390	415	0	460
Area Harvested	337	400	390	415	0	460
Beginning Stocks	0	0	0	0	0	0
Production	632	650	779	779	0	830
MY Imports	5	10	5	2	0	2
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	637	660	784	781	0	832
MY Exports	180	150	180	245	0	280
MY Exp. to the EC	110	110	100	120	0	168
Crush Dom. Consumption	421	480	564	496	0	510
Food Use Dom. Consump.	11	10	15	15	0	17
Feed,Seed,Waste Dm.Cn.	25	20	25	25	0	25
TOTAL Dom. Consumption	457	510	604	536	0	552
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	637	660	784	781	0	832
Calendar Year Imports	4	10	5	5	0	2
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	150	150	170	175	0	190
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Hungary					
Commodity	Oilseed, Soybean				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		10/2001		10/2002		10/2003
Area Planted	30	30	26	26	0	29
Area Harvested	25	30	26	26	0	29
Beginning Stocks	0	0	0	0	0	0
Production	55	65	53	53	0	62
MY Imports	5	5	5	5	0	4
MY Imp. from U.S.	0	0	0	0	0	0
MY Imp. from the EC	0	0	0	0	0	0
TOTAL SUPPLY	60	70	58	58	0	66
MY Exports	10	10	10	10	0	8
MY Exp. to the EC	0	0	0	0	0	0
Crush Dom. Consumption	7	7	7	7	0	7
Food Use Dom. Consump.	5	5	5	5	0	5
Feed,Seed,Waste Dm.Cn.	38	48	36	36	0	46
TOTAL Dom. Consumption	50	60	48	48	0	58
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	60	70	58	58	0	66
Calendar Year Imports	5	5	0	5	0	4
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	10	10	0	10	0	8
Calndr Yr Exp. to U.S.	0	0	0	0	0	0

PSD Table						
Country	Hungary					
Commodity	Oilseed, Rapeseed				(1000 HA)(1000 MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		06/2001		06/2002		06/2003
Area Planted	127	127	142	142	0	91
Area Harvested	112	127	120	127	0	58
Beginning Stocks	0	0	0	0	0	0
Production	205	226	201	201	0	100
MY Imports	3	5	2	6	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	208	231	203	207	0	100
MY Exports	113	110	105	105	0	47
MY Exp. to the EC	80	0	105	0	0	0
Crush Dom. Consumption	92	118	95	99	0	50
Food Use Dom. Consump.	0	0	0	0	0	0
Feed,Seed,Waste Dm.Cn.	3	3	3	3	0	3
TOTAL Dom. Consumption	95	121	98	102	0	53
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	208	231	203	207	0	100
Calendar Year Imports	3	0	2	0	0	0
Calendar Yr Imp. U.S.	0	0	0	0	0	0
Calendar Year Exports	110	0	105	100	0	60
Calndr Yr Exp. to U.S.	0	0	0	0	0	0