

Voluntary Report – Voluntary - Public Distribution

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Report Name: Agricultural Sector in Hungary Faces Structural Changes

Country: Hungary

Post: Budapest

Report Category: Agricultural Situation, Agriculture in the Economy, Agriculture in the News

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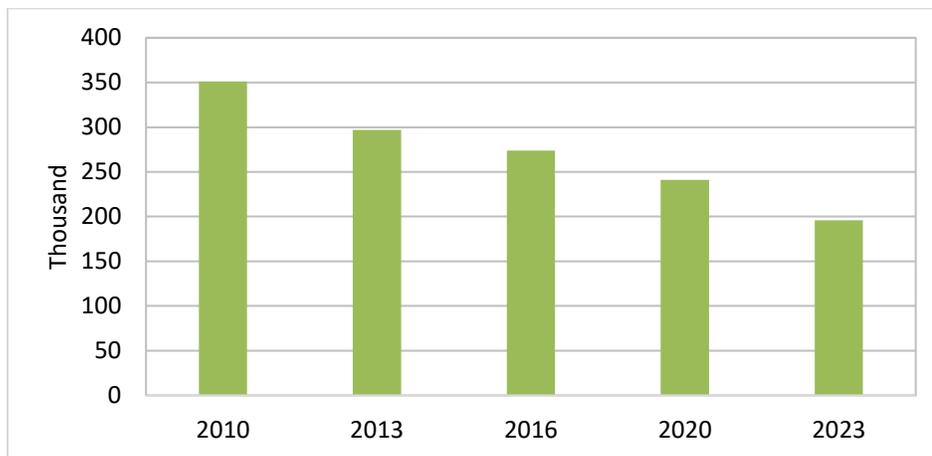
Report Highlights:

The area of Hungary's farmland has not changed significantly since 2020. At the same time, the number of agricultural operations has decreased by 19 percent due to an ongoing sectorial concentration. On June 1, 2023, cattle, swine, sheep, and turkey inventories were lower year-on-year, while the number of chickens, geese, and ducks increased. The share of plant production in the country's agricultural economy continues to grow.

Decreasing number of farms

Based on the preliminary data of the Hungarian Central Statistical Office, there were 196,000 agricultural operations in the country on June 1, 2023. This is 45,000 (19 percent) less farms than in the same period in 2020. The decline accelerated over the past decade, with an overall decrease of 101,000 holdings since 2013. Small farms made up the largest share that left the business. This has caused consolidation in the sector, increasing the average size of agricultural operations and the average number of animals on farm.

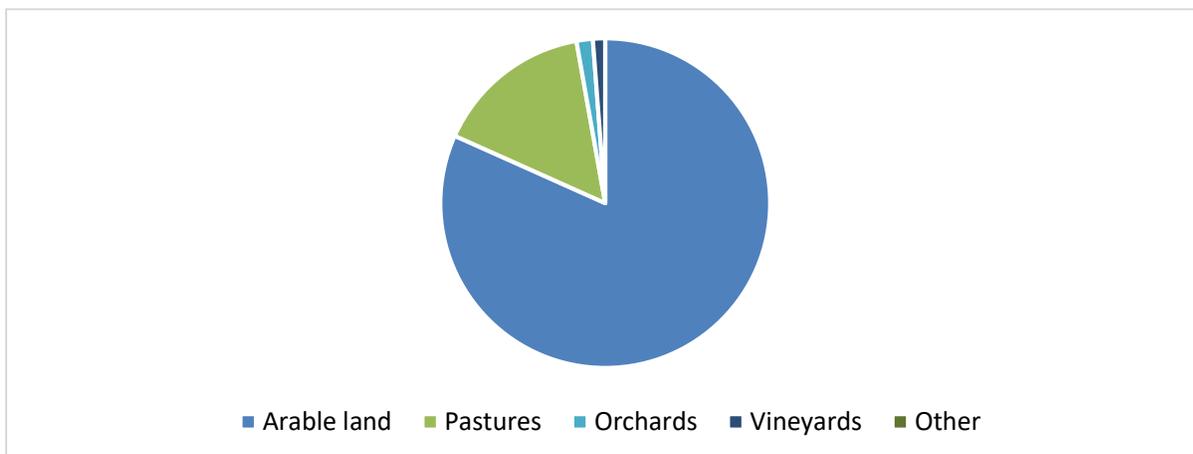
Figure 1: Number of agricultural operations



Source: Central Statistical Office

The country's agricultural area exceeded 5.1 million ha in 2023 and remained unchanged year-on-year. Agriculture accounts for 55 percent of the country's territory in terms of land use, which is remarkable among EU member states. Arable crops represent 82 percent (4.2 million ha) and pastures 16 percent (0.8 million hectares) of Hungary's farmland. Orchard area exceeded 83,000 ha in 2023, while grapevine remained below 60,000 ha. The structure of land use has not changed much in recent years.

Figure 2: Farmland use in Hungary (06/01/2023)



Source: Central Statistical Office

- *Demographic changes in agriculture*

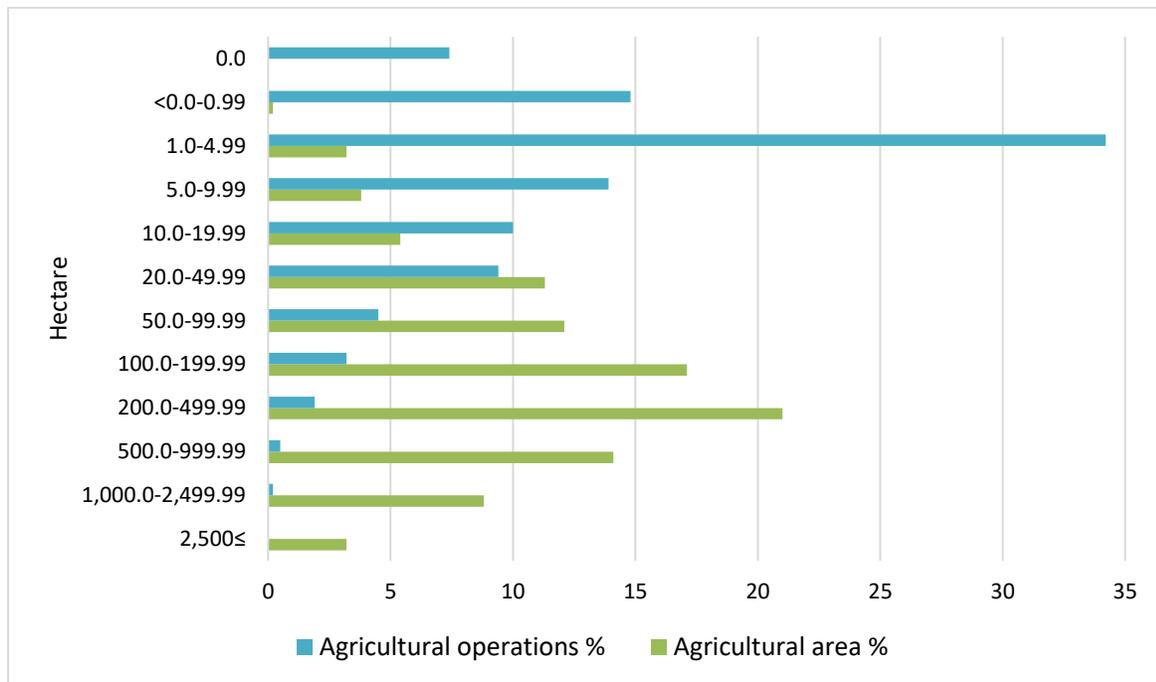
Over the past three years, thirty-seven percent of farm owners and managers were 65 or older. Additionally, 23 percent of farmers are between 55-64. The share of farmers between 45-54 was also 23 percent. While farm owners and managers under 35 accounted for only 4.9 percent. The gender composition of agriculture is still characterized by a higher number of men. Seven out of ten farm managers are men.

- *Changes in land structure and ownership*

In 2023, seven percent of agricultural operations (such as livestock producers with a closed housing system) did not use farmland, while 15 percent of them cultivated an area of less than one ha. Smallholdings between one and five hectares are still the most typical in Hungarian agriculture, accounting for one third of farms. At the same time, one fifth of the total agricultural area is owned by land users with 200-500 ha, but their number is estimated to be only two percent of the total number of holdings.

One of the main reasons for the decrease in farms between 2020 and 2023 was the drastic fall (-50 percent) in the number of those who farmed an area of less than one hectare. This affected 29,000 people. The number and size of large holdings (cultivating more than 1,000 ha/farm) has also shrunk by 20 percent since 2020. At the same time, the most significant (+19 percent) increase in farms was observed at operations with 100-200 ha.

Figure 3: Distribution of farmland use in Hungary (2023)



Source: Central Statistical Office

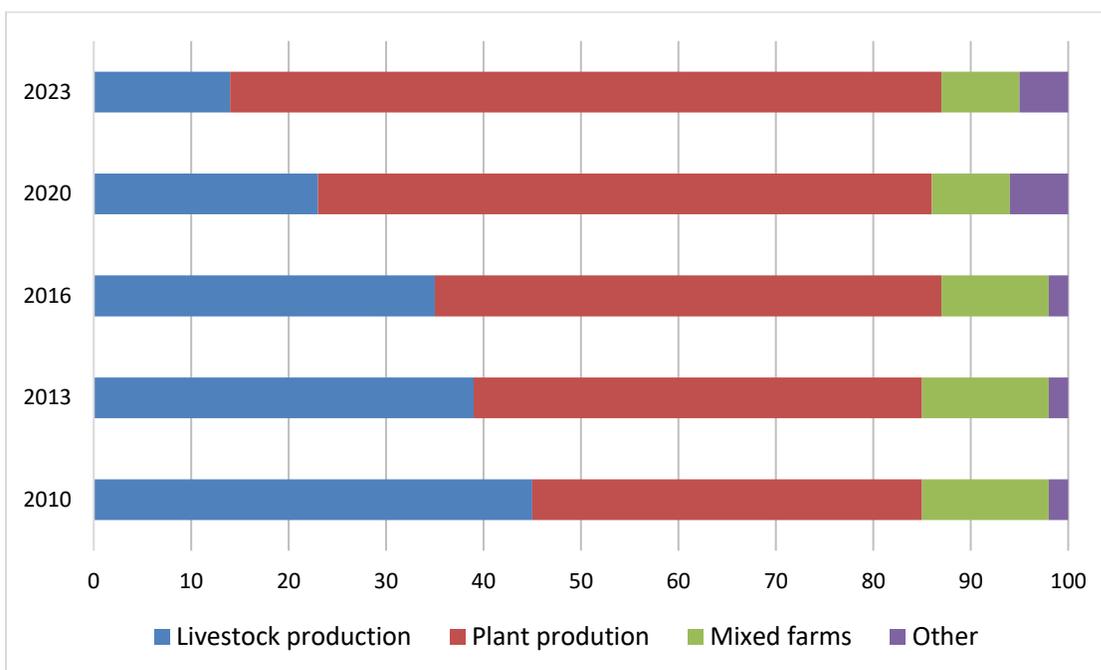
- *Changes in average size of land use*

Average farm size has increased in all subsectors of plant production since 2020, except for grassland areas (14.7 ha). The average size exceeded 28 ha in 2023, which is twice as large as in 2010, and 5.3 ha larger than three years ago. The average size of arable land use is nearly 30 ha/farm, while that of orchards and vineyards is 3.4 ha and 2.3 ha, respectively.

- *Increasing share of plant production*

Over the past years, farmers and ranchers faced several unprecedented difficulties. They were hit by high energy prices, soaring inflation, a grain market crisis, and consecutive years of drought. Recurrent outbreaks of animal diseases also made life difficult for livestock producers in 2022. In 2023, field crop and horticultural growers accounted for 73 percent of agricultural operations. Their number was 10 percent higher than in 2020. At the same time, the share of ranchers decreased further to 14 percent of all holdings, while that of mixed farms remained low at 7.8 percent.

Figure 4: Distribution of farm activities in Hungary (%)



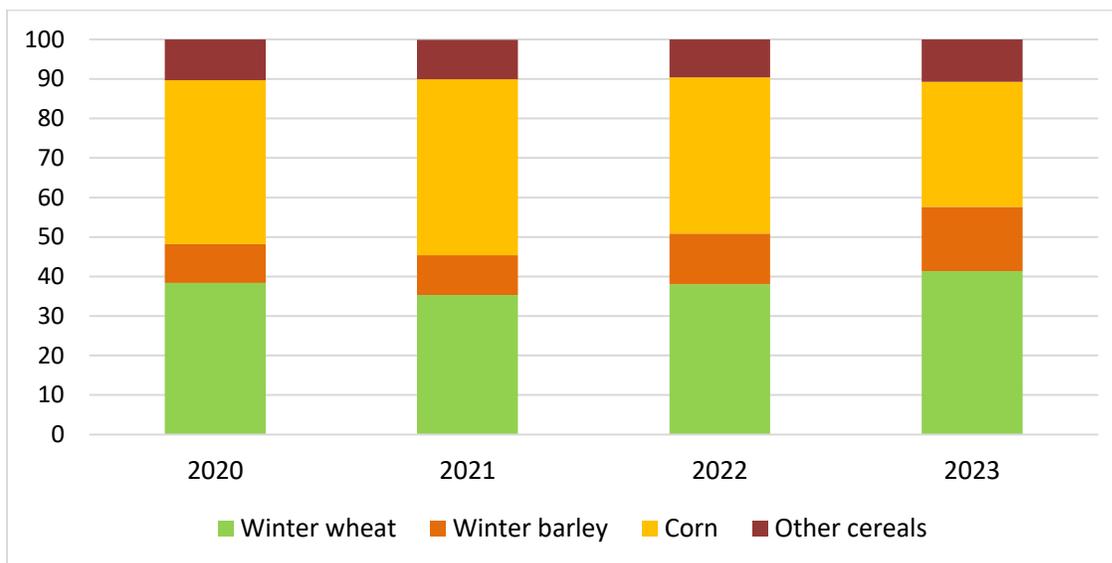
Source: Central Statistical Office

- *Changes in crop structure*

Area sown to grains increased to 60 percent in 2023. Industrial crops presented the second most typical group with 23 percent, and fodder crops accounted for 8.3 percent of plant production. Grain area has steadily increased in recent years and exceeded 2.5 million ha in 2023. Winter wheat area was again over a million ha, increasing by 9.5 percent year-on-year, while the area of winter barley increased even more, by 28 percent, to 412,000 ha. As a result of consecutive drought years and insecurities in production, farmers lost trust in corn. Therefore, corn area dropped significantly to 771,000 ha in 2023 (from 1.06 million ha in 2021).

The importance of sunflower among industrial plants has not changed. It was grown on 677,000 ha in 2023. At the same time, area sown with rapeseed has decreased since 2021 as the ban on neonicotinoids makes production more difficult and costly. Additionally, rapeseed is more nutrient demanding and less drought tolerant than other winter crops such as wheat or barley. The total area of vegetables has also dropped since 2020. Sweet corn (31,900 ha) and green peas (18,400 ha) had the largest area in 2023 and accounted for 63 percent of the vegetables grown commercially in Hungary.

Figure 5: Distribution of grain areas (%)



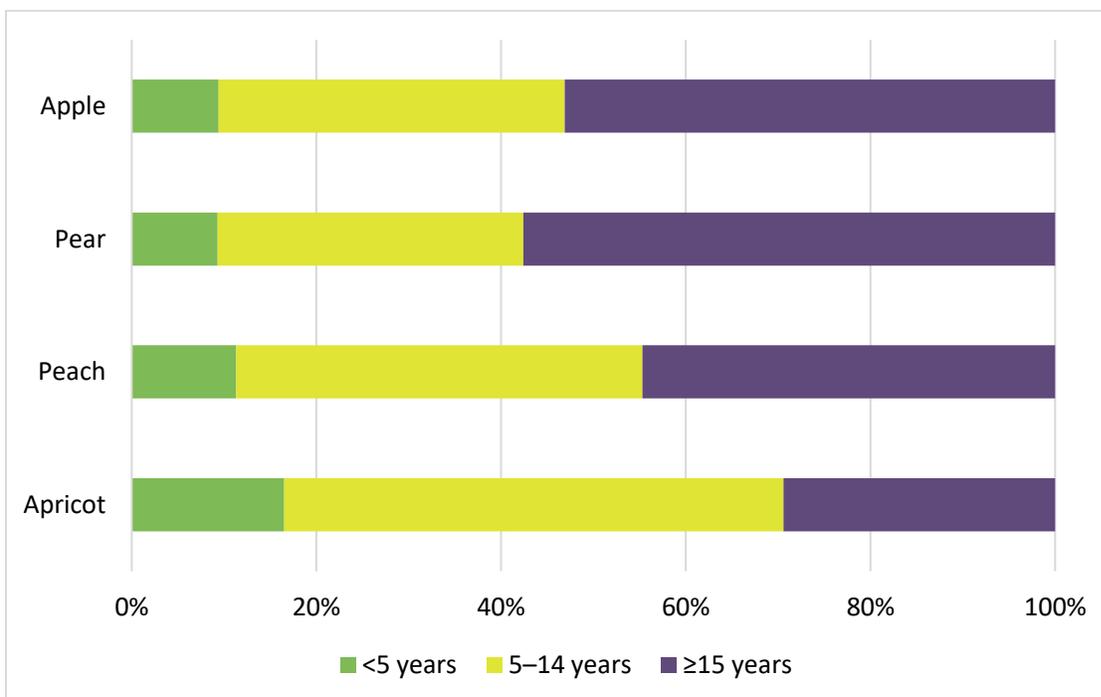
Source: Central Statistical Office

- *Aging orchards*

Orchards make up 1.6 percent (83,000 ha) of Hungary’s agricultural area. Area under apple production is 23,700 ha. At 29 percent, this comprises the largest portion of area under permanent crops in Hungary. Sour cherry area is around 13,500 hectares, and accounts for 16 percent of orchards. Walnut area is 10,500 ha; that of plums is 7,200ha; elderberry 6,600 ha; and apricots 6,200 ha. Area under pear continued to decrease to 2,400 ha and peaches to 2,300 ha in 2023.

Efficient farming is challenging in Hungary’s aging orchards. For example, 53 percent of apple plantations are older than 15 years, and only 9.4 percent (2,000 ha) of apple orchards are younger than five. In the case of pear, those percentages are even more worrisome: 58 percent versus 9.3 percent, respectively.

Figure 6: Age distribution of orchards (%)



Source: Central Statistical Office

- *Increasing size of irrigated area*

As plant production is highly exposed to weather conditions, and increasingly to droughts, the Hungarian government is supporting investment in irrigation systems to mitigate yield fluctuation. The area suitable for irrigation increased by more than 100,000 ha since 2020. In 2023, five percent of the country's agricultural area (258,000 ha) was irrigable, of which 153,000 ha was irrigated.

- *Decreasing livestock population, fewer livestock producers*

On June 1, 2023, cattle, swine, sheep, and turkey inventories were lower than in the same period of 2022, while the number of chickens, geese, and ducks increased.

Table 1: Hungary's livestock and poultry population (thousand head)

	6/1/2020	12/1/2020	6/1/2021	12/1/2021	6/1/2022	12/1/2022	6/1/2023
Cattle	933.3	932.9	931.6	902.1	902.7	885.3	876.0
Swine	2 919.9	2 850.2	2 886.3	2 725.9	2 714.8	2 558.1	2 560.0
Sheep	993.6	943.8	958.3	887	928.5	871.7	922.2
Chicken	31 097.4	28 887.9	33 446.5	32 114.4	29 868.0	29 124.0	34 543.7
Goose	1 824.3	798	2 190.6	951.9	1 693.2	613.6	2 147.6
Duck	1 925.4	2 969.8	3 908.0	4 241.0	1 497.5	2 727.3	2 725.6
Turkey	3 325.3	2 741.6	3 136.1	2 636.3	2 536.5	2 518.5	2 511.6

Source: Central Statistical Office

In January 2023, Hungary's cattle inventory stood at 0.9 million head. This is a decrease of 1.8 percent from 2022 on a year-on-year basis. Dairy cow beginning stocks were down slightly as well. After a decade of steady growth in beef cattle, 2021 marked the first year of decline, but the trend is currently flat. Last year, three percent of cattle farmers left the business. Although these operations were affected by soaring grain, feed, and energy prices, and unusual heatwaves and heat stress, the real reason for this trend was an ongoing concentration in the sector. Large, well-run farms are increasing their inventories, while the number of medium-sized farms with 100-150 cattle are decreasing. As a result, the average herd size has increased from 56 to 63 since 2020.

Despite support programs for farm modernization, the downward trend in the total number of pigs continued in 2022. Unfavorable market conditions; uncertainties such as drastic drought in feed production; African Swine Fever-related quarantine measures, export restrictions, and the ongoing Porcine Reproductive and Respiratory Syndrome eradication program made the inventories decrease. Last year, 17 percent of pig farmers gave up swine production. Producers who lost their liquidity have not yet been able to make up for the losses of past years. Additionally, they need to spend more on efficiency-improving investments. To address this situation, the government set aside significant amounts of funding for farm modernization. As a result, there has also been a concentration process in the swine industry. Seventy percent of Hungary's domestic pig population is concentrated in about 120 large operations, which are able to handle unpredictable market movements and uncertainties in feed prices. Since 2020, the average number of pigs at swine farms has increased to 104 from 60.

Although recurrent avian flu outbreaks negatively affected Hungary's poultry industry, broiler production has been steady for years. Stable domestic demand and capacity increasing investments helped the sector. At the same time, 15 percent of producers left the poultry sector last year. However, this departure from the market was primarily caused by the mentioned sectorial concentration.

Attachments:

No Attachments.