

## THE SITUATION OF AGRICULTURE IN ECONOMY OF NATIONAL FOOD PRODUCTION

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### Introduction

*The significant role of Hungarian agriculture in national economy* is primarily due to the *favourable climate, good natural conditions and production traditions*. The Land Use and Regional Development Research Team of the Hungarian Academy of Sciences at Debrecen University places special emphasis on examining agriculture and national economy, especially in the North Great Plain region so that problems related to this region are revealed.

### Methods

The information basis of our research based on the annual reports of Hungarian agriculture, the national Development Plan and the operative programs. I have used various statistical methods during the evaluation of the database. The data of regional sequences were evaluated with comparative ratio numbers, and the inner structure of various multitudes was evaluated with distribution numbers and used statistical tools to display the results.

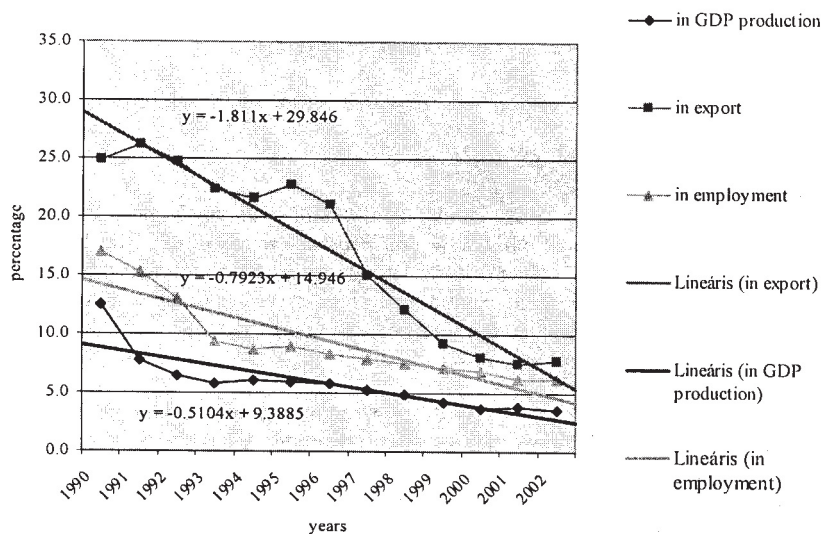
### Results and discussion

Agriculture has traditionally played a decisive role in Hungarian national economy (Csatári 2002). Still, in the first half of 1990's *agriculture displayed the most apparent problems in national economy. The fundamental cause of the crisis in agriculture* is backlash of the *crisis in the national economy. The second reason is the drastic shrinking of markets* in which the domestic market was affected due to deteriorated living standards. At the same time, in parallel with the drastic loss of eastern markets, the European Union increased rather than decreased its protection of the agricultural sector (Benet 1997). *The third cause of the crisis* was the *new agricultural policy and government practice* following the change of regime. The entire „agricultural heritage” of the previous regime was thrown away, opposition against large industries and cooperatives gained ground and there was a lack of knowledge and experience required for carrying out an efficient transformation. The positive result of the crisis in agriculture was the shift to market economy and the ownership reform or the establishment of private ownership dominance (OECD 2001).

The linear trends of *figure 1. regarding GDP production, employment ratios, and export share illustrate well that* agricultural production indicators relapsed significantly in the past decade or so. Export shares display an especially steep decline. Presently, *the share of Hungarian agricultural production* is surprisingly low in *gross national product*. However, its role in national economy and society is much more significant.

It is commonly known that *agricultural production receives significant funding*. The total amount of funding from the national budget increased from the annual 74.6 billion HUF in 1998 to 115.2 billion HUF in 2003. The rate of increase over the five years was 54.4%, and during the same period the consumer price index increased by 45.4%, so the actual value of funding increased. However, the funding in agricultural was not narrowed down to the previously mentioned two findings; these were significantly complemented with other types of funds outlined in the agricultural directives.

Figure 1.: The share of agriculture in national economy  
1990-2002



Source: own illustration based on HCSO data

The 2/a-b. figure illustrates the distribution of agricultural funds for 1998 and 2002.

Figure 2/a. Funds of the agricultural budget, 1998

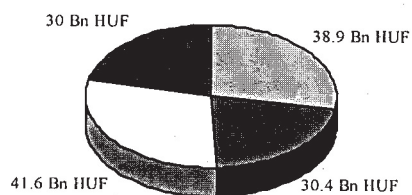
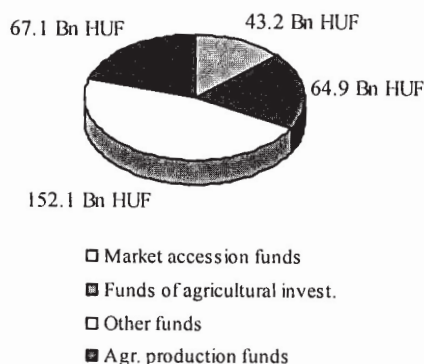


Figure 2/b. Funds of agricultural budget, 2002



Source: own illustration based on HCSO data

In 2004, due to our accession into the EU a funding system was totally transformed. The role of budget and development funds, that *replaced market accession and production funds*, was incorporated into the National Development Plan.

The ratio between agricultural investments and the total investments in national economy significantly fluctuated over the years, the growth of the total investment between 1998-2003 remained below 39.4% of the price index, consequently the actual value of investments clearly decreased.

Changes in wheat production within plant production from one year to the next doubled, fluctuated less, but the difference between product quantity was significance in maize and potato production as well. Of course, this significant fluctuation in production is related to the changes in growing area and the fluctuation of yield average, but it can also be traced back the technical standard of agriculture. The continuous decrease in cattle stocks is typical, along with an annually fluctuating swine stock. Accordingly, there is a relatively small fluctuation in livestock production. The total production of agriculture thus far is characterised by fluctuation and a small degree of growth (Harsányi *et al* 2003).

*The new member states of the EU (including Hungary) can only switch to the SPS funding system in 2005 the earliest or 2007 the latest. The new member states can only implement the switch to SPS within the frames of regionalisation. The reform will strengthen the role of the competitive sector in Hungarian agriculture as well, but will also provide significant protection to other sectors currently enjoying considerable support.*

## Conclusions

*Hungary became the member of the European Union on the 1<sup>st</sup> of May, 2004 with an agriculture that sees a life buoy in the agricultural policy of EU, but also realizes that this will not be able to help the needy small holders. Another problem is that as a result of transformations in the nineties, a relatively intransparent, fractured ownership structure was established where the ratio of viable farms is insignificant even today. The role of private farms is decisive; a total of 54.8% of the total area was cultivated by private farms in 2002, with an average property size of 2.8 hectares. Beyond the property size, another problematic area is the lack EU related knowledge and professional expertise of private farmers, which is required for establishing an environmentally sound agriculture. The National Development*

*Plan focuses on rural areas, and the assistance of people at disadvantage as its most important economic and social objective, since rural areas have a great population retaining capacity and with great impact on our national perspective.*

It is likely that these concepts will not only receive a new meaning but will also be realized with our accession to the EU.

*During the evaluation of the regions in the country it can be found that the most important natural resource is soil.* The majority of the 7 regions in the country are agricultural and the ratio of the agricultural sector exceeds the EU average. It is typical that the ratio of agricultural enterprises with lack of capital is high. It has to be emphasised that natural conditions vary, and we have outstanding conditions and production experiences in the case of a *some agricultural food industry products* (e.g.: fruits, sugar-beet, tobacco, sunflower, potato). *The land use in Hungary has to be adapted to these potentials and production-marketing cooperation among agricultural small holders urgently as a basic requirement of competitive production.*

We can conclude that the establishment of competitive agricultural production can only be achieved through the improvement of marketability, increasing added value and the differentiated development of agricultural enterprises.

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