



*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

**NEW EXTENSION SERVICES AND RESTRUCTURING FARM  
MANAGEMENT TRAINING UNDER TRANSITION  
A PILOT PROJECT IN HUNGARY**

**Mihály L. Vörös**

College of Water and Environmental Management  
Debrecen University of Agriculture, Szarvas, Hungary

**László Kecskés**

Bács-Kiskun County Foundation for Promotion Enterprise Agency,  
Kecskemét, Hungary

**ABSTRACT**

As a result of the radical political, social, and economic transition in process fundamental changes have been taking place in Hungarian agriculture concerning the outside environmental conditions of farm management (government policy, loss and alter of export markets, legislation "boom", etc.), as well as, in inside circumstances of farming operations (new land owners with limited knowledge and basic capital, decentralisation and privatisation of large-scale farm businesses, conversion of farm enterprise forms, etc. It has been a considerable effect on the requirements against information and human resources within all type of restructuring businesses. Most of the previous information and advisory services either have become obsolete or collapsed. By surveying the major objectives and achievements of a pilot project this paper presents how a local enterprise agency in Hungary has been able to respond to these changes. Although the greater part of the development work has not been carried out, but pilot advisory models and case studies elaborated during this regional development project have enabled to learn fundamental lessons and formulate further problem-oriented conclusions and considerations.

**CHANGING STRUCTURE AND REQUIREMENTS FOR KNOWLEDGE AND  
EXPERTISE IN FARMING**

The disappearance of the centrally planned or command economy and its replacement by a more liberal market economy under a radical political and social transition has resulted in fundamental changes in the ownership, production and organisation structure of the Hungarian agricultural sector. The number, size and type of agribusiness units have changed so quickly that statistics could hardly follow the events. Private commercial farming has expanded and most of large-scale, state owned or co-operative farms has been privatised and decentralised. Accordingly under an increasing market orientation the objectives and functions, as well as, information requirements of farm managers have been fundamentally transformed.



The basic transitional changes that altered fundamentally the Hungarian farm business management conditions are as follows:

- Loss of eastern markets built on bulk production, as well as, rapidly developing roll and emphases of EU markets preferring products of quality, and its increasingly determining importance in Hungarian agricultural export.
- Radical reduction in the domestic food consumption, presence of import products, deepening competition between price and quality, implementation of agricultural market regulations, restructuring institutional system (e.g., agricultural market regime, commodity boards, farmer's organisations, agricultural chamber, civil organisations, etc.).
- The effect of new - however by no means settled - laws and regulations (needing further improvements) regarding land ownership, co-operatives, structural conditions of agricultural enterprises and assistance to the sector (reorganisation and disintegration of co-operatives, unemployment of the agricultural sector, compulsory enterprises, new family enterprises, etc.).
- Changes in property relations, privatisation, decentralisation, radical change in the management and incentive system of the former state farms.
- Privatisation of food industry, disintegration of large scale organisations, decentralisation of business activity, reorganisation of relationships and participants of product chain, radical change in the conditions of competition.
- Increase in the role of global and international integration processes, participation in world trading agreements (WTO), requirement of harmonisation, closing-up, and joining to EU, further gradual transition in economic and legal circumstances - such as subsidy system, taxation, custom policy, quotas, etc.

Due to the above mentioned, however by no means outlined changes (already taken place or being unravelled) the requirements against the knowledge, skills and behaviour of managers, producers, workers operating in any branch of agriculture and food sector, the present and potential demand of labour market has been changing fundamentally. The former large scale structure of agriculture was favourable to the employment of professionals specialised to various tasks on the side of production tasks, such as plant control, irrigation, machinery services, etc. Under the managerial circumstances and incentive system of that era, there was not particular attention paid to economic and market knowledge of employees and co-operative members that was reflected in the content and structure of agricultural education and training (e.g., exaggerated emphasis on theoretical aspects at the expense of practice, neglecting the subjects of economics, business management and marketing, as well as problem-oriented approaches and practical skills).

Because of the obsolete or too specialised knowledge of agricultural professionals trained in the past as well as the shortage of relevant information in the current farm business environment many farmers, producers, farm managers are still unaware of some of the



real commercial opportunities open to them and of how to determine the most profitable use of their resources.

Another serious limitation originates from the low level of co-operation and integration of farming with other activities in the product chain. The previous framework and institutional system either become obsolete or collapsed and the attitude of new individual farmers for co-operation has been considerably changed.

The term "co-operative" it self could have rather bad image in many Hungarian villages just as in other Eastern European countries. One reason why many new farmers do not trust co-operatives is that it might be considered as a mean of forced communist collectivisation, or, as natural people have some prejudice and mistrust with old type of co-operatives. This view, of course, in many cases too vulgarised focusing on one single type of co-operative, the production co-operative. On the other hand it disregards mostly both the promotion co-operatives and the achievements of the international co-operative movement. Moreover it neglects the indisputable benefits and innovative acts of the Hungarian agricultural co-operatives in rural economy as well as demonstrates the lack of knowledge about co-operatives outside the agricultural co-operative sector. Another reason of the unfavourable image of co-operatives might be a narrow-minded business mentality. According to this attitude the market is considered an "omnipotent" power capable of overcoming all difficulties of the economy and society alike. Within this approach there is no room for the concept of co-operation nor for those co-operative's values which emphasise more than just business efficiency.

Furthermore, lack of time and knowledge, as well as indifference and negligence can also be a reason.

The isolation of private commercial farm activities leads to different problems in the operation of rural economy (e.g., depressed market price, unbalanced distribution of value add between market players, losses in time and energy use, fluctuation of supply, difficulties of trade and transportation of products, market disturbs, etc.). The new commodity boards alone are still not able to solve this problem because among their members trading companies are dominating and farmers have limited power.

## **OBJECTIVES OF THE PILOT PROJECT**

Based on a regional agricultural development strategy of Bács-Kiskun County, the Local Foundation for Enterprise Promotion Enterprise Agency in Kecskemét initiated and implemented a pilot project to find reasonable solutions for the above problems.

Bács-Kiskun is the largest county in Hungary with 5 % of total Hungarian inhabitants and 9 % of total territory of the country. The county is situated between two rivers. From the East it is bordered by river Tisza and by Danube in the West, which has always played an important and symbolic role in the history and European linkage of the country. Within agriculture and food processing sector, vegetable, fruit, grape and wine production have strong traditions and it is the main area for processing the world famous Hungarian



paprika powder. Poultry and pig processing play also a very important role in the county's farming activity.

The pilot project was designed and implemented by a team of international, domestic and local experts. At the beginning a study of the agri-food sector of the county had been elaborated with the following major goals:

- Identification of the fields where the small and medium scale agricultural and food processing entrepreneurs could be supported most efficiently via elaboration of a county level agricultural strategy;
- Better understanding of the free market conditions and economy and accumulating knowledge and experience;
- Improvement of the competitiveness of market players in the county's food economy and preparing EU membership;
- Creation and enhancement of job opportunities both in the primary and secondary sector.

The pilot project targets have been determined as follows:

- chose three different locations with different farming conditions, activities and specific commodities in each location
- identify individuals within the primary and secondary sector in each location who are active enough to contact with and to be trained as well as has willingness and ability to change
- help them in becoming more powerful actors and encourage to organise themselves in associations, organisation of private interest and private single purpose co-operatives from raw material to retail
- teach them the importance of working together as individuals and within organisations, to improve their ability for co-operation
- establish the bases of an improved advisory and information and communication systems, which can assist individuals in making economic, financial, production and marketing decisions.

During the work it has gotten a great priority to increase the private farmers' knowledge and improve their production and organisations level to adjust to the new market situation. The study comprised recommendations for further development of collaboration between farmers for the purpose of increasing their influence and control in processing and marketing of agricultural products. It is important, at the same time, to develop collaboration between farmers and other actors in the food industry for the purpose of strengthening the vertical chain of food production.

On the background of the farmers and managers requiring knowledge and skills concerning development of organisations and management of farm businesses and associations, it is important to develop a user/farmer controlled training and management



of farmer controlled companies under market conditions. The basis for this is well organised farmer associations to control a retrained workforce of information providers, technicians and advisors.

## ACHIEVEMENTS OF THE PILOT PROJECT

Kerekegyháza has 6000 inhabitants, 2000 families 300 of which are full-time farmer families. The farmers in the village traditionally produce poultry, eggs, pigs, fruits, herbs and process their agricultural products in slaughter-house, and fruit drying unit. The village has 8100 hectare agricultural land, which is entirely in private ownership. The agricultural machines are private, too. There are some industrial companies and farm supply shops and one private slaughter-house in the village. Formerly there were 30 industrial units in the village, but nowadays some of them are bankrupted. In feed supply co-operation and integration between farmers are very limited. They organise the purchase of animal feed separately from different source. Some farmers have a contract with the slaughter-house but the produce of these farms must fulfil the quality requirements, and must keep the deadlines of the transportation and the payment. The slaughter-house organises the small-chicken supplying for the partners and controls the chicken growing process. This partnership is very stable and participants are satisfied. The owner is going to develop the capacity of the slaughter-house and she is going to export to western market. Some farmers slaughter their chicken in their family houses and they sell the product directly to the retailers and shops. There is no collaboration between farmers, but many of them thinking about advantages of joint transporting, marketing and foodstuff-supplying, but non of them feel power enough to organise that. The major problem is that the farmers have no time to organise anything common.

Based on the results of the field investigation, the questionnaire as well as the individual interviews and open discussions in group meetings with the farmers in poultry production and food industry in the Kerekegyháza region, observations are as follows:

- During the survey it was observed, and confirmed by many farmers, that the official agricultural advisory system in Hungary, including the Kerekegyháza region is basically incapable of serving all farmers on an individual basis. This means that the farmers must solve a wide variety of problems without assistance from external advisors.
- The establishment of the agricultural advisory service in Kerekegyháza region could be financed partly or fully by the users because 90 other farmers in the region are motivated and willing to pay such service. In the future, farmers would expect more effective service from the advisory centre.
- Farmer need assistance to establish their own organisations, in order to handle the joint purchases, sales and processing of the products or the members, this ensuring even small holdings the advantages of economies of scale. Now 55 % of the farmers in the region are members of one or more farmers' organisations.



- Direct and frequent contacts between advisers and farmers must be introduced to avoid that farmers have to solve himself all kind of professional task (e.g., feeding plans for poultry production, improve meat quality, redesigning of farm building, etc.)
- In an environment where efficiency becomes more important than simple maximisation of production regardless of costs, the commercial farmer will need the best possible assistance when planning his investments in order to ensure satisfactory return of investments.
- The farmer will not only need to prepare precise budgets and calculations regarding the profitability of the intended investments, but it is likely that he will want to finance expansion through bank loans, and the bank will demand carefully prepared feasibility calculations for the project concerned. Farmers are not likely to have the time nor the skills to prepare such documentation to the satisfaction of a lending institution, and he will therefore need assistance from advisers.
- In the Kerekegyháza region the demand for advisory service in the area of farm economics and financial management will increase accordingly, and in the future agricultural advisers must be prepared for this expanding challenge.
- At least one "extension farmer" should be selected in the location. An "extension farmer" is an interested farmer who is in close contact with the advisory service on a regular basis. He should be selected in agreement with the local authorities. On his farm approved technologies are applied and demonstrated to other interested farmers in the region.

#### **Development of infrastructure and institutional framework of local extension system**

In the first stage of the project a survey of information supply-demand of farm business management has been performed to detect the most critical "information gaps" in the farm business environment. It was observed that without the existence of some type of an official (national or regional) agricultural extension system private commercial farms are not able to solve alone a wide variety of problems.

According to the pilot project targets we investigated the problems and the desires of the farmers in detail. In accordance with their demands building up of the infrastructure for extension services has been started. Besides, "Agricultural Advisory and Information Offices" have been gradually established in the region in co-operation with Bács-Kiskun County Agricultural Chamber, local municipality and local agricultural organisations, parallel with the farmers organised "farmer clubs" to improve the quality production in the region. The "farmer club" has a year program to learn more about quality production and marketing. The services and the office are controlled by the local "farmer club". At the beginning of 1996 we organised a marketing advisory team to help the farmers to improve the quality of production and to build up the image of the region. At the same time we started to develop a county level extension information system. The co-operating



parties, the information system and the advisory team constitute the background and guarantee of the local services.

According to the guidelines of the problem-oriented study, elaborated in the second stage, which covered three major areas of poultry, swine and wine business (technology, market information systems and organisation/co-operation development) a professional association has been established. The major objectives of this new type of co-operative organisation are the following:

- support members, in protecting their interest and to encourage local co-operation and widening integration,
- organise their professional training and farm business management information service, as well as
- establish and operate a local extension service organised and managed by the local farmers.

#### **New approaches and methods in training farm business management**

The serious limitation of time of farmers, producers created the main problem of organising any kind of training, workshops or professional group meetings. Because most of farmers are forced to solve all kind of problems in the farm alone it is very difficult to encourage people in villages to attend a simple and short professional meeting. It is very difficult for farmers to attend in training courses, they prefer to spend a few hours. Evening courses in winter time organised by "farmer clubs" seems to be more prospective.

Based on advanced farm business examples from the practice it will be necessary to elaborate such computerised pilot models, which are suitable for running alternative business analyses and for demonstrating the results for the real or potential farmers in scope of an "on the job training". By such an advanced farm information system model we will be able to train more effectively the basic principles of a viable or sustainable farm business management for real or potential farmers. The questions to be answered in such training are as follows:

- How to collect realistic production and financial data upon the operation and business performance;
- How to analyse the realistic data within the farm business and how to make comparisons with outside business partners in the competitive economic environment;
- How to make realistic and competitive farm business plans based on the previous data collection and analyses assuming the examinations of alternatives and the flexible revision of alternative plans as well as revise and redesign the business plans; and finally



- How to keep financial control on the operating farm business or how to "navigate" properly, how to determine the necessary adjustments and corrections of business plans.

In the case of large, complicated farm businesses it is particularly true that the systematic follow up and monitor of the realisation of these basic principles or "tenets" can not lack a system approach as well as of a problem-oriented thinking and using advanced information and communication technologies (ICT). Putting the real information sources into the pilot model it is easier to arouse farmers' interest regarding the alternatives of obtaining the fundamental management information (e.g., state financed public information services, service provided by local farmers' association, membership or ownership in integrated farm businesses) as well as they are able to directly get practical skills such as how to protect against isolation and "information fragmentation". Farm managers should learn and get the necessary skill how to be continuously well informed about farm business. Considering the ever changing farm management environment they are forced to change their attitude and improve their ability for co-operation. The advanced pilot information system model of a realistic farm business must be an indispensable tool to provide this knowledge and developing skill in a problem-oriented farm business management and agricultural informatics training.

## CONCLUSIONS

In Hungary the institutional system of agricultural extension has not been developed in a way that could satisfy the actual and continuously changing needs. Several individuals, organisations and institutes are dealing with such activities and services part of which co-ordinated by the agricultural government (official register of advisors/advisory organisations, subsidy system for advisory, etc.), but well-structured categorisation and standardised qualification of services and advisors have not been created and introduced yet.

At the beginning of the transition there was an over-optimism in predicting the rate of increase and demand for services aimed at the market-oriented agriculture. After half a decade it was realised that the effective demand for a charged extension service from the side of potential customers (farmers, producers) is very limited, which emphasises the enhancement of agricultural government involvement in the future developments. Considering the real need and the country's joining to EU it is necessary to create the legal framework for the distribution of the task and work between education, research and extension institutions and their financing.

Currently the existing advisory centres express a need for more and, in particular more specialised advisers. According to these predictions advisory service still facing further fundamental adjustments, due to not only the changing demands for service offers, but also with regard to capacity.

The radical changes taken place in the farm management environment the structural and incentive system of enterprises, the increasing appearance of market oriented economic



conditions lay stress upon the training of all kind of agricultural professionals in organising and managing agricultural enterprises. Under the new circumstances there is an increasing demand for agricultural professionals being fully aware of basic economic and marketing principals of production processes, not specialised on restricted fields of activity, but equally prepared for the successful execution of several practical functions within agricultural production. Namely, it is being divided into branching out complicated technological processes. Therefore, in the possession of knowledge wide intellectual horizon and skills will be necessary for the flexible adjustment to continually altering circumstances.

It is hardly disputable that establishing enterprises, starting up entrepreneurial activities or operating and keeping alive existing enterprises, nowadays, require absolutely new types of knowledge, skill, personal characteristics, attitude and behaviour, which should be succeeded in a greater extent by the farm management training with appropriate theoretical well-founded background, but clear practical orientation meeting the demands of new circumstances.

Nowadays the up-to-date farm management training is unimaginable without implementing new training methods, such as pilot models, case studies from the actual farm practice, skill of working in teams, problem-oriented thinking, problem solving, that make essential demonstrating the use of system approach as well as advanced ICT tools via realistic examples.

The case studies elaborated and discussed during the pilot project with the initiation of foreign and domestic experts from the fields of practice have already resulted in extremely useful, perspective ideas, and clear "milestones". Furthermore, we succeeded to outline a framework for the graduate and postgraduate farm management training as well as problem-oriented training of agricultural informatics, in the mirror of the new demand of labour market taking shape during the transition phase ahead.

There is now a great demand in Hungary for relevant, accurate and timely information on profitable business opportunities in farming, as well as on essential performance measures or "compasses" of farm business management (e.g., realistic data of fixed and variable cost, gross margin and return of investment analyses, etc.) to adapt and navigate in the changing environment. It necessitates a comprehensive agricultural information and extension system and restructuring of old curriculum and teaching materials. Parallely an advanced farm and land management training could be introduced into the practice of agricultural higher education.



