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## THE PROMOTION OF EUROPEAN ECOSOCIAL MODEL TO THE DEVELOPMENT OF HUNGARIAN AGRICULTURAL EMPLOYMENT AND RURAL AREAS

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Review paper

### SUMMARY

*In addition to the European agricultural productivity tasks so-called ecosocial services being born locally, have to be worked out, cannot be imported. The agriculture and the rural population have to be compensated. For the above mentioned the perception and demands of the aforesaid led to the establishment of the multifunctional European agricultural model, the reform of the common agricultural and regional policy. One of the aims of the study is the objective analysis of the situation, the other is the environmental approach of the complex social – economic possibilities of agriculture and regional development.*

**Key-words:** *Common Agricultural Policy, ecosocial services, multifunctional European agricultural model*

### INTRODUCTION

The natural resources of Hungary, soil and climatic characteristics provide appropriate conditions for agricultural production. In spite of the excellent potentials the Hungarian agricultural sector shows poor performance. The production is not efficient, there is little cooperation between small farms, the majority of the growers is not familiar with EU calls. The progressivity in agriculture can be obtained only through a complex method, the Hungarian growers must conform to its governing principle, the agricultural policy of the EU. The aim of this paper is the analysis of the present situation and the research of opportunities in area development within the possibilities of the EU.

### MATERIAL AND METHODS

The research is based on the secondary analysis of previous treatises. The domestic potentials, agricultural characteristics and data, peculiarities of agricultural policy, problems, guidelines and the common EU directives on agricultural development, social and employment policy will also be systematized.

### RESULTS AND DISCUSSION

At present, agricultural production has a direct impact on the income and existence of almost half a million of families in Hungary. On the basis of data provided by the Hungarian Central Statistical Office (HCSO) and EUROSTAT we can assert that according to EU standards the vast majority - more than 96 % - of Hungary belongs the category of rural-like area. Almost 74% of the Hungarian citizens lives in this area. The rate of basicly rural areas (61,5%) is also above the average of the EU (47% according to HCSO data).

The average population density of the country is 108 inhabitants/km<sup>2</sup> and it varies within the country according to area types. It is representative unlike areas where towns and villages with more inhabitants have higher population density, since significant economic bases provide existence for

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their inhabitants more successfully. Towns and villages having less inhabitants, on the other hand, provide practically no opportunities for the citizens to make a living.

The agro-economic and population support capacity of rural areas are weakened by major deficiencies in public road infrastructure. The majority of settlements have no opportunity to draw on the infrastructure of public transport and heavy traffic. The motorway and expressway network is the least developed. These conditions increase the traffic costs and cause longer awaiting time and have a huge effect on the operational prospects of locally formed and locally based enterprises. Bases of agricultural production and fields in remote areas can be approached only on roads of poor quality.

Considering the potentials, consumption of renewable resources of energy is temporarily minute. Using biomass, biocarbon, biofuel and geothermic energy can provide cheap and effective operation mainly in the case of small villages and agricultural units. In addition to this it provides extra income for the farmers.

Impacts resulting from economic restructuring in the past more than a decade – lack of development funds, the growing difference between industrial and agricultural prices, breakup of earlier cooperations, lack of new integration processes, technical underdevelopment, the insignificance of training and education of professionals, the narrowing scope of funding, loss of traditional market positions and weak profit, poor profitability – have deepened the crisis of agriculture and rural areas in Hungary. The extent of production has considerably dropped. In the nineties it decreased by altogether 40%. The decline was bigger in the South-Eastern part of Hungary called 'Alföld' characterized by less professional competence and lower production level. There is no doubt that employment and economic prosperity closely correlates with the quality of education (Garai et al., 2005.). In the course of successful rural development concepts it is essential to take into account and constantly improve the cultural characteristics, employment parameters and educational potential of the given area (Trócsányi and Tóth, 2002).

The compensation, change of ownership, the distribution of cooperative properties resulted into a highly heterogeneous property system at the beginning of the 1990s in Hungary. The transformation of ownership effected almost 6 million hectares of land and called forth approximately 2,7 million new owners. In the course of the compensation process that began in 1991 around 1,6 million owners obtained lands. Based on international experiences, a family – besides having sufficient knowledge under intensive conditions – must own a minimum of 30 hectares of land to make a living. In contrast to this, a little more than 1% of Hungarian landowners has a land as big as or bigger than this size. Moreover, lack of adequate appliances and necessary knowledge prevent them from achieving competitive farming. Farming on scattered pieces of land and their cultivation based on multiple ways of ownership have made farming more difficult. There has been no significant change in farm reorganization including the formation of favourable land size or the fusion and unification of lands. Land owning and farming have been separated resulting into a relatively permanent rental structure.

According to the Rome Convention the common market of agricultural products can function only if the member states establish common agricultural policy. In the framework of the Common Agricultural Policy (CAP) they intended to ensure the productivity of agriculture with the means of technical and technological progress, the rationalisation of production as well as the effective use of workforce. They meant to improve the living standard of agricultural population by raising their per capita income. Provision of agricultural products has become an important aspect within the Community to stabilize the agricultural market and supply the customers with favourable prices (Takács, 1999). When developing CAP characteristics of agriculture justifying the application of a specific aspect and funding were taken into account.

The natural conditions of agricultural growing (soils, climate, etc.) can have unpredictable effects, consequently the cost and income factors are characterised by notable uncertainty as compared to other sectors. Thus, the reliability of provision is less stable, which is strategically a disadvantage as the supply of provision is of key importance for the national economy. Since the agricultural sector is not able to produce the necessary financial sources for agricultural development, the sector needs intervention and external support. Besides, certain social and political considerations the traditionally weaker performance of the European agriculture as compared to the leading agricultural exporters

(USA, Canada, Argentina) also confirm the necessity of support. The products of the listed countries are competitive in spite of the high transportation costs. The weaknesses of the European agriculture comprise the traditionally scattered structure of farms, insufficient professional knowledge, the less developed technological conditions and the lack of accommodation in the products choice demands. Consequently the agricultural income of the population is lower than industrial earnings. It is an important political factor though, that the votes of agricultural population represent a significant amount. The proper use of financial support is essential for ensuring sufficient number of people who will be working in agriculture since losing significant proportion of agricultural population would result in social disadvantages and deficit, causing social expenses increase. This distinguished treatment of agriculture is the basis of the implementation of different funds and defensive actions in agriculture in the Common Agricultural Policy.

It is among the effects and results of the CAP that has considerably contributed to the major transformation of the Union's agriculture; the formerly existing underdeveloped little farms were mainly replaced by modern, well-equipped, specialized farms. Due to the increase in production, which was a result of the growing productivity, the Union has become self-sufficient in primal products such as beef, cheese, butter, wheat and sugar (Ángyán, J., Podmaniczky, L., Ónodi, G., Skutai, J., 2000).

The impact of market prices on agricultural production has been ceased, which was an important move of the problem management. Beside the growth of production, the artificially high prices created a monopoly situation for the farmers inside the Community. The farmers and enterprises were not motivated enough to develop technology, improve agricultural structure and evolve the adequate plant size. The arguments in favour of and against the ways of collective control is another problem: the net payers, the United Kingdom for instance, consider the common agricultural policy too expensive, while the net recipients, such as France, argue for its sustainability. The highly protectionist system was objected by other countries – Canada for instance – characterized by significant export potential. Apart from the artificially high prices of provision, another macroeconomic impact on inflation is the fact that the income of the consumers has grown more rapidly than prices of provision. The inconsistencies of the CAP are well characterised by the fact that on one hand remarkable infrastructural investments and developments – storage- and cold storage houses, processing plants – have taken place, on the other hand these processes have caused major environmental pollution, mainly in soil and water, since agricultural production has become more intensive.

The multifunctional model of European agriculture assumes a complex system of activities to be realised in tasks of production, environment, society, regional policy, employment and social welfare. The above mentioned activities, beside the task of production, include ecosocial services that arise locally, cannot be imported, and furthermore the agriculture and the rural population performing these tasks need to be compensated. Industry-like agriculture that aims at mass production and focuses exclusively on effectiveness and profit is not suitable for simultaneous execution of these tasks. The merely production-centered farming system calculating for a short term does not possess the attitude which is necessary for the completion of ecosocial requirements, lacks goals to achieve and tasks to perform. Problems originating from the multifunctional objectives can only be solved by sustainable agricultural systems of land use and farming that produce high quality, competitive, wholesome and safe goods and at the same time perform their ecosocial tasks. The above listed findings and demands led to the definition of multifunctional European agricultural model, the reform of the common agricultural and rural policy, the establishment of the funding system and its sources (Ángyán et al., 2000).

By reforming, the CAP in 1992 has been transformed into an agricultural and rural policy. In other words, beside the pillar of production policy, its ecosocial pillar has been created based on environmental, social, regional and employment elements. With regard to financial support it means that fundings belonging to the pillar of production are connected to production quantity and quota decrease. These sources are gradually transferred to the dimension of the ecosocial pillar.

Recently Europe has made serious efforts to emphasize ecosocial elements in the course of free-trade negotiations; the EU and the USA signed a free-trade agreement in Uruguay, the costs resulting from the agreement were represented in AGENDA 2000 and in the Budget of the European Union in the period 2000-2006.

## CONCLUSION

The future conditions of agriculture and rural development have always depended on the efficiency of representing the interests of Hungarian agriculture in the European Union. In the formation of the aspects of agricultural policy and its implementation it is essential to represent a type of agriculture which is capable of accommodating to EU-quotas and regulations.

With regard to the peculiarities of domestic conditions we can assert that the agroecological potential of the country provides excellent opportunities, but at the same time the country has poor energy resources and rural areas suffer from major employment and social problems. Consequently Hungary needs to support farming systems that produce high quality, wholesome and safe provision and – conforming to the ecosocial pillar – are better than quantity oriented systems in terms of their environmental, social, regional, educational and employment indicators and their overall effectiveness (Juhász, 2001).

Following the accession of Hungary to the EU it was reasonable to set up a dual structure. On one hand, complying with the narrowing possibilities in the first pillar, we had to aim at acquiring most of the compensation funds and normative support associated with certain quotas. On the other hand, based on the developing second pillar of CARPE our goal is to gain further support in the forthcoming EU budget period between 2007-2013. The European Commission asserted that „candidate countries can attain support from the second pillar depending on their preparation”. Thus our goals can be realised by focusing on ecological growing, integrated farming, extensive animal husbandry based on grassland management and the extensive agricultural use of watery agricultural areas, polders, flood-plains, ricelands and fishponds. It is recommended to use these areas for growing good quality, residue-free, wholesome and safe provisions and other resources that meet demands of the market and receive government support.

The complementary concepts of sustainability, economic and social development, innovation of education must contribute simultaneously to the improvement of domestic agriculture and rural development. It is essential to change our approach and practice based on the concept of the ecosystem as a self-regulating mechanism. One of the possible answers for the problem of sustainability can be found in so-called „Gaia-theory”: the biosphere is a homeostatic self-regulating living system automatically compensating losses and deficiencies.

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