

ANALYSIS OF THE CAP BY THE BASIS OF THE HUNGARIAN FARMERS

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ABSTRACT - Analysis of the cap by the basis of the Hungarian farmers

In the 90s agriculture experienced serious changes in Hungary. Both internal and external markets narrowed down, besides, the structures of ownership and production transformed considerably. As a purpose of our research we set to get more knowledge about the operation, structure and possibilities of the system of the Common Agricultural Policy, and last but not least, about its effects on the Hungarian economy and farmers.

Keywords: *Common Agricultural Policy, Hungary, survey*

INTRODUCTION

In the 90s agriculture experienced serious changes in Hungary. Both internal and external markets narrowed down, besides, the structures of ownership and production transformed considerably. The price gap between agricultural and industrial products widened, and prices in agriculture could hardly follow the inflation. Increase in price experienced from 2000 only partly compensated for the earlier loss. Measures in agrarian policy only partly balanced the unfavourable effects and the decreasing conditions brought about a decline in production. (Pete, 2004)

In 2004 our country became member of the European Union. With it, our country became concerned in the common cooperation, as well. Among the common policies concerning the member countries, the Common Agricultural Policy affects Hungary highly, being a traditional agricultural country.

As a purpose of our research we set to get more knowledge about the operation, structure and possibilities of the system of the Common Agricultural Policy, and last but not least, about its effects on the Hungarian economy and farmers.

That is why we made some in-depth interviews, and besides, we carried out a questionnaire survey in order to get a picture about how farmers, ventures consider the situation of their own farms-ventures and that of the Hungarian economy in this Common system.

THE COMMON AGRICULTURAL POLICY (CAP)

The Common Agricultural Policy is one of the most complicated fields of the European integration. In debates before the Treaty of Rome even the possibility for the CAP was questioned.” (HALMAI, 2007)

Among the policies of the European Union, it is the CAP that was established in the beginning. Its principles were determined in the Treaty of Rome, in 1957. The CAP is one of the most complicated fields of the Union policies. It was started in 1962. By today

several reforms and changes have been realized in it, and there are still points to be clarified in the future, too. The CAP and its subsidies highly affect our country, as a traditional agricultural country. After our joining, a part of our agricultural society has adapted and still adapts to the real trends, however, the other part refuses everything which could imply growth and improvement of production. In the years after our joining our old weaknesses manifested themselves, first of all, when farmers suddenly faced up with a strong contest. On one side, in case of relatively big and well-organized holdings, increasing subsidies, improving production results and good income position can be exhibited. On the other side, a number of negative effects have appeared: organization and equipment of low level, deficient logistic systems, outdated structure of land use. It can be stated that the Hungarian agricultural is in another stage of development than its competitors in the old member countries. Conditions of survival, so that of entering the market have become more difficult for several holdings and families. It is advisable to spend the significant ratio of the sources coming from both the Union and the country on preservation of the subsistence and strengthening competitiveness. (PALÓCZ ET AL, 2010) The treaty of 1957 which established the European Economic Community put the basic principles of the Common Agricultural Policy on record in the 39th paragraph.

The purposes were:

- To increase productivity of the agricultural production
- To assure the standard of living for people who live on agriculture
- To stabilize the market for agricultural products
- To guarantee the security of food supply
- To make it sure that consumers can buy the food for a reasonable price

In 1958 the member states accepted the principles of the operation of the Common Agricultural Policy, in the meeting of Stresa.

The basic principles were the following:

- The principle of the unified market
- The principle of the community preference
- The principle of financial solidarity

According to the three principles, the unified agrarian policy of the EU started to operate in 1962, it was then that the financial funds of the agrarian policy, which is still working, was established: the European Agricultural Guidance and Guarantee Fund – EMGGF (BERNEK ET AL, 2003).

Future of the Common Agricultural Policy will depend closely on its costs, since a significant part of the present common budget is spent on the this common policy (53 billions EUR a year which is 0,43% of the EU's GDP). In the future several debates can be expected in connection with the grade of financing and its refund. There should be radical changes, sustainability should be placed in the centre of the CAP in social, economic and environmental sense, too. The next overall reform is planned in 2014. The CAP's share from the EU's budget is continuously decreasing, since it was 71% in 1984, it is expected to become 33% by 2013. When accepting the financial framework for 2014-2020 it will be clear which purposes how much subsidies will obtain. The member states agree on that there should be certain changes and the first step should be to define the purposes and tasks (KÁLMÁN, 2009).

It is an important aspect in connection with the future objectives to form a unified CAP which is about not only farmers but also each citizen in the EU. To achieve this aim it is necessary to hold social debates in each member states in order to let different opinions

form the Common Agricultural Policy after 2013. (KAP reformmal kapcsolatos konferenciasorozat, 2010).

The way how the Common Agricultural Policy changes is of great importance for Hungary, too. The common aim is that in the following programming period of seven years the country could get as much or more subsidy than in the previous period. The amount of subsidies will change but the question is what will be spent more or less on. To determine it the Commission of the European Communities expect suggestions from the inhabitants of the member countries. From 2014 considerable changes can be expected in the CAP, so our country has to take part in it, in order to assert her interests, mainly because at the time of the professional debate, in 2011, our country will be the president. It is very important for us to assert our interests since the biggest part of our farmers' income come from the financial funds of the CAP. 80% of the subsidy frame provide the direct subsidy given to the farmers and market regulation \CAP 1st pillar\. The remaining 20% support regional development (umvp.eu).

Thus, the future Common Agricultural Policy and its formation are in our common interest and task.

MEANS AND METHOD

During the primary research we executed the following tasks:

- In-depth interviews- 10 people- with some farmers/ventures from the small subregions of Bácsalmás and Jánoshalom
- Questionnaire and data collection in the small subregion of Bácsalmás and Jánoshalom
- Making an interview with the village agronomists and leaders of the community of wine-growers of some settlements and towns of the mentioned small subregions.

During the research work 100 questionnaires were filled in by the farmers of the small subregions of Bácsalmás and Jánoshalom, which were then assessed in order to get a picture about the size of the holdings in the subregions and about their changes, and also to survey what information they have regarding the CAP. We used the program Statistica 8.0 for assessment and summary of results.

RESULTS AND THEIR ASSESSMENT

From the primary research with in-depth interviews the following conclusions can be drawn:

- the number of farmers is decreasing in the small subregions
- a lot of farmers do not know anything about the CAP, the number of those who know anything about it is very low
- they consider our joining the EU unfavourable
- they can obtain the subsidy with difficulties, and if they manage to do it, the amount of the subsidy is small
- farmers with a small holding are pushed to the background
- the farmers' situation is much worse than that of the farmers abroad
- lack of information about possibilities, subsidies

Demographic data of people who filled in the questionnaire are shown in *Tables 1-2*.

20-30 év		30-50 év		50-65 év		65 év felett	
fő	%	fő	%	fő	%	fő	%
4	4	39	39	42	42	15	15
Összesen 100 fő (100%)							

Table 1. Division of people questioned according to age

Source: my own survey

Table 2. Division of people questioned according to their qualification

School qualification	Person	%
Elementary	41	41
Secondary	36	36
High	23	23
Altogether	100	100

Source: my own survey

It can be seen from the answers that there are much more farmers who have or cultivate a propriety of 5 ha or of smaller size. Majority of the farmers (36%) have been working in the agriculture for more than 16 years, they are followed by those who have been working in this sector for 11-15 years (28%). The younger farmers who entered this field 6-10 years ago actually continue the family holdings or the economical and farming activities started earlier. The answerers strive to stand on more pillars, so in the interest of their survival they work in more sectors of agriculture, it is demonstrated in *Table 3*.

Table 3. Division of people working in different fields of agriculture

Categories	Number of answers*
Livestock breeding	40
Cultivation	81
Service	46
Others	-

* More options were possible.

After the general data let's see the knowledge on the CAP! 94% of the answerers have heard about the CAP somehow. It was mainly the TV, radio and the specialized press which gave them information on this subject. We examined with the next question how much these people are aware of the timeliness of the CAP, and if they know which reform version is valid at present. Majority of the answerers (58%) is well-informed in this subject and they know which of the reform versions is in force. 22% thought that they know it but they gave a wrong answer (eg: there were people who wrote 1999, 2002, 2004 or 2006, too.) The remaining 20% could not answer the question. Diagram 1 shows the answers which are connected to data and information collection.

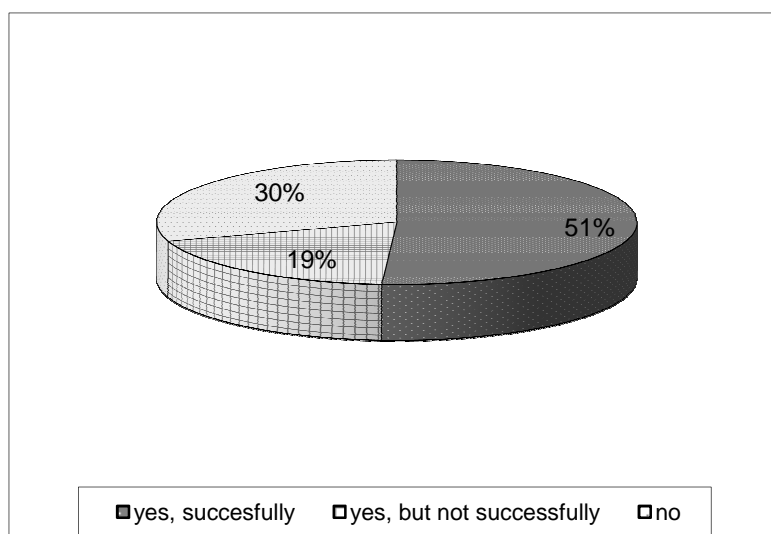


Diagram 1. Division of answers according to the success of information collection connected to the changes in agriculture after joining

Source: my own survey

It is interesting and also sad that 30% of the answerers did not even try to get to know what changes and novelties joining and the connecting agricultural changes bring for them. It can be seen clearly from the results that 19% of the farmers could not get the necessary and important information though they tried to obtain it.

In the questionnaire survey we asked some questions about financial supports, being curious to know if our farmers and venturers are aware of what differences can be experienced between our country and other member states regarding the intensity of subsidies. The data can be seen in *Table 4*.

Table 4. Division of answerers according to their knowledge about the differences in subsidies granted by Hungary and the EU

Source: my own survey

Possibilities	Person	%
Yes, it gives less	85	85,00
Yes, it gives more	0	0,00
Haven't heard about it	15	15,00
Altogether	100	100

SUMMARY

As a conclusion we are listing here some suggestions made by the farmers in the in-depth interviews:

- There should be a harmony between farmers and the state
- Flow of information towards farmers should be supported
- Local forums should be organized to give information instead of forums in the towns
- There should be more subsidy

- There should be a co-operation between farmers
- Subsidies should be aimed at the smaller holdings and farmers, too
- There should be someone locally who could give information about current events, information
- To pay in advance, instead of financing afterwards, in order to be able to realize the plans
- Assistance in case of the successful application for subsidy to make realization efficient
- Smaller farmers should get subsidies of bigger amount

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