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The Hungarian Agriculture in the European Union

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유럽연합 안에서의 헝가리 농업

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요 약

헝가리는 15년간의 정치, 경제적 체재 변환 후에 2004년 5월 1일 유럽연합(EU)의 정식 회원국이 되었다. 유럽연합 가입은 유럽연합의 법률과 공동 농업 정책(Common Agricultural Policy, CAP)의 도입을 포함한 길고 복잡한 과정의 산물이면서, 농업 문제의 새로운 국면을 초래하였다.

농업분야에서 핵심이 되는 논제는 공동 농업 정책의 규칙을 도입하는 동안 효율성과 경쟁성을 유지하는 것이었다. 헝가리 농업 및 농촌개발부의 주요 문헌자료에 기초하여 유럽연합 가입 시기의 헝가리 농업의 전반적인 실태와 문제에 대하여 고찰하였다. 아울러, 유럽연합 회원국과의 관계에서 농업의 문제와 앞으로의 과제를 전망하고자 하였다.

헝가리가 유럽연합 회원국이 되기 위한 준비로 주목할 만한 것은 2003년 정부가 새로운 규정을 법률(governmental regulation # 81/2003)로서 정하고 농업 및 지역개발청(Agricultural and Regional Development Office)을 설치하여 공동농업정책과의 원활한 통합을 추진하고 있다는 점이다. 특히 농업 및 지역개발청은 헝가리에서의 유럽연합 공동농업정책의 운용을 총괄하고 있다는 점이다.

Key Words : Hungarian Agriculture, European Union, Common Agricultural Policy (CAP)

Ⅰ. Background

The Republic of Korea and the Central and East European ex-socialist countries established diplomatic relations with each other shortly after the Seoul Olympic Games 1988. These countries - since the Korean Peninsula has been divided - used to have formal relations only with North Korea, which was considered as a "friendly country" in the late communist terminology.

Hungary was the first in the "queue": on December 7, 1988 the first Hungarian Mission in Seoul was opened, then on February 1, 1989 the two countries established diplomatic relations with each other the Hungarian Embassy was opened in Seoul and also the Korean Embassy in Budapest. The "day of beginning" - February 1, 1989 - can be considered as a milestone, as after this break-through Korea could shortly open herself to a great number of countries which are now considered very important partners, like China or Russia. All members of the former "Eastern Bloc": Poland, Czechoslovakia, Romania, Bulgaria also followed this way in a short time.

On the one hand the erosion and the collapse of the socialist world regime, and on the other hand the democratization process of the Republic of Korea (and the so-called Northern Policy of President

Roh Tae Woo) served as a political background, which made all this possible. Up to now, Korea and these countries have rapidly built up their friendly political, and mutually beneficial economic and cultural relations, while the relations between these countries and North Korea considerably cooled down.

Sixteen years ago names of Samsung, Hyundai, Daewoo were not widely known in the Central and Eastern European region. Before that time Korean goods were not imported to the "economies of shortage", and lacking even diplomatic ties, of course no any Korean investment had been established as well. Since 1988 the world has changed a lot. For the European ex-socialist countries this period brought about the political democratization and the establishment of the market-oriented economy.

On May 1st 2004,- fifteen years after the Wall of Berlin has tumbled down, Hungary, together with nine other countries, from which seven also belonged to the former Eastern Bloc, became full-fledge members of the European Union. The EU accession including the adaptation of the EU legislature and common policies (to so-called acquis communitaire) was a long and complex process. In the field of agriculture, the main issue was to preserve the efficiency and competitiveness, while adopting the rules of the Common Agricultural Policy (CAP).

II. The main characteristics of the Hungarian Agriculture

The last year before entering the EU - 2003 - presented a number of challenges for Hungary, as nature was really been favourable for the agriculture. A drought - on a scale not experienced for many years - added to frost damage caused by the severe winter. The gravity of the problem is indicated by the fact that weather conditions comparable to the drought of 2002 were last observed in 1992, and before that in 1952.

The adoption by Hungary of the EU's institutional system, and bringing her own institutions up to date in this area, as well as meeting her commitments to the WTO under circumstances of declining international markets, all constitute a considerable challenge.

However Hungary wants to meet the challenges, even in the climate of a world-wide recession that has every appearance of being long-lasting, and which is having a particularly negative effect on the traditional foreign markets for the Hungarian agricultural products.

When the Copenhagen Agreement which closed the accession negotiations was signed, the results were considered in Budapest below the original expectations, however it could be said, that the achieved conditions were suitable for implementing the successful adaptation of the Hungarian agriculture. The quotas negotiated would not hold back the development and modernisation of production in any of the individual sub-sectors, nor will they limit our ability to meet increasing demand from domestic production.

The Hungarian goals included the acceleration of the integration process; the establishment of a modern agrarian economy in respect of its competitiveness, level of technology and property structure; and the achievement of the framework conditions necessary to comply with the EU's single market regulations related to competition.

Therefore Hungary needs to build a technologically modernizing agrarian economy, rich in developments, which gives priority to enabling farmers to organize their own operations, and which meets the basic requirements of the EU's institutional system.

In 2003, as a result of the Ministry's* initiative and support policy, farmers could begin machinery and technology developments at a level that significantly exceeds the scale of developments of previous years. The establishment of purchasing and sales organizations based on farmers' self-organization, and of bodies that reduce farmers'exposure and improve their negotiating position, have gathered momentum.

Although the period since the change of Government (May 2002) has been relatively short, notable results were achieved in the area of institutional development and have set up the National Development Plan (NDP), including the chapter dealing with agriculture, the Agricultural and Rural Operational Development Programme (ARODP). A National Rural Development Plan was drawn up and finalized by the Ministry who was also running a National Agri-Environmental Programme, supported by increasingly significant funding. The National Agri-Strategy must be also mentioned which was drawn up and implemented.

These programmes and plans are a prerequisite for participating in the EU's agricultural and rural development programmes, and serve as a guarantee that Hungarian farmers should gain the right to apply for the relevant financing. Besides these basic documents, the institutional system also has to be made suitable for receiving the Community's support. For this purpose the Agricultural and Rural Development Agency was established for ensuring that Hungarian farmers should have smooth access to the EU's agricultural and rural development subsidies and should be able to apply on time for Community support, to which they will be entitled in their own right.

Being in charge of providing and controlling the support arriving from the EU and supervising the eligibility of applications, the Agricultural and Rural Development Agency also represents an important guarantee element, as does the National Food Safety Agency which is currently in the process of being set up.

The measures were put in place with the aim of improving the competitiveness of the Hungarian food economy, and the institutional development efforts, have the clear objective that Hungary's agriculture - whose historical traditions Hungarian people can be proud of - would find its place within the Union and attain a position in the EU's domestic market that corresponds to the scale of its preparation.

Because it plays an important role in rural development, and is able to take advantage of favourable ecological conditions, the Hungarian food economy represents a determinant sector of the national economy. Cultivable areas offering good opportunities for agricultural production are a significant part of Hungary's natural resources. An historically strong agrarian culture has been developed over the years, due to the country's natural characteristics, the number of hours of sunshine, the topography and the excellent, highly productive soils that make good results poswith most cultivated plants. Besides the favourable topography, which enables the cultivation of a broad range of agricultural products, there are further advantages, such as a skilled labour force, the population's affinity for agricultural activities, the quality of the educational and research background, as well as the state authority network. Due to these positive factors, Hungarian agriculture is traditionally export-oriented and internationally open.

The change in the share of agriculture in the national economy during the last decade follows international trends. While in 1989, the year of political changes in Hungary, agriculture accounted for 13.7 % of GDP and 22.8 % of export income, and employed 17.4 % of the Hungarian labour force, by the beginningof the new millennium the size of the agricultural sector (including forestry, game management and fisheries) was significantly reduced, and accounted for 4.3 % of gross domestic product in 2001. Agricultural employment accounted for 6.2 % of total employment in 2002, remaining unchanged in comparison with the preceding year. The food industry accounted for 7.8 % of total exports in 2002. These percentages are steadily approaching the levels that have developed, and are considered adequate, in the EU. In the developed industrial countries, foodstuffs represent a decreasing share of consumption, and this trend can also be seen in Hungary. While foodstuffs accounted for 34 % of domestic consumption in 1994, in 2002 they were less than 30 %.

According to the statistical data of May 1, 2002, 83 % of the country's 9.3 million hectares total land area represents agricultural areas, of which about 63 % is under cultivation, with the largest part being used as arable land. Forests cover 19 % of the country's landmass, while grasslands account for 10 %.

Only minor changes were recorded in the proportionate use of agricultural land according to type of cultivation. Arable land (4.5 million hectares) in agricultural production increased by 11 thousand hectares compared to the previous year. Grasslands also increased by 15 thousand hectares. According to a census of vineyards and orchards carried out in 2001, vineyards decreased by 11 thousand hectares and orchards increased by 1 thousand hectares, compared to the previous year.

〈Table 1〉 Share of Agricultural sectors in GDP (%)

Denomination	1995	1996	1999	2000	2001*
National economy total**	100.0	100.0	100.0	100.0	100.0
Agriculture	6.4	6.4	4.6	4.0	4.0
Food industry	4.2	4.0	3.2	3.4	3.7
Forestry	0.3	0.3	0.3	0.3	0.3
Agrarian economy total	10.9	10.7	8.1	7.7	8.0

* Preliminary data.
** Sector total, at basic prices.
Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures.

〈Table 2〉 Share of agricultural areas by branches (1,000 ha)

Denomination	1990	2000	2001	2002*
Arable land	4,713	4,500	4,505	4,516
Garden	341	102	98	98
Orchard	95	95	98	97
Vineyard	139	106	104	93
Grasslands	1,185	1,051	1,048	1,063
Agricultural lands	6,473	5,854	5,853	5,867
Forests	1,695	1,760	1,762	1,772
Reeds, fish ponds	67	92	93	93
Cultivation lands	8,235	7,706	7,708	7,732
Lands taken off cultivation	1,068	1,597	1,595	1,571
Agricultural areas total	9,303	9,303	9,303	9,303

* Preliminary data.
Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures.

1. Land use

The role of private entrepreneurs in agricultural land use continues to determine the nature of the sector. The areas they cultivate increased by 144 thousand hectares (3 %) compared with the previous year. The areas cultivated by companies directly did not decrease. Moreover, the size of cultivated areas managed by companies increased by 37 thousand hectares (1 %) compared to 2001. This means that private entrepreneurs cultivated 47 % of the country's total agricultural area, while companies controlled 40 %. The remaining 13 % is is given over to non-agricultural and infrastructural purposes.

The political changes in Hungary resulted in radical changes in the structure of land ownership, land use methods and forms of enterprise. The spread of private of weak-to-moderate grain production, which has again drawn attention to the cultivation of arable land. At present, the crop structure is characterized by the over-proportion of grains (their share in the crop structure increased from 60.5 % in 1989 to 70 % in 2002). The danger of a simplified production structure lies in extreme results (shortage or overproduction) due to weather conditions. At the same time, the share of labour-intensive sub-sectors, such as fruit and grape production, is decreasing.

The change in the ownership structure of agricultural land led to an increase in the area of land falling out of productive use. Therefore the elements of market-based land management have been integrated into Hungarian agricultural policy. With the EU accession, one of Hungary's most important national aims was to establish a manageable and cost-effective competitive ownership structure which, firstly, is based on a wide-ranging social consensus and, secondly, provides a realistic income for those earning their living from agriculture, be they private entrepreneurs, family enterprises or companies. These aims were taken into consideration in the amendment to Act LV of 1994 on Arable Land, and in the adoption of the Parliamentary Resolution on land asset policy directives. In August 2002, the Hungarian Government founded the National Land Fund Management Organization to ensure the co-ordinated implementation of directives and tasks.

2. Plant production

Either as foodstuff for the population, or as animal fodder, or as a source of foreign currency, grain represents one of the key branches of Hungarian agriculture. Grains also play animportant role in the utilization of arable lands. According to the data of the last decade, 60 ~ 70% of the sowing area was traditionally devoted to grain production. Depending partly on the regulations, and partly on the weather conditions, the productionarea of wheat and maize ranged between 760 and 1,280 thousand hectares per plant type during those years. While

〈Table 3〉 Land use in Hungary by type of business (1,000 ha)

Type of business	1996	1997	1998	1999	2000	2001	2002
Companies	2,615	2,358	2,410	2,620	2,560	2,785	3,040
Co-operatives	2,010	1,825	1,671	1,495	1,230	855	638
Private entrepreneurs	4,192	4,627	4,745	4,689	3,983	4,196	4,339
Other	486	493	477	499	1,530	1,467	1,286
Total	9,303	9,303	9,303	9,303	9,303	9,303	9,303

Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures.

in 2001 grain was grown on 3080 thousand hectares, which is 73.5 % of the arable land area, in 2002 the figure was 70.4 %, a share still exceeding the average for the years 1996 ~ 2000. The sowing area of cereals and maize slightly decreased. The area of triticale, increasing year by year, is 13% larger compared to the previous year. Following a long- term decrease, the area of spring barley shows an upward trend.

With regard to production value, industrial plants constitute the second main group for the utilization of arable land. Lately, industrial plant production has also manifested an exceptional level of contradictions, and has been characterized by significant fluctuations. The growth in the sowing area of industrial plants was due to the increased demand for sunflower and rapeseed, whereas the area of potatoes decreased by almost 20 %. Sugar beet demand also decreased by 16 % compared with the spring of 2001.

Wheat was harvested on 1,110 thousand hectares, an area 8 % smaller than in 2001. The wheat yield was 3,910 thousand tons, 25 % less than the preceding year and 4 % less than the average for the years 1996 ~ 2000. Due to adverse weather conditions, the average yield of all cereals was lower than the average for the last five years. Maize was harvested on a smaller area of 1,206 thousand hectares. The yield produced 6,121 thousand tons, 22 % lower than the record yield of the preceding year. Sugar beet was harvested on 55 thousand hectares, an area 11 thousand hectares smaller than the previous year. With regards to the sugar content, it was an average year, although the total yield was lower than in 2001. The area of potatoes further decreased from 36 thousand to 34 thousand hectares. Due to adverse weather conditions, the total yield fell by 17 %. 777 thousand tons of sunflowers were harvested from an increased sowing area.

3. Horticulture

In Hungary, the climate and soil-types allow the production of more than 20 species of temperate-zone fruit and 40 species of vegetables, excellent quality wine and dessert wine varieties, numerous medicinal plants, herbs and essential oil plant species, and beddingplants. The unique climate of the Carpathian-Basin results in the concentration of superb aromas and flavours, and this is why most horticultural products are of especially high quality,

〈Table 4〉 The harvested area and yield of the main crops

Denomination	1996 ~ 2000	2001	2002*	1996 ~ 2000	2001	2002*
	Area (1,000 ha)			Yield (1,000 tons)		
Wheat	1,076	1,206	1,110	4,078	5,197	3,910
Rye	54	51	49	109	121	95
Barley	344	367	370	1,100	1,299	1,046
Maize	1,088	1,258	1,206	6,219	7,858	6,121
Sugar beet	84	68	55	3,328	2,903	227
Sunflower	432	320	418	681	632	777
Lucerne	214	155	155	1,085	843	701
Potatoes	56	36	34	1,132	908	752

* Preliminary data.
Source: Janos Balogh – Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures.

with very good flavour. The production experience of the past decades has contributed to this, and, as a consequence, special production districts have been set up.

In vegetable production, as in previous years, 11 types of vegetable contributed the majority of production in 2002, and accounted for 88 % of total vegetable production. Private producers grew about 74 % of all vegetables. The vegetable production of economic associations was primarily the kinds of vegetables typically processed by the canning and frozen food industries. The total yield of fruit amounted to 700 thousand tons. This was 24 % less than the 1996 ~ 2000 average. Private producers grew about 83% of total fruit production. The area of plantations was the same as in the previous year, which means that extirpation was counterbalanced by the establishment of new plantations. The area of plantations covered 93 thousand hectares, while the production area stayed at the 2001 level of 82 thousand hectares. The ratio of new plantations is low due to the lack of capital and high investment costs. 95 % of the grape production was processed, and 3 333 000 litres of once-drawn wine were produced. This is 38 % less than the 2001 quantity, but the quality shows significant variation. Private

〈Table 5〉 Total vegetable production and the area of arable vegetables

Denomination	1996 ~ 2000	2001	2002*	1996 ~ 2000	2001	2002*
	Area (1,000 ha)			Yield (1,000 tons)		
Total of which:	104,647	101,073	114,566	1,683	1,857	1,850
Cabbages	5,932	5,021	6,256	159	161	157
Onions	6,179	6,093	5,001	145	174	122
Green peas	14,214	19,113	21,858	67	113	102
Tomatoes	10,592	6,316	7,150	264	236	247
Green peppers	5,548	4,521	4,137	107	100	85
Red peppers	5,404	6,476	6,128	47	60	57

* Preliminary data.
Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures

〈Table 6〉 Fruit production

Name	Avarage of 1996 ~ 2000 years	2000	2001	2002*
Total area (1,000 hectares)	96	95	97	97
Productive area (1,000 ha)	73	73	76	76
Production (1,000 tons) of which:	912	1,038	917	699
Apples	535	695	605	527
Pears	38	37	21	13
Sour cherries	55	49	56	38
Plums	106	91	90	49
Apricots	29	21	16	7
Peach	66	64	57	22

* Preliminary data.
Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures.

〈Table 7〉 Viticulture

Name	Avarage of 1996 ~ 2000 years	2000	2001	2002*
Total area (1,000 hectares)	125	106	93	93
Productive area (1,000 hectares)	97	89	82	83
Production (1,000 tons) of which:	671	684	811	501
Grapes sold as fruit (1,000 tons)	39	32	48	23
Once drawn wine (million litres)	413	430	541	333

* Preliminary data.
Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures.

producers cultivate about 90 % of all vineyards, while the vinification and cellarage capacities are mostly owned by economic associations and co-operatives. 80 ~ 85 % of horticultural products are produced by small farms, and in the future family farms will be the dominant types of production, based essentially on family labour, involving the cooperation of all generations. Establishing the conditions for high-quality food production, improving the production level of producers'districts and cultivation areas, and raising living standards in country districts, are mid-term strategic goals for achieving horticulture-based rural development.

4. Animal husbandry

Livestock management was the most adversely affected of all branches of agriculture in the agricultural decline of the 1990s.

According to the production figures of the last 10 ~ 12 years, the consolidation of livestock management was significantly slower than that of crop production or horticulture.

The gross production volume of these last two branches decreased by an average of 19 %, while that of livestock management decreased by 32 %. Most of the negative trends experienced in the preceding years continued in livestock management. The country's animal stock decreased further. The cattle stock decreased, and poultry and sheep stock, which had shown an upward trend in the preceding years, also decreased, while the higher purchase prices of 2001 had boosted pig breeding. At the same time, the worsening condition of foreign markets, due to European over-production, resulted in decreased demand for pigs for slaughter, although domestic consumption remained stable. The moderate increase of animal stock contributed to the effect of these factors. Due to adverse weather conditions, the sheep stock decreased. Grazing was not really possible because the grasslands were burnt, and thus stock had to beprovided with additional fodder, which significantly increased the costs of breeding. According to the preliminary data, animal production for slaughter was 6.8 % higher in 2002, than a year before. The increase was due to the 11% increase of meat poultry,which represents 45% of total animal production for slaughter. Beef-cattle production was 3 % less than a year before, while the production of pigs and sheep for slaughter increased moderately. The production of animal-derived products, except for raw wool, increased by comparison with 2001. Milk production exceeded the level of the previous year by 1 %.

With a 1.5 % growth in laying hen production, the production of hen's eggs was 4% higher than a year before. In the case of animal-derived products, specific figures showed only an increase in the efficiency of milk production. Honey production increased by 34 % and reached the 15 ~ 16 thousand ton-level of earlier years.

〈Table 8〉 Trends of the livestock (as of 1 December, 1,000 pieces)

Name	1995	2000	2001	2002*
Cattle,	928	805	783	770
of which cows	421	380	368	362
Pigs,	5,032	4,834	4,822	5,082
of which sows	430	348	343	381
Sheep,	977	1,129	1,136	1,103
of which mother sheep	741	897	849	854
Gallinaceans	31,458	30,716	34,343	32,206
Geese	1,111	1,470	2,175	2,009
Ducks	1,287	1,480	2,837	3,443
Turkeys	1,665	3,350	3,924	3,251

* Preliminary data.
Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures.

〈Table 9〉 Production of animals for slaughter and animal products

Name	Average of 1991 ~ 1995 years	2000	2001	2002*
Animals for slaughter total 1,000 tons of which	1,604	1,566	1,442	1,530
Beef-cattle	198	117	98	95
Pigs for slaughter	885	793	689	700
Sheep for slaughter	33	16	18	19
Poultry for slaughter	457	616	622	690
Cow milk (million litres)	2,094	2,081	2,080	2,100
Hen's eggs (million units)	4,032	3,171	3,277	3,400
Raw wool (tons)	3,997	3,369	3,917	3,800
Milk production per cow (litres)	4,474	5,335	5,517	5,722
Egg production per hen (units)	120	217	219	211
Wool production per sheep (kilograms)	3.4	3.6	3.4	3.3

* Preliminary data.
Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures.

5. Forestry

In Hungary, 19.6 % of the land is forest. This ratio now exceeds the coverage of the last ten years by more than 1 %. The whole area covered with tree-growth exceeds 1.9 million hectares, of which 1.8 million hectares are forestry areas.

As forests are the habitat of a vast number of plants and animals, for some of whichit is the only shelter, there are many international examples of parts of forests being made protected or highly protected areas. 338 000 hectares of Hungarian forests are protected and are forest reserves. This is 18.9 % of the total forested area.

In the European Union, only Austria is ahead of Hungary. The high Hungarian average shows

〈Table 10〉 Changes in the forest area and in the structure of ownership

	1990		1995		2002	
	1,000 ha	%	1,000 ha	%	1,000 ha	%
State	1,157	68.9	1,041	60.5	1,038	57.0
Co-operative	515	30.6	-	-	-	-
Private	9	0.5	670	39.0	771	42.0
Common	-	-	9	0.5	12	1.0
Total	1,681	100.0	1,720	100.0	1,821	100.0

Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures

〈Table 11〉 Forest area, coverage

Name	1998	1999	2000	2001	2002
Total area involved in forestry (1,000ha)	1,905	1,918	1,918	1,932	1,953
Of which : A rea covered with growing stock (1,000 ha)	1,758	1,767	1,764	1,798	1,821
Coverage (%)	18.9	19.0	19.2	19.3	19.6

Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures

that these forests are especially valuable as nature reserves which are richer in tree species than the European average. Beech, Austrian oak, oaks, hornbeam, aspen, willow, alder, linden and other deciduous species are indigenous to Hungary. Acacia, poplar, and the majority of pines are non-indigenous. The area covered with indigenous tree species accounted for 57 %, while the area covered with acacia exceeded 20 %.

In Hungary, forest property ownership is still being settled. During privatisation, due to compensation, 42 % of the forests became private property, and the number of new owners now approaches 300 thousand.

In the case of private forests, establishing the conditions for rational arboriculture is problematic. The main problems are the unregulated ownership structure, difficulties in applying the law on land in common ownership, and the lack of special forestry machinery and equipment. The professional level of arborculture in state-owned forests is good, and the management of forests is carried out in accordance with the professional requirements of the Forest Act. Hungarian forests are somewhat healthier than the European average. Adverse phenomena of the past, like the extinction of the oak, have not accelerated. In recent years, the greatest problem for the forests has been the heat of the summer season, accompanied by drought. Trees weakened by these natural phenomena are vulnerable to both biological and non-biological pests. Mitigating and stopping the damage requires further significant state intervention and support. The forest programme continued successfully in the year under review. Taking into consideration the area indices for autumn planting, obligatory forest renewal contributed 15,176 hectares. The 15,000-plus hectares of forest renewal enhance land use, which in turn can contribute to ecological richness, to rural development, the mitigation of employment problems, the protection of areas regularly subject to flooding, and the protection of the environment, landscape and wildlife. Arboriculturists extracted 7,013,000 gross cubic metres of lumber from 101,000 hectares of forest area; this is barely more than three-quarters of the available potential. The role of forests and wood will become more important in the next centuries. The National Forest Strategy and Forest Programme have been designed for the long-term development of forestry and arboriculture. Their slogan is "Forests for Hungary, Hungary for the forests!:" The other aim in the design of the strategy is to ensure that the resources available under forest policy are in harmony with EU solutions and practices.

6. Food industry

The volume of gross production of this branch was up by 1.9%, falling behind the average of 3.6% growth of the processing industry as a whole. However, this growth undoubtedly indicates a positive trend following the decrease in 2001. Based on the data for enterprises employing more than five people, the gross production value of the branch was HUF 1890 billion at current prices, and its share within the Hungarian industry's branch structure amounted to 15%. (1 US dollar was equal to cc. 279 HUF at the end of 2001.)

Variations between the production results of individual specialist branches, basically related to demand, can also be observed in 2002.

Domestic sales were positively affected by an increase in demand following increased purchasing power.

Four fifths of the products of the branch were sold on the domestic market, while one fifth was exported to foreign markets. Domestic sales grew by 3.2%. The export volume of food industry companies was 2.9% larger than in 2001 and, according to the preliminary data, the industry achieved exports worth HUF 375 billion at current prices. Exports increased more significantly in the meat processing and preservation, dairy, fodder, confectionery, distilled spirits, beer and tobacco industries, while exports of processed and preserved poultry, fruit and vegetables, the milling industry, and soft drinks suffered a decrease in volume. The average number of those employed in the food industry was 128,203 persons, an increase of 4.3%, with the result that the food industry employed 4.7% of all employees within the national economy and 6.8% within the competitive sector. The employment share of the processing industry was 17.1%, placing it second on the branch scale. Food industry productivity fell by

〈Table 12〉 Production of the food industry's major products (1,000 tons)

	1991 ~ 1995 average	1999	2000	2001	2002*
On the bone meat	391	346	308	277	295
Sausages	36	45	45	44	46
Poultry	159	136	160	155	161
Milk consumption (million litres	649	576	613	633	641
Cheese and curds	–	91	96	107	112
Flour	1,125	765	882	867	783
Sugar	463	361	280	443	312
Drawn beer (million litres)	848	698	719	714	727
Soft drinks (million litres)	480	863	1,018	986	992

* Preliminary data.

Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures

2.3 %. The increase in the number of those employed was therefore greater than justified by the productivity level, which suggests that productivity was suffering adverse conditions.

According to the preliminary data, investment volume grew by 8.6 %. In line with the priorities developed during recent years, the aim and technological content of investments into the food industry is primarily related to the improvement of market adaptability, making production more efficient, accelerating specialisation and concentration, and through all of these, increasing competitiveness. Compliance with quality, food safety, animal protection, hygiene and environmental regulations constitutes one of the high-priority goals. The fact that the progress of development activities within the food industry over a number of years has not stopped is to be regarded as a positive indicator. Preparing for EU accession improved the industry's opportunities for modernisation and competitiveness. However, the investments are not evenly spread between the individual specialist branches. Branches managed by proprietor groups with a strong capital background continue to have an advantage compared to those struggling not only with structural difficulties inherited from the past but also with insufficient development resources and weak financial status (e.g., the baking and milling industries etc.). The number of enterprises operating in the food industry was 8,070 on December 31, 2002, about 90 less than a year before. This means that, although the decline in the number of enterprises of the industry continued, the trend slowed down.

In terms of Hungary's accession to the European

〈Table 13〉 Food consumption in Hungary per capita (kg)

Denomination	1997	1998	1999	2000	2001
Meat total	58.1	60.9	60.5	70.2	67.5
Of which: pork	26.2	26.6	28.3	28.0	25.2
Beef and calf	4.8	4.3	4.1	4.3	3.9
offal	2.7	2.8	3.2	3.1	3.1
poultry	23.6	26.4	24.2	33.7	34.2
Fish	2.7	2.8	2.8	3.0	2.9
Milk and dairy products	156.4	149.6	151.7	160.6	144.2
Eggs	14.8	14.7	15.2	15.3	15.8
Fats total	36.1	36.2	34.2	39.0	37.4
Flour	82.8	79.3	84.5	89.4	90.1
Sugar	39.4	41.3	37.7	33.2	30.3
Potatoes	65.3	67.4	68.0	64.0	68.2
Vegetables	97.5	95.8	94.4	109.2	111.6
Fruit	61.8	68.5	67.5	108.5	100.0
Spirits (litres*)	6.1	6.2	6.1	6.4	6.9
Wine (litres)	31.5	33.1	30.2	28.3	35.1
Beer (litres)	68.6	68.3	68.0	71.6	71.0
Coffee	2.7	2.0	2.4	2.8	2.8

Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures

Union, it is significant that due to its cooperation and commercial relations as well as its ownership connections, the Hungarian food industry has become economically almost fully integrated into the Union's food industry. Investors from the EU hold almost half of the food industry's registered capital and the EU is the destination of around 80 % of the exports of companies with a majority foreign ownership.

In the pre-accession period, the primary aim of the food industry is to comply with the European Union regulations. This involves establishing the technical conditions required for compliance with food safety and hygiene regulations; the modernisation of environmental protection and waste management; implementing the provisions of the EU's animal welfare regulations; technological development; and improvements in the level of product quality.

In recent years food safety, as a condition of market presence, has become a top priority. Adopting the relevant EU rules, the Hungarian regulations have made it obligatory for food producers to apply the HACCP food safety system. With the growing importance of food safety, not only to ensure competitiveness, but also in the interest of public health, there has also been a growth in the importance of brand names, trademarks and geographical origin indicators which represent quality, and which refer to both product composition and the production technology applied. The establishment by the Government of a National Food Safety Office, in accordance with Regulation No. 66 / 2003. (V. 15.), to co-ordinate and manage domestic food safety tasks, was indicative of the recognition given to the importance of food safety. Hungary was the first among the new EU member countries to establish such an institution.

A development opportunity for small- and medium sized food industry producers is offered by the Traditions, Tastes, Regions programme, which is part of the Euroterroirs (Europe's regions) project. This has the aim of preserving the traditional foods of the individual Hungarian regions, and making them more widely known. The Ministry launched the programme in 1998. With the co-operation of the Agricultural Centre, and as a result of more than two years'co-ordinated work by the regions, and within them by specific branches, professional and historical descriptions of more than 300 traditional and regional products have been written. Published in the spring of 2002, the collection of product descriptions constitutes an integral part of the European Collection, thus increasing the number of products in the collection to 5700. Hungary's unique products do not represent a competitive threat to European mass-market products; rather, their unique character widens the choice of European foods.

In 1998, the Ministry launched an application system for the "High-quality Hungarian Food" trademark, to support Hungarian producers offering quality products. The trademark indicates not only the Hungarian origin of the product, but also that it complies with EU norms, has been regularly inspected during the production process, and possesses at least one outstanding characteristic in comparison with other similar products. At present, about 200 products of 73 companies have the right to use the trademark, and these numbers are expected to grow yearly, thus continuing and strengthening the tradition of excellent Hungarian foods.

Ⅲ. Foreign Trade

Since 1990, the diplomatic activities of the Ministry of Agriculture and Regional Development have undergone important changes. The gradual reshaping of the Ministry's international relations began in the early 1990s. While priority was still given to relations with the member states of the EU, relations with certain regions whose significance used to be underestimated, or which had been completely ignored, gained importance.

The Ministry's foreign trade orientation was correspondingly reprofiled, which meant that relations with the Asian region became more important. The change of orientation resulted from the Ministry's recognition that it was interested in forming more dynamic relations with all three main centres of the world's economy the European Union, North America, and Asia.

Not undervaluing the European region's predominant importance, it was recognized, that increasing attention has to be paid to the non-European advanced economies. In the one hand Western Europe fell behind the USA and Japan in the field of high technology developments, and the Hungarian backwardness in this field could be more efficiently reduced by improving direct contacts with the "flagship" countries.

Owing to the constantly increasing volume of products embodying advanced technologies originated from East- and Southeast Asia, and also due to the intensive transnational activities of the multinational companies, the Hungarian foreign trade deficit with Asia is significant. All these prove that both sides might find trade and economic relationship beneficial. There is no necessity to fully counterbalance the bilateral trade deficits. The major part of the imported goods (like electronic parts) are imported for further processing in Hungary-based factories, mainly for export, so it will parallelly represent export surplus - increased with the Hungarian labor's value added - in relation of other (e.g. West European) countries.

Anyhow, the increase of Hungarian exports to Asian markets would be desirable, although of course geographic and many other factors limit the possibilities. It is especially true for the agricultural products and foodstuffs nevertheless through the WTO process of market liberalization the export of several agricultural products (e.g. processed meat, honey, poultry, red pepper) have good chances in the Asian markets.

The advanced Asian countries could come into consideration primarily as potential FDI exporters for Hungary. Furthermore, the increasing science & technological co-operation might give an impetus to the economic relations, too

Within the total volume of Hungarian export to Korea - which amounted hardly one-tenth or even twentieth of Hungary's import from Korea - the share of agricultural goods and foodstuffs was also negligible until 1997, but then it changed significantly. In 1997 the Hungarian agricultural commodities exported to Korea amounted 4,7 million USD, comprised mainly cereals and animal products. The year of "breakthrough" can be considered 1998, when the first Hungarian chilled pork shipments were sent to Korea, as a result of the 6-year lasting negotiations. At the beginning of 1998 Hungary and Korea agreed in the mutual acceptance of veterinary certificates, issued by the respective national authorities. Since then, the chilled pork has become the main export goods within Hungary's export to Korea. (At the same time the Hungarian machine-industrial export to Korea decreased significantly.) In 1999 and 2000 chilled pork amounted 2/3-3/4 of the total volume of Hungary's export to Korea. According to market research surveys, Korean customers are satisfied with Hungarian pork, moreover, if the involved Hungarian companies could increase their capacity and stock, Korean market could probably buy up additional quantities

So, the international activities of the Ministry were focussed not only on Hungary's accession to the EU, but also on developing the relations that

〈Table 14〉 Export-import of agriculture and food industry by regions (million USD)

	Exports					Imports				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
EU	1,212	1,145	1,048	1,221	1,334	497	409	464	532	640
CEFTA	531	474	476	513	482	116	129	155	185	224
CIS	446	206	234	211	224	15	7	15	18	11
Baltic states	45	47	41	42	36	1	1	1	2	1

Source: Janos Balogh - Edit Bardos B.: The Hungarian Agriculture and Food Industry in Figures.

already exist with remote and neighbouring countries as well (the latter of which belong to CEFTA, particularly the countries of the Visegrád Group, and the South-slavic region) and with the countries of the former Soviet Union. Cooperation with other overseas OECD countries and with the emerging economies in the Latin-American, Middle-Eastern and North African regions, plays an important role as well. Conventional frameworks for the sector's foreign trade relations have significantly expanded. Broader contractual relations, based on identity of interests, are indicated by inter-ministerial cooperation agreements concluded with 33 countries, and by 51 international conventions (animal health and plant protection agreements). At the same time as reinforcing bilateral relations, the development of multilateral activity within the international economic organisations - the OECD, WTO, FAO and WFP - and relations with these organisations, were also part of this process, which was aimed at broadening the Ministry's international cooperation. Through the extensive use of agro-diplomacy, the Ministry established and also geographically broadened its trading and economic relations. The Ministry made significant progress in improving market access conditions for agricultural and food industry products, initiating and gradually implementing agricultural cooperation programmes and development projects. The agriculture and food industry's share of the national economy's total exports was 7.8 %, while its share of imports reached 3.5 %. Foreign trade in agricultural products produced assets of 1362 million USD. The value of exports was 4.9 % higher than in 2001; the value of imports increased by 15.1 %.

Hungary's agricultural exports to the European countries were 5 % higher in 2002, than in 2001. Europe's share of total agricultural exports reached 91.9 %. Asia's sharereached 6.3 %, an increase of 0.2 %. 1.5 % of Hungary's agricultural exports were directed to the American continent. Africa's share accounted for only 0.2 %, as the value of Hungarian exports there decreased by 10 million USD. Australia and Oceania bought Hungarian agricultural products to the value of 1.2 million USD. Exports to the European Union grew by 9.2 % compared to the previous year. 50 % of all exports were directed to the EU. The value of agricultural products exported to the CEFTA countries totalled 482 million USD, which means that exports to these countries fell by 6.1 %, i. e. by 31 million USD compared to the base year. CEFTA's share of exports stood at 18.1%. Exports to the CIS exceeded those of the year 2001 by 6.0 %. 49 % of imports came from the member states of the EU. Imports worth 640 million USD represented a record growth of 107 million USD (20.2%) compared to the previous year. As in previous years, the value of agricultural imports from the CEFTA countries increased by another 20 %. CEFTA's share of total agricultural imports was 17.2 %.

Trade between the European Union and Hungary produced the equivalent of 694 million USD, which basically corresponded with the year 2001. The positive balance with the CEFTA countries decreased significantly. The trade in agricultural products resulted in a Hungarian surplus of only 257 million USD, against the previous year's 328 million USD. In respect of the CIS, the balance showed a Hungarian surplus of 213 million USD, which was more favourable than last year's result by about 20 million USD.

Ⅳ. Tasks for Hungarian agricultural sector in relationship with the European Union membership

Hungary has already passed the threshold of an event of historic importance: following the successful conclusion of the accession negotiations with the European Union at the end of 2002, Hungary became part of the most successful integration of all times, the European Union, on May 1st, 2004. The Position Paper containing the Hungarian agricultural negotiating position was handed over to the European Commission in November 1999. The Issue Paper, laying down the basic principles represented by the EU during the accession negotiations, was presented on 30 January 2002. This document did not contain any specific information regarding the former "candidate" countries. The next Common Position of the EU was presented at the end of 2002, but it still did not contain a budget-related EU position.

At the chief negotiators' round of the accession negotiations on 21 March 2002, the chapters on plant and animal health were deemed not to require further negotiation by the European Commission. At the same time, Hungary's application for provision for these areas (high capacity slaughterhouses, hen cages) were approved. On 20 November 2002, the European Union presented its new Common Position. The document contained the Community's position (in most cases, the agreements concluded earlier) on each of Hungary's 95 negotiating positions, including the direct agricultural payments and quota requests not as yet approved. By the end of 2002, only 10 of the 95 originally formulated positions were subject to further negotiation. Especially important among these are the determination of the area eligible for support for the field cultivation of plants, and the determination of the crop yield affecting the extent of the support granted, as well as the settlement of the quota-issues of the cattle sub-sector and the classification of wine-producing zones. In line with political plans and intentions,the accession negotiations with the ten candidate countries were concluded at the Copenhagen Council on 12 & 13 December 2002. In the course of negotiations lasting for four-and-a-half years, the accession conditions in all fields of social-economic life were agreed. Hungarian producers will benefit from market intervention measures (crops, beef, milk powder and butter) and will receive export subsidies under the same conditions as their counterparts in the other member states. In 2004, farmers of the new member states will receive 25 %, in 2005 30%, and in 2006 35% of the direct subsidies from Community resources. After gradually increasing, the subsidies will reach 100 % in 2013. As result of the negotiations, direct subsidies can be complemented by a maximum of 30 % from the national budget. Hungary should receive EU support for regional development from two sources: from the Guidance section and from the Guarantee section of the European Agricultural Guidance and Guarantee Fund. Whereas the amounts available from the Guarantee Fund were already shared among the former candidate countries during the negotiations, the amount from the Guidance Fund, as part of the four structural funds, will be set in the National Development Plan. Production quotas representedanother important issue in the accession negotiations. As result of the negotiations, production quotas cover all types of Hungarian production, and in some cases they also make development possible (beef and sugar quotas).

All in all, the main accessionconditions for Hungarian agriculture were reasonable. In the period until EU accession, the Ministry will make every effort to provide the right conditions for exploiting opportunities. An important task for the Ministry was therefore to inform and to prepare the agricultural population for the new requirements and challenges arising from Hungary's approaching membership of the EU. In doing so, the Ministry wanted to address every producer and wanted to draw NGOs into this activity. Publicising the advantages arising from Hungary's accession to the EU, and ensuring their popular acceptance, was central to the Ministry's tasks.

In 2002, the Ministry published another series of 21 publications on the EU's regulatory structure for agriculture. These publications contained what Hungarian producers were supposed to do in respect of each product in the specific fields, and which regulations they have to conform to. There is also a 16-part video set on the most important market regulations and issues connected to them. At the EU stands of the annual expos, the Ministry was able to meet the producers in person and to listen to their suggestions, as well as to exchange views with producers and provide publications. At a conference called "From field to table", focusing on food safety, the Ministry informed producers about the food safety negotiations with the EU. This conference was organized as a parallel event at the Foodapest International Food Industry Expo. The Ministry is also represented electronically on its own website (www.fvm.hu) and in the information database of the Agricultural Center in Godollo (GAK Kht.). The Ministry supported three regional conferences on the issues of animal breeding (Transdanubia), the dairy sub-sector (Middle-Transdanubia), wine production and vine and fruit cultivation (the southern part of the Great Hungarian Plain). Professional presentations held at various events and training sessions provided excellent opportunities for supplying in-depth information on a variety of issues. Preparations for the national program called "Preparing producers for EU accession" started in October 2002. Farmers were informed on the spot at 300 events about the agricultural regulations of the EU and the results of the accession negotiations affecting the production structure and main products of their particular settlement or region. NGO's were also involved in the program.

After the conclusion of the accession negotiations, Hungary entered a qualitatively new phase of accession preparations. The Interim Agreement, which came into force on 19 December 2002 in accordance with the decision of the Copenhagen Council, entitles the candidate countries to participate in the decision-making processes of the Council, even before the accession treaty has been signed. (The Interim Agreement remained valid until 30 April 2004.) In order to promote the integration of Hungarian agriculture into the Common Agricultural Policy, the Hungarian government passed governmental regulation number 81 / 2003, establishing the Agricultural and Regional Development Office. The office serves the operation of the CAP in Hungary.

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