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**CENTRAL AND EASTERN EUROPE: IMPACT OF EU
ENLARGEMENT ON THE EXPORT COMPETITIVENESS OF
AGRICULTURE AND FOOD INDUSTRIES:**

THE VIEW FROM CENTRAL AND EASTERN EUROPE

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Presenting Hungary

A medium-size country in Central Europe

AREA: 93,030 km²

POPULATION: 10,1 million

GDP/CAPITA: 11.700 €

CAPITAL: BUDAPEST

MAIN RIVERS: DANUBE, TISZA

LANGUAGE: HUNGARIAN

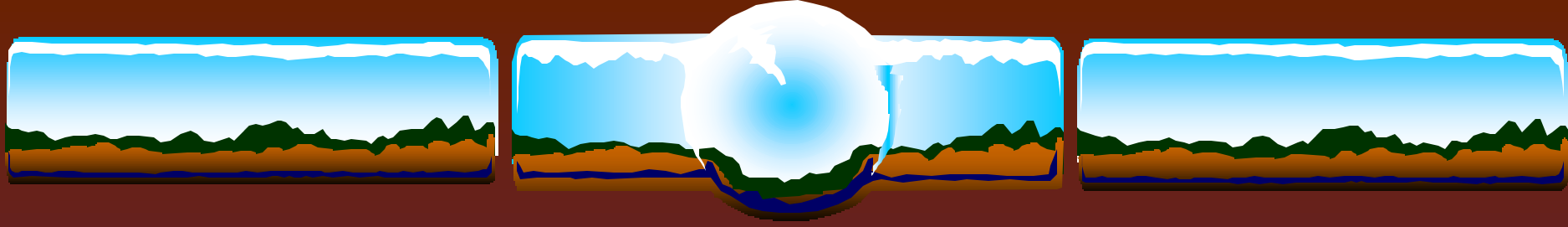
RELIGION: CATOLIC (80%), PROTESTANT (20%)



Agriculture's place in Hungary

Basic statistics	1990	1995	2000	2001
Share of agriculture in GDP (percent)	12,6	6,2	4,1	4,5
Share of agriculture in employment (percent)	14,2	8	6,5	6,2
Share of agriculture in total investments (percent)	7,9	2,9	3	3,2
Household income spent on food (percent)	39,2	28,4	32	31
Share of agricultural and food products in total exports (percent)	23,1	22	6,9	7,2
Balance of trade in agrifood products mill. USD	1652	1923	1239	1409
Balance of trade in agrifood products mill. Euros	1298	1470	1347	1567
Share of agricultural and food exports in production % (1991)	30,1	33,7	34,1	n.a

Source : Central Statistical Office



Net exporter position

Hungary has always been a net agricultural exporter
due to

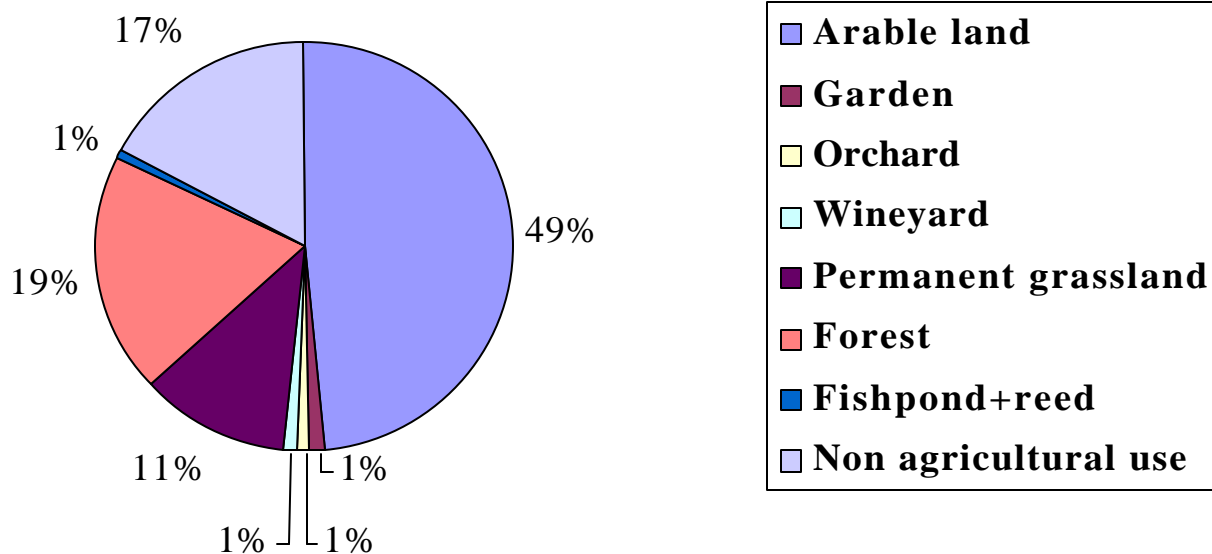
- ❖ High share of agricultural land in total area
- ❖ Favourable topographic, climatic conditions
- ❖ Good quality of soil
- ❖ Commitment of rural population to agriculture



Traditions of agricultural production

- ❖ Supplier of high quality live cattle, wheat, wine to European markets since Medieval Age
- ❖ „Breadbasket of the Austro-Hungarian Monarchy”
- ❖ Russian tsars Catherine and Peter the Great maintained wine buyers continuously for decades in Tokaj wine area

Utilisation of Hungary's total territory



Total area of Hungary:	9303	th. Hectares
Utilised Agricultural Area	7715,5	th. Hectares
Non agricultural use	1587,5	th. Hectares



Fundamental changes in Hungary since 1990

Political:	Dictatorship	→	Democracy
	One party	→	Multy-party system
Economic:	Command economy	→	Market Economy
	State sector	→	Private sector dominance
			Foreign capital inflow
Social:	Nivellation	→	Diversification
			but also social tensions
			unemployment



Privatisation in the agrifood chain

Agricultural Land

1989: 28,4 % Privates

61,6 % Government+ Kolkhoz type cooperatives

2000: 86,0 % Privates

14,0 % Government+ New type cooperatives

Food Industry

1989: 8,0 % Privates

2001: 99,4 % Privates

Food Trade

1989: 10 % Privates

1999: 97 % Privates



Changes in agricultural land ownership and land use in Hungary

Land ownership	1989	2000
Government owned	34 %	12 %
Cooperatives	37 %	2 %
Privates	28 %	86 %
Total	100 %	100 %
Land use	1990	2000
Companies	26 %	34 %
Cooperatives	60 %	15 %
Private farms	14 %	51 %
Total	100 %	100 %

Source: Central Statistical Office + own calculations



Size and number of private farms, 2000

Size	Farm numbers	%	Area Hectares	%	Area farm size, ha
Private Farms					
<10 ha	908595	94,79	890590	34,07	0,98
10-50 ha	42846	4,47	916730	35,07	21,4
50-100 ha	4601	0,48	324920	12,43	70,62
100-300 ha	2205	0,23	360209	13,78	163,36
300 ha <	287	0,03	121551	4,65	423,52
Total	958534	100	2614000	100	2,73
Other privately cultivated agric. households	835617		1367000		

Farm: household with some agricultural activity (as defined in the Hungarian Law on Statistics)

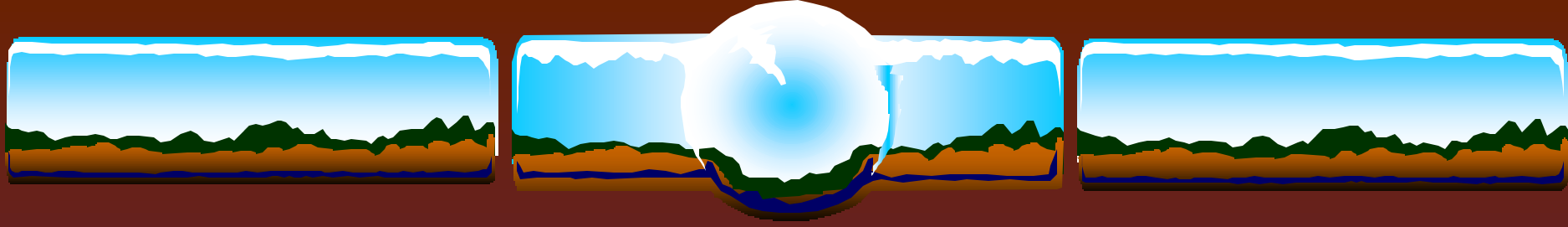
Source: Central Statistic Office, General Agricultural Census, 2000, own calculations



Size and number of economic organisations in Hungary, 2000

Size	Farm numbers	%	Area Hectares	%	Area farm size, ha
Economic organisations (companies + cooperatives)					
>10 ha	1065	12,71	3067	0,08	2,88
10-50 ha	1771	21,13	40640	1,06	22,95
50-100 ha	809	9,65	45635	1,19	56,4
100-300 ha	1635	19,51	232724	6,04	142,34
300 ha <	3102	37,01	3511944	91,6	1132,15
Total	8382	100	3834000	100	457,41

Source: Central Statistic Office, General Agricultural Census, 2000, own calculations



Agricultural Production 1990-2003

Between 1988 and 1992: sharp decline in both plant production (33 %) and animal numbers (50 %)

Since 1993: stagnation, with slight improvements in 1995-96 and in 2000-2001

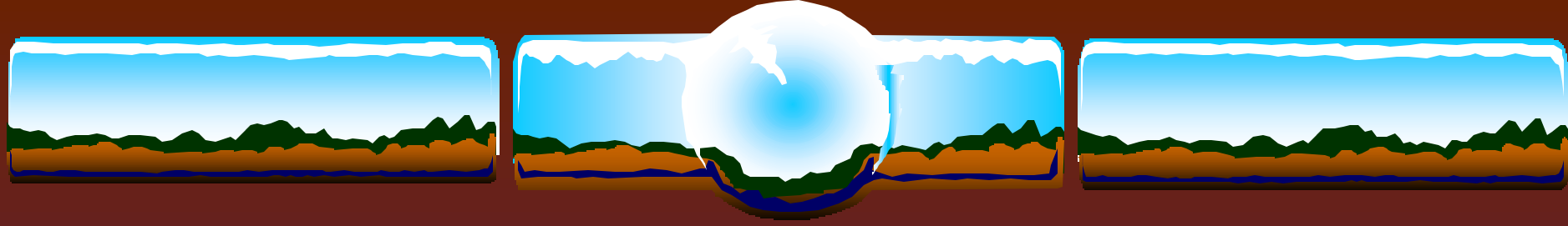
Because of significant increase in other sectors of the economy since 1998, sharp decline of agriculture in all macro economic indicators, but still an important factor in rural life and economy



Share of Hungary and the EU in the world's agri-food trade (2001)

		World	EU-15	CC-10	Hungary
Agri-food sector	total mill. USD	412,176	169,328	8,749	2,394
	%	100	41,08	2,12	0,58
Cereals %		100	21,38	1,3	0,98
beef %		100	28,27	0,69	0,09
dairy products%		100	66,67	4,05	0,35
sugar%		100	25,29	1,32	0,02
vine %		100	74,75	0,69	0,47
pork meat%		100	68,12	5,93	1,94
poultry meat%		100	38,34	11,92	2,63

Source: FAO database



Agricultural trade 1990-2003

Export: stagnating with yearly variations (2,3- 2,7 billion \$)

Import: slowly growing than stagnating (0,5-1,2 billion \$)

Balance: always positive – sole country with nameworthy surplus among the CC-10



Strengths of Hungarian agrifood sector at the edge of EU accession

- ❖ Privatisation completed in the whole agri-food chain
- ❖ Agricultural production and trade highly diversified
- ❖ Many special „niche” products, Hungarian and regional specialities
- ❖ Especially good taste of products (fruit, vegetables, meat, wine etc.)
- ❖ Sanitary and food safety requirements at EU level (e.g. no BSE!)
- ❖ Agricultural research and education well developed



Weaknesses of Hungarian agri-food sector

- ❖ Land market underdeveloped and not satisfactorily transparent
- ❖ Big polarisation of agricultural farms- too many very small and small farms, few viable sized family farms
- ❖ Low technological level
- ❖ Low income and capitalization
- ❖ Slowly expanding alternative activities in rural areas



Import of agri-food products into the European Union

	Million €	%
Total imports	218164,7	100
Import from other Member States	148218,3	67,94
Import from CC-10	4078,1	1,87

Source: European Commission



Agri-food trade between EU-12/15 and CC-10 and between EU 15 and Hungary

	1993	1994	1995	1996	1997	1998	1999	2000	2001
EU export to CC-10	2829	3263	4064	4537	5006	5171	4853	5660	6063
EU import from CC-10	2045	2207	2588	2708	2801	2867	3031	3427	3986
Balance to CC-10	785	1056	1477	1829	2206	2304	1822	2234	2050
Balance to Hungary	-387	-367	-499	-624	-508	-521	-618	-583	-625
EU import from Hungary	737	817	958	1039	1018	1046	1100	1191	1324
EU export to Hungary	350	450	459	415	511	511	525	607	700

Source: EUROSTAT-COMEXT



Share of selected product groups in EU-15 agri-food imports from CC-10 (2001)

Import, total	Mill. Euros	%
Fruit and vegetables fresh and processed	1062,1	27,2
Live animals and meat	854,2	21,9
Animal feed	541,1	13,9
Dairy products	300,7	7,7
Beverages	220,3	5,7
Cereals	107,9	2,8

Source: European Commission + own calculations



Significance of European Integration of Hungary

- ❖ Logical decision for a relatively small country in the heart of Europe
- ❖ Hungary was a natural part of Europe since 1000 (taking of Christianity) until 1945
- ❖ Dominant support for EU accession by the Hungarian population



Remaining main steps

Referendum in Hungary: April 12, 2003

Signature of Accession Treaty: April 16, 2003

Membership: May 1, 2004



Chances/benefits of EU membership for Hungarian agriculture

- ❖ **Stabil economic background**

 - Whole economic power of European Union

- ❖ **Participation in the Single European Market**

 - Unrestricted access to an expanding market of 460 million consumers instead of 10 million

- ❖ **Participation in the Common Agricultural Policy**

 - Gradually increasing direct payments

 - Full participation from D-1 in EU market and rural development measures

 - Production quotas nowhere forcing for reduction of production



Risks and costs of EU membership for Hungarian Agriculture

- ❖ Import to the Hungarian market liberalised as well
- ❖ EU agricultural producers better equipped technologically and better organised for marketing and interest representation
- ❖ Room of manoeuvre for national agricultural measures becomes much more limited
- ❖ Rapid disappearance of small farms



Changes in agricultural trade policy

- ❖ Hungary will be part of EU trade policy agreements with regards:
 - ❖ ACP countries
 - ❖ Remaining candidate countries incl. Turkey
 - ❖ Western Balkan
 - EU agricultural export subsidies instead of former Hungarian ones



Restructing agricultural trade

❖ **Principal winner sectors:**

Cereals, oilseeds, beef, labour intensive fruit and vegetables, ornamental plants, seed, speciality products

❖ **Principal sectors in danger:**

Poultry meat, pork meat, very small and small producers



Conclusions I.

- ❖ Increasing risks but chances for even higher benefits for Hungarian agriculture
- ❖ Need for further restructuring and strengthening competitiveness
- ❖ Concentrating efforts on:
 - further legal and institutional harmonisation
 - improving information and preparation of rural population for EU membership



Conclusions II.

- ❖ Need maintaining contacts with other parts of the world (e. g. USA, Canada, Asia, Australia)
- ❖ End effect:
 - better prospects for agriculture
 - increasing living standard in rural areas



Thank you for your attention



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