

The new member states and the Common agricultural policy: Expectations, preparation and results

Miklós Somai

Introduction

The year 2014 offers good opportunity to look back on the history of the first waves of Eastern enlargement. Thus, it is fully packed with expert meetings and conferences aimed at taking stock of the experiences of first 7-year (in the case of Romania and Bulgaria) or 10-year (for the others) membership within the European Union (EU). The introduction of the common agricultural policy (CAP) and the gradual application of its main support schemes for farmers are emerging as key issues of interest at the above-mentioned events.

Apart from giving a short explanation about the exceptional character of the Eastern enlargement, the purpose of this study is to highlight some lessons learned from agricultural accession, by displaying how production and trade evolved in EU's new member states (EU10).⁵³ Based on data of development dynamics – and with some focus on Hungary – I will attempt to present differences in development paths and consider some reasons lying behind such differences. In addition, I will devote particular attention to the opportunities and challenges the new multiannual financial framework (MFF 2014-2020) may bring to EU-10 farmers through the reformed CAP.

Exceptional enlargement – starting conditions

For some of its important features, the EU 2004 enlargement maybe regarded as exceptional. First, never before so many countries could join the EU at the same time; second, never before democratizing states had been kept waiting for so long to enter the integration; third – and focusing on the practical implementation of the CAP instruments in the new member states – never before had there been so much deviation from EU's own rules. If one puts together these three features of the 2004 enlargement, it is clear that never before had newcomers been treated on such an unequal footing to those already inside.

Before 1993, it was appropriate to apply a transition period to the acceding countries while duties, quotas and other barriers to trade between the old and the new members had been dismantled parallel to the process of extending the CAP and its subsidies to the new entrants. However, since 1993, with the launch of the European single market, border controls between member states were eliminated. Hence, it was natural that the EFTA enlargement (Austria, Finland and Sweden) in 1995 was already carried out under a “Big Bang” scenario; as of the first day of their membership, the three new EU countries became fully integrated into the single market. Their products of both industrial and agricultural origin gained free access to the old member states' markets and vice versa, while their farmers obtained all CAP subsidies available in the same way as did their counterparts in the

⁵³ EU10 covers the three Baltic States (Estonia, Latvia and Lithuania), the two countries of the Balkans (Romania and Bulgaria), the Visegrád countries (Hungary, Poland, Slovakia and the Czech Republic) and Slovenia. As a methodological remark, it should be noted that due to lack of sufficient comparable data for EU10 countries, I sorted the new member states based on some other criteria, too. Accordingly, countries of the 2004 enlargement are named NMS or NMS (2004). NMS without Malta, Cyprus are named EU8, and EU8 without Hungary are named EU7. The old member states are called EU15. Finally, the label V4 (or Visegrád countries) covers Poland, Hungary, Slovakia and the Czech Republic.

old member states. From a point of view of effective competition policy, it was completely natural and necessary that after the mutual and immediate market opening, the agricultural producers of the new members got into a regulatory and subsidisation environment identical to that faced by their homologues in the old member states.

Having all the above in mind, it was very disappointing watching from Eastern Europe the debate on the agricultural aspects of the 2004 enlargement carried out during the 1990s and early 2000s. In these preparatory negotiations, experts called upon by the Commission had for long years been arguing about whether it would be wise, beneficial or necessary to extend CAP direct payments, i.e. the main part of the farm subsidies, to the new entrants. They did so as if such double standards between farmers of old and new member states were not prohibited by EU competition law to persist. Unfortunately, during the long negotiation period before accession, the theory according to which cheap, abundant and underutilised agricultural labour and land in EU10 would represent comparative advantages for their farmers became widely accepted in the old member states (EU15).⁵⁴ This approach, however, badly underestimated the capital intensity per worker of the principal technical functions of modern agricultural production.⁵⁵ According to the then widespread professional perception, candidates from Central and Eastern Europe were less in need of price and income (i.e. CAP first pillar) support – as they produced ‘cheaply enough’ – than that of structural aid, to be financed from the second (i.e. rural development) pillar of the CAP.

By December 2002, when enlargement negotiations were reaching their final stage, the East European negotiating politico-economic elite had already got accustomed to their Western colleagues’ increasingly entrenched position described above. Finally, they came to the conclusion that in order to realize accession within a reasonable timeframe, they would have to accept a scenario of full membership only at the end of a long transition period. The result is well known: the transition period for agricultural accession was set at ten years, only at the end of which (i.e. in 2013) gradually introduced direct payments reached the normal EU level. In addition, production levels used to determine per hectare direct payments in NMS, unlike in EU15 (i.e. ensuing from normative EU laws), were not set out based on the late 1980s, but on a period much closer to the enlargement. For countries (e.g. Hungary) where the negative effects of the systemic transition had been felt longer than elsewhere (e.g. Poland) and agricultural production remained under the pre-transition level, or at best fluctuated heavily, this arrangement limited the subsidies available under the CAP regime even further. Overall, Brussels was more inclined to circumvent their own established rules and regulations of both agricultural and competition policies than to treat the new Central and Eastern members as equal partners by ensuring them full rights under the *acquis communautaire*.

Ultimately, this unprecedented discrimination of the new entrants – exposing their farmers to uneven competition stemming from a combination of compulsory immediate full opening of their markets and a temporarily unequal support system – became a precedent for subsequent enlargements of the EU towards Romania and Bulgaria in 2007, and Croatia in 2013.

⁵⁴ See the papers of Buckwell, Josling, Mahé, Tangermann and Tarditi referred to in Somai (2002).

⁵⁵ Pouliquen (2001) p.15

Main trends

Despite the significant increase in agricultural output, the accession to the EU itself could not reverse the long-term trend of decreasing primary sector (agriculture, forestry and fishing) in the economies of the NMS. It was clearly so because from the accession until 2008, growth in the other two main (i.e. secondary and tertiary) sectors of the economy happened to be even faster. From 2011 onwards, however, as a delayed reaction to global financial and economic crisis, which caused deeper recession in manufacturing and services than in primary sectors, the above-mentioned trend seems to be broken – at least the available data provide such a picture. Between 2011 and 2013, the share of primary sector in total gross value added (GVA) of the NMS stabilized at around 3.5 per cent, a level somewhat higher than that reached in the years of 2009 and 2010, and close to what it was in 2006/2007.⁵⁶ It should be noted that there was a similar break in the EU15, although, at a much lower level than in the NMS; the primary sector share stayed at around 1.5 of total GVA.

We can observe a similar phenomenon in employment as well, with the difference that the declining trend of the primary sector in NMS has only flattened since the outbreak of the crisis – at around 9 percent of the total employment, so *circa* three times the level in the EU15⁵⁷. Of course, this does not mean that there would not have been any halt or reversal of the trend in the cases of some individual member states. For example, between 2009 and 2011, the share of agriculture in total employment rose from 4.2 to 4.7 per cent in Estonia and from 6.9 to 7.3 per cent in Hungary. This role of the agriculture, however, which consists of absorbing temporarily a part of the redundant workforce released by the other sectors in times of crisis, is evident in some old member states too, especially those in trouble. Between 2009 and 2012, the above share rose from 4.5 to 5.7 per cent in Ireland and from 11.6 to 12.9 per cent in Greece.⁵⁸

If there is anything like a trend in post-accession development of NMS agriculture, it is the concentration of production in ever fewer hands, i.e. the considerable decrease in the number and a parallel increase in the size of farms. However, as the follow-up of these developments is closely dependent on agricultural surveys and censuses undertaken only every five to ten years, data are available only until 2010. Based on this data, land concentration in the EU10 accelerated between 2005 and 2010. But, as the same thing took place in the EU15, the difference in economic size of average farms between the old and the new member states measured in standard output (SO) – a currently used indicator to determine the scale of production – still increased in absolute terms and remained approximately of the same magnitude in relative terms (see Table 1). Aggregates, however, hide huge differences between countries: average holdings in Slovakia and the Czech Republic are much bigger than in EU15, and Estonian farms are already comparable in size to those in Ireland or Italy; holdings of the other new members are far smaller, especially in Romania. In relative terms, first compared to themselves, in six countries out of the EU10, the economic size of average farms increased at a very high speed (the SO growing by between 1.6 and 3.7 times); among the laggards there were Hungary, Romania, Slovenia and Lithuania. Now, compared to the EU15, almost the same findings could be established, with one more remark: a lot depended on the starting point. Bulgaria, for example, who made a big step towards a more concentrated farm structure, could not reduce its handicap vis-à-vis the EU15 considerably. Hungary advanced very slowly, much more slowly than most of the EU7 on average or its Visegrád partners, countries most suitable for comparison.⁵⁹

⁵⁶ The estimated share for Bulgaria and Romania is a bit higher, around 5-6% of their GVA. (Source: Eurostat)

⁵⁷ European Commission (2014) p. 2 – Bulgaria

⁵⁸ European Commission (web)

⁵⁹ It is to be added that behind the data showing huge concentration in some of the NMS from 2005 to 2010, there is a sharp reduction in the number of farms, which in turn is at least partly due to methodological changes in the Farm Structure Survey. (Source: European Commission 2014, p. 3)

Table 1: Dynamics of standard outputs in agriculture of the new member states and their relative size compared to those of the EU15's

	2005	2010	2005	2010	Change in the handicap vis-à-vis EU15 (2005-2010)
	euro/holding		percent		
EU15	42 158	50 075	100.0	100.0	
CzechRepublic	88 711	170 603	210.4	340.7	-118.0
Estonia	17 431	30 554	41.3	61.0	-33.5
Latvia	4 565	9 356	10.8	18.7	-8.8
Lithuania	6 131	7 645	14.5	15.3	-0.9
Poland	6 523	12 669	15.5	25.3	-11.6
Slovenia	10 809	12 264	25.6	24.5	1.5
Slovakia	19 910	72 977	47.2	145.7	-186.7
NMS (2004)	7 976	13 637	18.9	27.2	-10.3
EU7	8 012	14 770	19.0	29.5	-13.0
Hungary	7 431	9 814	17.6	19.6	-2.4
EU8	7 909	13 692	18.8	27.3	-10.6
Romania	2 552	2 798	6.1	5.6	0.5
Bulgaria	4 459	7 099	10.6	14.2	-4.0
EU10	5 054	7 125	12.0	14.2	-2.6

Source: Eurostat

Production

When it comes to measuring the EU10 performance in agricultural production, there are two methods; it is possible to adopt an “in-kind” or a value approach. As for the first option – because taking into account the differences stemming from cultural, climatic and other factors – would require far too much time and space, this study will mainly use the second one. Out of the indices of production, temporal changes of two of them (agricultural output and gross value added) are shown in Table 2 and 3.

In preparing the tables, the period of 2002-2013 was divided into four sections of equal length, and then the second, third and fourth three-year sub-periods were compared with the first one, that of 2002-2004. The latter can be seen as representing the last couple of years when the EU accession (and CAP subsidies) could not have a significant impact yet. Considering the weather exposure of the agriculture and trying to avoid distortions arising from comparing single years with each other, the use of 3-year averages seemed to be a reasonable solution.⁶⁰

⁶⁰ Data for Romania and Bulgaria – and thus also for EU10 – are for reference purposes only, as their accession came 3 years later (in 2007). Naturally, one could compare the first six years (i.e. the first and the second three-year cycles) of their membership with that of the other countries entering the EU in 2004. This would show that their production grew slower than that of the Baltics and Poland, but faster than that of the rest of the NMS, and that their performance in crop production was much better than in animal husbandry. However, such comparison would not be adequate, as agricultural production – in contrast to the industrial production – is highly dependent on external factors, like weather. Thus, differences in speed of development stem not only from differences in performances but also from differences in weather conditions of the subsequent years.

Table 2: Changes in agricultural output and GVA based on 3-year averages (2002-2004 = 100%)

	Output				Gross value added			
	2005-07/ 2002-04	2008-10/ 2002-04	2011-13/ 2002-04	2011-13 average	2005-07/ 2002-04	2008-10/ 2002-04	2011-13/ 2002-04	2011-13 average
	percent			m. euro	percent			m. euro
EU15	115.2	127.0	147.6	4 866	104.7	95.4	134.7	1 377
CzechRepublic	134.2	141.1	191.7	863	138.7	115.3	178.7	326
Estonia	143.7	154.2	196.0	848	128.8	102.4	112.3	193
Latvia	140.2	163.8	225.6	2 852	147.8	152.2	247.4	1 075
Lithuania	130.5	150.1	175.1	22 970	139.9	149.4	181.3	9 036
Poland	104.2	107.1	113.6	1 185	99.8	87.6	91.0	418
Slovenia	106.1	118.1	134.4	2 313	98.6	86.1	109.0	547
Slovakia	98.3	103.3	115.8	337 213	89.6	85.1	92.8	133 664
NMS (2004)	120.2	134.1	157.5	44 348	123.5	124.3	156.5	16 103
EU7	115.7	137.6	163.9	35 895	130.4	132.9	167.2	12 972
Hungary	103.2	108.6	125.5	7 632	105.4	100.2	129.6	2 735
EU8	120.8	135.0	158.8	43 527	125.1	125.9	159.2	15 707
Romania	120.3	138.0	146.6	16 873	107.8	118.3	122.6	7 376
Bulgaria	97.7	116.9	122.4	4 233	89.9	96.0	100.1	1 578
EU10	118.8	134.3	152.6	64 634	115.9	120.6	141.3	24 661

Note: Output of the agricultural industry is made up of the sum of the output of agricultural products, agricultural services and of the goods and services produced in inseparable non-agricultural secondary activities. Gross value added corresponds to the value of output less the value of intermediate consumption. The basic price is defined as the price received by the producer, after deduction of all taxes on products but including all subsidies on products.

Source: Eurostat

As for Table 2, let me make some general remarks – true for most of the examined period – regarding both of the indices (output and GVA). First, the EU10 as a group, and each of its constituent countries grew faster than the average of the EU15. The best performance was recorded by Poland and the Baltic states (except for Latvia for the GVA). They were followed by a sort of middle of the rank, with the only “rule” being that Romania and the Czech Republic appeared mainly in the upper section, while Slovakia and Bulgaria in the lower one. Hungary’s performance has been mixed: by its output in general and its performance during the first six years in particular, it clearly ranked among the worst performing countries; but, by its GVA, especially for the last three-year sub-period, it managed to climb the ladder higher up.

Of course, at least part of the above phenomena may be explained by some quite banal reasons. For example, the less developed a country is, the faster it can grow and *vice versa*. Indeed, measured in GDP per capita in PPS, the Baltics (but also Poland) started their development within the EU from a very low level (from between 44-55% of the EU28 average), at least from a much lower level than e.g. Slovenia (84%), the Czech Republic (77%) or Hungary (63%) did.⁶¹ Also, their agricultural sector especially that of the Baltics, provided very low yields before accession. So, the least one can say is that they had room for improvement. At the other end of the ranking, one can find the small but very developed Slovenia, the only one in the EU10 whose agricultural performance in the last nine years was even worse than that of the EU15 on average. As a matter of fact, its agriculture, at the moment of EU accession, was undoubtedly at the highest level among candidate countries. The amount of its per hectare direct payments, a mirror of historical production patterns, is not only above both

⁶¹ See <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tec00114>

new and old member states' average, but also above that of France and Germany.⁶² Also Slovenia is the only one to have adopted the SPS (or Single Payment Scheme) regime in 2007 – a compulsory system for distributing direct payments in EU15 introduced with CAP reform 2003. So, regarding this element of the CAP, it is Slovene farmers – alone in EU10 – who since 2007 have been getting access to direct payments on entirely equal footing with their colleagues from EU15.⁶³

Table 3: Changes in crop and animal output based on 3-year averages (2002-2004 = 100%)

	Crop output				Animal output			
	2005-07/ 2002-04	2008-10/ 2002-04	2011-13/ 2002-04	2011-13 average	2005-07/ 2002-04	2008-10/ 2002-04	2011-13/ 2002-04	2011-13 average
	percent			m. euro	percent			m. euro
CzechRepublic	116.1	133.6	171.8	2 868	111.0	116.8	117.1	1 779
Estonia	145.8	145.8	219.4	377	125.6	135.5	172.3	400
Latvia	151.3	173.3	231.8	451	137.2	148.4	177.2	317
Lithuania	133.2	166.6	255.1	1 687	140.5	142.1	168.1	946
Poland	130.4	154.7	181.8	11 821	132.9	148.1	172.5	10 512
Slovenia	107.1	113.0	122.4	627	100.9	100.5	104.5	537
Slovakia	111.3	126.0	159.4	1 192	102.7	112.0	112.9	893
EU15	95.3	100.1	109.6	169 558	100.4	104.4	120.7	141 119
NMS (2004)	122.7	140.9	171.6	23 927	118.6	128.5	145.2	17 486
EU7	126.4	148.2	181.9	19 024	125.8	137.3	155.5	15 384
Hungary	112.1	120.5	143.6	4 502	92.5	95.8	108.0	2 584
EU8	123.1	141.8	173.0	23 526	119.3	129.2	146.3	17 969
Romania	114.2	141.1	154.7	11 392	111.9	106.1	105.2	4 006
Bulgaria	97.9	131.6	149.3	2 518	105.8	109.9	107.0	1 175
EU10	118.3	140.8	165.3	37 437	116.8	122.9	134.7	23 150

Source: Eurostat

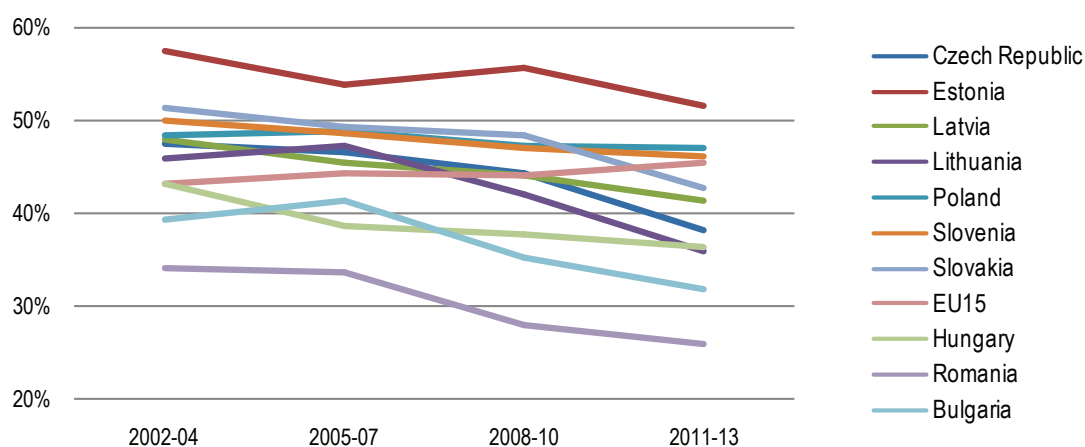
From Table 3, where data for agricultural output are split into two parts distinguishing between crop and animal husbandry, one can reach similar conclusions to those drawn from Table 2. Here too, the best performers are Poland and the Baltics, but their advantage over the others is much less pronounced in crop than in animal products. Another similarity with Table 2 is that EU15's development is slower than that of the new members on average, no matter what their composition is (i.e. NMS, EU7, EU8, EU10 or else). Finally, Hungary is again among the worst performers: even in its best period (i.e. the years of 2011-2013), the pace of its development is half of the EU7's for the crop and only one-seventh of it for the animal output. Nevertheless, there is an important trend which can be discerned from the data of Table 3: although the speed of development is relatively slower in the EU15, this latter is the only group of countries where the growth of animal output exceeds that of crop output. In other words, while in each new member state the proportion of crop and animal husbandry has gradually been shifting towards the former, in the old member states exactly the opposite has been taking place (see Figure 1). Among the EU10 countries only Poland was able to keep the importance of the animal sector at its pre-accession level (a loss of 1.3 percentage point only). As for the other new members, Slovenia has performed relatively well

⁶² See Council of the European Union (2011) and Figure 1 at the final chapter

⁶³ See Potočník – Lombardero (2004) p. 379

(-3.9 pp) and in Estonia, in spite of a quite significant decline in share (-6.0 pp), animal husbandry remained more important than crop production. In the rest of the EU10, the animal sector lost between 6.6 and 10.1 percentage points.

Figure 1: Changes in proportion of animal output, 3-year averages
agricultural output = 100%



Source: Eurostat

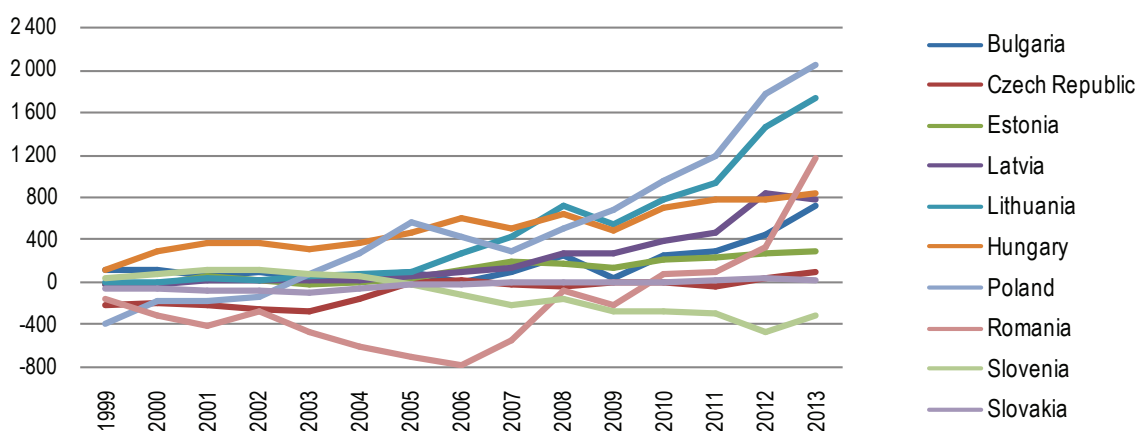
As for the relative importance of the speed of development, it is to be clearly understood that although the EU10 crop production has developed seven times faster than that of the EU15, in reality, there was no difference in the amount of increase (approx. EUR 15 billion from 2002/04 to 2011/13). As for the animal output, the ratio of the speed of development was less significant (only 1:1.7 in favour of EU10), but in value the EU15 progressed by EUR 24 billion against a mere 6 billion achieved by the EU10. It is to be noted that this progression of EUR 24 billion was higher than the average annual animal output in the EU10 at the end of the period (i.e. in 2011/13). Table 3 and Figure 1 already foreshadow the events that took place in intra-EU trade for the last one and a half decade, enabling the old member states to take full advantage of the opportunities brought about by the Eastern enlargements to find new markets for their highly competitive animal sector.

Trade developments

Statistical data on international trade are to be treated and interpreted very cautiously; this is the main conclusion drawn after thoroughly examining several trade reports and statistical data sets on agrifood trade within and outside the European Union. Frequent changes in methodology and consecutive data refreshments can cause comprehensive reviews to become obsolete within a very short lapse of time. Not to mention that the hidden economy, which in the EU10 is likely to have larger dimensions than in the EU15, may cause severe bias in trade statistics and evaluations. Bearing all the above in mind, the best solution seems to be to focus on those key phenomena and trends that are supported by most of the sources.⁶⁴

⁶⁴ See e.g. Carraresi – Banterle (2013) or Csáki – Jámor (2013)

Figure 2: Balance of extra EU27 trade of food, drinks and tobacco
million euro



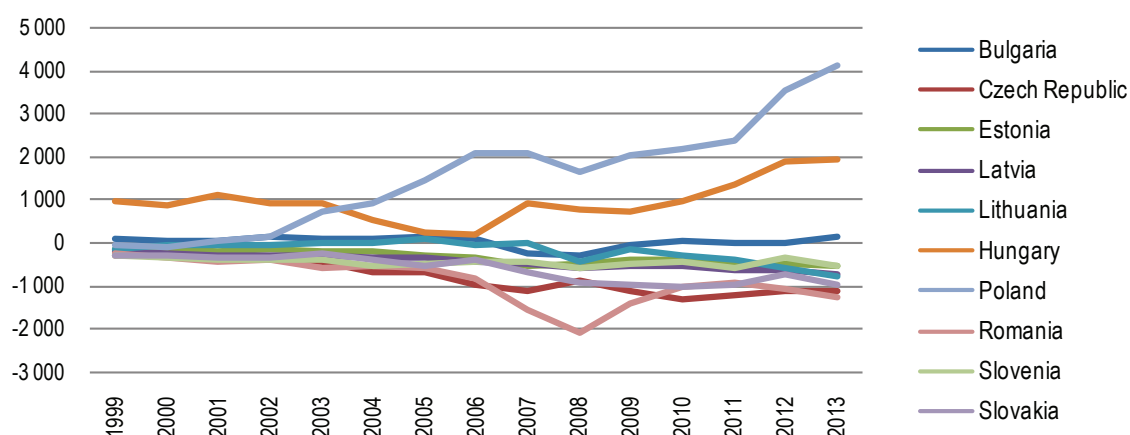
Source: Eurostat

In the assessment of the European Commission released in April 2014 evaluating the first 10 years of the 2004 enlargement, there are a number of findings on the trade aspects of NMS' agricultural accession⁶⁵ that could also have been reported almost unchanged on those of the EU10s'. One of such findings is associated with the increased demand for NMS products, stemming from the free access of these countries to the Single Market and driving the growth in competitiveness with economies of scale, which made their exports outside the EU more competitive. The report also states that agricultural exports to third countries have grown even faster than to the EU15. As a matter of fact, the extra EU exports of EU10 are on a constant uptrend for the last 10 or even 14 years for some countries like Poland or Hungary (See Figure 2).⁶⁶ Except for Slovenia, all the other EU10 have achieved a positive balance in agrifood trade with extra-EU countries and the slope of the upward trends became even steeper from the outbreak of the global crisis. So, apparently, these countries have managed to increase their competitiveness outside the EU, due most probably to both rising access to CAP subsidies and their utilisation (like e.g. investing into farm modernisation). However, it appears that even increasing CAP support cannot help all EU10 farmers to overcome the competitive disadvantage they have to operate at, vis-à-vis their EU15 counterparts. Their handicap results from the accumulation and capitalisation in buildings, machinery, equipment and livestock of those subsidies the West European farmers benefited from for long decades and continue to benefit from. At least this is the conclusion one can draw looking at intra EU27 trade developments (see Figure 3).

⁶⁵ European Commission (2014) p. 9

⁶⁶ As liberalization of agrifood trade between the EU and the candidate countries significantly accelerated in the years preceding their accession, it seemed a reasonable choice to collect and analyse statistics from as far back as the late 1990s.

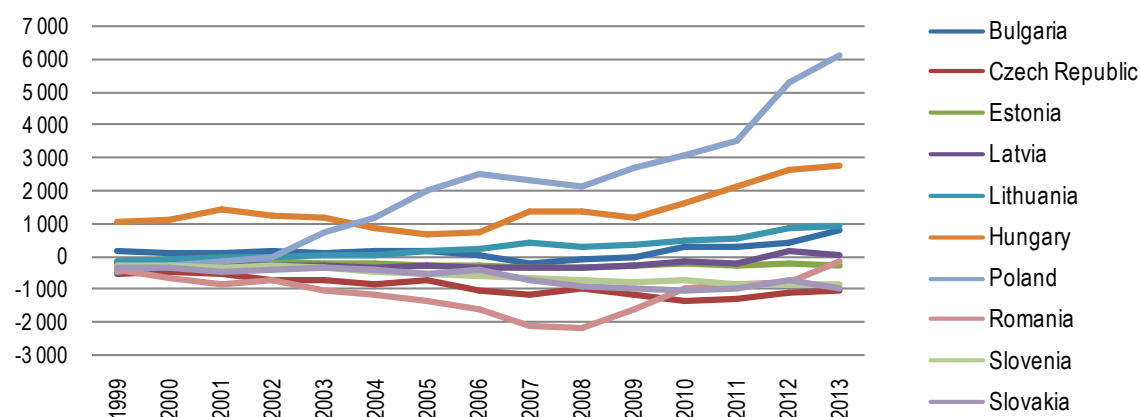
Figure 3: Balance of intra EU27 trade of food, drinks and tobacco
million euro



Source: Eurostat

The only country that could undoubtedly make full use of its EU accession and ensure an almost continuous improvement of its intra EU trade balance was Poland. All the other EU10 countries, with the exception of Lithuania until 2006, have seen their balances, at least temporarily, deteriorating through the process of mutual liberalisation of agrifood trade with the group of EU15. Most of them – i.e. the three Baltics, the Czech Republic, Slovakia, Slovenia and Romania – ended up with much bigger deficit than initially. Bulgaria returned to the same near equilibrium position of its trade balance it had before having entered the EU, while Hungary managed to overcome the initial difficulties and became the second best performer behind Poland. Finally, one more observation in connection to Figure 3: two countries with excellent natural endowments for agriculture, namely Romania and Hungary, had experienced important deterioration in their respective intra EU trade balance during the first years after accession. This similarity may clearly indicate errors committed during their preparation for membership.⁶⁷

Figure 4: Balance of intra and extra EU trade of food, drinks and tobacco
million euro



Source: Eurostat

⁶⁷ Other scholars reached a similar conclusion, too. In a study, they go so far as to claiming that in some of the new member states (like in Romania and Hungary) "the majority of farmers were not prepared for the accession". (See Csáki and Jámor 2013, p. 47)

When it comes to adding up the results of extra and intra EU27 agrifood trade (see Figure 4), one cannot but refer to another finding of the aforementioned assessment of the Commission, whereby fast rising exports (i.e. exports rising faster than imports) transformed the NMS from a net importer to a net exporter.⁶⁸ Of course, this statement is true for NMS as a group only, because there are many differences within the group. The EU10 as a group could report positive trade balance only in the last few years. Data for the period from 1999 to 2009 reflect a rather uneven development, when the EU10 cumulative deficit fluctuated between EUR 509 and 1,644 million. Since 2009/2010, however, due mainly to a skyrocketing improvement in the performance of the three main producer countries (i.e. that of Poland, Romania and Hungary), the EU10 agrifood trade deficit has turned into a growing surplus.

Taking the new member states individually, one can find out that only four of the EU10 countries (namely Poland, Hungary, Lithuania and Bulgaria) kept scoring mostly positive balance during the examined years. They were joined by Latvia at the very end of the period. As for the remaining five countries, none of them could report a trade surplus since 1999. Three of them saw their performance worsening, their deficit doubling (for the Czech Republic) or even tripling (for Slovakia and Slovenia) between 1999 and 2013. The deficit of Estonia was stagnating for the whole period, while that of Romania, after having taken an immense roundabout way towards the low negative range, returned to more or less the same level it had started from (see Figure 4).

If one returns now to the EU10 as a group and takes a closer look at its exports and imports growth rates, one finds the following. Exports really did grow faster than imports, taking either the period between 1999 and 2013 or that from 2004 to 2013. Also did the growth rate of both exports and imports exceed those of the old member states. However, despite the much faster increase of exports of EU10 than of EU15, as the initial positions were extremely different, the extra exports of the EU15 represent several times that of the EU10 (see Table 4). The same logic holds true for the difference between exports and imports growth.

Table 4: Changes in absolute and relative terms in trade of food, drinks and tobacco

	Export (Bn. euro)			2013/1999		2013/2004		Extra export minus extra import (Bn. euro)	
	1999	2004	2013	1999=100	Bn. euro	2004=100	Bn. euro	2013/1999	2013/2004
EU10	7.04	13.07	49.12	6.97	42.08	3.76	36.05	8.74	8.65
EU15	171.24	211.33	349.90	2.04	178.66	1.66	138.57	15.20	16.41

	Import (Bn. euro)			2013/1999		2013/2004		Growth diff. in pp. btw. export + import	
	1999	2004	2013	1999=100	Bn. euro	2004=100	Bn. euro	2013/1999	2013/2004
EU10	8.23	14.16	41.56	5.05	33.34	2.93	27.40	192.00	82.30
EU15	175.66	216.96	339.12	1.93	163.46	1.56	122.16	11.30	9.30

Source: Eurostat

Of course, taken individually, the member states show huge differences regarding the speed of growth of their agrifood exports and imports. The fastest increase in exports was achieved by the two less developed Baltic States (i.e. Latvia and Lithuania) and Romania, while in imports the afore-mentioned two Baltic States were 'accompanied' by Bulgaria. Among the countries showing the slowest progress one can find Hungary (with the

⁶⁸ European Commission (2014) p. 9

worst performance in three out of the possible four cases), the Czech Republic, Estonia and, for the period of 1999-2013, Slovenia (see Table 5). Naturally, one has to take into account that the value of agrifood trade of these countries was still rather insignificant compared with that of the EU15's, both in 1999 and 2004. In current prices, EU15 agrifood exports were 24 and 16 times, their imports 21 and 15 times larger than the EU10's, in 1999 and 2004 respectively.

Table 5: Speed of growth in trade of food, drinks & tobacco*

2013/1999	Exports or Imports of year 2013 compared to Exports or Imports of year 1999										
	BG	CZ	EE	LV	LT	HU	PL	RO	SI	SK	EU10
Exports	6.20	5.70	7.04	21.86	15.11	3.55	8.16	14.11	4.47	7.40	6.97
Imports	7.82	4.34	4.33	6.41	7.82	4.90	4.56	6.24	3.88	5.31	5.05

2013/2004	Exports or Imports of year 2013 compared to Exports or Imports of year 2004										
	BG	CZ	EE	LV	LT	HU	PL	RO	SI	SK	EU10
Exports	4.17	2.96	3.40	7.50	5.33	2.48	3.74	9.69	3.80	3.50	3.76
Imports	3.84	2.39	2.51	3.45	4.54	2.16	3.29	2.77	2.70	3.06	2.93

*The times the trade was increased; fastest growing countries in green, laggards in red

Source: Eurostat

Measured in per capita terms, the value of exports of the EU10 was a mere one-seventh and one-fourth, that of the imports one-sixth and one-fourth of that of the EU15, for the above mentioned two years.⁶⁹ But, averages mask huge differences. In 1999, per capita values of exports ranged between EUR 13 (for Romania) and EUR 186 (for Hungary); that of imports between EUR 31 (for Romania) and EUR 286 (for Slovenia). The average values of the EU15: EUR 455 and EUR 467 respectively. In fact, there was enough room for trade to develop substantially. Therefore, when contemplating Table 6 which compares exports and imports growth rates to each other, such indices above 2 or even 3 (in case of Latvia and Romania) need to be properly evaluated, bearing in mind what level these countries' indices started from.

Table 6: Speed of growth in trade of food, drinks and tobacco*

	Exports of year 2013/exports of year 1999 or 2004/ Imports of year 2013/imports of year 1999 or 2004										
	BG	CZ	EE	LV	LT	HU	PL	RO	SI	SK	EU10
2013/1999	0.79	1.31	1.63	3.41	1.93	0.72	1.79	2.26	1.15	1.39	1.38
2013/2004	1.09	1.24	1.37	2.17	1.17	1.15	1.14	3.49	1.40	1.14	1.28

	Exports of year 2013/exports of year 1999 or 2004/ Imports of year 2013/imports of year 1999 or 2004										
	BE	DK	DE	IE	ES	FR	IT	NL	AT	UK	EU15
2013/1999	1.02	0.80	1.45	0.70	1.24	0.90	1.23	0.95	1.20	0.84	1.06
2013/2004	0.99	0.87	1.19	0.80	1.28	0.97	1.21	0.94	0.98	1.00	1.06

*The times exports increased faster than imports; exports grew faster than imports if the index > 1

Source: Eurostat

⁶⁹ These values reached 56% for exports and 49% for imports by 2013. (Source: Eurostat)

One more aspect of EU10 agrifood trade developments is worth mentioning if one wants to have a clear picture about where these countries started from and where they arrived to. By considering the 27 EU member states and arranging them in descending order by value of exports and imports, the following picture emerges. As for the exports, in 1999, only a few of the EU10 could rank higher than any of the EU15 countries; most of them ranked at the bottom of the list, doing only better than Cyprus and Malta. By 2013, at first sight significant shifts occurred, as several EU10 countries moved 4-5 or even 7 places upwards on the list. This was the case of Romania, Poland, Latvia and Lithuania. The others remained at the same place or moved at most 2 places up or down. But, if one takes a closer look, it becomes clear that countries of the EU10 mostly outpaced each other. True, most of them did already better than Luxemburg or Finland, and some of them did better than Greece or Portugal. But, regarding the places they occupied in the rankings in 1999 and 2013, it turns out that, if we eliminate Poland, the other 9 countries of the EU10 ranked from 14th to 26th places in 1999 and from 13th to 24th in 2013. Something similar happened in the case of imports, but with somewhat smaller upwards moves and nine of the EU10 ranking from 16th to 26th places in 1999 moved to 14th to 25th in 2013. Poland was the only one who really made a qualitative change and left behind the other EU10 countries; ranking 8th place for both exports and imports, it outpaced such major agrifood traders as Denmark, Ireland or Austria. In 2013, Poland ranked 4th for its agrifood trade surplus (EUR 6.2 billion) behind the Netherlands (22.5), France (11.7) and Spain (8.9), here too outpacing such big traders as Denmark (5.4), Belgium (4.3) or Ireland (3.0). In this list Hungary ranks 8th with a surplus of EUR 2.78 billion, way ahead of Lithuania (0.95) and Bulgaria (0.83).

Despite the differences in revealed trade performance, there is a consensus among experts that the EU10 countries, in general, have profited from their accession to the European Union, as they have been able to increase their trade flows and took advantage of the expansion of the free trade area.⁷⁰ And so did the old member states. By taking advantage of the strength of their economies and making full use of the mutual market liberalisation, the EU15 suppliers were able – despite the tariff barrier decrease asymmetry favouring the EU10 or even without any preferences – to increase their deliveries to the new member states considerably already prior to enlargement.⁷¹ Among the winners of this process Germany should be mentioned first, but Austria as well – due to their very competitive food industry – and some other countries (like e.g. Italy and Spain, see Table 6).

The fact that Poland stands out so much by its trade performance of the group of the EU10, while Romania in spite of its second place within the EU10 for both agricultural output and GVA (see Table 2) is lagging behind – not only behind Poland but also behind Hungary, the Czech republic and Lithuania – draws the attention to an important issue. In the mentioned Commission paper, there is a key statement on NMS trade profile being similar to that of the EU15. According to the Commission, as a result of the ten-year membership, two-thirds of the NMS trade consists of final goods with higher value indicating that the food industry had already caught up with its EU15 counterparts.⁷² This statement may be true for the NMS (2004), but the situation becomes different for the EU10, with Romania and Bulgaria. In their case, the share of final goods in total agrifood trade was about 60 per cent for imports and only 30 per cent for exports in 2013.⁷³ This explains why Romania's trade performance is so much poorer than its output and why it is lagging far more behind Poland in exports than in production. It is the structure of the exports that matters, and in this regards, the two Balkan countries have a lot to do if they want to

⁷⁰ See: Carraresi – Banterle (2013) p. 7 or Csáki – Jámor (2013) p. 45.

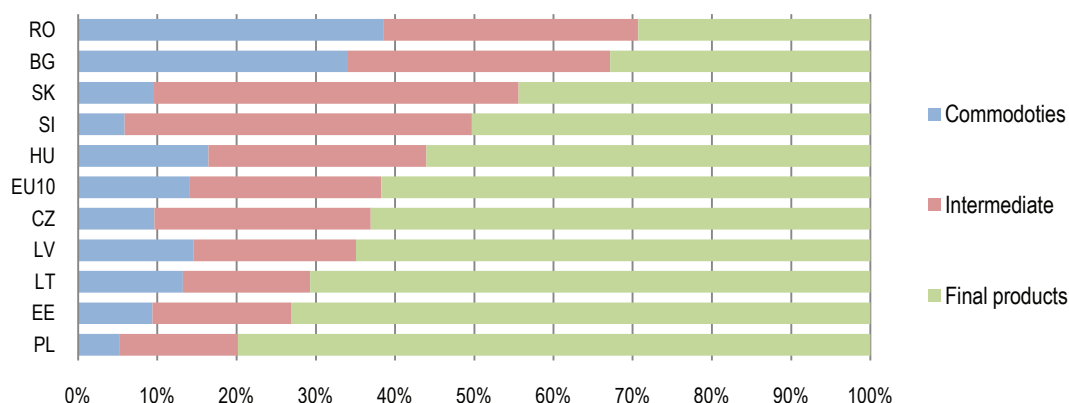
⁷¹ Juhász (2009) p. 7 and p. 114

⁷² European Commission (2014) p. 9

⁷³ In 2013, 86.5% of EU10 agrifood imports had their origin in EU, and as most of them came from the EU15 or from Western multinationals implanted in EU10, the share of final goods was relatively high, and for this aspect without much difference all over the EU10. As for the exports, they are much less homogenous as for their destination, and their structure also vary a lot from country to country. (Source: Eurostat)

catch up with their EU10 rivals (see Figure 5). Of course, the structure of exports is highly dependent on the structure of production, and thus we are back to where we started: pointing at the disastrous shift in agricultural production from a balanced structure towards a more extensive one, with more crop growing and less animal breeding (see Figure 1). In this field, although Romania is in the worst and Bulgaria in the second worst position, it is to remember that Hungary, Lithuania as well as the Czech Republic have recently seen their livestock decrease to a dangerously low level, too.

Figure 5: Structure of the agrifood exports by category of product



Source: Eurostat

Reasons behind changes – with some focus on Hungary

In this chapter, when assessing the whys of the above described production and trade patterns, a clear distinction will be made between the circumstances that affected all EU10 countries and those that resulted from the specific development of Hungary. Let us start with the former ones. As already mentioned, the application of a ten-year transitional period in the new member states – with gradual phasing-in of CAP direct payments, but provisions for an immediate and reciprocal market opening at the moment of enlargement – put an enormous competitive pressure on farmers and the whole agrifood business across the EU10.

A second challenge for the new entrants was the adoption of an extraordinary CAP reform in 2003, just before the Eastern enlargement took place, and in the elaboration of which the new members had no say. In practice, in the EU there are two different support systems in force: one for the old member states (plus Slovenia and Malta, the only NMS able to implement the new support scheme) with more room to differentiate the support by farm or by region; and another one for the new member states where such a possibility is nonexistent.

Finally, a third factor in connection with the difficult (if not unequal) competitive environments for EU10 farmers: in any case, when normative CAP rules would be “too” beneficial for some of the new member states (or too costly for the common budget) the old members (most of them being net contributors to the budget) act immediately and change the rule. Already, when preparing the 2003 CAP reform, the Commission feared that coupled direct payments would attract the conversion of more arable land into rye area and/or encourage a shift from potatoes to rye in the new member states (especially in Poland), thus proposed the abolition of rye intervention.⁷⁴ Similarly,

⁷⁴ European Commission (2002) p. 7 and (2003) p. 60

soon after the enlargement when, thanks to successive good harvests, the European intervention stock of maize increased to 40 per cent of that of cereals (and of which 93 per cent were stored in Hungary), the Commission did not hesitate to propose an end to public intervention for maize⁷⁵. Hungarian farmers were pointed at and blamed for having an interest in selling into intervention rather than trying to export⁷⁶. No time was given them to adapt to their new environment.

Table 7: Changes in agricultural output and GVA
Euro per hectare

	Output			Gross value added		
	2005	2007	2010	2005	2007	2010
Czech Republic	907	1 205	1 114	281	343	277
Estonia	655	771	710	263	337	250
Latvia	325	419	370	116	139	92
Lithuania	582	784	745	216	290	237
Poland	907	1 264	1 263	413	539	537
Slovenia	2 199	2 306	2 298	989	879	848
Slovakia	869	944	995	239	272	191
EU15	2 242	2 432	2 399	1 035	1 080	996
NMS (2004)	947	1 201	1 154	383	464	422
EU7	847	1 132	1 105	348	442	409
Hungary	1 413	1 504	1 284	519	538	422
EU8	927	1 183	1 133	372	455	411
Romania	826	984	1 142	445	454	495
Bulgaria	1 231	1 087	854	566	402	303
EU10	915	1 119	1 109	405	451	424

Source: Eurostat

Apart from the aforementioned unequal competitive market positions generated by the differing subsidisation level in the EU15 and the EU10 and explaining mostly differences in performance between these two country groups, there are other factors that explain differences among the EU10 themselves. Naturally, a lot depended on the initial conditions (like natural and capital endowments) that prevailed at the time of accession. In this respect, one has to remember that Slovenia by far had (and still has) the most developed agricultural sector among EU10 countries which is reflected in data on per hectare value of output and gross value added (see Table 7). Although since 2009, the agribusiness of the country has been severely suffering from the unfavourable macroeconomic situation (see Figure 6), the Slovene agricultural performance is virtually standing alone within the EU10 being the only one to be compared with that of the EU15.

An important element of initial conditions is related to the difference in farm structure. In most of the EU10 countries, there was a dual farm structure at the time of accession; with a large number of small plots, too small to be viable and competitive on the Single market, and a relatively small number of very large entities, a sort of heritage of the collective farming system with some embedded inefficiencies. Only Poland and Slovenia were characterised by a European type farming system with small and lower middle family businesses, which proved to

⁷⁵ European Commission (2006)

⁷⁶ European Parliament (2007)

be beneficial. It is not only that countries with farm structures similar to those in the EU founding countries can more easily take advantage of the CAP regime than the others; but there are opinions stating that in Europe the best framework for animal breeding is provided for by family farms of appropriate size. In the latter, it is still possible to deal with the animals individually, while risks (like diseases) and tasks (e.g. manure treatment) arising from keeping too many animals in too small places are not significant yet.⁷⁷

Also, the EU10 agriculture had been strongly influenced by the policy framework prevailing in the pre-accession period. Farmers in countries with initially high and uneven price and market support (e.g. Hungary and Romania) are considered to have lost with accession as it hardly brought any price increase for them. On the other hand, farmers in countries (like in Poland) where prices remained low before accession have gained. As for land policies, according to whether being restrictive (e.g. in Hungary) or liberal (like in the Baltics), they hampered or helped the agricultural sector to attract capital from inside or outside the sector.⁷⁸

Regarding the specialties of the Hungarian agriculture, one general remark has to be made. A basic feature of the transition process that made the difference with its main rivals was that in no other candidate country had there been so much struggle against a functioning sector of the economy in order to redistribute its capital goods, subsidies, political power and other positions of influence than in Hungary.⁷⁹ Privatization, restitution (of lands to former owners) and land laws (restricting land ownership to domestic physical persons) destroyed the confidence in the countryside, increased instability in land ownership, led to irresponsible land use and inhibited long-term investments.⁸⁰

The competitiveness of the Hungarian livestock production has never been very high. Its natural endowments (lack of enough rainfall, hence lack of enough pastures and meadows) put the country at a competitive disadvantage against its neighbours or the Western European countries. In pre-transition times, the low profitability (or even the deficit) of the animal husbandry was hidden (and cross-financed) from the excellent profit of the auxiliary activities of the cooperatives.⁸¹ Then, the shock of the transition and the EU accession ran, in two waves, down the sector to its competitive core. Since the EU accession alone, nearly four thousand commercial livestock farms have shut down in Hungary. In addition, there still exists the problem of low profitability, especially for pig and poultry breeding, the latter showing much better ability to react to market changes than the former.

The decline of animal husbandry has serious consequences for the entire agricultural sector. As the total number of livestock units in Hungary dropped to less than half of what it was in the mid-1980s⁸², the lack of enough natural manure makes it more and more difficult to improve the quality of the soils, and thereby indirectly renders the fight against drought less efficient.⁸³

⁷⁷ Poulouen (1995)

⁷⁸ Csáki – Jámor (2013) p. 47

⁷⁹ Varga (2004) p. 24

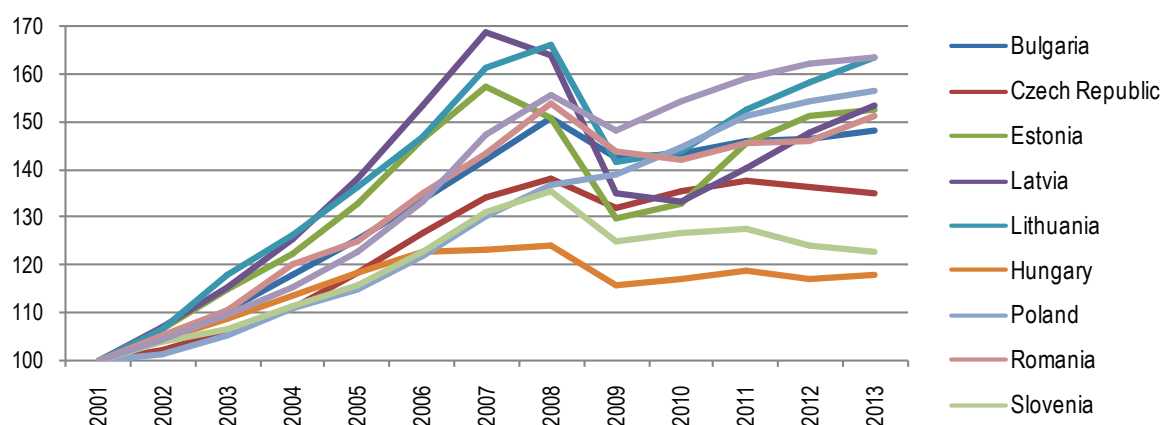
⁸⁰ Juhász (2012)

⁸¹ In the 1970s and 1980s, the Hungarian statistical office (KSH) had not even reported data on the net profitability of the livestock sector. (Szabó – 2014)

⁸² KSH – https://www.ksh.hu/docs/hun/agraar/html/tabl1_5_2_1.html

⁸³ So, the increased volatility in crop yields, reflected in increased volatility in crop production (see Figure 2), comes not only from weather condition (or climate change), but also from the lack of such common element as manure.

Figure 6: Cumulative real GDP growths since 2001



Source: Eurostat

Of course, the performance of the Hungarian agriculture cannot be separated from the broader context of the Hungarian economy. As after 2006 Hungary detached itself from the regional mainstream and has since then followed a much slower path of development than most of its partners in Central Europe (see Figure 6)⁸⁴, the domestic market for agrifood products has also narrowed. In 2011, per capita food consumption was 90 per cent of what it was in the 1980s (see Table 8). The most dramatic decline took place in consumption of animal products, staple food (except for potatoes) and sugar, while major improvement occurred only for foodstuffs (e.g. fish or fruits and vegetables) for which much of the increase was supposed to come from imports (e.g. tropical products).

Table 8: Annual per capita food consumption in Hungary
kg

	Meat	Fish	Milk	Eggs	Fats	Flour, rice	Pota-toes	Sugar, honey	Fruits, vege-tables	Other plant prod.	Total
1980s (A)	76.2	2.4	183.6	18.7	35.0	111.5	56.1	37.2	154.5	4.0	679.0
2011 (B)	55.8	3.6	152.3	12.6	34.4	84.9	63.5	28.4	177.9	4.1	617.5
A/B	137%	66%	121%	148%	102%	131%	88%	131%	87%	98%	110%
B/A	73%	151%	83%	68%	98%	76%	113%	76%	115%	103%	91%

1980s = decade average

Source: KSH⁸⁵

Another factor, which in the course of time, proved to be a further limitation of possibilities for Hungarian agriculture, was the hasted privatisation of the food industry in the 1990s. It took place in two rounds – first the ‘luxury articles’ (sugar, tobacco, beverages and confectionary), then the ‘heavy artillery’ (cereal, milk, meat) – at a

⁸⁴ Something similar happened to Slovenia a couple years later.⁸⁵ http://www.ksh.hu/docs/hun/xstadat/xstadat_hosszu/elm14.html

time when the country was still at the forefront of the transition process in the region. As the old co-operatives were weakened, the farmers were not able to participate in the privatisation adequately, and more than half of the food industry, even entire segments of it, was sold to foreign investors. Later on, as institutions of market economy have been gradually developed in the neighbouring countries, the new foreign owners of the Hungarian food industry started to 'rationalise' (i.e. relocate) their production geographically in the neighbouring region.⁸⁶

Finally, one has to mention the problem of the hidden (or black) economy. Its share in the agriculture and the food industry is estimated to be between 20 and 30 per cent. Relatively high tax burden, weak legal security and mass unemployment provide ideal environment for the hidden economy in Hungary. The complex and discriminatory tax system creates motivation primarily for the small businesses to engage in tax evasion. But in this way, indirectly, larger businesses are also involved. High level of tax evasion in agrifood economy is most harmful as it impedes integration, retards concentration, reduces transparency and discourages farmers to form producer organisations.⁸⁷

A new CAP regime for 2014-2020

January 2014 marked the launch of the new seven-year Multi-annual Financial Framework (MFF 2014-2020) of the EU. One of the most important changes compared to the previous (2007-2013) MFF is the re-designed Common Agricultural Policy (CAP), the reform of which was formally adopted first by the European Parliament (EP) in November and then by the Council of Agriculture Ministers in December 2013. The new CAP relates to five important EP/Council regulations: direct payments, the single common market organisation, rural development and a horizontal regulation for financing, managing and monitoring the CAP. The fifth regulation defines the transitional rules for the year 2014 as, for technical reasons, the direct payments regulation will only apply as of 1 January 2015.

The CAP reform and the overall MFF deal were closely linked together throughout the negotiations. Consequently, when evaluating whether the EU10 countries are losers or winners of the new CAP, it is important to place the problem in the broader context of the MFF package. In this respect, it is interesting to discover that in terms of commitments, the new MFF makes real cuts only for those headings (agricultural and cohesion policies) where the EU10 have traditionally been more successful in obtaining community assistance. On the other hand, funds grow most under those headings (e.g. competitiveness) and sub-headings (e.g. research) where the EU10 starting position to draw on funds has traditionally been less favourable compared to that of the EU15.⁸⁸

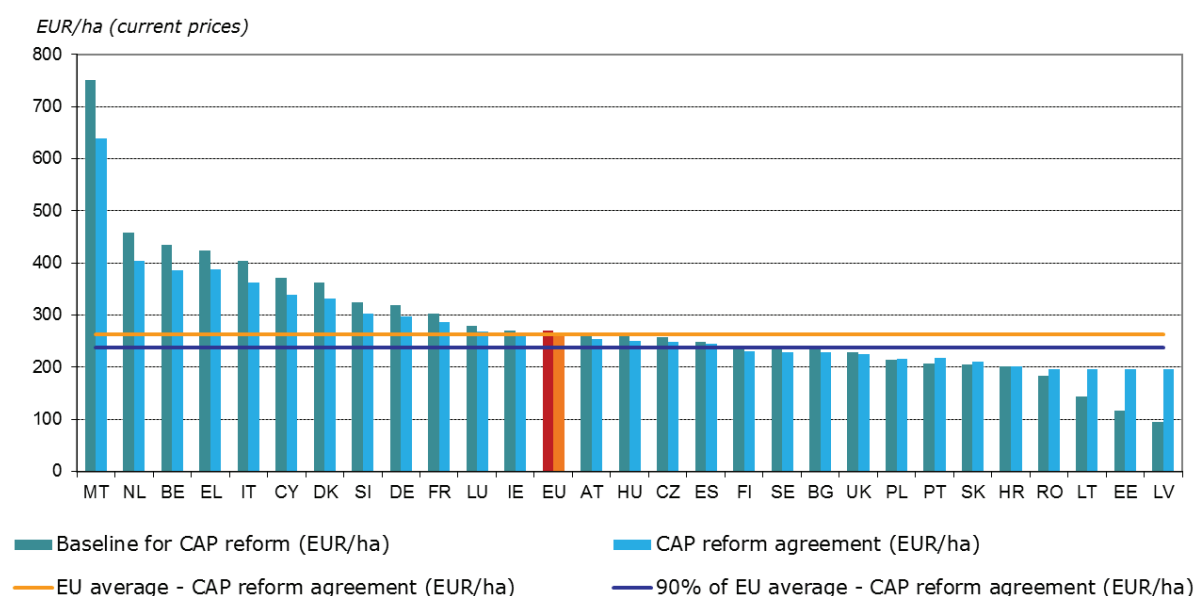
⁸⁶ This move gained momentum as the Hungarian economy slowed down after 2006. Between 2003 and 2010, the output of the food industry lost one fifth in volume. Even if a slight recovery has been taking place since then, no clear reversal of the trend can be observed yet. (Potori – 2014)

⁸⁷ There are sectors where the reason why there is no inter-branch organisation is that traders are not interested in transparency. (Potori – Ibid)

⁸⁸ European Commission (web-2)

Figure 7: Redistribution of direct payments

*Closing one third of the gap between current level and 90% of the EU average
and all MS reaching minimum level of aid by 2020*



Source: DG Agriculture and Rural Development (2013) p. 30

As direct payments (DPs) make up about 70 percent of CAP budget, at times of bargaining they are always at the centre of attention. Differences in per hectare support – which became more pronounced after the enlargements in 2004 and 2007 – were a subject of constant complaint by the new entrants, especially the three Baltic States and Romania and Bulgaria. Now the new CAP, while cutting back DPs in general, allocates relatively more support for those member states (MS) where per hectare payment is below 90 percent of the EU average. It also guarantees a minimum level of EUR 196 per hectare aid to be reached by 2019 (see Figure 7). These changes are to be financed by members with above EU average DPs per hectare. Thus, in the new CAP there is a modest redistribution of the DPs across (and also within) the MS, a phenomenon called external (and internal) convergence.

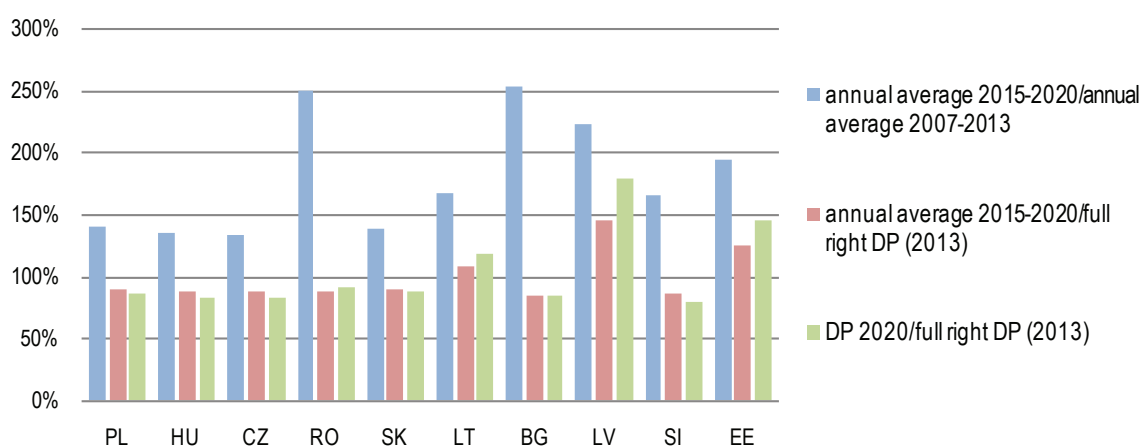
When assessing the impacts of external convergence on the EU10 countries, we have to take into account the following: first, DPs will be put on a strict diet in the next MFF; second, the EU-27 will have to finance DPs for Croatia; and third, external convergence will have to be financed by members with above EU average DPs (i.e. also by Slovenia). If we compare average DPs of the period of 2015-2020 to those of 2013 (see bars in the middle in Figure 8) or the DPs of the end year of the old and the new MFF (see right-side bars in Figure 8), it is clear that in real terms for most of the EU10 DPs will decrease rather than increase. Only the Baltic States (especially Latvia and Estonia) can get access to substantially more support than in the previous period.

Another aspect of the DP regime is related to the already mentioned fact that with the exception of Slovenia and Malta all other NMS apply the simplified Single Area Payment Scheme (SAPS), a flat rate payment per hectare at member state level. Originally, the SAPS was established for five years. However, following the reform of 2008 (the so-called “Health Check”) its application was extended until 2013, and now the new CAP deal changed the end-date to 2020. In the meantime, in the old member states, the Single Payment Scheme (SPS) has been in use

since the 2003 reform. The calculation of the SPS varies from one country to another, and, depending on the model chosen, reflects past performances at individual and/or regional level. As such a differentiation is impossible with the SAPS, the differences in per hectare support between the old and the new members, which are to be decreased by the external convergence (see above), will remain considerable at farm gate level. The so-called internal convergence may, however, be considered as a first step in the right direction as it pushes the countries with historical references to move towards a fairer and more converging per hectare payment at national or regional level.⁸⁹

A third important feature of the new common agricultural policy relates to the fact that it will be anything but common. Although there will be a common framework, because the new regulation makes the whole system largely flexible and renders several main elements optional, in practice 28 different agricultural policies will be implemented. The share of “coupled” payments for example, which are linked to a specific product, may reach as much as 15% of the national envelope and the Commission may approve an even higher rate where justified. In case of general market disturbances the Commission will for all sectors be authorised to take emergency measures. Further flexibilities and options involve the possibility to redistribute payments for the first hectares of the farms, and/or towards small farmers, and/or towards farms situated in less favoured areas and in areas with natural constraints. There is also a possibility to transfer quite important shares (i.e. up to 15-25%) of funds between the two pillars of the CAP.

Figure 8: Evolution of direct payments in real terms (2011 prices) under the new MFF deal (2014-2020) compared with the old one (MFF 2007-2013)



Source: European Commission (web-2)

As for some special issues where the EU10 could have easily been on the loser side (e.g. capping and greening), we must note that the Commission’s original proposals were considerably watered down in the final version of the reform. Instead of introducing a compulsory capping – which would have been progressive for farms with DPs more than EUR 150 thousand a year and confiscating above EUR 300 thousand – there will only be a

⁸⁹ The member states have two options: either to achieve a regional/national rate by 2019 or to get individual rates closer to each other by the same date. In the latter case by gradually increasing those under 90% of the average (with the setting up of a minimum level at 60%) to the detriment of those above the average but with possible limitation of individual losses to 30%. (Source: European Commission – 2013a, p. 2)

compulsory “degressivity” and a voluntary “capping”. This, in practice, will take away at least 5% of the DP above EUR 150 thousand (greening not included and with the possibility for the salary costs to be deducted before calculation), which is good news for the biggest farms vis-à-vis the originally envisaged “confiscatory” capping.⁹⁰ As for the greening, two of its three basic practices (crop diversification and ecological focus area) will only be applied above a certain farm size, which is good news for the very small farms. Due to dual farm structures in some EU10 countries – an enduring heritage of the past – very big and very small farms are of quite importance. So, all changes affecting their incomes or costs pose important challenges at the political level.⁹¹

Conclusions

No sector of the economy can cut itself from its broader social and economic surroundings and developments. When trying to assess the causes behind the differences in agriculture development speed in the EU10 countries, one can enumerate several factors: natural and capital endowments, initial positions and structures, pre- and post-accession strategies and policies. But what really counts is the general social and economic framework that can help or hamper the development and modernisation of agriculture. When, on the bases of facts and statistics presented in this study, Poland and Estonia are considered to be the two most successful countries of the region, this statement seems to harmonise with the above theory.

As for Hungary, a combination of inexperience and greed of the new elite resulted in a stagnating economy with low or limited growth prospects. The number of the farms halved since 2000. The sector is becoming more and more specialised and focusing on field crops (mainly wheat, maize, sunflower and colza), while switching away from livestock breeding or other similarly labour-intensive activities like the production of certain vegetables, which are gradually shrinking and/or stagnating at a very low level. One can only hope that generous CAP support will at least be sufficient to prevent the agricultural sector from being further distanced from its main rivals.

⁹⁰ This reduction does not need to apply to members states applying the redistributive payment under which at least 5% of their national envelope is held back for redistribution on the first hectares of all farms. (Source: European Commission – 2013b, p. 2)

⁹¹ Interestingly, the Hungarian government decided to introduce the capping in the spirit of the Commission’s original proposals, i.e. by imposing a sort of “confiscatory” capping on farms cultivating more than 1200 hectares. (Source: Hungarian Ministry of Agriculture – <http://www.kormany.hu/hu/foldmuvelesugyi-miniszterium/parlamenti-allamtitkarsag/hirek/a-kormany-minimalizalni-akarja-az-orosz-embargo-karat>)

References

- Carraresi, Laura – Banterle, Alessandro (2013): *The Agri-food Competitive Performance in the EU Countries: A Fifteen Years Retrospective* – Working Paper no. 2013-14, Luglio 2013 INIMI (Università degli Studi di Milano), Dipartimento di Economia, Management e Metodi Quantitativi
http://wp.demm.unimi.it/tl_files/wp/2013/DEMM-2013_14wp.pdf
- Council of the EU (2011): *Average direct payments per hectare for the year 2017*
<http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%2012734%202011%20INIT>
- Csáki, Csaba – Jámbor, Attila (2013): *Impacts of the EU Enlargements on the New Member States Agriculture*, Acta Oeconomica et Informatica. XIV (Number 1, 2013): p. 35-50.
http://roaae.org/wp-content/uploads/2013/05/aoei_vol16_csaki1.pdf
- DG Agriculture and Rural Development (2013) – *The CAP towards 2020 Political agreement*, General Presentation 18 October 2013
http://ec.europa.eu/agriculture/cap-post-2013/agreement/presentation/slide-show-long_en.pdf
- European Commission (2002): *Enlargement and Agriculture: Successfully integrating the new Member States into the CAP – Issues Paper*, Brussels, 30.1.2002 SEC (2002) 95 final http://ec.europa.eu/agriculture/cap-history/2003-reform/sec2002-95_en.pdf
- European Commission (2003): *Mid-term review of the Common Agricultural Policy, July 2002 Proposals, Impact analyses*, February 2003
http://ec.europa.eu/agriculture/cap-history/2003-reform/impact-analyses_en.pdf
- European Commission (2006): *European Commission proposes to end public intervention for maize*, Brussels, 15 December 2006, IP/06/1818
http://europa.eu/rapid/press-release_IP-06-1818_en.htm?locale=nl
- European Commission(2013a): *CAP Reform – an explanation of the main elements*, MEMO Brussels, 26 June 2013 – http://europa.eu/rapid/press-release_MEMO-13-621_en.htm
- European Commission (2013b): *Reform of the Common Agricultural Policy: Political agreement reached on last remaining points* – Press Release Brussels, 24 September 2013
http://europa.eu/rapid/press-release_IP-13-864_en.htm
- European Commission (2014): *EU-10 and the CAP, 10 years of success*
http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/10-years-enlargement_en.pdf
- European Commission (web): *Main agricultural indicators for all Member States*
http://ec.europa.eu/agriculture/statistics/factsheets/index_en.htm
- European Commission (web-2): *EU expenditure and revenue*
http://ec.europa.eu/budget/figures/interactive/index_en.cfm
- European Parliament (2007): *Maize: Parliament against sudden abolition of intervention system*, 24 May 2007
<http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+IMPRESS+20070516IPR06776+0+DOC+XML+V0//EN>

- Juhász, Anikó (2009): *Effectsof changing trade policy on the Hungarian fruit and vegetable sector*, Szent István Egyetem (SZIE), Management and Business Studies Doctoral School, Doctoral (PhD) Thesis https://szie.hu/file/tti/archivum/JuhaszAniko_ertekezes.pdf
- Juhász, Pál (2012): *Law making a la Bolsheviks – Magyar Narancs 2012 (43)* <http://magyarnarancs.hu/belpol/ilyen-a-bolsevik-jogalkotasi-mod-82202#>
- Potočnik, Janez – Lombardero, Jaime Garcia (2004): *Slovenia's Road to Membership in the European Union* – in: *Slovenia: from Yugoslavia to the European Union* pp. 367-379 eds. Mojmir Mrak, Matija Rojec, Carlos Silva-Jáuregui, ISBN 0-8213-5718-2 <https://openknowledge.worldbank.org/bitstream/handle/10986/15032/283760PAPER0Slovenia.txt?sequence=2>
- Potori, Norbert (2014): *Implementation of the CAP and its impacts in Hungary* – paper presented at the conference “*Experiences of the first 10 years of our membership in the EU: Agriculture and rural development*” held in Budapest on 10 April 2014, in AKI http://www.gazdalkodas.hu/files/Konferencia_pdf/Potori_Norbert.pdf
- Pouliquen, Alain (1995): *Consultation with the professor at INRA-ENSAM in Montpellier during a three-month ACE-fellowship.*
- Pouliquen, Alain(2001): *Compétitivité et revenus agricoles dans les secteurs agro-alimentaires des PECO – Implications avant et apres adhésion pour les marchés et les politiques de l'UE* – http://ec.europa.eu/agriculture/publi/reports/ceeccomp/sum_fr.pdf
- Somai, Miklós (2002): *Chances of the Hungarian Agriculture in the light of negotiations for EU-accession* – PhD dissertation, Szent István Egyetem Közgazdasági Doktori Iskola, Élelmiszergazdaság Makroökonómiája Alprogram, Gödöllő 2002, 172
- Szabó, Gábor – Professor Emeritus of the University of Debrecen (2014): *Comment made at the conference “Experiences of the first 10 years of our membership in the EU: Agriculture and rural development” held in Budapest on 10 April 2014 in AKI*