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## Patterns in local circular food chain models, Nordic Hungary

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## Abstract

Using a case study, this paper examines how EU geographical indications (GIs) standards can integrate into Hungarian socio-embodied patterns. It uses apricots from the underdeveloped region of Hungary as an example, defined in the EU GI context as a local resource of cultural identity. The collective memory of the Gönc region is examined in relation to products and services that have existed for generations. It suggests that innovative responses to existing isolated economic services could provide coherence among the three pillars of sustainability given policy and institutional innovations addressed through domestic laws and policies designed to innovate and expand markets.

Key words: underdeveloped region, social patterns, socio-embodied, sustainability

Jel codes: I38 N54 N94 Q001 Q15

### 1. Introduction

Place-based names, such as Champagne, Gönc, Parma, Roquefort, Tokaj, indicate the geographical origin of agricultural products. These geographical indications (GIs) also capture the product's cultural and historical identity (Bowen and Zapata, 2008). In a fight to prevent what Montanari (1994) refers to as the 'delocalisation' of food products, GIs, themselves protected by myriad institutional arrangements, are a global phenomenon. While such protective arrangements originated in large part in Europe, developing countries such as Mexico, Brazil, and Peru, are increasingly using GIs 'as a tool to foster rural development and protect local products and traditions'. (Bowen and Zapata, 2008).

Local food networks are often viewed from one of two perspectives. One perspective takes into account grassroots initiatives for relocalising the food system. These aim to rebuild the link between producers and consumers in what Morgan *et al.* (2006) call an 'interpersonal world of production'. The second perspective 'repositions local food production in relation to values associated with territory, tradition, and pre-industrial production practices' (Fonte 2008).

The primary objective of this paper is to explore how the multiple attributes of local agricultural products are protected by GIs in the Abaúj region in Hungary, in which Gönc is located. Its aim is to capture a heterogeneous set of socio-ecological memories of actors by analyzing where local knowledge and new practice link to the 'new consciousnesses of ecosystem services. It looks at how boundaries are socially retained and temporarily transmitted and how attention has shifted from general topics of economic history towards the everyday lives of people. Experts and locals were interviewed about their perceptions of how the value of the local goods has transformed their society for the worse and introduced a new social-economic system.

This paper is organized as follows: Part 2 provides the environmental and social background on the region with a focus on the history of the apricot in North Hungary. Part 3 describes the fieldwork methods used in rural areas. Part 4 presents the results of the interviews, the internal and external features of the community's socio-ecological memory of the apricot. Finally, it synthesizes the major insights generated in this paper. It may stimulate further inquiry into the

role of socio-ecological memory for transmitting knowledge and developing sustainable management practices of ecosystem services.

## 2. Background

Hungary is one of those countries in Europe which, starting from a semiperipheral position, has been trying to catch up with the West for centuries (Hankiss 1988). Hungarian society has gone through a process of substantial change in the last six decades, including important changes in the way the country was governed by the Communist party (1948) and the political liberalization and economic reforms that followed in the wake of it joining the EU (2004). This paper composes a reference frame to explain those factors of Hungarian society which have not changed in centuries, thus building a logical bias into the research.

### 2.1. Geographical Factors

The apricot-growing regions of Hungary have been rearranged in recent years, as production shifted from the Kecske-mét environs to the Abaúj-Gönc area. Of the 3988 hectares of all registered apricot farms in Hungary in 2012, 1503 are located in North Hungary, a drop of 8% since 2007; yet this region still represents 40% of the national output. The average farm size is 3.6 hectare in North Hungary. In 2012, the number of small (under 0.5 hectares) and large-sized farms (over 25 hectares) had decreased, while the number of medium-sized (3–15 hectares) farms grew (Table 1).

Table 1. Area of apricot farms by size 2007 vs 2012.

<i>Year</i>	<i>2007</i>		<i>2012</i>	
<i>Area of apricot farms by size</i>	<i>North Hungary</i>		<i>North Hungary</i>	
<i>Smaller than 0,5</i>	<b>101,69</b>	6%	<b>43,2</b>	3%
<i>0,5– 0,99</i>	<b>54,71</b>	3%	<b>49</b>	3%
<i>1,0– 2,99</i>	<b>159,28</b>	10%	<b>147,6</b>	10%
<i>3,0– 5,99</i>	<b>109,95</b>	7%	<b>147,7</b>	10%
<i>6,0– 9,99</i>	<b>128,9</b>	8%	<b>168,8</b>	11%
<i>10,0–14,99</i>	<b>163,63</b>	10%	<b>250</b>	17%
<i>15,0–19,99</i>	<b>280,62</b>	17%	<b>219,9</b>	15%
<i>20,0–24,99</i>	<b>110,55</b>	7%	<b>109,5</b>	7%
<i>Over 25 hectares</i>	<b>522,27</b>	32%	<b>367,4</b>	24%
<i>Total net number of farms in hectares</i>	<i>1631</i>		<i>1503</i>	

*Source: KSH (2013)*

### 2.2. Landscape

When it comes to protecting the designation of origin, natural factors have a role to play. The type of production that develops in a region is often determined by its physical landscape. Bérard and Marchenay (2007) posit that the ‘natural environment alone, however, cannot account for what makes these products special’. Rather it is the ‘skills, social patterns, practices and perceptions’ of the local people that make them special.

There is a geographical and historical intertwining of the relationship between apricots from Gönc and wine the Tokaj wine-growing area. Traditionally, apricot trees are planted between the vines. The breaking point in their natural symbiosis can be attributed to Phylloxera (a

grape-louse) which spread all over Europe in the late 19th and early 20th centuries. With most of the vineyards wiped out, other types of fruit orchards were planted in their stead. The Tokaj vineyards were replanted without the apricot trees, yet in Gönc, the surviving stronger apricot trees continued to flourish. Today, in Tokaj, the larger-than-standard wine barrels used for Tokaj Aszú wine, are still referred to as *Gönci hordó* (barrels from Gönc) although they are now made elsewhere. While the ethimetologian root of this barrel has kept its abstract entity, in Gönc, the local knowhow and barrel-making skills formerly so depended upon have long since disappeared.

### 2.3. Historical Factors

#### 2.3.1. Etymology

To explore how knowledge and experience are retained and transmitted, this paper looks back at the origin of the name ‘apricot’ (*Prunus Armeniaca*). In ancient times the Romans called the apricot tree *Armeniaca*, i.e., the tree of Armenia, from whence it originated. The Latin term for the apricot is *praecocia*, which calls attention to the fact that it ripens before other fruit at the beginning of the summer (Morikian 2012). The Hungarian word used for this fruit crop, *kajszibarack*, is of Turkish origin, i.e., *kaysi*, meaning superior, sweet-seeded, and grafted. (Ercisli, 2004 in Halász et al. 2010).<sup>1</sup> The term apricot in Arabic is *al barqūq*,<sup>2</sup> and the word *barack* in Hungarian is similarly used for peach.

#### 2.3.2. Cookbooks

Cooking plays a big part in social interaction. Cookbooks and their recipes are, in effect, a blueprint of social interaction. Users play an active and creative role, deliberately engaging with the environment and society, not for reasons of efficiency, but rather to foster social relations. Looking at the ingredients needed, and adapting the recipes to those ingredients available, enables people to share their ways and knowledge, not just about cooking, but to suggest a sense of presence and sociability. The cooking activity can be reinterpreted as an experience, and the use of technology supports intimacy, communication, education, fun, and creativity while cooking.

Going back in time, when King Matthias of Hungary married Beatrice d'Aragona of Naples in 1476, the high art of Renaissance cooking was introduced to the courts and noble houses of 15th century Hungary and Transylvania by his new Italian wife. Beatrice imported the garlic and the onion to Renaissance Hungary, still indispensable ingredients of Hungarian cooking today.<sup>3</sup>

#### 2.3.3. Hungaricums

The northern part of Hungary is rich in historical and cultural heritage and known for Hungaricums. Hungaricums are a trademark applied to unique Hungarian products, specialities, works of art, food which characterizes the Hungarians by their uniqueness,

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<sup>1</sup> The Ottomans occupied Hungary for more than 150 years. Records document how Turkish graft-wood and other propagation materials were introduced to Hungary (Faust *et al.*, 1998).

<sup>2</sup> <http://dictionary.reference.com/browse/wild-apricot>

<sup>3</sup> Cookbooks are important and interesting aspects of the past. The earliest printed cookbooks in Hungary, dating back to the 16th century, reintroduce to a rich culinary tradition all but lost for today's cooks.

specialty, and quality, and represent the peak performance of Hungary. Such trademarks and GIs have ‘different, equal, and independent categories of distinctive marks and signs used to denote specific products, classes of products’ (Wattanapruttipaisan 2009). In region Gönc, pálinka is a local beverage made of 100% apricot, produced in the local area defined with PGIs since 2008. As a characteristic alcoholic beverage of Hungary, Gönci Apricot Pálinka is defined with Hungaricum TM since 2012. As cultural heritage the first Hungarian Bible of Vizsoly classified as Hungaricum from this area in 2015.

Space limitations do not allow a discussion of the historical evolution of this region, but highlighting these features may help to demonstrate the difficulty of disassociating culture and tradition from origin.

#### 2.3.4. Collective Farms

This paper focuses on phenomena that prevailed throughout the period 1970–2014 and characterize the present state of affairs in Hungary. Apricots from Gönc became a nationwide brand, when local collective farms built stronger markets behind the Communist wall. Having found political and financial allies in the socialist countries of Eastern Europe, they established a robust agricultural capacity, built a new infrastructure, and expanded human resource development through free universal education thus raising the level of adult literacy. As a result of central regulations and policies supported by the government and developed by agrar universities and institutions, the market gardens and fruit farms impacted the relatively closed food-chain of the period, producing for CMEA countries.<sup>4</sup>

#### 2.3.5. Households as a second economy and a black market

It is important to underline a few attributes that are relevant in the present context. In the 1970 and 1980s, there was both a state and a non-state sector in agriculture, industry, and commerce, but the proportions were radically different. In the period 1970–2014, many people were employed on collective farms for which they drew a wage. Unemployment didn’t exist. Everyone had to have a paid position. A secondary income (non-state) was permitted by the state for those who chose to sell to the collective farms their surplus fruit grown for personal use. There were powerful large firms in both systems, but the size distribution was very different. The ‘soft budget constraint’ syndrome appears in both systems (Kornai 1979).

As Hankiss (2002) explains, ‘after the late 1970s [...] references to this “shadow society” or “underlying society”, to this “latent” and “hidden” sphere or “hidden dimension”, to a “second Hungary”, to “disguised large social strata living beneath the level of the political system” kept multiplying. People lived two lives: their official life and their family life.

When households grow as second pillars of an economic system and become stronger, the food chain is based on semi-legal or on black market operations. War-time rationing gave rise to trading outside of official markets. Supply had to meet demand and did so via the black market (Carter 2013). Products appearing on the black market oftentimes thought of as illegal or stolen, also included farm products sourced directly from the farmer, circumventing official channels, and extra rations. Because sellers didn’t ‘exist’, there were no income taxes or rent

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<sup>4</sup> CMEA (Council for Mutual Economic Assistance), 1949–1991, an economic organization under the leadership of the Soviet Union that comprised the countries of the East European Bloc along with a number of socialist states elsewhere in the world Cuba, Vietnam, China, etc.)

to pay, so their prices were often lower than those in official market outlets (Lipton *et al.* 1990).

In Hungary the dividing line between the first (official) and the second (household) economy didn't start to disappear until the mid-1980s. It was then that various ownership forms were introduced, valued added tax (VAT) was introduced, and competition on equal terms became the norm (Hankiss 2002)

Table 2. Polarization of first and second societies in Hungary (from Hankiss 2002).

	<b>Visibility</b>	<b>Non Visibility</b>
	<b>First society</b>	<b>Second society</b>
<b>Homogeneity</b>	Homogeneity, Diffuseness, Atomization	Differentiation, Integration
<b>Nationalization</b>	Predominance of state ownership	Predominance of non-state ownership
<b>Centralization</b>	Total centralization of all spheres of social existence	Growing autonomy of economic and social actors
<b>Status</b>	More or less visible to the ruling elite	Invisible or only partially visible to the ruling elite
<b>Political interest</b>	Political intentions interests	Priority of socio-economic factors

These factors influenced the impact that territorial product<sup>5</sup> qualification had on rural development. The quality of the product is connected to the know-how in the producing region. The categories 'local food', 'manufactured beverage', or 'farm goods' have multiple attributes yet these characteristic criteria overlap strongly in the case of apricots in Gönc. From the 1970s, the apricot became a more popular agro-product in the region, as a result of improved know-how with regard to fruit and the increased production of pálinka. Local products have a collective dimension, too, which makes them a part of local culture and helps to distinguish provenance from origin (Török 2010).

### 2.3.6. Transition and the European Union

Hungary faced significant challenges during the transitional period when it moved from a Communist philosophy to a market-based economy. In the EU, 'values-based labels increase consumer access to information about the quality attributes and processing methods of food products' (Bowen and Zapata, 2008). The EU's product quality policy comprises (a) products with GIs, (b) traditional and special products, and (c) organic products. Decision-makers have a marked preference for the concept of 'role of origin', i.e., the product's uniqueness stems

<sup>5</sup> The term 'terroir' meaning a piece of land or territory, is linked to the unique biophysical properties of particular places, e.g. altitude, microclimate, native plant species, and soil types. GI schemes that privilege terroir can be designed to protect these resources, which are seen as essential to the specificity of the product (Barham 2003).

from its 'relationship with the production area and its high quality is due to the accumulated know-how of the producing region' (Török).

Only producers in the specific, delimited area, who follow a particular code of practice, can join the special value chain. But once producers have established themselves as such, their goods are included in the products from the delimited region. This refers to the theory that exclusivity is provided by compulsory membership with voluntary sharing. The natural limitation might help to explain why some PDO (protection designation of origin) and PGI (protected geographical indication) 'clubs' are more successful than others. (Thiedig – Sylvander 2000).

Research has developed two reasons to explain tradition and transition between practices and values on the level of national culture in Eastern countries (Bakácsi *et al.*, 2002). First there is a strong cultural change process in eastern societies when moving towards the expected values of Western norms; these have substantial constraints and limitations. The Secondly, the gap between espoused values and theory-in-use is well-known in the region and the economic performance is strongly attached to (visible and hidden) cultural heritage.

### 3. Research Questions

This paper looks at the specific quality definitions and conventions involved in the operation of apricot networks, the more embedded and differentiated a product becomes in the market. Product differentiation implies the construction of transparent market relations around specific sets of quality definitions that are shared by all parties involved and communicated to consumers to convince them to pay premium prices. This paper uses interviews with key respondents guided by literature on social memory (e.g. Halbwachs, 1926; Misztal, 2003) and the embeddedness of economic behaviour (Granovetter 1985). It has long been the majority view among sociologists, anthropologists, and political scientists that economic life is submerged in social relations. These relations become an epiphenomenon of the market. The embeddedness position is associated with the 'substantivist' school of anthropology, identified especially with Karl Polanyi (Polanyi, 1944). This paper focuses on identifying emerging 'quality', 'traditional' and/or 'local' products, and in particular how they are associated with feelings and social events.

#### 3.1 Methodology

The methodology consisted of (1) carrying out a pilot field study to examine the phenomena of the historical, agricultural, and horticultural values applied in a static environment to the demands of socio-ecological systems in north Hungary. (2) Next it identified key respondents for interview and researched quantitative data on municipalities in recent years. (3) At this point some patterns of socio-ecological memory emerged, which were used in (4) a second pilot with the objective of deepening understanding of how pálinka is interpreted in its local environment. The concept of social memory has been linked to the development of emotional and ideological ties with particular history and geography. Memory is not simply a recollection of times past; it is also anchored in places.



### 3.2. Pilot study and choice of field study sites

The study is based on interviews in three local municipalities over a period of ten months. The purpose was to gather primary information about the phenomenon of apricot products. Literature on apricots, collective and folk memory and *terroir* were reviewed. Production and supply management practices were observed during field trips. Informal talks and interviews with individual allotment-holders were encouraged.

A GI area was chosen for this study of socio-ecological memory of the Gönc apricot. It included 45 settlements: Gönc (city) located in the Abaúj region (alongside 24 other small municipalities with populations under 800 residents). The main allotment in the research area is located in Gönc (city of 2137 residents); another two Vizsoly (of 961 residents) and Boldogkőváralja (of 1626 residents) are located 20 km outside the city. These areas were chosen for three criteria: within a 30-km GI location radius having (1) physical structure (gardens, farms with apricot trees), (2) economic structure (artesian products made locally); and (3) social structure (primary school, medical practitioner, church). Social features of farming or gardening were encountered, and how these were retained and transferred during the transition noted. Respondents were selected by random sampling, and notes were taken during most of the interviews; some were audio-taped.

### 3.3. First survey

The second step was to send a formal survey by e-mail to 20 municipalities. The survey was conducted in spring/summer 2014. Responses were received from three locations, a 15% response rate. Those who hadn't replied were contacted again. The main reason for their lack of response was limited Internet access and/or lack of personnel with the ability to use a computer.

The three responders cooperated with research and support. The objective of the survey was to get information about local management practices and to identify key informants for the interview study.

Official databases (KSH, TeiR) were researched to identify key informants for semi-structured interviews who could share the maximum information about socio-ecological memory in relation to farming apricots and details of the local socio-economic system.

### 3.4. Open-ended interviews

Ten semi-structured interviews were carried out, six of which were conducted at garden plots owned by the key responders. The purpose of the interviews was to identify (a) why poverty is so rampant, given that the region's main product – the apricot – has been granted GI status; (b) what the vision is for the future, and (c) how local leaders could leverage GI status to improve ecosystem services.

It was important to identify socio-ecological memory that could enable management practices, memory that has been retained and stored, both within the community and externally. Written questions were used as a guideline when conversations did not flow. These questions were open-ended with the possibility to follow up leads that appeared during the interviews. Not all interviews were recorded and transcribed in full but the key findings from each interview were noted in detail. The length of the interviews varied between 60 and 90 minutes.

Patterns that emerged from the transcribed interviews are presented as classes in Table 3.

Table 3. Classification of interview patterns.

N=10	Sex	Settlement	Occupation	Education
Interviewee1	Male	Location 1	Municipality employee	High school
Interviewee2	Male	Location 1	School director	College
Interviewee3	Female	Location 1	Artisan manufacturer/owner	University
Interviewee4	Female	Location 2	Allotment owner	High school
Interviewee5	Male	Location 2	Farmer	High school
Interviewee6	Male	Location 2	Municipality employee	College
Interviewee7	Male	Location 3	Municipality employee	High school
Interviewee8	Female	Location 3	Teacher	College
Interviewee9	Female	Location 3	Municipality employee	University
Interviewee10	Female	Location 3	Housewife	Secondary School

The transcribed interviews were analyzed by classifying the respondents' answers, as conversations often digressed and didn't always relate to apricot production.

### 3.5. Data analyses

A sense of historical precedence linked to memories that have been handed down through generations is what gives a place depth. During the interviews, the semi-structured approach followed three paths.

#### 3.5.1. Talking about farming: the shortage of land and the lack of ownership

Preliminary research of available statistical data showed how difficult it would be to find someone who actually owned allotments with fruit trees for farming.

*We don't own allotments; we have just some trees in the backyard, and it's hard enough to look after them.* Interviewee8

*I don't have fields; my parents sold out their part of the collective farm after the transition as we needed money.* Interviewee10

*A few families around bought all the allotments after the collective farms collapsed. They had money to invest. Three or four wealthy families own all the hilly fields; no one else could pay for them and work on them.* Interviewee1

*After the collective farms broke up, the municipality kept its own fields and a big allotment where families can buy one or two lines of apricot trees. Each line has 72 numbered trees; for a family that could be enough.* Interviewee5

*We, in the municipality, have some fields just at the end of the settlement. With EU and government funds, we started to work on them with the locals who have been unemployed for ages, producing potatoes, beans, carrots. They were successful last year. This year, they built a couple of greenhouses as well. We already have lettuce and, in the cellar, mushrooms. Vegetables go to the school kitchen for the children. We want to improve our local capacity. Sometimes we overproduce; no matter. In the next village we are going to exchange for*

*something else that they have. This year we got 400 kg of pickled cabbage for wood and mushrooms. This is how it works here in the countryside.* Interviewee9

### 3.5.2. The differences in local society

Society divides along the lines of land ownership, authority or influence, or high income. The medium and large (between 6 and 25 hectares) farms don't provide equal employment opportunities for everyone.

*People are lazy, that is it.* Interviewee10

*No politicians invest here. This is not Tokaj. We don't have any governmental networks for supporting this region. If we would have some, we could be better.* Interviewee3

*There is no work here. Everyone is employed by the local municipality. No one has a full-time business from which they can live just on that income. They need some extras.* Interviewee7

*School teachers are running B&Bs for tourists. The mayor has allotments. Everyone has extra income.* Interviewee4

### 3.5.3. Roma ethnic minority as an unnamed and unspoken reality

According to national data, the Roma ethnic population is over 20% of this region. In the local public schools, ethnic Roma pupils form over 60% of the student corpus. Poverty and a lack of education, coupled with unemployed social status are handicaps that are not acceptable by the middle age and elderly non-Roma locals.

*Matthias, the King, once had a Black Army. Sometimes we use them [Roma] as well, on the fields.* Interviewee5

*I believe in equality, but they [Roma] cannot work, can they?* Interviewee7

*Here we cannot say anything, but they [Roma] are all around.* Interviewee9

*We cannot leave them [Roma] on the street. We have to support them. We have to find a way for mentoring. That is our priority in this school. Strengthen their willingness to reach their dream.* Interviewee2

### 3.5.4. Travel

It is not easy to reach any of these municipalities. Buses mainly run twice a day: in early morning to deliver commuters to the city to work and go to school in the afternoon to bring them homes. Owning cars is a status symbol; car-sharing is not common but does exist.

*To get in and out from the village is not easy. Buses run three times a day; twice at the weekend. Petrol is too expensive to drive to the next town.* Interviewee10

*No car, no movement.* Interviewee5

*Buses are expensive and rarely run. The municipality car sometimes picks up the ill or old people to go to hospital but, not so often.* Interviewee6

### 3.5.5. Past in the Present

*In the old days, everything was better The Russians bought everything, drank anything.* Interviewee4

*We were young and healthy, it was enough.* Interviewee10

*During the collective farm days, everything was better, much better. We had jobs. We had fields with some extras. The kids were small. It was lovely then, not now.* Interviewee8

### 3.5.6. Local goods and pálinka

*Here, there are running church services together. We have to cooperate and help each other, with Catholics and Protestants together. We are in the minority here. We have to be strong.* Interviewee5

*Because of the bible, we got many pilgrims from far away, not just from Hungary. But here, there is nothing else. No hotels, no water. We need water. We need spas to keep the tourists here in summer. We have no entertainment. Families run away from the heat. But we don't have water.* Interviewee1

*The Apricot Festival in summer is good - three or four days and plenty of strangers; tourists everywhere. We have no place to accommodate them. They come only once a year, indeed.* Interviewee3

*A good to have a Pálinka festival but we don't have money to organize it. Each year it is risky to have it, but it is always good to have many people here. No, they are not staying. Where? What for?* Interviewee4

Pálinka as a local specialty beverage has a local identity. Locally produced and regionally branded products are given a local or regional identity (Nummedal and Hall, 2006). The diversity of pálinka is an example of the capacity of rural areas to generate different solutions to different problems. Each solution has its strengths and weaknesses when it comes to sustainable rural development. Therefore, each one needs to be monitored for its social, environmental or economic effects.

In this region, pálinka is made from 100% apricots which are grown locally. It is an important end-product. Gönci pálinka in the region have had GI status since 2002. Since 2010, Hungarian law decrees that each adult-aged member of a household can legally distil the equivalent of 50 litres of pálinka (86% alcohol) tax-free for personal consumption each year. Yet the EU directive allows only a 50% reduction on the normal excise rate for such distilleries. This year, in 2015, the European Commission launched another infringement procedure against Hungary for violation of EU excise tax rules on pálinka, which has been

described as the country's 'eau de vie'<sup>6</sup> [...] To comply with the decision, Hungarian lawmakers raised the excise tax on pálinka distilled for private consumption by contract distillers to 50% of the normal rate, but introduced a flat tax of just 1,000 HUF per year for Hungarians who distil pálinka at home.' (Politics.hu, 2015).

If the geographic area of a GI is small, and if the GI product represents a large portion of local agricultural production, opportunities for increasing this production might well be limited by, for instance, the amount of land available. (Moschini *et al.*, 2004).

Going back to our 100% apricot-based pálinka example, selling pálinka ostensibly produced for 'personal consumption' might be a temptation too strong to resist. A producer who wants to supply a quantity of this certified, high-quality GI product has two options: comply with the relevant GI specifications or ignore or violate them by producing a lower-quality product at cost instead.

While the law makes the indicators 'actionable', it fails to reflect the reality: 'where systematic compliance with the law is lacking, regulatory changes may not achieve the full desired results' (DoingBusiness, 2015).

## Conclusions

Today's agro economic system is a dynamic sector that works together with a global value chain, with special regulations, labelling systems, and marketing plans. Producing characteristic fruit and goods with GIs and national trademark labels needs more than just special production knowledge. Without local businesses to take advantage of these labels, the complex process of certification loses its key effect: location. GIs need common local control of the production and sales processes.

The traditional knowledge of apricot production as part of both the local agri-ecosystem and the local food culture in north Hungary has largely been lost among the local residents. Deprived of their traditional incomes, poverty-stricken, elderly households are looking for alternatives to survive everyday life, a life that is far from the average norm. Because of the high unemployment rate, many families have existed for years without any one member having a regularly paid job. This is a current pattern set to repeat for the younger generation. Seasonal work (spring and summer) is available to some – working in the fields, picking or selecting apricots – but there are no permanent workplaces that offer a steady income to cover the cost of living. The low/absent purchasing power does nothing to help the local markets. The search for cheaper commodities disrupts the local food chain and takes people to markets outside the area.

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<sup>6</sup> [http://europa.eu/rapid/press-release\\_IP-13-138\\_en.htm](http://europa.eu/rapid/press-release_IP-13-138_en.htm) Excise duties for alcohol are harmonised under EU legislation in order to avoid distortions of competition in the internal market ([Directive 92/83/EEC](#)). Under that Directive, Hungary is allowed to grant a 50% reduction of the normal excise rate to pálinka produced by distilleries, for personal use, up to 50 litres a year. The exemption applied by Hungary to the production of pálinka therefore goes beyond what is allowed under EU legislation. The referral to the EU Court of Justice is the last step in the infringement procedure.'

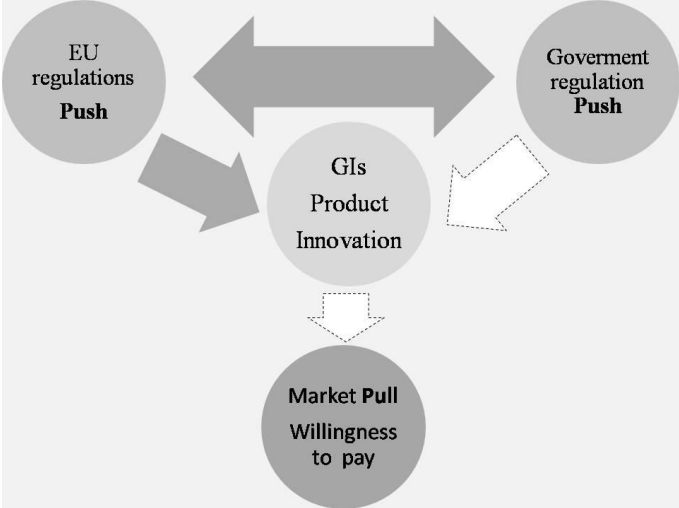
Abaúj-Gönc is an undeveloped region without a strong economic structure, and very little purchasing power. In particular, in such a closed economy, the role of a GI system is isolated, and cannot reach the (local) customers.

Owning land is the preference of medium or large farmers and farm associations but not of families. The three pillars of sustainability – economic, social, and environmental – are crumbling because of disparities in wealth and education levels; the social element is separated, isolated, and divided because of the shortage of transport and efficient road networks. Young people are sent to big cities to study and they stay there. Urban migration is a one-way street. Depopulation and poverty are causing irreversible damage in this region.

Current government policies are inevitably a source of some weaknesses for further development. Focusing on households selling fruit and pálinka is a quick solution, but only brings in money seasonally. The quick solution is not always the best solution: selling apricots to external suppliers and retailers won't transform the local market but will change the fruit into a no-name product. To distil and sell pálinka among friends could bring in pocket money; but without suitable investment, the quality of the GI product will be damaged.

Municipalities focusing on long-term strategies for communities, instead of short-term profit, could maintain the quality of the product and add value to it. To support families with permanent jobs in community fields could help to bring back the benefits that come with traditional self-sufficient households. To offer alternatives for families and the next generation could restore competitiveness to the region. Products with GI certification should be leveraged.

Figure 1. Visible and non-visible push and pull boundaries



Consumers do not have to be local. With the right marketing and more education, goods could be sold farther afield than the countryside. The strength of local municipalities, their willingness to cooperate with clear decision-making to further such initiatives could result in generating wealth for residents. Local, family businesses could be involved in restoring their own personal solvency. Only functioning markets and a wealth-generating economy can make a smart local community.

Marketable GIs can have important implications for welfare improvements and vice versa. Credible GI certification is a benefit for consumers and also provides untold benefits for producers.

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