



The Hungarian Food and Agricultural sector

Agriculture

Hungary is well-endowed for agricultural production, which is clearly shown by the fact that almost two thirds of the country's total area is dedicated to agriculture. Agriculture has traditionally been an important sector in Hungary's national economy. Hungary's natural endowments are favorable for agricultural production. The thousand-year-old agricultural traditions are based on the country's geography, climate and highly fertile soils. Hungary produces several type of cereals on half of its agricultural area.

Hungary has a total area of 9.3 million hectares. The cultivable area was 7,775,000 hectares in 2010-2011, including forests, reed-beds and fishponds. The agricultural area amounted to 5,783,000 hectares, i.e. over 62%, which is considered high among the European countries. In 2010 -2011 78% of this cultivable area was arable land, and 17% was grassland, while kitchen gardens, orchards and vineyards had a combined share of only 5%. The economic activity represented by the land base represents 3 % of the national GDP at 2.7 billion EUR.

There is a great demand in the EU market for Hungarian horticultural products, which are rich in taste and flavor. Major crops in terms of quantity and yields of Hungary are: wheat, maize, sunflower, barley, rape, potato, dry onion, tomato major fruits are apple, apricot, wine grape, strawberry, cherry. The gross output of Hungarian agriculture came to 5440 million euro in 2011.

The main agricultural products of the country by regions:

- **Great Hungarian Plane:** wheat, maize, beans, vegetables, tobacco, soybean and many others, the widespread breeding of poultry
- **Southern Transdanubia:** maize, sugar beet, rape.
- **Western Transdanubia:** wheat, maize, potatoes, rape
- **Central Transdanubia:** maize, peas, rape, sunflower, etc. Horse-breeding is stongly present in the region.
- **Northern Hungary:** Two traditional wine-districts are located here.

Food Industry

The food industry is traditionally one of the most important sectors of Hungary's national economy. Including the food, soft drinks and tobacco sub-sectors, this industry is the 2nd largest employer and the 3rd largest producer of the processing industry in Hungary. Being one of the most modern food sectors in the CEE, its export revenues are vital to Hungary's overall

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trade balance. Hungary is the only net exporter of agricultural and food products in the region. The industry provides 5.31% of the country's exports.

Hungary has good fundamentals for food processing and agricultural activity. Inputs for the industry are available in large quantity and high quality. Hungary's physical infrastructure is considered one of the best in the region, considerably facilitating the distribution. Per capita food and beverage consumption levels are among the highest in the region.

Some indicators of the Hungarian food industry, 2010-2011

	2010	2011
Output (million euros)	7288	7295
People employed (thousands)	125	124
Share in manufacturing industrial production (%)	10,7	10,8
Exports (million euro)	2553	3037
Imports (million euro)	1427	1728
Share in total export (%)	3,6	3,8
Average monthly wages (euro)	570	550

The share of foreign capital in the industry is 48%. Some 70% of the total production is provided by major companies. Most food industry companies (more than 96%) are micro-enterprises that employ fewer than 10 persons. About half of the food industry businesses operate as private entrepreneurs.

The sector is dominated by multinational companies, especially in vegetable oil processing, confectionary and snacks. There are about 200 large food producers altogether, 2/3 of which are in foreign hands. Large producers primarily use Hungarian raw materials. The meat and poultry, fish and game, vegetable and fruit processing, mills and baking industry is mostly in Hungarian ownership.

Of the 500 largest Hungarian companies, 37 are from the food industry. The majority of these firms are active in milk processing, meat and poultry, soft and alcoholic drinks, confectionary, tea and coffee, canning, and vegetable oil subsectors.



Investments in the Food sector of Hungary

Foreign direct investments are having an overall positive effect since they greatly contribute to the technological modernization of the industry. Investments in the food processing industry aim to increase the competitiveness of the sector by raising market adaptability and the speed of concentration. The priority is to conform to EU standards in quality, food safety, animal protection, hygiene and environmental protection. In economic terms, the sector is practically integrated into the EU's food industry. EU investors provide 47% of the investment in the sector, and more than 2/3 of the exports go to other EU countries.

The processing of meat, the manufacturing of coffee and tea and the manufacturing of soft drinks are the sectors with the highest share of FDI in the Hungarian food industry. This demonstrates the roughly equal weight of factors of competitiveness other than the supply of Hungarian raw materials (factors like logistics, cheap labor etc.)

Recently, the share of FDI is significantly increased in the production of vegetable oils, which was the recipient of nearly half of the inflows of foreign capital into the food industry in 2011. The processing and preservation of fruits and vegetables and the manufacture of pet food have also been popular targets of Foreign Direct Investments in Hungary.

Some of the major investors in the Hungarian food industry : Nestlé, Unilever, Coca Cola, Agrana, Sio-Eckes, Sara Lee, Friesland Foods, Bunge, Givaudan, Kraft Foods, Pepsi, Dr. Oetker, Rauch.

Why invest the Hungarian food industry?

- Food processing sector is among the most modern ones in the CEE region with significant foreign investment stock
- Physical infrastructure is considered to be one of the best in the region, considerably facilitating distribution
- Recent logistical projects have expanded storage capacities and have improved the efficiency of transportation
- The only net exporter in the CEE with a 7.3% export ratio
- Long traditions in the industry and abundant raw material supply
- Strong market: per capita consumption levels are among the highest in the region