

# The Hungarian agricultural and food industry landscape

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The agriculture and food industry is a traditionally very important sector for the Hungarian economy. Hungary has been able to maintain a GMO-free zone within its territory, which provides comparative advantage for the marketing of bio food products. Hungary has notable agricultural areas and products of agricultural origin, especially compared to its relative size. As a net exporter of agricultural products, Hungary, is a significant supplier to the EU market. The geographical characteristics of the Carpathian Basin, the centuries-old agricultural and food-related know-how, the EU membership and the commitment of the country to invest in the future of its agriculture and food industry are all present at the same time in Hungary right now.

The factors presented below show that Hungary provides an investment environment with comparatively low risk levels and high profit margins for agricultural and food industry projects.



## THE LANDS OF HUNGARY

The Hungarian territory, due to a high proportion of agricultural land, high quality soils and low rental fees, provides favourable conditions for agricultural land use.

Eighty per cent of the total territory of Hungary is agricultural production area. More than half (59%) of this area is arable land and around a quarter (26%) is forest. The ratio of the total arable land in Hungary is higher than the EU average.

More than one-third of these lands have favourable soil characteristics (brown forest soil with high humus content). Domestic lands are not contaminated and are not tainted with toxic substances. This fact means that Hungarian soils have favourable conditions for agricultural production and are suitable to generate materials for the bio food production activities of eco-farms that are committed to health-conscious nutrition.

## CLIMATE AND WATER MANAGEMENT

The availability of water resources throughout the whole country allows for an increased yield and efficiency in agricultural production. Natural conditions in Hungary are favourable for geothermal energy production and utilization.

Hungary has a quite diverse territory considering precipitation and temperature, because it lies on the borderline of three different climatic zones (oceanic, continental and Mediterranean). Annual precipitation in Hungary ranges between 500 and 750 mm. Hungary is extremely rich in thermal waters. These reserves are significant on an international scale as well. Thermal water (with temperatures over 30°C) is available in about 80 per cent of the territory of Hungary.

## LABOUR FORCE, VOCATIONAL AND PROFESSIONAL TRAINING, RESEARCH AND DEVELOPMENT

There is a massive and skilled labour force employed in the agricultural sector with qualifications acquired from a wide range of universities, training schools and vocational training institutions. Scientific know-how is also available locally, offered by internationally recognized university experts and research institutes.

The agricultural sector employs more than 200,000 full-time workers. Experts are trained at six internationally recognized universities and vocational schools in Hungary. The average wage level for agricultural workers has not changed (risen) significantly during the past decade. Agricultural wages are approximately 80 per cent of the average wages in the national economy.

## PERFORMANCE OF THE HUNGARIAN AGRICULTURAL SECTOR

Production as well as investments in the agricultural sector have increased in the previous years. Hungary is ranked in the top five within the EU in terms of the contribution of agriculture to the GDP as well as the share of utilized agricultural area in the territory. The agricultural income of farmers almost doubled in the last decade, which implies that investments in agriculture could retain their desired value.

Hungary is fourth within the European Union concerning the total contribution of agricultural income to the gross national income. The share of agriculture in the Hungarian GDP increased from 3.5 per cent (2010) to 4 per cent (2013). The size of gross agricultural production in 2013 reached the value of EUR 7,306 million. This agrarian output was produced by over 8,000 companies and almost half million sole holders. Investments in 2013 (approximately EUR 835 million) showed a nine per cent growth compared to the corresponding period in the preceding year.

Sixty per cent of the total land area is utilized as agricultural area (only the UK has a higher ratio), making Hungary second in this regard. Compared to the size of the country (two per cent of the EU total), a relatively high share (4.4 per cent) of the total EU crop production is in Hungary.

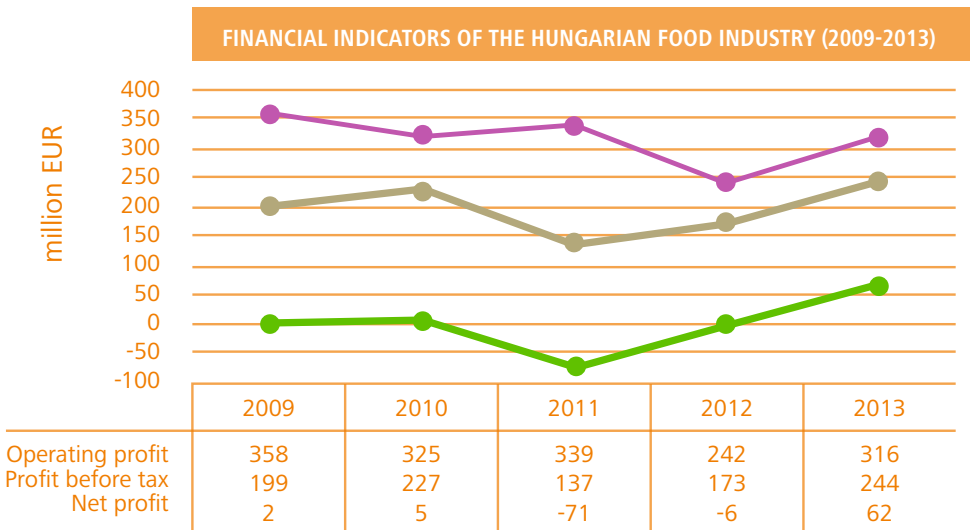
## PERFORMANCE OF THE HUNGARIAN FOOD INDUSTRY

The Hungarian food industry offers well-known and unique commodities with a wide range of traditional food products. The profitability and economic performance of the sector have started to rise steadily, showing definite signs of recovery from the financial crisis.

Concerning production value, the food industry is at the first place among other processing industries in Europe. This sector will have a strategic importance in the upcoming years as well, making it a primary target for EU funds. In order to confirm its commitment, Hungary has developed a separate strategy on the food industry for 2014 to 2020.

There are over 5,000 registered food businesses in the country. The food sector represented 2.4 per cent of investments in Hungary in 2013. The investments in the food sector (approximately EUR 351 million) realized a one per cent growth in 2013, compared to the corresponding period in the preceding year. In the case of the food business, 69 per cent of the money invested was spent on machinery and 31 per cent on construction.

In 2013, the Hungarian food business generated a total revenue of EUR 10,400 million, and could realize profits before tax of EUR 244 million. The food processing sector started to rise steadily in 2013: the utilization of Hungarian agricultural commodities by the domestic food industry, the total economic output, and the number and size of companies operating in the sector all started to recover following the great financial crisis.





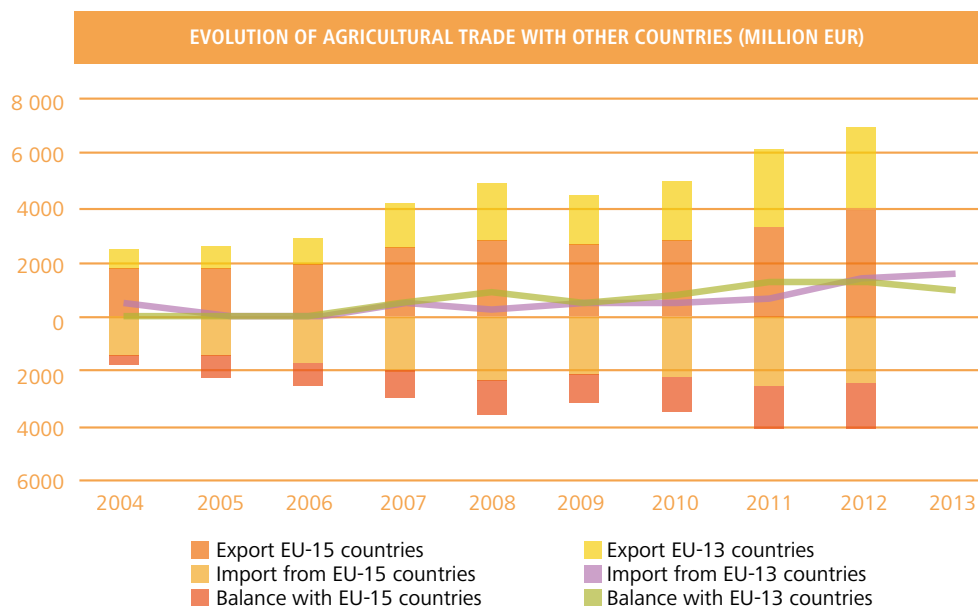
## FOREIGN AGRICULTURAL TRADE

The majority of foreign trade in Hungary is carried out within the European Union, with well-established trading partners. Hungary is a net exporter in the agricultural sector, providing mainly crops, meat and meat products to its importing partners.

Most of the Hungarian agricultural foreign trade is conducted within the European Union. Hungarian exports are rather balanced (more countries are included), while imports are more concentrated (from fewer countries).

Within agricultural exports, primarily crops, meat, fruit, vegetables, animal feed, oil, fat are relevant in this order of importance on the product level. Similarly to exports, meat, fruit, vegetables, animal feed and crops, in this order, form part of the imports. Besides imported products, dairy products, egg, beverages, tobacco, coffee, tea, cacao and spices represent exported goods.

The value of Hungarian agricultural trade with the EU-28 has been increasing dynamically: a more than three-fold growth of exports implies that Hungary has made use of the expanding market opportunities. This development seems to be balanced, as the export value has increased towards the EU-15 and EU-13 by a similar ratio. Import flows have increased as well, but Hungary could strengthen its position of being a net agricultural exporter within the EU, showing a surplus in its agricultural balance sheet.



## WHY INVEST?

- Over 80 per cent of the surface of the country is covered with good quality soil
- Non-polluted lands are awaiting to be cultivated
- Hungary promotes GMO-free and bio food production
- The climatic environment is free of extremities
- The outstanding underground and surface water reserves are favourable for agriculture
- A high number of thermal springs are available for energy and agro-tourism purposes
- EU funds are available for agriculture and rural development
- Skilled labour is available for agriculture in the country
- There are an appropriate scientific background and databases
- The country has a favourable geographic location (transport hub region)

