

Executive summary

Introduction

This publication discusses the market developments of the most important agricultural commodities in 2017, mainly by presenting price trends. Further, based on preliminary quantitative information from 2017, it introduces the fundamental changes of supply and demand. In addition, it gives short forecasts on next year's prospective trends.

Methodology

The analysis is based on the price information and data of the Market Price Information System managed by the Research Institute of Agricultural Economics, from various Hungarian and international sources, and from the production, industrial statistics and external trade reports of the Hungarian Statistical Office (KSH). The publications of the Organisation for Economic Co-operation and Development (OECD), of the Food and Agricultural Organization of the United Nations (FAO), of the United States Department of Agriculture (USDA) and of the European Commission (EC) were utilised to present the prospective supply and demand trends in Europe and worldwide. The demonstration of the market processes was carried out according to the following structure:

- Global and European market trends.
- Market trends in Hungary:
 - supply, domestic production, imports and stocks;
 - demand, domestic sales, exports.
- Market price trends: worldwide, in the European Union (EU) and in Hungary.

Results

According to preliminary data, world cereals production (excluding rice) decreased by 2 per cent in the 2017/2018 marketing year compared to the previous season, while the level of utilisation remained the same. Record stocks may ease by 4 per cent since in this season cereals output (excluding rice) is lagging behind demand. Owing to the 1.3 per cent increase in average yields (5.44 tonnes per hectare) and the 7.9 per cent decline in the harvested area, 5.237 million tonnes

of wheat were harvested in Hungary in 2017, 6.5 per cent less than last year's figure. Maize production in 2017 fell from last year's near-record volume of 8.7 million tonnes to 6.8 million tonnes because of a 22 per cent decline in the average yield (to 6.89 tonnes per hectare). The producer price of milling wheat increased by 8 per cent to HUF 44.5 thousand per tonne in 2017, while for feed wheat it went up by 10 per cent to HUF 42.5 thousand per tonne, and for feed maize by 5 per cent to HUF 43.4 thousand per tonne.

World production of the ten most important oilseeds (soybean, cottonseed, groundnut, sunflower seed, rapeseed/canola, sesame seed, palm kernel, copra, linseed and castor seed) was estimated to have reached 560.3 million tonnes in 2017/2018, similar to the previous marketing year's record level. In Hungary, the area of sunflower seed hit a new high of 696 thousand hectares in 2017, 10 per cent above last year's area. The average yield of 2.87 tonnes per hectare lagged 4 per cent behind 2016's record, but the increasing area has compensated for the lower yields, and the largest-ever amount of sunflower seed (2 million tonnes or +6 per cent) was harvested in 2017. Meanwhile, rapeseed production increased by 2 per cent to 939 thousand tonnes. Sunflower seed was 5 per cent cheaper (HUF 99.3 thousand per tonne) in 2017 compared to 2016, while the producer price of rapeseed grew by 2.4 per cent to HUF 112 thousand per tonne.

The relevant market analyst workshops forecast an increase in the global production of sugar in the 2017/2018 marketing year: ABARES: 192 million tonnes, USDA: 185 million tonnes and ISO: 178.7 million tonnes. Sugar production in the EU amounted to 20.9 million tonnes in 2017/2018, which is 13 per cent higher than the output of the previous year. In Hungary, 1,143 thousand tonnes of sugar beet were harvested in 2017, an increase of 2 per cent compared to the level of 2016.

Global pork production was 111.03 million tonnes in 2017, almost 1 per cent higher than in the previous year. Despite the increase in output, the world pork trade slackened in 2017 because of the expansion of domestic consumption: global pork imports decreased by 1.2 per cent and global pork exports by 1 per cent. As in previous years, Hungarian pork prices followed the trends of prices in the EU in 2017. The pig producer price was HUF 502 per kilogramme warm carcass weight, 10.8 per cent higher than one year earlier.

Global chicken meat production increased by 1 per cent compared to the previous year, to 90.2 million tonnes in 2017. World chicken meat exports grew by

3.7 per cent to 11.1 million tonnes in 2017. More than three quarters of the turnover was from Brazil, the USA and the EU. In Hungary the producer prices of slaughter chickens decreased by 1.1 per cent compared to the previous year, to HUF 246 per kilogramme in 2017. In the EU, egg production eased by 0.5 per cent to 7.7 million tonnes in 2017 compared to the previous year. The sales prices of eggs increased by 33.5 per cent in Hungary in the observed period.

Global beef production was 61.4 million tonnes in 2017, 1.5 per cent higher than in the previous year. Global beef and veal exports went up by 3.9 per cent in 2017 and global imports amounted to 7.75 million tonnes, a very similar quantity to the previous year. In the EU, the price of 'R3' class young bulls was EUR 3.8 per kilogramme cold carcass weight, a 3 per cent increase over a year. In Hungary, cattle producer prices increased 9.5 per cent in 2017.

Global sheep meat production, at 14.48 million tonnes in 2017, did not change considerably from the previous year. Sheep and goat meat production increased by 1.8 per cent and reached 886 thousand tonnes in the EU. Hungary sold 1.5 per cent more lambs on the international market than one year earlier. The price of lambs in HUF increased by 1.5 per cent.

Among the key players in the global dairy market, milk production in the EU increased by 2 per cent, in New Zealand and in the USA by 1 per cent, while in Australia the level of production remained unchanged in 2017 compared to previous year. The raw milk price increased in Hungary by 27 per cent, in the USA by 8 per cent, in the EU by 23 per cent and in New Zealand by 29 per cent. The wholesale price of dairy products

in Hungary was 18 per cent higher in 2017 compared to 2016.

Vegetable production in Hungary reached 1.72 million tonnes in 2017, i.e. 100 thousand tonnes more than in the previous year. Hungary's foreign trade balance in vegetables (fresh, frozen, melons included) remained positive, but deteriorated in 2017 compared to the previous year, because imports increased more than exports. At the Budapest Wholesale Market, the producer price index of vegetables increased by 4 per cent in 2017 compared to 2016.

Fruit production in Hungary decreased by 1 per cent in 2017 compared to 2016, to 750 thousand tonnes. Hungary's foreign trade balance in fruits (fresh, frozen, tropical fruits included) remained negative, but improved in 2017, because exports increased substantially more than imports. At the Budapest Wholesale Market, the producer price index of fruits went up by 11 per cent compared to 2016.

Total world wine production (excluding juice and musts) was 250 million hectolitres in 2017, which was a historic low and 23.6 million hectolitres less than in 2016. EU wine production (excluding juice and musts) was 145 million hectolitres in 2017, 15 per cent lower than in 2016. The National Council of Wine Communities recorded that from 59.5 thousand hectares of vineyards in Hungary, 457 thousand tonnes of grapes were harvested in 2017, from which 2.9 million hectolitres of new wine were made. The processors' sale prices of wines without geographical indication and wines with protected geographical indication (PGI) increased by 5 per cent in 2017 compared to the previous year.