Dairy Market Development in Hungary

Éva Vőneki

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Main Topics

- Market regulation system
- Production, purchase and milk yield
- Production structure
- Cost structure
- Utilization of milk quota
- Channels of the dairy sector
- Processing and dairy products market
- Demand for milk and dairy products
- Prices of raw milk and dairy products

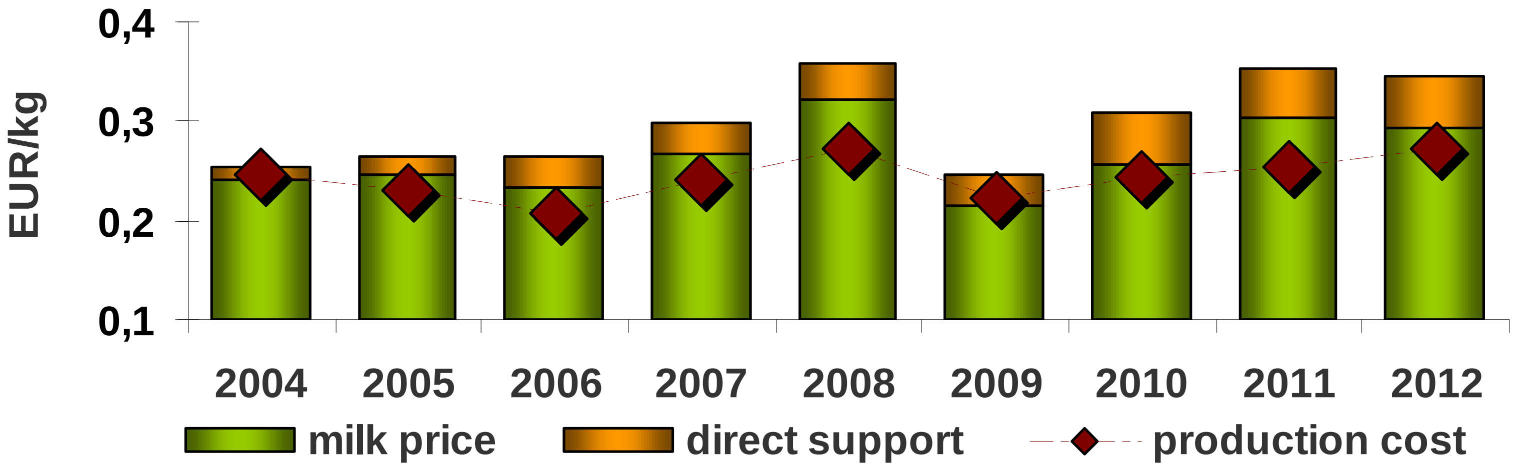
Market Regulation System

Before accession:

- System of guaranteed, intervention and guidance prices
- Output based payments for covering the gap between market prices and guidance prices → large production surplusses
- In 1996: output quota for milk – not restrictive

Since 2004:

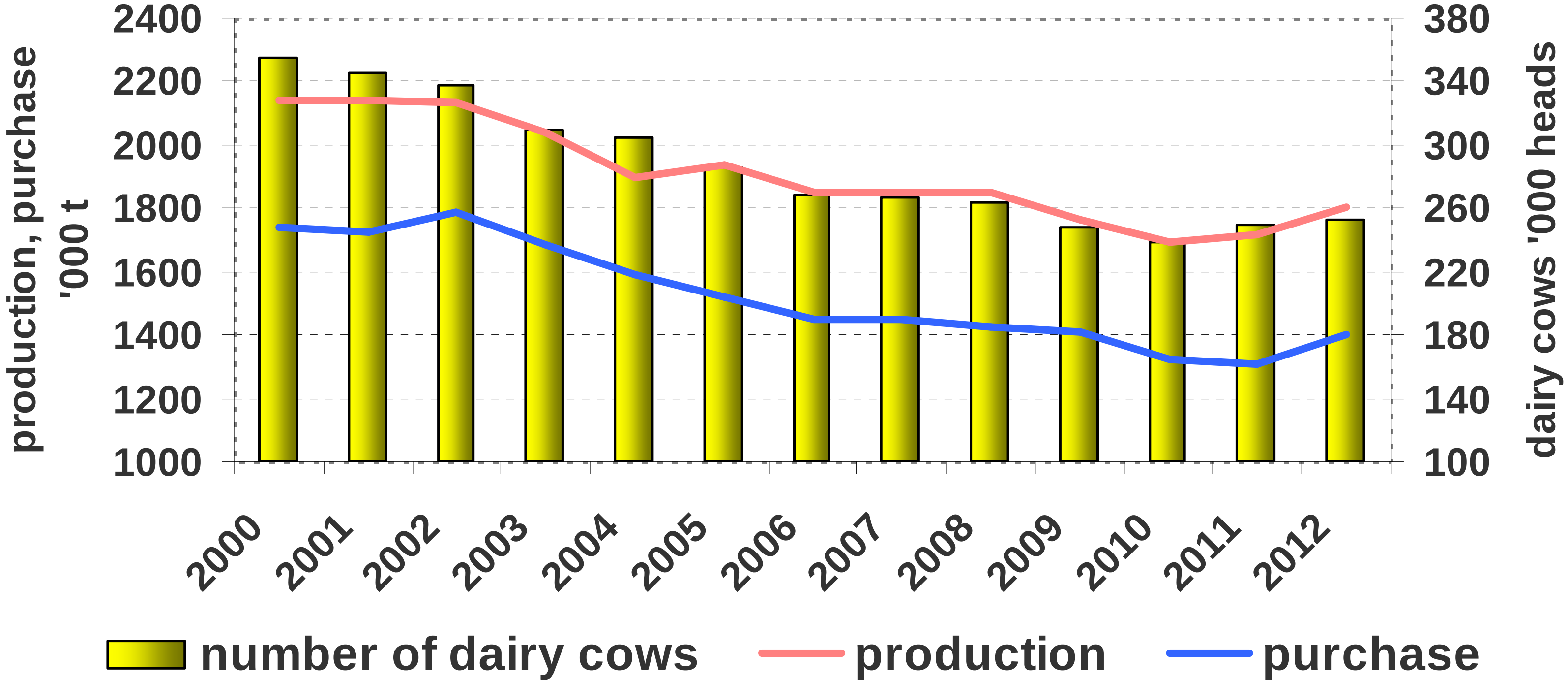
- Contuniously increasing direct payments



- EU milk quota system – 2,8 mil t required, 1,947 280 t negotiated
- Milk Package – contractual relations; producer and inter-branch organizations

Source: CSO, FADN

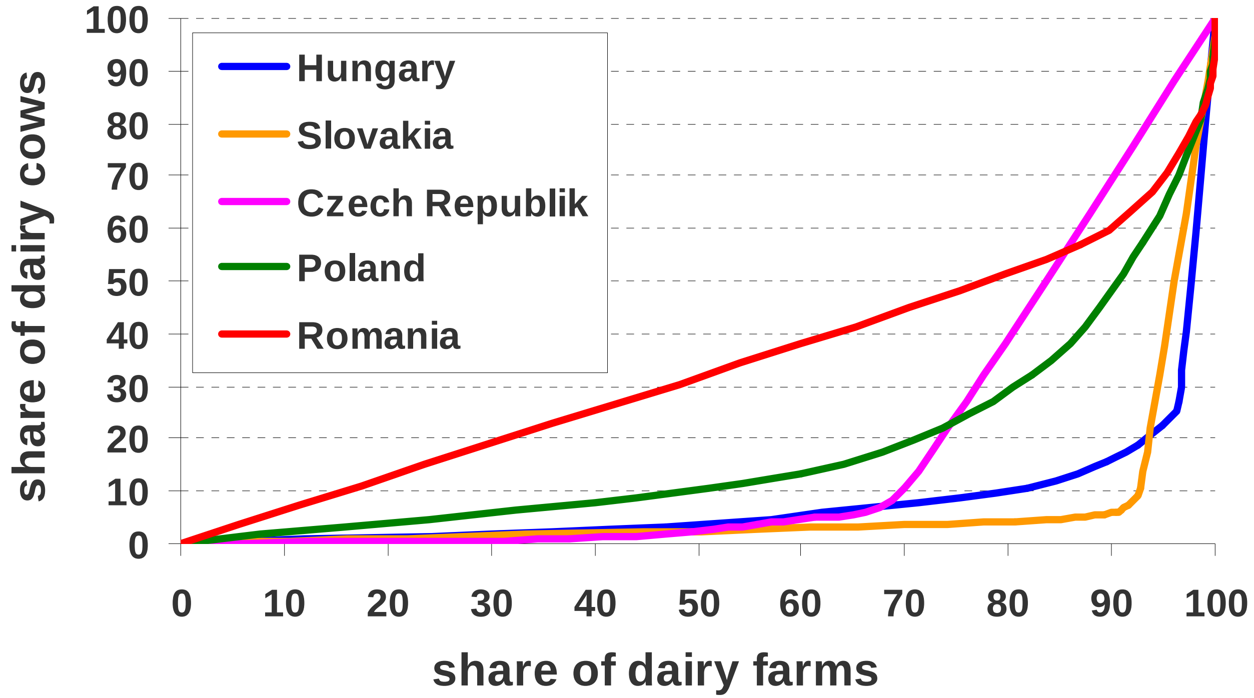
Production, Purchase and Milk Yield



2012	production '000 t	purchase '000 t	yield kg/head
Hungary	1 803	1 398	7 071
Poland	13 075	9 810	5 573
HU/POL	0,14	0,14	1,27

Source: CSO, Eurostat

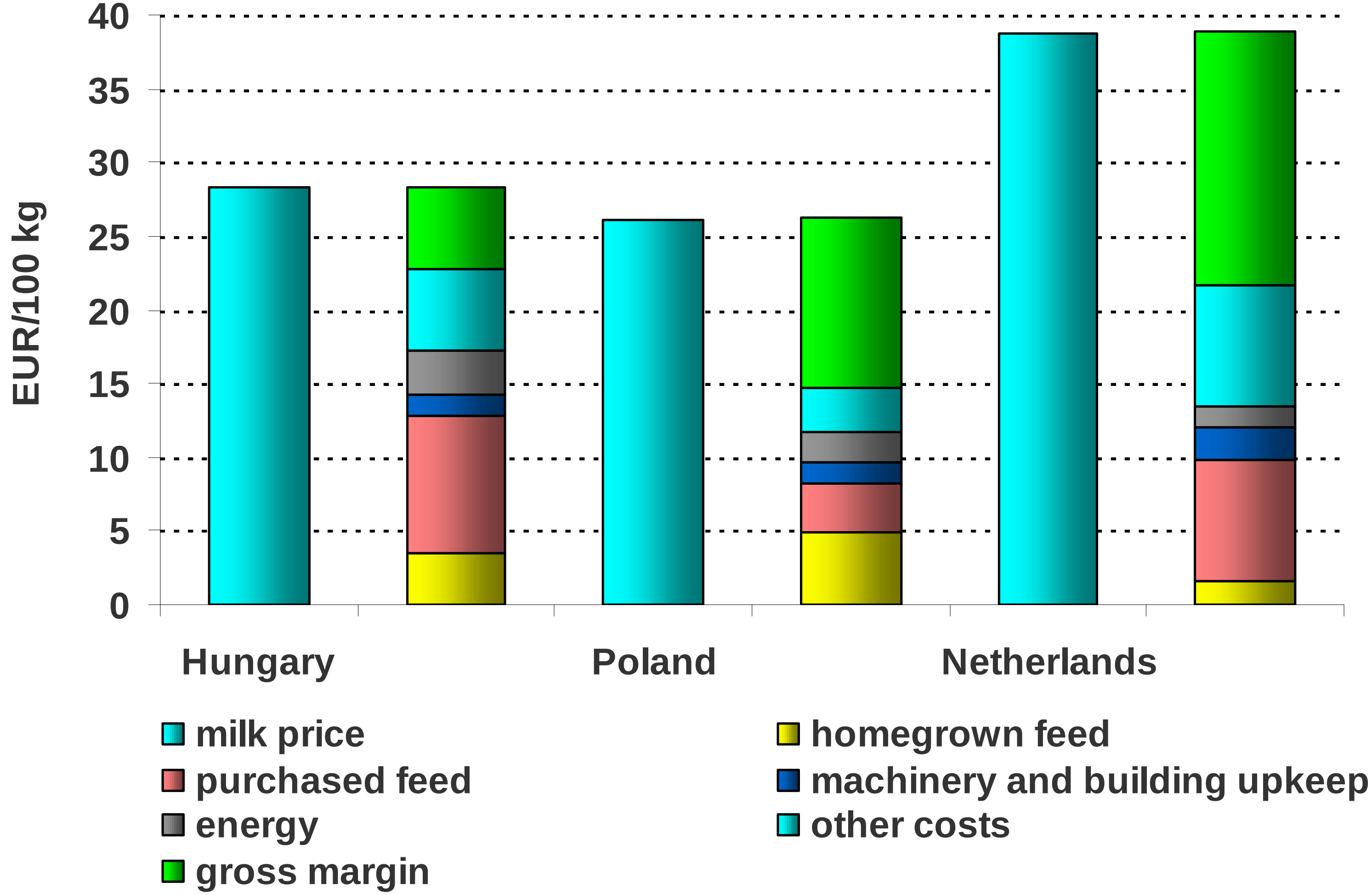
Production Structure



2010	dairy cows '000	dairy farms '000	dairy cows / farm	gini coefficiens %
Hungary	245,05	11,37	21,55	84,46
Poland	2 505,60	425,78	5,88	62,35
HU/POL	9,78	2,67	266,24	-

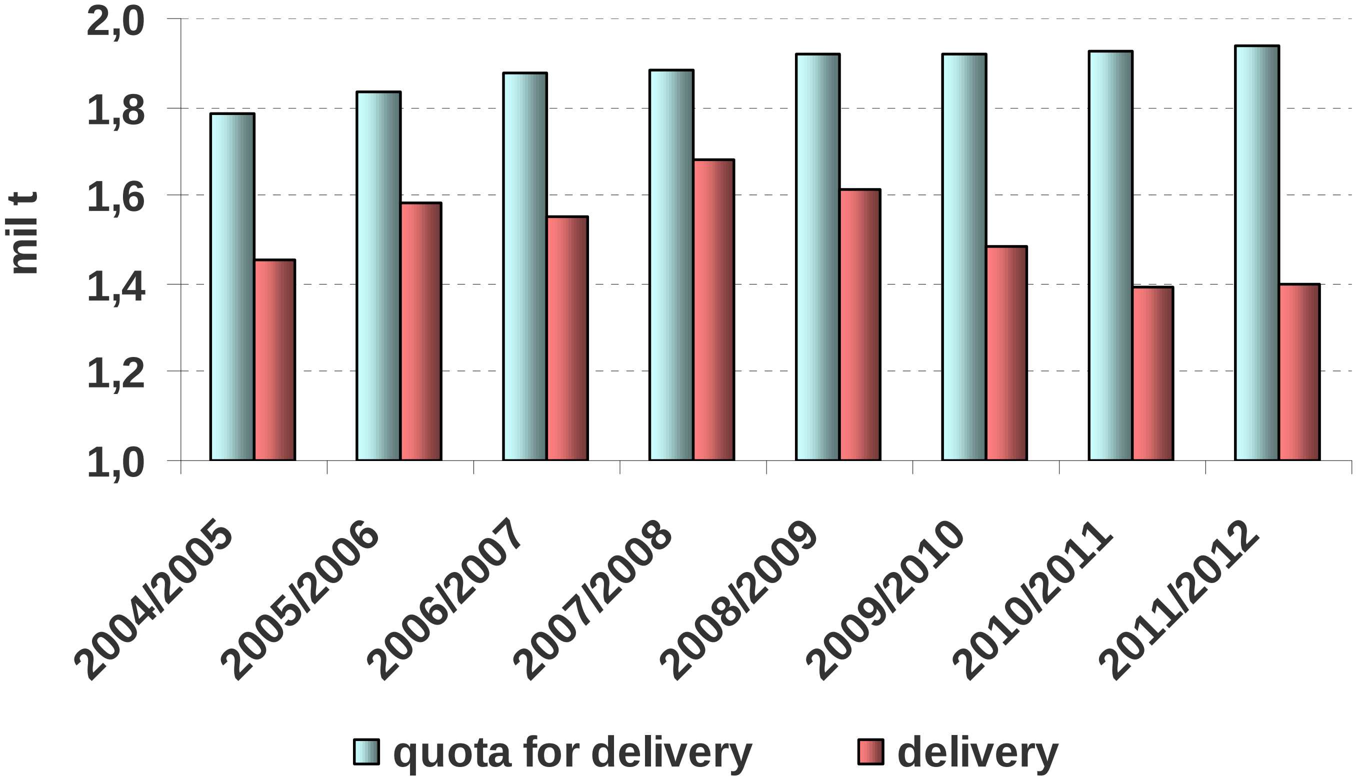
Source: CSO, Eurostat

Cost Structure (2011)



Source: EU Commission

Utilisation of Milk Quota for Delivery



- **quota for delivery: +9%, delivery: -4%**
- **utilisation: from 82% to 72%**

Source: EU Commission

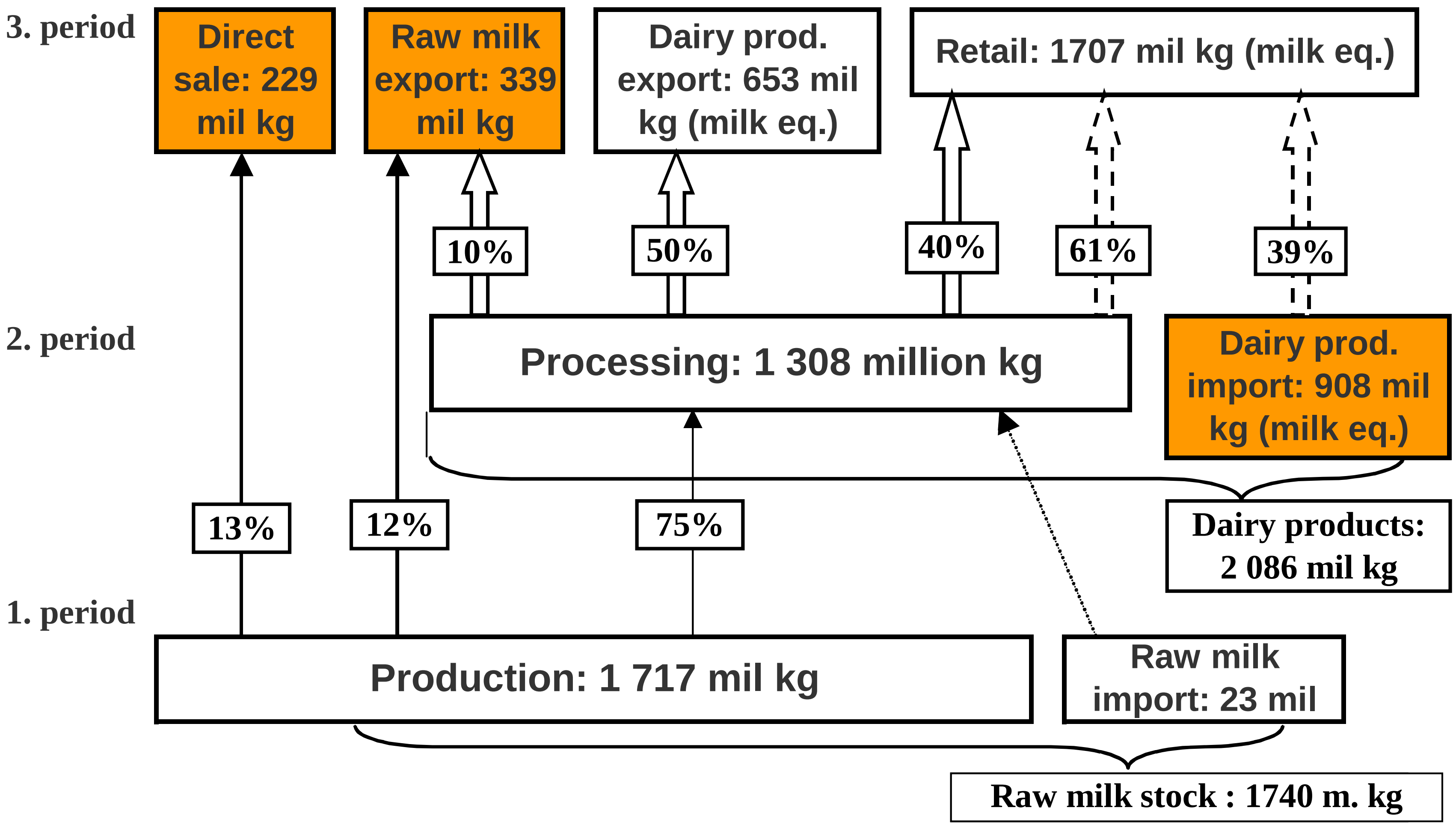
Utilisation of Milk Quota for Direct Sale

➢Quota for Direct Sale: -6%, Direct Sale: +164%

➢Utilisation: from 15% to 41%

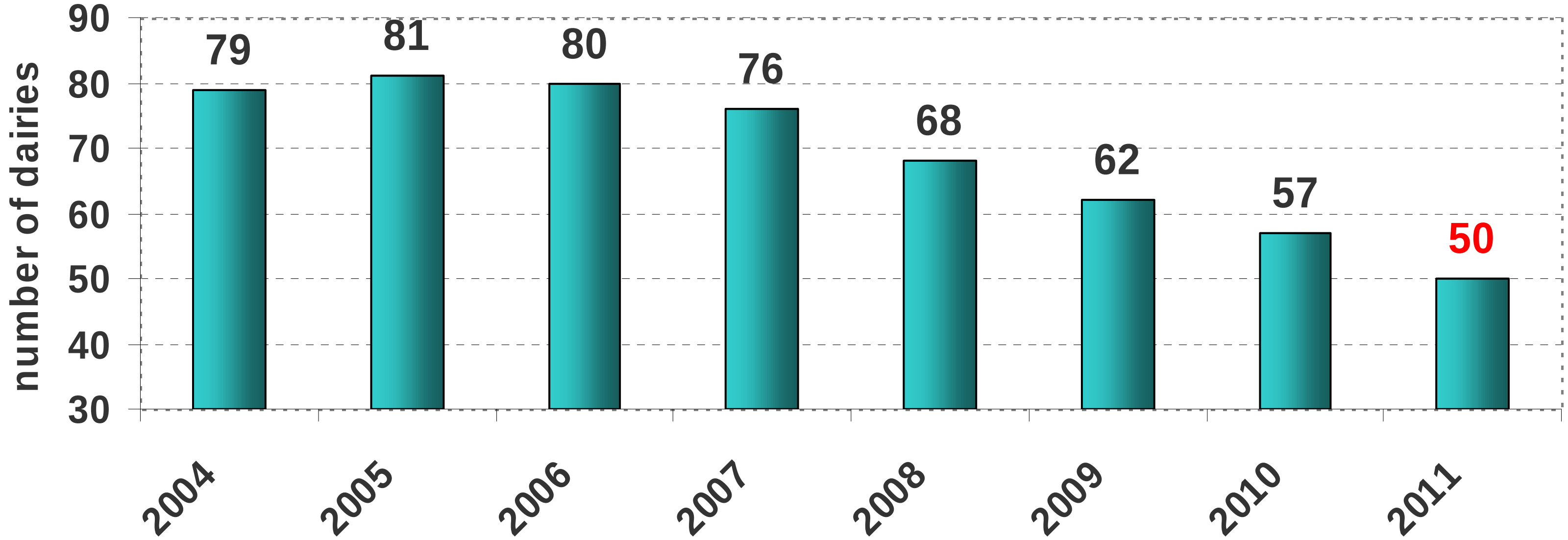
Source: EU Commission

Channel Mapping of the Dairy Sector (2011)

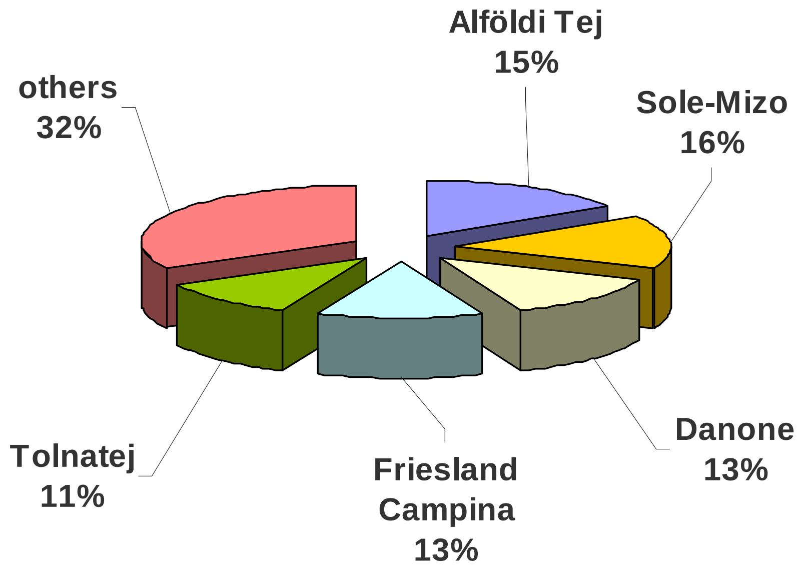


Source: CSO

Processing Industry

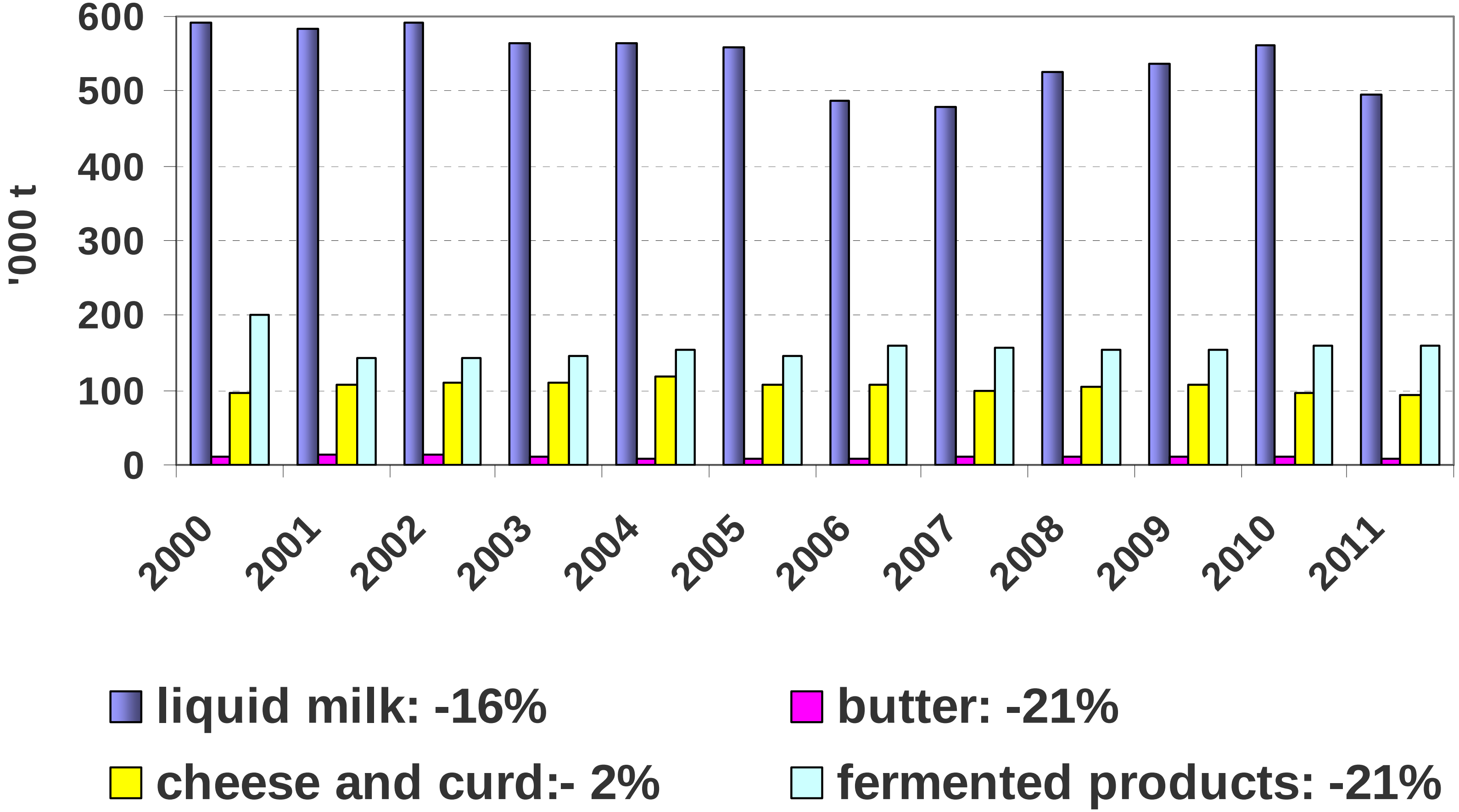


Top 5: 58% of raw milk (2011)



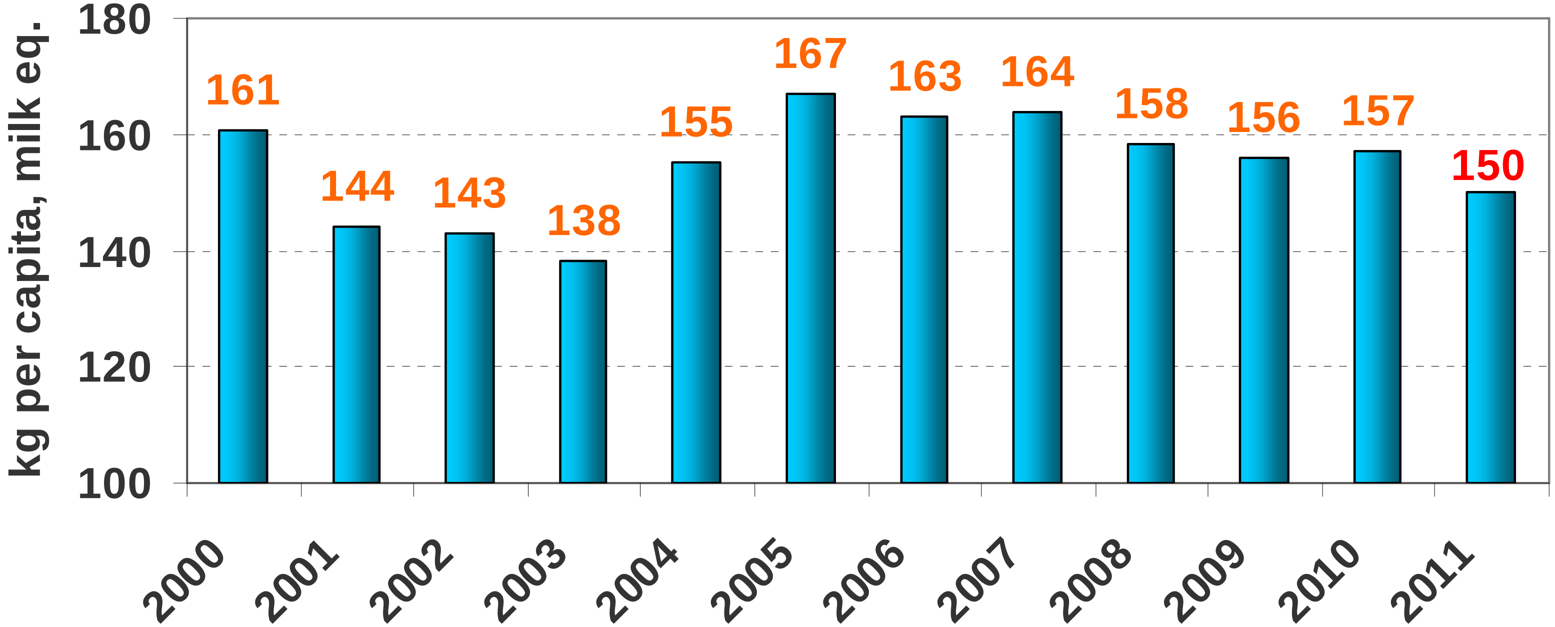
Source: CSO

Dairy Products



Source: CSO

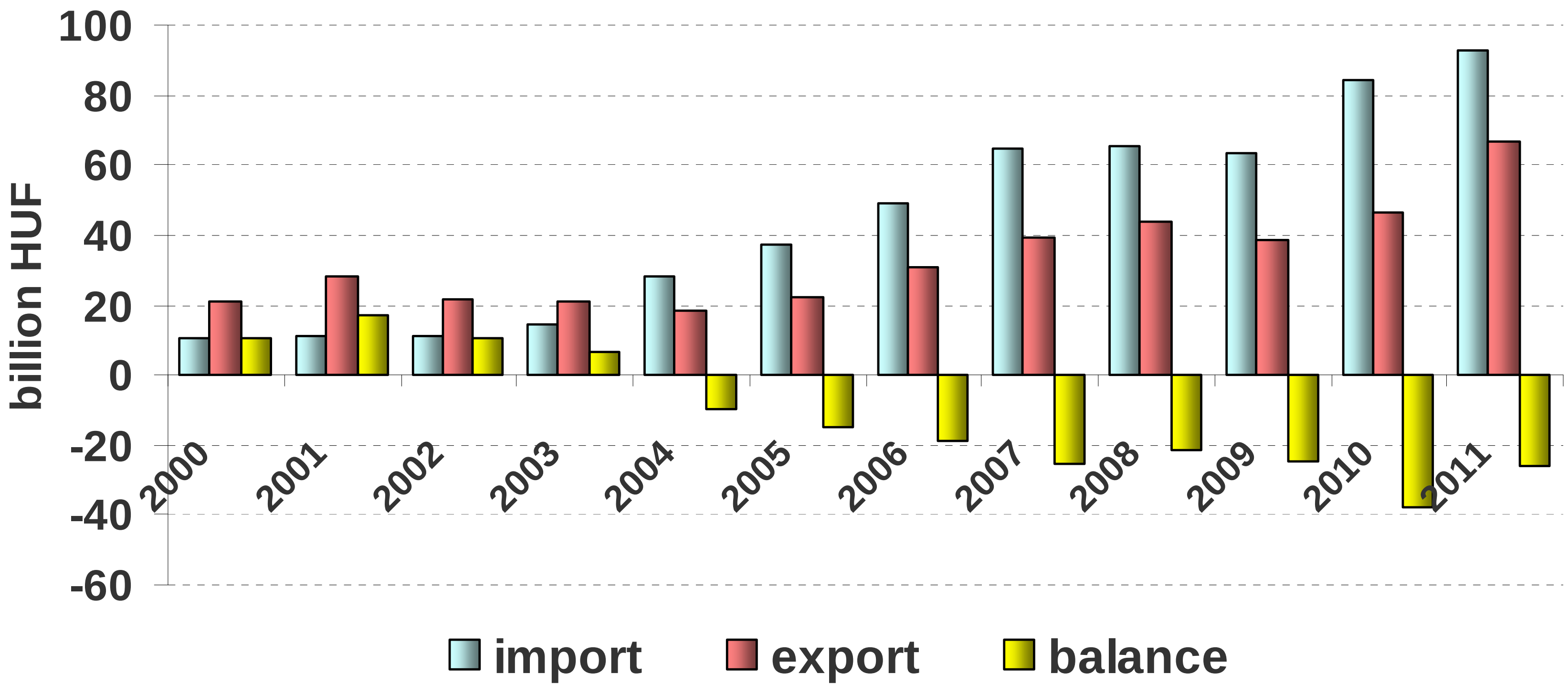
Demand for Milk and Dairy Products



dairy products (kg/capita), 2011	liquid milk	fermented products	butter	cheese
Hungary	51,9	11,9	0,8	5,4
Poland	42,4	7,8	4,2	1,4
EU-27	64,8	18,6	3,9	17,8
HU/POL	1,22	1,53	0,19	0,47
HU/EU-27	0,80	0,64	0,21	0,30

Source: CSO, ZMB

Dairy Trade

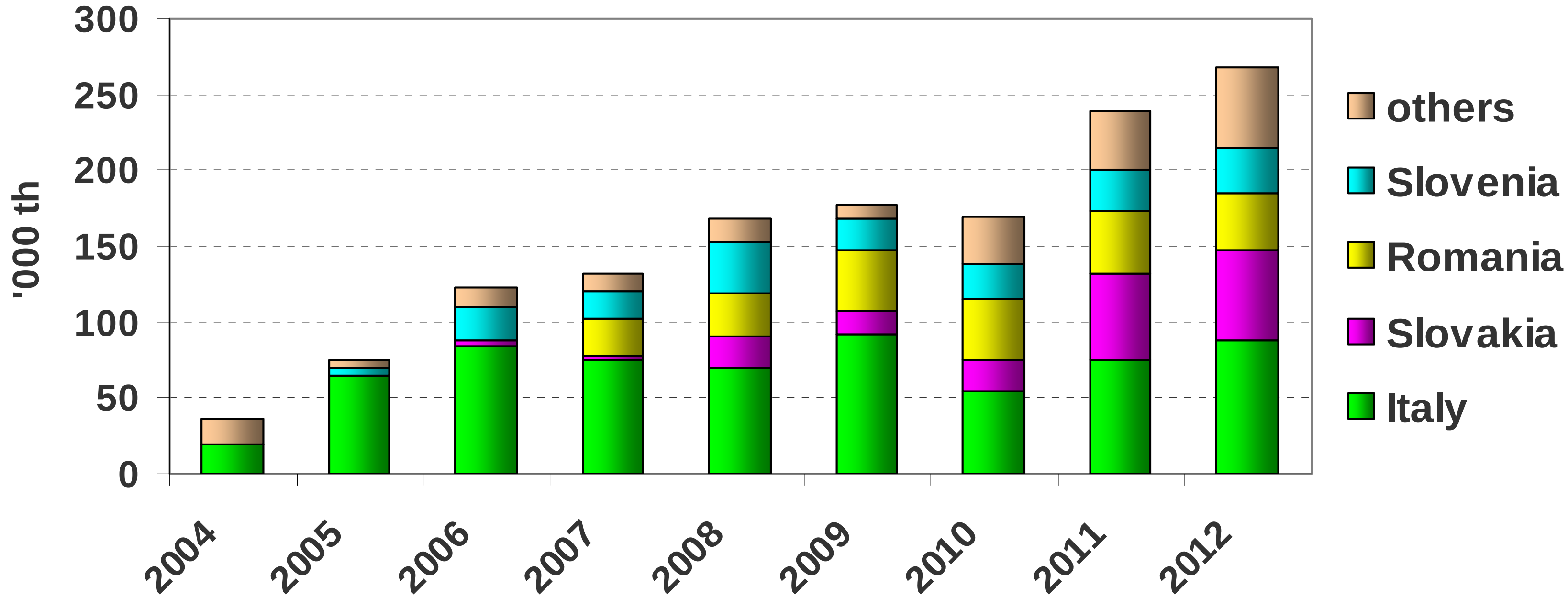


- ➢Import: high valeu added dairy products (cheese and curd, fermented products)
- ➢Export: raw milk
- ➢Liquid milk, both import and export

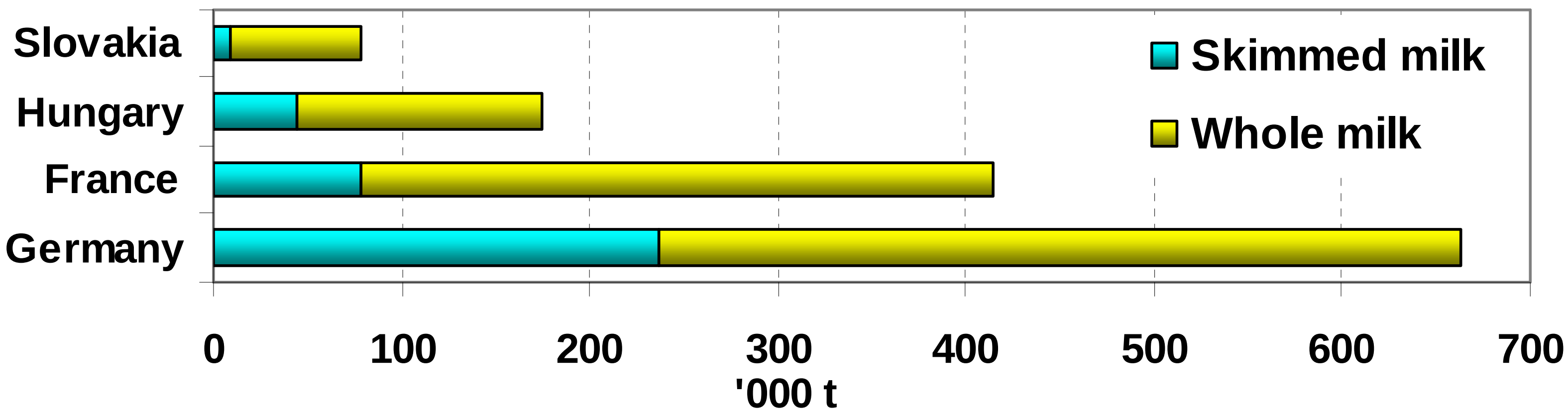
Source: CSO

Export of Raw Milk

Hungarian raw milk export

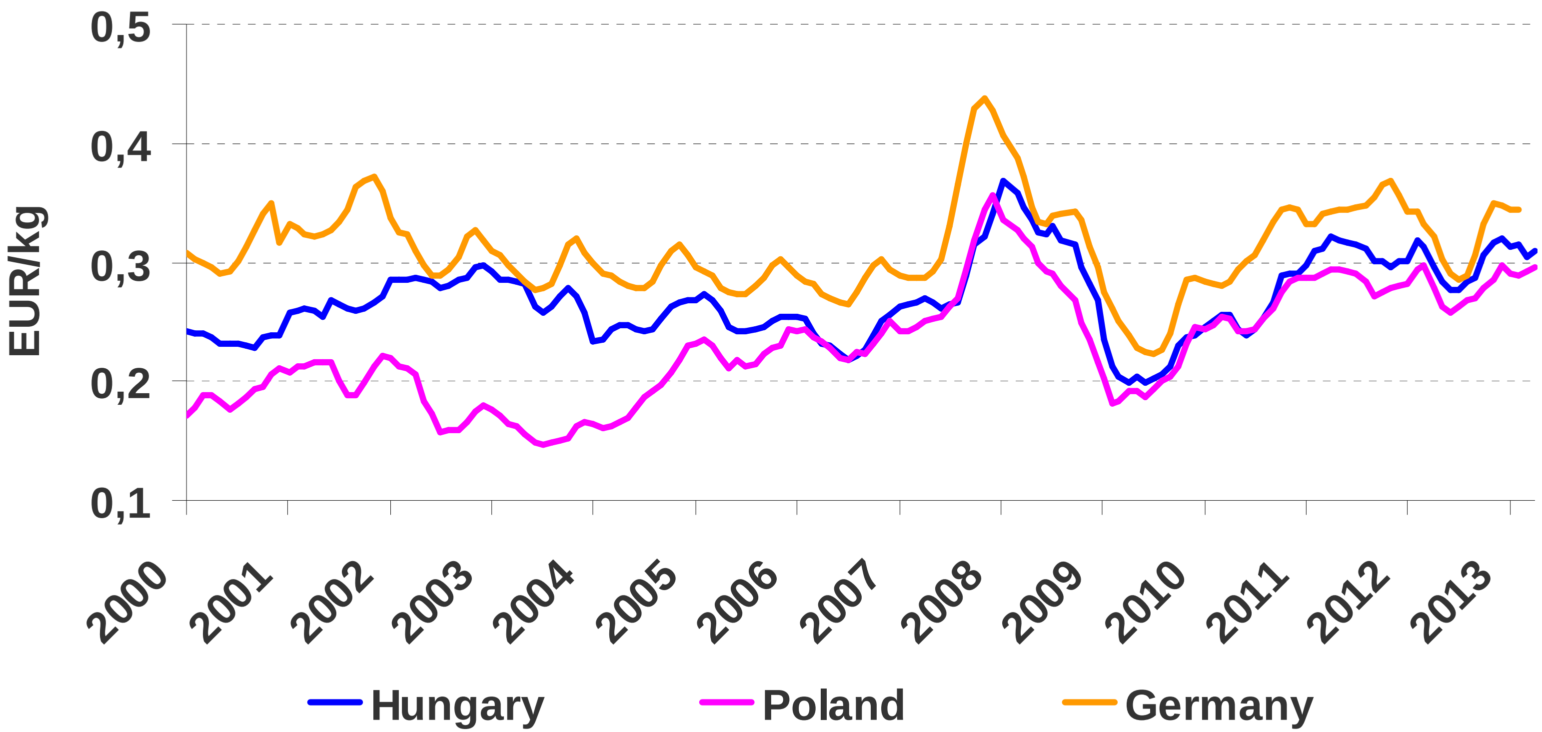


Main raw milk exporter to Italy (2012)



Source: AKI PÁIR, CCIAA di Lodi

Milk Producer Price



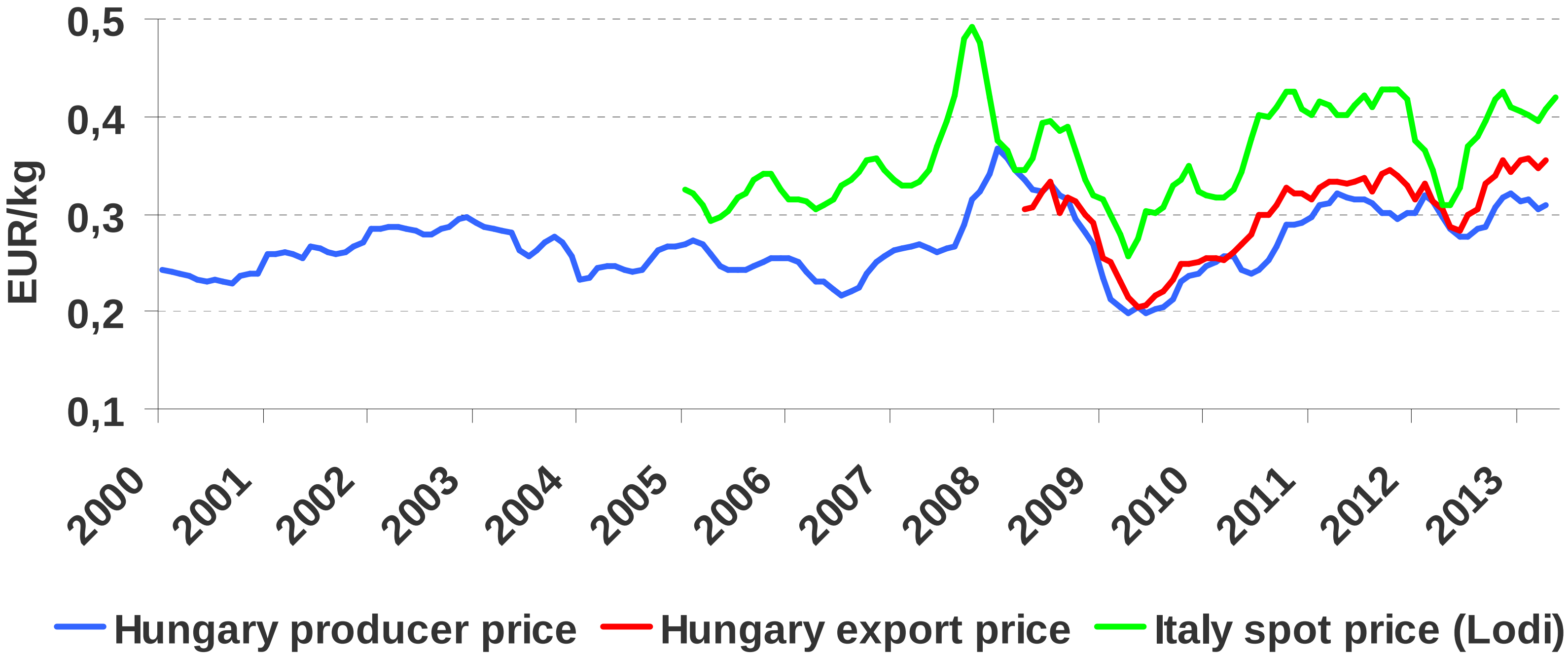
➢**2004: abolishment of the national price support system ⇒ price decrease**

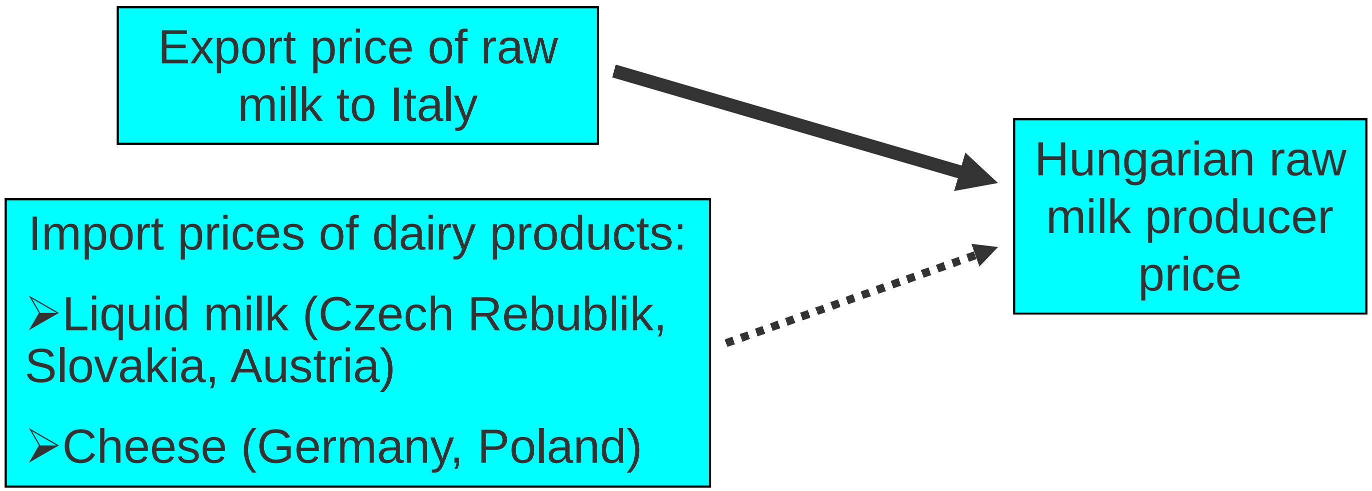
➢**2007-2009: Milk Crisis ⇒ after record level –30%**

➢**since 2009: increasing price and favourable outlook in medium term**

Source: AKI-PÁIR, GUS, BLE-BMELV

Export Price of Raw Milk

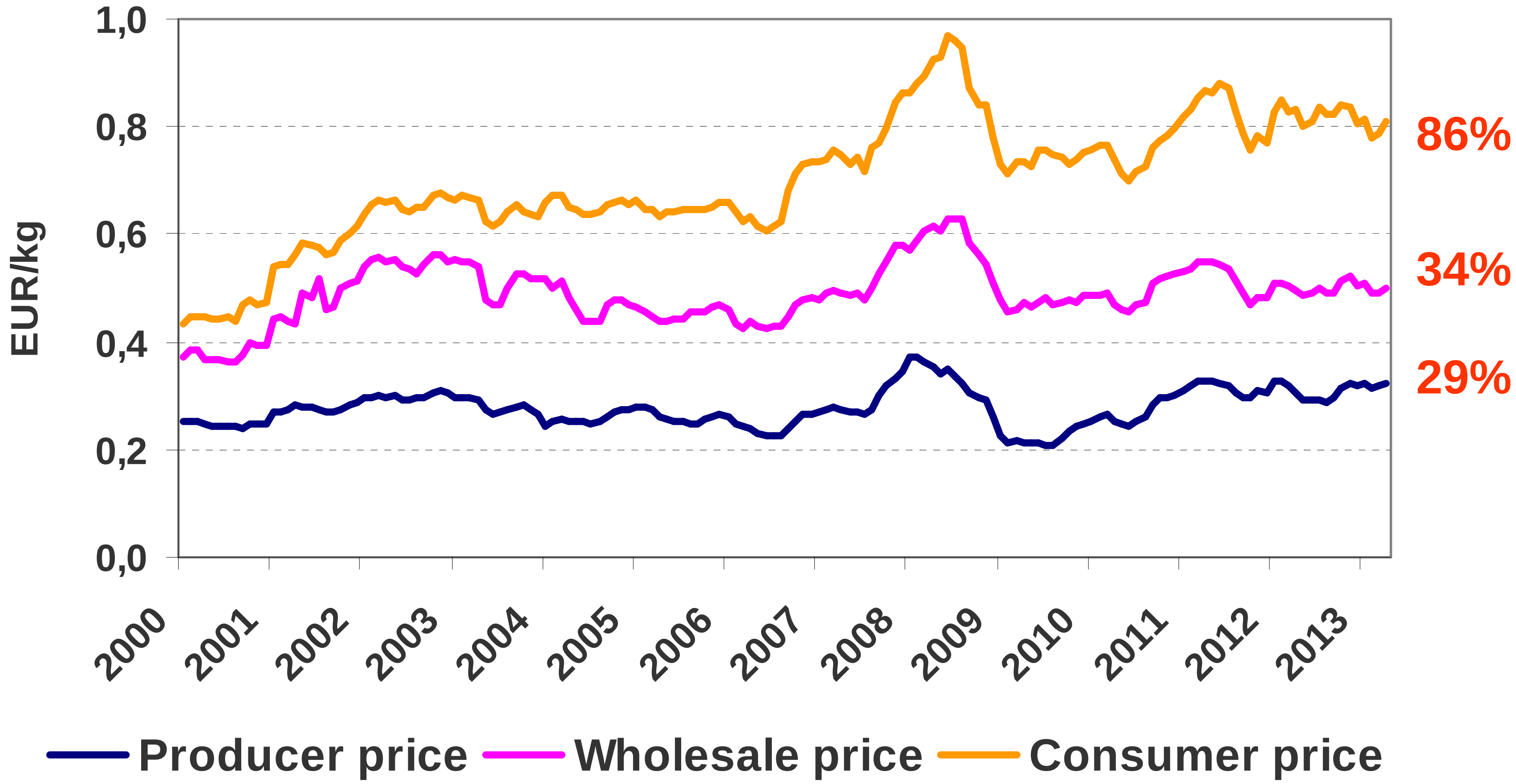




Source: AKI PÁIR, CCIAA di Lodi

Producer, Wholesale and Retail Price

Raw milk, liquid milk (2,8%)



Source: AKI PÁIR, ZMP-Kempten, GUS-ARR

Conclusions

Advantages:

- high support of milk production
- concentrated production, high milk yield
- raw milk export (Italy)
- favourable milk price development

Disadvantages:

- relatively high production costs (especially feed)
- growing import of high value added dairy products
- low domestic milk consumption (especially cheese and butter)
- low competitinevess of processing (efficiency, technology, innovation)

⇒ Challange: effects of the abolition of the milk quota regime

Source: CSO

Dziękuję za uwagę!