
Popp, József
Research Institute for Agricultural Economics Budapest

# Competitiveness of the food economy in Hungary after the EU-accession

## European Union food sector after the last enlargements – conclusions for the future CAP

**Knieja, Poland**
**June 14-16, 2011**

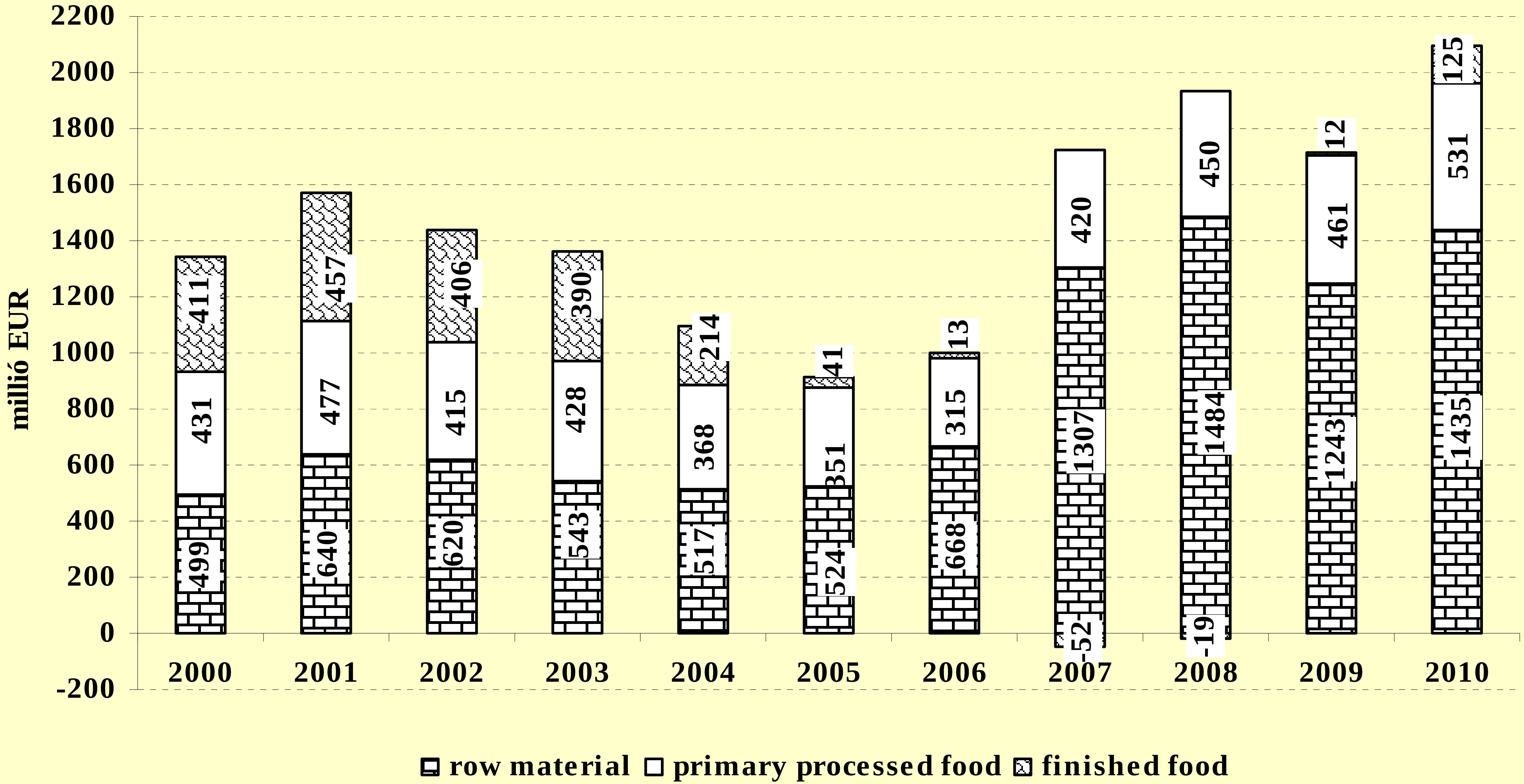
# Agriculture's place in the Hungarian economy (1990-2009)

| | 1990 | 1995 | 2000 | 2005 | 2009 |
|---|---|---|---|---|---|
| **Share of agriculture in GDP (%)** | 12.5 | 5.9 | 5.4 | 3.6 | 2.5 |
| **Share of agriculture in employment (%)** | 14.2 | 8.0 | 6.6 | 5.0 | 4.6 |
| **Share of agriculture in total investments (%)** | 8.7 | 2.9 | 5.0 | *4.5 | *5.6 |
| **Household income spent on food (%)** | 37.0 | 28.4 | 29.2 | 25.1 | 26.0 |
| **Share of agricultural and food products in total exports (%)** | 24.9 | 22.7 | 8.0 | 5.8 | 7.3 |

Source: Hungarian Central Statistical Office (HCSO)

* Includes agricultural investments of households.

# Trade balance of agricultural and food industry goods



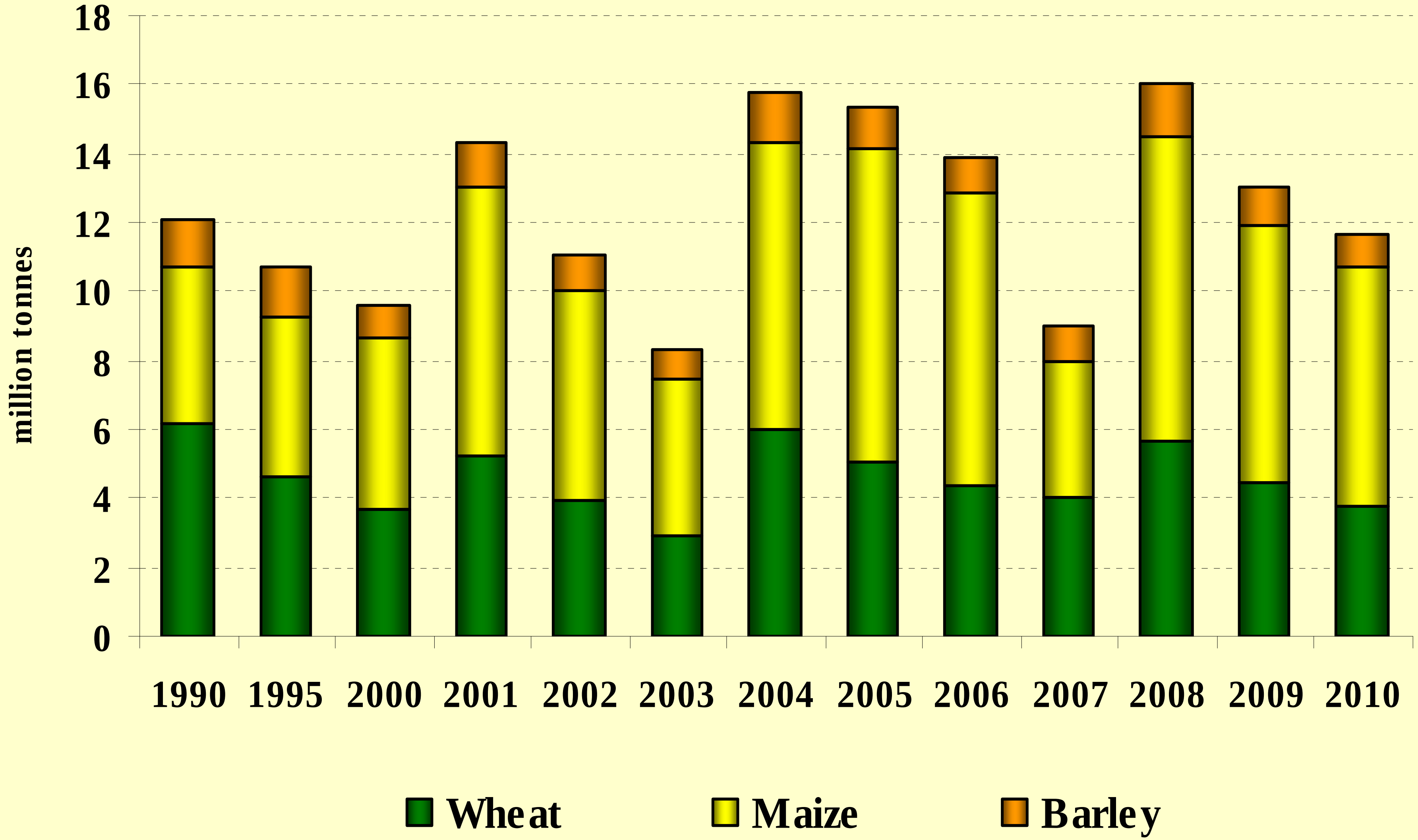

**The positive agricultural and food trade balance has fluctuated between EUR 0.9 and 2.1 billion between 2000-2010**

**After EU-accession the share of raw materials has increased in the Hungarian agricultural exports**

**On the other hand the share of finished food in agricultural imports has increased as well**

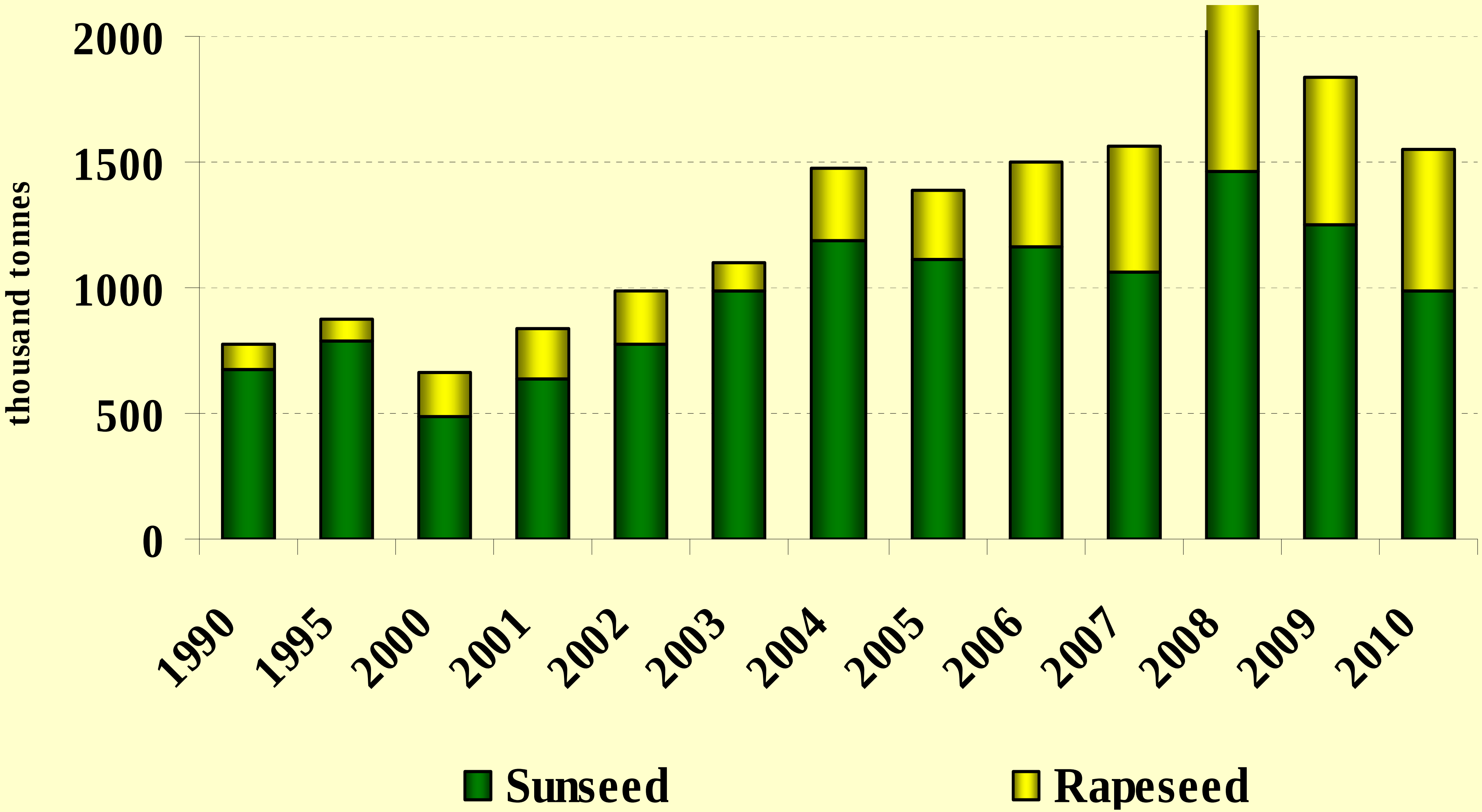
Source: Research Institute for Agricultural Economics

# Production of major arable crops in Hungary (1990-2010)



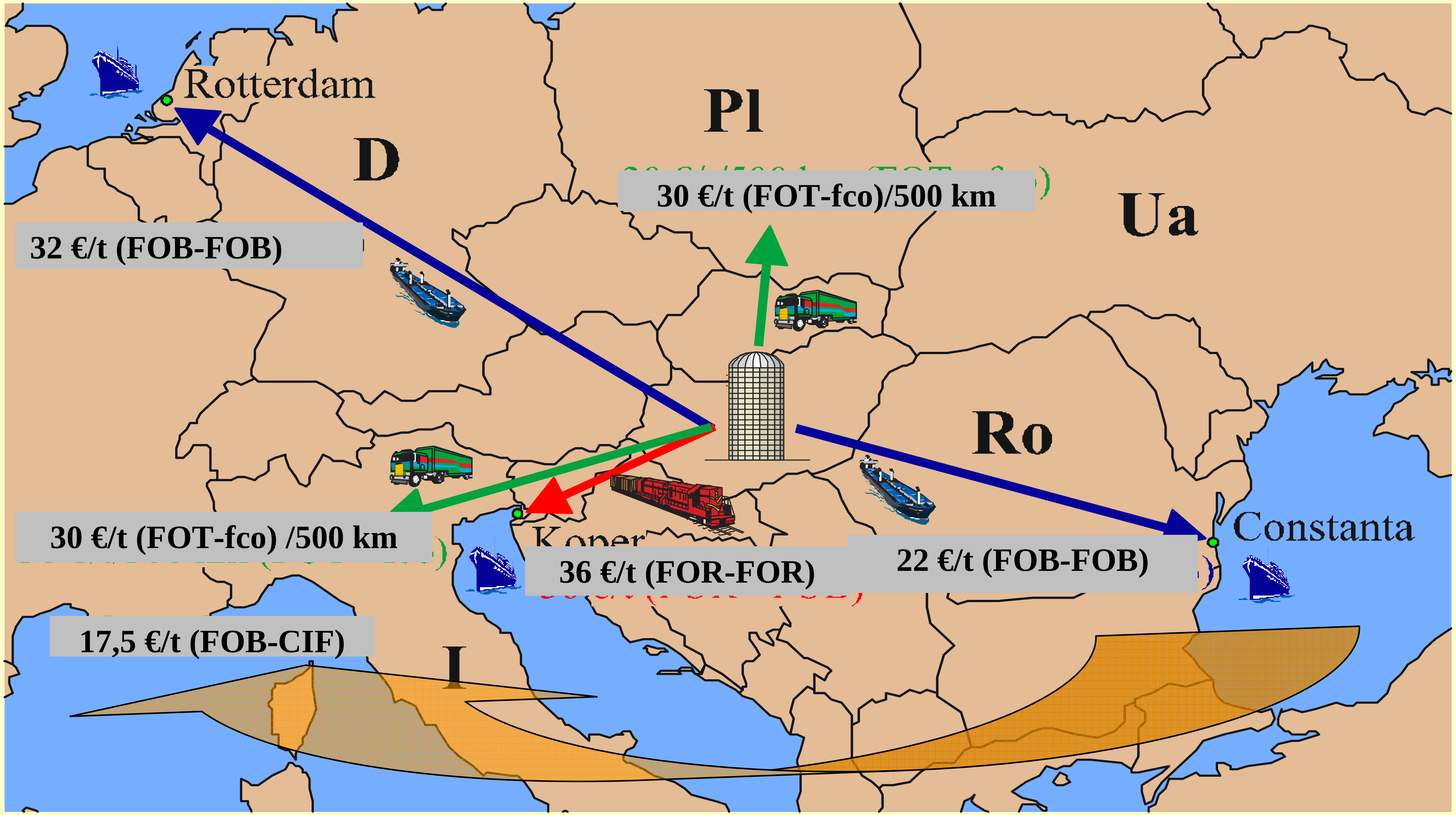

Source: Hungarian Central Statistical Office

# Production of major arable crops in Hungary (1990-2010)



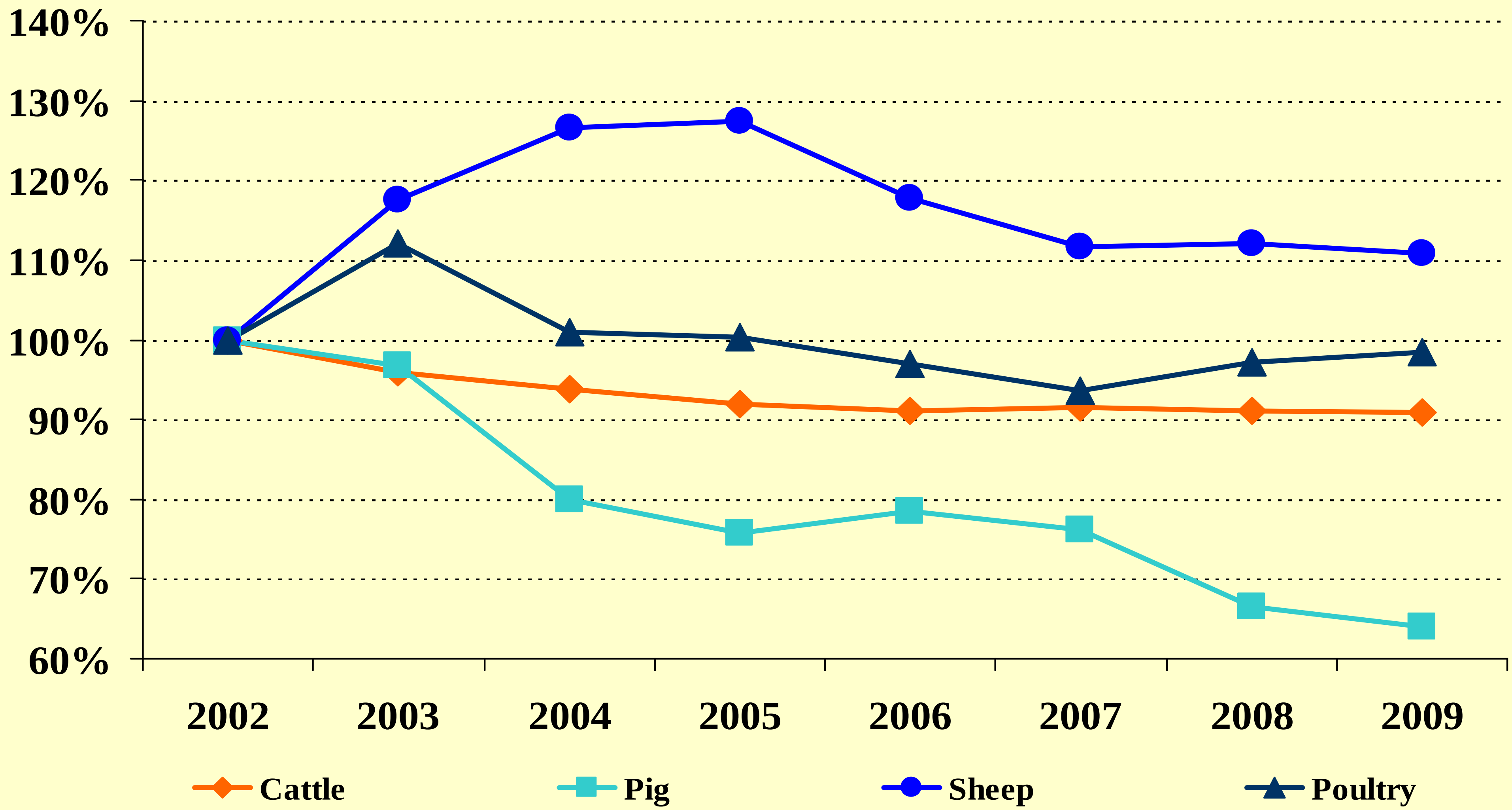

Source: Hungarian Central Statistical Office

# Cost of shipping cereals by different transport modes from Hungary to EU destinations/exits (2011)



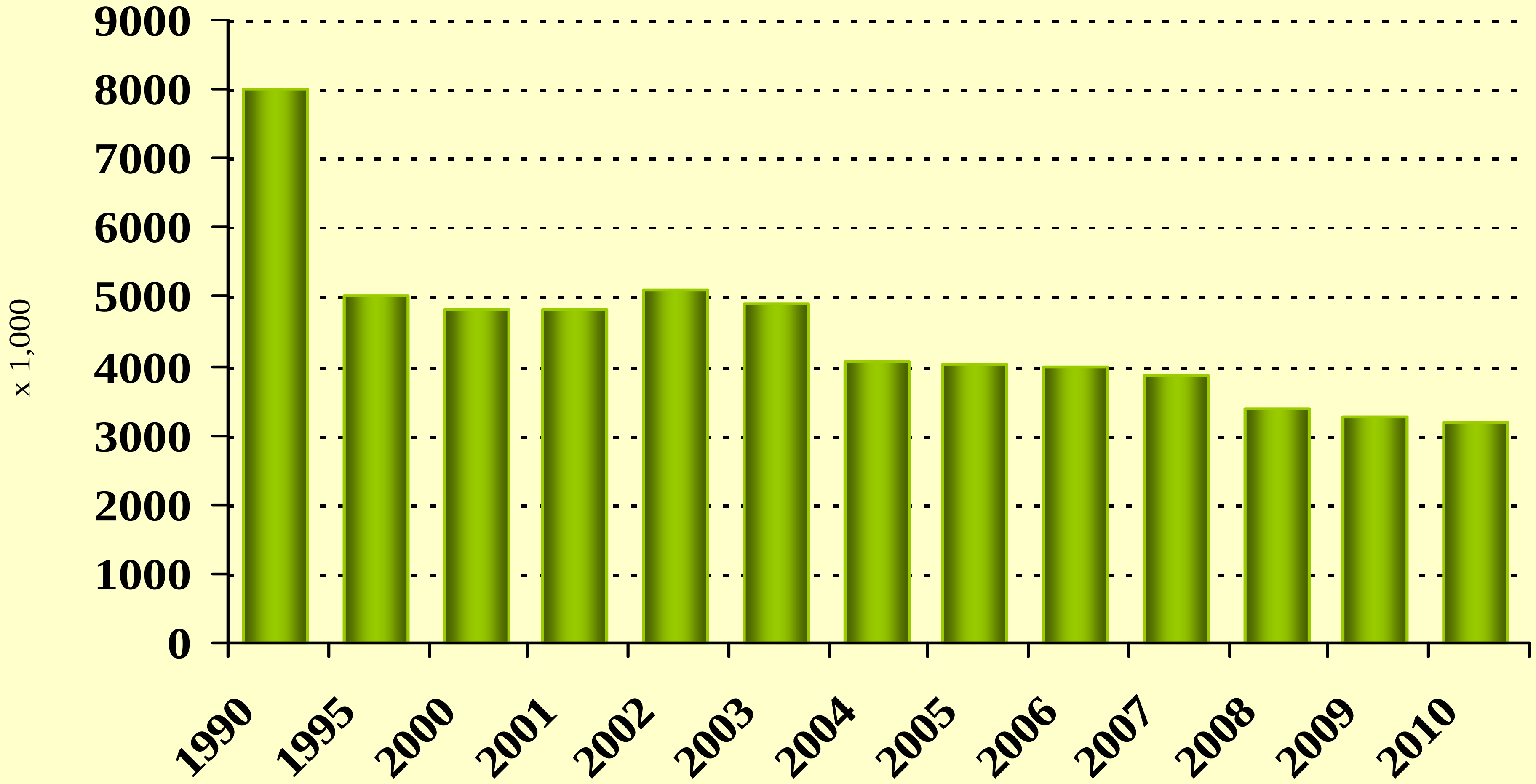

Source: AKI, IGC

# Development of the number of livestocks (December 1)



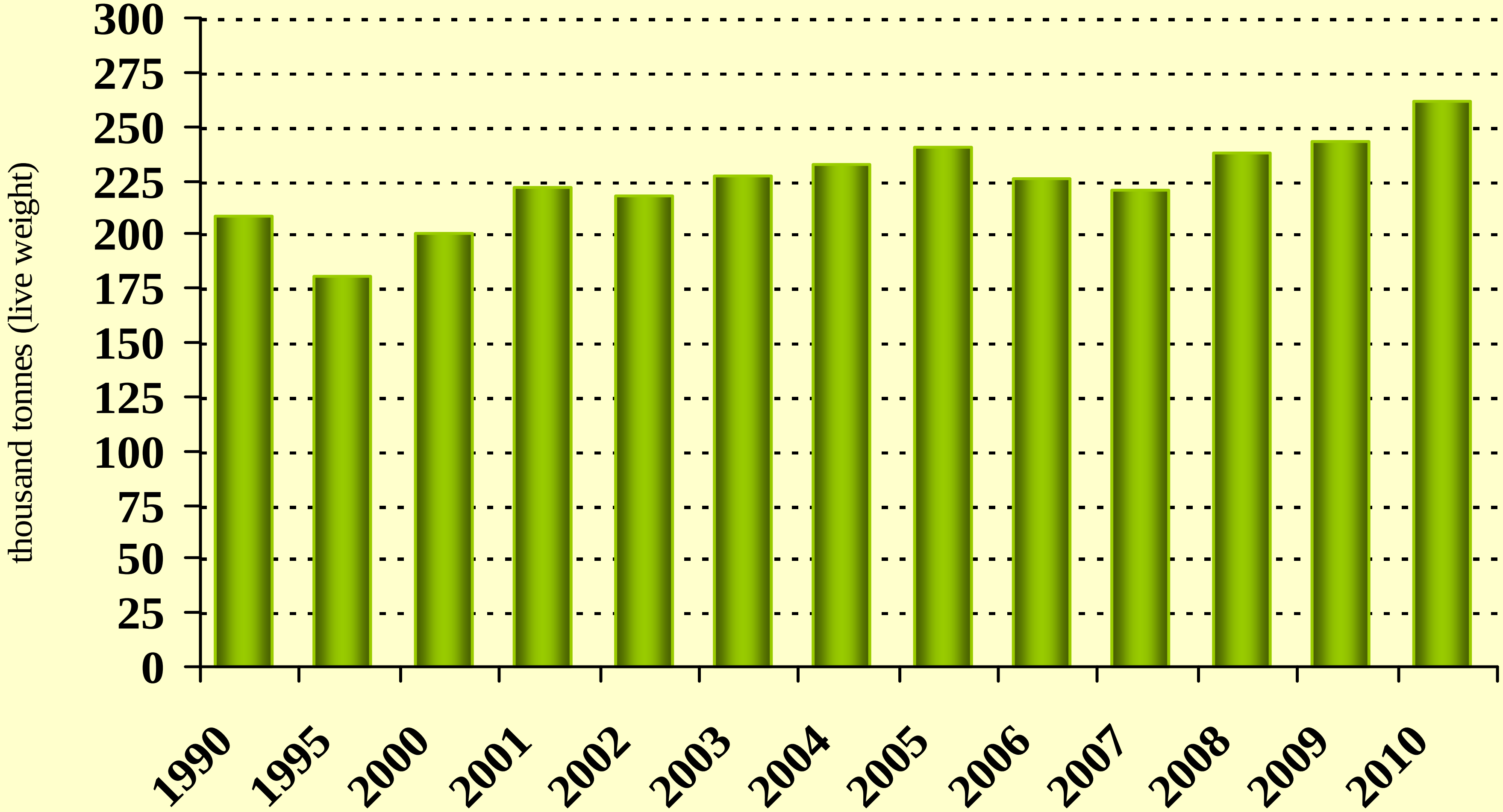

Source:Hungarian Central Statistical Office

# Development of pig numbers in Hungary (1990-2010)



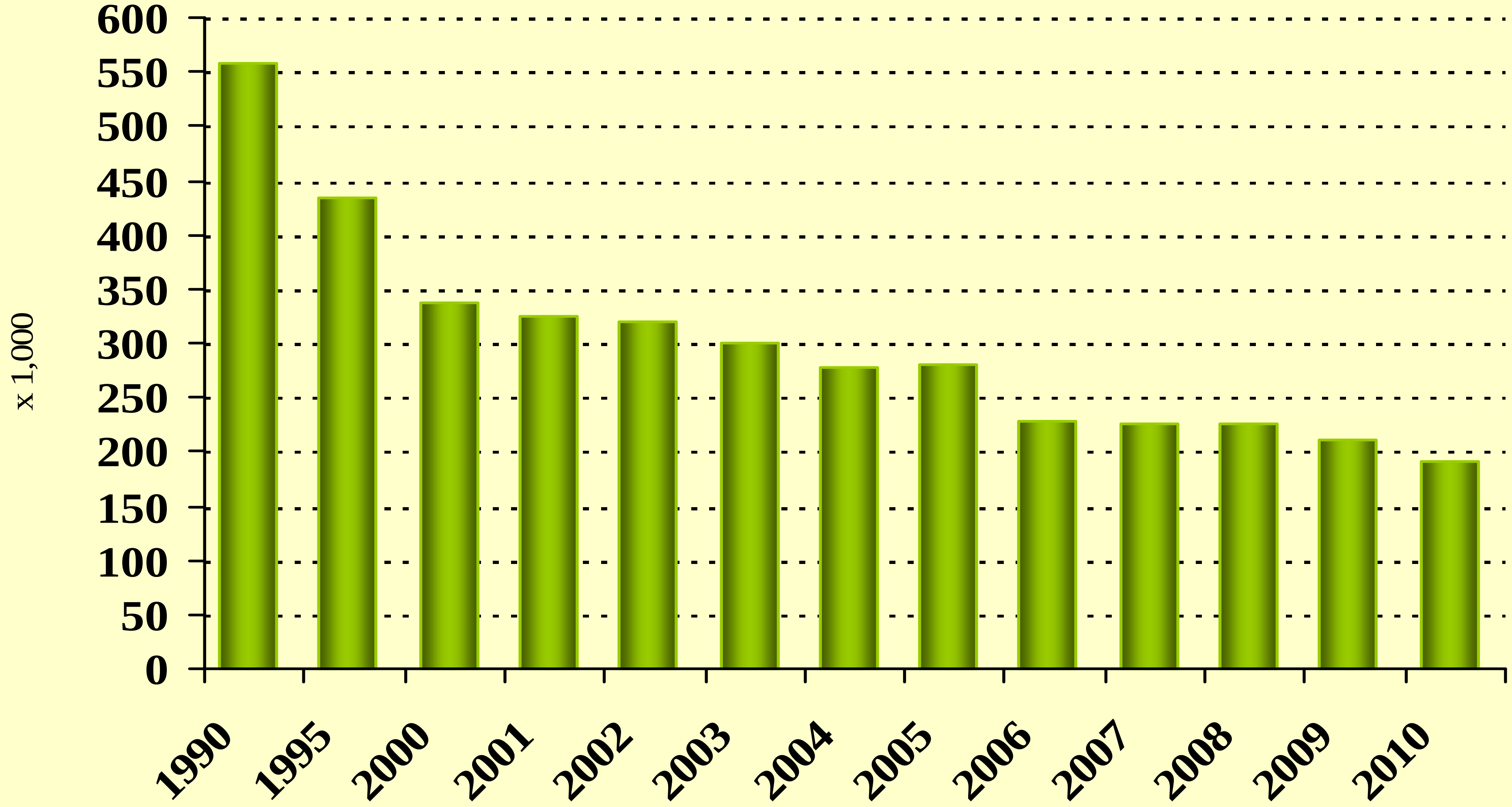

Source: Hungarian Central Statistical Office

# Development of broiler production in Hungary (1990-2010)



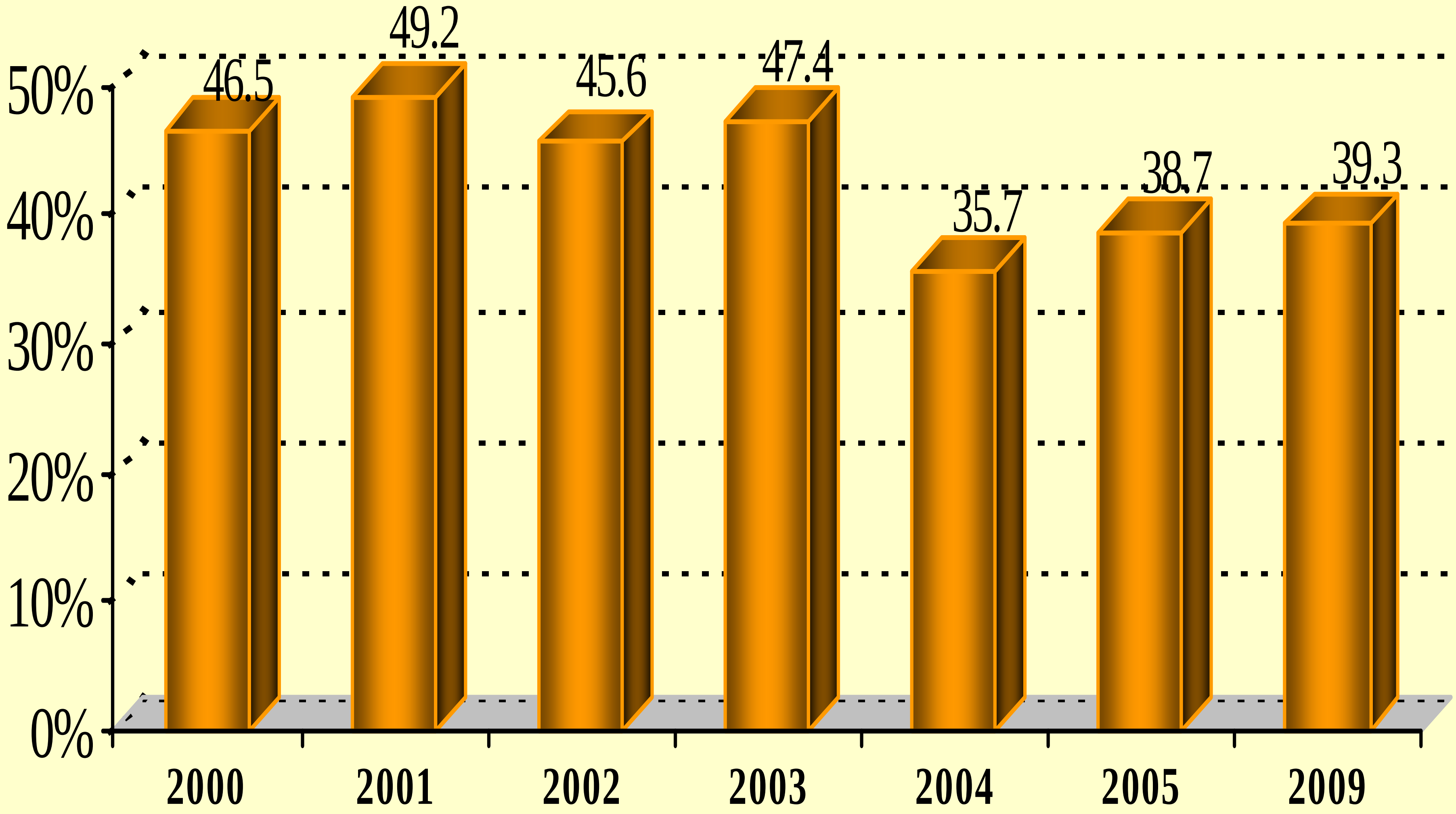

Source: Hungarian Central Statistical Office

# Development of the number of dairy cows in Hungary (1990-2010)



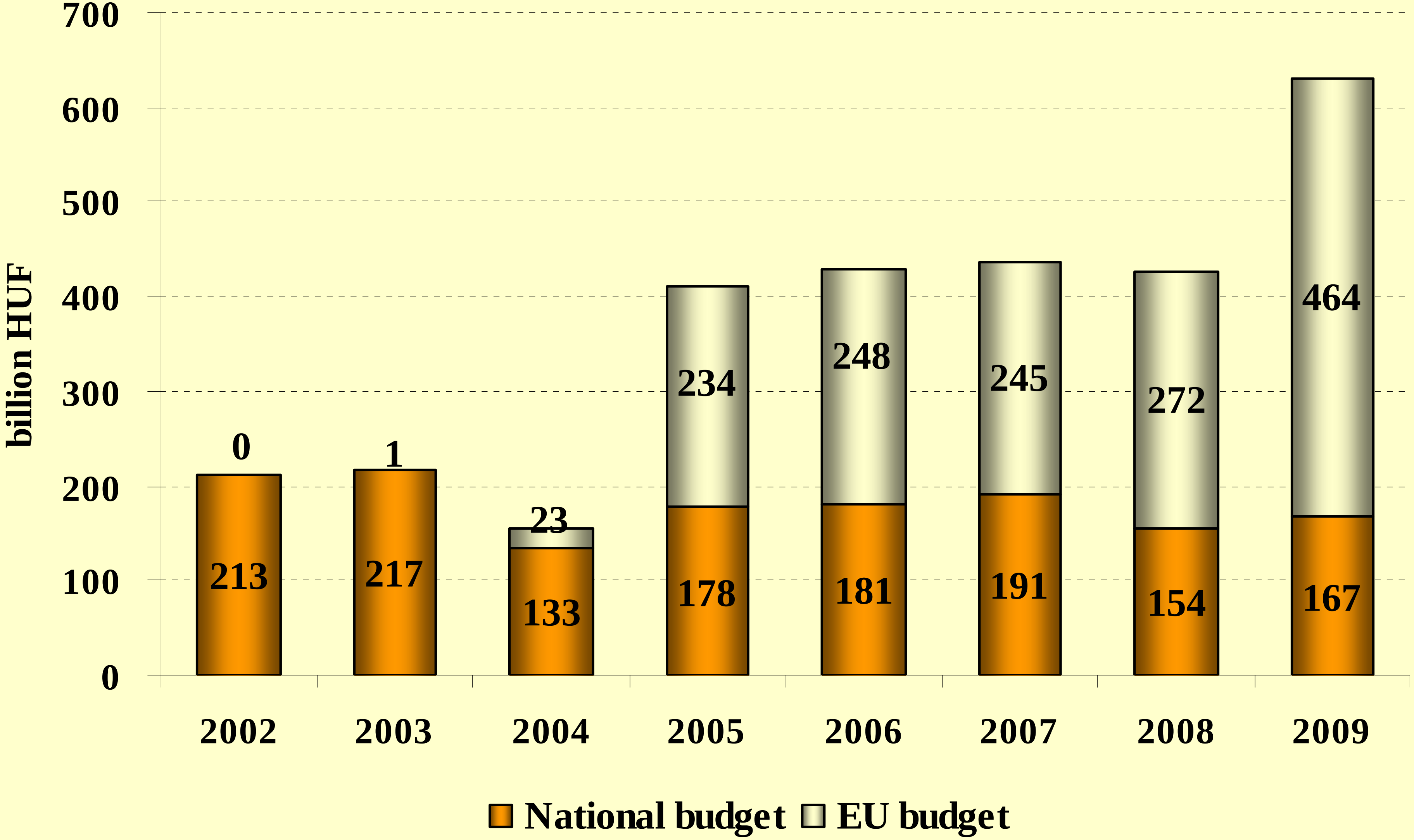

Source: Hungarian Central Statistical Office

# Share of livestock products in total agricultural output (2000-2009)



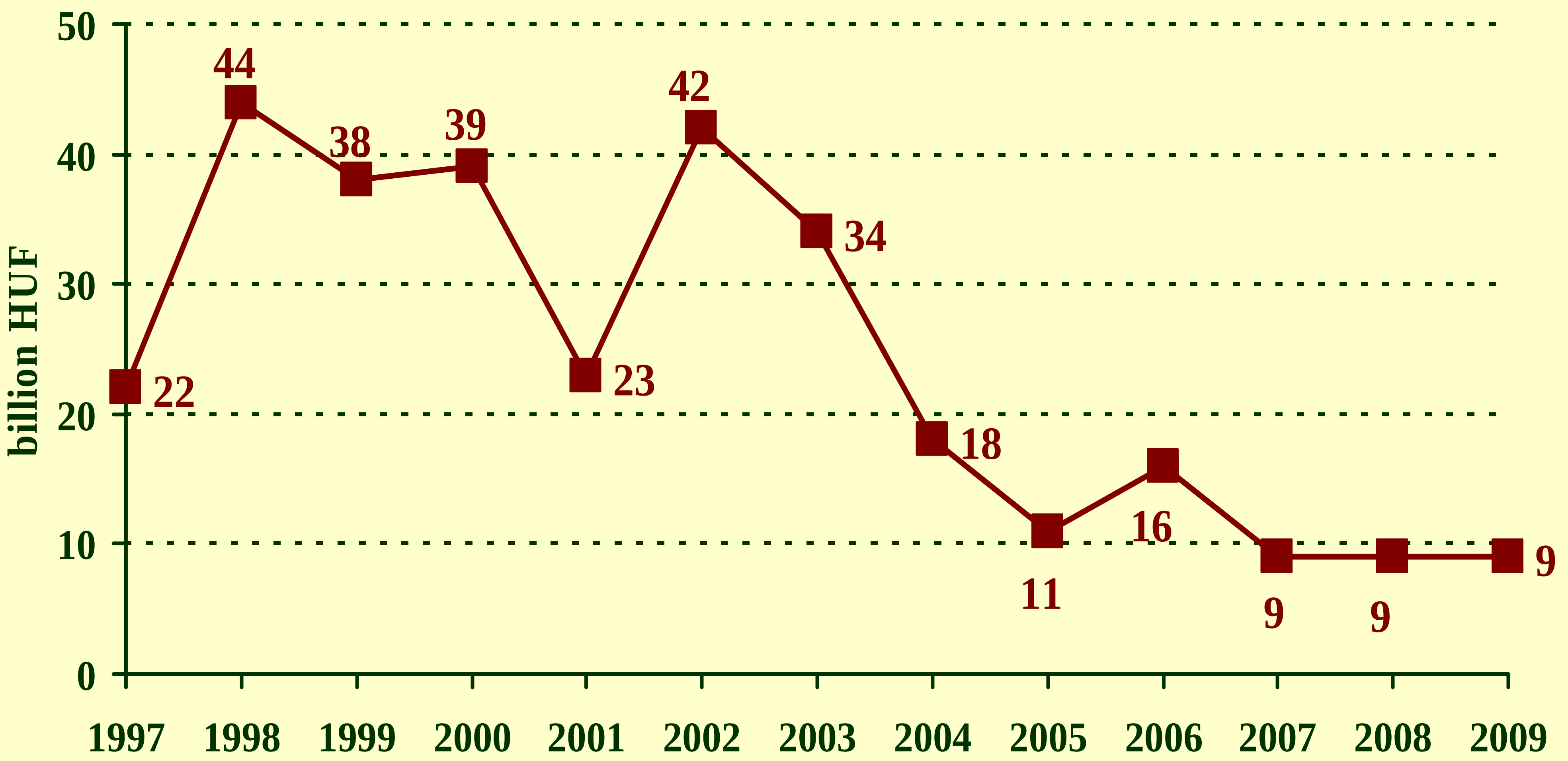

Source: Hungarian Central Statistical Office

# Support to Hungarian agriculture



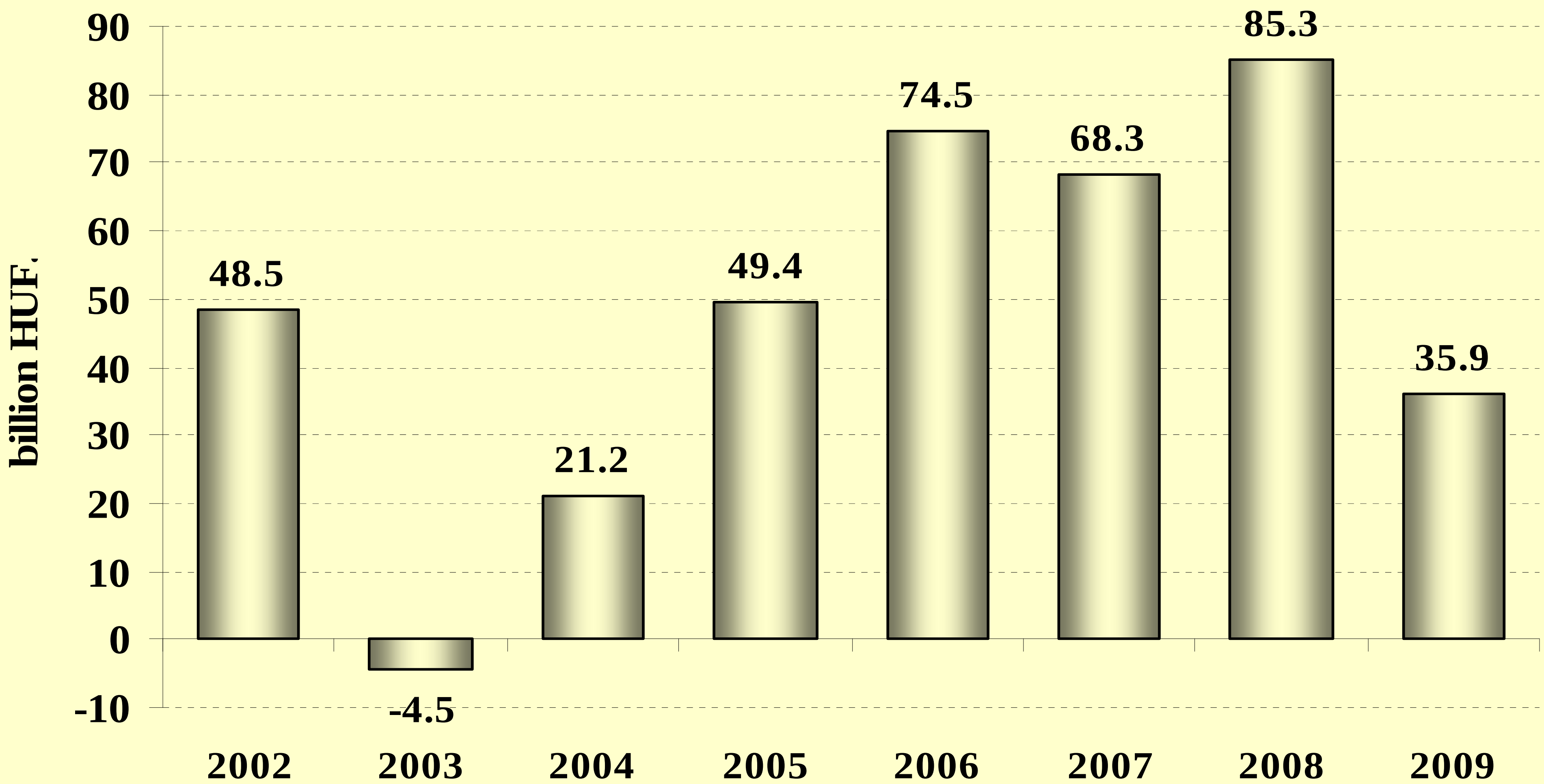

Source: Ministry of Rural Development

# Support to the food industry (1997-2009)




Source: Kapronczai I. (2011): A magyar agrárgazdaság. AZ EU-csatlakozástól napjainkig. Szaktudás Kiadó Ház Zrt. Budapest, 2011.

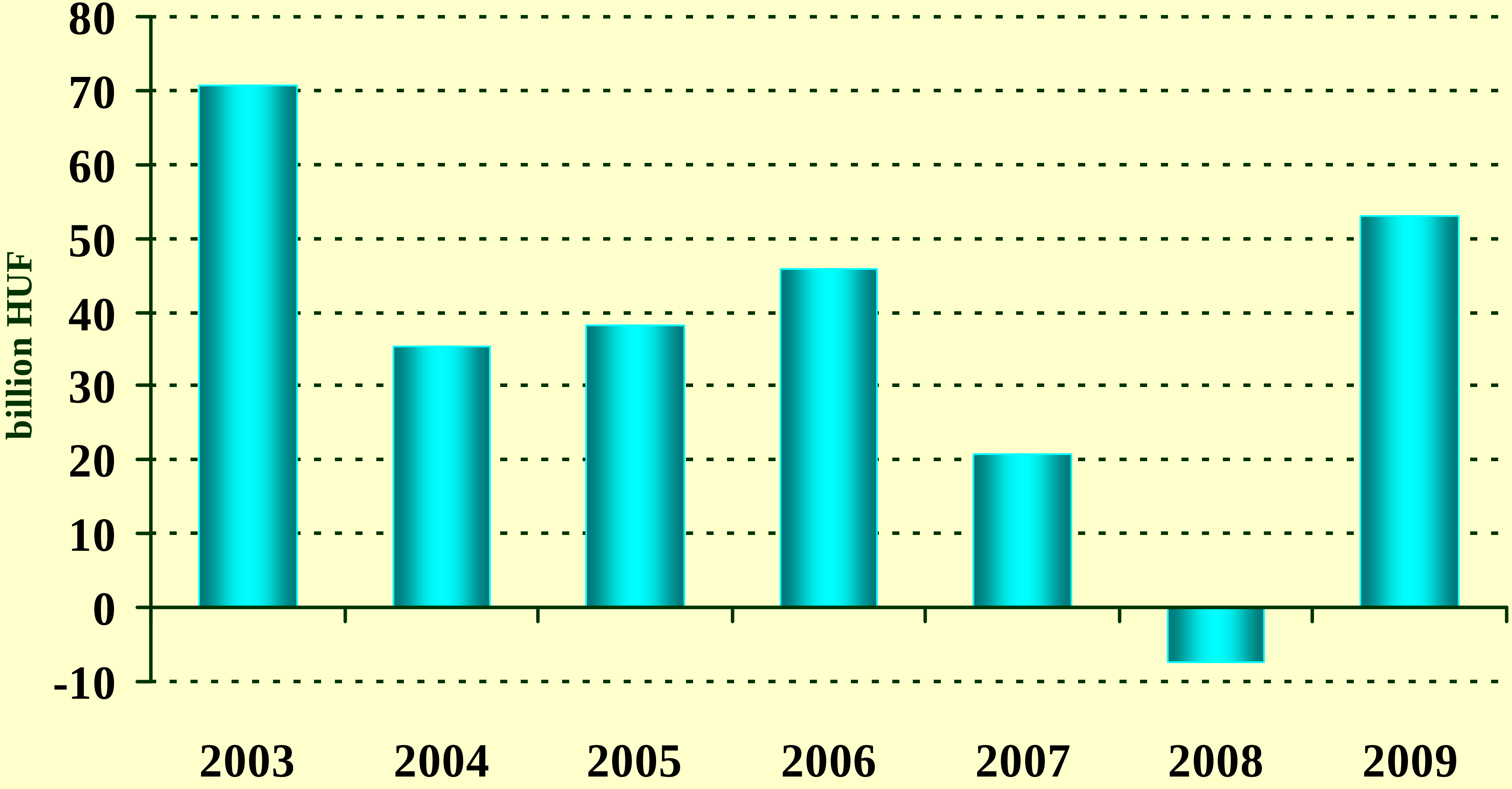
# Profit before tax of agricultural farms*




*Farms with double entry accountancy

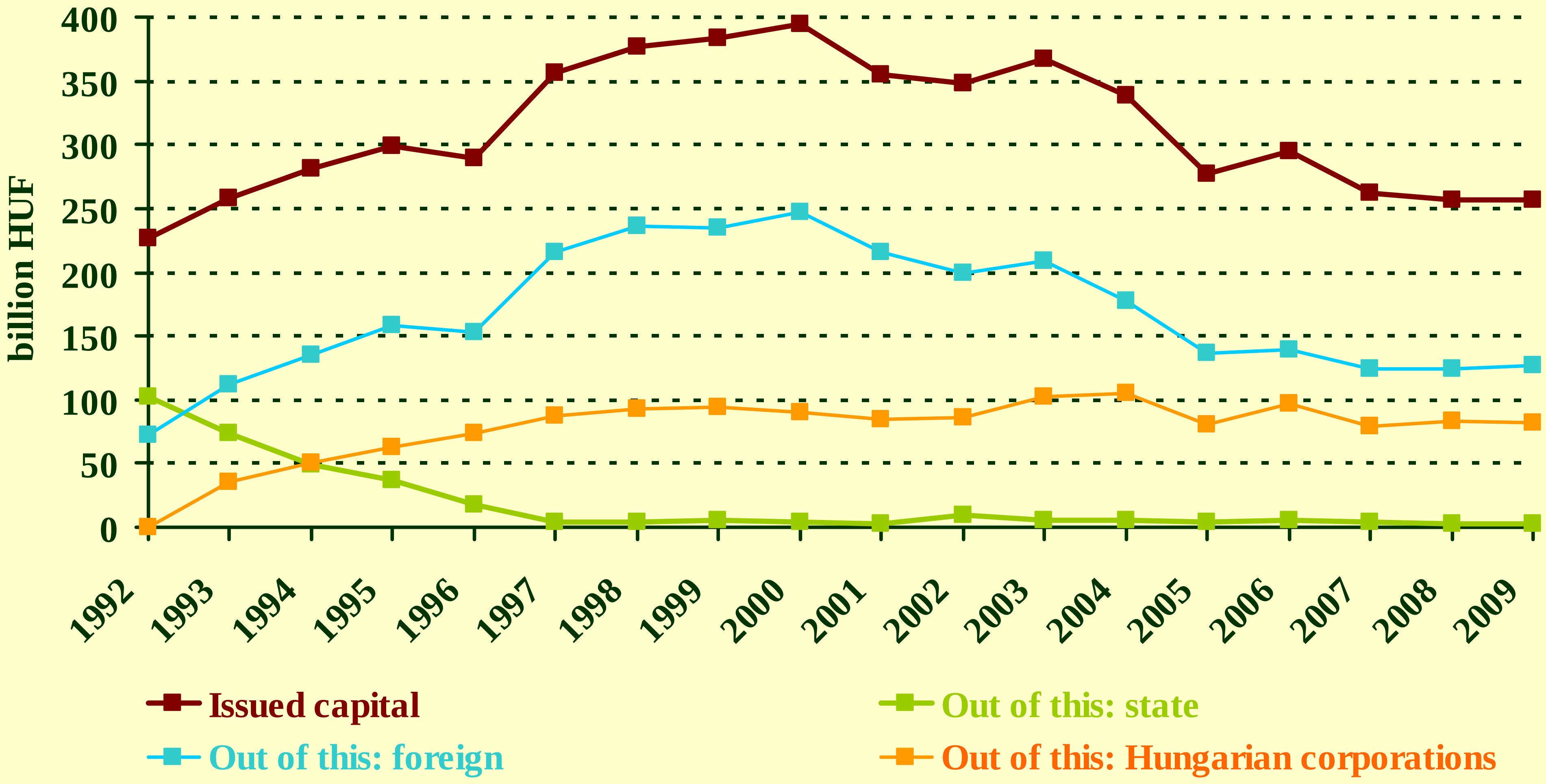
Source: Kapronczai I. (2011): A magyar agrárgazdaság. AZ EU-csatlakozástól napjainkig. Szaktudás Kiadó Ház Zrt. Budapest, 2011.

# Profit before tax of the food industry (2003-2009)




Source: Kapronczai I. (2011): A magyar agrárgazdaság. AZ EU-csatlakozástól napjainkig. Szaktudás Kiadó Ház Zrt. Budapest, 2011.

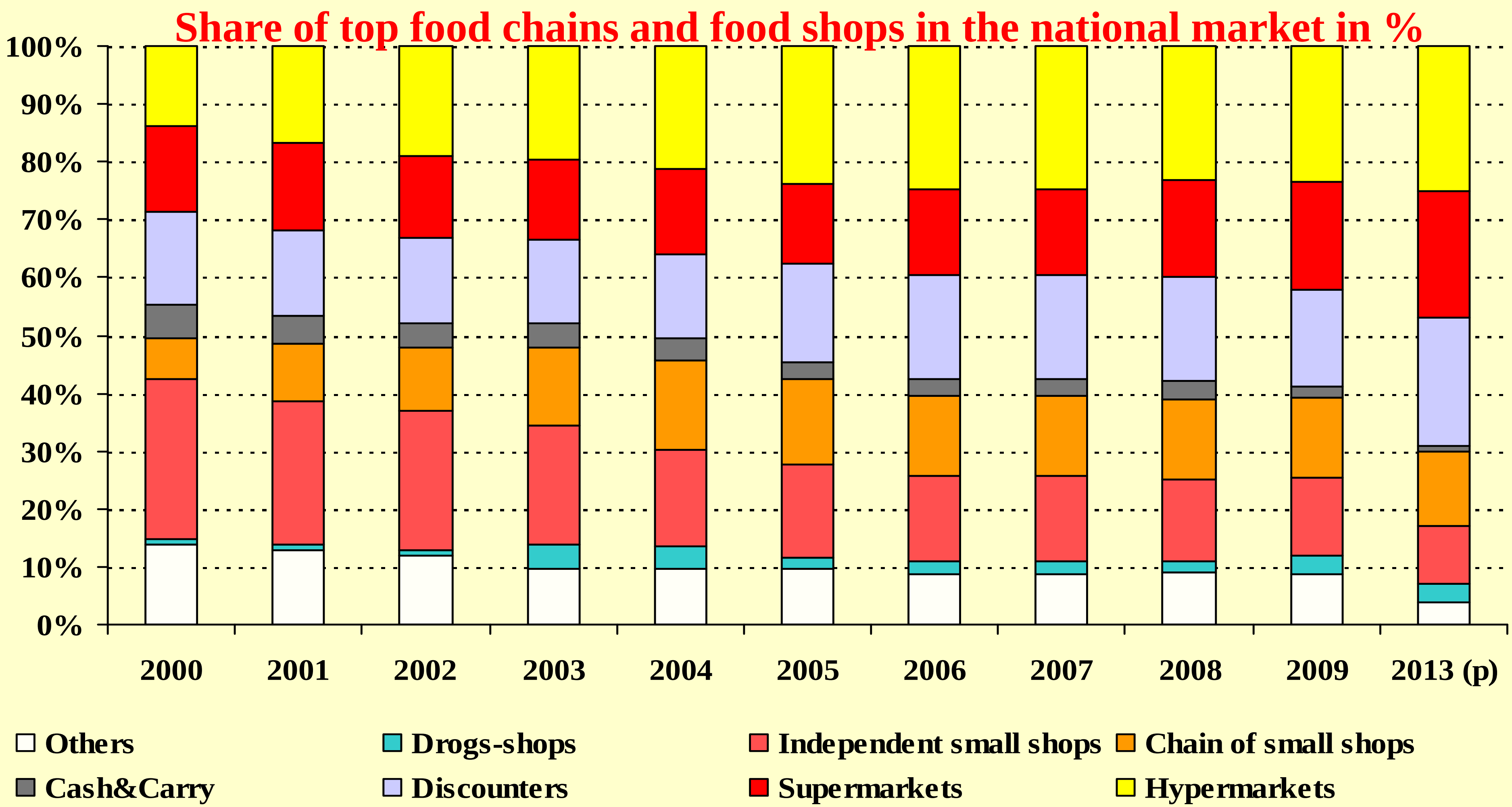
# Development of issued capital in the Hungarian food industry (1992 – 2009)




Source: Kapronczai I. (2011): A magyar agrárgazdaság. AZ EU-csatlakozástól napjainkig. Szaktudás Kiadó Ház Zrt. Budapest, 2011.

# Global/regional food market

**Independent shops are the most important partners for SMEs but their share in national food market is decreasing: SMEs are becoming the suppliers of hyper- and supermarkets**



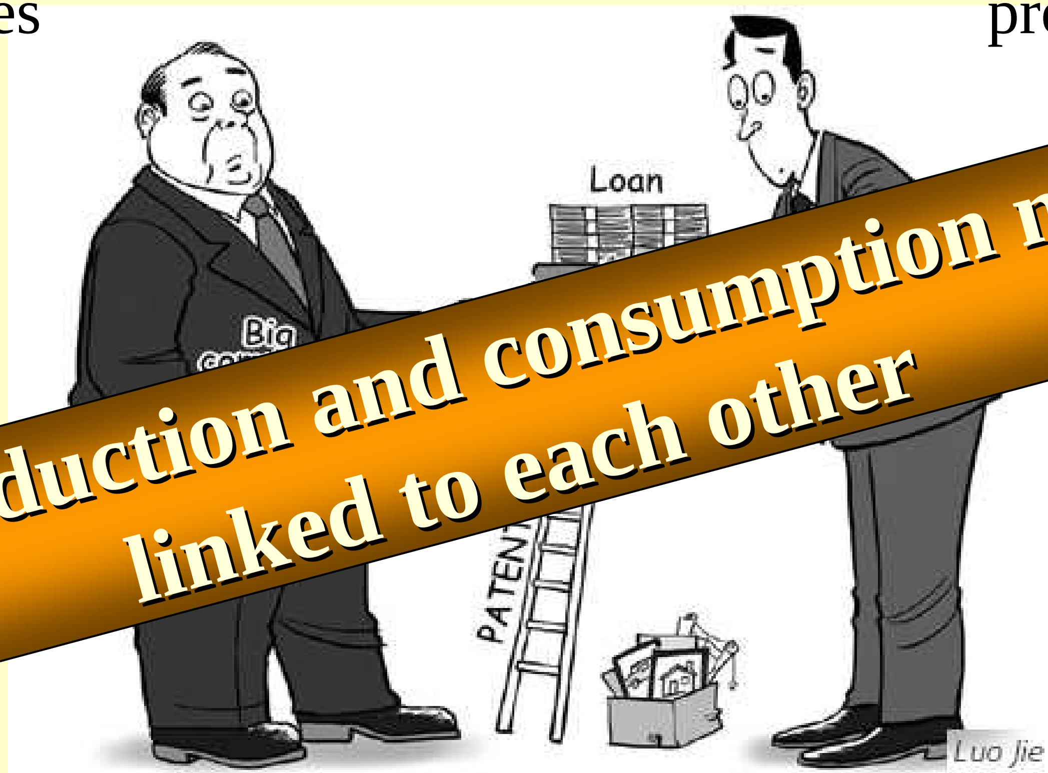

**The share of hyper- and supermarkets together with discounters in the national market is 70%**

Source: GFK Hungaria (2011)

# Who belong to the losers in economic sense?

Small national companies

Small (agricultural) producers




**Production and consumption not linked to each other**

Small Hungarian (food) processors

Small retailers with own shops but not belonging to any chain of retail stores

Because of the closing-down of local markets
**75% of the poor and hungry worldwide are small agricultural producers.**


Source: Lehota (2011)

# Consumption driven society versus hunger


**Our welfare is increasing (we suffer from that)**
**1 billion people**

**… but not ours (we suffer from hunger)** **1**
**billion people**

# Is there a solution in this situation?


**The most important task is to reduce the spatial division of production and consumption**

# Unique and special products

# Niche products

Breakthrough for food industry

**Products meeting the unique demands of special consumer groups**

Consumers' demand

# Traditional and regional products (Hungaricums)

*Food Hungaricums can be considered an animal or plant or any products made of them, which are connected to the Hungarian production culture, knowledge and traditions, and which are considered Hungarian or caracteristic of Hungary and are well known by the Hungarian population – or at least by part of it – and which are also known abroad as Hungarian specialities*


# Conclusion (I)

- Most of the problems of the agri-food sector and thus of rural areas are rooted in the increasingly unfavourable macro environment:
  - **High taxes and social security contributions ☞ illegal employment**
  - **Huge administrative burdens ☞ extra costs for investments**
  - **High interest rates and the lack of capital ☞ no modernisation**
  - **Large share of black marketing ☞ no cooperation**
  - **Ownership structure in food processing ☞ no innovation**
  - **Discriminative land law ☞ costly for corporate farms**
  - **Differences in legal interpretations by authorities financed from the fines gathered ☞ constant unreasonable controls**
  - **Policy, behaviour and bargaining power of the food retail chains**
  - **Logistical disadvantages, etc.**
  - **Lack of trust and weak contract enforcement along the supply chains**

- Hungarian producers and processors supply food to the market and purchase inputs and services at prices usually established by trans- or multinational companies (no regional power)

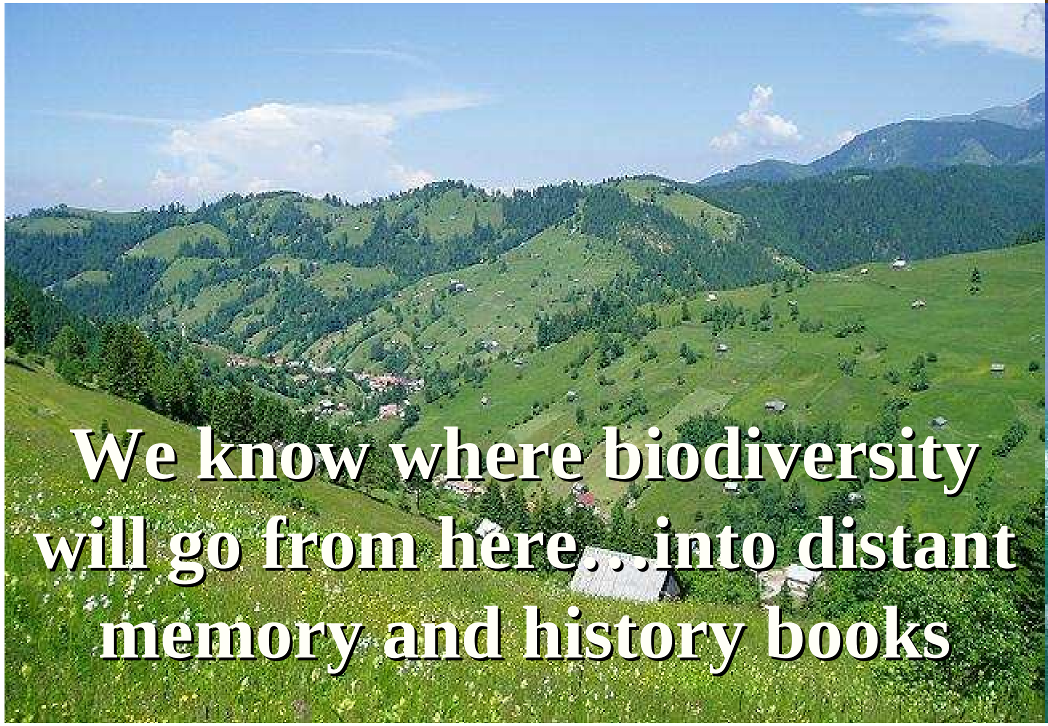
- Food suppliers compete fiercely for the favours of the commercial chains leading to low prices of purchase

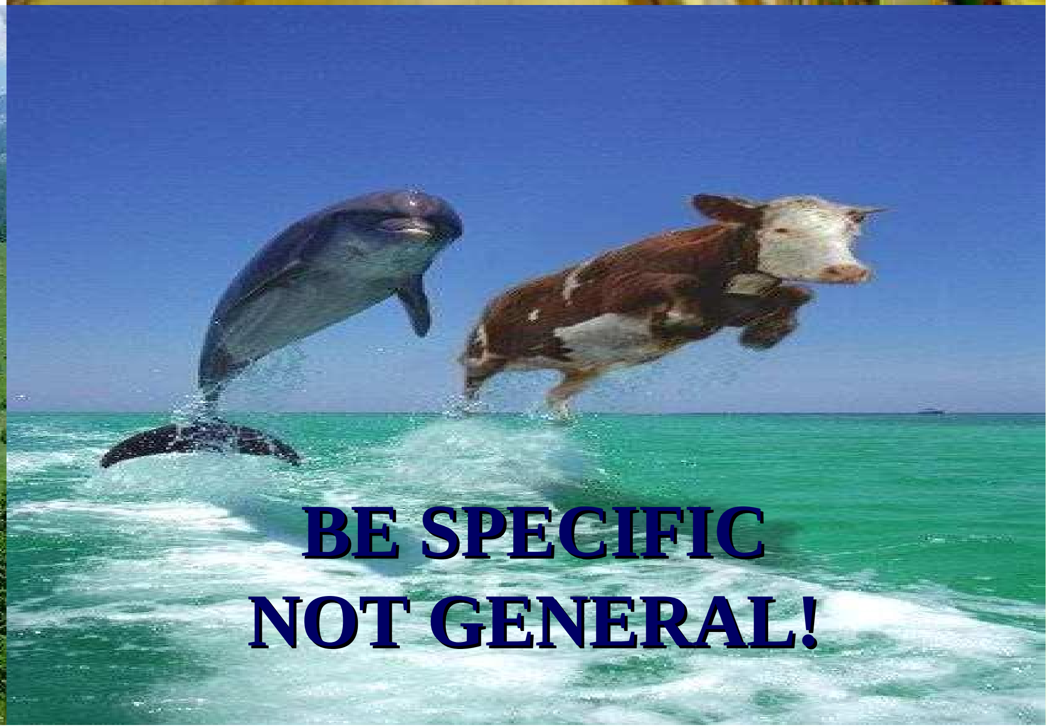
# Conclusion (II)

- Purchases of the international food retail chains are more concentrated with more uniform image and well developed logistics and warehouse storage facilities
- Buying attitudes of the small independent retailers are motivated by the need for survival with differences
- The purchase price is influenced by the food market's supply and demand conditions and by the buying power of the food retail trade
- Differences among the vertical levels of the supply chain in the price-setting ability are more important than the differences in the consumer prices of the food retail trade
- Development of lower domestic consumer price level is restricted by the concentration and efficiency of the domestic food industry
- Through collective input supply and organisation of common direct sales farmers may cope with the food retail chains


THANK YOU FOR YOUR ATTENTION!
STAR TRIBUNE
SACK
MMMmm!
(CHOMP CHOMP!)
BIOFUELS!
WORLD
FOOD
SUPPLY


QUESTIONS?
popp.jozsef@aki.gov.hu


We know where biodiversity
will go from here…into distant
memory and history books


BE SPECIFIC
NOT GENERAL!