COMPETITIVENESS OF HUNGARIAN SHEEP SECTOR IN RELATION TO OTHER EU COUNTRIES

COMPETITIVITATEA SECTORULUI OVIN DIN UNGARIA ÎN RELAȚIE CU ALTE ȚĂRI DIN UE

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Hungarian farmers became as entrepreneurs into the EU, where they found themselves in a competition, which has special conditions. Farmers found themselves within new land-, ownership-, and tax conditions, which required conscious entrepreneurial behavior and thinking. In this special situation sheep industry and (at farm level) sheep farmers also have to survive, develop, and face new possibilities, produce competitive products for the present and future markets. On the course of the examination the competitiveness parameters of Hungarian sheep sector we analyzed the domestic and international statistics. The level of measurement required an overall consideration of sheep production in EU-25 countries and also the of the Easter-European countries. Period of time covered a long term (from the year 1990) to base complex and reliable findings and conclusions.

Key words: Competitiveness, Sheep sector, Hungary, Romania, Bulgaria

Introduction

There were two recent, important changes affected the situation of the Hungarian economy in the last 15 years: the collapse of the political system in 1989, and the closure of the EU accession process in 2004. Both events determined the performance of the Hungarian sheep sector in the economic competitiveness, and will continue to affect it for years to come. Farmers have yet to accept the latter situation and adapt to its economic rules, and they have got the most important tasks in this competition. Hungarian farmers became as entrepreneurs into the EU, where they found themselves in a competition, which has special conditions. Farmers found themselves within new land-, ownership-, and tax conditions, which required conscious entrepreneurial behavior and thinking. And these conditions can not be assured in short run in Hungary (subsidies, processing and trading organizations of producers, milk and meat integrations, co-ops). And these treats become more severe with the effects of the political change of 1989. In this special situation sheep industry and (at farm level) sheep farmers also have to
survive, develop, and face to new possibilities, produce competitive products for
the present and future markets.

Materials and Methods

Analysis of competitiveness factors of animal production is quite a complex
task. Calculation and evaluation of simple values such as ewe number or output
quantities are essential but not enough. We also have to put indexes and related
parameters into consideration, and these data might role as comparative or non-
comparative endowments and factors of the given country. On the course of the
examination the competitiveness parameters of Hungarian sheep sector we
analyzed the domestic and international statistics. The level of measurement
required an overall consideration of sheep production in EU-25 countries and also
the of the Easter-European countries. Period of time covered a long term (from the
year 1990) to base complex and reliable findings and conclusions.
Sources of data: Food and Agricultural Organization of the United Nations
(FAO), (European Statistics, EUROSTAT), Office National Interprofessionnel des
Viandes (OFIVAL), Meat and Livestock Commission (MLC). Central Statistic
Office (KSH), Agricultural Research Institute (AKI), (KOPINT-DATORG), data
and publications of Sheep Production Board, Annual Reports of Hungarian Sheep
Breeding Association (MJSZ), publications Ministry of Land and Rural
Development (FVM)

Results and Discussions

As a result of this examination I constructed a factor matrix which
contained all the direct and related parameters of the competitiveness of animal
production. It was the tool of analyzing sheep sector with a special regard to its
particular characters. The evaluated parameters and comparisons showed those
areas of sheep production where Hungary has competitive advantages or
disadvantages in relation to other countries. In Table 1. I listed the evaluated
parameters and factors to complete with related comments. Natural endowments,
land and location of our country provide real good circumstances for the operation
of sheep production. Relative parameters such as sheep density of arable and grass
lands strengthen the competitiveness of this sector. Today those parameters are also
positive which had negative effects at the time of the collapse after 1989. These are
excess stocks of forages and other feed stuffs, and lack of competitiveness for
resources among different sectors of animal production. This situation emerged
from those facts that numbers of animals halved in all sectors and land got out of
utilization by animal production. Troubles of land use and depending on each
industry to another were also emerged as a result of political and economic change.
These are also negative factors of competitiveness of the animal production

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causing the restructuring of the ownership system, increasing the area of rented pastures and arable lands.

In Table 1, I also emphasized those parameters which are special characters of sheep sector in Hungary. These facts were compared to EU-25 average and to same data of Romania and Bulgaria. In relation to the EU average there are some parameters which are quite close to EU average, but in other cases they are far from the average. Facts highlighted by red colors mean the positive, improving factors, blue letters show the negative factors and blacks are between them. Sometimes it was important to comment certain evaluations, but most of the factors were evaluated at both level. Sheep population is a basic, but not absolute parameter of production. In Hungary there are all the necessary conditions of keeping 1 200 000-1 300 000 ewes, but the maximum supported heads of ewes can be listed as limited factor of our competitiveness (in relation to the evaluated countries). Lack of capital sources are positive factor in relation to Romanian and Bulgarian farming conditions but negative at the level of the EU. Variety as the main factor of effectiveness in the competition is a negative factor at EU level, because our merinos produce far below the EU averages. In the long run it is necessary to improve merinos by crossing for increasing meat and milk production. Sheep concentration in Hungary is at about the EU level, but given the low effectiveness it is not positive as a competitiveness factor. In relation to the same parameters of Romanian and Bulgarian sheep farms Hungary has advantages in this comparison of concentration (150 ewes/farm). The optimal concentration which is able to provide an even farm income level would be three times higher, the present average. Type and rate of production of different products are mostly determined by variety and population, but these are the most important facts in the farm income. The main products in generally are sheep meat or lamb. But there is a big difference of output and relative output in different countries.

Incomes from meat and milk are higher in EU then in Hungary, but the income ration of these products is similar. Even our domestic consumption of sheep meat is quite low, and the export portion is relative high, Hungary became one the main live sheep exporter of the EU. Unfortunately Romania has more numerous sheep population so this country is able to produce and transport more animal to EU market at the moment. Bulgaria has better conditions and traditions to produce sheep milk products, both countries are reliable competitors for products. Bulgaria is one of the main fresh sheep meat exporters of the EU, while Hungarian meat export is not valuable. There are no appropriate conditions of sheep meat processing in Hungary, which is also a disadvantages factor of competitiveness. And the domestic consumption is also very low (0,2-0,3 kg capita/year) in Hungary which is also not positive factor of our competitiveness.

Milk processing is operated in small scale, and the wool processing is terminated in Hungary. Milk is produced in such a small quantity in Hungary that we are nit reliable competitors for the mentioned two countries at the market. Wool is absolutely an export product, but because of the poor quality the role of this product in the farm income is almost nothing. Quality of Hungarian sheep
products are accepted at foreign markets, but also require an improvement. The reason of that in the last 10 years the quality of sheep products (accept milk) were declined. Wool is exported without as a uniform quality without any classification. Development is especially urgent in the field of meat production because we have to introduce and enhance S/EUROP classification of meat. The other problem is that Romanian lamb quality is not worse than the Hungarian, which also means competitive-problems at the market. Animal health regulations and administration system are at the EU level. Producers’ teams and associations and integrations have been founded in the last few years, but operation of them is still not appropriate. They have to be developed to become competitive at EU level. To show the compositeness in a more demonstrative way I constructed figures to compare the competitiveness factors of the related countries (Romania and Bulgaria). Size and shape of the figures (Figure 1. and 2.) mean the relative competitiveness of Hungary, Romania and Bulgaria at the ratio of the EU average. The involved parameters are relative indexes, calculated from the sheep population, size of arable and grass land area, consumer basis, and output factor like meat and carcass production, sheep density of arable and grass land area, concentration (in case of farm size above 1 ESU). According to the demonstrated results of 2003 Hungary has an advantage of concentration, so sheep density of farms is higher than it is in Romania and Bulgaria (Figure 1.). In relation to other indexes Hungary is below the EU averages, but definitely competitive in the live animal export. Romania has better position in the basic sources as area of arable land, animal population, and consumption, Bulgaria has Lower sheep density at grass lands. Shapes of figures show that none of the countries has an overall competitiveness of sheep industry in relation to the EU averages. In Hungary consumption rate causes the irregular figure. Population and output indexes are showed at Figure 2. Relative quantity of live sheep production is given in heads and also in weight, because in Hungary and in the neighbor countries lambs (low weighted) are the main products, but in the northern EU countries farmers produce bigger lambs for market. Given the relative values at Figure 2, it is evitable that Romania exported twice as mach lamb to the EU as Hungary did, and unfortunately Bulgaria also has good opposition at the export of fresh carcass and also live animals. But given the relative export capacity of each country, it is known that Hungary exported 80% of the total meat production. It would advisable to improve our fresh meat export and output figures because Romania and Bulgaria is going to join to the EU-25 in 2007 and get better position as competitors.

It was realized that: the comparison to the EU is not relevant in every field of measurement because there are too big differences at this level. But there are tendencies and conclusions of this examination. Natural endowments of Hungary are good enough to operate sheep sector such as for the main sheep producers in the EU. But given the present situation of the Hungarian sheep industry the real competitors are the Romanian and Bulgarian sheep farmers. They have similar products and conditions for sheep industry. Our advantages are concentration of sheep population and present value of live sheep export.
Table 1. Evaluation of the Hungarian Sheep Sector in Relation to the EU-25, Romania and Bulgaria

<table>
<thead>
<tr>
<th>Factors of Competitiveness</th>
<th>Evaluation of Competitiveness factor</th>
<th>Comments</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Areal endowments</td>
<td>In relation of EU-25: Above the average</td>
<td>In relation of Romania, Bulgaria: Above the average</td>
<td>Distances of live animal transport</td>
</tr>
<tr>
<td>Land – sheep density</td>
<td>In relation of EU-25: Below the average</td>
<td>In relation of Romania, Bulgaria: Below the average</td>
<td>Unexploited pastural and arable lands</td>
</tr>
<tr>
<td>Relation of Crop and Animal Production</td>
<td>Ne.</td>
<td>Ne.</td>
<td>Unfavorable – excess of feeding stuffs</td>
</tr>
<tr>
<td>Sectoral integration</td>
<td>Ne.</td>
<td>Ne.</td>
<td>It could reduce costs at farm level</td>
</tr>
<tr>
<td>Sources of feeding stuffs</td>
<td>Ne.</td>
<td>Ne.</td>
<td>Excess stocks</td>
</tr>
<tr>
<td>Land use</td>
<td>Ne.</td>
<td>Ne.</td>
<td>Different owners of the land and animals, rented lands</td>
</tr>
<tr>
<td>Sectoral competition for sources and subsidies</td>
<td>Regulated</td>
<td>Ne.</td>
<td>Regulated support system, unexploited natural sources</td>
</tr>
<tr>
<td>Relation of Sectors of Animal Production</td>
<td>New.</td>
<td>New.</td>
<td>No competitions, sufficient feeding stuff stocks</td>
</tr>
<tr>
<td>Sheep population</td>
<td>1% of the EU-25: Below the average</td>
<td>Below the sufficient level, limited development</td>
<td></td>
</tr>
<tr>
<td>Sources (capital)</td>
<td>Low level</td>
<td>Better position</td>
<td>Lack of capital, limited development</td>
</tr>
<tr>
<td>Variety</td>
<td>Not competitive</td>
<td>No.</td>
<td>90% merinos, limited development and efficiency</td>
</tr>
<tr>
<td>Concentration</td>
<td>Average</td>
<td>Better position</td>
<td>Not competitive – low profitability</td>
</tr>
<tr>
<td>Ownership system</td>
<td>New.</td>
<td>New.</td>
<td>Unfavorable-scattered small stocks with low capital</td>
</tr>
<tr>
<td>Purpose of Production</td>
<td>Below the average</td>
<td>New.</td>
<td>Disproportionate- few varieties</td>
</tr>
<tr>
<td>Product -structure</td>
<td>Below the average</td>
<td>New.</td>
<td>Disproportionate</td>
</tr>
<tr>
<td>Quality</td>
<td>Below the average</td>
<td>About the average</td>
<td>Milk-increased, meat and wool decreased</td>
</tr>
<tr>
<td>Processing level</td>
<td>Below the average</td>
<td>Ne.</td>
<td>Lack of processing of meat, development is limited</td>
</tr>
<tr>
<td>Export</td>
<td>Above the average</td>
<td>Better position</td>
<td>The most important factor</td>
</tr>
<tr>
<td>Domestic consumptions</td>
<td>Below the average</td>
<td>Below the average</td>
<td>Very low, development is limited</td>
</tr>
<tr>
<td>Animal Health, Administration</td>
<td>About the average</td>
<td>Above the average</td>
<td>Sufficient at EU-level, more strict and costly</td>
</tr>
<tr>
<td>Producer integration</td>
<td>Below the average</td>
<td>Above the average</td>
<td>Insufficient operation</td>
</tr>
<tr>
<td>Professional and</td>
<td>About the average</td>
<td>Ne.</td>
<td>It can be developed</td>
</tr>
<tr>
<td>Human factors</td>
<td>About the average</td>
<td>Ne.</td>
<td>Changing</td>
</tr>
<tr>
<td>Information</td>
<td>Below the average</td>
<td>Ne.</td>
<td>Transmission and quality can be developed</td>
</tr>
</tbody>
</table>

Source: On the basis of own systemization Ne: not examined
Figure 1.
**Competitiveness Factors of sheep production of Hungary, Romania and Bulgaria in the rate of the same data of the EU-15 (2003)**


Figure 2.
**Sheep population, sheep meat production and meat export of Hungary, Romania and Bulgaria in the rate of the same data of the EU-15 (2003)**


(1) calculated on the basis of weight, (2) calculated on the basis of head

**Bibliography:**

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Fermieri din Ungaria au devenit antreprenori odată cu aderarea la UE, unde au intrat într-o competiție cu reguli clare bine definite. Fermieri aflați în fața noilor reguli și taxe au început să gândească și să se comporte ca antreprenori. În această situație specială industria creșterii ovine și crescătorii de ovine au fost nevoiți să supraviețuiască, să se dezvolte și să facă față noilor posibilități de a produce produse competitive pentru piața actuală și viitoare. În timpul analizei parametrilor de competitivitate al sectorului ovin din Ungaria am utilizat date statistice interne și internaționale. Au fost luate în studiu date din EU-25 și alte țări Est-Europene cu privire la producții ovine. Datele au acoperit o perioadă lungă de timp (din anul 1990), pentru a putea fi trase concluzii reale și complete.

Cuvinte cheie: competitivitate, sector ovin, Ungaria, România, Bulgaria