

Subsidies and Efficiency of Ecological Management in Hungary

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Abstract

Conversion of intensive agricultural production with high production security into organic farming can result in huge losses of income to enthusiastic farmers who want to switch. The state should compensate for this temporary income loss in the form of subsidies. Only with the involvement of the state, through subsidies, could we on the long run encourage farmers who are ready to change in order to protect our planet and our environment. In our work, the support system for organic farming and its place within the Common Agricultural Policy was examined. We were looking for answers as to why it is worth supporting organic farming. The problem was approached from four aspects: misconceptions and misperceptions in society, sales problems of organic products, lack of professional information and interest, and bureaucratic difficulties. In order to present the practice of support of organic farming a number of in depth interviews were conducted with affected farmers, the results of which are reported in this study.

Keywords: organic farming, government involvement, support systems.

1. Introduction

After reviewing the professional language in Hungary, it can be stated that the eco-, bio- prepositions and ecological, biological indicators cover the same type of farming in agriculture, which is confirmed by the fact that the 140/1999 (IX.3.) Government Decree uses the ecological farming expression. This regulation in essence defines this form of farming as follows: "Organic farming changes from country to country (organic, bio, ecological, etc.), however it means the same: the totality of operations relating to the production on a farm (including packaging and labeling) is executed according to the rules applicable to it." According to the regulation, all products are organic products which meet the criteria of the rating system, however this questions is more complex [1]. Organic farming means production without synthetic fertilizers and synthetic pesticides. It is based on the natural biological

cycle, organic fertilization and biological plant protection [2]. Organic farming is not a way of life but an holistic system of production management that prefers natural processes. It is realized in a way that during soil cultivation, biological and mechanical methods are used instead of synthetic materials [3]. According to IFOAM (International Federation of Organic Agriculture Movements) the essence of organic farming is "Agriculture that can be sustainable both economically, ecologically and socially in the long run." [4] In Regulation No 834/2007/EC of the European Union, organic production appears as a comprehensive system of economic governance and food production combining best environmental practices, high biodiversity, conservation of natural resources, the application of high animal welfare standards and the use of natural substances that is in accordance with the preferences of certain consumers [5]. In 2014, 164 countries were involved in organic farming out of 214 countries in the world and organic farming was run on 37.5 million hectares. By the end of 2015, more than 50.9 million hectares in 179 countries were under organic farming. With regard to the two data, a 13.4%

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increase is observed over just one year. According to statistics, there is a threefold increase in 10 years [6]. In Asia, 35% of the population is conducting organic farming, followed by Africa 30%, Latin America 19%, Europe 14%, Oceania 1% and North America 1%. The world's largest ecological area is in Oceania (45%), followed by Europe by 25%, Latin America by 13%, Asia by 8%, North America by 6% and Africa by 3%. Of the world's countries, Australia boasts the highest number of areas under organic farming, according to 2015 data (22.7 million hectares), Argentina 3.1 million hectares, and US 2.0 million hectares [7]. In the European Union, the European Commission has developed an action plan for the development of organic farming in 2004. An objective was to provide effective information on organic farming and improve production indicators on the basis of which Member States could draw up their own national action plans [8].

In Hungary, the ratio of organic farming and the number of producers is much lower than in European countries. In 2012, organic farming was run on 2,6% of territory. Conversion of farmers to organic farming is mainly determined by the subsidies [9]. According to the wording of Regulation No 889/2008/EC, the basic objective of support for organic farming is to increase area and the ratio of processing and to grant aid to all applicants for the purpose of increasing land use in accordance with the domestic organic farming action plan [10]. In Hungary there is support for organic farming since 2004. First, within the NRDP program, and within the framework of the NHRDP between 2009-14 it was possible to support organic farmers within the measure of Agri-Environment support framework. It has now become a separate measure in the Rural Development Program [11]. Businesses can choose from three sets of programs depending on whether they are engaged in organic production on arable land, grassland or plantation. In the NHRDP AKG, according to regulation 8/2015. (III 13) FM, support is given to those applicants who fulfill the obligations arising out of the European Community Regulations on Organic Farming [12].

2. Materials and methods

In our research we examined the success of supporting organic farming as well as its

proliferation. We are dealing with three issues. 1. What are the problems of organic farming in Hungary and is there a future for this type of farming in our country? 2. Do farmers consider the Rural Development Program and the support for organic farming to be useful? 3. In case of higher funding, will there be greater interest in organic farming, and will the number of organic and ecosystems grow?

We used two primary research methods, individual in-depth interviews and standard questionnaire surveys. In-depth interviews were conducted with 10 organic farmers in the form of a personal interview with the aim of getting to know their views on domestic organic farming, their problems and their future. We tried to compile samples from different age groups to get different opinions. The questionnaire was sent via the internet to 58 organic farmers, thus we tried to make the questions simple and understandable. We received 47 usable questionnaires. There were 13 questions in our questionnaire. In the introductory part we explained the aim of the research. We have divided the issues into three topics: questions related to personal characteristics, organic farming issues and support for organic farming. Mostly closed questions were asked, so it was possible to choose from predefined answers. However, in some important issues, we considered the need for open ended questions so the respondents could express their views. Questions based on the Likert scale were also used.

3. Results and discussion

Opinions on organic farming based on in-depth interviews

Most Hungarian organic farmers think that only chemical-free farming makes sense. In their opinion, organic farming is not attractive among middle-aged farmers, and young people are reluctant to choose agriculture as a life-long career. Respondents consider it important to encourage the production and consumption of organic products, as well as the social misconceptions of organic farming. It is important for young people to become familiar with this form of farming, which is not fully successful in Hungary, but it could be. There are many ways of selling organic products. It is primarily at the

place of production and sales in own store stores, but it is also increasingly successful in online sales. The biggest problem is that organic products are not as popular in Hungary as in Western Europe. The main reason for the problem is that consumers do not know exactly what the organic product is, the marketing of the Hungarian organic products is lacking, and the community marketing is non-existent. Some organic producers do not have a certificate, the bio-quality of these products is questionable. These producers sell their products at much lower prices than actual bio producers. It is very difficult to compete with "non-organic farmers" in the Hungarian markets.

Opinions on the effectiveness of support for organic farming based on in-depth interviews

Most of the respondents submitted their application for support for organic farming for the 2014-20 period, but are dissatisfied. In their view, "since there is a Rural Development Program, the countryside is dying." They do not find it fortunate that people living in rural areas do not keep livestock and do not have at least one small kitchen garden. Bureaucracy is a serious problem, too many administrative burdens, systematic and complicated recordkeeping are needed to receive subsidies. Most of the respondents fulfill this task through a contractor, as they have to carry out income-providing activities in the time available. Every Hungarian eco-business has a duty to report on the one hand to the state authority and, on the other hand, to cooperate with the licensing organization. Farmers therefore have to produce reports for two organizations and have to keep track of the management diary and have to be ready to receive inspectors at least once a year. Thanks to the European Union, farmers can choose from a wide range of applications, but the submission of applications is a complicated process. Another problem is that some rules cannot be fully interpreted to support organic farming. Critical is the lack of professional knowledge. Consultants who are truly aware of the tasks, administration and expertise of organic farming are needed.

Analysis of the questionnaire

62.5% of respondents are male and 37.5% are female. The age structure of respondents varies, the highest proportion is between the age of 31 and 50. Of the responding farmers, 37.5% have

specialized agricultural qualifications. From the results of the questionnaire replies we highlight the following.

Opinions on organic farming. Most entrepreneurs trust organic farming, they think it is worthwhile to engage in it. Their main motivation is the production of healthy food and the protection of our environment. However, less and less grower thinks the same way. Respondents think the next generations will not continue this way of farming. 75% of farmers gave a positive response to the question of organic products. According to our survey, customer demand focuses primarily on cheaper raw foods, i.e. vegetables, fruit and dairy products. In the case of organic products, our questionnaire respondents say that organic products are sold in several stores, but they come from a very small supply and mainly imported goods. Unfortunately, 58-80% of domestic-produced organic products are exported, and they are usually raw produce, the number of processed products is low. The situation in dairy products is a bit better, here domestic supply has also appeared on the counters. There are some bio-stores in Hungary where most of the products are imported or so called "reformed" products. The number of genuine organic products, especially Hungarian made, is very few.

The genuineness of organic products. We asked farmers how can one be sure about the authenticity of the purchased bio products. Only 37.5% of the respondents are absolutely sure that the organic products they buy are indeed meeting the "bio" requirements, 62.5% of them are not convinced. Most of the respondents say that personal contact is important. It is desirable to get fresh goods as far as possible directly from the producer. In the case of processed products, the origin of the product is of particular importance. According to their opinion, it is a fundamental problem that society is interpreting the concept of organic products incorrectly and permits the appearance of farmers whose product is unlikely to originate from an organic farm.

Opinions on the support of organic farming. In this portion of the questionnaire we were wondering how well the farmers receiving the support were satisfied with the system and whether a larger support framework would increase interest among young people. Most farmers say that there is little information on the field, they are usually sharing their experiences

among themselves. In their view, most professional books are now outdated. They also noted that, based on their experience, expert advice, consulting network on this subject is not developed at all, they would need well-trained specialists. To the question, if a greater support framework would increase interest in the field, 75% of our farmers does not think so. They believe that organic farming will continue to stagnate, Hungary has much to develop in this direction. To the question, whether the rules of organic farming are easily satisfiable, 50% of respondents answered positively.

It is important to note that the amount of organic farming subsidy has been increased by the government three folds over the previous period, so the available resources are sufficient to meet the received applications. In 2017, out of the 2242 submitted applications 2142 were successful in Hungary.

4. Conclusions, recommendations

In our conclusions, the results of our research can be evaluated in four ways: *misconceptions and misjudgments in society, sales and marketing problems, lack of professional information and interest, and difficulties in bureaucracy.*

According to our surveys, we are not aware of differences between certain concepts such as organic, biological, reform products and natural products. Another problem is that organic products are indeed significantly more expensive than products from traditional farms, and many identify organic products with defective quality. It is a serious problem that organic farmers do not have any marketing activity, making it much more difficult for society to get familiar with organic products and domestic bio markets. It would be important for society to create strict rules that organic farmers must meet. Only those entrepreneurs should get an ecological certificate that comply with all the requirements and manages to grow the products in accordance with the rules.

Our research also points out that there would be demand for organic products, but they are expensive because of high production costs. The characteristic of Hungarian organic farming is that farmers typically produce raw products because they do not have large enough land and processing plants. If this problem is solved, processed

products are shipped to store shelves faster than raw products, resulting in faster consumer contact with organic products. The functioning of domestic bio markets is also problematic as organic products that are not produced by bio-farmers are also sold. An even bigger problem is that products from traditional farms are sold as organic products, usually at lower prices.

Most of the respondents think that the needed skills are lacking, there is not enough professional information available. The main problem of the farmers questioned is the documentation requirement associated with the support. Some of the farmers are averse to the CAP system, are distrustful of the village consultants and advisers. Furthermore, participants in organic farming have to cooperate with two separate authorities: the Hungarian State Treasury (for the subsidies) and with Biokontroll Hungária Kft. (for the certification). It can be said that an organic farmer has to deal with a lot more administration than traditional farming entrepreneurs.

Among our proposals one of the most important actions is to reduce the lack of information. More emphasis should be put on creating a more serious marketing strategy and a common marketing campaign to raise interest in organic farming. Buyers should be informed about why it is worth buying and consuming organic products. It should be known to consumers that there are very strict requirements and rules for organic food. Stricter regulation of the eco-markets is indispensable. Only those producers should be able to sell who are entirely organic and are certified. In order to promote this form of farming, traditional farmers should also be informed about why it is worth transferring to organic farming.

More forums should be organized in which organic farmers would share their views and ideas about the development of the industry, which could be used to create legislation and proposals.

It would be important to encourage growers to not only produce raw, but also processed products, and easily accessible tenders should be made available.

Many farmers have failed to submit an application for organic farming as there is too much administrative work involved. It would be necessary to think about creating a simpler system. In order to increase the bidding activity, it would be worthwhile to create financial tools and resources that could be used to start production or

changeover. Discounted loans would provide an opportunity to start organic farming.

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