COUNTRY STATEMENT 2000
HUNGARY

PRESENTED

BY THE DELEGATION OF HUNGARY

TO THE FIFTY-EIGHTH SESSION OF THE

ECE TIMBER COMMITTEE

9 TO 13 OCTOBER 2000, ROME

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And Regional Development
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Macro-economic situation

The unquestionable trend of development in the Hungarian economy starting in 1997 continued in 1999.
The output of industry in 1999 was 10.5 per cent higher than in the previous year. The highest rate of development within the industry was experienced in the processing industry. However there was a strong differentiation between the individual branches, the output of the engineering industry, more specifically as related to the electrical appliances, precision instruments and vehicles being the most outstanding.
The uneven development has significantly influenced the structure of industrial production. The share of the mechanical engineering related branches increased to 40 per cent while that of the food and chemical industry decreased. This growth of uneven rate has affected the different regions of the country to a different extent.
Export has been the determining factor of the growth of industrial production in 1999, at the same time an upswing of the domestic demand in the III. quarter of the year has contributed to the achievements.
A further remarkable feature of the industrial development lies in the fact that a greater share of the growth of production has been realised through the enhancement of productivity.
Beside an increase of 12.7 per cent of the net average salary and an increase of 10 per cent of the consumer's price index real incomes went up at a rate of 2.5 per cent. The rate of increase of the nominal incomes slowed down parallel with the pace of change in price index. The increase of incomes showed significant dispersion among the different branches.

About the Hungarian forestry

The Hungarian forestry authority, with the use of the database of the National Forest Stand Data-bank, has been for many years compiling the annual reports about the forestry activities according to consistent professional points of view.
The data below are taken from the latest report:

	year 1997.	Year 1998.	Year 1999.
Forested area, th. ha	1 756	1 758	1 767
Growing stock, gross million m^3	317	320	323
Completed regeneration of forests, th. ha	20.2	20.9	20.8
Completed afforestation, th. ha	5.7	6.3	7.9
Removals, gross th. m^3	6 713	6 579	6 901
Removals, percentage of annual forest plan potentials	80	77	79

It can be stated that both the forested area and the growing stock are continuously growing. The increase in forested area results from self-regeneration and afforestation, as well as partly from the registration of areas till now not recorded as forest lands. The increment in standing volume can be explained with the forest area expansion, the under-exploitation of harvest potentials as well as partly with the natural growth. The state of health of the forest lands in the country is improving. However, biotic and abiotic damages are still significant. Alleviation of the same is the basic interest of the forest owners and makes support by the state indispensable in the future too, whatever the ownership should be.
As a whole, the competency of forest management in Hungary is of reasonable standard.

Distribution by ownership of the lands of forestry activities is as below:

Forest land owner	Area, th. ha	Share, %
State	1 035	58.6
Public (municipal etc.)	11	0.6
Private	721	40.8
Total	1 767	100.0

Distribution of forest land area by use:

timber production	76.7 %,
protection	18.7 %,
public welfare	2.4 %,
other	2.2 %.

These proportions have slightly changed to the advantage of the protective forests during the last years. Parallel with a slight decrease of the share of productive forests there was an increase of forests of other purposes that can be related to the designation of seed producing stands, forest reservations and their shelter zones.

Removals

In the year 1999 fellings were performed on 94 000 ha, out of which area, some 20 300 ha was harvested, i.e. final cut performed. The removed gross amount of 6.9 million m^3 of timber represents 79 per cent of the sustainable forest plan potentials of 8.7 million m^3. Compared to the last year's data as basis, it means that the amounts of felling increased by 322 thousand m^3.

The state forestry share companies exploited their felling possibilities at 91 per cent on the average, while forest companies of other ownership structures at 64 per cent only. The unregulated situation of ownership and the delay in the designation of property share continues to be a restrictive factor. The backlog in this respect is diminishing, however not dynamically enough.

The need for nature conservancy presents itself as a continuing problem in the management of forests. Currently, 20 per cent of the total forested area is protected and this trend puts further limits to timber harvesting.

The state of wood processing industry

Tendencies in the wood processing industry have to some extent been contrary to what characterised the macro-economy as a whole. There was some decrease in domestic sales in 1999. However, the changes in domestic sales are very much different in the individual sub-branches.

The productivity indices of wood processing have developed similarly to the general tendency in the industrial production.

Among the branches producing for the further processing industries the domestic sales of sawmills have considerably decreased, a slight increase could be experienced in the case of wood-based panels. The domestic demand for building joinery products slowed down, at the same time there has been an upswing of demand for wood-based packaging products. Domestic sales of the branches producing for final consumers increased likewise.

The import volumes of timber, first of all those of coniferous sawnwood increased. Timber export increased to a smaller rate. As far as processed products are concerned, the import increased more dynamically than the export did.

Production volumes for the year 1999 according to the reports not yet complete are shown in the table below, and the same are related to numbers of the year 1998.

Product	Production	Index, base is year 1998.
Removals (net timber volume above cut surface), thousand m^3	4 625	113.6
Sawnwood, thousand m^3	308	82.6
Plywood, thousand m^3	9.5	
Fibreboard, thousand m^3	56.1	93.0
Particleboard, thousand m^3	457.2	103.0
Veneer, million m^2	22.3	151.7

As it can be judged from these figures, the wood-processing industry in Hungary has stabilised. The particleboard manufacture is focusing to the further processing industries; the fibreboard production units would need technological reconstruction. A new plywood production line has been put into operation this year. The availability of raw material makes it already possible to enlarge the production of fibreboard and particleboard.

Foreign trade of forest products

At the national economy's level the increase of the value of export and import in the year 1999 was essentially the same. The foreign trade of agricultural products has developed differently. The positive balance of the agrarian foreign trade was 16.4 per cent lower than in the previous year. At the same time the development of the trade of forest products has shown a picture that is more favourable than that for the agrarian foreign trade as a whole.

The export of all the forest products was 4.9 per cent higher than in the previous year. In the same period of time the import increased by 9.4 per cent, resulting in a diminishing of the positive balance.

Within the export of all forest products the share of roundwood and other wood in the rough decreased, while the share of sawnwood and other, miscellaneous processed wood products increased. The share of wood-based panels has further decreased.

It can be regarded as a positive tendency that miscellaneous wood products processed at higher degree continued to be the category of products representing the highest export values within the foreign trade of wood products.

The share of wood products in the import of all products has stabilised. Within it, the share of sawn products remained unchanged, and there was some decrease in the case of miscellaneous wood products. The import of wood-based panels continued to increase.

Looking at the foreign trade in terms of partner countries it can be stated that as regards export, the European Union has an ever increasing share of currently 80per cent, followed by a 13 per cent participation of the Central European countries that is diminishing.

As regards import of wood products the share of the Central European countries is 52 per cent and increasing, while that of the European Union is decreasing and is currently at the rate of 42 per cent.

The timely distribution of the foreign trade of forest products has not changed as compared to the same periods of the previous years.

Foreign trade of forest products in 1998-99

	1998	1998	1999	1999	Index (1999/98 %)

	million HUF	million USD	million HUF	million USD	HUF	USD
			EXPORT			
Roundwood	16647.6	77.9	18471.8	78.3	111.0	100.5
Sawn wood products	18181.7	85.0	21370.5	90.4	117.5	106.4
Wood-based panels	10606.4	49.5	10748.0	45.4	101.3	91.7
Miscellaneous wood products	34032.9	158.7	41554.6	175.2	122.1	110.4
Forest products total	**79468.6**	**371.1**	**92144.9**	**389.3**	**116.0**	**104.9**
Pulp and paper products	69967.2	326.7	80103.5	338.1	114.5	103.5
Total	**149435.8**	**697.8**	**172248.4**	**727.4**	**115.3**	**104.2**
			IMPORT			
Roundwood	8940	41.8	10722,4	45,4	119.9	108.6
Sawn wood products	21949.1	102.3	26529.3	111.7	120.9	109.2
Wood-based panels	11482.7	53.5	14633.9	61.6	127.4	115.1
Miscellaneous wood products	10484.6	48.9	12097.8	51.0	115.4	104.3
Forest products total	**52857.0**	**246.5**	**63983.4**	**269.7**	**121.1**	**109.4**
Pulp and paper products	151831.9	709.4	166735.6	704.4	109.8	99.3
Total	**204688.9**	**955.9**	**230719.0**	**974.1**	**112.7**	**101.9**
			BALANCE			
Roundwood	7707.0	36.1	7749.4	32.9	100.6	91.1
Sawn wood products	3767.3	-17,3	-5158.8	-21.3	136.9	123,1
Wood-based panels	-876.3	-4.0	-3885.9	-16.2	443.4	405.0
Miscellaneous wood products	23548.3	109.8	29456.8	124.2	125.1	113.1
Forest products total	**26611.7**	**124.6**	**28161.5**	**119.6**	**105.8**	**96.0**
Pulp and paper products	-81864.7	-382.7	-86632.1	-366.3	105.8	95.7
Total	**-55253.0**	**-258.1**	**-58470.6**	**-246.7**	**105.8**	**95.6**

It is an indication of the upswing of economy within the wood-processing sector that, besides a decrease of stocks, sales volumes both domestically and in the export trade have grown, except for veneer and plywood. When analysing the trends of marketing for the main categories of products, it can be established that the share of export show a moderate growth only in the case of products processed at lower level (such as sawnwood), while in the case of joinery products being processed at higher level, export continues to be dominant.

Price of forest products

In the table below, the components of marketing indices in the year 1999 for the main categories of products and trade are given.

	Change of price, 1999/1998 %			**Weighted price index %**		
	domestic	export	overall	domestic	export	overall
Veneer logs	126.5	112.7	113.0	112.9	112.7	112.9
Sawlogs	115.5	131.6	119.9	115.5	131.5	118.7
Roundwood total	116.8	128.3	120.1	116.8	128.3	119.2
Pulpwood	142.9	122.4	123.3	142.9	122.4	124.4
Chipwood	113.3	103.7	109.1	113.3	103.7	108.3
Industrial wood total	120.1	127.0	122.4	120.1	127.0	122.4
Fuel wood	117.8	106.4	113.4	117.8	106.4	115.1
Roundwood total	115.6	123.7	117.2	115.6	123.7	118.1

Vision

The situation of the construction industry being decisive for the woodworking industry is changeable. In the year 1999 the number of new homes occupied was less than before, at the same time the number of permissions issued for building showed an increase.
The ambitious programme of building homes as well as other important projects of development initiated by the Government gives new perspectives to the construction industry and, as a consequence, expectations to the woodworking industry. Saw-milling industry may derive benefit of this tendency in the short term and panel industry in the long term.
The same situation may also mean that the import of coniferous roundwood and sawnwood as well as that of wood-based panels probably will increase, but the domestic producers of wood-based panelling and flooring will have an access to a better market too.
It is worth mentioning at this point the rise of prices that can be experienced in the market of mineral sources of energy. An important part of the biological potential of fellings in Hungary could be utilised in the energy market. This is a possibility that worth attention in the case if consumers can be convinced of the use of renewable sources of energy, just like wood. The question today is not primarily biological and technological, rather it is related to logistics and financial support.