

Sugar sector in Hungary



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Sugar factories in Hungary

Location	Funded	Closed
Mezohegyes	1889	1997
Ercsi	1910	1997
Sarkad	1912	1998
Selyp	1889	1999
Sarvar	1895	1999
Acs	1871	2002
Hatvan	1889	2004
Kaba	1979	2006
Szolnok	1914	2007
Petohaza	1880	2008
Szerencs	1889	2008
KAPOSVÁR	1892	?
Somewhere	2016?	

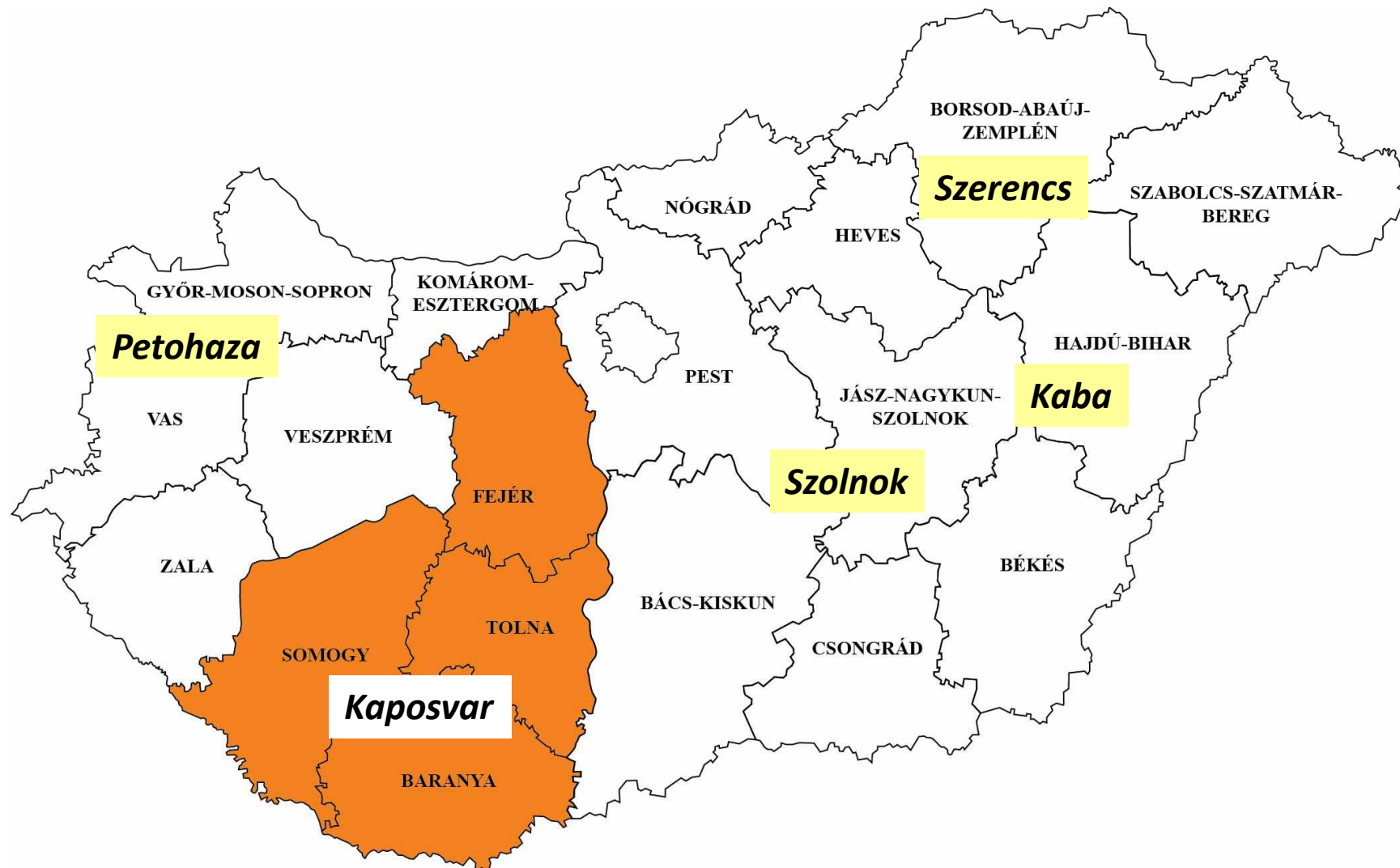
Location of Sugar factories in 2006



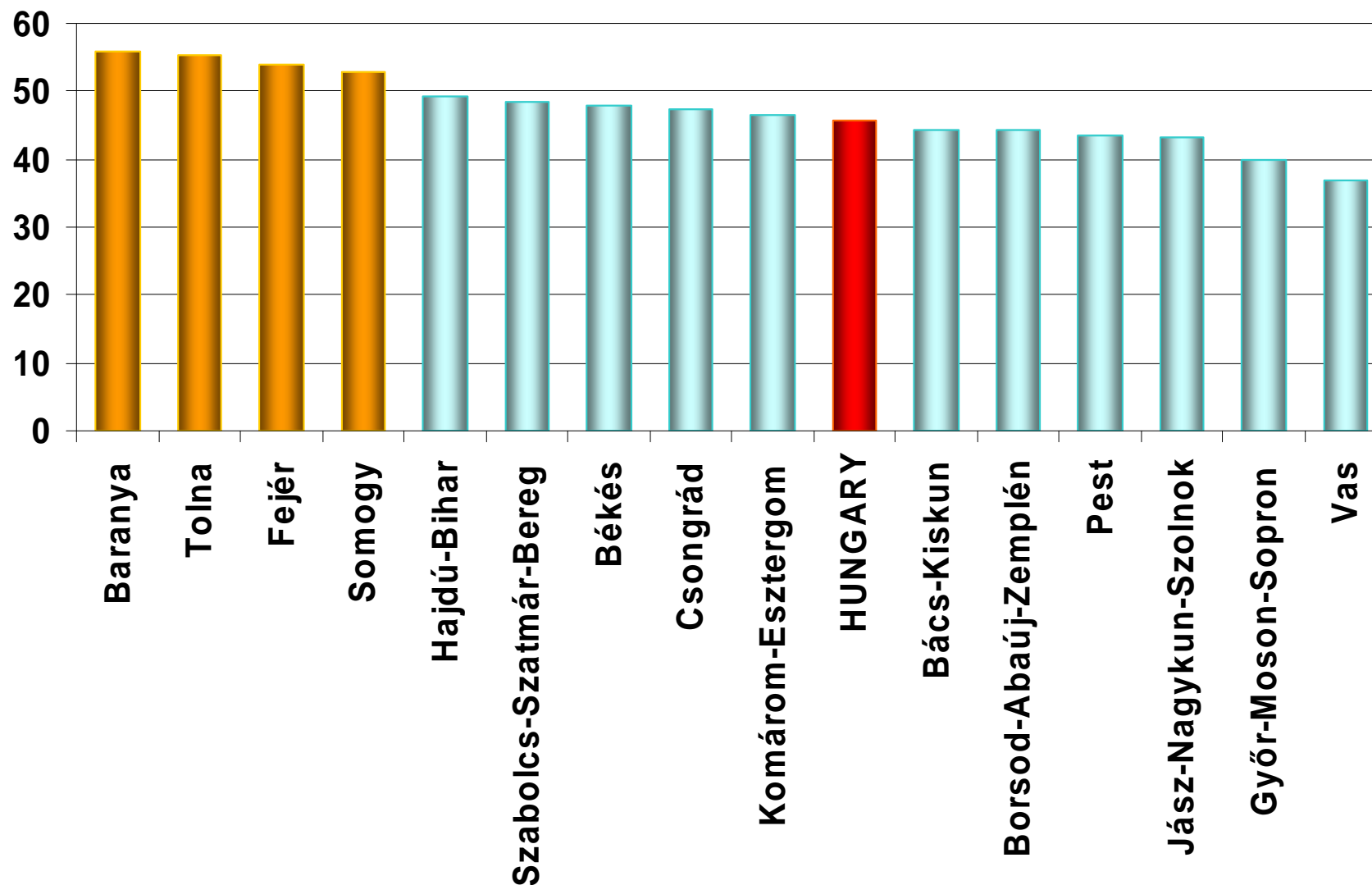
Impact of the sugar reform

- **5 Factories** from 2004, with quotas of **400 th. tonnes**
- Eastern Sugar closed Kaba in 2006
- Agrana closed Petohaza, Nordzucker closed Szolnok in 2007 (47-47 tonnes quota cut) to **reach 50% cut.**
- Nordzucker was forced by the farmers to close Szerencs in the spring of 2008
- **Kaposvar**, the smallest factory **remained**, has been upgraded, modernized, with a **quota of 105 th. tonnes**
- **75,01 %** of the qouta has been renounced
- 706 producers (and integrators) have been compensated, receiving over to **1500 euro (500 th. Ft) per ha.**

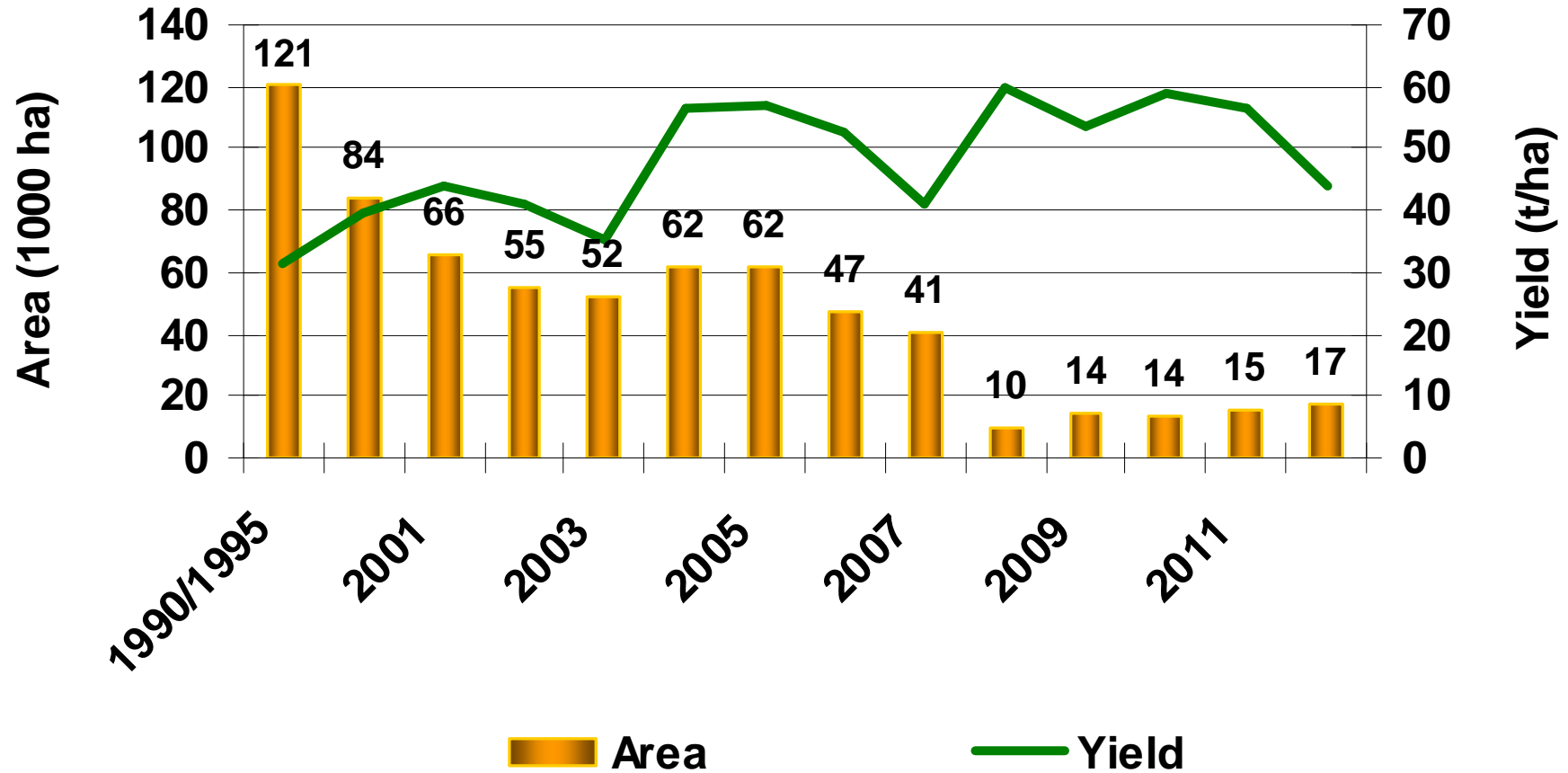
Location of Sugar factories in 2006



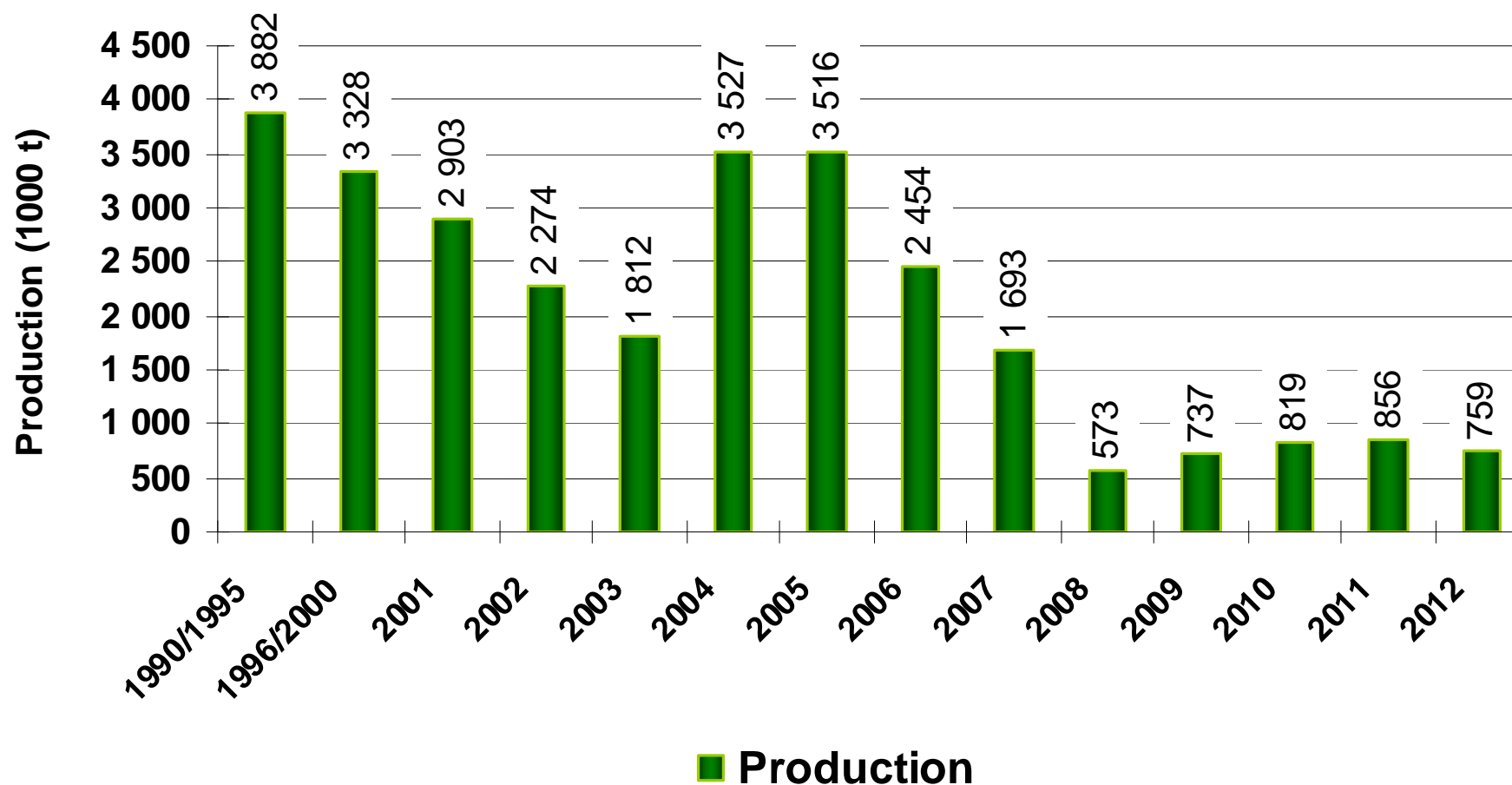
Sugarbeet yield of the major producing counties in the average of 2000-2006 (t/ha)



Sugar beet area and yield 1990-2012



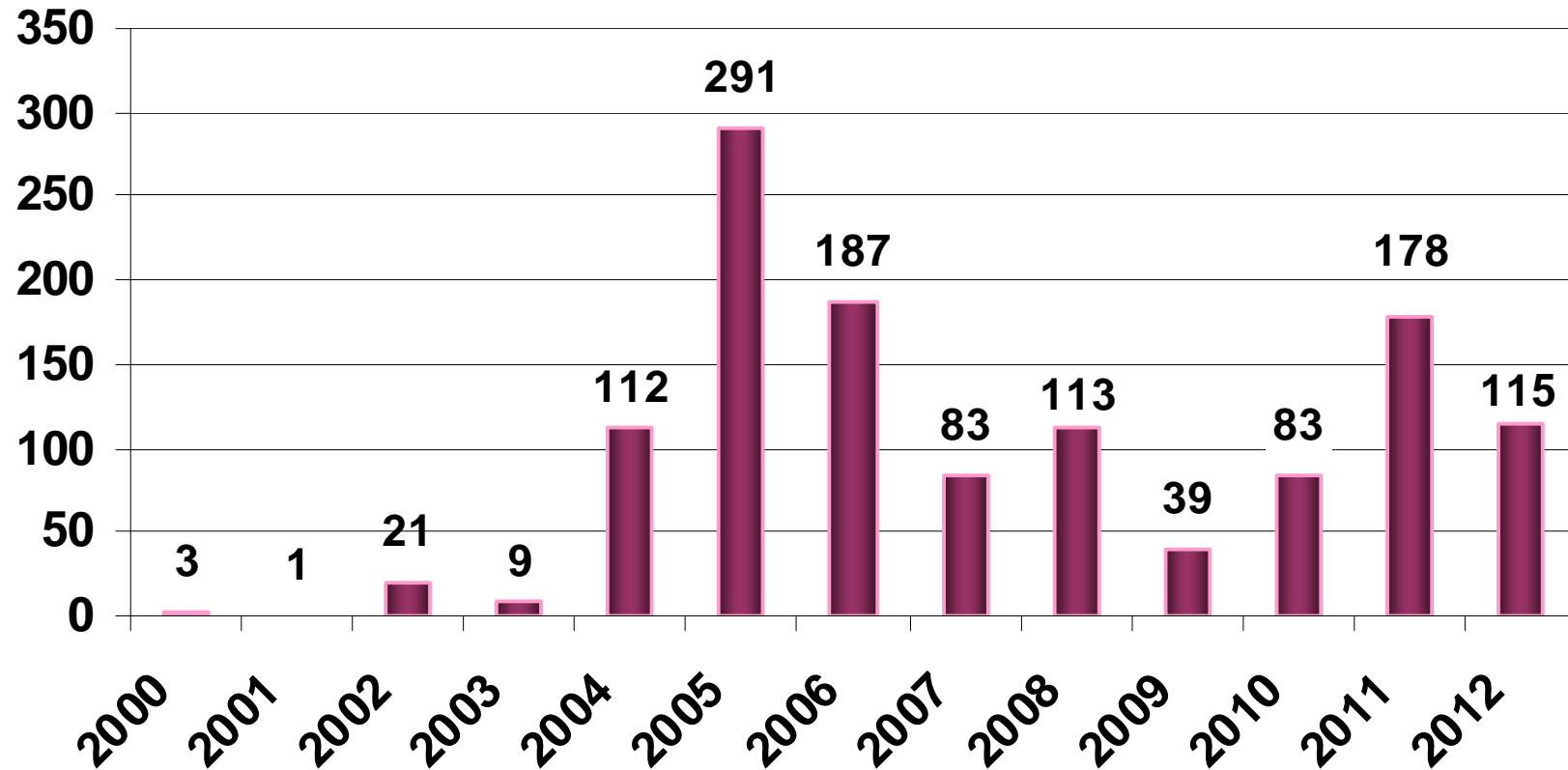
Sugar beet production 1990-2012 (1000 t)



Main features of beet production

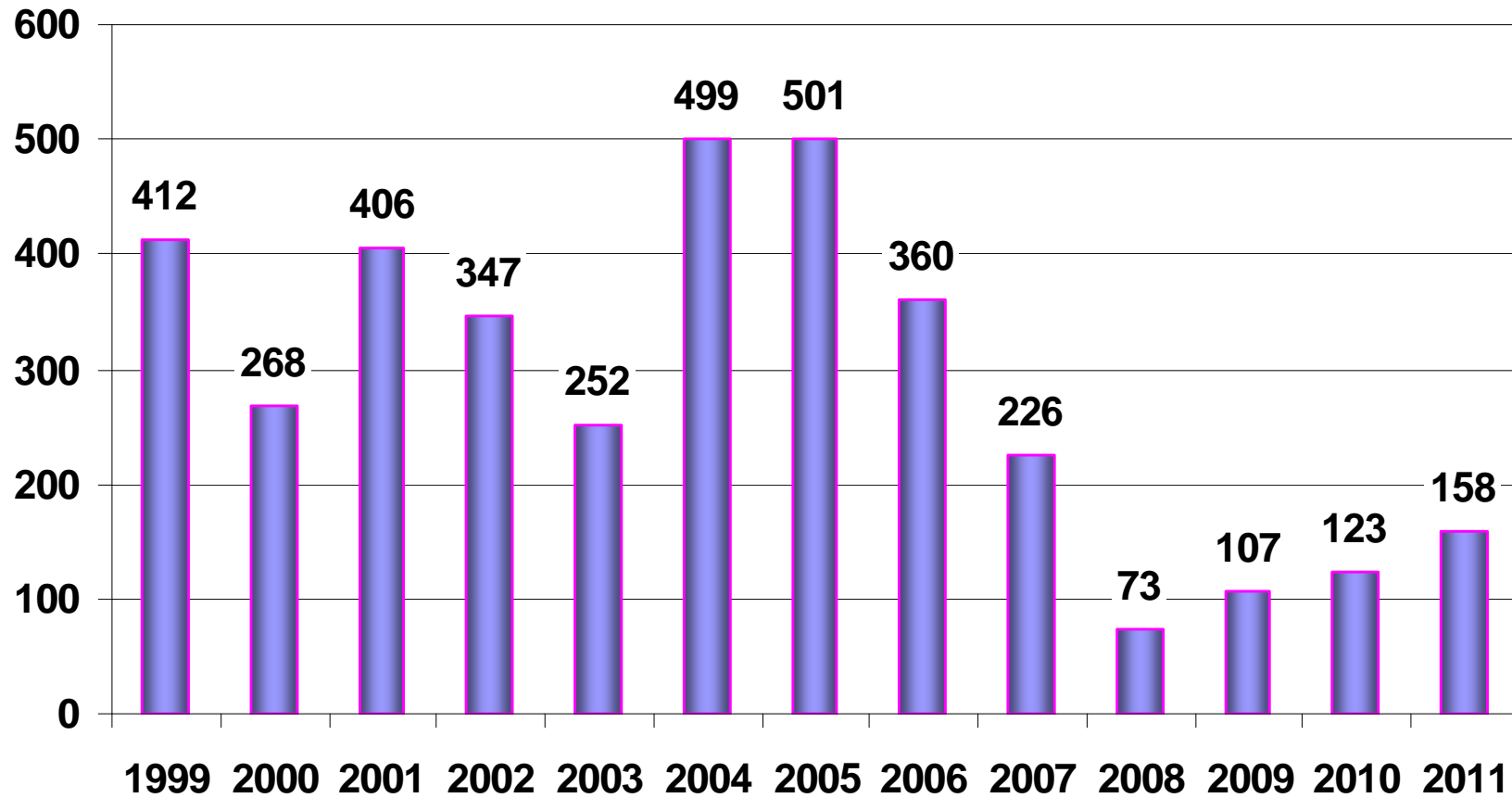
Year	Beet production t (16%)	Digestio %	Sugar yield t/ha	Green sugar production 1000 t	Number of growers	Average area ha
2000	2 010	16,1	4,9	268		62,7
2001	3 095	15,7	6,3	425		
2002	2 386	15,3	6,2	341		
2003	1 813	15,6	5,9	283		
2004	3 459	15,9	8,5	550		
2005	3 441	15,9	9,4	551		73,4
2006	2 565	17,0	8,4	421	760	
2007	1 537	15,8	6,8	246		53,4
2008	470	17,1	11,5	75		
2009	745	16,6	8,7	119	225	85,6
2010	796	15,0	9,6	127	231	57,1
2011	844	17,1	10,7	135	239	58,3
2012	847	16,0	7,7	135	216	67,4

Sugar beet exports (1000 tonnes)



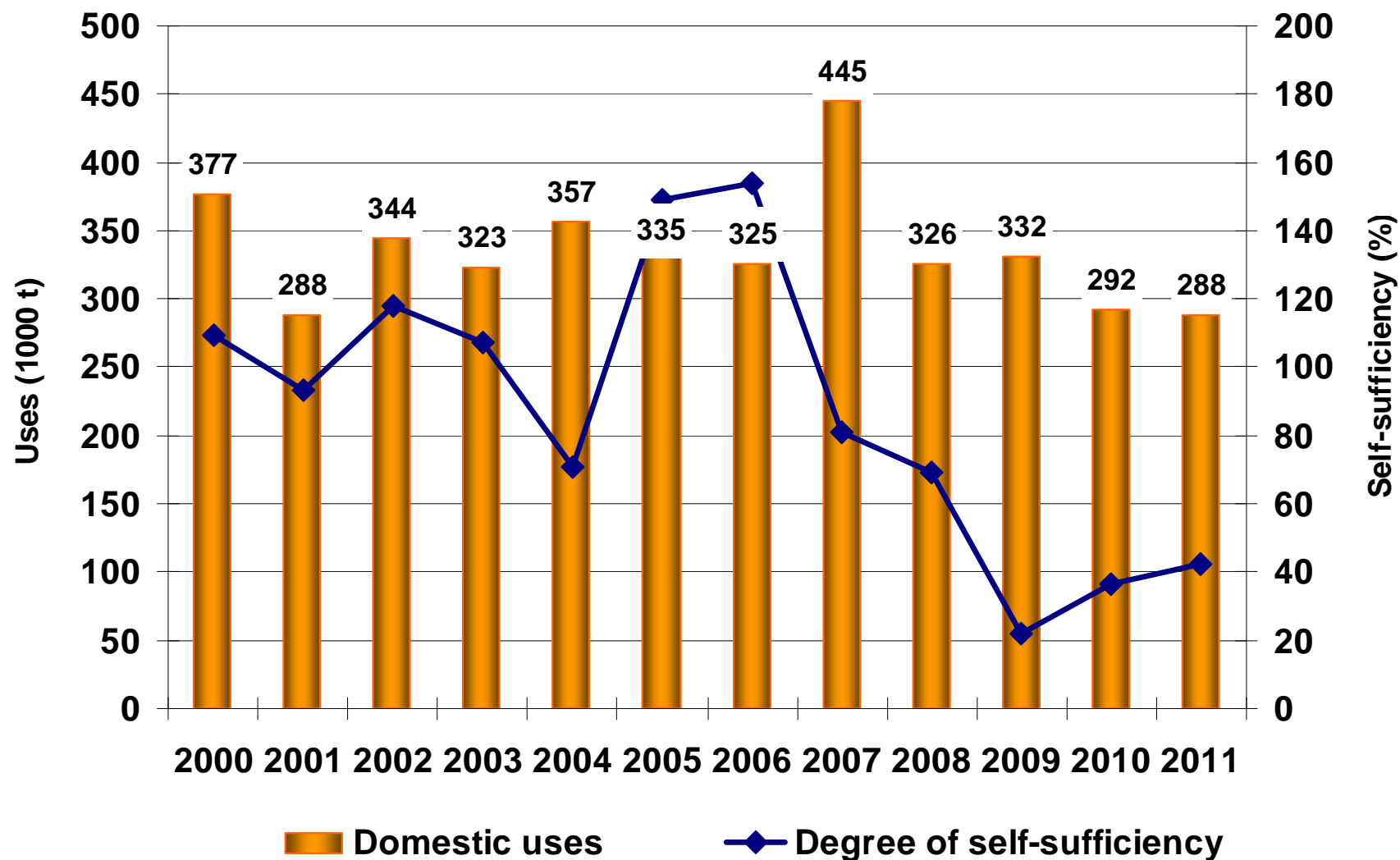
Recently the destination of beet exports is exclusively Croatia

Sugar production by marketing years (1000 tonnes)

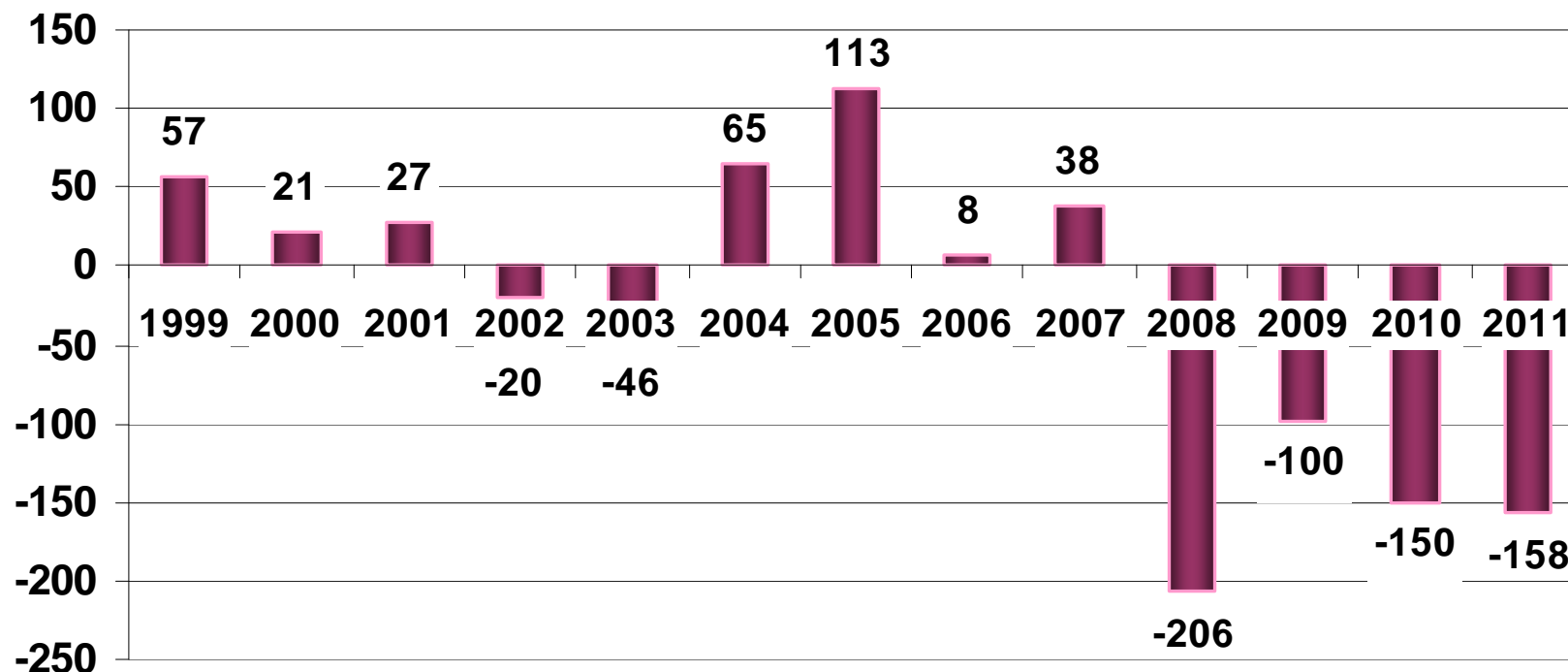


Total capacity of the 5 formel plants would enable to produce 600 th. tonnes

Sugar uses (1000 t) and self sufficiency (%)

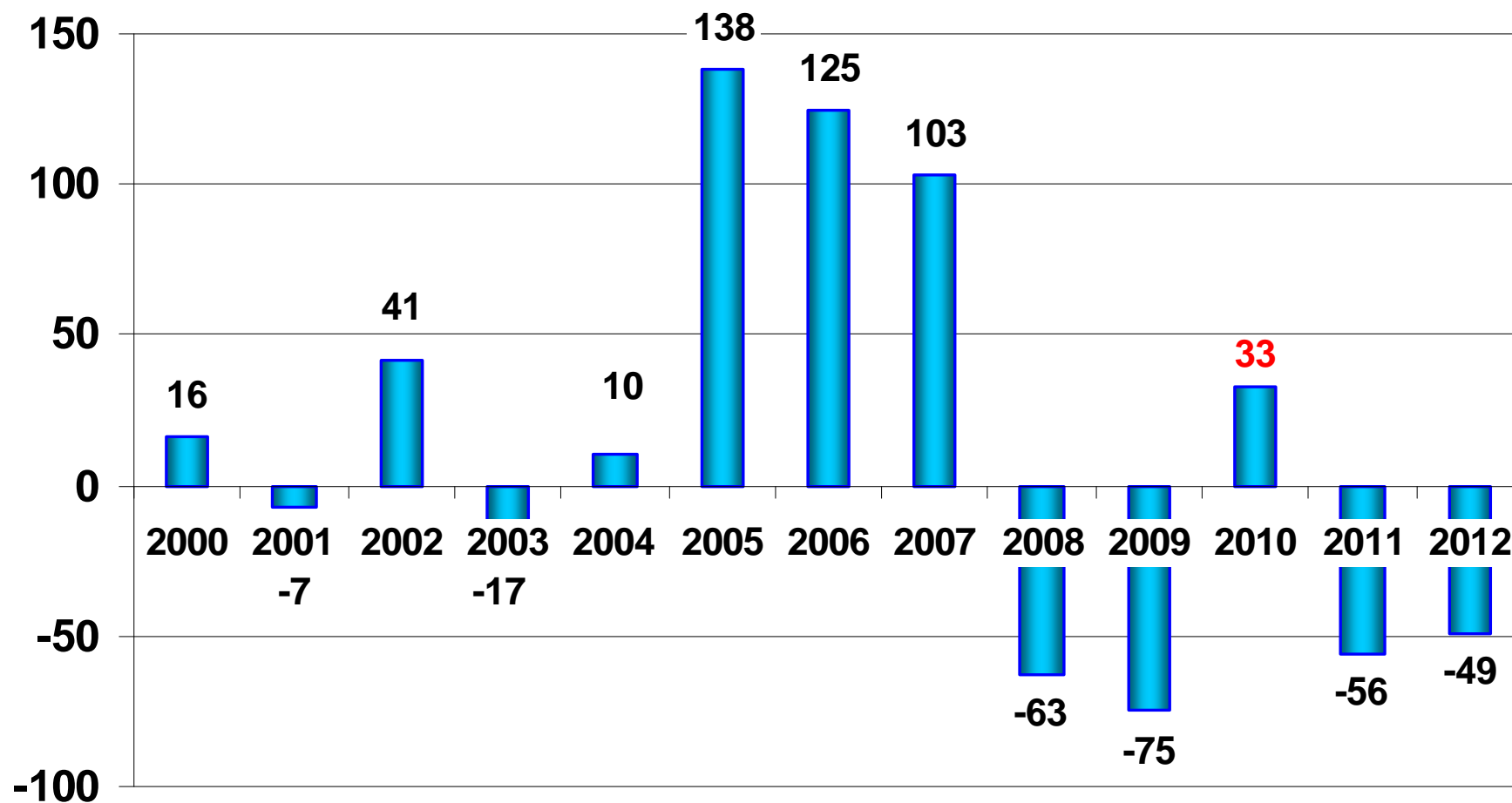


Trade balance by marketing years (1000 tonnes)



**Based on Supply Balance Sheet data of Eurostat
(marketing years – 2011 stands for 2011/2012)**

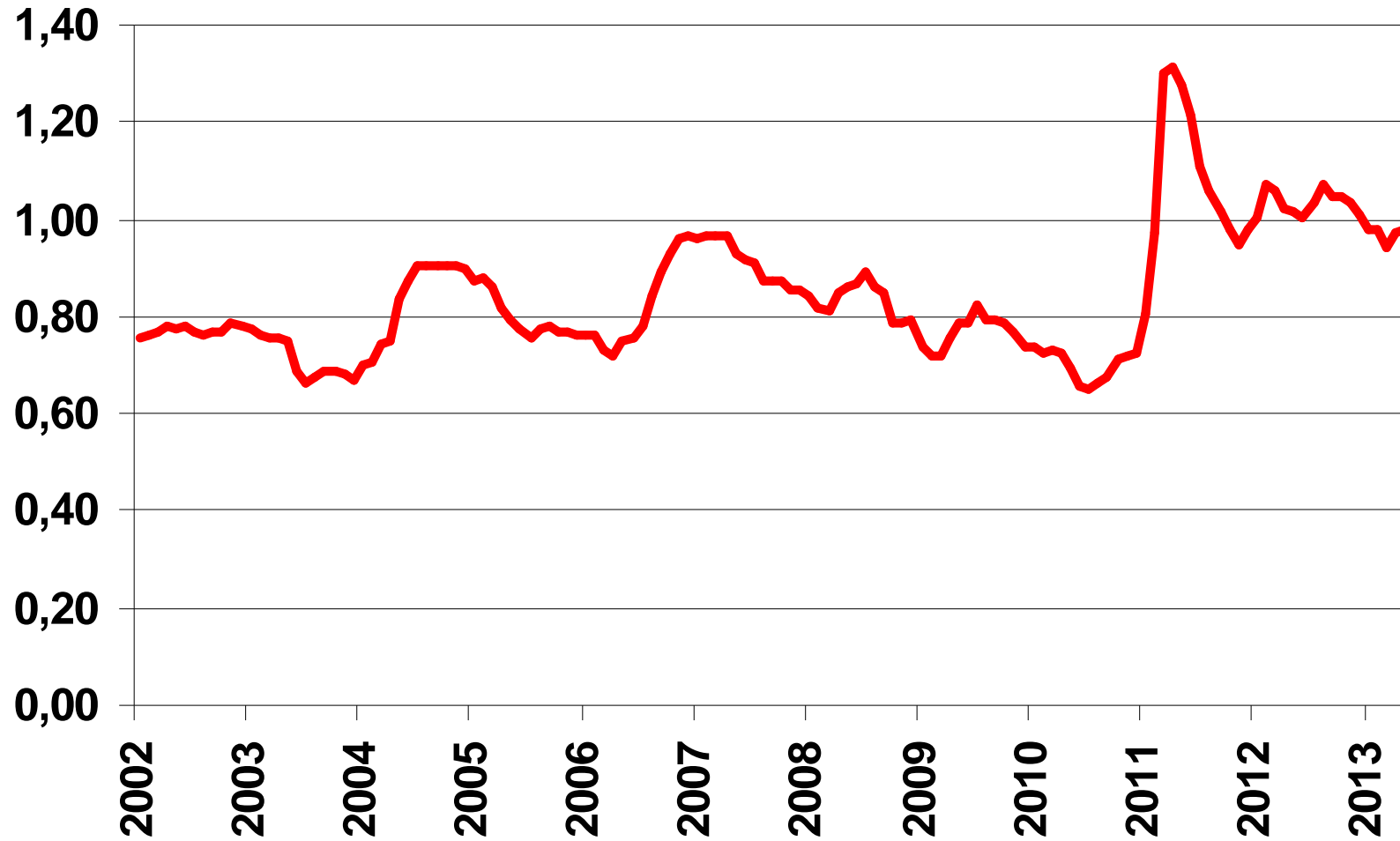
Trade balance by calendar years (1000 tonnes)



Estimation of sweetening uses in Hungary (1000 t)

- **Total consumption around 380**
- Isoglucose domestic use 100
- Isoglucose exports 100
- **Total beet sugar use 280**
- Beet sugar use by Households 140
- Beet sugar use by Industry 140
- Beet sugar production 100-150
- **Net imports necessary 130-180**

Consumer price of sugar (euro/kg)



Note: VAT for sugar is 27%

Source: CSO

Producer prices of sugar beet (euro/t)

	2008	2009	2010	2011	2012	2013
Minimum beet price	27,83	26,29	26,29	26,29	26,29	26,29
Production levy	-0,81	-0,81	-0,81	-0,81	-0,81	-0,81
Net price of beet	27,02	25,48	25,48	25,48	25,48	25,48
Premiums	4,10	4,10	0,75	?	?	?
Subtotal	31,12	29,58	26,23	?	40,00	?
National subsidies	10,58	11,10	11,10	?	11,10	X
Total	41,70	40,68	37,33	?	51,10	?

Costs and income of sugar beet production

Denomination	Unit	2007	2008	2009	2010	2011
Gross output	euro/ha	1 696	2 760	2 260	2 670	3 507
Average selling price	euro/t	31	31	30	29	42
Direct state subsidies	euro/ha	315	749	540	882	916
Total revenues	euro/ha	1 532	2 012	1 720	1 768	2 624
Total direct variable costs	euro/ha	607	513	638	647	652
Machinery costs	euro/ha	135	132	121	107	119
Cost of machinery services	euro/ha	196	248	263	455	478
Total costs	euro/ha	1 349	1 318	1 447	1 634	1 655
Gross margin	euro/ha	1 089	2 247	1 623	2 088	2 855
Profit of the enterprise	euro/ha	347	1 443	814	1 101	1 852
Unit cost of the main product	euro/t	30,4	20,6	24,8	25,6	27,1

Hungarian position concerning the end of quota system in the EU

- **Hungary is against abolishing of quota system**
- **Hungary claims to raise quota to the level of self sufficiency**
- **Option: Abolishing quota system – uncertainty**
- **Option: Raising isoglucose quota**

Reaching self sufficiency

- Kaposvar can not be extended
- Isoglucose domestic use has reached its limit
- Refining raw cane sugar is not an option
- **New beet sugar plant is needed (200-400 mill. euro)**
- Service life of a new plant is over 20 years
- **Conditions:**
- Beet at a reasonable price over breakeven point
- Subsidies for machinery and irrigation
- High World and EU sugar prices
- EU sugar regime – Trade policy, Quota after 2020?
- Threats 1: Free trade agreements with Mercosur, USA
- Threats 2: Ceasing biofuel policy

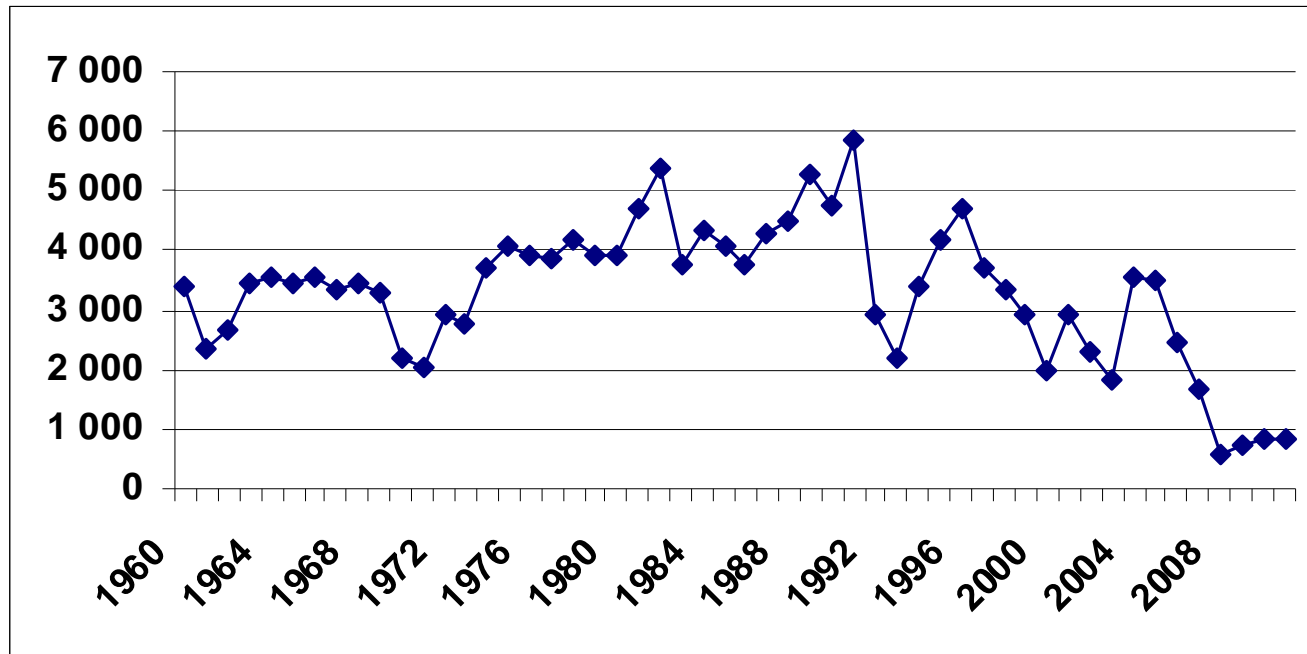
Dziękuję za uwagę!

Costs and income of sugar beet production

	Denomination	Unit	2007	2008	2009	2010	2011
1.	Gross output	euro/ha	1 696	2 760	2 260	2 670	3 507
2.	Average selling price	euro/t	31	31	30	29	42
3.	Direct state subsidies	euro/ha	315	749	540	882	916
6.	Total revenues of the enterprise	euro/ha	1 532	2 012	1 720	1 768	2 624
7.	Cost of seeds and propagation materials	euro/ha	185	147	153	154	154
8.	Cost of artificial fertilisers	euro/ha	115	155	192	171	162
9.	Cost of pesticides	euro/ha	280	180	278	314	323
16.	Total direct variable costs	euro/ha	607	513	638	647	652
18.	Machinery costs	euro/ha	135	132	121	107	119
20.	Cost of machinery services used	euro/ha	196	248	263	455	478
21.	Cost of labor	euro/ha	79	47	53	71	71
22.	Social security and health insurance	euro/ha	24	15	16	20	18
23.	Rental fee	euro/ha	97	106	89	125	141
24.	Depreciation	euro/ha	81	115	116	61	48
27.	Indirect costs of the holding	euro/ha	95	130	145	128	115
28.	Total costs	euro/ha	1 349	1 318	1 447	1 634	1 655
29.	Gross margin	euro/ha	1 089	2 247	1 623	2 088	2 855
30.	Profit of the enterprise	euro/ha	347	1 443	814	1 101	1 852
31.	Unit cost of the main product	euro/t	30,4	20,6	24,8	25,6	27,1

Source: AKI

Sugar beet production 1960-2012 (1000 t)



**Maximum area:
1991: 161 th. ha**

**Maximum yield:
2008: 60 t/ha**

**Max.
production:
1991: 5,87
million
tonnes**

Trade balance by marketing years (1000 tonnes)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Exports	25	8	67	30	56	187	211	180	196	153	277	234	280
Imports	9	15	25	48	46	49	86	77	259	227	244	291	329
Balance	16	-7	41	-17	10	138	125	103	-63	-75	33	-56	-49