

THE HUNGARIAN AGRICULTURE BEFORE EU ACCESSION

A MAGYAR MEZŐGAZDASÁG HELYZETE AZ EU CSATLAKOZÁS TÜKRÉBEN

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Summary

On 1st May, 2004 Hungary will be a member state of the European Union. The preparations for the EU membership are in the last phase, all conditions concerning the agricultural production, different supports and their presumed amounts are well-known. Several models and forecasts can be made about the supposed effects, structural and organizational changes caused by accession.

In this paper I wish to summarize the most important facts about the last ten years of the Hungarian agriculture, production data of the main sectors and also the results of agricultural negotiations. I also wish to describe those EU regulations and requirements which may cause severe problems for the Hungarian producers.

Summary

2004. május 1-től Magyarország is az Európai Unió tagállama lesz. Az erre való felkészülés utolsó szakaszába érkezett, ismerjük a mezőgazdaságot érintő feltételeket, a támogatások lehetőségét, keretét, lehetséges összegét. Ezen tények ismeretében modellezhetjük, előjelezhetjük az Unióhoz történő csatlakozás várható hatásait.

E tanulmányban ismertetni kívánom a magyar mezőgazdaság elmúlt évtizedének főbb jellemzőit, termelési adatokat valamint a csatlakozási tárgyalásokon elért fontosabb eredményeket. Kitérek továbbá mindazon követelményekre és rendeletekre, amelyek az újonnan csatlakozókra is érvényesek lesznek, és jelentős költségterheket ró a hazai gazdálkodókra.

Key words

Hungarian agriculture, quotas, payments, EU requirements

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magyar mezőgazdaság, kvóták, támogatások, EU követelmények

Introduction

In Hungary agriculture has been traditionally an important sector of national economy. The main characteristics of our products were the high quality and good yield level.

The political changes of the 1990ies have totally transformed the Hungarian economy. As the result of compensation and privatization and the loss of our traditional Eastern market the Hungarian agriculture became into a critical situation. Structural changes, privatization, lack of capital - these were the key problems in agriculture during the last ten years.

The challenge of the enlargement of the European Union has given new prospects for the Hungarian farmers. Now, in 2003, one year before the accession, the Hungarian

agriculture have to face some more problems, and try to find a way to meet EU requirements and to become competitive with other member states.

Objectives and Methodology

The proportion of agriculture within the national economy has decreased gradually since the 1990ies. In my paper I wish to collect the main characteristics of the present situation of Hungarian agriculture by the help of the newest statistical data given by the Central Statistical Office.

In addition, I wish to summarize the future prospects, weaknesses and strengths of our agriculture by the results of the agricultural negotiations between Hungary and the EU.

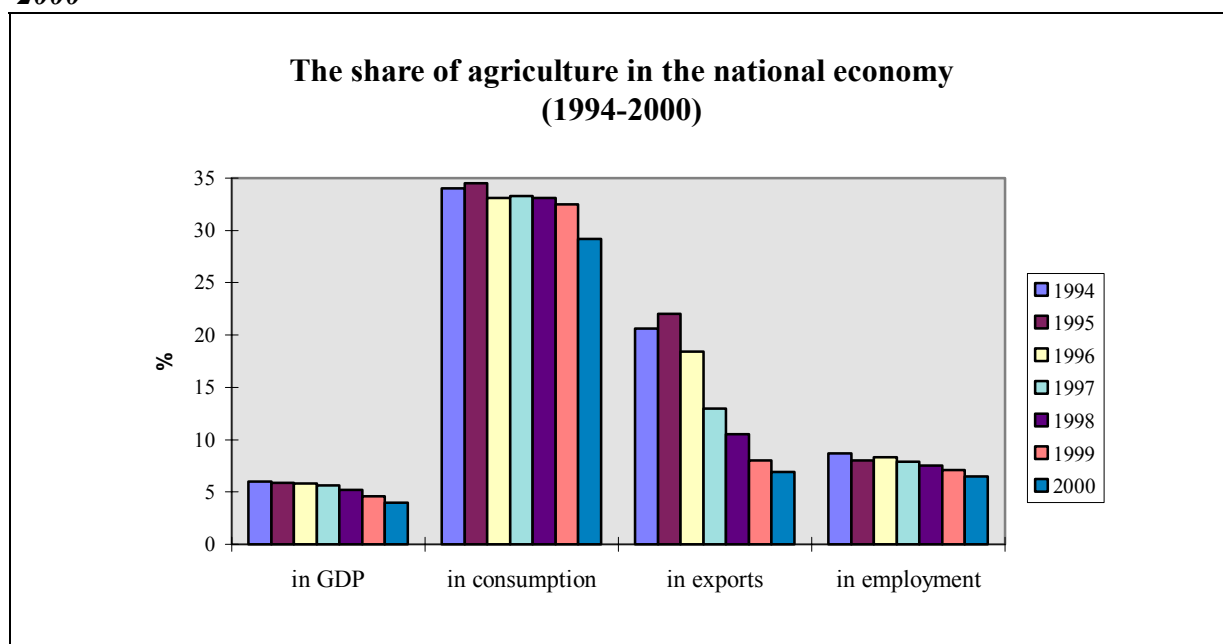
Results and Discussion

Hungarian Agriculture After the Political Transition (1990-2001)

In the last centuries the agriculture in Hungary played an important role in the national economy. Our climatic and geographic conditions have made excellent circumstances for many sectors of agriculture, from cereals production through vegetables and fruit production to animal husbandry. A great part of the nation has worked in agriculture, and nearly the 80% of the country's land have been used for agricultural production.

The political changes of the 90ies, namely the compensation process and privatization made a totally new situation for the Hungarian agriculture. As a result of the changes of land structure, the presence of new land owners and farmers, the lack of capital, the loss of our Eastern markets our world famous agriculture has lost its good results. The number of livestock, the average yields has decreased dramatically. The new farmers had no enough capital. The buildings and machinery were in very bad condition. There were not political agreement on farm structure problems. These conditions have led into a very deep crises of the agriculture, and this crises is not over yet. The next figure shows this decreasing situation in GDP, consumption, exports and employment.

Figure 1. The share of agriculture in the Hungarian national economy *between 1994 and 2000*



Source: Central Statistical Office

All columns show depreciation, the greatest share is for exports, which is caused by the loss of our traditional Eastern markets.

Only a minor change has occurred in the composition of the agricultural area by cultivation branches. The agricultural production is determined by arable land, which showed a slight growth in the last year. All branches show this slight growing, except the orchards and viticulture. The following table the land share between different cultivation branches are summarized from 1999.

Table 1: Land use: Proportion of different branches of cultivation (1000 hectares)

	<i>1999</i>	<i>2000</i>	<i>2001</i>
Arable land	4708	4500	4516
Gardens	108	102	98
Orchards	96	95	97
Vineyards	127	106	93
Grassland	1147	1051	1061
<i>Agricultural area</i>	<i>6186</i>	<i>5854</i>	<i>5865</i>
Forests	1775	1760	1772
Reeds, fish ponds	74	92	93
<i>Productive land</i>	<i>8035</i>	<i>7706</i>	<i>7730</i>
Uncultivated area	1268	1597	1573
<i>Land area in total</i>	<i>9303</i>	<i>9303</i>	<i>9303</i>

Source: Central Statistical Office

The farm structure has totally changed after the political transition, the former system of cooperatives and large-scale farms has totally damaged. The new farm structure is composed by companies, transformed cooperatives and private farmers or family farms. This structure is shown in Table 2.

The output of crop production and horticulture increased although the outstanding yields in 2001 played a significant part of it. The output of livestock management remained at the level of the previous year, 2000, the poultry showed a small rise (by 12%), but the pig sector and cattle branch declined by 7% and 15%. The proportion of crop production versus livestock management is very unfavourable, hopefully it will be changed by EU accession.

Table 2: Farm structure according to management types (1000 hectares)

	<i>1996</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Companies	2625,0	2357,9	2409,6	2619,5	2560,3	2785,1
Cooperatives	2009,6	1824,8	1671,0	1494,5	1230,3	855,0
Private farmers (family farms)	4191,8	4627,3	4744,9	4689,0	3983,1	4195,6
Others	486,6	493,0	477,6	500,1	1529,3	1467,3

Source: Central Statistical Office

Results of the agricultural negotiations

The agricultural negotiations between the European Union and Hungary have started in the middle of the 90ies. The closing ceremony of these negotiations was held in Copenhagen, in December, 2002. One of the main questions was the level of EU support, the basic yields and quotas for Hungary. When Hungary applied for these supports the viewpoints of the negotiating parties were different, but by the end of last December the compromise have been made. The most important results of the negotiations are summarized in Table 3.

Table 3: Compensatory Payments for Hungary

<i>Plant</i>	<i>Compensatory Payments for EU-15 100% €/t</i>	<i>Compensatory Payments for CEECs 25% €/t</i>	<i>Compensatory Payments for Hungary €/ha</i>
Cereals	63,00	15,75	74,49
Oilseeds	72,37	18,09	85,57
Proteins	72,50	18,13	85,73
Flax and Hemp	75,63	18,91	89,43
Set-aside	63,00	15,75	74,49
Reference yield: 4,73 t/ha			

Source: Hungarian Ministry of Agriculture and Rural Development; own calculations

The reference yield and basic areas for plant production, the livestock supporting limits and the milk quotas for Hungary are shown in Table 4.

Another key problem of the agricultural negotiations and a key question of Central and Eastern European countries was the level of the EU supports for the new members.

The producers of CEE countries can apply for only the 25% of the EU supports, thus the Hungarian (and other new member states') farmers can get 75% less money from Brussels. The level of supports is shown in Table 5.

Table 4: Main results of agricultural negotiations

<i>Plant production</i>		
Regional yields	(t/ha)	4,73
Basic area for Cereals, Oilseeds, Proteins	(ha)	3 487 792
Durum wheat traditional area	(ha)	2 500
Durum wheat non-traditional area	(ha)	4 305
Other proteins	(ha)	1 954
Tobacco	(t)	12 355
Seeds	(t)	7 235
<i>Livestock</i>		
Beef Special Premia (BSP)	(db)	94 620
Suckler Cow Premia (SCP)	(db)	117 000
Slaughtering Premia (calf)	(db)	94 439
Slaughtering Premia (adult)	(db)	141 559
Sheep Annual Premia (SAP)	(db)	1 146 000
<i>Milk</i>		
National Milk Quota	(t)	1 947 280
Reserve Quota (from 2006)	(t)	42 780

Source: Hungarian Ministry of Agriculture and Rural Development

Table 5: EU supports for CEECs in percentage of supports for EU-15 and special support for Hungarian producers from national sources

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
% of EU support for EU-15	25	30	35	40	50	60	70	80	90	100
EU support + 30% national support	55	60	65	70	80	90	100	100	100	100

Source: Hungarian Ministry of Agriculture and Rural Development

As the above table shows, the Hungarian government has promised an additional support for the Hungarian producers, financed from the national budget: 30% of the EU supports will be financed from this source in the first year. The EU supports will be increased gradually, the national supports will be remained unchanged. Thus, the support for Hungarian farmers will reach the total sum of supports for EU-15 in the year of 2010.

Special EU requirements

Candidate countries wanted to get derogation in several fields which have meant the most difficulties for them. These derogations were concerned special standards in animal husbandry, slaughtering, food quality, animal health and wellness. As the EU regulations in these fields are rather strict and much development is needed to be in conformity with them, special judgement was asked by the CEECs. As a result of the negotiations the following derogations were granted for Hungary.

For example 44 slaughterhouses are free from the strict requirements till 2006, 21 egg production plants can be work for a five year period, and the Hungarian standard of milk with 2,8 % fat content also can be sold till 2009.

Other EU requirements are have to be fulfilled, which need an overall reconstruction in several branches of agriculture. The development needs a lot of capital, which can be serious problem for most of the producers. Different sources at EU and national level can be used, but today these sources still have not used properly.

Farmers need much information and consultation in these topics, as the time for accession is quite near. This information process is very slow yet, competent authorities should accelerate it by the help of the media, lectures or courses .

Conclusions

After ten years recession the Hungarian agriculture can be renovated as Hungary get the EU membership on 1st May, 2004.

The tradition, the excellent conditions for agricultural production can give the possibility of the Hungarian agriculture's revival.

A general improvement in quality, productivity, efficiency and marketing should be ensued, the Hungarian producers should find their typical products and to produce them at the highest quality level, and at last but not least, the national institutions, professional organizations, experts and consultant authorities should give all the help and all the information to the producers about the new obligations and possibilities.

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