



The economic importance of the CAP in terms of agricultural production in Hungary and its implications after 2020

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Strategies for the agri-food sector and rural areas – dilemmas of development,

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Introduction to the AG sector in Hungary

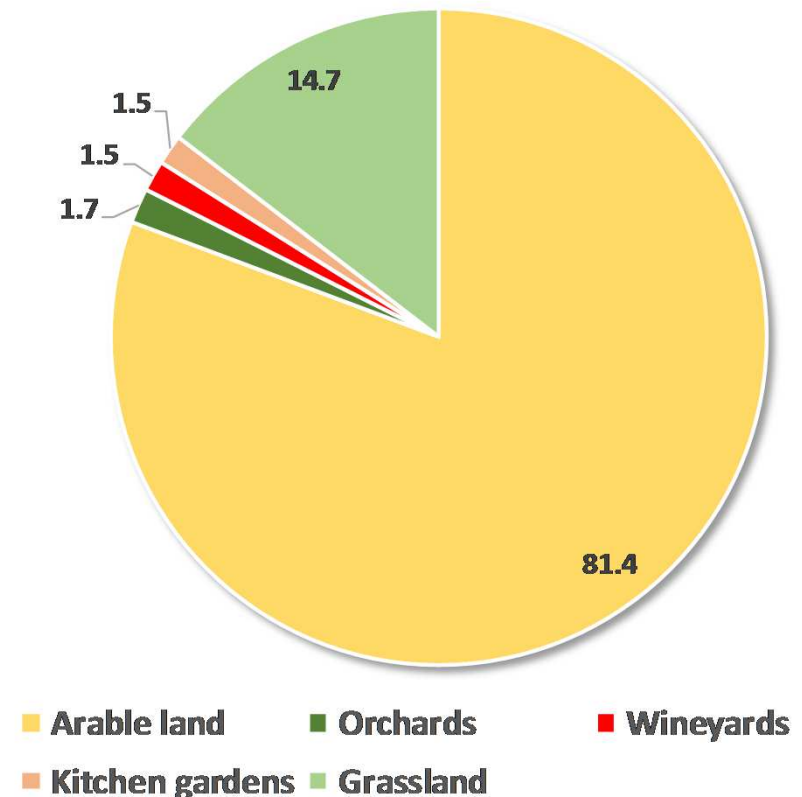
Some basic data

	2004	2015
Share in the GDP (%)	4.8	3.0
Share in GVA (%)	4.6	3.6
Share in total investments (%)	3.9	5.0
Share in total employment (%)	4.9	4.8
No. of labour force* (000 AWU)	522.2	441.9
No. of farms** (000)	714.8	424.7
No. of SAPS applicants*** (000)	208.5	173.4

HU definition of farm: having a minimum of 1500 m² land area including agricultural area, forests, reeds and fish ponds; or 500 m² fruit orchards and/or vineyards; or 100 m² protected area; or at least one larger livestock such as cattle, pig, sheep, goat, horse, etc.; or 50 heads of poultry; or 25 rabbits; or 25 animals kept for fur production; or 25 meat pigeons; or 5 bee families.

Breakdown of the UAA in 2016 (%)

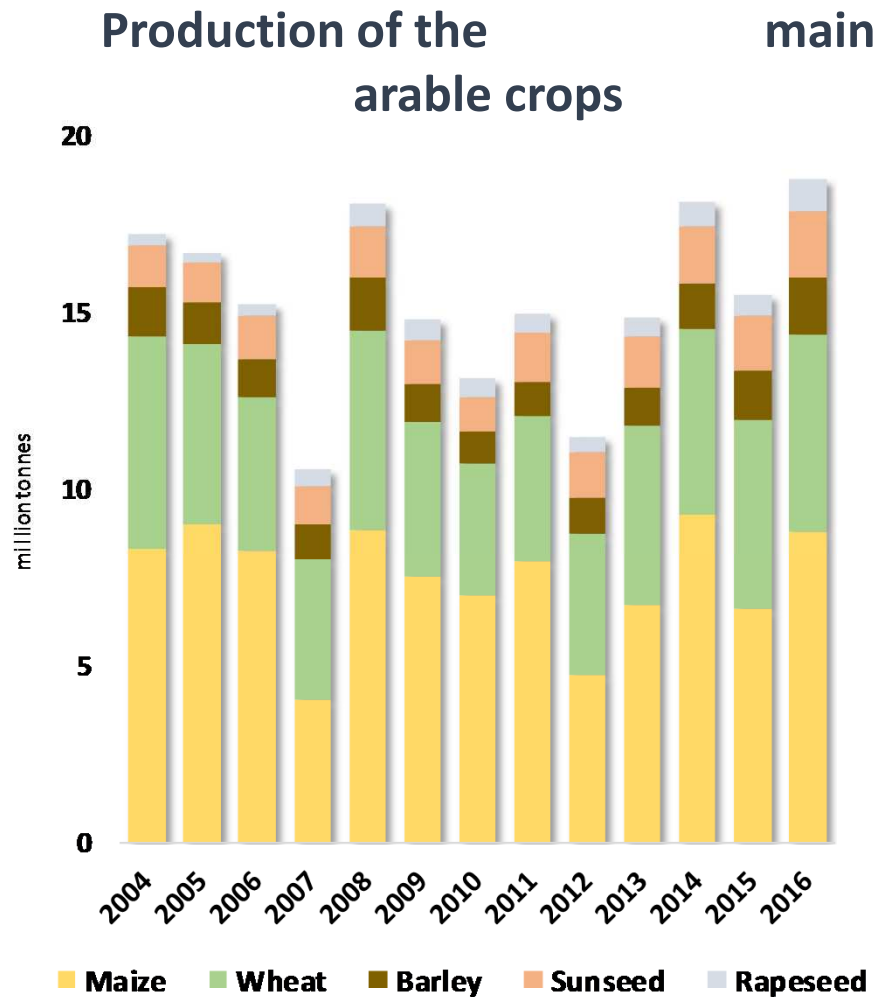
Total UAA = 5.327 Mha



SAPS area = ±5 Mha

Source: KSH and MVH * 2004 vs 2015 ** 2005 vs 2016 *** 2004 vs 2016

... and the winners have been ...

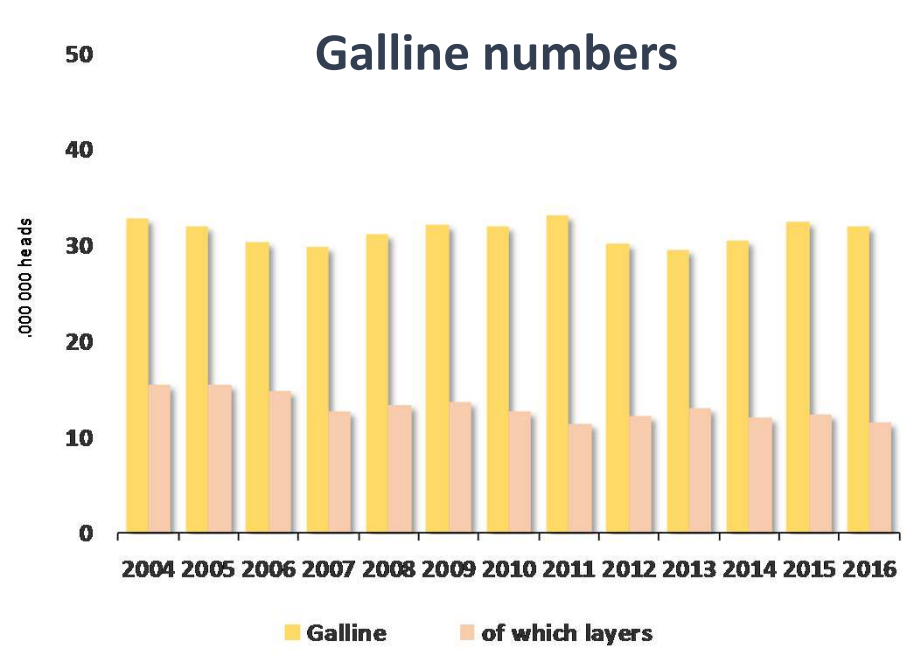
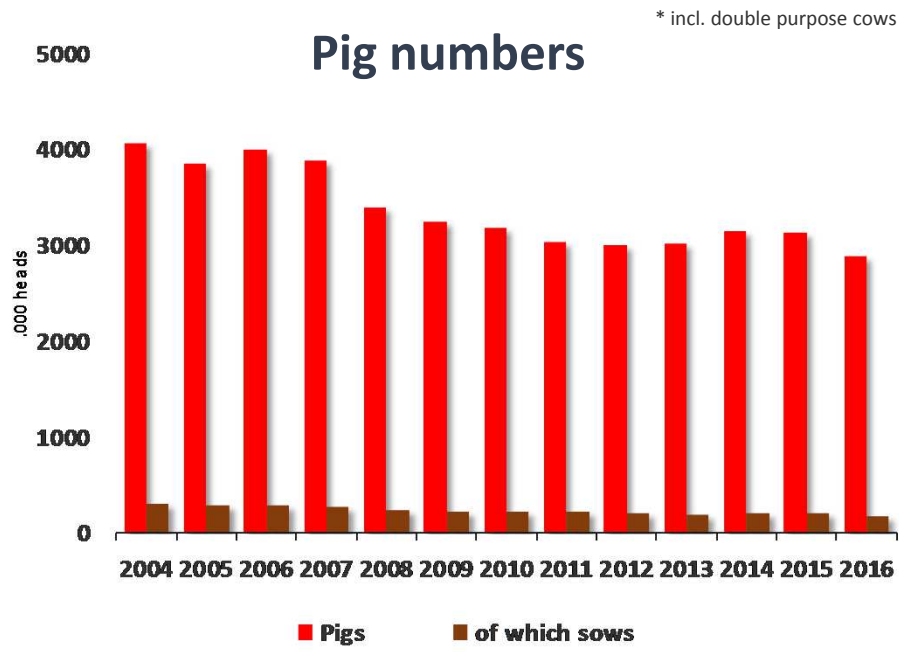
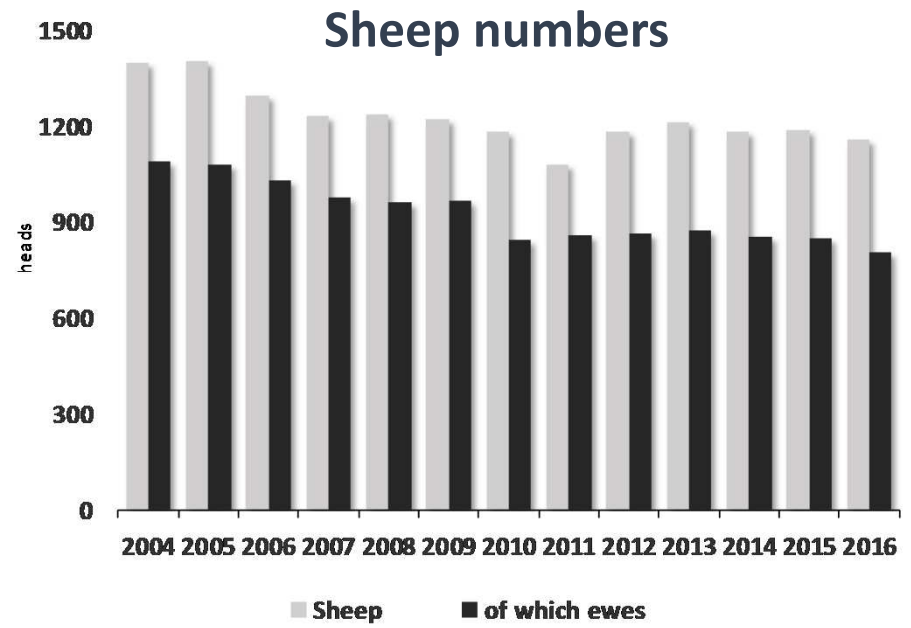
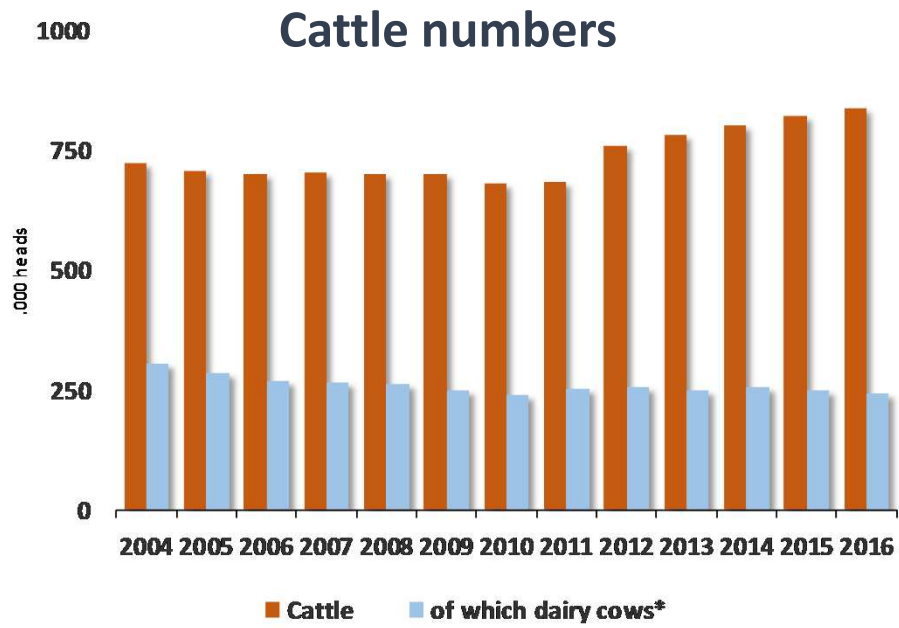


- EU direct payments
- EU market measures
- EU biofuel policies
- World market price hikes

What risks?



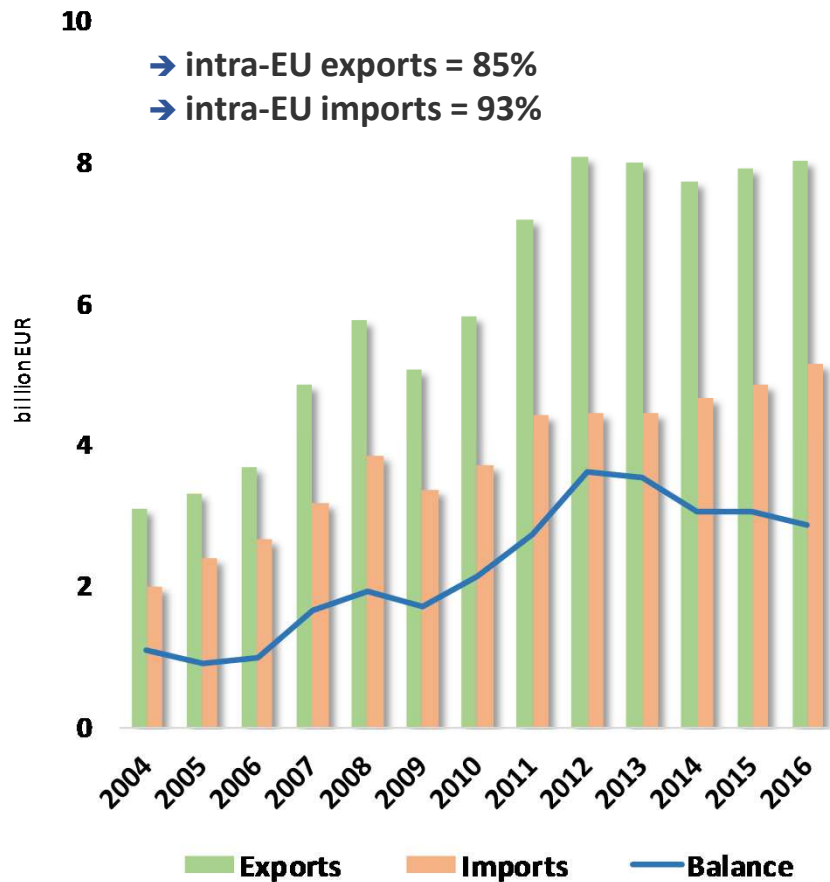
Source: KSH



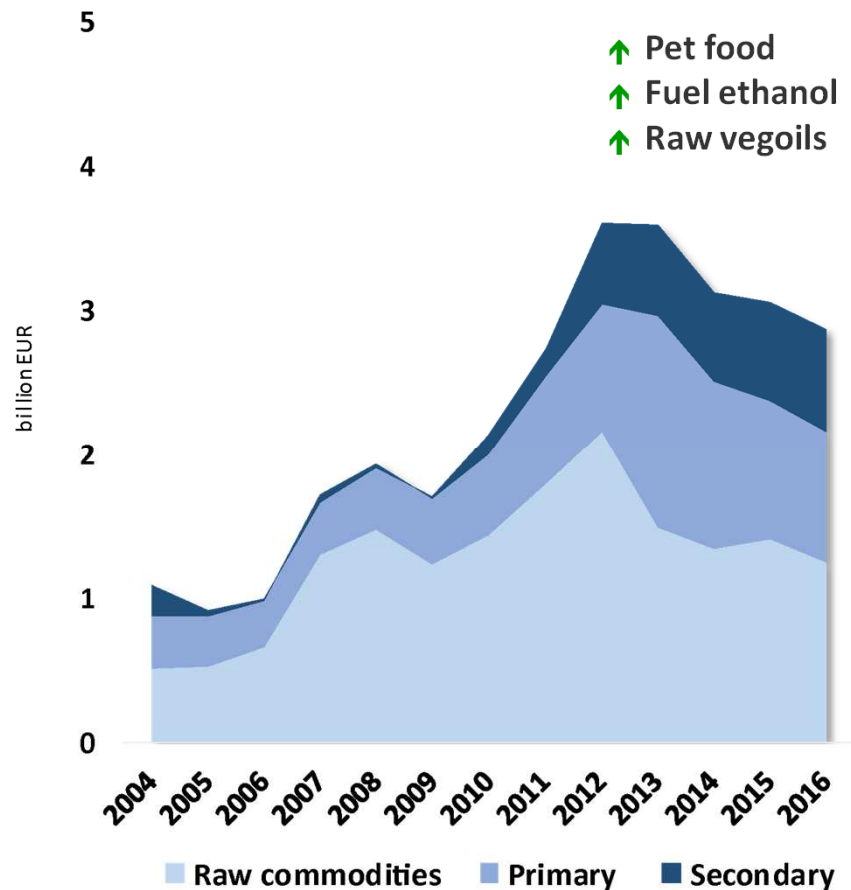
Source: KSH

Foreign trade of agro-food products*

Agro-food exports and imports



Structure of the trade balance

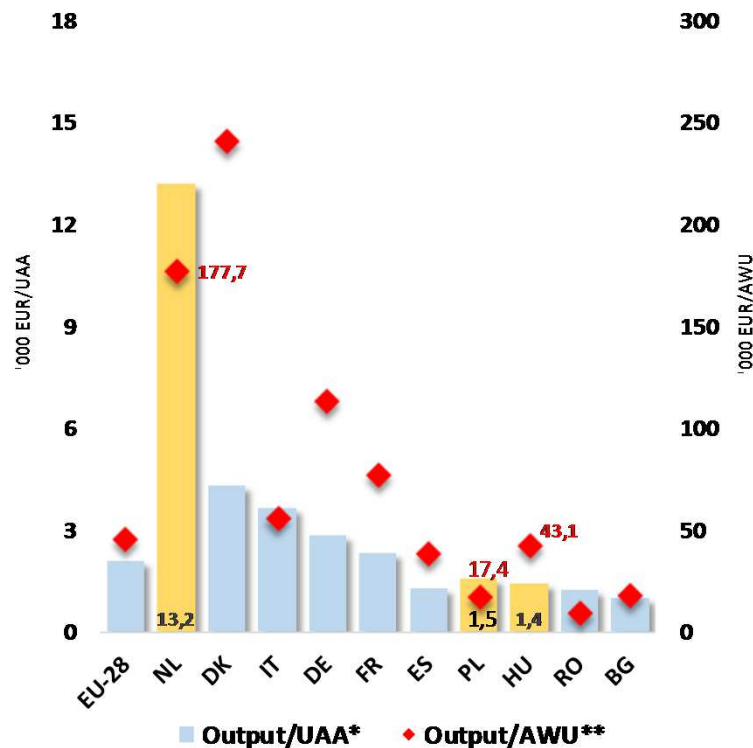


Source: KSH & AKI * including industrial products from agricultural raw materials

Considerable differences in production efficiency

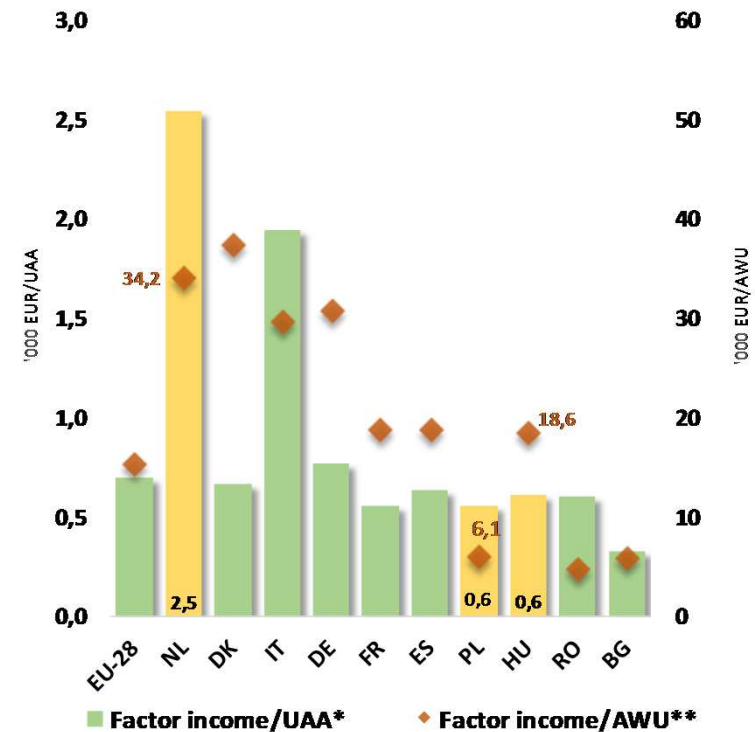
AG output in 2014

- HU's share in EU-28 output = 2.1%
- HU's share in EU-28 GVA = 2.3%



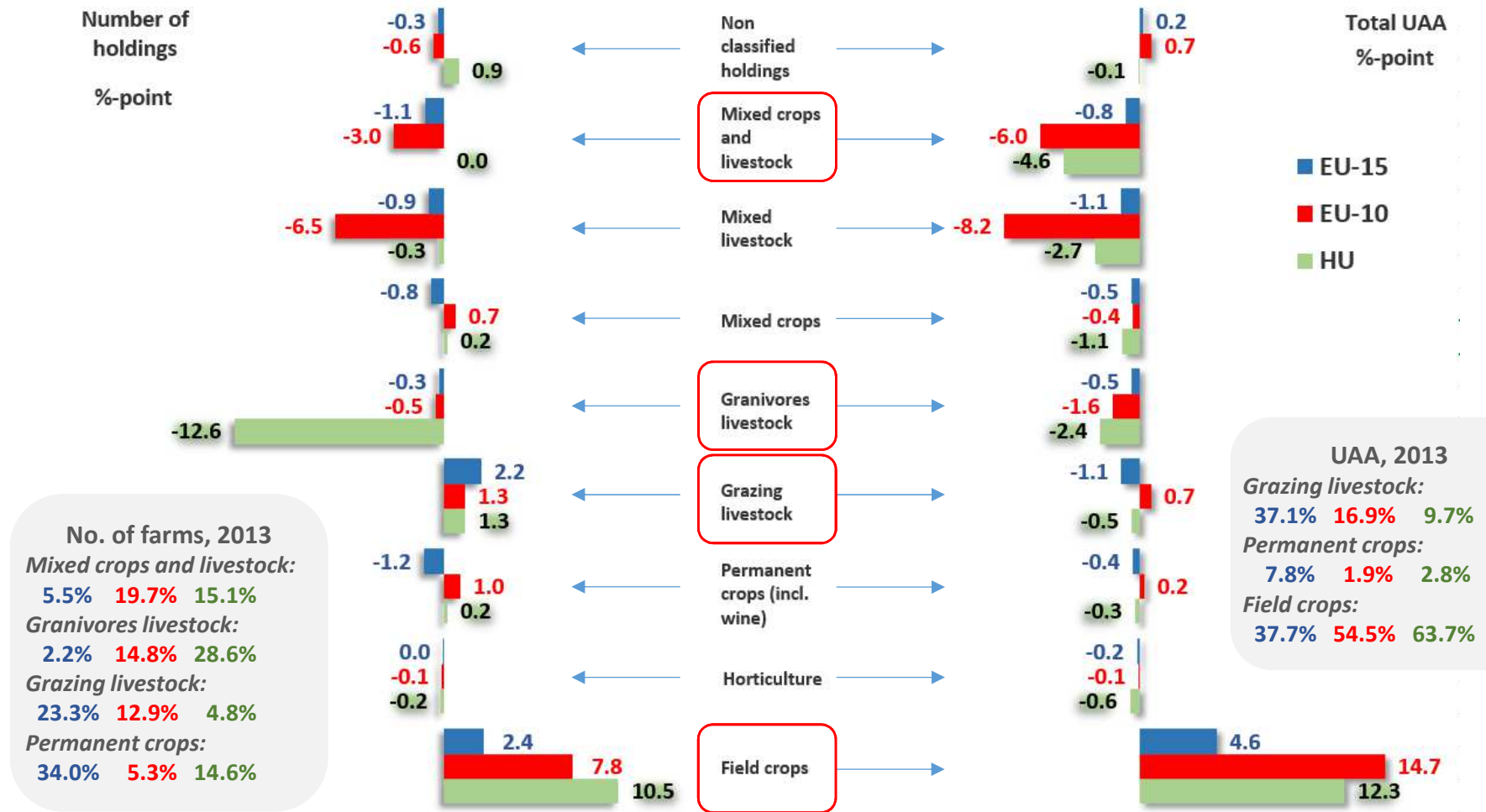
Factor incomes in AG in 2014

- HU's share in EU-28 DP budget = 3.0%
- HU's share in EU-28 RD budget = 3.6%



Source: EUROSTAT * utilized agricultural area ** annual work unit (full time employment)

Farm specialisation during 2005-2013

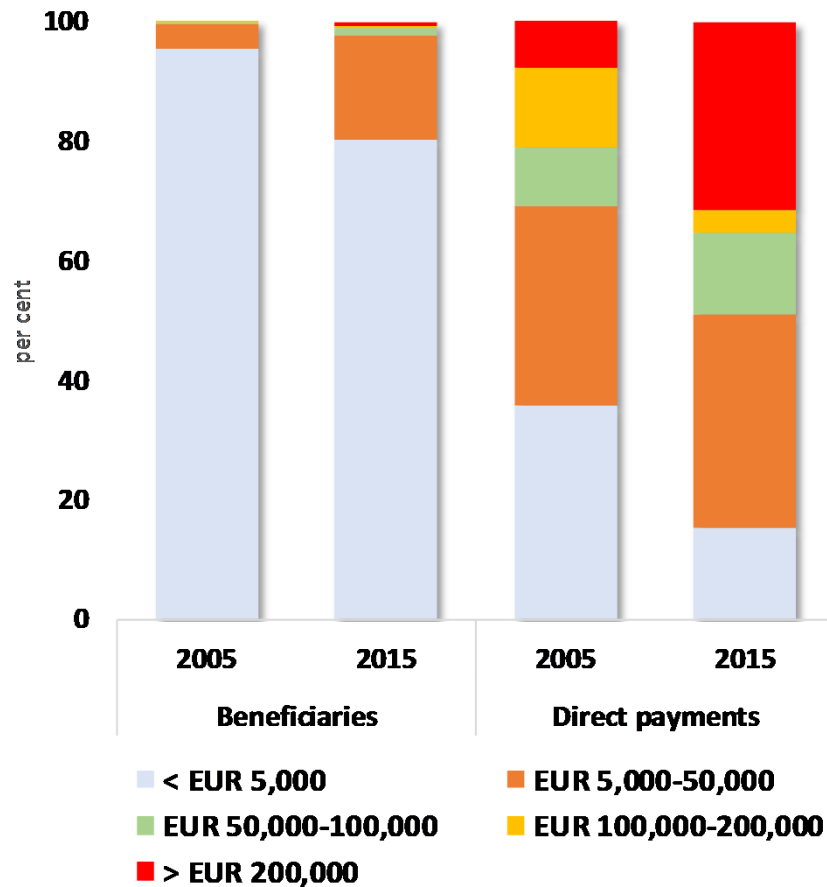


👉 CAP and farm demographics

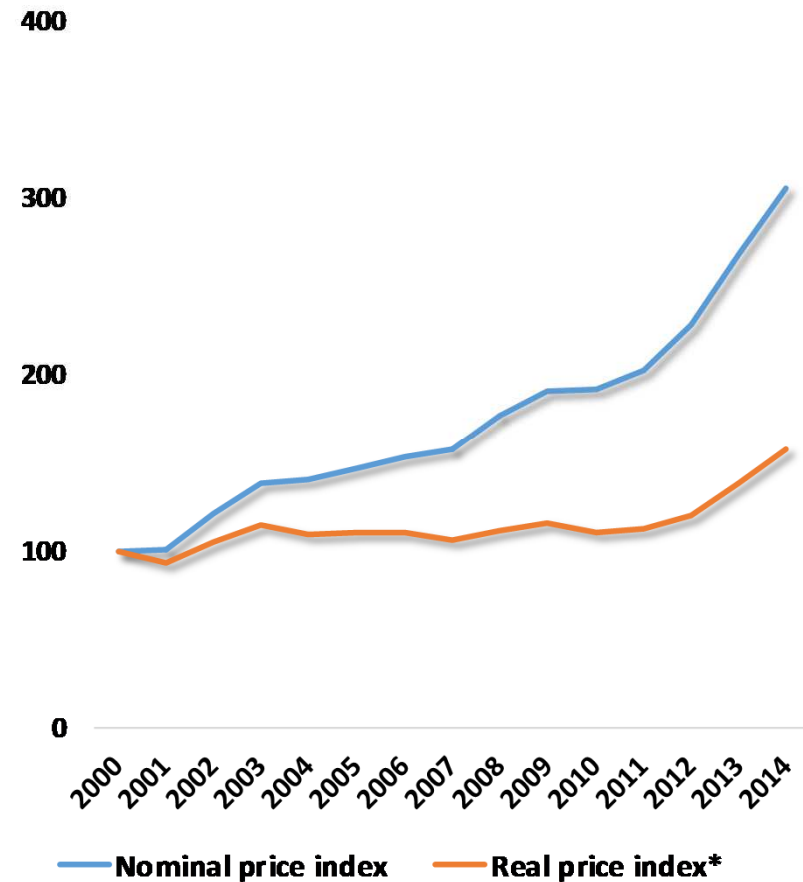
Source: EUROSTAT

The process of concentration demands land

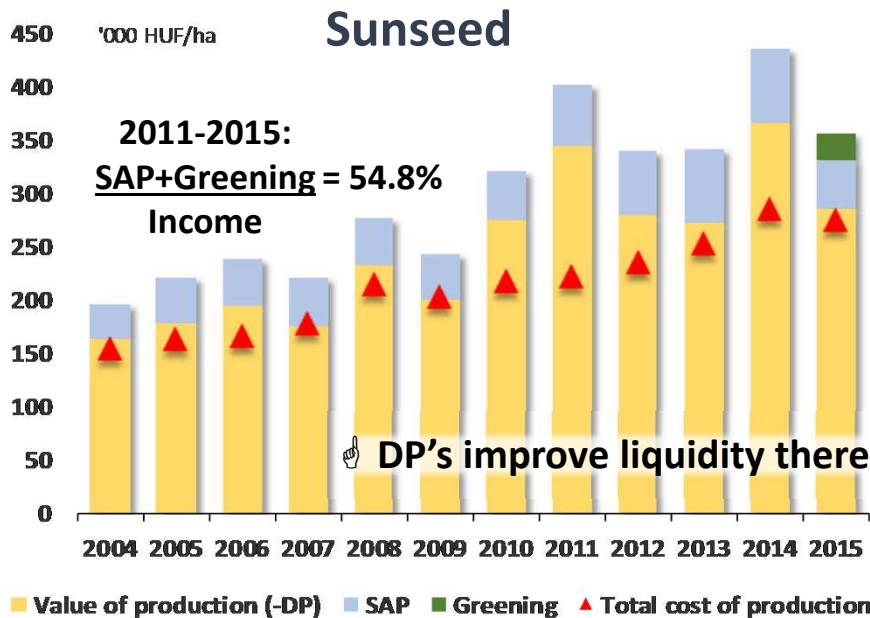
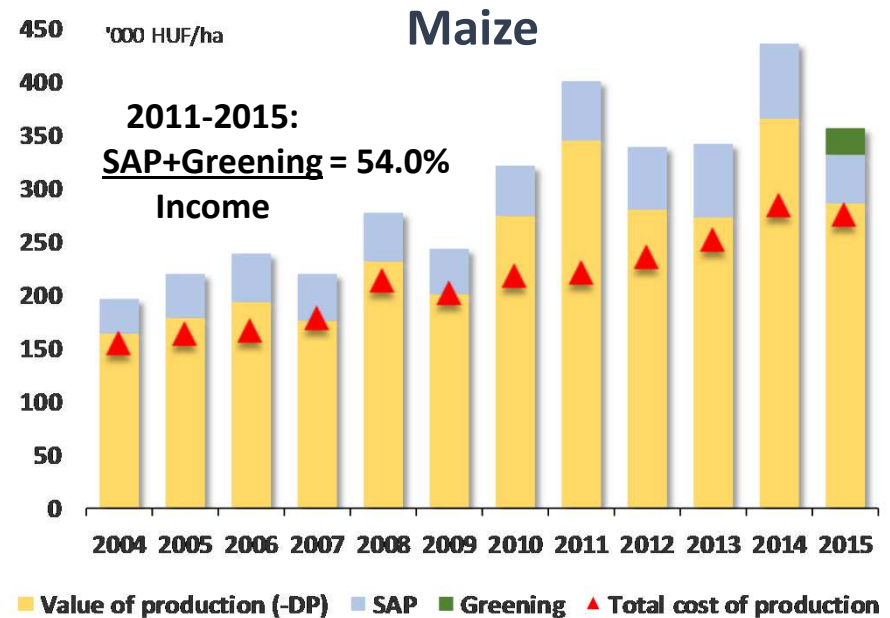
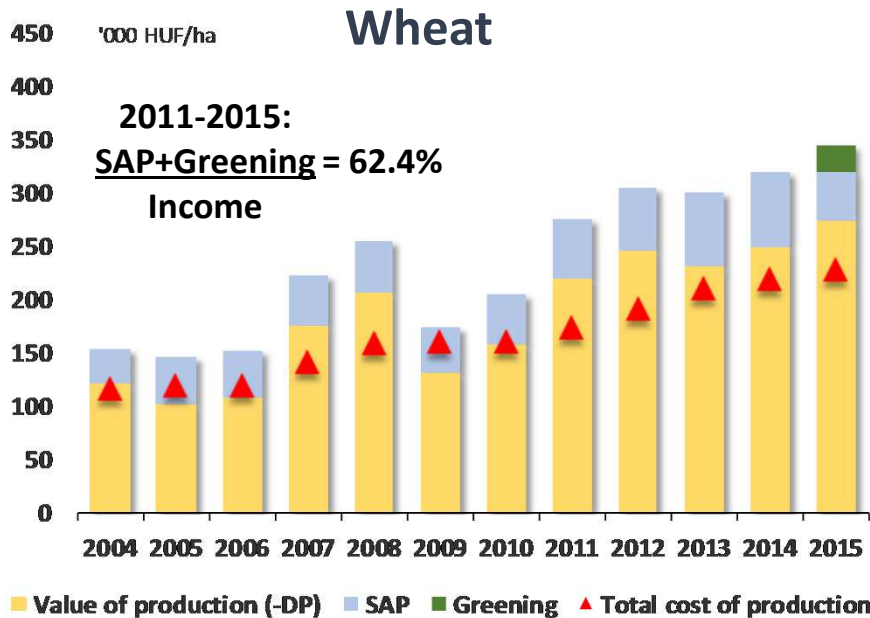
Distribution of DP's & beneficiaries



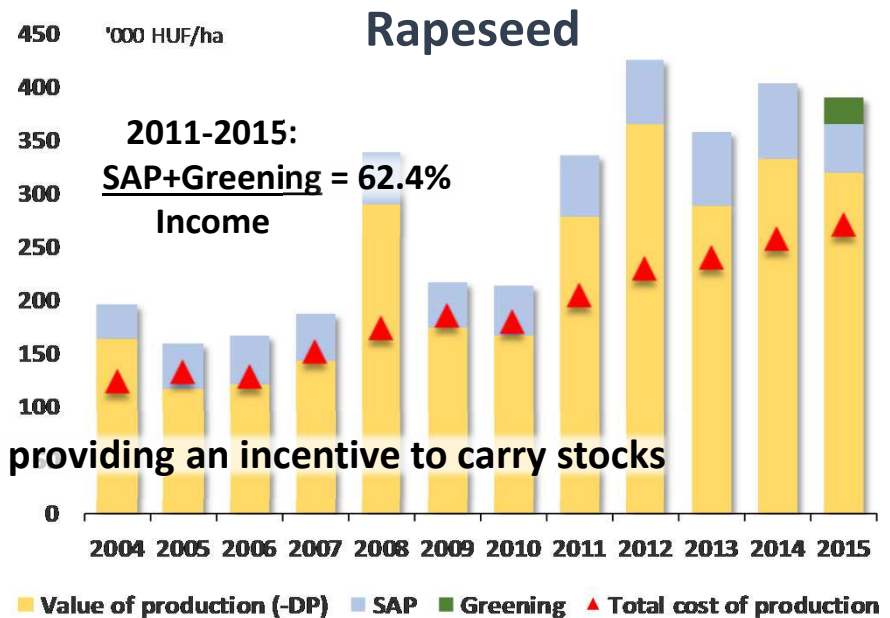
Development of land prices



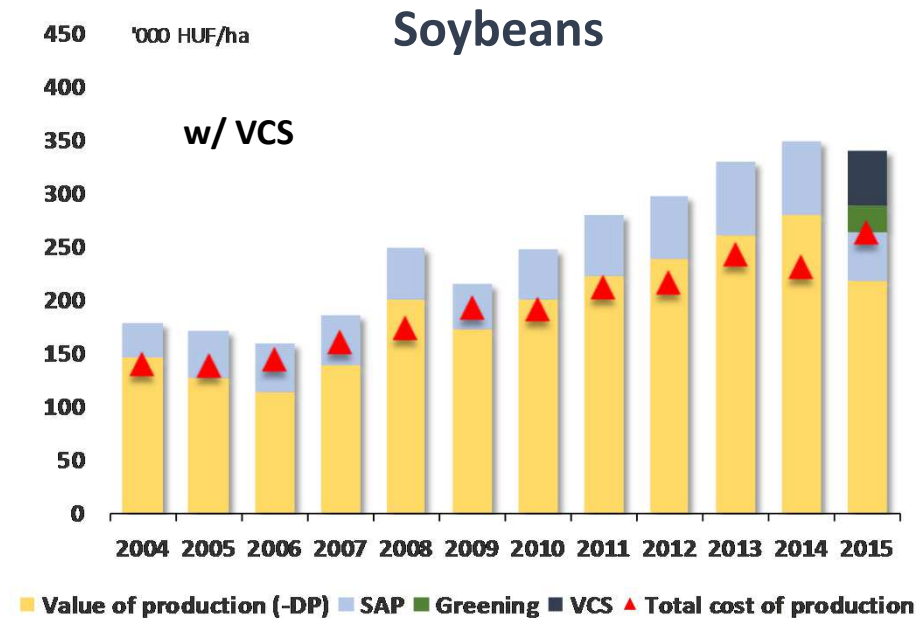
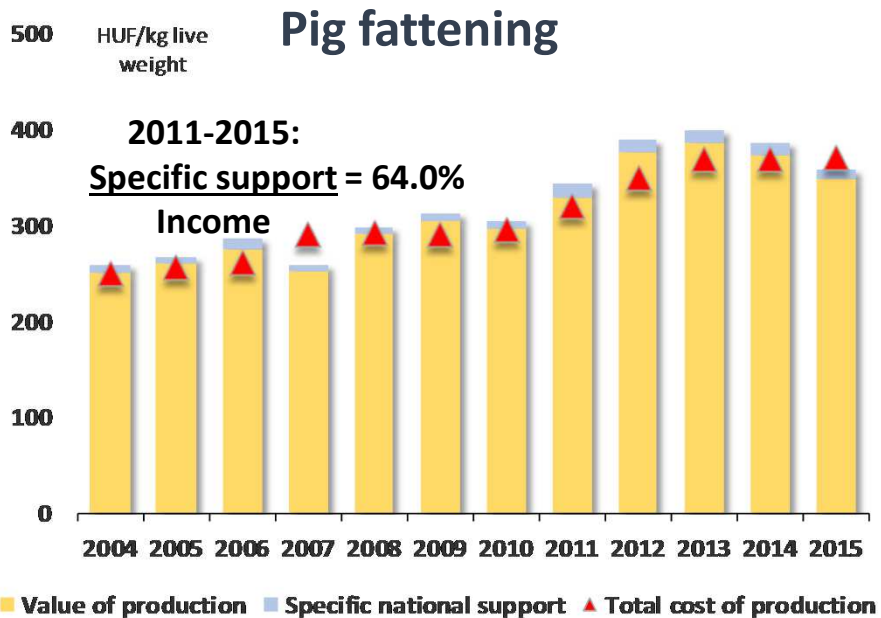
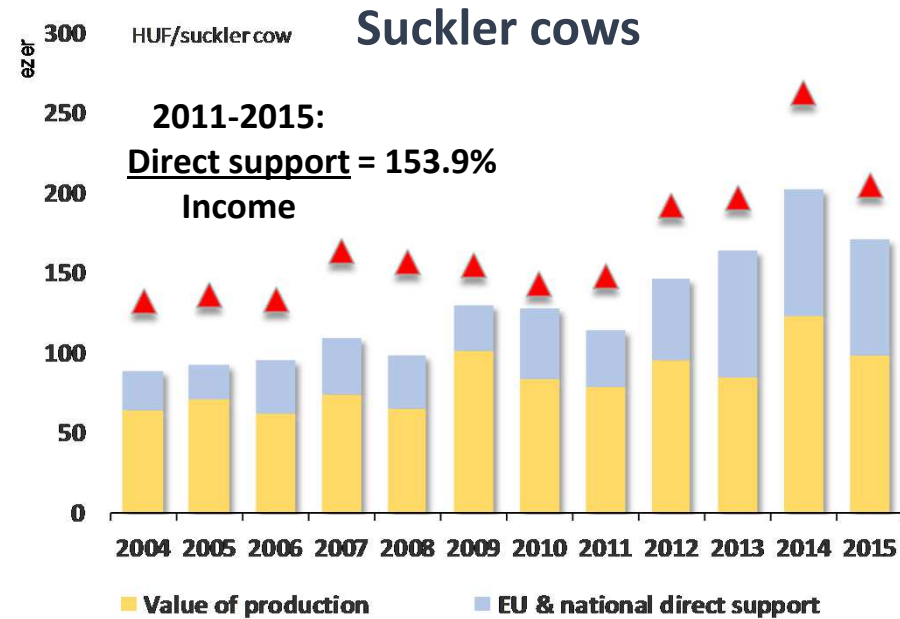
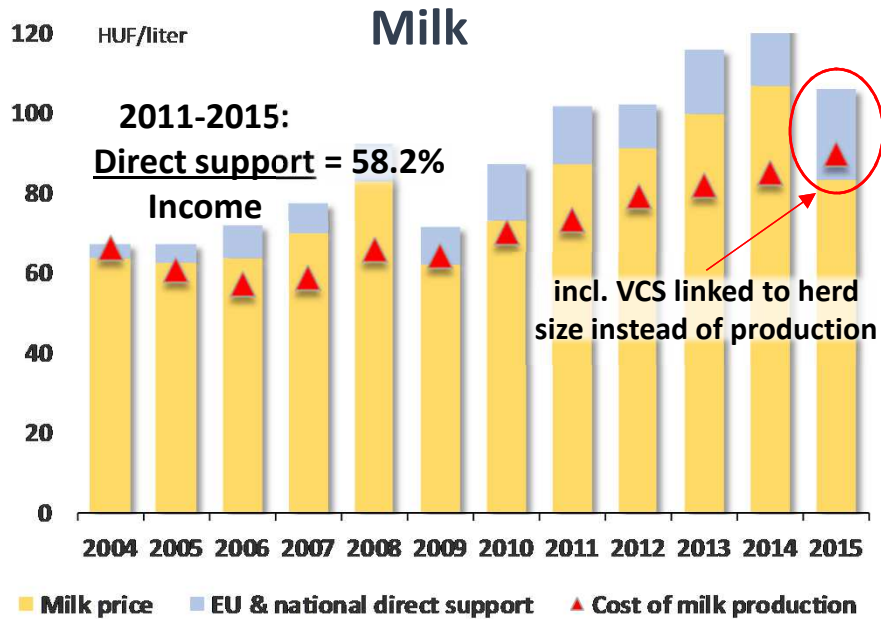
Source: EC Report on the distribution of direct aids to agricultural producers (financial years 2005 and 2015) & FHB * deflated with CPI



DP's improve liquidity thereby providing an incentive to carry stocks



Source: FADN



Source: FADN

Extensive utilization of VCS during 2015-2020

Title of measure
VCS for suckler cows
VCS for male bovines
VCS for milk
VCS for sheep
VCS for rice
VCS for sugar beet
VCS for field vegetables
VCS for vegetables for processing
VCS for vegetables for oil processing
VCS for fruits produced in intensive orchards
VCS for extensive & traditional fruits
VCS for protein fodder
VCS for soybeans and other protein grains

CAPRI: no VCS scenario	EU-15	EU-10	HU
Area under 'other*' crops	-4.6%	-11.6%	-12.0%
Total number of ruminants	-1.2%	-1.6%	-4.5%

** Other arable crops: Pulses, Potatoes, Sugar Beet, Flax and hemp, Tobacco, Other industrial crops

Greening

CAPRI: no greening scenario	EU-15	EU-10	HU
Area under pulses	-0.8%	-5.3%	-6.5%
Fodder area	-1.4%	-1.4%	-5.3%
Set aside and fallow land	-8.8%	-29.2%	-32.2%

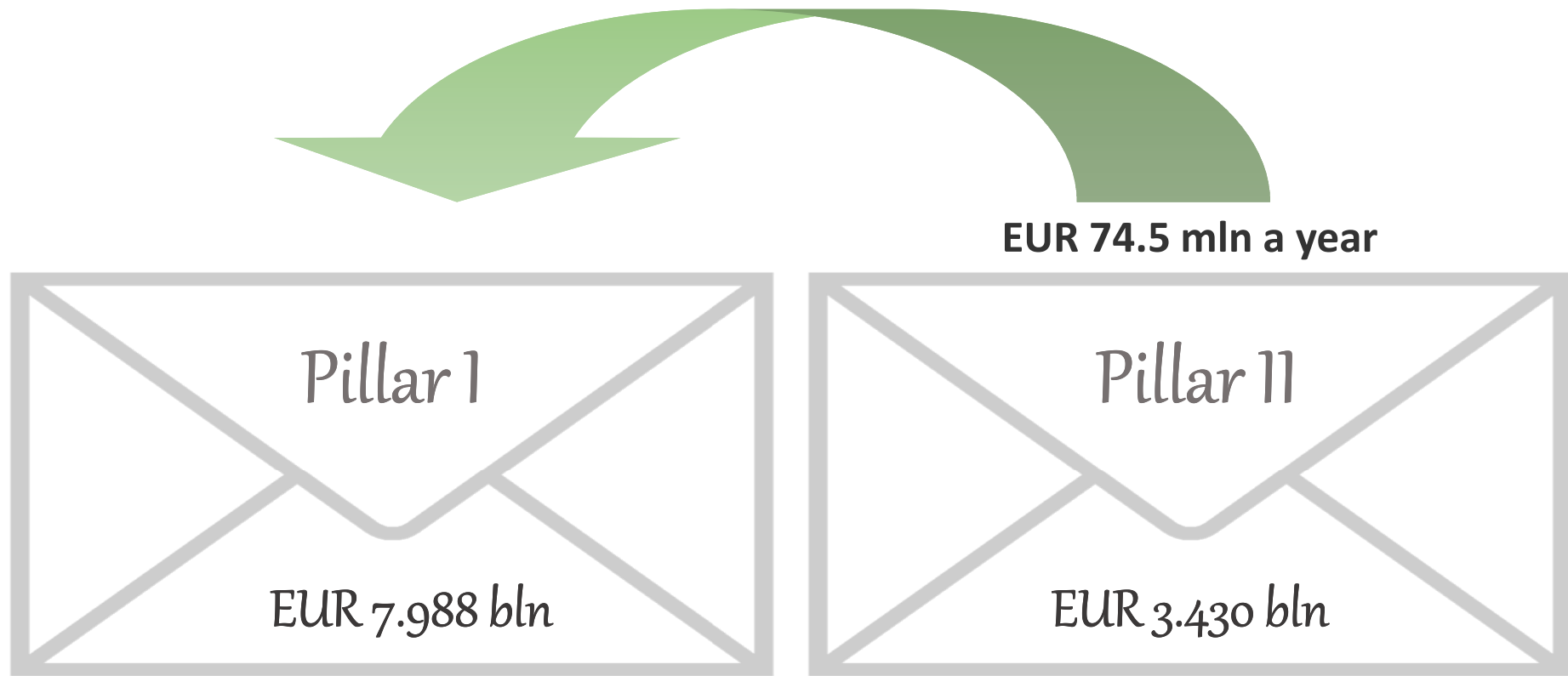
Source: AKI & JRC

Main impacts of EU direct payments

- **Positive impact on farm incomes and on access to capital**
 - » *slowing down the rate of exit of the older generation from subsistence and semi-subsistence farming*
 - **Negative impact on market orientation and risk management**
 - » *hindering the development of resilience*
 - **Negative impact on the intensity of labour use**
 - » *accelerated by decoupling*
- ☞ **Impacts are not uniform across the businesses**
 - » *differences in size and specialisation*



Transfer between CAP Pillars

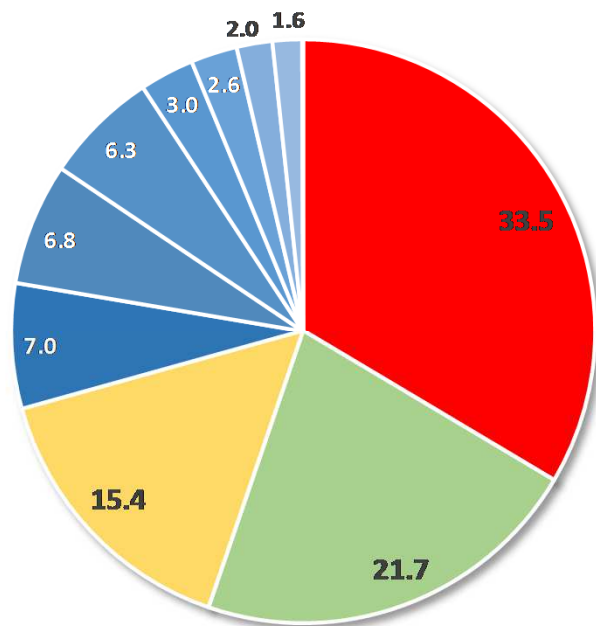


Degressivity

- > EUR 150,000: -5% of SAP
- > EUR 176,000: -100% of SAP (1,230 ha)

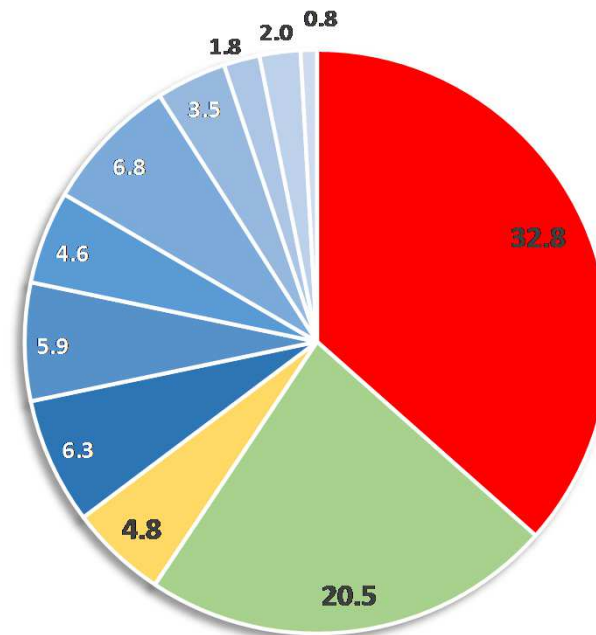
Breakdown of EU Rural Development funds

2007-2013 (%)



HUF 1,486.9 bln

2014-2020 (%)



HUF 1,229.9 bln

- Investments
- Agri-environmental schemes & organic farming
- Diversification

- Forests
- Basic services & infrastructure
- LEADER
- Natura & LFA/ANC
- Animal welfare
- Consultancy & vocational training
- Producer organizations
- Quality systems
- Cooperation
- Risk management
- Financial assets & performance reserve

👉 Diversification having less importance now compared to competitiveness and agri-environmental activities

Source: MVH (2007-2013), ME (2014-2020)

Impacts of the NHRDP on competitiveness

- Investment measures favouring mainly crop production
- Other measures lacking concentration of resources
- 86% of the financial resources landing at SME's
- 80% share of infrastructure development
- 17% share of human resource development
- 3% share of market access promotion
- Overall impacts
 - » *EUR 401.3 million or 14% increase of GVA*
 - » *neutral on employment*
 - » *EUR 990 per AWU decline in labour productivity due to mandatory maintenance of employment*
- Strongest positive impacts
 - » *GVA: investments in arable farming, animal husbandry, irrigation, melioration and small-scale infrastructures*
 - » *Employment: investments in horticulture*
 - » *Labour productivity: investments in horticulture, and use of farm advisory services*

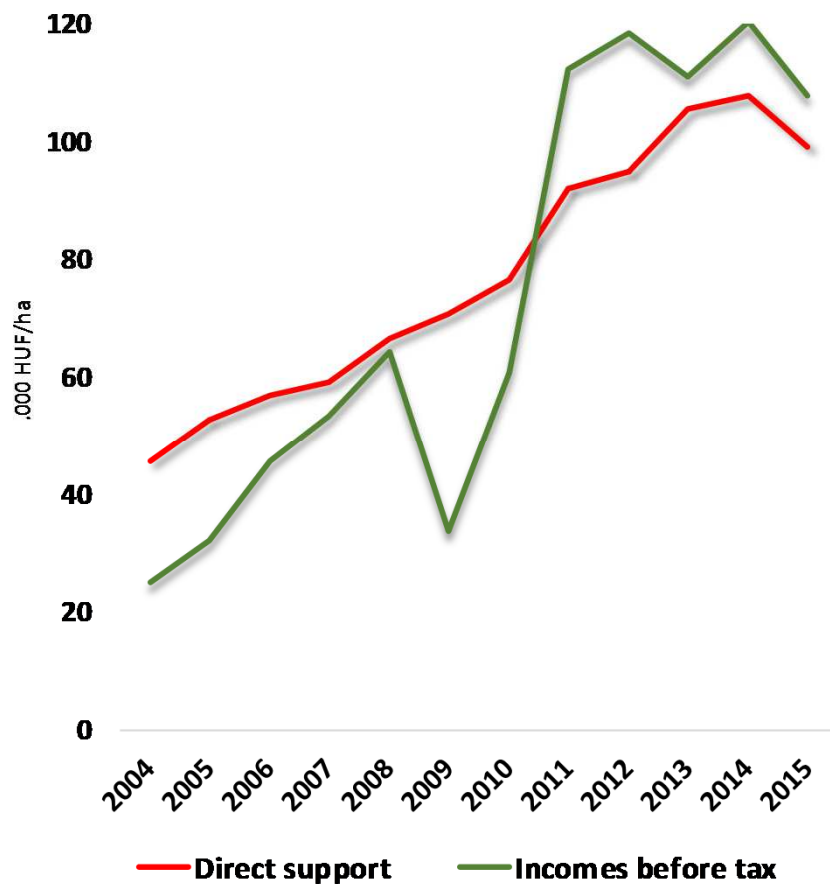
Other impacts of the NHRDP

- Quality of life measures contributing to the retention of rural population (in farming) by the diversification of activities
- Knowledge transfer having a key role in successful projects
- Promoting the rejuvenation of farming society

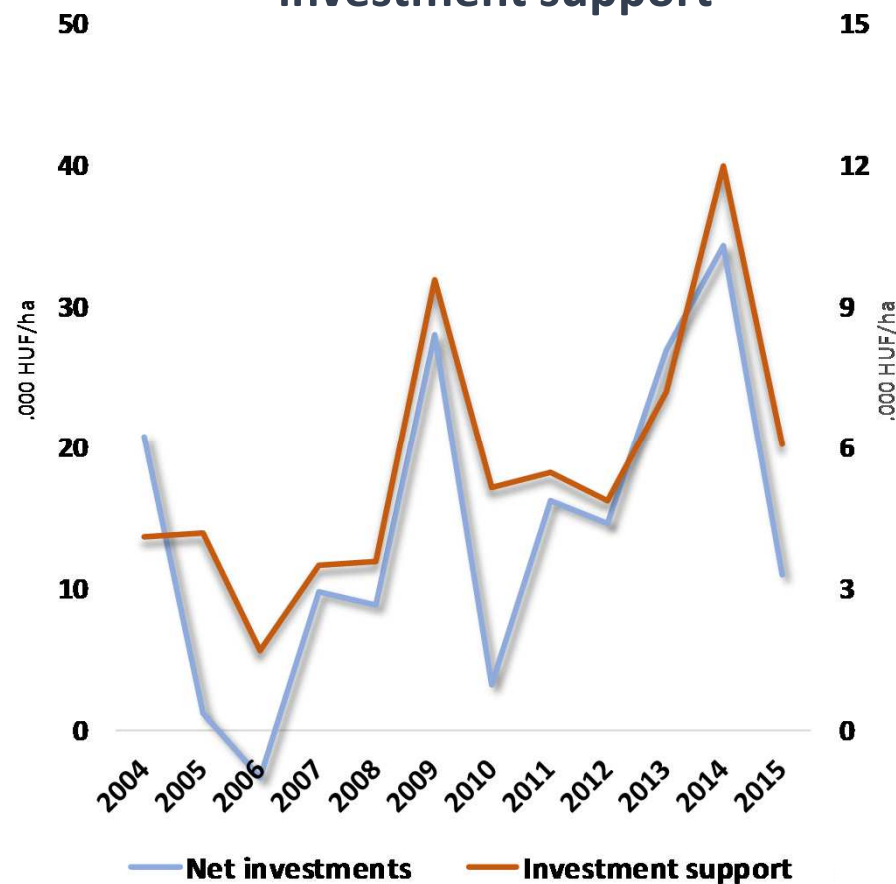
Source: Ex-post evaluation of NHRDP 2007-2013

AG support has been a key driver...

AG incomes & direct support



Net AG investments & investment support



👉 No direct relationship between agricultural incomes and investments

Source: FADN

Development path

- Role of AG in the national economy further declining
- Large numbers of uneducated & elderly farmers leaving the sector
- Limited increase in the share of farmers supplementing farming incomes from other gainful activities
- Demand for land intensifying and land concentration accelerating
- Specialisation of farms continuing, also driven by the CAP and the segmentation of a matured EU food market
- Concentration and specialisation, as well as EU and CSR requirements foster investments in modernization, strengthen horizontal and vertical cooperation, and increase the demand for labour force with high skills
- GVA and labour productivity further improving



Challenges

Sustainable production of food & biomass

Economic sustainability

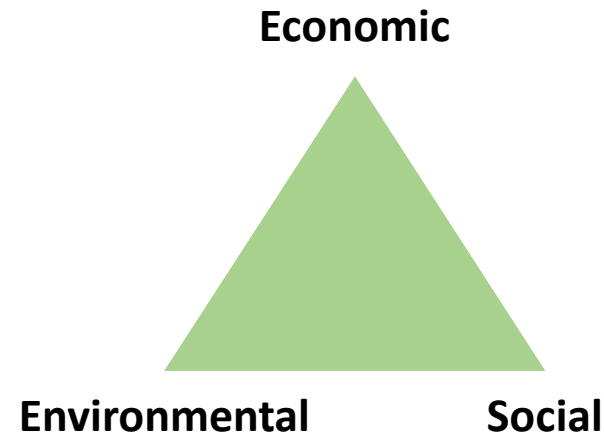
- enhancing competitiveness
- improving risk management
- encouraging innovation

Environmental sustainability

- increasing resilience to climate change
- reducing/sequestering GHG emissions
- providing ecosystem services

Social sustainability

- promoting agricultural diversity
- maintaining the role of agriculture in rural regions
- encouraging generational renewal





Dziękuję za uwagę!