

The Situation of the Sunflower Seed Production in Hungary Before the EU Accession

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SUMMARY

However, the sunflower seed production was not free of problems in the '90ies in Hungary; it is unquestionable, that this enterprise suffered the least, The transformation has affected the producers dramatically here, to; especially due to the privatisation of the background industry. After the bottom of the years 1992 and 1993, the sunflower seed production was more or less balanced, which lasted as long as the year 1997, when unfavourable weather and pest control problems occurred. Since that time, a continuous problem in profitability was experienced; and due to its effect on the industry, a harmonic balance typical for the middle of the century cannot have rebuilt, yet.

The most serious problems are caused by the cumulative agritechnical lags. One main source of it is the shortage of capital; the other is the lack of sufficient knowledge. Therefore, the lack of necessary plant protection and fertilization, , own produced poor seeds instead of quality seeds are used. The lack of the knowledge can be explained by the too small size of the farms, thus e.g. a necessary crop rotation is not applied in many cases.

The competitiveness of the enterprise can only recover more conditions of the production will change at he same time. Not only the yields should increase, but the agritechnical conditions should be improved. By the time of the EU accession, an average yield of 2.0 to 2.2 tons per hectare will have been necessary to reach in order to stay competitive and profitable with increasing input prices.

Still before the EU accession and afterwards, much greater changes and conflicts are expected in the agriculture than in the industry. As these changes will start from the basis of the production, information should start to be given to the farmers and producers right now. Only this will help them understand and view the new system and the new conditions.

One of the major challenges of the accession is to improve and harmonise the conditions of the agricultural production, not only in legal but economic terms, as well. This means that the Hungarian level should reach that of the EU in terms of producer prices, direct payments, and profitability and even in consumer prices and wages till the accession.

After the troubles of the past years, the preparations for the EU accession raise the questions and tasks of modern management, complex development, quality production and competitiveness. According to the planned four to five years of lining up and technical modernisation, the double of the current annual payments and investments is needed. Along with the overall improvement of the economic conditions, the uncompetitive small farms, the shortage in income and source, which limits the quality and the volume of the production and the lack of the integration, which sets back the production, processing and trade can not be liveable any more.

KEY WORDS

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THE VOLUME OF THE SUNFLOWER SEED PRODUCTION IN HUNGARY AND ITS CONCENTRATION

According to the producing land (10 per cent of the total crop producing land), the sunflower is the third most important plant in Hungary. The success of the production is hugely related to that the crop rotation is applied (within five years, sunflower can not be produced after itself); therefore the current size of the production – taking the structure of the crop production into account in Hungary – is about equivalent with the agronomically favourable upper limit. A significant increase of the producing land is not possible if the crop rotation is kept.

The climate, the soil and the ecological conditions enables to produce yields around 2.0 to 2.2 tons per hectare. The conditions of the Transdanubian region are somewhat better than that of the Great Plane. The production is the least successful in the northern counties (Table 1).

The average yield of 1.22 tons per hectare of the year 1997 reflects on serious problems in the sector. From one side, the weather was unfavourable, which can have been hardly influenced; though the greatest problems were caused by the cumulative agritechnical lags, such as wrong crop rotation and practice of sowing, lack of macro and micro elements and nutrients in the soil, wrong pre-culture, poor pest control and the use of own produced seeds.

The pest control and agritechnique of the sunflower production need a strict isolation. Its success however is closely related to the land size.

Around 60 to 70 per cent of the produced sunflower seed is bought by the Cereol Növényolajipari Plc, which is the only one applying warm extrusion. Relatively small amount, about 5 per cent is cold extruded by the small plants in Hungary, and 25 to 35 per cent goes to export. (Viatte, G. et al. 2001.)

According to the technical background of the production, our lag is significant to the EU countries, which can be seen in the level of the machinery rather than the equipment endowment. In the sector, the old, primarily Russian machinery is dominating,

which has poor working quality and reliability and their huge energy demand is not competitive in the modern needs of agritechnique and environment. Till the accession, our disadvantages to the European countries can only be eliminated with extreme investments. Despite of the relatively high prices, the income of the domestic producers does not cover the demands of the technical investments.

TASKS BEFORE THE EU ACCESSION

Similarly to other sectors, the oil plant producers have experienced a polarisation, which was induced by the shortage in capital endowment and professional knowledge. The Hungarian producers have fewer and poorer quality equipment than the European farmers. The current level of the agritechnique and technology is low to be competitive with the EU producers. Additional sources should be found to reduce our lags in the technical endowment and finance the modern investments. Additional demand of sources arose for pre-financing or supporting the production, and to use quality seeds, chemicals and gas.

In order to improve the professional knowledge of the farmers, the advisory system and the integration should be more effective. In many countries in the European Union, it is a pre-condition of the direct payments that the farmers have professional skills. At the moment, for agricultural production, there are not any requirements on the qualification of the farmers in Hungary. It should be aimed to equalise the differences in the level of the production from the aspect of both the technology and the knowledge of the farmers till the accession.

The organisations of the producers of raw materials have to improve; because these organisations act for the producers' interests in the European Union, act on the industrial lobbies and not least, the EU make the discussions with them. From this aspect, the Hungarian producers are very defenceless.

The ecological conditions are not favourable in every region for oil plant production. On very poor lands, even the medium yields are hard to achieve. In these regions, the opportunities for structural changes have to be analysed, and alternatives should be offered on

Table 1. Sunflower seed production by regions in Hungary in 2000

Regions	Harvested land, thousand ha	Total yield, tons	Average yield, kg per ha
Middle Hungary	19.5	31.6	1,620
Middle Transdanubian region	33.6	63	1,870
West Transdanubian region	18	35.4	1,960
South Transdanubian region	24.9	51.2	2,060
Northern Hungary	46.6	62.4	1,350
North Great Plane	87.8	133.1	1,510
South Great Plane	68.4	106.6	1,560
Total	298.8	483.6	1,620

Source: Hungarian Regional Statistical Yearbook, 2000

Table 1. Sunflower seed production by regions in Hungary in 2000

Country	1995	1996	1997	1998	1999	2000	2001
France	2,31	2,19	2,29	2,19	2,34	2,55	2,42
Italy	2,28	2,38	2,02	2,05	2,08	2,11	1,93
Spain	0,54	1,10	1,30	1,14	0,76	1,01	1,07
EU15	1,46	1,65	1,77	1,63	1,58	1,75	n.a.
Argentina	1,96	1,71	1,81	1,68	1,75	1,75	1,67
Russia	1,02	0,71	0,86	0,84	0,83	0,90	0,71
Ukraina	1,42	1,05	1,15	0,93	1,00	1,21	0,94
Hungary	1,60	1,82	1,22	1,68	1,52	1,62	1,96

Source: Eurostat, FAO, KSH

the change in the structure of the production and to ensure the liveability of the local producers.

As sunflower can only be produced economically in large scale, the small lands help neither the effective production nor the profitability. The farmers have to work on concentrating the producing lands, which is EU conform and help create modern conditions for the production. (Mészáros, S. et al. 2000.)

In the EU, the market regulations and the system of the agricultural payments are built on developed infrastructure and institutional background and high level information and control apparatus, which accompany the operation. Accession to direct payments requires accurate data providing and observation of the deadlines defined in the regulations and conditions of the production. The establishment of the data providing and statistical networks required by the EU are blocked by not only technical and financial but legal limits, as well. Several regulations (e.g. on data protection and statistics) should be modified in the parliament in order to collect the information prescribed by the EU and to disburse the direct payments.

The monitoring of the market prices and price tenders, the oil seed processors and the reporting institutions have to be established or integrate in the existing system according to the directions of the Committee. A monitoring system has to be set up and sufficient information flow should be ensured. The representative markets should be determined, which can be the Cereol Plc, the Stock exchange or some prominent trader.

The opportunities for the domestic processing (bio-diesel) and usage of renewable sources should be considered.

In the European Union, a well-developed system of organisations protecting the interests of the farmers is functioning; the system working in Hungary is similar to a part of that in the EU. However, these organisations (MOSZ, Chamber, Boards) still need to be harmonised.

The Hungarian yields are even 10 to 12 percent better than the EU average in the better years, the total volume of the produced sunflower seed is some one

fifth of that of the EU. The sunflower production and its yields are improving slowly. Year 1997, however, produced an extremely poor yield of 1.07 ton per hectare. This reflected on that the agritechnical conditions and the crop rotation are not observed; and it together with unfavourable weather can lead to fast and serious drop in the yields. From 1998, the yields improved somewhat, however, the sector is till far away from using optimally its full capacities. The endowments in Hungary are favourable for a more effective sunflower production, though, the conditions of the production need improvement in order to achieve even and safe yields, if our farmers want to line up with the determining producers in the EU. During the analysed period, the Hungarian yields were about at 69 to 110 per cent of that of the EU (Table 2).

The oilseed processing capacities of the EU are well-developed, but the degree of its self-supply is low: 55 to 60 per cent from vegetable oil and 20 to 25 per cent from extruded seed. According to the long term forecasts, the oilseed production of the EU will not much differ in 2010 to today, but its consumption is expected to grow slightly. This offers chances for Hungary to maintain or even increase the markets (Table 3).

In Hungary, the yields of sunflower seed – despite of the decreasing levels – exceed the average of the big regions (Europe, the world, EU-12 and EU-15). However, the yields are higher in France, Italy and Germany than in Hungary; in Germany the total sunflower producing land is only half and in Italy 36 per cent of that in Hungary. The main competitors of Hungary can be France and Spain. Though the Spanish yields are around 1 ton per hectare, the sunflower producing land is some double of the Hungarian, thus Spain is a serious competitor.

THE SUNFLOWER SEED MARKET AND THE AVAILABLE SUBSIDIES IN HUNGARY

The regulation on the development of the agricultural production (year 1997) contains concrete measures on improving the incomes from agricultural production and direct payments and also decreasing the consequences of the growing ration of the input

Table 3. The production of sunflower seed and the degree of self-supply in the EU

EU-15	1989	1994	2000	2005	2010
Production	11636	12497	12391	12536	12682
Consumption	22797	24163	26980	28490	29765
Balance	-11161	-11666	-14589	-15954	-17083
int %	51,04	51,72	45,93	44	42,61

Source: AGRA EUROPE

Table 4. The price of the sunflower seed in some EU countries and in Hungary from 1995 to 2001 (HUF/ton)

Country	1995	1996	1997	1998	1999	2000
France	41 625	43 396	49 466	61 317	51 494	na.
Italy	36 475	33 889	39 317	51 575	45 044	na.
Spain	40 713	38 335	45 514	59 578	54 196	na.
EU-15	40 722	43 597	50 252	62 459	53 108	na.
Hungary	31 331	37 194	41 956	52 947	49 906	48 500

Source: Eurostat, KSH

Table 5. The payments for sunflower seed between 1997 and 2001

	1997	1998	1999	2000
Production (thousand ton)	537	717	782	489
Production value at current price (billion HUF)	38,81	37,69	38,84	24,97
Subsidy (Billion HUF)	1,25	3,08	3,52	2,17
Subsidy in % of production value	3,23	8,19	9,07	8,71

Source: calculations of AKII Regional Departement based on APEH, MÁK and FVM data

and output prices. The aim of the regulation was to support, from one side, the private and family farms, the co-operations and companies, which produce or organise production and sale, and from other side, the modernisation that improves the competitiveness and the establishment of producing-processing-selling co-operations and integrations. During the past years, only a few realised out of these, the share of the agricultural production in the GDP has been decreasing and the chance for lining up is worsening. Besides the huge differences in profitability, the share of the small farms and the shortage of capital are also important factors. (Erdész, F-né et al. 2001.)

Currently, there are 70 species of sunflower seed existing in Hungary; out of these more than 40 is registered hybrid. Besides the domestic genotypes, the high potential species and hybrids have a significant share in the production. Most of the Hungarian species and hybrids have a great adoptability; therefore these can be produced in very extreme conditions, as well.

From the aspect of the price competitiveness, an opposite tendency was seen in the oil seed sector to the crop sector. The purchase prices reached the EU level, probably due to the favourable effect of the integrator processing plants.

The price of the sunflower seed was 30 percent higher in the EU in the beginning of the period analysed. By these days this difference has disappeared, in the case

of the Italian prices Hungary has lost its competitive advantage (Table 4).

As the sunflower is a large scale farm plant, it should be produced in such conditions. In international comparison, the chances of the competitiveness are good in Hungary. In Hungary, the sunflower producing land is 16 to 20 percent of that in the EU. Our yields are 10 to 12 per cent higher in better years than the average of the EU; the total sunflower seed production is about one fifth of the EU production.

The Hungarian oilseed production, due to the fluctuation of the producing land size and yields, can get in disadvantage at the EU accession. Primarily the subsidies for machinery play a key role but the concentration of the lands is important in the increase of the competitiveness of the sector till the accession.

According to the Hungarian regulation in the years from 1997 to 2000, the sunflower producers were not given specific payments, only the tenders and available direct payments (such as market accession and agricultural market supports, machinery purchase supports, land payments). Industrial sunflower was included in the land payments scheme in 2000.

The share of the sector in the gross agricultural and plant production varied significantly between 1997 and 2000. While in 1997, the oil plant production had 5.7 per cent in the gross agricultural production, in 2000, this value dropped to 3.94 (Table 5).

From 1997 to 2000, the annual payments for sunflower production were between 1.2 and 3.5 billion HUF; according to the components, the support for machinery purchase, land payments, agricultural finance and new investments were the most important ones. (Kürty, Gy. – Szűcs, I. 1999.)

The significant overall increase of the land payments assumes that in many cases those lands are also used for production, which have not got comparative advantages. The regulation 2001 supports the sunflower production on only from 1 to 50 hectares, which is unfavourable. It is only reasonable to support small scale sunflower production if the seed is processed by local processing plants for bio diesel or special foods.

In the future also, the priorities of the payments should be the support of machinery and the development of storage capacity. It is not reasonable to prioritise the small farms. Our competitiveness with the EU producers can only be retained in sunflower production if the direct payments given to the EU farmers are also available for the Hungarian farmers from the accession. Though, a number of prescriptions have to be satisfied first, such as the establishment of the institutional system of the direct payments and accurate register of lands and crop rotation.

THE REGULATION OF SUNFLOWER MARKET IN THE EU

The European Union is a net exporter of oil seeds; the produced seed does not cover even the half of the processing capacities. Before 1990, the volume of the oilseed production in the EU was not regulated at all, and the import was free. Both the producers and the processing companies were given payments.

In October 1991, the Council of Ministries of the EC decided on the review of the common oil plant policy. The antecedents were the review proposition of the USA for the GATT in 1987. The USA objected that the oil plant policy of the EC offends the interests of the trading partners. Especially the supports for the vegetable oil plants were objected. The proposal decided that the payments are discriminative with the goods imported from the third countries; and it eludes the import duties defined in the GATT agreement; and it over-defences the producers of the raw materials from the world price tendencies.

The Council of Ministries of the EC admitted the right of the objectives and decided on reviewing the oil plant regulation.

The new regulation for 1992 to 1993 prescribes that the payments are paid directly to the producers and not to the processing plants and the prices have to be

harmonised with the world price. The decrease in the farm incomes was compensated by direct payments adjusted for the land size. A further examination has reflected on the fact that even this regulation does not satisfy the GATT agreement; especially the price of products from the third countries was objected.

The CAP classifies the oil plants as crops from the economic year 1993/94.

In 1995/96, the European Union limited the oil plant producing land in 5.128 million hectares of maximum guaranteed land in its newer market regulation. This is shared among the member countries according to defined principles. With the new countries joining the EU, this limit will be modified.

An obligate set-a-side is introduced in the production. According to the reform of the agriculture, the EU has to decrease the guaranteed land for oil plant production annually in the ration of the set-a-side and with at least 10 per cent.

According to the Blair House paper, the production data related to the maximum compensational guaranteed land was defined on the basis of real production in the previous years.

The price support was replaced with compensation per producing hectare and set-a-side in order to compensate the farmers for their income losses due to the lower prices.

From the aspect of the accession of the Central European countries it is a key question that how the directions of Agenda 2000 and reform offers will be applied, and what the producing land will enlarge with, because this basically determines the land quota to be divided among the accessing countries.

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