

Peter Kajner:
No more bets

Multifunctional agriculture. The reform process having put the Common Agricultural Policy (CAP) of the European Union on 'two legs' started in 1992: the conception of rural development and its payment system was introduced and so the second pillar of the CAP was established. The funds spent on the agrarian sector amount to almost half of the EU's budget. The bigger proportion of this money is spent under the first pillar, on production-related supports, purchases at warranted (supported) minimum prices and export support. This support system, however, results in over-production on the grain, meat, sugar and milk markets. In addition, it supports management methods which destroy our natural resources (soil, water, air, biological diversity) at an accelerating rate. The resources are distributed very unequally: 80 percent of support payments are allocated to 20 percent of the enterprises: the largest farms. Consequently, the EU's family-based agriculture is continuously changing - the farm system providing stability and the basis of wider employment is gradually regressing because of the advance of the capital-based large farms. The rate of rural population is decreasing in the EU.

These problems led (again) to recognition of the fact that agriculture is multi-functional: it does not only produce good quality, chemical-free food and other raw materials but contributes to the preservation of the land, the natural resources and the ability to maintain rural populations. The Common Agricultural and Rural Policy introduced in 1992 is aimed at making agriculture multifunctional. Indeed, through other investments representing the key to the development of agriculture and rural areas (e.g. processing industry, infrastructural developments), agriculture will be able to fulfil its economic, environmental and social tasks mentioned above. The first pillar payments are allocated to farmers on an area basis, and the second pillar (rural development) provides the possibility to finance a wide range of measures. Of the latter, the most important is the system of agrarian environmental (agri-environment) management payments which reimburse the excess costs to farmers through paying special attention to the natural resources, by virtue of five-year contracts. The other titles of the rural development payments (support for disadvantaged areas, support for meeting the EU's animal welfare rules, afforestation of agricultural areas, support of semi-self supplying economies, support for producers' groups) are all aimed at establishing a rural economy and infrastructure providing adequate livelihoods for a wide range of rural people and also assuring the sustenance of our life resources.

Hungary sailing against the wind. Since 1st May, 2004 Hungary has been the member of the European Union, so the scope of our agricultural and rural development policy is limited by the CAP. Our EU-accession was shocking for the Hungarian rural areas and for agriculture which were unprepared. Opening the country's borders, the newly introduced regulations, the mechanisms of the support systems and the administrative and institutional obligations dampened the enthusiasm of farmers and others, too. Even the Ministry of Agriculture and Rural Development and its background institutions were obviously lagging behind the events. Prior to the accession we could practically only hear of the expected wonderful possibilities. Following May 1st sharp market competition and the obligations set by new administrative systems appeared at once while the support system and the payments (either the first pillar, or the second) were not initiated until the end of 2004. By February-March 2005 the wide ranging discontent led to the greatest farmers' protest in Hungary since the regime transition.

Examining the period 2004-2006, it seems that Hungarian agrarian and rural development policy was lagging behind the events not just a year but more than a decade. The Hungarian agricultural leaders had hardly acknowledged the second pillar of the CAP, the rural development measures.

Rather they considered them impediments forced on Hungary by the EU. The proportion of support to be spent on rural development demanded by Hungary during the accession negotiations in Copenhagen was the smallest of the ten newly acceding countries. The fact that the CAP of the EU is definitely moving towards the complex conception of rural development was not recognized in Hungary. In our country forced industrialization of agriculture, the achievement or restoration of large-scale farms and the use of conventional, intensive technologies instead of environmentally friendly technologies are still order-of-the-day.

Rural development: the step-child of Hungarian agricultural policy. Our agricultural policy is striving to deprive the rural population of the possibilities available through the EU and to provide the means to a livelihood of small and medium scale farms (individual farmers, family farms). In 2004-2006 we were informed of the National Rural Development Plan (NRDP) containing the second pillar support possibilities, primarily in response to media scandals. The three-year budget of the NRDP amounts to nearly HUF 189 billion, 40 percent of which was intended to be spent on agri-environmental measures. Only in 2004 the responsible ministry requested three times the EU's permission to reallocate part of the resources of the plan to finance the traditional area-based support (twice before the NRDP was accepted). It was often stated that Hungarian farmers were unprepared, and they would be unable to draw down the available resources. The argument seems rather false given the fact that the ministry failed to provide the necessary information and training and so did not prepare the farmers for the implications of EU-accession and the new opportunities. The payment institutional system (Agricultural and Rural Development Office) started operating adequately only one year after the accession! Despite all these circumstances in 2004 32 thousand farmers applied for agri-environmental support. The concluded five-year contracts amount to a resource demand of HUF 44 billion per year.

Questionmarks. Questions, however, grow in number from here on. True enough, the resource budgets of some measures remained unused. According to the accounts prepared at the end of 2006 there was 'money' left in the budgets for meeting the EU's animals' welfare regulations, supporting semi self-sufficient farmers and supporting disadvantaged areas. The Ministry, despite its promise made many times, did not initiate the early retirement measure. At the same time, the agrarian-environmental payments, the afforestation of agricultural areas and the support for producers' groups represent an enormous excess demand. The resource demand of the NRDP is almost HUF 47 billion more than the original 189 billion. The considerable interest in the agri-environmental management programme was obvious already at the end of 2004. Despite this fact, MARD initiated the reallocation of HUF 14 billion at the EU in December that year. After the farmers' demonstration in 2005 this amount was reduced to HUF 10 billion but the money was finally withdrawn from rural development. Notwithstanding the fact that farmers demanded a halt to the withdrawal of rural development resources to enable the reallocation of another HUF 26 billion to the national supplement (the so-called top-up) measures on area-based support for arable crops was initiated. The EU refused this for formal reasons.

According to the present situation, because of the lack of resources the very popular agrarian-environmental management measures will only be announced again in 2009. Until then the National Rural Development Plan budget planned with this aim in mind, will be used to finance the obligations accruing from the five-year contracts entered into in 2005. Despite this, at the session of the NRDP Monitoring Committee on 8th November, 2006 the third official reallocation request to transfer resources to the top-up for an amount of almost HUF 14 billion was accepted. This increased the then HUF 47 billion rural development deficit by exactly HUF 14 billion.

Lessons in democracy. According to its function, the NRDP Monitoring Committee guards the high professional level of spending of rural development resources. The reallocation proposals of the

Ministry were, before submission to the government, supported by a large majority of this body on each occasion. Aside from the Hungarian Association of Farmers (MAGOSZ) and the green civil organizations no other organizations stood for the interests of rural development. How is it possible that despite the obvious lack of resources the Committee voted for their further withdrawals in all the three cases? The explanation can be found in the composition of the Committee. Almost 40 percent of the 50 people represent the Ministry of Agriculture and Rural Development or its background institutions, and for them uniform voting is an official obligation. Together with the other governmental institutions they comprise nearly half of the Committee. If we add the agrarian organizations that have never been the champions of rural development, a comfortable majority supporting traditional payments will always be reached. So, as with Parliament, the final results of votings can be predicted irrespective of the issue at hand.