EVALUATION DE L'IMPACT ENVIRONNEMENTAL DE L'ORGANISATION COMMUNE DE MARCHE DES CULTURES PERMANENTES

ANNEXE 18 : OCM VIN
ETUDE NATIONALE HONGRIE

Novembre 2005

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GLOSSARY

ARDA – Agriculture and Rural Development Agency – Paying Agency

CMO – Common Market Organisation

EC – European Commission

EU – European Union

EUR – EU Currency

Ft. – Forint (Hungarian currency)

IACS – Integrated Administrative Control System

ILE – Institute of Landscape Ecology

MARD - Ministry of Agriculture and Regional Development

mio – million

PO – Producer Organisation

SAPARD – Special pre-Assistance Programme for Agriculture and Rural Development

SOP – Sectoral Operational Programme

1. STATE OF THE AGRICULTURE AND AGRICULTURAL ENVIRONMENT IN THE COUNTRY

1.1 Brief description of the agriculture in the country

Total area of Hungary is 9 303 thousands hectares. Of this total agricultural area constitute 63.1 percent, forest 19.0 percent, reed and fishpond 0.6% and 0.4% respectively, and uncultivated land area 16.9%. Total agricultural area is divided into arable land constituting 48.5% of total area of Hungary, gardens 1.1%, orchards 1.0%, vineyards 1.9%, and grassland constituting 11.4% of the total area of Hungary.

Table 1: Area by type of use in Hungary in 2002

Type of Use	Area, 1000 hectares	Ratio, %
Arable land	4 516	48.5
Gardens	99	1.1
Orchards	97	1.0
Vineyards	93	1.0
Grassland	1063	11.4
Total Agricultural Area	5867	63.1
Forest	1772	19.0
Reed	60	0.6
Fishpond	33	0.4
Total Productive Area	7732	83.1
Uncultivated Land Area	1571	16.9
Total Land Area	9303	100.0

Source: Hungarian Central Statistical Office

Main crops produced in Hungary include cereals (mainly wheat and maize), sunflower, fruits and vegetables, potatoes, wine, tobacco, lucerne hay and grass.

Table 2: Production of crops in Hungary in 2002

Denomination	Area (1 000 hectares)	Total Production (1 000 tons)
Cereals	2975	11 630
Of which Wheat[a)]	1112	3 896
Maize	1238	6 087
Tobacco	5.4	11.3
Sunflower	421	779
Potatoes	34	745
Lucerne hay	161	700
Vegetables[b)]	114.6[c)]	1850
Grass	1063	
Wine/vineyard	93	501
Orchard	97	699
Of which productive orchard	76	631
Of which: Apple	35.8	527
Pear	1.9	13
Sour Cherry	10.6	38
Plum	5.9	49
Apricot	4.9	7
Peach	6.8	22

Source: Hungarian Central Statistical Office

Notes: a) including durum wheat, b) non-arable land, c) harvested area

Main livestock produced in Hungary includes cattle, pigs, sheep, hens, cocks and chicken.

Table 3 shows livestock numbers in Hungary in 2002 year.

Table 3: Livestock numbers in 2002

Denomination	1000 heads
Cattle	770
Of which: cows	362
Pigs	5082
Of which: breeding sows	381
Sheep	1103
Of which: ewes	854
Hens, cocks and chicken	32206
Of which: laying hens	16849

Source: Hungarian Central Statistical Office

Table 4 shows production of main animal products in Hungary in 2002 year.

Table 4: Production of main animal products in 2002

Denomination	Production	
	Unit	Quantity
Cattle for slaughter	thousand tons	95
Pigs for slaughter	thousand tons	700
Sheep for slaughter	thousand tons	19
Poultry for slaughter	thousand tons	690
Rabbit for slaughter	thousand tons	4
Cow milk production	million litres	2100
Hen eggs production	million pieces	3400
Table fish	thousand tons	11

Source: Hungarian Central Statistical Office

Table 5 shows value of production of main agricultural commodities in Hungary.

Table 5: Value of agricultural production at producer prices in Mio EUR.

	2001	2002	2003
Agricultural production	5475	5728	5227
Crop production	2609	2728	2685
Cattle	99	101	86
Milk	554	580	530
Pigs	965	935	692
Eggs and poultry	786	857	726

Source: European Commission, Eurostat (Economic Accounts for Agriculture)

Viticulture and viniculture belong to important traditional scopes of agriculture in Hungary. The total area of vineyards is 93 000 hectares. It is about 1.6 % of the total agricultural area in Hungary. Of this 82 000 hectares are productive vineyards. The average yield on productive vineyards is about 5750 kg per hectare.

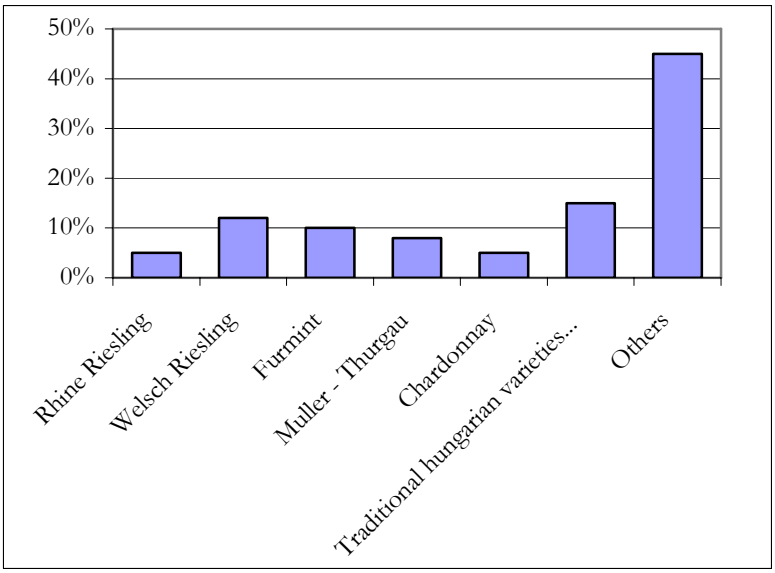
Table 6: Area of vineyards in hectares, productive vineyards, and average yield in kg/hectare in 1996 – 2004 in Hungary

	1996 - 2000	**2001**	**2002**	**2003**	**2004**
total area of vineyards	125 000	127 000	106 000	93 000	93 000
productive vineyards	97 000	99 000	89 000	83 000	82 000

Source: István Szucs, Studies in agricultural economics 2004, Research and Information Institute for agricultural economics, Budapest, 2004

Figure 1 shows shares of selected white varieties of grapes on total production of white wine grapes.

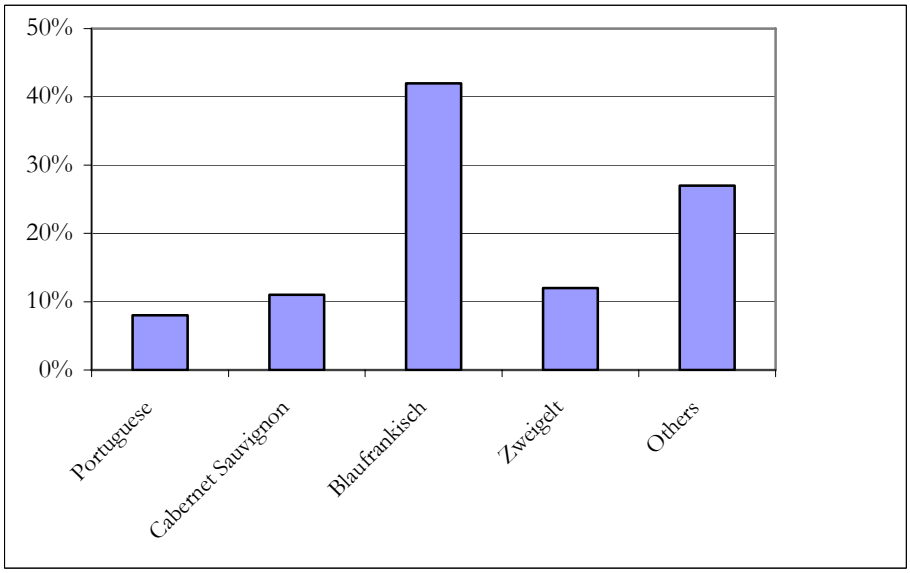
Figure 1: Shares of selected white varieties of grapes on total production of white wine grapes.



Source: Hungarian Central Statistical Office

Figure 2 shows shares of selected red varieties of grapes on total production of red wine grapes.

Figure 2: Shares of selected red varieties of grapes on total production of red wine grapes.



Source: Hungarian Central Statistical Office

There is a 22 wine - growing regions in Hungary where over 70 varieties of white and red grapes are produced. White varieties constitute 64 % of all grown varieties. The most popular white varieties of grapes are Furmint, Müller – Thurgau, Chardonnay, Welschriesling, Rheinriesling, Grüner Veltliner, and Muskat Ottonel. Red varieties constitute 22 % of all varieties and the most popular red grapes are Cabernet Sauvignon, Merlot, Blaufränkisch, Zweigelt, and Blauer Portugieser.

In 2004 production of grapes in Hungary reached 523 000 tons, of which grapes for table constituted 23 000 tons and grapes for wine 500 000 tons. From grapes for wine 333 mil. litres of wine is produced annually.

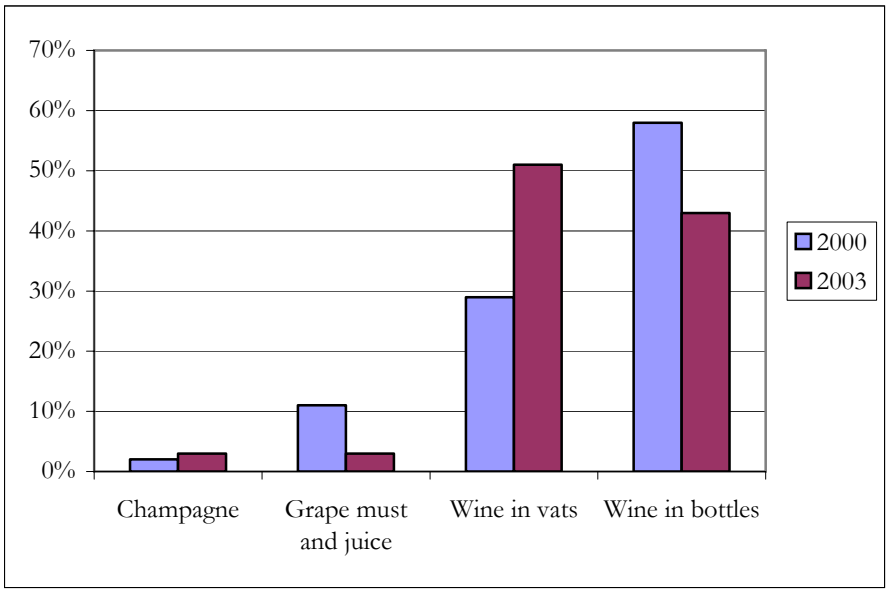
Most of the wine produced is white wine (67 %), followed by red wine (23 %), table wine 1.2 % and other wine (8.8 %).

Hungarian agriculture is export oriented. Overall self sufficiency of the total food and beverages sector in Hungary is 120 % (2001 year). In 1990 agriculture and food industry had a share of 23.1% in total exports. In spite of decline of the share of agriculture on total export to 8% in 2000 and 7.5% in 2001 agriculture and food industry maintains a positive trade balance and significantly contributes to Hungarian exports. For period after 1990 general Hungarian trade balance was negative. EU was the most important trade partner for Hungary even before accession.

The most important agricultural import products are residues and waste from the food industries, prepared animal fodder, coffee, tea, maté and spices and fruits. The most important export products are meat and edible meat offal, cereals and rice, preparations of vegetables, fruits, nuts, beverages, spirits and vinegar, and vegetables.

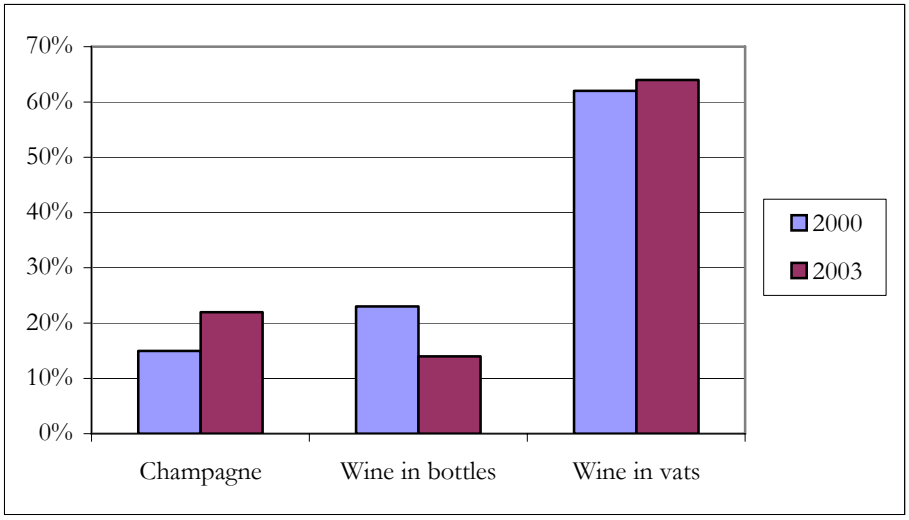
Figure 3 depicts export of wine in years 2000 and 2003 and Figure 4 depicts import of wine in years 2000 and 20003.

Figure 3: Export of wine from Hungary in 2000 and in 2003



Source: Hungarian Central Statistical Office

Figure 4: Import of wine to Hungary in 2000 and in 2003



Source: Hungarian Central Statistical Office

Table 7shows the age of vineyards in Hungary in year 2003.

Table 7: Age of vineyards in Hungary in year 2003

Age of vineyards	Area of vineyards (ha)	Percentage of the total area of vineyards
less than 10 years	13 139	12
10 – 19 years	33 863	36
20 – 29 years	25 268	27
more than 29 years	20 730	25

Source: Hungarian Central Statistical Office

The **Ministry of Agriculture and Rural Development (MARD)** is responsible for management of the Commodity Market Organisation**.**

According to the Instruction no. 14/B/2003 of the Minister of Agriculture (25/09/2003) on the amendment of the Rules of Operation and Organisation of the **MARD** the EAGGF Guarantee Section, Department for Accreditation is set up under the direct supervision of the Administrative State Secretary in order to perform the tasks of the Competent Authority.

The institution responsible for the implementation of the Commodity Market Organisations is the **Agricultural and Rural Development Agency** (H-1054 Budapest, Alkotmány u. 29.). The **ARDA** was established on 1 July 2003 in accordance with Government Decree 81/2003 (VI. 7.). The ARDA was established by the merger of the SAPARD Agency accredited for the implementation of support under the SAPARD Programme and the Agricultural Intervention Centre that managed national aid schemes. Through that merger, Hungary facilitated maximum utilisation of the experiences gained during the implementation of the SAPARD Programme. The ARDA has been accredited as the Paying Agency for EAGGF Guarantee Section and will also act as the sole intermediate body of the Managing Authority for the ARDOP, financed under the Guidance Section of the EAGGF.

1.2 Brief description of the environment in agriculture

Table 8 summarizes the use of fertilizer in Hungary in years 2000 – 2004 while Table 9 shows fertilizer use per hectare of arable land, gardens, orchards, and vineyards

Table 8: Fertilizer use in kg per hectare of agricultural area in Hungary.

	2000	2001	2002	2003	2004
nitrogenous	43	44	47	52	48
phosphorous	6	8	10	11	11
potassium	7	9	11	12	14
Total	56	61	67	74	72

Source: István Szucs, Studies in agricultural economics 2004, Research and Information Institute for agricultural economics, Budapest, 2004

Table 9: Fertilizer use in kg per hectare of arable land, garden, orchard, vineyard in Hungary.

	2000	2001	2002	2003	2004
nitrogenous	52	54	57	63	58
phosphorous	8	9	12	13	13
potassium	9	11	13	15	17
Total	69	74	82	91	88

Source: István Szucs, Studies in agricultural economics 2004, Research and Information Institute for agricultural economics, Budapest, 2004

Table 10 summarizes the use of pesticides in Hungary in years 2000 – 2002 while Table 11 shows pesticides use per hectare of vineyards

Table 10: Plant protection area (hectares) treated with pesticides in arable land in Hungary

	2000	2001	2002
herbicide	1 532 046	1 459 700	1 480 447
insecticide	509 260	486 078	527 917
fungicide	636 627	559 835	661 757
other pesticide	291 573	211 701	258 361

Source: Dr. Gábor Udovecz, Hungarian food and agricultural statistics 2003, Research and Information Institute for agricultural economics, Budapest, 2004

Table 11: Plant protection area (hectares) treated with pesticides in vineyards in Hungary

	2000	2001	2002
herbicide	4 723	5 499	5 781
insecticide	5 036	6 333	7 119
fungicide	5 591	7 042	7 443
other pesticide	2 192	3 125	3 451

Source: Dr. Gábor Udovecz, Hungarian food and agricultural statistics 2003, Research and Information Institute for agricultural economics, Budapest, 2004

During transition period the use of fertilizers decreased significantly. Excessive doses of fertilizers are not the primary cause of environmental damage; rather the problem is degradation of soils resulting from the lack of nutrient replenishment. Table 12 shows NPK balances of the period 1900 to 2000.

Table 12: NPK balances of the period 1900 – 2000 in areas under agricultural cultivation in kg/ha/annum.

Period	N	P_2O_5	K_2O	Total
Withdrawn with yield				
1900-1950	40	15	38	93
1961-1965	47	18	48	113
1971-1975	72	27	69	168
1986-1990	88	40	97	225
1991-1995	83	32	79	194
1996-2000	73	26	46	145
Replaced by fertilizers				
1900-1950	0	1	0	1
1961-1965	24	17	9	50
1971-1975	80	54	67	201
1986-1990	93	47	58	202
1991-1995	29	4	4	37
1996-2000	47	7	8	62
Total Replacement				
1900-1950	7	7	16	30
1961-1965	23	19	24	66
1971-1975	84	62	105	251
1986-1990	120	64	111	295
1991-1995	53	19	51	123
1996-2000	64	14	24	102
Balance				
1900-1950	-33	-7	-22	-62
1961-1965	-24	+1	-23	-46
1971-1975	+13	+35	+31	+79
1986-1990	+32	+24	+14	+70
1991-1995	-30	-13	-28	-71
1996-2000	-9	-12	-22	-43

Source: Imre Kádár, Hungarian Academy of Science, Soil and Agrochemical Research Institutes.

Table 13 summarizes the most important agri-environmental problems in Hungary.

Table 13: Agri-environmental problems in Hungary

Denomination	Area concerned	Environmental significance	Total
Wind and water erosion	+++	+++	6+
Reduction of biodiversity in valuable natural areas due to the cessation of cultivation	++	+++	5+
Soil compaction	+++	++	5+
Destruction of natural assets caused by intensive farming	+	+++	4+
Landscape destruction caused by changes in the intensity of land usage	++	++	4+
Water pollution from agricultural sources (nitrate and phosphate infiltration)	+	++	3+

Evaluation: + moderate, ++ sever, +++very severe

Source: Agriculture and rural development operational program, Hungary.

Water erosion affects 35.3% of all agricultural area, totaling 2 297 000 hectares. Severe water erosion affects 0.557 million hectares. Wind erosion affects 1.4 million hectares, but accurate data are not available. 13 % of Hungary's soil cover has strong, 42 % has average or weak acidity. Soil acidification has accelerated in the last two decades, but he area affected has not grown significantly. Salinisation affects 946 000 hectares which is 10 % of the total territory of the country. Soil compaction poseds a problem on 1,4 million hectares of agricultural land, which about half of all arable land.

52 % of country's territory is subject to the risk of flooding and internal waters. The agricultural areas subject to the risk of draught are equivalent to those affected by flooding and internal waters.

Over 90 % of the public utility drinking water supply of Hungary comes from drinking water wells installed on subsurface water reservoirs. About two-thirds of those are in fragile geological locations that are facing risk over a longer period of time that the pollution from the surface can reach the point where water is obtained.

Rapid industrialization in Hungary contributed significantly to a number of major environmental problems, including air, water, and soil pollution. Emissions from automobiles and electric power plants have created most of the air pollution. A significant percentage of the country's forests, waterways, and buildings suffer damage from acid rain, which is caused by sulfur dioxide in the air.

River, lake, and groundwater pollution in Hungary are the result of industrial runoff, much of which is untreated when it enters the water. Insufficiently treated sewage also contributes to water pollution, as a large percentage of the country's population does not have access to adequate sanitation facilities. Hungary's Lake Balaton, the largest lake in central Europe, is severely polluted.

Soils are also susceptible to pollution from chemical runoff from local industries. Because Hungary shares its major waterway, the Danube, with other European countries, pollution problems affecting neighbouring countries often affect Hungary as well, and vice versa.

1.3 Brief presentation of the CO system in the country (for the crop studied)

1.3.1 Description of the historic of implementation of CMO

Harmonisation of Hungarian legislation with the EU legislation started in 1996. At that time Hungarian agricultural policy focused on the stabilisation of viticulture and viniculture through support for reconstruction of old and planting of new vineyards. Additionally wine register was completed in compliance with the EU regulation in 2002.

There were various national subsidies to viticulture and viniculture (area subsidy, subsidy for consolidation of land, subsidy for the protection of soil quality, subsidy for obligatory samples, and subsidy for planting, subsidy to agricultural associations for the sale of products). The subsidy for obligatory samples came to an end in 2004. These national subsidies had to be harmonized with the EU regulations within 3 years after the accession.

Since January 2002 producers of wine report yield of grapes, production of wine, inventories of wines and musts. In July 2002 statistical data on survey of vineyards were published.

In Hungary there are two institutions responsible for inspections in relation to the common market organisation in wine: National Institute for Wine Qualification inspects private storage, distillation, use of grapes, while National Institute for Agricultural Quality Control inspects production potential and restructuring of vineyards.

1.3.2 Organisation of the implementation at national and regional level

1.3.2.1 Planning – Programming

There are various types of support in wine sector. The biggest amount (443 mil. EUR in 2004) was allocated for restructuring and conversion of vineyards.
Within the CMO in wine there are the following types of support:

- restructuring and conversion of vineyards
- private storage aid
- production of grape must
- increasing of alcohol content in wine products
- compulsory distillation of byproducts of wine production
- distillation
- abandonment premiums
- sale of wine products
- export refunds

1.3.2.2 Implementation and control

For restructuring and conversion of vineyards Hungary received for 2004/2005 year 10 mil. EUR for the area of 1261 hectares of vineyards. These resources must be used by June 30 2005. Hungary supports the following measures within restructuring and conversion of vineyards:

- Varietal conversion
- Relocation of vineyards
- Improvements to the vineyards management techniques related to the objective of the system.

Parallel planting is used for relocation of vineyards. It means that 3 years from planting of new vineyards wine grower uses parallely both old and new vineyards. After 3 years old vineyard must be grubbed up and removed from the wine register. Parallel planting is used for varietal conversion and improvements to the vineyards management system. Varietal conversion may be also conducted by means of grafting-on. Restructuring and conversion of vineyards also covers costs related to fencing of the vineyards and reconstruction of supporting vineyard construction.

Private storage aid is granted for the private storage of table wine, grape must, concentrated grape must and rectified grape must. The aid is granted subject to the conclusion with the Hungarian paying agency between 16 December and 15 February of a storage contract. Storage aid is paid after the end of storage period and it is dependent on the amount of stored product and duration of storage period.

Aid for production of grape juice is based on the quantity of processed products from grape juice rather than on quantity of produced grape juice. Producers of table and quality wines can obtain aid if they use concentrated grape must and rectified concentrated grape must for increasing alcohol content in products.

Wine makers are required to deliver all by-products of wine making to approved distillery. The price paid by the distiller may not be lower than minimum price. Distiller may receive aid for distilling or deliver distilled product to the paying agency.

The Community may provide aid for distilling table wines in order to support the wine market. Such a case is not expected to occur in Hungary.

Member States may set areas in which they will provide abandonment premiums for permanent grubbing up of vineyards. Abandonment premiums are set by Commission regulation. Hungary decided not to provide this type of support because of ecological reasons and due to the government strategy for maintaining area of vineyards in Hungary. Export refunds are provided for exporters for export of wine to the third countries.

1.3.2.3 Monitoring

There was no monitoring performed for the applied measures yet.

1.3.3 Organisation of the producers

There are no producer organisations in wine sector in Hungary. See also section in answers to the evaluation questions part Producers organisations.

1.4 The level of implementation of the CMO measures

Private storage of wines and musts

There was 32 applications received between 16 December 2004 and 15 February 2005 for private storage of table wine and must in Hungary.

Crises distillation has not been used yet. It is expected to start in autumn 2005.

The first abandonment premiums will be applied in autumn 2005.

In Hungary there are 7 approved distilleries for wine distillation.

2. ANSWERS TO EVALUATION QUESTIONS

2.1 Question on vineyards

Question 3 (V2): What are the environmental impacts of grubbing-up grants and payments of compensation for cost of uprooting and income loss? [This question should be answered also in the longer term perspective of enlargement with wine producing countries in central and southern Europe]?

Questions to the authorities and professionals:

2.1.1 Background information

- **Are there statistics on these operations in vineyards in your country?**
  - **grubbing up of vineyards to convert them into other agricultural land,**
  - **grubbing up of vineyards to convert them into more productive new vineyards**
  - **planting of new varieties,**
  - **intensification i.e.: increase in inputs like fertilisers and pesticides, increase in density of plantation, irrigation, etc.**

Hungarian Central Statistical Office collects various types of information on vineyards. However there are no specific data on grubbing up of vineyards in Hungary. This is mainly due to the fact that grabbing-up of vineyards was not supported in the past so there was no political will to maintain such data.

Basic data on use of fertilisers and pesticides are shown in the part of 1.2. “Brief description of the environment in agriculture”.
After initial decrease at the beginning of transition period pesticide use picked up at the end of 1990s. In 2000 year 69 kg of pesticides per hectare of arable land, vineyards and orchards was used. Currently the use of fertilizers reaches 88 kg per hectare of arable land, vineyards and orchards. Total area where fertilizers are used has increased from 2 192 hectares in 2000 to 3 451 hectares in 2002. In Hungary there is a list of allowable pesticides and fertilizers and the use of fertilizers and pesticides is strictly inspected.
In general, use of pesticides, insecticides and other agrochemicals is considered quite stable in Hungary and is not expected to be significantly changed. Use of such inputs in Hungary is bellow EU level and is dependent on two factors: 1) necessary applications in order to protect crop yields, and 2) price level of the products
Necessary applications to protect crop yields reflect appearance of diseases and pests. There is no farmer who would put more agrochemicals to the soil than it is needed. In addition relatively high price of inputs and low price of the final product prevent using of additional inputs. It is expected that this attitude of farmers will continue. Some minor changes of using inputs can be expected, though. On one hand, additional support and increased wealth of farmers may lead to certain increase in soil inputs. On the other hand, integrated crop protection practices and introduction of resistant varieties may lead to decrease of inputs. So at the end the consumption of such inputs may be balanced.

- **if yes what are the tendencies for each of these operations over the past ten years?**

The total area of vineyards over the past ten years was reduced. The causes of this reduction are twofold. First, Hungarian vineyards are old and second there was relatively low support for the reconstruction of vineyards from the government. Also prior to EU membership Hungary made no use of EU funds for grubbing up of vineyards.
There has always been some progress in vineyard management. Old vineyards if replanted were replaced by the newer or more market oriented varieties. Also intensification, density of plantations

and irrigation is being slowly implemented. The pace of the restructuring of vineyards, however, did not follow the need or pace of aging of vineyards. That is why the overall area of vineyards declined in the past 10 years.
It is expected, that EU support in wine sector will speed up the process of vineyard reconstruction. Although wine farmers are still quite pessimistic they are ready to replant quite significant part of the oldest vineyards.

- **in particular were there environmental conditions linked to the grants?**

SAPARD programme introduced measure "Agricultural production methods designed to protect the environment and maintain the countryside". This measure was aimed at the support for pilot management agreements and demonstration farms, of the selected components of the National Agri-environment Programme (Gov. decree no. 2253/1999.), designed to introduce and expand agri-environmental measures in pilot areas.
The programme included management package „**Organic or integrated orchards and vineyard farming"** with the following conditions:

- use of tolerant/resistant varieties,
- proposed organic nutritive management based on soil testing, nutrition ability of the soil and nutrition requirement of plants,
- soil analysis at least every 5 years ,
- organic fertilisation (manure),
- use of soil structure protective agrotechnic,
- ecological weed regulation,
- apply integrated/organic production methods,
- use of fertilisers (green or yellow category),
- partial/constant soil cover against erosion and deflation.

Farmer had to strictly follow the following general rules related to the protection of environment:

- survey (inventory) of agro-ecological characteristics of the farm (monitoring baseline)
- conservation plan for 5 years based on agri-environment and nature conservation
- participation in training programme
- detailed rules of conservation ESA- schemes
- keeping management diary
- weed control, shrub control, elimination of aggressive species
- maintenance of agricultural roads
- plantation of alley and/or hedge if relevant for the territory (due to wind-erosion, landscape management, etc.)

2.1.2 The CMO effects

- **In terms of vineyards management, did the announcement of EU membership and then the actual membership itself change the behaviour of the producers?**

Behaviour of wine producers did not change significantly after EU accession. Farmers, however, welcomed new possibilities for receiving various EU aids.
At this stage neither merging of producers nor fragmentation occurred. In the past Hungarian government provided insignificant support for the reconstruction of vineyards. After accession 10 mil. EUR of Community aids can be used for the total area of 1261 hectares of vineyards for the production year of 2004/2005. For comparison, total support package for all EU vineyards is 450 mil. EUR for the total area of 61 688 hectares, which constitutes 7 300 EUR per hectare. Average support in Hungary reaches 7 930 EUR per hectare. Hungarian producers appreciate support that is provided by the EU for wine production. Hungarian producers are learning that EU stresses quality and its inspection.

- **Did the producers modify their practices before the CMO implementation in order to comply with its requirements from the beginning of its implementation?**

After EU accession Hungarian wine producers started to stress quality rather than quantity of production. When vineyards are reconstructed new, more resistant varieties are planted. The

process of consumer orientation is driven by market demand but also by technological considerations as new varieties are more resistant against diseases and pests and enable cost saving. Traditional varieties are seldom planted when vineyards are reconstructed.

- **What is your opinion on the risks associated with the implementation of the CMO relating to wine in your country?**

Before EU accession Hungarian wine producers feared imports of cheap Spanish or Italian wine. Some traders import this type of wine but significant market impact is not observed.

- **Do you think that this will lead to important changes in the agricultural practices :**
  - **increase in fertiliser use**
  - **increase in pesticide use**
  - **increase in the density of plantation**
  - **development of irrigation**
  - **other changes in practices**
  - **replacement of old vineyards by new varieties**
  - **disappearance of vineyards**
  - **changes in the density of plantations**
  - **disappearance of some varieties**
  - **changes in the share of the production sold in accordance with EU wine standards**
  - **changes in the size of vineyards**
  - **other environmental effects**

After EU accession there was no significant increase in the use of pesticides and fertilizers relative to previous years. Significant spread of irrigation systems is also not expected because it is not supported and there is a high level of underground water in Hungary. Reconstruction of old vineyards will most likely go on in the future and some speed up process is expected. The number of applications for aids for reconstruction and conversion of vineyards increased this year relative to the previous one. As a consequence planting of new varieties of vines will increase while the share of old varieties of vines will be reduced. Because of no Community abandonment aids applied in Hungary it is not expected that grubbing up of vineyards will reduce total area of vineyards.

- **Do you think that this will lead to important changes in the organisation of the offer**
  - **grouping of producers**
  - **elimination of some small producers**

Due to the fact that producers organisations in wine sector are not supported as in the fruit sector it is not expected that wine producers would merged after EU accession to obtain EU subsidies. They may tend to join existing associations or to create marketing organisations in order to easier sell their products. Also fragmentation of vine farms is not anticipated. Some farms may be overtaken by larger, stronger and/or more effective producers but such merging or fragmentation will not be caused by the CMO itself. It will be lead mainly by the family, ownership and/or economical problems of the units.

- **Do the CMO grubbing up grants cover the real cost of up-rooting and the loss of income?**

Conversion and restructuring aid cannot cover more than 50 % or 70 % of costs. Average conversion and restructuring aid covers less than 50 % of costs of wine grower. By 2006 Hungary aims at being classified into a single objective in order to obtain unified aid at the level of 75 %. EU aid can be complemented by national sources.

- **How significant are these grants compared to the average wine producer income?**

These grants cover less than 50 % of the costs of wine grower.

- **Were these grubbing up measures implemented in specific region/area, or for specific types of vineyards?**

Applications for restructuring and conversion of vineyards filed last year were mostly for restructuring and conversion of old vineyards. Not fulfilling the obligation of reporting yields of grapes was a problem that affected the approval of grants.

Producers' organisations

- **Are there producer organisations? If not why not?**
- **If yes (it would be useful if the evaluators could interview at least one of the PO), what were the main difficulties in starting these organisations?**
- **Did they exist before the EU membership?**
- **Which type of institution is it (i.e. : Co-operative, private, etc.)**
- **Which type of budget (i.e. : private funding, grants from the state, from EU programmes, if yes which ones…)?**
- **Type of activities (i.e.: advice to farmers, selling, etc.)**
- **Which project of development? With which funding?**
- **Is there at state level an interbranch organisation?**
- **If not why not, if yes which organisations is it compose of?**

In Hungary there are no producer organisations. There are only associations or unions of wine and grape producers.
These associations are financed from their own resources. Every wine grower and wine maker can become a member of such association. Member is a subject to paying membership fee. These associations existed before Hungary became member of the European Union.
When a member from such an association wants to obtain a Community grant he/she applies on his/her own, not as an association member.

2.1.3 Conclusion – Propositions

- **According to you what are the main problems associated with the implementation of the wine CMO in your country?**
- **What could be the solutions to these problems (with a focus on environmental ones)?**

Main problems with the implementation of CMO in wine

For the time being, the most significant issue for the Hungarian wine producers is obligatory reporting on grape yields, wine production and inventories of wine and musts. Described reporting became obligatory in Hungary along with the harmonisation of the national legislation with the EU regulations. Up to that time Hungarian wine producers were not used to such regular reporting. Reporting is a precondition for any type of assistance provided through the Commodity Market Organisation in wine.

Training of farmers on importance of the reporting requirements and assistance in fulfilling the reporting forms would speed up the process of understanding of the necessity for the farmers.

Another ongoing issue for the government representatives is fine-tuning of harmonisation of legislation on wine CMO.

The government has to be flexible in order to amend shortcomings in the legislation caused mainly by fast and unprepared process of the document enactment.

There are other and probably more important issues in the wine sector rather than those related directly to the CMO:

To stop declining of vineyard area is one of the priorities in the wine sector in Hungary.

Acceleration of the support for the reconstruction of old vineyards, their replanting and planting of new varieties should help to speed up the vineyard revitalisation process.

APPENDICES

Annex 1: List of people met

Annex 2: Main bibliography identified in relation with the study including reports made prior to the EU membership

Annex 1: List of people met

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Annex 2: Main bibliography identified in relation with the study including reports made prior to the EU membership

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