

# **Public debate about the future of the Common Agricultural Policy in Hungary following the Commission Communication of November 2010**

*Report by Edina Ocsko\**

Research project commissioned by Goethe-University & Institute for Rural  
Development Studies (IfLS)

Supported by Landwirtschaftliche Rentenbank

21 December 2011



*Photo source: [www.pestiest.hu](http://www.pestiest.hu)*

\* Edina Ocsko is an international consultant and a PhD student at the Public Policy Department of the Central European University (Budapest).

## Table of Contents

1. Introduction .....	1
1.1 Background .....	2
1.2 Key issues .....	5
1.3 Methodology of this study .....	9
2. Assessment of selected statements.....	10
2.1 Statement by the Agricultural and Rural Youth Association Hungary (AGRYA) .....	10
2.2 Statement by the Agroeconomic Council .....	11
2.3 Statement by the Parliamentary Commissioner for Future Generations ...	12
2.4 Statement by DIPO Public Association (Leader Association) .....	14
2.5 Statement by the Hungarian Rural Association .....	16
2.6 Academic perspectives on the Commission Communication of November 2010 and the current CAP reform .....	17
2.7 Statement by the Agricultural Chambers of Central Europe .....	22
2.8 Perspectives on the ‘greening’ components CAP reform .....	23
2.9 Reactions in relation to the European Commission’s Impact Assessment on the future CAP .....	25
2.10 Statements by government stakeholders.....	30
2.11 Statements in relation to the Hungarian presidency .....	32
2.12 Debate about the National Rural Strategy Concept .....	35
3. Synthesis of the statements assessed.....	39
3.1 General overview.....	39
3.2 ‘Sectoral’ interests.....	40
3.3 National interests .....	43
4. Conclusions.....	45
References.....	48

## **Abbreviations**

AGRYA	Agricultural and Rural Youth Association Hungary
AKI	Research Institute of Agricultural Economics
EFA	Ecological focus areas
ELO	European Landowners' Organisation
GPAH	Grain Producers' Association in Hungary
HNRN	Hungarian National Rural Network
MOSZ	National Federation of Agricultural Co-operators and Producers
NHRDP	New Hungary Rural Development Programme (2007-2013)
NRSC	National Rural Strategy Concept
PCFG	Parliamentary Commissioner for Future Generations

## 1. Introduction

The purpose of this report is to review the public debate in Hungary in response to and following the European Commission Communication of 18 November 2010 entitled “The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future” (referred to as Commission Communication throughout the report).

The public debate about the future of the Common Agricultural Policy is of utmost importance for Hungary. As Udovecz (2010) states ‘the current situation is different from previous debates and decision-making mechanisms: we (‘agriculturalists’) do not take a decision on our own, however, we (Hungarians) now have a say in the decision-making’ (Udovecz, 2010, p.718). It is true that the current Common Agricultural Policy has a number of weaknesses; however, in Hungary we often tend to blame the CAP even for problems that originate from our own weaknesses (idem.). Examples for such problems include the land ownership structure, underdeveloped processing industry, low level of employment and insufficient level of innovation.

This report aims to clarify some of the key policy issues that guide the public debate about the future CAP in Hungary. For the purpose of the report, a number of statements made by various stakeholders in response to the Commission Communication were selected to present the variety of opinions about the Commission’s proposal for the CAP post 2013. Furthermore, some key events and discourses that took place after the date of the Commission Communication (although may not be a direct response to the communication) were also identified and included in this study.

The report is structured as follows:

- In the first section of the Introduction (*section 1.1*) we review the **background** of the public debate with specific focus on the main results of the debate that took place prior to the issuing of the Commission Communication.
- In the second section of the Introduction (*section 1.2*) we assess some of the **key issues** with particular relevance for Hungary that define the nature and content of the public debate about the Commission Communication and the CAP reform.
- In the third section (*section 1.3*) we discuss the **methodological approach** and the way of selection of statements for the purpose of this study.
- In the *second part* of the report we review a **range of key statements**. Some of these are made by various stakeholders directly in response to the Commission Communication. Other statements are issued after the date of the Commission Communication, but do not necessarily respond to the communication directly. These later statements are often grouped together, e.g. those related to the Hungarian Presidency conclusions on the CAP reform. Each statement (or statements) is described in three parts, namely (i) the background of the statement (context, reason for selection, etc.), (ii) the main content of the statement, and (iii) the summary of key findings.
- The *third part* of this report synthesises the **main findings** of the various statements assessed in the report and reviews the main lessons.
- The *final part* of the report draws **conclusions including our own expert views** about the public debate in Hungary and in Europe.

## **1.1 Background**

More than half of Hungary's area is constituted of plains and create very favourable conditions for agricultural production. According to the mid-term evaluation of the New Hungary Rural Development Programme (NHRDP) 2007-2013, 78% of the agricultural territory consists of arable land and 17% is grassland. However, in recent years the agricultural sector has shown a declining trend both in terms of its share in GDP and employment. The share of agriculture within the national GDP dropped from 4% in 2002 to 2.5% in 2009, whereas its share in employment dropped from 6,2% to 4,6% during the same period (National Rural Strategy Concept II, 2011, p.24). Also rural areas are characterised by more unfavourable employment indicators than non-rural areas (idem.). There are variations in the agricultural production characteristics of the various regions. According to the NHRDP, the Southern- and Northern Great Plain have the highest proportion of agricultural areas (22-23%), while the proportion is only 7% in Central-Hungary.

The National Rural Strategy Concept (NRSC) II – 2020 lists a number of specific challenges that Hungarian agriculture and rural areas are facing today (NRSC II, 2011, p.20-22), namely:

- **Climate change** is reflected in the extreme levels of precipitation (floods and drought);
- The preservation of the quality and quantity of **drinking waters** is an issue of high relevance;
- Recovering the **markets of Hungarian food products** and increasing our export levels are strategic issues;
- According to calculations on the **ecological footprint** Hungarians are said to use 3.5 hectares, which is one and a half times more than the biologically sustainable level of hectare per person (i.e. 2 hectares). Therefore, the preservation of ecosystem services in Hungary like in other countries is a top priority;
- Development of **alternative energy sources**, especially territorially based, small-scale, self-reliant energy production is an important objective;
- Hungary is characterised by a **demographic crisis**. According to recent prognosis, the population is expected to decrease from 10 million today to 7-8 million by 2050. This is a particular problem in rural areas in Hungary, because many young people are leaving these areas;
- '**Localisation**', i.e. the development of local systems that build upon local communities and local economy is a key objective in Hungary, and should form an important pillar of future agricultural policies;
- **Inequalities** between rich and poor are growing in the world in general and in Hungary as well. Currently some 10-15% of Hungary's population is estimated to be poor. Almost half of this population, and some two-thirds of very poor people, live in rural areas. Therefore employment creation is a top priority in rural areas;
- Whereas historically rural areas used to support urban areas (through food supply), currently urban areas support rural areas (e.g. through jobs and employment). It is an important priority of Hungarian rural development policy that **rural areas regain their economic basis**.

A comprehensive **public consultation process was launched in Hungary during the first half of 2010** about the future of the CAP. Among others, various conferences, a questionnaire survey and online voting were organised by the Hungarian National Rural Network (HNRN). The results of the consultation are presented in the *'Report on the Hungarian National Rural Network activities related to the public debate of the Common Agricultural Policy'* of June 2010. The scope of the consultation that followed the Communication of the European Commission of November 2010 is much more limited than the public consultation that was organised prior to the issuing of the communication. The main results of the public debate organised by HNRN during early 2010 are summarised in Box 1 below.

**Box 1: Summary of main findings of the public consultation of early 2010**

The Hungarian National Rural Network (HNRN) Permanent Secretariat organised a **series of events** entitled 'The CAP reform from Hungary's perspective' at seven regional locations with the participation of over 400 participants. The main issues that came up during these events can be summarised as follows:

- It is important to **maintain the CAP** and the importance of Pillar 1 support. There is a need to maintain the common EU market to ensure a fair standard of living for farmers as well as reasonable food prices. There is an emphasis on **simplifying CAP** procedures.
- **Local production and local markets** are issues of high importance, with specific focus on strengthening cooperation among small farmers, local production of renewable energy, diversification and local job creation.
- **Imbalances of support to small and large farms** (i.e. more limited financial support of small than large farms) are core issues, as well as the unequal and disproportionate **distribution of income within the food chain**. The weakening of family farms and animal husbandry sector led to imbalances in animal breeding, crop production and food production.

The Managing Authority of the New Hungary Rural Development Programme commissioned IPSOS Zrt to carry out a **questionnaire survey** based on a structured questionnaire addressed to 6400 beneficiaries of the New Hungary Rural Development Programme. According to the results 73% of respondents new about the possible changes in the CAP. The main problems and issues identified with regard to the current CAP included **too much bureaucracy and need to simplify the CAP, the slowness of payments and the difficulties of implementing EU rules**.

The HNRN **online survey** used questions that the EU Commissioner for Agriculture and Rural Development, Dacian Cioloş asked in his opening speech of the public debate on the CAP. Some of the main findings can be summarised as follows:

- According to the majority of respondents, the most important goal of the CAP is 'to ensure that agricultural products are of **good quality, healthy and safe**', followed by 'ensuring fair standard of living for farmers and 'developing rural areas while preserving the countryside'.
- According to the majority of respondents it is a very important goal of rural development policy after 2013 'to provide support for **production and marketing of local products**'. This is followed by the 'need to support sustainable water management and environmentally friendly agriculture'.

- More than 70% of respondents considered important to apply the **same quality and production standards to imported products** as the ones that apply to the ones produced within the EU member states. Respondents also expect the EU to act to mitigate the extreme fluctuation of prices; and they also consider important to ensure a fair standard of living for farmers. At the same time, 74% of respondents do not think that the CAP contributes to ensuring a fair standard of living for farmers; while according to 73% it is successful in securing food supply in the EU.
- More than half of the respondents thought that **one of the biggest problems** with the current CAP is that there are ‘substantial **differences in support to the old and new member states**’. The second biggest problem identified was complicated procedures.
- According to respondents a minimum level of stability of agricultural incomes could be guaranteed the best through special support funds for dealing with market anomalies (e.g. significant price drops) and advisory services, training and support for cooperation among farmers.
- A more **balanced relationship among the stakeholders** in the agrifood industry could be best achieved through ‘supporting economic cooperation of agricultural producers’, ‘supporting the production and marketing of special local products’ and ‘supporting direct links between consumers and small producers’.
- 77% of respondents thought that in return of support farmers should maintain the fertility of the land, while 64% thought that it is very important to use less chemicals and produce healthier food.
- Respondents generally expect the European and national levels to deal with some of the main issues, which reflects the need to strengthen rural communities at the local level.

Finally, according to **the voting organised on CAP priorities** (based on a suggested list of 9 priorities), **the objective of ‘ensuring a fair standard of living for farmers’ and ‘creating jobs in rural areas’ ranked the highest** (receiving 26 and 24% respectively).

*Source: Report on the Hungarian National Rural Network activities related to the public debate on the Common Agricultural Policy, MNVH (HNRN), June 2010*

Between 1 January and 30 June 2011, Hungary held the rotating **presidency of the Council of the European Union** for the first time. The Hungarian Presidency built its political agenda around four main topics, one of which was ‘Stronger Europe’. As part of the ‘Stronger Europe’ topic Hungary aimed to review the Common Agricultural Policy. The CAP reform was a strong aspect of the Hungarian Presidency, as the Council had to adopt its opinion about the Commission Communication during the period of the Hungarian Presidency. Since the presidency was a key event in the course of the debate about the future CAP in Hungary, we consider it important to include a summary of the presidency conclusions in this report, as well as some of the opinions about the presidency’s achievements. The issue will be addressed in part 2 of the report.

Finally, the **National Rural Strategy Concept (NRSC)** was issued in April 2011 for public debate. The NRSC has direct relevance for the debate on the Commission

Communication, as the national strategy will determine how the Commission's regulations are applied in the national context during the next programming period. One has to understand the specific nature of the Hungarian context in order to be able to assess the public reactions to the Commission's consultation. The devil is in the details, i.e. the implementation of the CAP on the ground much depends on the national specificities. As József Ángyán state secretary of the Ministry for Rural Development stated about the Commission Communication: "this material is sufficiently blurred to leave enough scope for negotiations" (Agromonitor, 2011, Feb 11).

## **1.2 Key issues**

A number of key issues determine the nature of the CAP public debate in Hungary. The specificities of the Hungarian agricultural sector (e.g. production structure, land ownership, etc.) and main problems and difficulties that rural areas are facing today are issues that set the framework of the public debate. An indicative and non-exhaustive list of issues that characterise the Hungarian public debate today are presented in this section.

### *The specific nature of land structure and ownership*

It is important to understand the development of the land structure in order to better understand some of the characteristics and problems of the agricultural sector. The issues and problems that originate from these special characteristics often also help to understand why the CAP has different impacts in Hungary than in some of the old (and other new) member states.

**Privatisation** of the agricultural land during the transition process from a centrally planned to a market economy resulted in a **highly fragmented land ownership structure**. According to the New Hungary Rural Development Programme (NHRDP), following the privatisation of land the average plot size has become 2.3 hectares, which except for plantations or intensive horticultures, hardly provides a secure livelihood for a family. According to the NHRDP, among landowners commercial companies (with more stakeholders) typically have large pieces of land, while one-person farms usually have small, fragmented and geographically independent pieces of land. Large farms between 100-300 hectares and farms above 300 hectares together use 72.2% of all areas, while they constitute only one percent of all farms (NHRDP, 2009, p.15). This situation of dual farming structure is further aggravated by the general lack of social cohesion and cooperation structures among local farmers.

Generally, small landowners do not have sufficient harvesting equipment, storage and drying capacity to carry out their activities independently and therefore have become highly dependent on larger farms and/or companies. Therefore, many landowners (including some of those who do not live in the area) often lease their lands. The **leasing system has dominated Hungary's agricultural property structure to date**. Typically short-term (3 to 5 year long) contracts do not ensure the sustainable management of the agricultural land. Given the specific nature of the Hungarian land structure and ownership the dominance of the leasing system (where some two-thirds of the land is being leased) became unavoidable (Tamás et al., Népszabadság, 6 Feb 2010).

According to the 1994 regulation currently in force, only natural persons, the state and local administrations are entitled to buy land in Hungary. Private persons can only buy

up to 300 hectares, however, family members are not constrained in their ability to purchase land one-by-one and use them jointly. This is how it became possible that in some areas even farms of thousand-hectare size are operating as 'family businesses', which in reality are often linked to certain investors that are well known in the area (Tamás et al., Népszabadság, 6 Feb 2010)<sup>1</sup>. The controversies around the land ownership structure are not easy to overcome. Meanwhile, in early 2011 Hungary got the approval from the European Union to extend the prohibition of non-Hungarians buying land in Hungary by further three years. According to experts, this period should be used to develop an efficient land ownership policy.

#### *The 'large' and 'small' farm dichotomy*

As described in the NRSC (and elsewhere), the duality of the farm structure means that there are large number of micro farms, and a smaller number of large farms that at the same time use a high proportion of the land and are the main beneficiaries of direct support (NRSC, 2011, p.26). At the same time support provided to corporate enterprises (i.e. enterprises with more than one stakeholder) far exceeds the support received by individual farms (idem.).

According to agricultural specialists (researchers and practitioners alike) it would be **important to put greater emphasis on small farm support within the future CAP**. It is argued that the current CAP has not supported small farmers<sup>2</sup> to a sufficient extent, which has been a particular problem in new member states where more than half of the small farms of the EU are located (approximately 4,5 million farms) (Jámbor, 2011, p.194 with reference to Csáki et al., 2009). It is further argued, that the problem is exacerbated by the fact that small farms in new member states are often part of a dual farming structure, i.e. relatively many people cultivate relatively small areas.

There are a number of further controversies that surround the 'small farm' issue. Namely, it has been argued that **small farms are often in a disadvantaged position when applying for CAP support** due to their smaller size and the complex administrative requirements. As a result they often received marginal support or did not apply at all (Jámbor, 2011, p. 190). According to Jámbor (2011) the allocation of direct payments is distorted both geographically and according to farm sizes. 'According to the traditional 80-20 rule, 80% of support goes to 20% of the beneficiaries' (Jámbor, 2010, p.190 with reference to Gorton et al., 2009 and Zahrnt, 2009). This is in line with similar findings of the mid-term evaluation of the NHRDP with regard to pillar 2 payments, namely that 5% of the beneficiaries committed 69% of axis 1 (improving competitiveness of the agriculture and forestry sectors) payments (Hungarikum Consortium, 2010).

---

<sup>1</sup> Typically national investors (note that commercial companies currently can not buy land in Hungary). However, a number of 'hidden contracts' (called 'pocket-contracts' in Hungarian) are also said to be in place, with foreign investors.

<sup>2</sup> There is no unique definition of what is meant by small farms. Generally, small is below 50 hectares, whereas large is a few hundred (200-300) hectares at least. As a guide, roughly half of the land is in the hand of private persons, with an average size of 9ha per farm, and a bit less than half is owned by corporate enterprises with an average size of approximately 294 hectares (Source: Annual Report on the State of the Agriculture in 2009, Ministry for Rural Development).

The 'small' and 'large' farm dichotomy often comes up during the public debate about the future CAP. However, as it will be emphasised later in this report, it would be important to move away from a rigid 'small' versus 'large' farm arguments as both types of farms are capable of contributing to the sustainability of the agriculture and rural livelihood.

*Employment creation in rural areas through pillar 1 and 2 payments*

**Creating employment** at the local level and **halting rural depopulation**, especially the outflow of young people, seem to be extremely important challenges. One of the weaknesses of direct payments has been that they were not capable to ensure that rural employment levels are sustained (Jámbor, 2011). In Hungary, a number of **factors contributed to lower employment levels in rural areas**. Among others, the loss of market share of the more labour-intensive livestock farming has had a negative impact on rural employment<sup>3</sup>. Although, some agricultural stakeholders argue that only large farms are capable of producing in a competitive way, and they are the ones creating employment; this argument is contestable. For instance, many agricultural experts claim that intensive arable farming (that dominates the Hungarian agricultural structure today) does not considerably contribute to local employment and often has negative impact on the environment (e.g. causing soil and biodiversity degradation in certain areas). Also, modernisation (and especially new machinery and technology development) often has an adverse effect on the level of employment (as the results of the mid-term evaluation of the NHRDP shows).

A related issue is creating the **right balance between pillar 1 and pillar 2 payments**, a debated issue in many EU countries. Rural development (pillar 2) payments are highly justified as they address a number of core problems in rural areas, including the low level of employment (and the lack of alternative income sources), environmental and social problems and depopulation. Although rural development support is much needed, their efficient use was often not ensured in particular in the new member states. Furthermore, in Hungary, the management of the current CAP has been very much separated from the management of other regional development programmes, and this stood in the way of addressing complex territorial problems efficiently. Over-bureaucratic procedures (discussed below in detail), centralised procedures and the lack of flexibility had particularly negative effects on the outcomes of rural development projects. These weaknesses have often led to the inefficient targeting and in some cases the misuse of funds.

Concerning inefficiency, examples include the much criticised playground developments in rural settlements in Hungary. Many stakeholders and specialists have questioned the usefulness of such investments in the light of other imminent rural needs (especially in rural areas where there are hardly any young children). In addition, investments were

---

<sup>3</sup> There are number of explanations for such a decline, including the lack of market protection after EU-accession, import pressure, environmental and animal health requirements (i.e. additional investments without extra profit or cost reduction), the decline of 'domestic' (small-scale) animal breeding, the separation of land ownership and livestock farming, limited focus of EU support on (or protection of) certain animal husbandry sectors (especially as poultry and pig breeding).

commonly contracted to companies that were not based in the local areas, therefore also did not have advantageous impact on local employment. Finally, the sustainable management of playgrounds was also not ensured. This is a typical example for the lack of strong targeting of funds.

As a result, **agricultural stakeholders in Hungary have often criticised rural development programmes and projects**, arguing that money was wasted without creating local employment. This in turn, creates tensions between agricultural producers and other beneficiaries of rural development funds. Professional and public opinions suggest that the two main objectives of rural development should be integration and targeting (Jámbor, 2011, p.195). Particular attention will need to be paid to address rural poverty through employment creation and infrastructure development. The involvement of local stakeholders (decentralisation) is also an important aspect of the management of future rural development programmes. Many also stress that based on previous successes, the Leader approach (i.e. locally led rural development) could contribute to the efficiency of rural development programmes.

#### *The need to improve local products with high value added*

There are a number of key food supply issues that drive the current CAP debate at the European level, such as food safety, safety of food supply and management of the food supply chain (Jámbor, 2011). Some of these issues became particularly important in the Hungarian context. The importance of the **production of local quality food products** and their sales at local markets has been stressed by many, especially in the light of some negative impacts of large-scale intensive crop production. As it is argued by Jámbor (2011) '[t]here is an increased need for locally produced, healthy food products with high nutritional value. Therefore, most experts think that the future CAP should put particular emphasis on protected designation of origin and local food promotion' (Jámbor, 2011, p.192). It is important to improve local markets and enhance the links between local food producers and local consumers. This emphasis is also expected to have strong impact on local employment and sustainability.

Strengthening local food production to improve the position of producers within the food chain is in line with the stated objective of the future CAP and received particular attention in the NRSC in Hungary. 'This is of particularly high relevance for small producers that have been facing major difficulties in accessing markets. In their case, supporting cooperation and joint action would also be highly important' (Jámbor, 2011, p.193).

#### *Declining animal husbandry sector*

The **animal husbandry sector has been facing serious difficulties**. The sector has been in continuous decline both in terms of production and in terms of employment. Animal husbandry produces only 37% of the gross output in terms of turnover<sup>4</sup> (while the proportion of gardening has reduced substantially as well). The role of fattening cattle on grass (organic farming) has reduced substantially. Many animal husbandry

---

<sup>4</sup> Source: Report on the Status of the Agriculture, 2009. Note: gross outcome is calculated in the report on the basis of the Agricultural System of Accounts, which refers to all agricultural activities carried out in the country irrespectively from whether agriculture is the main field of activity of the economic unit or not.

farms do not have their own land, which means that animal husbandry and land ownership have been separated, which further contributed to the decline of the sector (NRSC, p.28). Both cattle and pig breeding have reduced substantially.

According to Vajda (2010, p.44) the **CAP post 2013 should introduce more measures to develop the animal husbandry sector**. 'Animal husbandry does not only include cattle and sheep breeding, but pigs and poultry as well. The CAP of the early 60s referred the pig and poultry breeding into the category of 'soft' regulation, and coupled it with limited instruments only. The explanation was that some 70 percent of the costs within these two sectors are related to animal nutrition' (idem.). The growing of forage, especially cereals was already highly regulated. Later, the increased sensitivity of the cereal sector resulted in the decline of pig and poultry breeding as well.

#### *Over-bureaucratic CAP procedures*

Bureaucratic management of EU funds seems to be a problem in many member states and has been an aspect much criticised concerning the current CAP. The **complex procedures and administrative burden** have been particular issues with regard to the management of rural development funds, and in particular those axes that require a more flexible approach (such as the Leader axis). The phenomenon of 'over-bureaucratisation' seems to be a **particularly prominent issue in new member states**. There may be a number of explanations for this. For instance, new member states are relatively new to the process and pragmatic and efficient mechanisms to manage EU funds often have not yet been developed. Bureaucratic traditions and over-control may also be phenomena inherited from the past political system, as well as a result of concerns about the possible misuse of funds and corruption. Finally, new member states often fear stricter control and possible fines from the European Commission, and therefore tried to develop mechanisms to ensure the orderly use of public money, which often resulted in over-bureaucratic procedures and over-control by the implementing bodies. Finding the right balance between appropriate control to ensure the trustworthy use of public money (accountability) and leaving enough flexibility to ensure the efficient use of funds is in fact a highly challenging task.

### **1.3 Methodology of this study**

As described above, an intensive public debate already took place during the first half of 2010 about the future CAP reform. Therefore, the reactions to the Commission Communication of 18 November 2010 have been more limited. For instance, the National Rural Development Network in Hungary received only some five responses to the impact assessment process launched by the European Commission.

For the purpose of this report we identified public stakeholders that reacted directly or indirectly to the Commission Communication on the CAP towards 2020. In line with the methodological approach of this study we analysed statements issued after the date of the Commission Communication (i.e. 18 November 2010). We systematically identified and assessed responses from a wide range of stakeholders:

- We have reviewed Internet sources for any relevant statements from stakeholders that **directly responded to the Commission Communication**. During this, we aimed at identifying a wide range of stakeholders, such as those

representing producers' interests, environmentalists, rural development stakeholders (such as Local Action Groups), etc.

- We have **reviewed a large number of relevant periodicals** issued after the date of the Commission's consultation document in order to search for reactions and opinions. Online and printed periodicals in the agricultural and rural development fields that we reviewed include *Agrárium*, *Agronapló*, *Agrárgazdasági Figyelő*, *Agrár és Környezetjog*, *Gazdálkodás* and *Studies in Agricultural Economics*.
- We have identified **further information sources issued after the date of the communication** in relation to the CAP reform, but not directly reacting to the Commission Communication. In this regard information about the Hungarian presidency's activity and the development of the National Rural Strategy Concept (NRSC) are of particular relevance.
- Finally a number of **reactions to the more detailed proposals of the Commission** of 12 October 2011 have also been analysed.

## **2. Assessment of selected statements**

### **2.1 Statement by the Agricultural and Rural Youth Association Hungary (AGRYA)**

#### *A) Background*

The Agricultural and Rural Youth Association in Hungary (AGRYA) is the only independent representation of young farmers and it was formed in 1996. AGRYA focuses mainly on European agricultural policy issues. In its mission statement AGRYA emphasises its political independency. It currently has some 1500 members. The statement of AGRYA has been selected for the purpose of this study to present one of the 'sector'-specific (i.e. young farmer) standpoint about the Communication.

#### *B) Review of statement*

AGRYA states that the Commission Communication of November 2011 is an important, however, general document therefore only **general observations** can be made. AGRYA supports the idea of basing the CAP on two pillars and agrees with the three priorities identified. The organisation argues that 'status quo' is not a realistic option, whereas Option 3 (the elimination of direct support and market measures) does not seem to address effectively the challenges outlined by the future CAP.

Not surprisingly, AGRYA emphasises the importance of **measures in support of young farmers** in order to address their specific needs and to assist those newly entering the sector. The organisation argues that the future CAP should provide more diverse support for young farmers. It also stresses that support should be targeted in order to reach active farmers. In this respect, the precise definition of 'active farmers' is indispensable in order to provide legitimacy for the CAP<sup>5</sup>.

---

<sup>5</sup> In relation to the Commission's proposals of 12 October 2011, a number of stakeholders in Hungary welcomed the commitment to support active farmers only. However, no specific statement from AGRYA on this issue was identified after October 2011.

AGRYA **generally agrees with the basic concept of direct payment allocation**, however, it also stresses that a more detailed opinion can only be given once the details of these principles are further worked out. The organisation considers relevant to **introduce an upper ceiling** for support received by large farms ('capping'), as well as the **simplified support system for small producers**, at the same time it is important to define the details of such systems as well as to simplify the regulatory conditions.

AGRYA considers relevant the concept of additional support in return of the production of **public goods**. It also stresses the importance of risk assessment instruments. Finally, the organisation emphasises that substantial decrease in support would have devastating effects in Hungary and other Central Eastern European Countries.

### *C) Summary and conclusions*

AGRYA provides fairly general responses to the Commission's proposal. It favours Option 2 as it sees Option 1 unrealistic and Option 3 unacceptable in light of the objectives set for the future CAP. The statement stresses the importance of providing a more diverse range of support for young farmers within the future CAP. It also emphasises that substantial reduction of support in the CEECs would have a highly negative impact.

## **2.2 Statement by the Agro-economic Council**

### *A) Background*

The members of the Agro-economic Council include experts in the field of agriculture, food-industry, trade, environment, rural development; consumer interest representations; professional bodies; research institutes and universities. The Council is independent from the Ministry for Rural Development, however, the facilities for its operation are secured by the Ministry. The statements made by the Council are referred to and discussed by the parliament. Among others, the Council is responsible for formulating an opinion about the annual reports on the state of agriculture issued by the Ministry. The statement of the Agro-economic Council has been selected for this study as it represents consensual views of various stakeholders.

### *B) Review of statement*

The Agro-economic Council issued a brief statement listing in bullet points aspects that they agree with, aspects that they actively support, suggestions and aspects that they are missing from the Commission Communication of November 2010.

The Agro-economic Council agrees with the main strategic objectives of the Commission's Communication, in particular ensuring sustainable food supply in the long term; meeting the increasing global food demand; producing high-quality, diverse and healthy food products in a sustainable way; farming in a way to sustain natural resources and reduce the impact of climate change; strengthening local rural communities; increasing the share of agricultural production within the supply chain.

The Council **strongly supports** the idea of **not to reduce CAP funding**, that the policy continues to be based on **two pillars**, that the system of **direct support is sustained**, the market regulation system is sustained, and that food import coming from third countries is subject to the same requirements as EU products.

The Council **suggests** the introduction of market interventions **differentiated at the regional level**, that **producer communities** enjoy wider scope and scale of support in the future, and that the **special needs of young farmers** and those newly entering the agricultural sector are better addressed through the CAP priorities.

The Agro-economic Council **misses** from the communication the acknowledgement of the **differentiated development needs of new member states**; the strengthening of **LEADER** in rural development based on the successful experience of two decades; the pronounced protection of European rural values; the **precise definition of certain notions** (such as active agricultural producers and small farms).

### *C) Summary and conclusions*

The most important messages delivered by the statement of the Agro-economic Council are the suggestions made and the weaknesses identified. However, suggestions and weaknesses are relatively short, and the statement could be further enriched if these ideas were further detailed (e.g. the way market interventions should take into account differentiated regional needs). Nevertheless, the statement draws attention to important points such as the need to strengthen Leader and the need to define some of the notions more precisely.

## **2.3 Statement by the Parliamentary Commissioner for Future Generations**

### *A) Background*

Above all, the Parliamentary Commissioner for Future Generations (PCFG) is an environmental ombudsman. As one of Hungary's four parliamentary ombudsmen his principal responsibility is to safeguard citizens' constitutional right to a healthy environment. In this capacity he investigates complaints relating to a broad range of environmental issues such as the degradation of urban green areas, noise pollution by aviation, licensing of individual industrial installations, etc. Secondly, as a guardian of future generations, he acts as a policy advocate for sustainability issues across all relevant fields of national or local legislation and public policy. This varies from the financing of environmental authorities, through the role of civil society in environmental decision-making to transport infrastructure development. Finally, the Commissioner aims to develop a strategic scientific research network through undertaking or promoting projects targeting the long-term sustainability of human societies. The statement by the PCFG has been selected for this study as it represents a well-structured and detailed sectoral perspective on the Commission Communication.

### *B) Review of statement*

The statement emphasises the relevance of the Commission Communication in the light of the (then) upcoming Hungarian presidency. The statement starts by quoting the Communication: the CAP "is confronted with a set of challenges, some unique in nature, some unforeseen, that invite the EU to make strategic choice for long-term future of its agriculture and rural areas". It is argued that **the current CAP did not provide solutions to important problems**. In fact, it has even enforced such problems in some cases. Current practices of agricultural production result in over-exploiting natural resources, often with EU support. At the same time, the economic and social sustainability of the agricultural sector is still in danger as the number of employees

working in the agricultural sector continuously decreases (despite the direct support received from CAP). Therefore, the statement argues, that there is a **need for a completely new perspective of the CAP**, with a focus on sustainable management of agriculture.

The PCFG appreciates that the intention of “greening” the CAP and the principles of using community funding for public interest appear in the Communication. However, it argues that the description of **Option 3**, which **would offer the most desirable option** and would move the CAP towards sustainability, is **the least worked out in the EC proposal**. According to the PCFG the Communication makes the impression that it favours the more detailed Option 2 that only contains limited reform elements and would sustain the non-targeted and obsolete ways of support that yield limited public gains. The main criticism of the statement with regard to the Communication is in fact its **biased nature towards Option 2**.

The Communication makes reference to the EU 2020 Strategy in terms of smart growth, sustainable growth and inclusive growth. The statement of the PCFG, however, emphasises that ‘it would be particularly important to clarify the **insoluble conflict between sustainability and growth** that has already been pointed out by many analyses over the last decades’ (PCFG, Dec 2010, p.2).

With regard to **viable food production** the PCFG’s statement emphasises that the problem of **food crisis can not be solved through increasing the intensity of European food production**, European export or the size of agricultural land. Solutions should be identified through the production of nutrient-rich, healthy food with a high biological value, and in the formation of distribution patterns through market regulation and consumer culture. At the same time (instead of “feeding the World”), the EU should provide financial and intellectual support for the agricultural sector of the developing countries. Instead of emphasising the importance of producing for global markets, the **EU should concentrate on its own food supply**, with the least possible transportation (food-distance). “The reduction of “food-distance” through regulation could contribute to the essential “food-subsidiarity” in the regions of the European Union’ (PCFG, Dec 2010, p.3). Food-subsidiarity can contribute to the protection of European, national and local food producers and markets; to the moderation of the share of food supply as compared to food production within the food chain; to the elimination of the negative environmental effects through the limitation of the use of fossil fuels; and may reduce the EU’s ecological impact outside its borders in line with the biodiversity objectives of the 2020 strategy. In fact, food-subsidiarity is where the interests of European environmentalists and producers’ associations meet.

With regard to **sustainable management of natural resources and climate action** the statement argues that the current CAP links direct payments to ‘**outdated criteria and requirements**, which do not contribute to the environmental and rural development objectives of the Union, and generate counter-productive processes’ (PCFG, Dec 2010, p.4). It is argued that cultivation practices, which contribute to the exhaustion of public goods should be sanctioned, and those that contribute to their development should be better encouraged. In particular, the promotion of **extensive grazing on high nature value (HNV)** farmlands would need to be supported in line with the objectives of Natura 2000 and green infrastructure objectives of the EU. Furthermore, the PCFG argues that no sufficient attention was paid in the

Communication to soil erosion, which has been a major environmental concern. Also, the Communication does not touch upon the issue of **bio-fuel production and biomass usage**, which have negative impact on the production structure, and carry risks for the soil and living resources.

The statement argues that the principle of '**public money for public goods**' would need to be followed when allocating Community funding. In other words, public funding should be provided to those cultivation methods, and those producers that demonstrate strong performance in both environmental and employment terms, and those who do not get sufficient return for such a performance under the current market conditions. The PCFG claims that the current CAP direct payment system and the system of incentives have had negative effects with regard to the erosion of the natural capital of the agricultural landscape and the intellectual capital of farmers.

### *C) Summary and conclusions*

The statement of the PCFG makes critical suggestions with regard to the Commission Communication. Among others it requests that:

- equal balance should be provided to the various policy options, and in particular Option 3 of the Communication should be further detailed;
- the "food-distance" should be reduced and subsidiarity with regard to food production and trade should be enforced (coupled with food diversification and seasonality);
- instead of strengthening international food trade, the focus should be directed towards self-reliant Europe;
- it is essential to put the emphasis on 'public money for public goods' when designing the system of support;
- soil protection should be a priority topic within the CAP target system;
- the current and future impact of biomass use and bio-fuel production should be further analysed;
- the sustainable management of high nature value farmlands would be essential;
- the monitoring and control system should not be limited to the "implementation according to rules" principle, but should be capable to continuously assess the achievements in terms of the environmental and biodiversity goals;
- traditions, local knowledge and a modern biological and ecological knowledge should be the basis of future research and development activity, and training would need to play a key role in strengthening knowledge in terms of food production, trade and consumption.

The main value added of the PCFG's statements lies in the critical and systematic assessment of the Commission's proposal, and its practical and forward-looking suggestions.

## **2.4 Statement by DIPO Public Association (Leader Association)**

### *A) Background*

DIPO Duna-Ipoly Cross-border Cooperation Local Public Association was founded in 2008, and is operating as a Local Action Group (LAG) in Hungary. The objective of the LAG is to implement local as well as cross-border cooperation projects that lead to a

competitive rural economy and a local community with strong identity. The statement of DIPO was selected for the purpose of this study as it represents a rural development (Local Action Group) point of view on the future CAP.

### *B) Review of statement*

The statement by DIPO Association responds critically to the current design of the CAP. It draws attention to two perceived contradictions, namely the contradiction between rural development and the agricultural sector; and that of the natural conditions and the agricultural sector.

The statement argues that the rural development sector should not become subordinated to the agricultural sector. This ideology is said to be in line with the Cork Declaration of 1996. Furthermore, **agricultural production often goes against environmental interest** and therefore the agricultural sector cannot be expected to solve environmental problems on its own. One specific Hungarian example is the lowering of the level of ground-water in the Duna-Tisza Upland, and related soil erosion. In this case the agricultural sector has been incapable of solving the problem of continuous soil depletion and other externalities (such as outmigration or people from the area).

Based on the above, DIPO argues that a **completely new type of thinking is required** in order to efficiently respond to the specific problems. Particular attention needs to be paid to:

- Sustainable society
- Financial and energy-related sustainability
- Sustainability of the knowledge-based society

The statement of DIPO (being a LEADER Association) focuses on the issue of rural economy. Rural economy is seen in its complexity, i.e. a combination of sustainable development, technology, regional planning, protection of biological diversity, agriculture, forestry and fishery, social infrastructure, tourism, education and international relations. Rural development should build on the specific needs of the rural community based on the principle of subsidiarity and solidarity. With regard to local development the statement emphasises that **not only the devolution of competences but also the allocation of relevant resources are necessary** for the efficient implementation of the subsidiarity principle. The role of **endogenous development** is also stressed, i.e. that local communities should be proactive, independent and take an active role in their self-development.

One of the major problems of the Hungarian agricultural sector is the continuous decline of agricultural income. The statement suggests that it would be important to ensure sustainable development through returning to agricultural structures and methods based on the involvement of **traditional food producers** who need to be educated on how to best use their soil. It is stated that the core resource for development in most rural areas is the agricultural sector.

### *C) Summary and conclusions*

The statement indirectly reacts to important challenges also raised by the Commission Communication of November 2010. *Indirectly* means that no direct reference is made to the Commission Communication, however, the problems and issues raised are in line with those of the Commission Communication. Among others the statement emphasises:

- The importance of the environment and climate change in line with the Commission Communication (and calls for the sustainable management of natural resources, especially the soil.
- The importance of a *territorial balance*, i.e. argues in line with the Commission Communication that agriculture remains the main income source of most rural areas.

At an overall level, the DIPO statement is in line with the objectives of the future CAP as described in the Commission Communication. Although it is not explicitly stated, the statement points towards policy options 2 and 3 proposed by the Communication. The statement is in line with Option 2 in the sense that it puts particular emphasis on sustainability, and its orientation towards economic, environmental and social challenges. It is also in line with Option 3 in the sense that it emphasises the importance of environmental aspects among the CAP priorities.

## **2.5 Statement by the Hungarian Rural Association**

### *A) Background*

The Hungarian Rural Association (HRA) was set up as a new umbrella organisation in August 2010. The HRA is an NGO and aims (1) to represent the interest of all rural development organisations and communities using the Leader approach; (2) to assist the development of sustainable rural economic-, social- and environmental systems; (3) to operate as a think tank, which elaborates practical methods, plans and concepts in the various fields of rural development.

The HRA together with the Hungarian National Rural Network has organised an international conference entitled 'Rural development and Leader in the Europe 2020 Strategy' with the aim to contribute to the Commission's proposal with regard to the future rural development policy. The conference has built on the results of the debate previously organised by two French rural development organisations (LEADER France and Association Pour la Fondation des Pays) on 24 November 2010. As a result of the conference of January 2011 the Budapest Declaration was issued and signed by various rural development stakeholders. The Budapest Declaration has been selected for the purpose of the study as an important statement in relation to the future rural development policy with an international relevance, emphasising the role of the Leader approach.

### *B) Review of statement*

The statement emphasises that the **Leader programme** and its special European method have received **insufficient attention in the Europe 2020 Strategy**. It is argued that rural development support applied through the Leader approach is a much more efficient way of using scarce public resources than applying them through conventional top-down, horizontal schemes. Leader is a multi-sectoral local development

methodology based on principles like subsidiarity in planning and project selection, enhancing innovation, cooperation and networking. Therefore, the Leader method is a tool, which ensures the efficient use of public money in line with local needs, it fosters innovative solutions and it is also able to handle complex challenges.

Reviewing the experiences gained in the course of four generations of the Leader Programme, it becomes evident, that apart from strengthening cohesion it can effectively help mitigating problems like poverty and territorial inequalities and it can also assist developing sustainable local economic, social and environmental systems. Leader had significant results in the following fields:

- maintaining rural population thus mitigating urban problems;
- generating local income and employment;
- diversifying local economy;
- strengthening micro and small enterprises;
- halting the outmigration of youth from rural areas;
- mitigation of climate change and adaptation to its potential effects;
- alleviating social problems through helping disadvantaged people.

### *C) Summary and conclusions*

The Budapest Declaration makes direct reference to the Commission Communication with regard to the CAP's contribution to the EU 2020 Strategy . The declaration states that **Leader can be a cost efficient way of supporting the Europe 2020 Strategy in terms of 'smart', 'sustainable' and 'inclusive' growth**. Through the declaration, the representatives of the European Leader society present during the seminar requested the Commission to ensure that an appropriate role is given to rural development, and the Leader approach in particular, in the Europe 2020 Strategy.

The main added value of the Budapest Declaration is that it highlights the relevance of the Leader approach for future rural development policies. The Commission Communication makes no explicit reference to the Leader approach. Despite its previous successes Leader and the stakeholders involved (in particular Local Action Groups) are said to have a weakening role in rural development programmes due to the mainstreaming of Leader during the 2007-2013 programming period.

## **2.6 Academic perspectives on the Commission Communication of November 2010 and the current CAP reform**

### *A) Background*

In this section we collected some academic analyses about the current reform of the CAP. Academic publications with regard to the Commission Communication of November 2010 are relatively limited to date because of the short time period since the issuing of the document. Here we present two recent contributions:

- A series of events were organised at the Corvinus University (Budapest) entitled 'Agroeconomic Workshops', including a debate on the 26 October 2010 about the future CAP. Attila Jámor assistant professor at Corvinus made a presentation on the CAP post 2013, and later enhanced his presentation material with information on the Commission Communication of November 2010 in the

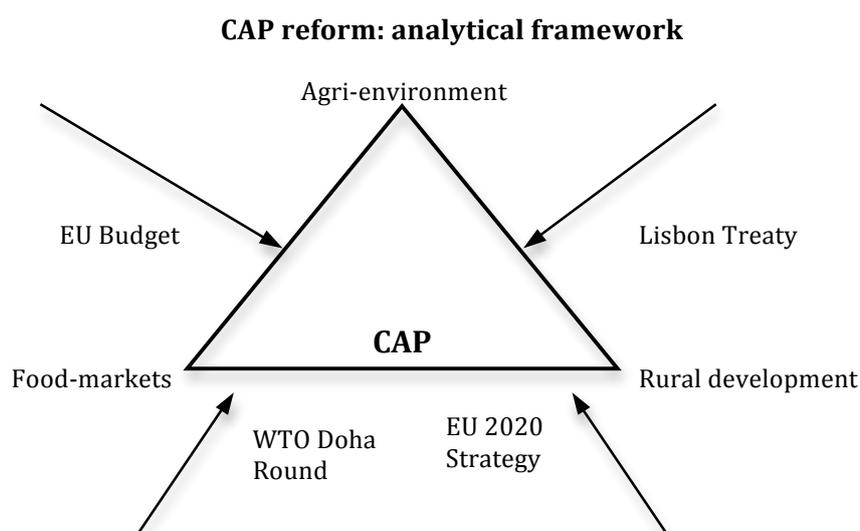
form of a working paper entitled 'The future of the Common Agricultural Policy: Analytical Framework'.

- Gábor Udovecz professor at the Kaposvár University published an article on the future CAP reform from an academic perspective entitled 'The reform of the Common Agricultural Policy from a Hungarian (academic) perspective'. The review of the article is complemented by a short summary of the study of the Research Institute of Agricultural Economics (2010).

There are other (academic) publications about the current CAP reform, such as the book entitled 'The future of European and Hungarian agricultural policy. Dialogue for the Countryside' (Glatz, 2010) and the one on 'Facts and views for the reform of the CAP 2014-2020' (Tanító, 2010). However, both of these were issues prior to the Commission Communication (therefore have not been included in the study).

### B) Review of statement

In his working paper Jámbor (Nov 2010) presents the **main issues that have come up in the debate about the future CAP**, and the policy options presented by the Commission Communication of November 2010. He comes up with an **analytical framework** that can be used to assess the future of the CAP (presented in the figure below). According to Jámbor there are various external factors (as presented in the figure below) that impact on the CAP and its three main angles, namely agri-environment, food markets and rural development. Internal and external factors influence the size of the triangle (i.e. the scope of the CAP) to various degrees. At the same time, he suggests, with reference to the analytical framework presented, that 'the regulation of the three individual policy areas within the Common Agricultural Policy (food-markets, rural development and agri-environment) would be more logical and transparent in a **three-pillar rather than a two-pillar system**, where agri-environmental regulations fall within rural development' (Jámbor, 2010 Nov).



Source: Jámbor (2010, Nov)

Jámbor (Nov 2010,) draws the following conclusions about the future CAP:

- **The current form of the direct payment system is inefficient**; therefore, there is a need for its reform. According to more moderate options direct payments should be transformed into a safety net and should be used as an instrument that promotes public goods, according to more drastic opinions direct payments should be gradually abolished. It is argued that direct payments have not been efficient in overcoming employment problems, they are distorted both geographically and according to farm-size, they often do not benefit farmers directly but producers of raw materials and landowners indirectly, they are also lower for new member states. However, Jámbor (2010) also agrees that the abolishment of direct payments would cause serious disruptions especially in new member states.
- Sufficient **food-promotion and food-safety** remains a top priority, and should remain a primary objective of the CAP.
- Agriculture remains a core industry and therefore **strengthening its competitiveness** continues to be an important priority. Conditions for this include improved productivity, land ownership policies, agricultural financing and institutional development.
- Support to be provided to **small farmers** is of utmost importance. The current CAP almost excludes small farmers that are present in high numbers in new member states.
- **Rural development policy** continues to play a prominent role in the improvement of rural quality of life. In the future, it should be a priority to clarify the relationship between rural development and cohesion policies. There is a need for integrated and targeted programmes rather than a 'common menu of measures', and more attention needs to be devoted to local needs.
- A particularly important goal within rural development is **addressing poverty**. In this regard a complex approach and overarching programmes are needed.
- Finally, to promote **public goods within agri-environment programmes** and to address issues related to climate change and renewable energy are important priorities. The efficiency of agri-environmental programmes and related monitoring systems need to be improved, therefore linking direct payments to public goods provision is a forward-looking development.

Udovecz (2010) emphasises that the development of the Hungarian agricultural sector and rural areas depends primarily on our national resources, values and mechanisms, not on the outcomes of the CAP reform. It is important to keep the right order, i.e. to develop the Hungarian rural and agricultural strategy first, and then develop the Hungarian position with regard to the future CAP. As far as the Hungarian context is concerned, Udovecz argues that it is an **over-simplified and harmful approach to narrow down dilemmas and problems** to arguments such as 'small or large', 'local or global', 'organic or industrialised'. Rather, the balance of various factors in agricultural and rural development should be well estimated.

He identifies, in line with the European objectives, four priority areas for the Hungarian agriculture, namely:

- Firstly, we should **reserve the right of disposal over our natural resources** (land, forests, waters), as well as our capacities and skills for food production in order to maximise local sustainable supply and employment.

- Secondly, it is a realistic goal to **approach to and reach the level of EU-15** in the course of the next 20 years, and increase our exports.
- Thirdly, it is a priority objective to **preserve a healthy environment** and guarantee food safety, biodiversity, the diversity of our landscapes, production and rural heritage and culture.
- Fourthly, our material and financial resources should be focused on **improving the efficiency** and competitiveness of the agricultural sector.

Udovecz (2010) reviews the possible directions of the next CAP reform. At the time of writing the article only the preliminar position of the European Commission (issued on the 29 September) was available. In the last part, the author presents the opinion and position of Hungarian farmers based on a survey that uses contact data from the FADN database (662 respondents representing all types of farms). The results of the survey show that:

- 90% of farmers would **sustain the direct payment system**, while 6-7% think that there is no need for a common agricultural policy.
- Some 72% support the idea of allocating more funds for rural development, while some 15% are against the idea. At the same time **62% would refuse the idea to allocate more resources for rural development at the expense of reducing pillar 1 funds** (only 32% would agree with the reduction).
- 54% of respondents would support the idea to allocate certain percentage of the pillar 1 funds to **sector-specific objectives** (while 34% is against this idea). The most common sectors identified are cattle and pig breeding and gardening.
- Opinions diverge with regard to the basic **rate of direct payment**, as well as the 'additional' element of the direct payment. The majority of farmers, however, think that some kind of differentiation would be necessary (e.g. based on the size of farms and the agricultural sectors).
- Farmers see as the **most important goals of rural development**: green agriculture, preparation for climate change, and water management and irrigation development. With regard to the traditional rural development goals farmers give priority to the development of local markets and processing. Other goals include vocational training and support for the viability of small and medium-size farms.

Based on the research carried out by the Research Institute of Agricultural Economics (AKI) Udovecz (2010, p.730) summarises the key points for proposal for the development of a Hungarian national position.

<b>Pillar 1</b>
<p><b>1. Area-based direct support independent from production</b></p> <ul style="list-style-type: none"> <li>• Amount of payment: fixed</li> <li>• Basis of payment: area used in a given year</li> <li>• Conditions for payment: cross compliance (simplified rules, lower administrative costs)</li> <li>• Source: EU</li> </ul>
<p><b>1/a. 73/2009 EC Council Regulation, solution similar to that of Article 68</b></p> <ul style="list-style-type: none"> <li>• Entitlement: e.g. livestock linked to the used area</li> <li>• Source: given percentage of point 1 (area-based coupled direct payment, i.e. independent from production)</li> </ul>
<p><b>2. Differentiated direct support independent from production</b></p> <ul style="list-style-type: none"> <li>• Amount of payment: varies by member states and regions, decreases year-by-year,</li> </ul>

<ul style="list-style-type: none"> <li>phasing out</li> <li>• Basis of payment: historical basis</li> <li>• Conditions for payment: cross compliance (simplified rules, lower administrative costs)</li> <li>• Source: EU (funds released are allocated to pillar 2 for the 'new challenges')</li> </ul>
<b>Pillar 2</b>
<p><b>Priority 1: Climate change and green agriculture</b></p> <ul style="list-style-type: none"> <li>• Source: EU and national</li> <li>• Measures: complying with stricter than cross compliance requirements, the reduction of CO<sub>2</sub> (equivalent) emission, protection of water catchment areas and the reduction of water consumption/use, protection and enhancement of biodiversity, biomass usage, risk management</li> </ul>
<p><b>Priority 2: Structural adjustments</b></p> <ul style="list-style-type: none"> <li>• Source: EU and national (function of GDP)</li> <li>• Measures: developments, food supply and food safety, generational replacement, etc.</li> </ul>
<p><b>Priority 3: Diversification</b></p> <ul style="list-style-type: none"> <li>• Source: EU and national (function of GDP)</li> <li>• Measures: local processing of food products, direct sale, rural tourism, etc.</li> </ul>
<p><b>Priority 4: R&amp;D&amp;I</b></p> <ul style="list-style-type: none"> <li>• Source: EU and national</li> <li>• Measures: research and development, innovation</li> </ul>
<p><b>Market measures</b></p> <p>The extension of intervention mechanisms applied in the case of fruit and vegetable production.</p>

Source: Tanito et al., 2010, p.89

<p><b>Box 2: Summary of research findings of the Research Institute of Agricultural Economics</b></p> <p>Around the date (but still prior to) the issuing of the Commission's proposal of October 2010 the Research Institute of Agricultural Economics issued a comprehensive study entitled 'Facts and views for the reform of the CAP 2014-2020' (Tanito et al., 2010). Chapter 7 of the study contains a range of reform suggestions of the CAP from a Hungarian point of view (among others it is the source of the table above). Some of the main findings of the study are summarised below.</p> <p>Concerning Pillar 1 the study suggests to:</p> <ul style="list-style-type: none"> <li>• Support farmers in each member state equally by 200 euro per hectare (decoupled support), setting some basic environmental, animal health, etc. requirements as eligibility criteria (cross compliance). At the same time, related administration should be simplified (support would be based on the size of land used in a given year).</li> <li>• It is suggest that member states have the possibility to set aside certain percentage of their national envelope for support of specific industries.</li> <li>• Differences concerning member state support should be gradually eliminated. The funds that become available this way should be regrouped to 'new challenges' within pillar 2.</li> </ul> <p>Concerning this later point, the study argues that current differences with regard to member state support should be eliminated until 2019. This means that support for member states currently receiving above 200 euros should be reduced, whereas</p>
--

those who receive less should be increased. Since the level of 2013 support is some 260, this equalisation would mean that some 10 billion euro extra funds become available, which should be allocated to pillar 2.

As far as pillar 2 is concerned, the study suggests the introduction of five priorities, namely (1) alimentation and food safety, development of arable, livestock and food safety network and control systems; (2) the extension of production and use of biomass for energy production purposes; (3) responses to climate change, water management, new technologies, new materials, chemicals, animal and plant safety, biodiversity, etc.; (4) sustainable rural development, strengthening of communities both socially and economically, supporting cohesion; (5) competitiveness, education and training, R&D.

According to a more radical reform option made by AKI in its study, two additional pillars could be set up, namely pillar 3 on risk management, and pillar 4 on 'social solidarity', essentially providing food vouchers for people in poverty.

### *C) Summary and conclusions*

The first academic paper by Jámbor (2011) assessed in this report highlighted a range of challenges that drive the debate about the CAP reform today, including issues related to the direct payment system, food promotion and safety, competitiveness, support for small farmers, rural development and poverty, agri-environment and public goods.

The article by Udovecz (2010) stressed the importance of formulating a united Hungarian national position on the future CAP, and also made suggestion to the key points of such a position (based on the findings of the research of the Institute of Agricultural Economics, AKI). Udovecz (2010) also summarised the prominent views of Hungarian farmers about the future CAP based on a farmer-survey using FADN contacts. The study of AKI makes suggestions for the reform of pillar 1 and 2, including a more radical option for change, whereby two additional pillars are introduced (one on risk management the other on social solidarity).

## **2.7 Statement by the Agricultural Chambers of Central Europe**

### *A) Background*

On the 28<sup>th</sup> and 29<sup>th</sup> of November the Hungarian Agricultural Chamber invited the chambers of other new member states in order to issue a declaration concerning the Commission's proposal of 12 October 2011. The nine countries that were present at the event, namely the Czech Republic, Poland, Slovakia, Hungary, Romania, Estonia, Latvia, Lithuania and Croatia, adopted a joint declaration with regard to the future CAP.

### *B) Review of statement*

The declaration contained among others the following key statements (Agricultural Chamber, Nov 2011):

- The current proposal of the Commission **does not contribute to a sufficient degree to the competitiveness** of European farmers, quite the opposite: the

freezing of support at a nominal value, as well as complex and costly requirements with regard to the eligibility criteria would result in the further decrease of the income of agricultural producers.

- The chambers propose a completely **new allocation system** for the national framework funding that ensures objective, unified and competition-neutral treatment for every member state, with the **elimination of differences between old and new member states**.
- Participants **refuse the 'greening component'** that is linked to the 30% of direct payments, as this would result in further reduction of agricultural income and competitiveness. They propose to include the 'greening' components as optional (rather than obligatory) within pillar 2, leaving pillar 1 resources unchanged. Products coming from third countries should be subject to the same environmental requirements.
- The Chambers also **refuse the capping** at the 300,000 euro ceiling, as they think this goes against modernisation as well as economy of scale considerations. Furthermore, it provides the ground for discrimination among European farmers. At the same time they **support the idea of making active farmers eligible** for funds only. However, they suggest the simplification of the notion of active farmers.
- The chambers also argue in favour of the sustainability of the export refund systems (especially in the case of cereal interventions), increasing of the intervention prices, sustaining the systems of milk and sugar quotas and grape planting rights until at least 2020.
- In the area of **rural development**, the chambers also argue in favour of more equal distribution of funds among member states. They suggest that 10% of the national framework amount should be possible to regroup between the two pillars. They suggest that only active farmers should be eligible for support in less favoured areas. At the same time they suggest that no limitations concerning farm size should be introduced. They argue that risk management measures should be further strengthened.

### *C) Summary and conclusions*

The statement made by the agricultural chambers of Central European countries responded to the proposals of the Commission of 12 October 2011. Overall the statement represents strong sectoral interest of Central European farmers. The main criticisms concern the unequal distribution of funds among member states as well as the additional burden that the greening component implies for farmers.

## **2.8 Perspectives on the 'greening' components CAP reform**

### *A) Background*

Firstly, the greening component of the CAP has been analysed from an environmentalist perspective. For instance, the 'Greenfo' website ([www.greenfo.hu](http://www.greenfo.hu)) publishes regular articles on the CAP and its future reform. Some of the most recent and relevant articles have been selected for the purpose of this study. Secondly, on the other end of the spectrum, some organisations, typically farmers' interest representations such as the National Federation of Agricultural Co-operators and Producers (MOSZ) and the

Agricultural Chamber have been more critical towards the proposed greening elements of the future CAP (in particular the proposals of the Commission of 12 October 2011).

*B) Review of statement*

According to one of the articles of Greenfo (Greenfo, 17 Sept 2011), the Pesticide Action Network (PAN Europe) and the Friends of the Earth Europe argued that the plans published by the European Union for the future CAP will **considerably worsen the environmental and human health protection conditions**. It is argued that the environmental requirements towards farmers will not ensure the achievement of the stated environmental and health objectives<sup>6</sup>. The National Society of Conservationists and the Clean Air Action Group in Hungary in agreement with PAN Europe and Friends of the Earth Europe requests the European Commission to set strict environmental and health protection and social requirements with regard to direct payments.

The Secretary General of MOSZ argued in relation to the proposals of October 2011 of the European Commission, that the support of ecological focus areas (EFAs) within the green component is **difficult to justify in the light of increasing food demand** of the world (Magyar Mezőgazdaság, 7 Dec 2011). The Secretary General argued that the obligation of farmers to designate 7 per cent of their farmland as EFAs weakens the agricultural sector and goes against the national interests of Hungary. Similarly, András Máhr deputy secretary general of MOSZ argued during a conference that the environmental requirements are particularly **critical in case of small farms**. For instance a farm of 10 hectares would not be functional if 0.7 hectares need to be set aside as EFA and on the remaining 9.3 hectares three types of crops would need to be produced (AgroTrend, 14 December 2011).

As specified elsewhere in this report (see section 2.10), Hungarian government officials also take a careful position on the greening component of the CAP. As the agricultural state secretary argued, the requirements may place **considerable additional costs and burden** for farmers. Therefore, Hungary has reservations towards the new proposals (of 12 October) of the Commission in this regard (GTM, 15 October 2011).

*C) Summary and conclusions*

Proposals for the future CAP are often criticised from an environmentalist perspectives. The Hungarian environmentalist groups typically issue statements in agreement with larger international organisations (i.e. are 'followers' of larger international organisations). It has to be noted that the European Commission proposed various 'greening' requirements in its proposal of 12 October, according to which 30% of the national funds would be devoted to green objectives (BruxInfo, 12 Oct 2011). However, no reference to these new proposals of the Commission were identified on the [www.greenfo.hu](http://www.greenfo.hu) website to date. Therefore, the environmentalist perspective on the new proposals has not been analysed.

---

<sup>6</sup> The article also argues that the system of crop rotation has been dropped from the obligatory requirements, although this is one of the most efficient environmental measure. However, it has to be noted that crop diversification is part of the eligibility criteria for the 'green component' of direct payments.

## **2.9 Reactions in relation to the European Commission's Impact Assessment on the future CAP**

### *A) Background*

The European Commission has launched a Consultation for the Impact Assessment on the "Common Agricultural Policy towards 2020" proposals in order to prepare the legislative proposal for the CAP after 2013. A questionnaire has been designed to target stakeholders who are concerned with the Common Agricultural Policy reform. Three Hungarian contributions have been identified on the Commission's homepage<sup>7</sup>, namely received from the:

- National Federation of Agricultural Co-operators and Producers (MOSZ): MOSZ is the successor of the National Council of Agricultural Cooperatives, which represented state socialist agricultural cooperatives. MOSZ is the representative organisation of 1,200 agricultural cooperatives and their successor companies, employing approximately 80,000 employees. In an attempt to broaden its constituency, it also seeks to represent the interests of genuine private businesses, the self-employed and small-scale producers in the sector.
- HANGYA Association of Hungarian Producer's Sales and Service Organisations and Co-operatives: The main objective of the HANGYA Association is to represent the interests of farmers' cooperatives and through this to strengthen rural society.
- CEEweb for Biodiversity is an umbrella organisation of nature conservation NGOs from the Central and Eastern European region. Its mission is the conservation of biodiversity through the promotion of sustainable development. CEEweb works through advocacy, influencing decision making, common projects, capacity building, networking and awareness raising. It targets its members, local, national and international decision makers, NGOs and NGO networks, companies and the scientific community.

Furthermore, five responses were also received by the Hungarian National Rural Network and made available for the purpose of this study in Hungarian language. The identities of the respondents with the exception of the Grain Producers' Association were not revealed. The Grain Producers' Association in Hungary (GPAH) was formed in 2004 and represents the interests of Hungarian grain producers (including sunflower, rape, soya and other plants). GPAH is also member of the European Landowners' Organisation (ELO) since 2007.

### *B) Review of statements*

*Policy scenarios: consistency with reform objectives, further problems and appropriateness of instruments proposed*

MOSZ expressed its opinion both in relation to the impact assessment process and the NRSC (see the latter in section 2.9). The MOSZ statement in response to the Consultation for the Impact Assessment on the CAP towards 2020 (MOSZ Consultation, Jan 2011, Q1) emphasises that the proposal on the CAP 2020 **should better address the needs of the**

---

<sup>7</sup> [http://ec.europa.eu/agriculture/cap-post-2013/consultation/contributions\\_en.htm](http://ec.europa.eu/agriculture/cap-post-2013/consultation/contributions_en.htm)

**animal husbandry sector**, especially the poultry and pig sectors.<sup>8</sup> MOSZ firmly opposes the introduction of an upper ceiling of subsidy payments for large farms. It suggests that besides size, the number of employees should be taken into account and the differentiation according to **subsidy payments per capita should be considered**. The Grain Producers' Association in Hungary has taken a similar standpoint, arguing in its statement that although setting an upper limit of support may have some positive consequences, it is in the interest of Hungary not to introduce such a limit. In a later statement with regard to the proposals of the European Commission of 12 October 2011, the Secretary General of MOSZ welcomed the proposal of linking the upper ceiling of direct support to the employment level (Magyar Mezőgazdaság, 7 Dec 2011). A briefing note issued by MOSZ about the European Commission proposals of 12 October states that "[a]ccording to the assessment of MOSZ and expert calculations, most members of the organisation will not be considerably impacted by the introduction of the [capping] measure due to the possibility to take into account [deduct from the amount of support] the costs related to legal employment. Higher loss of support is expected in the case of farms with high mechanisation levels and those that grow a limited range of plants, as well as those who pay for machine-based works as services and are involved exclusively in arable farming' (idem.).

The statement of the HANGYA Association argues that the instruments of **the CAP should be changed more fundamentally** than outlined in the consultation document. The current instruments do not provide sufficient motivation for sustainable agricultural production. Especially, the problems of the animal husbandry sector are not addressed to a sufficient degree.

According to one of the 'anonymous' respondents of the IA consultation, climate change has resulted in **new production patterns** and these issues will need to be addressed in the future. For instance, in Hungary the increased level of inland waters meant that spring plants (such as corn and sunflower) are grown in place of some of the autumn plants. This will result in the oversupply in corn at a dumping price. In such cases some kind of compensation may be required, e.g. through selling products at third markets or using them in bioethanol plants.

The statement of CEEweb emphasises the **specific nature of the agricultural sector** as it strongly relies on **renewable energy resources and ecosystem services**, and as such cannot compete with other sectors. '[A]griculture (and its profitability) is directly controlled by the ecological processes, which cause the large income differences.' (CEEweb IA Consultation, Jan 2011, Q1). CEEweb argues that providing income support for farmers (as proposed by four of the scenarios) can mitigate the income differences, but cannot solve the problems at their root cause. '[T]he different scenarios can only be effective (including also the re-focusing scenario), if the CAP is **part of a broader policy framework**.' (CEEweb IA Consultation, Jan 2011, Q1). Any kind of payment should only be given to those land use purposes, which are **best suited to the agricultural and ecological potential of the land**. The statement stresses that '[e]ven though agri-

---

<sup>8</sup> MOSZ acknowledges the voluntary coupled support provision of the proposed regulation of 12 October 2011. It is argued that depending on the negotiation strategy, it may be possible to set aside up to 10% of the annual national funding in Hungary for supporting sectors that are facing particular difficulties. However, the Secretary General of MOSZ highlighted that the pig and poultry sector are not addressed by this new provision either, i.e. it is not among the sectors specified for coupled support (Magyar Mezőgazdaság, 7 Dec 2011).

environmental schemes are introduced for areas with high ecological potential, there is no horizontal approach in the current CAP to use land for the highest benefit of delivering ecosystem services' (CEEweb IA Consultation, Jan 2011, Q2). For instance, in Hungary about 30% of intensively used arable land should be converted to other land uses according to an environmental study (CEEweb IA Consultation, Jan 2011 with reference to KÖRTÁJ, 2009). It is argued that CAP should be part of a holistic environmental and economic policy, which addresses different environmental and economic and social challenges at the same time.

According to one of the respondents of the IA consultation (Opinion No 3 IA Consultation, Jan 2011), it would be important to better prepare for extreme weather and natural events. At the same time biodiversity (e.g. gene bank, breeding varieties), food-safety (especially in areas that are lagging behind), and local products would also need to be stressed in the future CAP.

#### *Policy scenarios and their potential impact*

HANGYA argues that the '**adjustment scenario**' [consultation document, p. 14, corresponding to Option 1 of the Commission Communication] (as well as the re-focusing and no policy options) can not provide a satisfactory answer to the current challenges of the agricultural sector, especially as far as crop production, the situation of the animal husbandry sector, age structure of the rural population, and market changes are concerned.

According to the MOSZ statement the '**re-focusing scenario**' [consultation document, p.15, corresponding to Option 3 of the Commission Communication] would worsen the situation of smaller and less competitive farmers, consequently this scenario could risk the self-sufficiency of EU' (MOSZ IA Consultation, Jan 2011, Q4).

It is suggested by MOSZ that the '**integration scenario**' (as outlined in the consultation document that essentially corresponds to Option 2 of the Commission Communication) should be used without the maximisation of the basic income support component, and the area-based direct income support should be maintained. According to HANGYA the integration scenario outlined by the consultation document provides a 'solid approach and frame' to the preparation of the future CAP (HANGYA IA Consultation, Jan 2011, Q1). This scenario offers a chance to design complex measures with specific focus on risk management and farmers' cooperation. It also contributes to the sustainability of rural population and areas. However, this scenario is not yet elaborated in detail in the consultation document.

There is wide agreement that the '**no policy**' option would have important **negative effects**. According to MOSZ the 'no policy scenario' would have the most negative impact with respect to food-safety. It is important that products coming from third countries meet the environmental, animal-welfare, food-safety and quality requirements. According to HANGYA 'no policy' is not an option as this would put producers in a highly disadvantaged position when compared to competitors who apply some intervention policies. The CEEweb statement argues that the 'no policy' option (i.e. the lack of a policy that ensures land use, which takes into account the agricultural and ecological potential of the land) would have devastating consequences for the rural population, economy and countryside. Other opinions also raise serious concerns with regard to the no policy option (e.g. Opinion No 3 and No 5). In particular, it is argued that the 'no policy' option

(or common market regulation only) would not take into account the national and local specificities and would also have a negative impact on territorial cohesion.

*Producer and inter-branch organisations & risk management tools*

According to HANGYA the strengthening of **the role and tools of producers' organisations** would be highly important, as it provides the most efficient control for public spending. The use of **risk assessment tools** could also provide an efficient safety net for farmers. The inter-branch organisations are not expected to yield particular benefits as there is little chance for a sufficient level of harmonisation amongst the various stakeholders within the food chain.

Generally a number of respondents think (e.g. GPAH, Opinion No 3 and No 5) that it is important to **ensure a stable income level for producers**, and CAP has an important role to play in this. GPAH also argues that direct payments should not be lower in new member states than in old member states. Increasing the share of agriculture in the food supply chain would also be important. Another respondent (Opinion No 5) argues that the CAP should also compensate those farmers who grow crops on lands with weaker quality.

*Environmental and climate change benefits*

Generally there are **strong environmental expectations** towards the future CAP. Just to name a few, MOSZ and other respondents (e.g. Opinion No 1) argued that the biggest benefits of environmental and climate-change measures are expected in the area of renewable energy and the improvement of water-stocks and soil quality. According to HANGYA linking both first and second pillar support to environmental commitments could improve the complementarities and efficiency of the two pillars, as these would jointly influence the attitude and way of thinking of a wide range of actors. At the same time the obligatory nature of environmental measures can worsen the market position of European farmers in the world market.

*Rural development and strategic targeting*

Neither MOSZ nor HANGYA supports the increasing of second pillar spending at the expense of first pillar spending. It is argued that **focusing and allocating funds to agricultural production** is more important, since the worsening competitiveness of the agricultural sector and decreasing of farmers' income can in turn result in the weakening of rural living and environmental conditions.

Other respondents of the IA consultation (e.g. Opinion No 3 and No 5) emphasised the relevance of rural development measures, for instance in order to create new employment opportunities in rural areas (that agriculture can not alone secure). At the same time, it has also been stressed (e.g. by Opinion No 4 and No 5) that the allocation of rural development funds to **the right target groups and purposes** would also be essential. For instance, Opinion No 5 highlights that it would be very 'important not to allow the funds devoted for rural areas ending up in the pockets of urban enterprises of large cities through various 'by-passes' (e.g. enterprises with registered local rural branches that are otherwise have their headquarters in large cities)' (Opinion No 5 IA Consultation, Jan 2011, Q7).

### *Monitoring and evaluation*

According to MOSZ it would be important **to reduce bureaucratic burden and costs**, in particular in those cases where the risk of misusing funds and causing environmental or food-safety harms is lower. The bureaucratic nature of controls is criticised from a further angle (Opinion No 5). Namely, Opinion No 5 argues that any **control should take into account the real contribution of farms** to the social wellbeing, which cannot be done simply by assessing factual data submitted through computerised systems, rather should be done by trained professionals who can realistically assess the social and economic contribution of farms through personal visits (i.e. should be result-based and efficient). It is also argued by one of the stakeholders (Opinion No 1) that **the control of support where an upper limit was set was not efficient to date**, neither was the maximisation of farm size for support (e.g. large farms with multiple registered names and locations could easily come around this requirement).

As far as indicators are concerned, the most relevant (and commonly mentioned) ones are related to the employment level in rural areas, the enhanced market of high value-added local products, and the increased real income of farmers (price stability, improved position within the food chain), partly due to more efficient interest representation, diversification of good quality and safe food products (including organic production).

A number of uncertainties have been identified by respondents, such as world-wide trends, defencelessness against concentrated processing industry and trade, climate change (MOSZ IA Consultation, Jan 2011, Q11), possible future economic and financial crisis, dependency on fossil fuels, the decline of ecosystem services (CEEweb IA Consultation, Jan 2011, Q11). It is emphasised by Opinion No 1 that renewable energy should be based on local crops and should not result in intensive large-scale crop production as this would have an adverse effect on the environment.

### *C) Summary and conclusions*

Responses to the Commission's IA consultation process were identified through two channels, namely the Commission's own website and responses collected in Hungarian language by the HNRN. The IA process was based on a structured questionnaire and responses were assessed accordingly:

- Concerning the consistency of the proposed objectives, some argued that the direct payment system of the CAP should be maintained, and no upper ceiling should be introduced (MOSZ IA Consultation, Jan 2011; GPAH IA Consultation, Jan 2011); others are in favour of more fundamental changes in order to better address the issue of sustainable agricultural production, as well as argue that the CAP should be part of a broader policy framework (HANGYA IA Consultation, Jan 2011; CEEweb IA Consultation, Jan 2011). The specific needs of the animal husbandry sector (that were not properly addressed through the previous CAP) were also highlighted (e.g. MOSZ IA Consultation, Jan 2011).
- Concerning the various policy scenarios there is a consensus that the 'integration scenario' would be the most suitable alternative in order to achieve the stated objectives. Producers and other stakeholders alike refuse the 'no policy' option.

- The strengthening of producers' organisations and risk assessment tools to ensure a stable income level for producers are both considered being important. However, despite the importance of such issues of the responses provide only limited details on 'how' such aspects should be enforced.
- The biggest improvements from environmental measures are expected in the fields of renewable energy, water-stocks and soil quality. It is however, stressed that environmental requirements may disadvantage EU producers when compared to third country producers.
- Rural development is considered to be an important objective. However, producer organisations are generally reluctant to increase pillar 2 funding at the expense of reducing pillar 1 funding. It is also emphasised that better targeting of rural development funds should be a priority of the future CAP (Opinions No 4 and 5 IA Consultation, Jan 2011).
- Monitoring and evaluation should be carried out more efficiently and with exerting less bureaucratic and financial burden on beneficiaries.

## **2.10 Statements by government stakeholders**

### *A) Background*

The Ministry for Rural Development discussed the possible Hungarian national position (so-called 'framework mandate') in response to the planned CAP reform. The **'framework mandate' adopted by the national government** was not made public (Agromonitor, 2011, Feb 11). According to Agromonitor (idem.), the Hungarian position formulates the Hungarian interest in some 20 points. As the 'framework mandate' issued by the government is not publicly available, other sources make reference to its content. The mandate reflects the official national position about the Commission's proposal on the future CAP.

### *B) Review of relevant statements*

According to József Ángyán (state secretary) the Commission's proposal for the CAP reform will be assessed by the national government on the basis of its coherence with the government's priorities, and how far the proposed instruments can be used to advance the new agricultural, rural and environmental policies of Hungary (Agromonitor, 2011, Feb 11). According to Agromonitor (idem.) the government is **supporting the introduction of an upper ceiling of support per farmer if the remaining funds can be used in line with national priorities** in a flexible way. Furthermore, Hungary considers it essential that the new CAP supports new member states in catching up. At the same time it opposes the renationalisation (or abolishment) of the CAP. Furthermore the government does not agree with the concept of supporting active farmers only (as there are many farmers working part-time in Hungary). Hungary supports the environmental (greening) objectives of the CAP. However, conditions should be defined in a way not to create a disadvantage towards third countries. Finally, Hungary would like to have greater flexibility with regard to the use of funds in certain sectors, such as animal husbandry and rural employment creation.

György Czerván, agricultural state secretary welcomed the proposal for the **special treatment of small farmers and young farmers** as specified in the Commission's

proposal of 12 October 2011 (GTM, 15 Oct 2011). At the same time he suggested a number of changes to the proposal. He highlighted that with regard to support provided for young farmers, the 25 hectares threshold should be increased in order to be able to fully exploit 2% of the national envelope for this purpose. The Hungarian state secretary takes a common position with Joris Baecke president of the European Council for Young Farmers (CEJA) to **support not only new entrants**, but young farmers under 40 as well (some 6-7 percent of farmers fall into this category in Hungary). The state secretary also welcomed the suggestion to allocate up to 10% of the national budget for coupled support; at the same time emphasised that sufficient level of flexibility should be allowed for member states to use this support. It was also argued that the green requirement of the proposal imply considerable extra costs for farmers. Hungary would like to avoid a situation whereby the administrative burden of farmers increases, at the same time their revenue decreases. Therefore, according to the state secretary, Hungary disagrees with the proposition that non-compliant farmers do not only lose the 30% greening support but would only be entitled for lower basic support as well.

Following the meeting of European agricultural ministers in Luxembourg of 20 October, **Sándor Fazekas minister for rural development said** that the proposals of the European Commission of 12 October rely on the guidance provided by the Hungarian presidency on the subject ([www.agroinform.com](http://www.agroinform.com), 21 Oct 2011). The minister has highlighted a number of important aspects of the future reform. The core arguments (based on the article published on [www.agroinform.com](http://www.agroinform.com)) are presented in Box 3 below in detail, as these are informative as far as the national position about the CAP reform is concerned.

**Box 3: The position of the Hungarian minister for rural development on the proposals of the Commission of 12 October 2011**

The main arguments of the Hungarian minister for rural development expressed during the meeting of agricultural ministers in Luxembourg in October 2011 are as follows (source: [www.agroinform.com](http://www.agroinform.com)):

- Mr Fazekas stated that Hungary remains among those member states whose **interest lies in a strong common agricultural policy** and efficient food production.
- The minister repeatedly emphasised that farmers **should not receive less fund** in the coming programming period than they received in the current one.
- He stressed the importance of **simplified procedures**. The current system is not transparent enough. However, the minister also thought that the 'green component' of the regulation does not serve the purpose of simplification. Simplification is particularly important in the context of rural development measures.
- The Hungarian minister agreed with the aim of the European Commission to **support active farmers only**.
- He also welcomed the suggestion of the European Commission for giving stronger priority to **young farmers** and small farms in the future.
- Mr Fazekas furthermore stressed that it is important that **10% of direct payments can be linked to production**, as this creates further opportunities to support sensitive sectors. However, this instrument should leave flexibility for member states to act in line with their national interests.

- The minister stressed the importance of **sectoral interests** of Hungary. Among others he stressed the relevance of wine production. In this case Hungary does not support the proposed suspension of the previously envisaged new plantings rights by 2015. The minister also did not agree with moving regulation concerning fruit and vegetable producers to the rural development sector. Hungary also does not support the phasing out of the sugar regimes quota system by 2015.

Finally, in a number of statements (for instance see above Fazekas, Czerván statements above; elsewhere reference to Máhr, A. MOSZ deputy secretary general, statement in AgroTrend, 14 Dec 2011) emphasise the specific sectoral interests of Hungary. Among others, it has been repeatedly emphasised that the CAP favours livestock farming to animal husbandry. In particular poultry and pig breeding remain 'neglected' sectors, that are not addressed by the new proposals of the Commission (of 12 October) either. Other highly important sectors in the Hungarian context are sugar, milk and grape production.

### *C) Summary and conclusions*

A '**framework mandate**' was issued by the national government in response to the Commission's Communication. Although this document was not made publicly available, the main messages were assessed in various media sources. These make reference to the most important points of the Hungarian position, including that (i) overall support should not be reduced; (ii) more equal allocation of support among farmers is needed; (iii) the links between the CAP and other policies should be strengthened; (iv) funds that could be released through setting an upper ceiling of support should be used in national competences.

Following the publishing of the Commission's proposals of 12 October 2011 further statements made by government officials, namely the minister for rural development and agricultural state secretary were published and assessed in this report. These statements generally welcome many of the Commission's suggestions, such as the up to 10% coupled support, the specific focus on small farmers and young farmers and the support (and definition) of active farmers. At the same time statements stress the importance of supporting industries with difficulties and the flexible use of funds for this purpose, as well as some refinements to the proposed position (e.g. increasing farm size with regard to young farmer support).

## **2.11 Statements in relation to the Hungarian presidency**

### *A) Background*

As indicated above, the CAP reform was a strong aspect of the Hungarian Presidency, as the Council had to adopt its opinion about the Commission Communication during the period of the Hungarian Presidency. On the 17 March the Hungarian Presidency adopted (by qualified majority) the 'Presidency conclusions on the communication from the Commission: The CAP towards 2020: meeting the food, natural resources and territorial challenges of the future' document. Some of the key statements and suggestions made by the Presidency document include:

- **simplification and better delivery** must be among the basic principles underlying any proposals for reform of the CAP;
- broad agreement that **direct income support has proven its worth** and will remain an essential element in the CAP towards 2020, notably in the context of additional costs producers face in meeting the EU's high environmental and animal welfare standards;
- recognition of the need for a **more equitable distribution** of direct income support between Member States;
- encouraging the Commission in its ongoing work to explore possibilities for Member States to further target their income support within their **national envelopes**, by providing possibilities to assist small farmers to decrease administrative burden and improve their competitiveness; and to better focus on active farmers;
- noting the significant opposition of Member States to the introduction of an **upper ceiling** for direct payments received by large individual farms;<sup>9</sup>
- endorsement of the concept of **further greening the CAP** towards 2020;
- broad agreement to keep and enhance the effectiveness of support for areas affected by natural handicaps in the second pillar and possible complementary first pillar support;
- underlines the importance of seizing the opportunity of the CAP 2020 reform to improve the functioning of the **food supply chain** and reverse the steadily decreasing trend of farmers' share;
- acknowledges the need for a level playing field between the EU and **third country producers**, concerning EU standards;
- recognises the particular challenges **rural areas** are facing with regard to lack of sufficient employment opportunities, demographic change and the problem of generation renewal in farming;
- welcomes the Commission's intention to stimulate the development of direct sales and production for **local markets**;
- recognises that the **environmental challenges** identified by the CAP Health Check remain relevant, and underlines that European agriculture can only meet the economic and environmental challenges it faces with the assistance of innovation;
- acknowledges the need to **simplify and improve** the current rural development policy framework, including programming and monitoring;
- expresses concern about the possible **administrative burden** that may arise from the Commission's suggestion to introduce a *new outcome-based approach* to rural development policy with quantified targets;
- recognises the need to strengthen **coherence and synergy** between rural development policy and related **EU policies**.

*B) Review of statements in relation to the Presidency Document*

---

<sup>9</sup> As specified elsewhere, the Hungarian government agrees with the introduction of an upper ceiling if the excess funds can be used in a flexible way by national governments in response to their specific needs.

The Head of the Rural Development Ministry's Coordination Department published an article prior to the presidency on the 'Agro-economic aspects of the Hungarian presidency'. In his article, László Vajda (2010) stated that 'Based on consultations with the European Commission, the Hungarian presidency will follow a different approach and it aims to avoid the budgetary debate. Rather it will **focus on the future objectives and instruments** of the CAP. The aim is to agree the presidency conclusions about the Commission Communication during the Agricultural Council assembly, by March 2011 or April at the latest. [...] In case it is not possible to adopt an unanimous resolution until the given date, the experience of previous years shows that a presidency document that gains strong majority support would also be a good result' (Vajda, 2010, p.41).

Prior to the presidency, Vajda (2010) described the main challenge of the CAP reform as "**renewing while preserving**". He argued that the future CAP should better serve rural development, employment creation, and the improvement of the quality of life and standard of living. At the same time stronger links need to be established between agricultural policy and environmental policy on the one hand, and agricultural policy and cohesion policy on the other. Furthermore, public goods will need to play a crucial role. Vajda (2010) identifies the key issues for agriculture and rural development as follows:

- It is very important that farmers recognise the **changing role of the CAP**. It is no more sufficient to expect the CAP to provide protection and support, but more focus will need to be given to social benefits of the policy.
- The role of **education and vocational training** is very important, but is currently the responsibility of member states, or carried out independently from the CAP. It would be important to better bring together training and common agriculture policies.
- '**Greening**' is a crucial aspect of the future CAP. The approach of environmentalists and farmers should further converge to each other, 'farmers should become conscious environmentalists, environmentalists should be able to see things from a farmer's perspective' (Vajda, 2010, p.44).
- It is important to introduce more measures in the CAP post 2013 with regard to the **animal husbandry** sector. By animal husbandry we should not only understand cattle and sheep, but also pigs and poultry.
- It is important to set up a **risk management fund** in order to address specific weather, climate and health risks; and consider setting up such fund with regard pillar 2 as well.

The Agriculture Council adopted the Hungarian Presidency's conclusions on the future of the Common Agricultural Policy by qualified majority in Brussels on 17 March 2011. The Hungarian Presidency felt that it was a **remarkable success** with special regard to the complex nature of the issue. At the press conference, Mr Fazekas minister for rural development highlighted that member states fully agreed on 90 percent of the conclusions. The Minister underlined that the debate did not concern budgetary issues, but rather issues on market resources, direct payments and the perception of the CAP's first and second pillars. "Therefore, we have achieved almost all of our goals," stated Mr Fazekas. The Minister considers it a "remarkable achievement" that a qualified majority supported the Presidency's final document. Member states recognised that reallocation should be more equitable in the future. At the same time, the general budgetary limits should be taken into account; and extensive changes that could cause disturbances

should be avoided. “We are willing to target subsidies in a better manner, as it helps us make the best use of taxpayers’ money,” said the Minister. We agree on the “greening” of the CAP, and are committed to supporting the CAP to address climate change, stated Mr Fazekas. The Hungarian Minister also pointed out that Member States want to halt the gradual diminution of farmers’ incomes. ([www.eu2011.hu](http://www.eu2011.hu))

Vajda (interview in *Agrárium*, 2011 Feb) also found that the presidency has made considerable achievements in the field of agricultural policy, in particular he argued that the approval by a qualified majority of the presidency conclusions has been a major achievement. Even those member states that did not approve the presidency conclusions had objections towards minor issues only. The presidency also made considerable progress in terms of the development of specific regulations. With regard to the rural development and direct payment regulations the Council carried out consultations with the EP and also reached agreements.

### *C) Summary and conclusions*

The CAP reform and adaptation of a joint opinion was an important priority of the Hungarian Presidency. The presidency focused on the future objectives and instruments of the CAP (rather than the budgetary debate). Member states adopted the Presidency Document by a qualified majority by the member states in March 2011. The document is considered to be a remarkable success by government officials. No particular critical opinions from other sources were identified.

## **2.12 Debate about the National Rural Strategy Concept**

### *A) Background*

On the 18 April 2011 the Hungarian Ministry for Rural Development issued the ‘**National Rural Strategy Concept (NRSC) – 2020 II.**’ document for public consultation. Although the National Rural Strategy Concept is not a direct response to the Commission Communication, it is considered to be a core national document that represents the position of the Hungarian government with regard to future direction of agricultural and rural development policy in Hungary. For this reason it was included among the key statements selected for the purpose of this study.

‘The National Rural Strategy aims at the renewal of rural Hungary as a whole, therefore, it defines tasks with regard to rural development, agro- and food economy, and the sustainable development of natural resources, the protection of natural values and the protection of the environment’ (Ministry for Rural Development, 2011, p.3). According to the NRSC **the objectives outlined in the Commission Communication of November 2010 are essentially in line with the objectives of the Hungarian agricultural and rural development policies.** The Hungarian interests outlined by the NRSC can be summarised as follows (Ministry for Rural Development, 2011, p.23):

- The **overall support of Hungary should not be reduced** (although substantial reallocation of the EU common budget is expected, which may result in the restructuring of funds as well as reduction of the overall funds as well);
- **More equal** allocation of support among farmers;
- Possibility to apply the **Hungarian agricultural and rural development objectives** within the future system;

- Applying the '**greening criteria**' while keeping in mind the technological conditions, simplification principle and Hungarian agricultural interests;
- Strengthening the **links between the CAP and other similar policies** (such as the cohesion policy) and development of complex development programmes;
- **Possible introduction of an upper ceiling** to the direct payments **supposing** that the funds that are 'released' in such a way can be used in national competences;
- The agricultural sector of the EU should keep its competitive advantage and it should contribute to the sustainability of rural areas.

**Box 4: Review of challenges and strategic areas presented in the NRSC**

In section 4.2, the NRSC II provides an extensive list of challenges and problems that the Hungarian agriculture is facing today. These are classified under three main headings, namely:

- Problems of the rural settlements and communities (such as weakening of the rural economic basis and the role of agriculture, decreasing local employment, low level of training, outmigration of people, financial difficulties of local authorities, etc.)
- Problems related to agri- and food production (such as the dual structure of farmland, low support level of individual farmers, low cooperation propensity, high administrative burdens, etc.)
- Problems related to environment and natural resources (deteriorating quality of soil, water management issues, etc.)

The main strategic areas where the programme aims to act are:

- Protection of the environment and sustainable resource and landscape management (with particular emphasis on the soil, water, biodiversity and energy)
- Quality of the rural environment (including waste management, soil, water and air, etc.)
- Land ownership (with specific focus on individual farmers)
- Sustainable and diverse agricultural production structure
- Improvement of the value added and safe food supply and market
- Local economic development
- Improvement of the rural intellectual and physical infrastructure, viable local settlements and communities

The NRSC also formulates a range of national strategic programmes in the above fields.

*B) Review of statements*

As far as the **National Rural Strategy Concept** issued on the 18 April 2011 is concerned, József Ángyán parliamentary state secretary of the Ministry for Rural Development stated that "The lack of clear direction, in the past, in other words the lack of a strategy that agricultural stakeholders could have followed in the long term, proved to be the most important problem of Hungarian agriculture. The current concept is more

than a rural development strategy, it addresses questions with relevance for the whole society” (Magyar Mezőgazdaság, 2011 June).

**Tamás Fleischer** a senior research fellow in the **Institute of World Economics of the Hungarian Academy of Sciences**, published comments on the NRSC consultation document. Firstly, he argues that in principle he agrees with the main objectives and strategic directions of the strategy document. However, he also raises some criticisms both with regard to the coherence and content of the document. Concerns raised with regard to the coherence of the document include the long and unstructured listing of problems and the lack of clear relationship between problems/weaknesses and objectives and strategic areas. Concerning the content of the strategy, the main observations made by Fleischer are twofold. Firstly, he argues that given the **strong emphasis on the support provided to individual and family farms** throughout the document, **the planned achievements/indicators seem to be somehow unambitious**. Secondly, given the fact (also presented in the strategy concept) that **larger farms** cover some 47.2% of the land, there is essentially **no mentioning of how to address these stakeholders**.

Critical opinions about the NRSC include that of the **National Association of Agricultural Co-operators and Producers (MOSZ)** that issued a statement in relation to the NRSC. They argued that the concept is not fully in line with other strategic planning documents (such as the Széll Kálmán Plan), which are aimed at the increasing of GDP, extension of food production, increasing of employment, etc. MOSZ also argues that there are a number of concerns with regard to the **complexity of the strategy** as far as economic and social sustainability are concerned. According to MOSZ the content of the NRSC goes beyond the competences of the Ministry for Rural Development and therefore, it would be important to harmonise this strategy with other programmes (especially those financed from the Structural Funds). It is argued that (notwithstanding environmental goals) the concept **over-emphasises the importance of environment and landscape management**. MOSZ considers the food-supply function of agriculture the most important goal; in particular, more emphasis should be devoted to the market-oriented food production and employment creation. According to MOSZ **the various farm categories (such as micro, small and medium-sized farms) should be clearly defined in the concept**, and more attention should be paid to the later two categories in the strategy. Overall, MOSZ argues that the role of micro and self-reliant farms in employment creation is much overestimated, whereas the role of corporate farms is underestimated. Furthermore, MOSZ is against an upper ceiling for support, and expects Hungary to receive at least the amount of the real value of the 2013 funding. It would be highly important not to increase the level of pillar 2 funding at the expense of pillar 1 funding. At the same time, MOSZ agrees with the objective of increasing the value added of agricultural production and the strengthening of the processing industry. It also agrees that the position of agricultural producers should be strengthened within the food chain, especially their negotiating power towards retail chains. Finally, MOSZ agrees with the importance of defining ‘Hungarian products’ (designation of origin) and the support to be provided to the animal husbandry sector.

The **Monitoring Committee’s (MC) CAP sub-committee of the New Hungary Rural Development Programme (2007-2013)** also issued an overall favourable opinion about the consultation document of the NRSC. At the same time it makes a number of comments. For instance it argues that **greater emphasis should be given to the**

**resource-allocation of pillar 2**; and it would be important to show how the objectives of the NRSC will be reflected in the planning mechanisms of EU funds. Individual comments of MC members include the observation that there are currently only result (and no impact) indicators in the strategic document. Furthermore it is argued that **previous results should be taken into account** in the concept; as well as the perceived obstacles of agricultural and rural development should be presented more precisely.

*C) Summary and conclusions*

The **National Rural Strategy Concept**, a proposal for a ten-year strategy that can possibly form the basis of the next programming document. Although many stakeholders agree with the proposed strategic objectives, a number of criticisms were also formulated by various stakeholders, including the National Association of Agricultural Co-operators and Producers (MOSZ), an influential interest representation of farmers. Most importantly MOSZ argues that the role of corporate farms in employment creation is underestimated by the strategic document.

### **3. Synthesis of the statements assessed**

As argued in this report, it is important to understand some of the key characteristics of the Hungarian agricultural sector and rural areas in order to set the context of the public debate about the future CAP in Hungary. At the start of this chapter some of the key issues were presented, namely the nature of the land ownership structure, the controversies that surround the 'large' and 'small' farm dichotomy, the possibilities for employment creation in relation to pillar 1 and 2 payments, the importance of improving local products and their value added, the problems of a declining animal husbandry sector and the perceived bureaucratic nature of the CAP. In this section we summarise and synthesise the issues that came up during the public debate that followed the Commission Communication of 18 November 2010.

#### **3.1 General overview**

At an **overall level**, agricultural and rural development stakeholders in Hungary **support the objectives and priorities** outlined in the Commission Communication of November 2010. There is wide agreement that the challenges and objectives outlined in the document are relevant and important. Among others, most organisations are in favour of the two-pillar structure of the CAP and agree that the direct payment system should be maintained. There is also agreement that environmental and sustainability goals are highly important.

At the same time, stakeholders emphasise that detailed opinion can only be formed, once the Commission issues **more detailed proposals** for the future regulations. As József Ángyán state secretary phrased it: "this material is sufficiently blurred to leave enough scope for negotiations" (Agromonitor, 11 Feb 2011). Similar references can be found in other statements. AGRYA argues that only general comments can be made, since the document is also fairly general. For instance, further information would be needed in order to form a definite opinion about the allocation system of direct payments. The Agro-economic Council statement also identifies the lack of precise notions (e.g. active agricultural producers, small farms) as a weakness of the communication. The lack of details and especially the definition of key notions are important criticisms towards the Commission Communication, as well as the NRSC of Hungary. This is a particularly important issue in the light of some of the issues and tensions of the Hungarian public debate, such as the 'large' and 'small' farm dichotomy (presented at the start of this chapter). Unless the precise definitions and scope of actions are provided the exact impact of the proposals remain uncertain. It has to be noted that the Commission's intention to define certain notions (such as active farmers) in its proposals of the 12 October has been widely acknowledged by various stakeholders (e.g. Agricultural Chamber, MOSZ, and others).

Almost all of the statements assessed are in favour of policy **Option 2** proposed by the Commission. Most stakeholders agree, that leaving the CAP unchanged or making only minor adjustments cannot solve the current problems, but also the elimination of direct payments (i.e. a complete reorientation) is not a viable option for most stakeholders. Many argue that the current CAP has a number of weaknesses as it was unable to address specific problems sufficiently (see for instance PCFG, 2010, Dec; Jámbor, 2011) Although most stakeholders are in favour of sustaining the direct payment system in the framework of Option 2, there are **some more critical voices** as well. For instance the CEEweb (section 2.8) and PCFG (section 2.3) emphasise that there is a need for a

completely new perspective on the CAP, with a strong focus on sustainable management of agriculture. In fact, in its statement the PCFG argues that the communication is biased towards Option 2, which is also reflected in the fact that Option 3 is the least worked out policy proposal.

There are however, variations in the statements assessed, mostly depending on the interests and orientation of stakeholders. The various statements analysed in this report reflect different types of opinions and interests, namely:

- Specific **'sectoral' interests** that are reflected among others in the opinions of farmers, environmentalists, etc.
- **Independent expert views** and statements.
- Some **core national interests** that are most often reflected in various statements by public officials or research experts;

### **3.2 'Sectoral' interests**

Depending on the orientation of the various stakeholders included in this survey, specific **'sectoral' interests** can be identified in the statements. For instance, AGRYA emphasises the need that **youth issues should be more prominent** and should be more diversified in the future CAP. Other organisations (such as the Agro-economic Council, Dec 2010) and independent experts (Udovecz, 2010) also support such arguments.

In the context of rural development, the relevance of the **Leader approach** has been emphasised (Agro-economic Council, Dec 2010; Rural Development Seminar, Jan 2011). It is striking that the Commissions' communication makes no mention of the Leader as a useful approach to address rural development issues. It is argued that Leader can be a cost efficient way of supporting the Europe 2020 Strategy in terms of 'smart', 'sustainable' and 'inclusive' growth (Rural Development Seminar, Jan 2011). Almost everyone agrees that the CAP should continue as a two-pillar policy, i.e. that pillar 2 should be sustained. However, the relative weight of the two pillars is debated. Some of the stakeholders emphasise the importance of local endogenous development, where local communities and traditional local food production should play a major role (e.g. DIPO, Feb 2011; Rural Development Seminar, Jan 2011; Jámbor 2011). It is also stressed that rural development policy **should be better coordinated with other similar policies**, especially cohesion policies. There is also need for an **integrated and complex approach** to address specific rural needs (e.g. Jámbor, 2011). Whereas, producers agree that rural development objectives of the CAP are important, they are generally against the idea to increase pillar 2 payments at the expense of pillar 1 payments (e.g. MOSZ IA Consultation, Jan 2011; HANGYA IA Consultation, Jan 2011). As the survey presented by Udovecz (2010) showed 62% of respondent farmers refuse such an idea (although 72% would support the idea of allocating more funds to rural development) (Udovecz, 2010). A particularly important challenge in the Hungarian rural development context is addressing **rural poverty** (Jámbor, 2011; NRSC, 2011).

**Environmentalists** are generally **more critical** towards the Commission Communication. For instance the PCFG (see section 2.3) draws attention to the insoluble **conflict between the sustainability and growth** objectives of the proposal (PCFG, 2010 Dec). In a similar vein, DIPO Public Association argues that agricultural production often goes against environmental interests (DIPO, 2011 Feb). According to the PCFG,

increasing the intensity of European food production is not the right path to take, instead the EU should concentrate on its own food supply (and the reduction of 'food-distance'). The PCFG goes further arguing that food-subsidiarity is where the interests of European environmentalists and producers' associations meet, i.e. the strengthening of sustainable local food production is in the interest of both. Other environmentalist statements also argue that more demanding environmental and health protection requirements should be set for farmers in order to achieve the stated environmental objectives of the CAP (Greenfo, 17 Sept 2010; CEEweb IA Consultation, Jan 2011). CEEweb (IA Consultation, Jan 2011) for instance argues that the proposed policy scenarios can only be effective if CAP becomes part of a **wider policy framework**, and problems are addressed in a complex and integrated manner. Overall, many claim that the **'public money for public goods'** principle should be better enforced, i.e. direct payments should be paid only to those who fulfil specific environmental and sustainability requirements. Finally, it is also argued that some specific environmental issues, such as soil erosion or the potentially negative impact of biofuel production the production structure, are not appropriately addressed in the communication (PCFG, 2010).

However, various farmer interest groups (MOSZ, Agricultural Chamber, etc.) does not support the 'greening component' of direct payments as presented by the Commission in its proposal of 12 October. Government officials often also do not promote such a concept. The main arguments are that the proposed environmental requirements reduce the competitiveness of European farmers (especially when compared to those from third countries) and they pose additional administrative burden.

Stakeholders generally take a position with regard to the **direct payment system** in line with their specific interests. According to moderate options direct payments should be transformed into a safety net and should be used as an instrument to promote public goods; according to more drastic opinions direct payments should be gradually abolished (Jámbor, 2011). Most stakeholders argue that the elimination of direct payments would have a highly negative impact on the development of the agricultural sector (e.g. AGRYA, Nov 2010; Agro-economic Council, Dec 2010; MOSZ IA Consultation, Jan 2011). Jámbor (2011) for instance argues that the reduction of direct payments (without appropriate compensation) would cause serious problems in the agriculture of new member states, where the competitiveness of the agricultural sector is usually weak, the level of employment in the agricultural sector is relatively high, and national resources that can be allocated to the sector are limited. However, a number of stakeholders (especially environmentalists) argue that more radical changes are required in order to overcome the weaknesses of the current CAP system, and especially to ensure the sustainable development of rural areas (e.g. PCFG, Dec 2010).

Opinions also diverge concerning the relative weight of the **agricultural competitiveness** objective within the future CAP as **'opposed to' sustainable and environmental friendly and self-reliant local development**. On the one hand, some argue that agricultural production and competitiveness should remain the main objective of the CAP (especially in the light of the competitive pressure coming from third countries). On the other hand, others argue that sustainable, environment-friendly and self-reliant food production should be the main objective of the EU agricultural sector. In this sense the 'growth' objective is difficult (or even impossible) to reconcile with the 'sustainability' objective (PCFG, Dec 2010). Overall, many argue that the CAP

has not been sufficient in ensuring the sustainability of the rural economy and therefore fundamental changes are to be made (HANGYA IA Consultation, Jan 2010; PCFG, 2011).

A specific reflection of this issue in the Hungarian context is the 'large farm' and 'small farm' dichotomy. Many argue that insufficient attention was given to **small-scale farming** to date and larger farms had an advantage in accessing CAP funding (e.g. Jámor, 2011). Large farms in Hungary are often associated with intensive arable farming, whereas small farms are seen as the representations of local family farms. However, as Udovecz (2010) shows this kind of classification often over-simplifies the problems. In any case, it is widely acknowledged that the CAP support structure should be better adjusted to the needs of small farms in order to ensure that they apply at equal grounds for funding. Possibly the most important obstacle identified by stakeholders that stands in the way of smaller farms when applying for funds is administrative burden. Therefore, simplified procedures, at least in the context of smaller farms, could be a way to improve their access to funds. At the same, it is important to carefully define the relevant requirements (at both the EU and national level) in order to ensure that small farms can also successfully apply for funds.<sup>10</sup> The Commission's proposals of 12 October 2011 are making important suggestions in this regard.

Finally, it has also been argued by many that the CAP did not provide sufficient support to the **animal husbandry sector** (MOSZ IA Consultation, Jan 2011; HANGYA IA Consultation, Jan 2011; Vajda 2010). The decline of the sector is a particularly important problem in Hungary, as it is presented in the Introduction of this report. The negative impacts are particularly visible in the case of pig and poultry breeding. Therefore, many stakeholders (producer organisations and others alike) call for better instruments within the future CAP to address animal husbandry sectors..

**Insufficient targeting of funds** has been a criticism towards the current rural development programme in Hungary (see section 1.2). Among others, this has been an issue in the context of small and large farms and specific sectors (as presented above), as well as in other types of rural development support (e.g. axis 4). However, Hungarian sources acknowledge that the **Commission's proposal of 12 October may help to overcome such difficulties**. As an article entitled 'CAP-reform: the end of free lunch' on [www.jogiforum.hu](http://www.jogiforum.hu) (legal forum) states in the introduction, 'airports, railway companies, property businesses, operators of sport establishments, and other natural and legal persons carrying out no or only very limited agricultural activities will no longer be entitled for direct agricultural support' according to the Commission's proposal of 12 October.

---

<sup>10</sup> An example is provided by the mid-term evaluation (MTE) of the New Hungary Rural Development Programme (2007-2013). The MTE report showed that within the 'investment in agricultural holdings' measure (121), which has been one of the most relevant measures (in financial terms), the 'purchase of machinery' sub-measure was envisaged to result in the reduction of employment within certain farms. There have been indications that larger farms tend to decrease their employment as a result of machinery investments, whereas small and medium sized farms intended to increase the number of jobs within the farms (note that these were preliminary results only). This may imply that through carefully defined selection criteria (e.g. strict requirements with regard to employment creation) may contribute to the more extensive involvement of small and medium sized farms in the programme, at the same time contributing to the important objectives of the programme.

### **3.3 National interests**

Hungary as other EU countries has **core national interests**. These interests will necessarily determine the way Hungary represents its position in different debates irrespectively from diverse interests at the national and sub-national levels. The research carried out by the Research Institute of Agricultural Economics summarises the most relevant positions that they think the Hungarian government should take in the debate (see section 2.6, Udovecz, 2010).

First and most importantly it is the interest of Hungary that **the budget of the CAP is not reduced** (i.e. kept at least at its current level). This has been emphasised by both government and other stakeholders (e.g. AGRYA, Nov 2010; Agroeconomic Council, Dec 2010). According to a recent statement of MOSZ in response to the Commission's proposals of 12 October 2011, although the real amount of funds is expected to decrease considerably (the nominal amount remains unchanged when compared to the 2011 level), the current proposal for reallocation does not have particularly negative effects on the funding available for Hungary (some 2% decrease of the nominal amount is expected) when compared to some other member states (MOSZ, 10 Nov 2011).

There is also wide agreement that **direct payments should continue to be a central instrument within the CAP**. However, there are variations with regard to the system of future allocation of payments. The government is in favour of 'capping' if the funds retrieved in such a way can be used in national competences. There are other organisations, e.g. AGRYA (Nov, 2010), who support the idea of setting an upper ceiling for direct payments received by large farms. Again others, especially producer organisations strongly oppose both the idea of 'capping' and the idea of increasing pillar 2 budget at the expense of pillar 1 (see also survey results presented by Udovecz, 2010, section 2.6 of this report).

Many Hungarian stakeholders stress the importance of **setting the same conditions for new member states as for old member states** in the future CAP, i.e. the level of direct payments should not be lower for new member states (e.g. GPAH IA Consultation, Jan 2010; Agromonitor, 11 Feb 2011; Agroeconomic Council, Dec 2010). In other words, criteria such as GDP at purchasing power parity (that is promoted by a number of member states) should not be the basis of direct support payments (Udovecz, 2010). The question of more equal distribution of funds among member states has remained a focal point of the debate about the Commission proposals of 12 October 2011. For instance an article of BruxInfo (12 Oct 2011) starts by arguing that '[t]he proposal adopted by the European Commission on the 12 October about the CAP reform post 2014 shows that the **redistribution of direct income-support will be highly limited** in the next seven years'. The article goes further by arguing that according to an interview with Janusz Lewandowski budget commissioner, this is due to the fact that any kind of redistribution would have had a negative impact on net contributor member states. Furthermore, in the current economic crisis, politicians of certain member states found it impossible to make their own farmers accept giving up on support for the benefit of other farmers. At the same time the reduction of funds in the case of Hungary is expected to be limited according to the new rules.

Finally, Hungary's specific **sectoral interests** have been emphasised, for instance in relation to the proposed coupled support (see section 2.10). For instance, recently government officials lobbied for the continuation of the sugar quota regime.

Furthermore, it has been argued that some sensitive sectors (such as animal husbandry, and within that poultry and pig breeding) do not fall under the suggested specific provisions (ecoupled support), and therefore the proposed regulations do not address some of the previous distortions<sup>11</sup>.

---

<sup>11</sup> For instance Csaba Tabajdi member of the European Parliament drew attention to a various distortions of the CAP. Among others he argued during a conference in December 2011 that “the ‘over-preference’ of cereal production continues, and the differences between livestock farming and animal husbandry remain. The system of the Union does not support equalisation” (Agrotrend, 14 Dec 2011).

#### 4. Conclusions

The Common Agricultural Policy's share in the EU budget has been 34% during the 2007-2013 period. The way the reform of the CAP post 2013 takes place is of utmost importance for all member states, and especially those where the agricultural sector has a prominent role in the national GDP and employment. The current reform is different from previous ones in the sense that '**public pressure**' plays an even more important role within the decision-making process than it did during previous reforms (Udovecz, 2010).

The CAP decision-making process is complex, and **Hungary's interest representation ability is limited** (Udovecz, 2010). It follows that it is important to develop a united and strong national position on some of the key issues in order to efficiently influence the public debate at the European level (idem.). At the same time, what is even more important is to develop a **national strategy** that addresses the best the needs of the Hungarian agricultural sector and rural areas. As József Ángyán state secretary claimed 'The lack of clear direction in the past, in other words the lack of a strategy that agricultural stakeholders could have followed in the long term, proved to be the most important problem of Hungarian agriculture' (Magyar Mezőgazdaság, June 2011). 'The future of the Hungarian rural areas and the Hungarian food economy primarily depends on our own national resources and values; and it does not depend on the outcome of the CAP reform. However, the precise tone of this future – its shine or gloominess – will depend not to a limited extent on the change of the CAP content. The order is therefore important: Hungarian agricultural strategy should come first, and the Hungarian position on the CAP second, [as Hungarians say:] first comes the coat, then the button' (Udovecz, 2010, p.720). The National Rural Strategic Concept is a forward-looking attempt to develop a long-term strategy in Hungary, although a number of potential weaknesses of the concept have also been identified.

**The details** of the proposal of the Commission for the future CAP are still **underdeveloped**, and the precise definitions of certain notions are still missing. This later aspect is also a criticism raised towards the National Rural Strategy Concept (NRSC) of Hungary. In other words, the devil is in the details, both with regard to the European regulations and the national strategy. Past experience shows that the lack of clear strategic direction at the national level may even have a more harmful effect than the weaknesses of the common policy. At the same time, it has to be noted that efforts have been made to define certain key notions (e.g. emphasis on active farmers) in the Commission's proposal of 12 October 2011. Such efforts have also been acknowledged by various national stakeholders.

At the same time, it is important to develop a Common Agricultural Policy that leaves enough flexibility for the member states to adjust it to their most relevant needs, especially as far as rural development objectives are concerned. It has been argued by many that the current CAP was designed in line with the needs and interests of old member states, and it is crucial that the future CAP takes the interests of new member states into account more widely. As Jámbor (2011, p.196) argues, '[t]he Common Agricultural Policy to date has been designed on the basis of the needs and characteristics of the EU 15. However, the experience of new member states show that a common agricultural policy designed in such a way cannot be extended universally. The objective is to develop a much *fairer* agricultural policy in the future that addresses the

needs of new member states as well'. This report showed that individual member states, such as Hungary are facing very specific problems depending on the historical development of the agricultural sector and sub-sectors, the level of economic and financial development of the country, the land ownership structure, the characteristics of the natural environment, the administrative culture, etc. It is important to understand such specificities when developing the future CAP. In other words, what may have had worked in the context of old member states will not necessarily do in the context of the new member states (or not in all of them).

The public debate and understanding the diversity of opinions of stakeholders is an important tool in the development of the future CAP. However, the public debate is often more about '**interest representation**' than the 'presentation of independent expert opinions', and therefore specific attention needs to be paid to balance the various opinions. In this sense, the policy outcome will necessarily be politically driven to certain degree despite (or as a result of) wide public consultations. This is true for the European as well as the national level. In the European context national interests are clashing. For instance (Udovecz, 2010 , p.717) argues that 'Hungary is interested in a CAP that – along European values – ensures the largest possible share of European funds, at the same time enhances the scope of national actions in order to implement national agricultural and rural development objectives'. At the same time the CAP reform process also provides opportunity for stakeholders with similar interests in different countries to form a common platform. An example for this is the joint declaration of agricultural chambers of nine member states (see section 2.7) At the national level different sectoral and organisational interests are clashing. For instance, most statements in Hungary favour the 'golden mean' represented by Option 2 of the Commission's proposal. However, some of the more critical opinions about the future CAP should not remain unnoticed. Those favouring Option 2 are often sectoral interests. For instance, farmers naturally agree in favour of the maintenance of the direct payment system and oppose increasing pillar 2 funds at the expense of pillar 1 funds.

Therefore, **learning from the past and evidence-based policy making** should be an important element of policy-development at both the national and European levels. There are perceived weaknesses in this regard both in the Commission's policy proposal and the NRSC of Hungary. As far as the **Commission Communication** of November 2010 is concerned, there are no clear indications at this stage of the detailed assessment of the possible outcomes of the various options (although an impact assessment has been carried out), or the precise definitions of the various notions. Among others the Parliamentary Commissioner for Future Generations (Dec 2010) in Hungary 'accused' the Commission for being 'biased' towards policy option 2, which is reflected in the fact that option 3 of the communication is the least developed. Notwithstanding the arguments in favour of maintaining some forms of the direct payment system, it is important to better understand the possible consequences of all policy options. The lack of precise notions (such as the meaning of small farms, active farmers, etc.) is also criticised by many. The reflection of what worked and what did not in specific contexts of the previous programmes also seems to be missing from the document. A clear indication of this is the lack of mentioning of the Leader approach in the communication (an aspect criticised by various stakeholders). It has to be noted that the development of detailed proposals is still underway. For instance, the Commission already presented a range of legal proposals on 12 October 2011, which are not included in this analysis.

As far as the **national context** is concerned, stakeholders have criticised the NRSC consultation document for not building on previous programme results and experience. Although the core elements and planned objectives of the strategy are appreciated and agreed by many, there are no clear indications about the systematic assessment of previous results, which makes the impression of a politically-driven decision-making process. For instance, the Monitoring Committee's CAP sub-committee argued in its statement that previous results should be better taken into account in the concept (NHRDP MC CAP Sub-committee, June 2011). Also there is no mentioning of the mid-term evaluation of the NHRDP in the strategy that contained a range of useful suggestions for the future based on a detailed and scientific analysis of the previous programme. It follows that some of the objectives are not supported by sufficient evidence. The main criticism towards the NRSC consultation document is that it does not detail how the concept addresses larger farms that cover some 47.2% of the land (MOSZ, 25 May 2011; Fleischer, 2011). As Udovecz (2010) argues (although not in relation to the NRSC), 'it is an over-simplified and harmful attempt to answer irrelevant questions about 'small or large', 'local or global', 'organic or industrialised'. The most meaningful task would be to estimate a realistic and appropriate balance [...]' (Udovecz, 2010, p.722-723). Therefore, the development of an efficient and meaningful monitoring and evaluation system is an essential task at both European and national levels, as well as the better use of the lessons that can be drawn from previous programmes.

Overall, the public debate and the involvement of a wide range of stakeholders in the discussions is an important strength of the development process of the future CAP. At the same time, one has to be able to weight the various opinions in a balanced way with the aim to develop an efficient evidence-based policy rather than a one driven by the strongest interests.

## References

### List of specific statements

Referenced in report as...	Reference	Section of Report
Agroeconomic Council, Dec 2010	The Common Agricultural Policy towards 2020: compliance with the future food supply, natural resources and territorial challenges. The position of the Agroeconomic Council [In Hungarian: A Közös Agrárpolitika 2020-ig: megfelelés a jövő élelmezési, természetes erőforrásokat érintő és területi kihívásainak. Az Agrárgazdasági Tanács állásfoglalása]. 2 December 2010, Budapest	2.2
AGRYA, Nov 2010	The preliminary position of the Agricultural and Rural Youth Association Hungary (AGRYA) about the Commission Communication entitled 'The CAP towards 2020' [In Hungarian: A Fialat Gazdák Magyarországi Szövetsége – AGRYA előzetes álláspontja a „KAP jövője 2020-ig” c. Bizottsági Közleménnyel kapcsolatban]. November 2010, Budapest	2.1
CEEweb IA Consultation, Jan 2011	Statements provided by CEEweb in response to the Consultation for the Impact Assessment on the “Common Agricultural Policy Towards 2020” proposals (Source: <a href="http://ec.europa.eu/agriculture/cap-post-2013/consultation/contributions_en.htm">http://ec.europa.eu/agriculture/cap-post-2013/consultation/contributions_en.htm</a> )	2.8
DIPO, Feb 2011	Opinion of the Assembly of DIPO Public Association with regard to the 'Impact assessment study of the CAP reform' [in Hungarian: DIPO Khe közgyűlés véleménye a „KAP-reform hatáselemző vitaanyag” kapcsán], 5 January 2011, Source: <a href="http://leader.tiszato.hu/dipo-khe-kozgyules-velemenye-a-%E2%80%9Ekap-reform-hataselemzo-vitaanyag%E2%80%9D-kapcsan/">http://leader.tiszato.hu/dipo-khe-kozgyules-velemenye-a-%E2%80%9Ekap-reform-hataselemzo-vitaanyag%E2%80%9D-kapcsan/</a> (last accessed: September 2011)	2.4
GPAH IA Consultation, Jan 2011	Statements provided by the Grain Producers' Association Hungary (GPAH) to the Consultation for the Impact Assessment on the “Common Agricultural Policy Towards 2020” proposal (Source: MNVH)	2.8
HANGYA IA Consultation, Jan 2011	Statements provided by HANGYA Association in response to the Consultation for the Impact Assessment on the “Common Agricultural Policy Towards 2020” proposals (Source: <a href="http://ec.europa.eu/agriculture/cap-post-2013/consultation/contributions_en.htm">http://ec.europa.eu/agriculture/cap-post-2013/consultation/contributions_en.htm</a> )	2.8
MOSZ IA Consultation, Jan 2011	Statements provided by MOSZ in response to the Consultation for the Impact Assessment on the “Common Agricultural Policy Towards 2020” proposals (Source: <a href="http://ec.europa.eu/agriculture/cap-post-2013/consultation/contributions_en.htm">http://ec.europa.eu/agriculture/cap-post-2013/consultation/contributions_en.htm</a> )	2.8
Opinions No 1 to No 5	Anonymous respondents to the Consultation for the	2.8

Referenced in report as...	Reference	Section of Report
	Impact Assessment on the "Common Agricultural Policy Towards 2020" proposal (Source: MNVH)	
PCFG, Dec 2010	The future role and perspective of the Common Agricultural Policy [in Hungarian: A Közösségi Agrárpolitika (KAP) jövőbeli szerepe és kilátásai], Parliamentary Commissioner for Future Generations, 11 December 2010	2.3
Rural Development Seminar, Jan 2011	Participants of the seminar „Rural Development and LEADER in the Europe 2020 Strategy”, Budapest Declaration, 24 January 2011, Source: <a href="http://www.mnvh.eu/hirek/117/20110113/vidékfejlesztes-es-leader-az-europa-2020-strategiaban-szeminarium">http://www.mnvh.eu/hirek/117/20110113/vidékfejlesztes-es-leader-az-europa-2020-strategiaban-szeminarium</a> (last accessed: September 2011)	2.5

#### Other sources

European Commission (2011). The reform of the CAP towards 2020, Consultation Document for Impact Assessment.

Fleischer, T. (2011, May 17). Comments to the National Rural Strategic Concept consultation document [In Hungarian: Megjegyzések a Nemzeti Vidékstratégiai Koncepció vitaanyagához]. Hungarian Academy of Sciences, Institute of World Economics

Glatz, F. (ed.) (2010). The future of the European and Hungarian agricultural policy. Dialogue for the Countryside. [In Hungarian: Az európai és a magyarországi agrárpolitika jövője. Párbeszéd a vidékért], Hungarian Academy of Sciences, Institute of Historical Sciences, 2010, Budapest

Gorton, M., Hubbard, C., & Hubbard L. (2009) [Referenced in Jambor (2011)]. The Folly of the European Union Policy Transfer: Why the Common Agricultural Policy (CAP) Does Not Fit Central and Eastern Europe?. *Regional Studies*, Vol. 43 Issue No 10, pp. 1305-1317

Hungarikum Consortium (2010). Mid-term evaluation of the New Hungary Rural Development Programme (2007-2013)

Jámbor, A. (2010, Nov). The future of the Common Agricultural Policy: Analytical Framework [In Hungarian: A Közös Agrárpolitika Jövője: Elemzési Keretrendszer], Working Paper prepared on the basis of the presentation made during the Agro-economic Workshop, Corvinus University, 26 October 2010 (Retrieved from: <http://www.mnvh.eu/hirek/118/20101130/agrargazdasagi-muhelyvitak-corvinuson>)

Jámbor, A. (2011, Feb). The Common Agricultural Policy after 2013: Professional and social debate [In Hungarian: A Közös Agrárpolitika 2013 után: A szakmai és a társadalmi vita]. *Magyar Tudomány*, No 172, Issue 2011/2, pp. 189-198

KÖRTÁJ Tervező Iroda Kft. (2009). The potentials of Hungarian land use with regard to climate protection [in Hungarian: Magyarország felszínborítottságának lehetőségei az éghajlatvédelemben], study prepared for the Ecological Institute for Sustainable Development

Ministry for Rural Development (2011, Apr 8). National Rural Strategy Concept – 2020, Consultation Document

MNVH (Hungarian National Rural Network) (2010, June). Report on the Hungarian National Rural Network activities related to the public debate of the Common Agricultural Policy

MOSZ (2011, May 25). The opinion and suggestions of MOSZ (National Association of Agricultural Cooperators and Producers) with regard to the National Rural Strategy Concept

MOSZ (2011, 10 Nov). About the proposals of the European Commission concerning the CAP 2014-2020, Background document prepared for the MOSZ Presidency about the proposals of the European Commission concerning the CAP between 2014 and 2020

New Hungary Rural Development Programme, CAP Sub-committee of the Monitoring Committee (1 June 2011). The opinion and suggestions of the NHRDP MC CAP Sub-committee about the National Rural Strategic Concept 2020 consultation document, 1 June 2011, Budapest

New Hungary Rural Development Programme (NHRDP) (2009). Budapest, December 2009, Version 5, Amendments according to EERP and CAP HC

Potori, N. (2011, Oct 11). The developing new Common Agricultural Policy [in Hungarian: A körvonalazódó új Közös Agrárpolitika]. *AgroNapló*, pp. 189-197, Year XV, 11 Oct 2011

Tamás, G. & Tanács, I. (2011, Feb 6). Landownership [In Hungarian: Birtokos eset]. *Népszabadság*, 2011, Feb 6

Tantító, D. (ed.) (2010). Facts and views for the reform of the CAP 2014-2020' [In Hungarian: Tények és szempontok a 2014-2020 közötti KAP reformjához], Research Institute of Agricultural Economics, 2010, Budapest

Udovecz, G. (2010). The reform of the Common Agricultural Policy from a Hungarian (research) perspective [In Hungarian: A közös agrárpolitika reformja magyar (kutatói) szempontból]. *Gazdálkodás*, No. 2010/7, pp. 717-730

Vajda, L. (2010). The agro-economic aspects of the Hungarian presidency [In Hungarian: A magyar elnökség agrárgazdasági vonatkozásai]. *Európai Tükör*, pp. 39-44, Year XV, No 2010/11-12, November-December

Zahrnt, V. (2009) [Referenced in Jambor (2011)]. Public Money for Public Goods: Winners and Losers from CAP Reform. *ECIPE Working Paper No 08/2009*. Brussels, Belgium

***Other journal and newspaper articles (no named author)***

The Hungarian framework mandate with regard to the CAP reform is not public – According to the draft proposal the government agrees with the ceiling of support, *Agromonitor*, 11 Feb 2011 (Retrieved from: [http://www.agromonitor.hu/index.php/eu/40-eu/2653-magyar-keretmandatum-a-kap-  
vitaban-tamogatja-a-kormany-a-tamogatasi-plafon-bevezeteset](http://www.agromonitor.hu/index.php/eu/40-eu/2653-magyar-keretmandatum-a-kap-vitaban-tamogatja-a-kormany-a-tamogatasi-plafon-bevezeteset))

CAP future: A strong majority supports Presidency, 18 March 2011 (Retrieved from: [www.eu2011.hu](http://www.eu2011.hu))

Conference about the rural development strategy [In Hungarian: Konferencia a vidékstratégiáról], *Magyar Mezőgazdaság*, No 2011/22, 3 June 2011 (Retrieved from: <http://magyarmezogazdasaglap.hu/hu/irasok/magyar-videk/konferencia-vidékstrategiarol>)

Is the Common Agricultural Policy really greening? [In Hungarian: Valóban zöldül a Közös Agrárpolitika?]. *Levegő Munkacsoport*, 16 Sept 2011 (Retrieved from: [http://www.levego.hu/hirek/2011/09/valoban\\_zoldul\\_a\\_kozos\\_agrarpolitika](http://www.levego.hu/hirek/2011/09/valoban_zoldul_a_kozos_agrarpolitika))

Consistency and credibility [In Hungarian: Következetesség és hitelesség]. Interview with Laszlo Vajda Head of Unit of the Coordination Department, Ministry of Rural Development. *Agrárium*, Sept 2011

CAP-reform: The end of free lunch [In Hungarian: KAP-reform: az ingyenebédnek vége]. 4 Oct 2011. (Retrieved from: <http://www.jogiforum.hu/hirek/26317>)

The Commission's proposal would green agricultural policy [in Hungarian: Kizöldítené az agrárpolitikát a Bizottság javaslata]. 12 Oct 2011 (Retrieved from: <http://www.bruxinfo.hu/cikk/20111012-kizolditene-az-agrarpolitikat-a-bizottsag-javaslat.html>)

The CAP would be made more sustainable and competitive [in Hungarian: Versenyképesebbé és fenntarthatóbbá tennék a KAP-ot]. 13 Oct 2011 (Retrieved from: <http://www.mnvh.eu/hirek/691/20111013/versenykepesebbe-es-fenntarthatobbatennek-kap-ot>)

The CAP reform proposal was presented [In Hungarian: Bemutatták a KAP-reform tervezetét]. 13 Oct 2011 (Retrieved from: [www.umvp.eu](http://www.umvp.eu))

Hungary initiates the extension of the sugar quota regime [In Hungarian: A cukorkvóta-rendszer meghosszabbítását kezdeményezi Magyarország]. *Gazdasági Tükörkép Magazin Online* ([www.gtm.hu](http://www.gtm.hu)), 15 October 2011

Proposal for agricultural reform: The European Commission builds on the results of the EU Presidency [In Hungarian: Agrárreform-javaslat: Az Európai Bizottság a magyar EU-elnökség eredményeire épít]. 21 October 2011 (Retrieved from: [www.agroinform.com](http://www.agroinform.com))

Thoughts with regard to the CAP-reform [In Hungarian: Gondolatok a KAP-reform kapcsán], *Magyar Mezőgazdaság*, 7 December 2011

The Common Agricultural Policy is going through reform [In Hungarian: Reform előtt a közös agrárpolitika], *AgroTrend* ([www.agrotrend.hu](http://www.agrotrend.hu)). 14 December 2011