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## Experience of Hungary



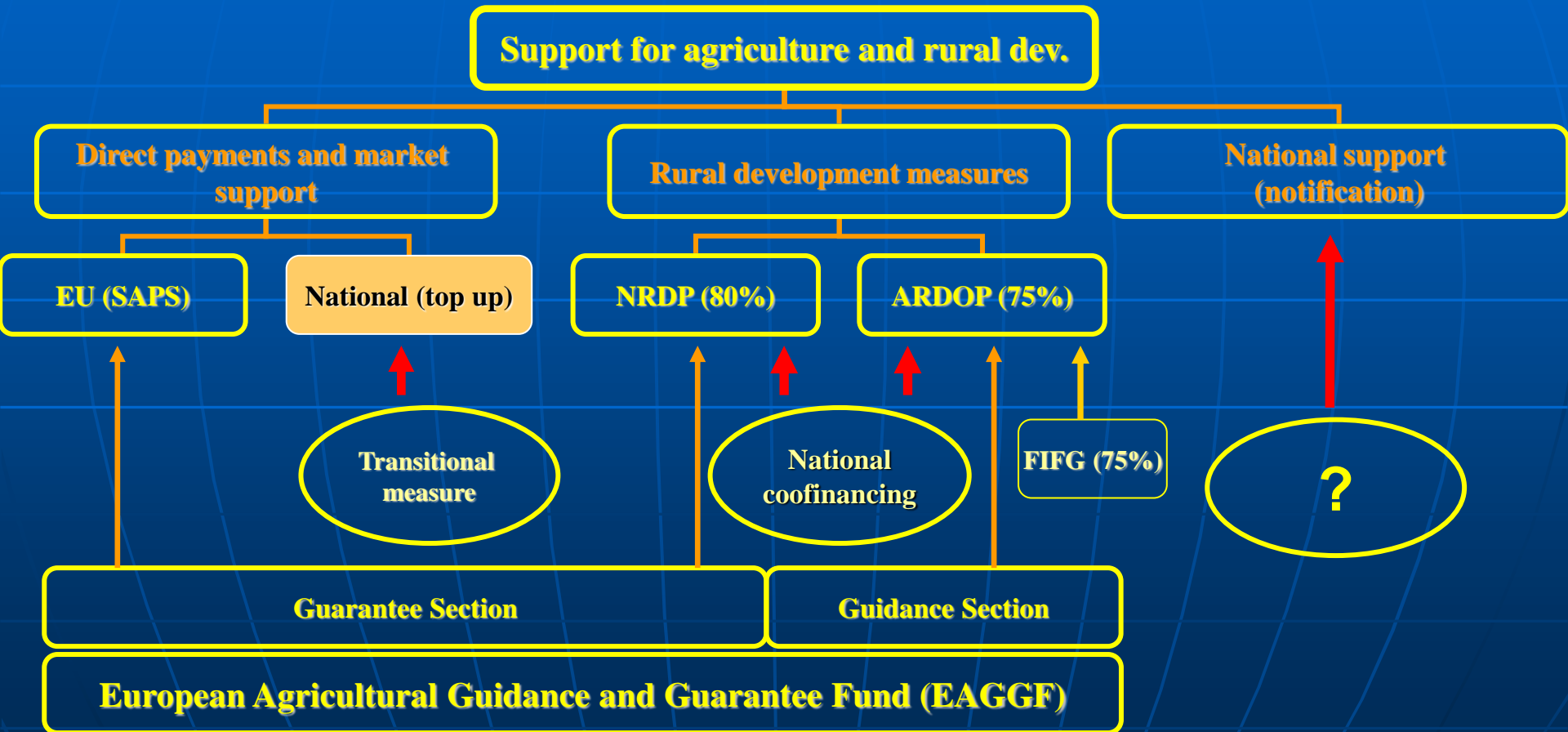
„Development Policies for Latvia’s Lagging Rural Areas”

April 26-27, 2006, Riga, Latvia

# Outline

- **Planned expenditure in Hungary for agriculture and rural development (2004-2006)**
- **SAPARD expenditure**
- **Agriculture and Rural Development Operational Programme: ARDOP**
- **National Rural Development Plan: NRDP**  
**Support for less favoured area**
- **Concluding comments**

# Support for agriculture and rural development



# Agriculture's place in the Hungarian Economy

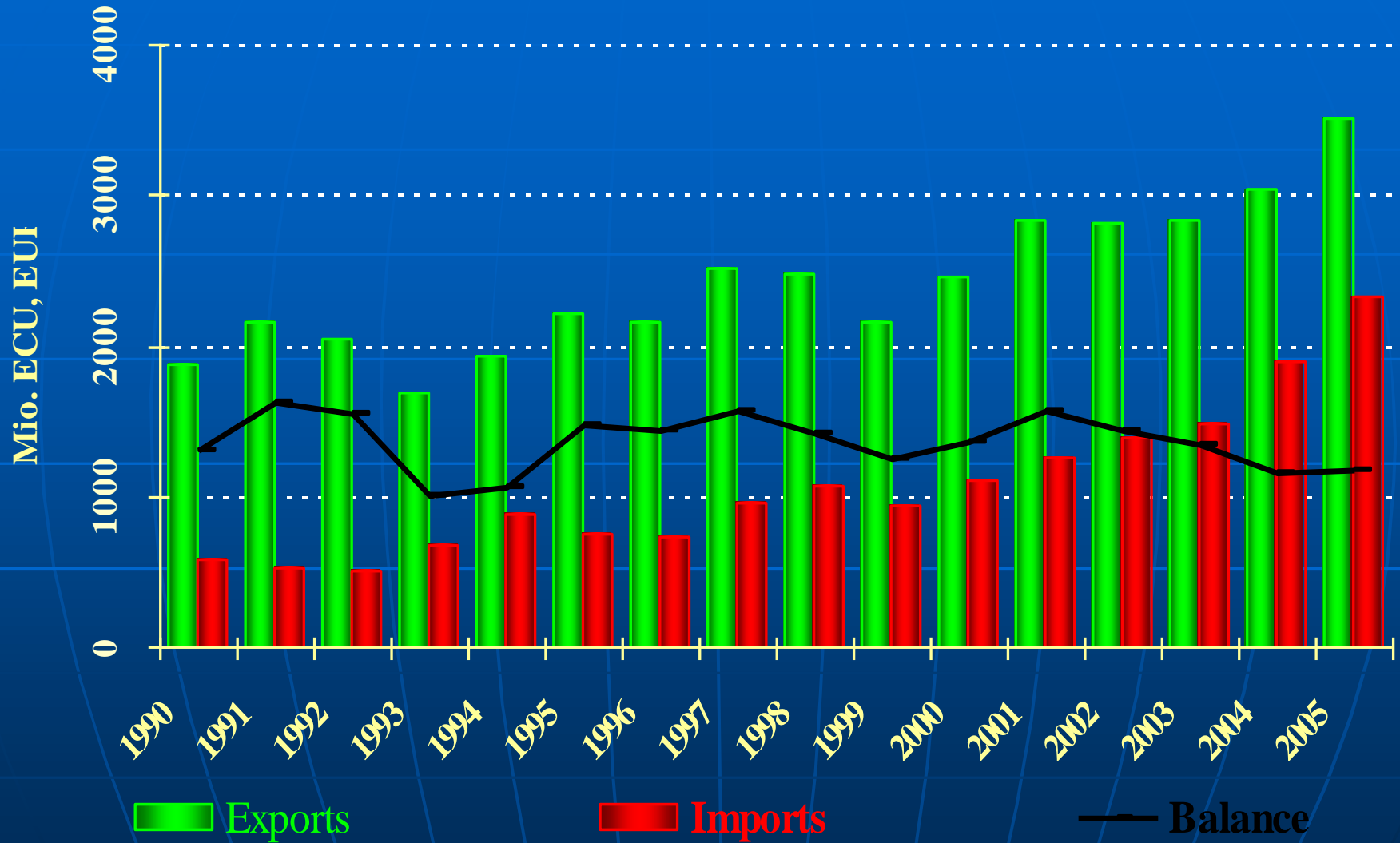
	1990	1995	2000	2003	2004
Share of agriculture in the GDP (%)	12,5	5,9	3,7	2,9	3,2
Share of agriculture in employment (%)	17,02	8,9	6,9	5,5	5,3
Share of agriculture in total investments (%)	8,7	2,9	2,7	6,2*	4,3*
Household income spent on food (%)	37,0	28,4	29,2	27	26,7
Share of agricultural and food products in total exports (%)	24,9	22,7	8,0	6,5	6,0
Net foreign trades of agricultural and food products (billion HUF)	104,1	246,6	350,4	303,1	243,1

Source: Central Statistical Office, Hungary 2005

\*Since 2002 together with agricultural investments of households

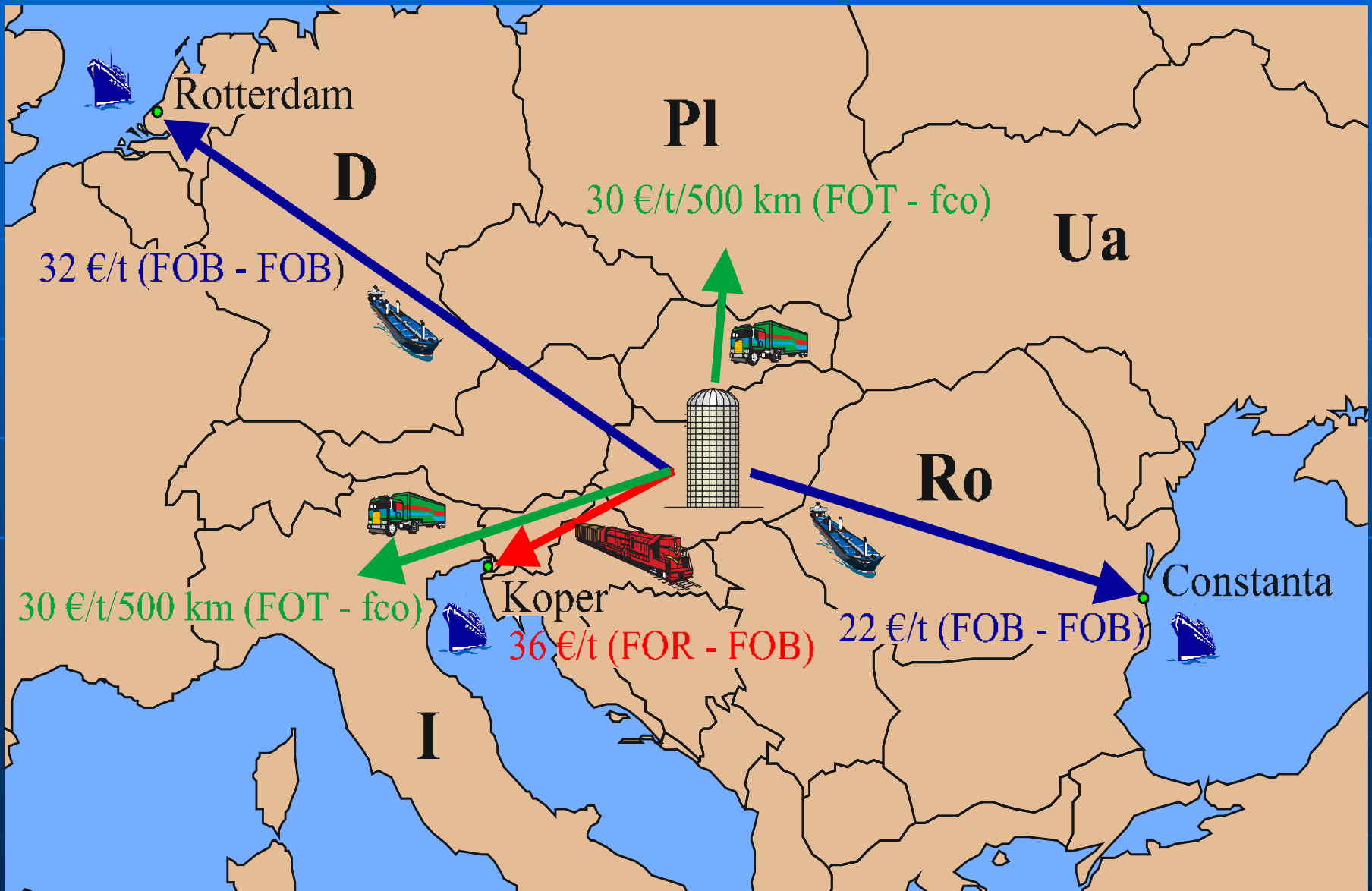


# Agricultural and food trade (1990-2005)



Source: Research Institute for Agricultural Economics, AKI, 2006

# Cost of shipping cereals by different transport modes from Hungary to EU destinations/exits (2005)



# EU-10: Overview of rural development programming types and Community financial support 2004-2006

	Number of programmes	EAGGF section	EU contribution (EUR billion)
Rural development programmes	10	Guarantee	5,8
Objective 1 programmes with RD measures	9	Guidance*	2,0
Total	19		7,8

Source: [http://europa.eu.int/comm/agriculture/rur/eval/index\\_en.htm](http://europa.eu.int/comm/agriculture/rur/eval/index_en.htm)

\* estimate

# Planned expenditure in Hungary for agriculture and rural development (2004-2006)

<b>Expenditure</b>	<b>Million EUR</b>	<b>Million HUF</b>	<b>Allocation, %</b>
<i>EU (EMOGA + FIFG)</i>			
Direct payments (Guarantee)	1279,2	326 196	58,2
Rural Development (Guarantee)	602,3	153 587	27,4
Rural Development (Guidance+FIFG)	317,2	80 889	14,4
<b>Total</b>	<b>2198,7</b>	<b>560 671</b>	<b>100,0</b>
<i>National</i>			
Direct payments (Guarantee)	1330,0	339 155	83,8
Rural Development (Guarantee)	150,6	38 400	9,5
Rural Development (Guidance)	105,6	26 931	6,7
<b>Total</b>	<b>1586,2</b>	<b>404 486</b>	<b>100,0</b>
<i>Total (EU + national)</i>			
Direct payments (Guarantee)	2609,2	665 351	68,9
Rural Development (Guarantee)	752,9	191 987	19,9
Rural Development (Guidance)	422,8	107 819	11,2
<b>Total</b>	<b>3784,9</b>	<b>965 157</b>	<b>100,0</b>



# Area Payments granted for the EU-10

[SAPS + CNDP\*]/ha (in EUR/ha)

Country	Reference yield t/ha	2004	2005	2006	2007	2008	2009	2010	2011-2013
Czech Republic	4,20	145,7	159,0	172,2	185,5	212,0	238,5	265	265
Hungary	4,73	149,5	161,0	174,3	208,6	238,4	268,2	298	298
Poland	3,00	104,0	113,4	122,9	132,3	151,2	170,1	189	189
Slovakia	4,06	140,8	153,6	166,4	179,2	204,8	230,4	256	256
EU-10	4,00**	138,6	151,2	163,8	176,4	201,6	226,8	252	252
EU-15	4,77	300,5	300,5	300,5	300,5	300,5	300,5	300,5	300,5
EU-10/ EU-15,%	83,8	46,1	50,3	54,5	58,7	67,1	75,5	83,8	83,8

Source: DG AGRI, Country Reports

\*CNDP: from the national budget

\*\*Author's estimate

# Allocation of direct payments in the EU-10

**Total in EU-10 : 6 000 million EUR by 2013**

(million EUR)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Czech Republic	227,9	265,7	342,4	427,8	513,2	598,5	683,9	769,3	854,6
Estonia	23,4	27,3	40,4	50,5	60,5	70,6	80,7	90,8	100,9
Cyprus	8,9	10,4	13,9	17,4	20,9	24,4	27,8	31,3	34,8
Latvia	33,9	39,6	55,6	69,5	83,4	97,3	111,2	125,1	139,0
Lithuania	92,0	107,3	146,9	183,6	220,3	257,0	293,7	330,4	367,1
<b>Hungary</b>	<b>375,4</b>	<b>457,7</b>	<b>495,1</b>	<b>618,5</b>	<b>741,9</b>	<b>865,2</b>	<b>988,6</b>	<b>1 111,9</b>	<b>1 253,3</b>
Malta	0,67	0,78	1,59	1,99	2,38	2,78	3,18	3,57	3,97
Poland	724,3	845,0	1 098,8	1 373,4	1 648,0	1 922,5	2 197,1	2 471,7	2 746,3
Slovenia	35,3	41,4	55,5	69,4	83,3	97,2	111,0	124,9	138,8
Slovakia	97,6	113,6	144,5	180,5	216,6	252,6	288,6	324,6	360,6

Source: Official Journal of the European Union. 30. 3. 2004.

# Allocation EAGGF Guarantee for Rural Development (EU-10)

(million EUR)

	2004	2005	2006	2004-2006
Czech Republic	163,3	182,0	197,5	542,8
Estonia	45,3	50,4	54,8	150,5
Cyprus	22,5	25,1	27,2	74,8
Latvia	98,7	110,0	119,4	328,1
Lithuania	147,3	164,1	178,1	489,5
<b>Hungary</b>	<b>181,2</b>	<b>201,9</b>	<b>219,2</b>	<b>602,3</b>
Malta	8,1	9,0	9,8	26,9
Poland	862,4	961,0	1043,0	2866,4
Slovenia	84,7	94,4	102,5	281,6
Slovakia	119,5	133,1	144,5	397,1
<b>EU-10</b>	<b>1733</b>	<b>1931</b>	<b>2096</b>	<b>5760</b>

Source: [http://europa.eu.int/comm/agriculture/rur/eval/index\\_en.htm](http://europa.eu.int/comm/agriculture/rur/eval/index_en.htm)

# SAPARD expenditure

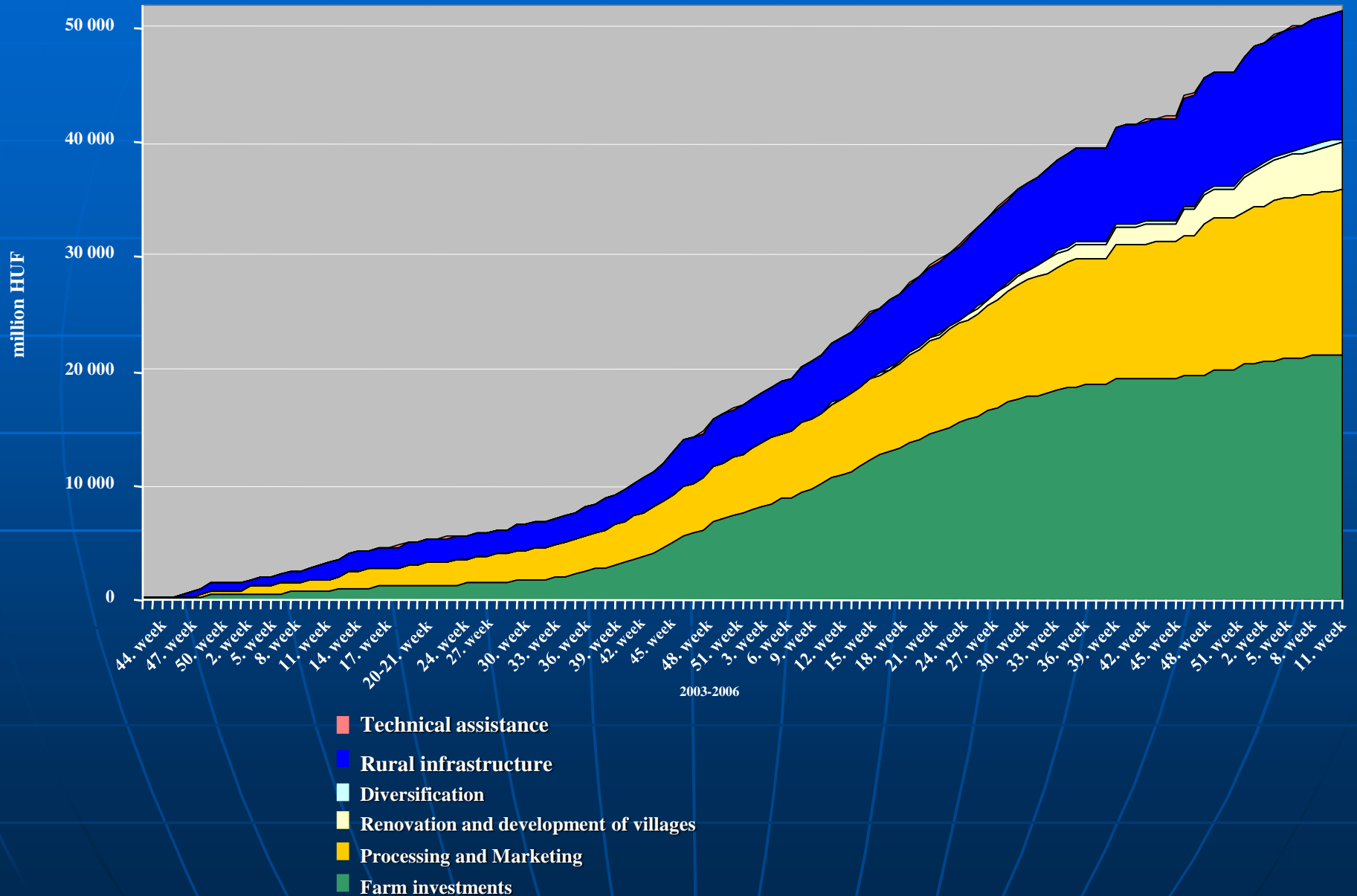
## 2003. October 1. – 2006. March 31.

(million HUF)

Measures	Value of projects contracted	2003	2004	2005	2006	Total payment	% of total expenditure
Farm investments	24 934	424	6 454	13 363	1 258	21 499	86%
Processing and Marketing	18 794	358	4 559	8 109	1 309	14 336	76%
Renovation and development of villages	5 771	0	0	2 600	1 504	4 104	71%
Diversification	475	0	0	319	45	364	77%
Rural infrastructure	14 365	694	3 341	5 806	1 271	11 112	77%
Technical assistance	54	1	53	0	0	54	100%
<b>Total payments</b>	<b>64 393</b>	<b>1 477</b>	<b>14 407</b>	<b>30 197</b>	<b>5 388</b>	<b>51 469</b>	<b>80%</b>

# SAPARD expenditure

## 2003. October 1. – 2006. March 31.



# EAGGF Guidance planned expenditure in Hungary

## Agriculture and Rural Development Operational Programme: ARDOP (2004-2006)

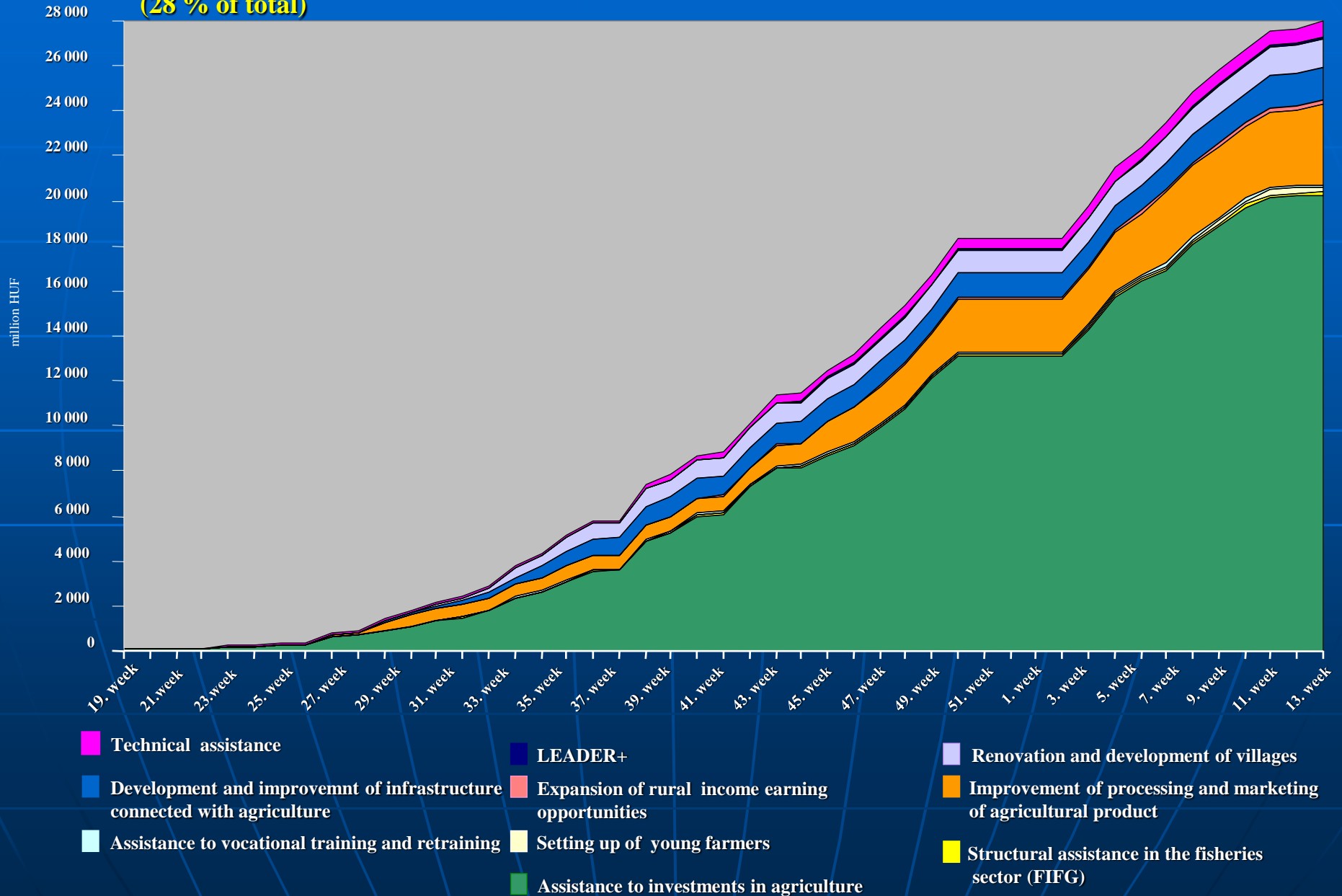
Measures	Total budget (EU+national) <b>317+106 Mio. EUR</b>	
	Billion HUF	%
<b>1. Assistance to investments in agriculture</b>	<b>55</b>	<b>52,1</b>
2. Setting up of young farmers	3	2,9
3. Assistance to vocational training and retraining	2	1,5
4. Structural assistance in the fisheries sector (FIFG)	1	1,4
<b>5. Improvement of processing/marketing of agricultural product</b>	<b>15</b>	<b>14,2</b>
6. Expansion of rural income earning opportunities	6	6,1
7. Development and improvement of infrastructure connected with agriculture	12	11,3
8. Renovation and development of villages	4	3,5
(9. LEADER+)	5	4,6
(10. Technical assistance)	3	2,5
<b>Total</b>	<b>106</b>	<b>100,0</b>

# ARDOP expenditure 2005 (May 1) – 2006 (March 31)

2006 (March 31)	Planned expenditure 2004-2006 HUF	Value of projects contracted mio HUF	Payments mio HUF 28% of total
ARDOP expenditure	106 072	100 776	27 977
<b>Restructuring/Competitiveness</b>	<b>61 359</b>	<b>64 955</b>	<b>20 705</b>
Assistance to investments in agriculture	56 873	62 643	20 272
Structural assistance in the fisheries sector (FIFG)	1 459	673	107
Setting up of young farmers	1 860	924	197
Assistance to vocational training and retraining	1 167	715	130
<b>Improvement of processing and marketing of agricultural products</b>	<b>15 066</b>	<b>15 013</b>	<b>3 582</b>
<b>Rural economy/rural communities</b>	<b>26 966</b>	<b>19 005</b>	<b>3 014</b>
Expansion of rural income earning opportunities	3 735	1 420	189
Development and improvement of infrastructure connected with agriculture	12 746	10 698	1 446
Renovation and development of villages	5 873	5 766	1 308
LEADER +	4 612	1 120	71
<b>Technical assistance</b>	<b>2 681</b>	<b>1 804</b>	<b>675</b>

# ARDOP expenditure 2005 (May 1) – 2006 (March 31)

(28 % of total)





# National Rural Development Plan (NRDP) for the EAGGF Guarantee Section Measures in Hungary 2004-2006

<b>Measures</b>	<b>Total expenditure (EU+national) 602+151 Mio. EUR</b>	
	<b>Billion HUF</b>	<b>%</b>
<b>1. Agri-environment</b>	<b>78</b>	<b>40,8</b>
<b>2. Less favoured areas and areas with environmental restrictions</b>	<b>21</b>	<b>10,8</b>
<b>3. Meeting standards/animal welfare</b>	<b>43</b>	<b>22,5</b>
<b>4. Afforestation agricultural land</b>	<b>20</b>	<b>10,6</b>
<b>5. Early retirement</b>	<b>5</b>	<b>2,6</b>
<b>6. Semi-subsistence farming support</b>	<b>6</b>	<b>3,2</b>
<b>7. Setting up producer groups</b>	<b>9</b>	<b>4,5</b>
<b>8. (Technical assistance)</b>	<b>10</b>	<b>5,0</b>
<b>Total</b>	<b>192</b>	<b>100,0</b>

# National Rural Development Plan (NRDP)

Measures	Total expenditure (EU+national) 602+151 Mio. EUR		Payments
	Billion HUF	%	% of total
1. Agri-environment	78	40,8	51
2. Less favoured areas (and areas with environmental restrictions)	21	10,8	1
3. Meeting standards/animal welfare	43	22,5	1
4. Afforestation agricultural land	20	10,6	15
5. Early retirement	5	2,6	0
6. Semi-subsistence farming support	6	3,2	3
7. Setting up producer groups	9	4,5	24
8. (Technical assistance)	10	5,0	0
<b>Total</b>	<b>192</b>	<b>100,0</b>	<b>25</b>

# Less favoured area (LFA)

## Support of less favoured areas:

targets altogether 883 812 ha of less favoured area  
(9,5% of the country and 14% of UAA)

395 406 ha is considered LFA according to Article 19  
(4,25 % of Hungary and 6,3 % of UAA)

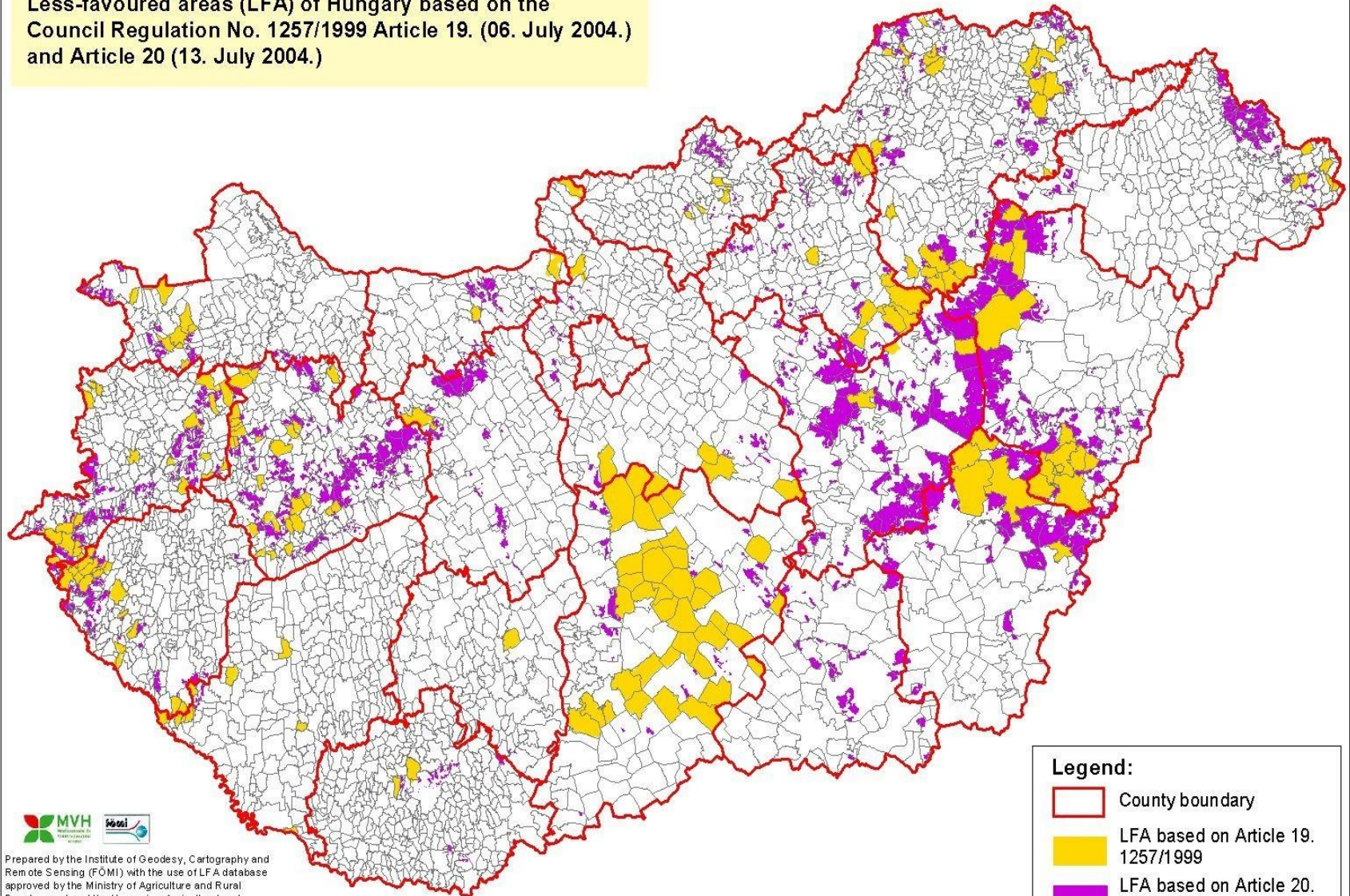
488 156 ha is considered LFA according to Article 20  
(5,24 % of Hungary and 7,77 % of UAA)

But

Support of less favoured areas covers only 230 000 ha  
(26% of eligible area)




# Less favoured areas (settlements)

Less-favoured areas (LFA) of Hungary based on the Council Regulation No. 1257/1999 Article 19. (06. July 2004.) and Article 20 (13. July 2004.)



Prepared by the Institute of Geodesy, Cartography and Remote Sensing (FOMI) with the use of LFA database approved by the Ministry of Agriculture and Rural Development and the Hungarian Agricultural and Rural Development Agency  
H - 1149 Budapest, Bosnyák tér 5.

## Legend:

-  County boundary
-  LFA based on Article 19. 1257/1999
-  LFA based on Article 20. 1257/1999

# Overview of aid intensity for LFAs

	Article 19. LFAs		Article 20. LFAs	
	HUF	€	HUF	€
80% of average of GFI* values	71073	299,31	71073	299,31
average of GFI values of eligible settlements	50736	213,66	68563	288,74
difference	20337	85,64	2510	10,57
proposed payment	20400	85,9	2600	10,94

\*GFI: gross farm income

## Payment rates for Article 19 areas

The average of GFI values of the eligible settlements for Article 19: **50736 HUF/213,66 €.**

The payment rate is the difference to GFI 80% of national average: **20400 HUF/ha/85,9 €/ha**

## Payment rates for Article 20 areas

The average of GFI values of the eligible settlements for Article 20: **68563 HUF/288,74 €.**

Difference to threshold (80% of national average): **2600 HUF/ha/10,94 €/ha**

# Payment degressivity by farmland size

Farmland (ha)	Degressivity (payment rate)
1-50	100%
50-100	90%
100-300	80%
300-500	70%
500-	50%

## Justification of degressivity: avoiding overcompensation

- degressivity is related to **economy of scale**, capital availability and the standards of European Size Unit (ESU) as a unit for viable farm holding
- size economy threshold is around 50 ha: up to this value, the payment rate is 100%

# Calculation of potential budget for LFAs (in €)

Classification	Total area (ha)	Payment rate (€/ha)		Budget						
				1-10 ha	10-50 ha	50-100 ha	100-300 ha	300-500 ha	500 ha -	Total
<b>Share of uptake by holding size:</b>				13,86%	14,85%	5,75%	9,20%	38,80%	17,54%	
<b>Degressivity:</b>				100%	100%	90%	80%	70%	50%	
Art. 19 LFA	395 408	€	85,9	4 707 553	5 043 807	1 757 690	2 499 826	9 224 903	2 978 733	26 212 513
Art. 20 LFA	488 156	€	10,94	740 183	793 053	276 367	393 055	1 450 460	468 355	4 121 474
<b>Total:</b>	<b>883 558</b>	<b>€</b>		<b>5 447 737</b>	<b>5 836 861</b>	<b>2 034 057</b>	<b>2 892 882</b>	<b>10 675 363</b>	<b>3 447 089</b>	<b>*30 333 988</b>

\*Uptake of LFA payments will gradually reaches the potential 100% (€ 30 333 988)

## Financial table

2004			2005			2006			2004-2006		
million EUR											
EU	National	Total	EU	National	Total	EU	National	Total	EU	National	Total
19,77	4,94	24,71	22,1	5,53	27,63	23,26	5,82	29,08	65,13	16,29	81,42

# Beneficiaries and eligibility criteria

Support may be granted to all natural and legal persons engaged in agricultural activity, respecting the following eligibility criteria:

- ❑ the rules of “Good Farming Practice” are complied with on the whole farmland;
- ❑ minimum farmland size: 1 hectare of fodder area (grassland and arable fodder production);  
payment is excluded when the following crops are produced: winter and spring wheat, rice, sunflower, corn, sugar beet, potato, tobacco, industrial crops and vegetables
- ❑ to pursue farming activity in the designated less-favoured area for at least 5 years from the first payment of a compensatory allowance;
- ❑ hormone directives 96/22/EEC and 96/23/EEC are respected.



# Conclusions

- **High demand for support of investments (modernisation)**
- **Agri-environment has a high priority**
- **Support of less favoured areas has not been successful so far**
  - ❑ **aid intensity for LFAs relatively low compared to direct payments**
  - ❑ **eligibility criteria not attractive: important crops are excluded from support**

**Thank you for your attention**