

## CBI MARKET SURVEY

THE VEGETABLE OILS AND FATS (INCLUDING OIL SEEDS) IN  
HUNGARY

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**Introduction**

This CBI market survey gives exporters in developing countries information on some main developments in the vegetable oils & fats and oil seeds market in Hungary. The information is complementary to the information provided in the CBI market survey 'The vegetable oils and fats (including oil seeds) market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from <http://www.cbi.eu/marketinfo>.

**1 Market description: consumption and production****Consumption*****Vegetable oils and fats***

- Hungary is a small consumer of vegetable oils and fats (excluding olive oil), accounting for 2% of total EU25 consumption. Between 2001 and 2005, Hungary consumed 144 thousand tonnes of vegetable oils and fats, which represented a small increase of 3% compared to the preceding year.
- Within the group of vegetable oils and fats, sunflower oil is, by far, the leading consumer product, accounting for 88% of total consumption in Hungary.
- According to data from the International Olive Oil Council, Hungary is a negligible consumer of olive oil, with consumption amounting to 1.2 thousand tonnes in 2006. For 2007, consumption is expected to increase to 1.3 thousand tonnes.
- Trends influencing the market for vegetable oils and fats, including oil seeds, are health concerns (causing, among others, a shift away from fatty acids and hydrogenated fats towards more unsaturated fats), increasing demand for bio fuels and a growing interest in sustainably produced (i.e. organic) vegetable oils and fats. All these factors are expected to further boost future demand for the products discussed. For more information on trends in vegetable oils & fats and oil seeds, please refer to the CBI survey covering the EU market.

***Oil seeds***

- Hungary is the third leading consumer of oil seeds, accounting for 14% of total EU25 oil seed consumption. Of the selected oil seeds, only sunflower seed was consumed (crushed).
- In 2005, consumption of sunflower seed in Hungary amounted to 590 thousand tonnes, representing an increase of 26% compared to the preceding year.
- According to FAO data, Hungary is a small consumer of oil seeds, accounting for 1.3% of total EU25 consumption. In 2005, consumption of sesame seeds amounted to 1.1 thousand tonnes, representing an annual average decrease of 17% since 2001.

**Production*****Vegetable oils and fats***

- Hungary is the third leading producer of vegetable oils and fats, accounting for 14% of total EU25 production.
- Within the group of vegetable oils and fats, sunflower oil is the main product produced in Hungary. Between 2004 and 2005, sunflower production in Hungary increased from 205 thousand tonnes to 251 thousand tonnes in the latter year.
- According to the International Olive Oil Council, no data exist on olive oil production in Hungary.

### **Oil seeds**

- Hungary is the second leading producer of sunflower seeds, accounting for 31% of total EU25 production. Between 2004 and 2005, production of sunflower seed in Hungary decreased slightly, from 1,220 thousand tonnes to 1,189 thousand tonnes in the latter year.
- Palm oil is not produced in Hungary, so this could offer opportunities for producers in developing countries.

### **Opportunities and threats**

- Hungarian production of vegetable oils & fats as well as of oil seeds outweighs the consumption of these goods. This could be a threat particularly to suppliers of sunflower oil and sunflower seed.
- Please refer to Chapter 7 of the survey covering the EU market for general opportunities and threats in the EU.

## **2 Trade channels for market entry**

The distribution of vegetable oils & fats and oil seeds in Hungary does not differ substantially from the distribution as described in the CBI survey covering the EU market for vegetable oil and fats (including oil seeds). However, the trade channels for Hungary deviate to some degree from that structure as a more substantial part of vegetable oils & fats and oil seeds is imported from other EU countries (Germany, The Netherlands, Romania, Slovakia, Italy) instead of directly from developing countries. Please refer to the EU survey for a more comprehensive explanation of the main trade channels in the EU.

Vegetable oils and their raw materials can be traded directly from the source to the European processing industry or through one or more traders (agents, exporters, importers etc.). In general, large volumes go straight from producer to processor, while suppliers of smaller volumes may opt to use agents, brokers or importers.

The margins charged by the different intermediaries in the vegetable oil and oil seed trade are influenced by many different factors like the type of product, current and expected prices, cost of refining, availability, processing possibilities, etc. All these factors make it extremely difficult to provide information on typical margins in the trade of vegetable oils and fats and oil seeds.

Interesting companies in Hungary are:

- Bunge <http://www.bunge.hu/>
- Royalbrinkers <http://www.royalbrinkers.hu/>
- Setuza <http://www.setuza.cz/cz/index.htm>
- Solio <http://solio-gyarto-kft.internettudakozo.hu/indexen.htm>

A good source for finding companies working in the vegetable oils and fats (including oil seeds) market is:

- Europages: <http://www.europages.com> (online business directory, with full EU coverage. 'Oils and fats, edible' are a separate product group, falling under the category of 'Food & related products.')

Online market places such as the below are also useful:

- Agronetwork.com: <http://www.agronetwork.com/global>
- Organic Trade Services: <http://www.organictrade.com> (also offering organic industry news)
- Ingridnet: <http://www.ingridnet.com> (for ingredient suppliers)

### 3 Trade: imports and exports

#### Imports

##### *Vegetable oils and fats*

- Hungary is a negligible importer of vegetable oils and fats, accounting for 0.3% of total EU25 imports.
- In 2005, Hungary imported € 25 million / 34 thousand tonnes of vegetable oils and fats, representing an average annual decrease of 6% in terms of value and 10% in terms of volume since 2001.
- In 2005, developing countries supplied 13% of all Hungarian imports. Representing a market share of 5%, Malaysia was the leading supplier of vegetable oils and fats in 2005. However, imports from Malaysia show an annual average decrease of 33% between 2001 and 2005. Total imports from developing countries decreased by an annual average rate of 21% in the period reviewed, amounting to € 3.4 million in 2005.
- Within the group of vegetable oils and fats, palm oil and sunflower oil are the leading import products, with market shares of 38% and 35% respectively

##### *Oil seeds*

- Hungary is a very small importer of oil seeds, accounting for 0.4% of total EU25 imports.
- In 2005, Hungary imported € 2.9 million / 8.3 thousand tonnes of oils seeds representing an average annual increase of 20% in terms of value and 24% in volume since 2001.
- In 2005, developing countries supplied 25% of all Hungarian imports. Imports from developing countries decreased slightly by an annual average rate of 1% in the period reviewed, amounting to € 0.7 million in 2005. India is the leading supplier, representing a market share of 16%. Other relatively important suppliers are China and Turkey, representing market shares of 5% and 3% respectively.
- Within the group of oil seeds, sunflower seed and sesame seed are relatively important products, with market shares of 8% and 3% respectively.

#### Exports

##### *Vegetable oils and fats*

- Hungary is a small exporter of vegetable oils and fats, accountable for 2% of total EU25 exports.
- In 2005, Hungary exported € 89 million / 138 thousand tonnes of vegetable oils and fats, representing an extraordinary increase from less than € 5 thousand / 2.1 tonnes in 2001.

##### *Oil seeds*

- Hungary is the second leading exporter of oil seeds, responsible for 29% of total EU25 exports.
- In 2005, Hungary exported € 118 million / 496 thousand tonnes of oil seeds, representing an average annual increase of 20% in terms of value and 26% in volume since 2001.

#### Opportunities and threats

- Hungary imports only small amounts of vegetable oils & fats and oil seeds, making it of minor importance for developing country suppliers.
- Developing countries supply more than half of sesame imports into Hungary.
- Please refer to Chapter 7 of the survey covering the EU market for general opportunities and threats in the EU.

#### Useful sources

- EU Expanding Exports Helpdesk - <http://export-help.cec.eu.int/>
- Eurostat – official statistical office of the EU - <http://epp.eurostat.cec.eu.int>

## 4 Price developments

The Chicago Board of Trade is the most important market for several vegetable oils and oil seeds. Prices established at this exchange largely determine prices for these and related products all over the world.

Due to improved technology, different vegetable oil products are substitutable; this has a major impact on price settings. Some other factors also influence prices of vegetable oils and oil seeds:

- The climatic conditions.
- Increasing demand for bio-fuels.
- Increased demand for vegetable oils and fats, due to improved welfare world-wide.
- Driven by health concerns, the substitution of animal fat to the advantage of vegetable oils and fats.

With regard to oil seeds, in general, the prices of large volumes of oil seeds depend on exchange rates, in which the value of the dollar is a dominant factor. Prices of most products are not fixed and may fluctuate strongly, depending on season and global yields. Furthermore, the price of the oil seeds is heavily dependent on their quality. Oil seeds are traded by standard contracts, in which the price for a particular quality is stated.

For information on prices for vegetable oils & fats and oil seeds, please refer to the CBI surveys covering the EU market for vegetable oils and fats (including oil seeds), or consult OME (Olajmagfeldolgozók Magyarországi Egyesülete), tel: ++36 1 237 64 00.

## 5 Market access requirements

As a manufacturer in a developing country preparing to access Hungary, you should be aware of the market access requirements of your trading partners and the Hungarian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at <http://www.cbi.eu/marketinfo>, select vegetable oils & fats and Hungary in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: <http://www.intracen.org/ep/packaging/packit.htm>

Information on tariffs and quota can be found at <http://export-help.cec.eu.int/>

## 6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from <http://www.cbi.eu/marketinfo> - go to search publications. For more information on doing business in Hungary, visit the following websites:

### *Trade Associations*

- Efosz <http://www.efosz.hu/?lang=uk>
- OME (Olajmagfeldolgozók Magyarországi Egyesülete, Hungarian Oil Association), <mailto:lajos.kollar@bunge.com>, telephone +36 1 2376400

### *Trade fairs*

- Foodapest- International Food, Drink and Food Industry Machinery Fair Budapest: <http://www.hungexpo.hu/index.php>
- IFE Hungary- International Food, Drink and Hospitality exhibition Budapest: <http://www.hungexpo.hu/index.php>

*Other*

Possible sources of cultural specifics of Hungary could be

- <http://www.kwintessential.co.uk/resources/global-etiquette/hungary-country-profile.html>
- <http://www.cba.uni.edu/buscomm/InternationalBusComm/world/europe/hungary/hungary.html>

No relevant trade press can be found in Hungary for this sector.

This survey was compiled for CBI by ProFound – Advisers In Development

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