



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

ANNEXE 9 : OCM FRUITS ETUDE NATIONALE HONGRIE

Novembre 2005

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GLOSSARY

AKII = Research and Information Institute for Agricultural Economics
ARDA = Agricultural and Rural Development Agency
CAP = Common Agricultural Policy
CMO = Common Market Organisation
EAGGF = European Agricultural Guidance and Guarantee Fund
EC = European Commission
EU = European Union
EUR = EU Currency
ELS = Entry Level Scheme
Ft. = Forint (Hungarian currency)
GDP = Gross Domestic Product
GFP = Good Farming Practice
HUF = Hungarian Forint
IACS = Integrated Administration and Control System
ILE = Institute of Landscape Ecology
LFA = Less Favoured Areas
MARD = Ministry of Agriculture and Rural Development
Moi = million
NAEP = National Agri-Environment Programme
NDP = National Development Plan
NGO = Non-Governmental Organisation
NRDP = National Rural Development Plan
NVZ = Nitrate Vulnerable Zone
OFS = Organic Farming Schemes
PO = Producer Organisation
PSPS = Plant and Soil Protection Service
SFS = State Forestry Service
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 constitutes 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 (in hectares)

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.

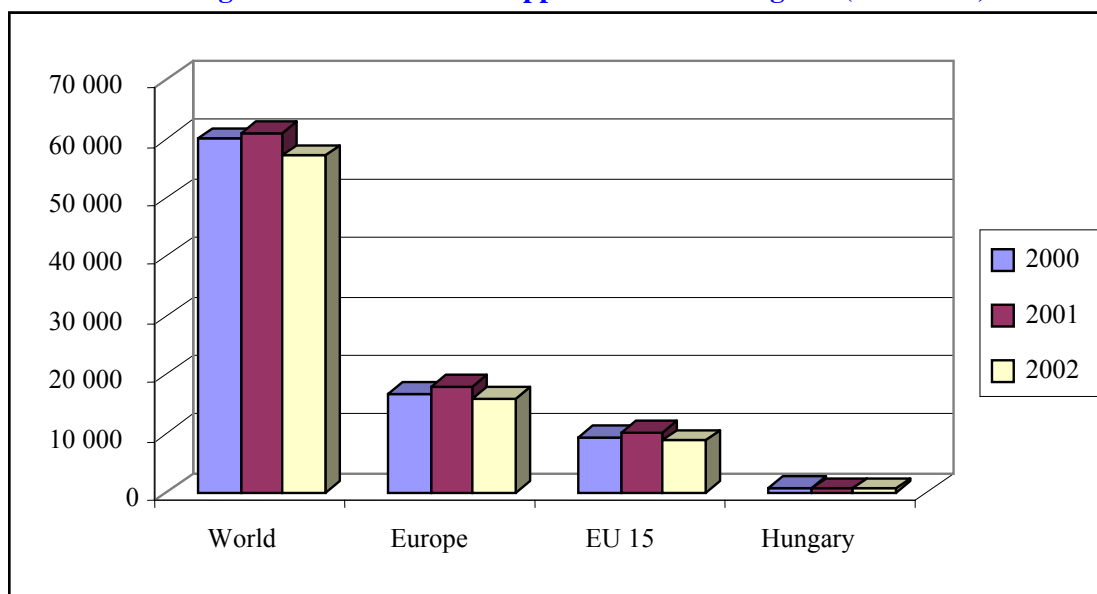
Denomination	Area (1 000 hectares)	Total Production (1 000 tons)
Cereals	2975	11 630
Of which Wheat	1112	3 896
Maize	1238	6 087
Tobacco	5.4	11.3
Sunflower	421	779
Potatoes	34	745
Lucerne hay	161	700
Vegetables ^{b)}	114.6 ^{c)}	1850
Grass	1063	
Wine/vineyard	93	501
Orchard	97	699
Of which productive 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

Table 3 compares production of apples in Hungary with Europe, original EU15 member states, and the world.

Figure 1. : Production of apples in different regions (1.000 tons).



Source: FAO

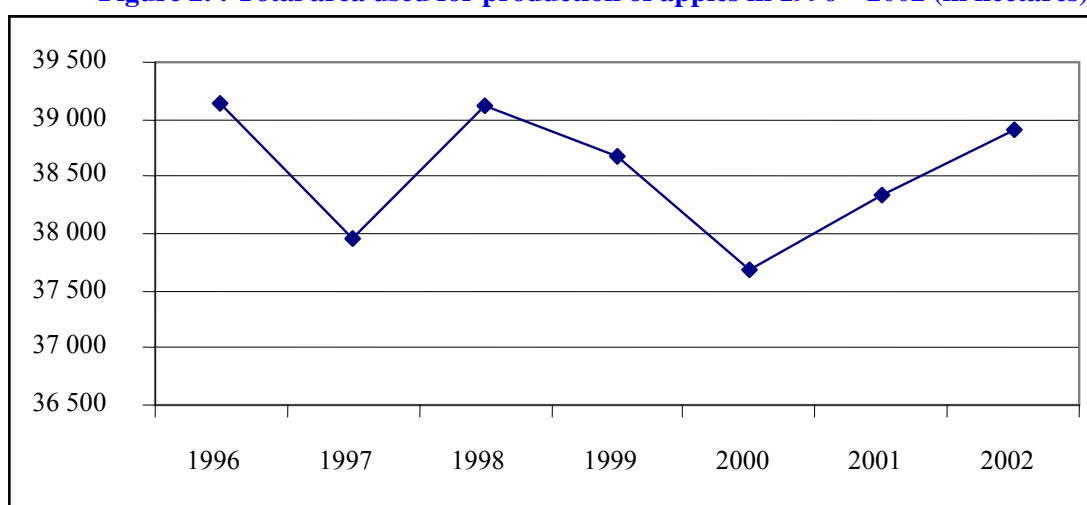
Table 3. : Production of apples in different regions (1.000 tons).

Region/ Country	2000	2001	2002	Average '96-'02	Difference '02/'01
World	59 963	60 965	57 095	58 202	- 6,3 %
Europe	16 679	17 984	15 820	16 896	-12,0 %
EU 15	9 250	10 259	8 804	9 487	-14,2 %
Hungary	711	564	510	523	-9,5 %

Source: FAO

Table 4 shows the development of total apples' production area, and production quantities in Hungary in years 1996 – 2002.

Figure 2. : Total area used for production of apples in 1996 – 2002 (in hectares)



Source: Hungarian Fruit and Vegetable Board

Table 4. : Total apple tree areas and quantities of apples' production in 1996 – 2002.

	1996		1997		1998	
	ha	ton	ha	ton	ha	ton
Total area	39 135	530 733	37 965	499 925	39 112	451 258

	1999		2000		2001		2002	
	ha	ton	ha	ton	ha	ton	ha	ton
Total area	38 670	392 912	37 690	711 000	38 340	563 754	38 919	510 335

Source: Hungarian Fruit and Vegetable Board

Table 5 shows the value of production of fruits and vegetables and shares of production of fruits and vegetables on total agricultural production.

Table 5. : Value of production (mld. Ft.) of fruits and vegetables and share on total agricultural production.

	2000	2001	2002	2003
Total agricultural production	1 162,1	1 365,0	1 371,7	1 369,1
Of which: crops and horticulture	598,2	681,1	694,1	768,2
Of which: - fruits	52,0	41,4	34,2	45,0
- vegetables	87,4	105,9	100,9	111,9
Fruits and vegetables	139,4	147,3	135,1	156,9
Share of fruits and vegetables on total agricultural production(%)	12,0	10,8	9,8	11,5
Share of fruits and vegetables on total production of crops (%)	23,3	21,6	19,4	20,4

Source: Agricultural statistical yearbook 2003

Apples are the most important fruit in Hungary constituting 70 % of the overall production of fruits. Apple orchards cover 40 % of all orchards' territory. Pears are produced on a smaller scale, their annual production being 21 000 tons. Sour cherries are a specific product that is very successful in recent years. Production of sour cherries reaches between 50 000 and 60 000 tons annually. Farmers are very interested in planting new sour cherry orchards. Varieties of large sweet sour cherries are dominant and they are used for direct consumption.

In 2004 total production of fruits in Hungary reached 800 000 tons and there is a capacity to produce 1 000 – 1 200 tons annually. For comparison total production of fruits in the 80s was 1 620 000 tons. Fruits are sold at both domestic and foreign markets. Domestic consumption of fruits experienced substantial decline in the past, there is an opportunity to increase domestic consumption by 30%. Total area of fruit orchards is 101 000 hectares and there is a slightly growing trend (total area was 97 000 hectares in years 2001 and 2002). Few old orchards are being grubbed up and the planting of new orchards also proceeds slowly.

Main livestock produced in Hungary includes cattle, pigs, sheep, hens, cocks and chicken. Table 6 shows livestock numbers in Hungary in 2002 year.

Table 6. : 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 7 shows production of main animal products in Hungary in 2002 year.

Table 7. : 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 8 shows value of production of main agricultural commodities in Hungary.

Table 8. : 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)

In years 1998-1999 vegetables formed 11.2 % of total value of production, fruits constituted 7.5 % of total value of agricultural production. Commodities with the highest share of total value of production include cereals (17.6 %), pork (15.8 %), poultry (10.3 %), milk (10.3 %).

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.

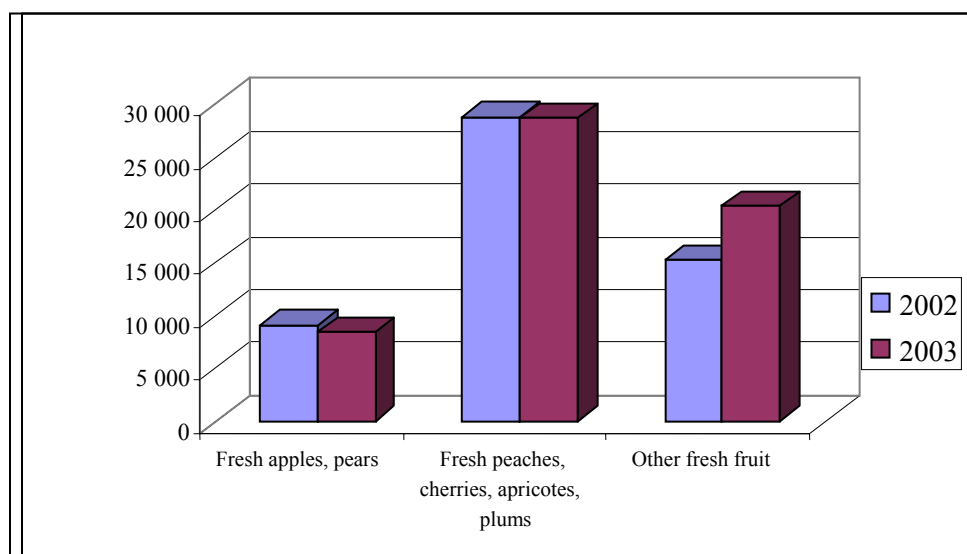
The most important agricultural import products are residues and waste from the food industries, prepared animal fodder, coffee, tea, maté and spices and fruits. The most important export products are meat and edible meat offal, cereals and rice, preparations of vegetables, fruits, nuts, beverages, spirits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

Table 9. : Foreign trade of plant origin commodities in 000 USD

Product	EXPORT		IMPORT	
	2002	2003	2002	2003
Total all commodities:	2 667 839	3 199 057	1 306 192	1 680 450
From which:				
Plant origin commodities	829 334	987 020	313 750	442 031
Products from fruits, vegetables and nuts	301 086	363 377	66 819	98 597

Source: Hungarian Central Statistical Office

Figure 3. : Export of fruits from Hungary (MT)



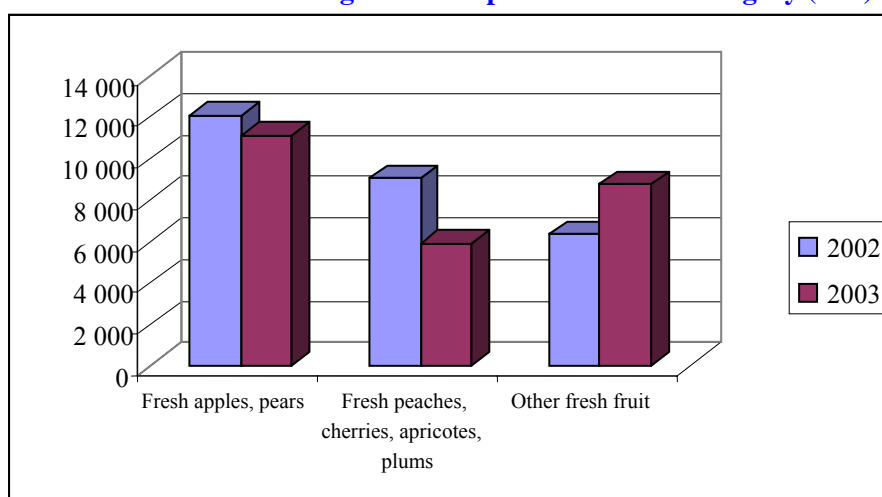
Source: Hungarian Central Statistical Office

Table 10. : Export of fruits from Hungary

Product	Volume in MT		Value in 000 USD	
	2002	2003	2002	2003
Fresh apples, pears	9 148	8 449	2 895	2 758
Fresh peaches, cherries, apricotes, plums	28 851	28 738	14 252	25 230
Other fresh fruit	15 284	20 381	7 811	14 460

Source: Hungarian Central Statistical Office

Figure 4. : Import of fruits in Hungary (MT)



Source: Hungarian Central Statistical Office

Table 11. : Import of fruits in Hungary.

Product	Volume in MT		Value in 000 USD		% of total importation
	2002	2003	2002	2003	2003
Fresh apples, pears	12 062	11 110	4 001	5 949	0,35
Fresh peaches, cherries, apricotes, plums	9 032	5 882	4 551	4 361	0,26
Other fresh fruit	6 312	8 721	3 792	7 626	0,45

Source: Hungarian Central Statistical Office

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.

In order to provide a co-ordinated supervision of the two rural development programmes (ARDOP and NRDP) the Rural Development Committee was established by Administrative Regulation No. 9/B issued by the Minister of Agriculture. The overall task of the RD Committee is to provide direct coordination between the different MARD Units participating in the programming and management of ARDOP and NRDP with the representation of the Paying Agency (ARDA) and to provide the unique representation of both Programmes towards third partners. The Committee is chaired by the Deputy State Secretary in charge of EU and International Affairs (responsible for the planning of ARDOP), and consists of the Deputy State Secretary in charge of Rural Development and Food Safety (responsible for the planning of the NRDP), the relevant Departments of MARD and the president of ARDA. The President of the Committee is responsible for the management of both Programmes. According to the Operational Manual of the MARD, the Department for Managing Authority directly reports to this Deputy State Secretary. By the regulation referred above establishing the RD Committee, the President of the RD Committee has the potential for direct control and supervision of all concerned services and MARD departments and the representation of both programmes. The President of the Committee is responsible for the elaboration of proposals necessary for the smooth implementation of both programmes and in the scope of this responsibility is empowered to give instructions to all members of the RD Committee. The referred decision shall be reflected in the Operational Manual of MARD.

The institution responsible for the implementation of the National Rural Development Plan 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.

In the case of the Agri-environmental Management and LFA measures, in the framework of a cooperation agreement with ARDA the Plant and Soil Protection Service (PSPS) shall perform the on-the spot checks requiring specialised skills of 5% of the beneficiaries prior to the annual payments. The selection of the beneficiaries to be checked and the risk assessment shall be the

responsibility of the ARDA. The PSPS assists ARDA carrying out the on-the-spot checks of the selected applicants, issues certificates and/or control reports based on the criteria set out by ARDA, and send them to the ARDA. The evaluation of the results of the on-the-spot checks, the drawing of consequences and the necessary steps shall remain to the responsibility of the ARDA.

In relation to the measure "Meeting standards" in the framework of a cooperation agreement with ARDA the Animal Health and Food Control Stations (AHFCS) shall also provide technical services during the on-the-spot checks requiring specialised skills of 5% of the beneficiaries prior to the annual payments. The AHFCS assists ARDA carrying out the onthe-spot checks of the selected applicants, issues certificates and/or control reports based on the criteria set out by ARDA, and send them to the ARDA. The selection of the beneficiaries to be checked and the risk assessment shall be the responsibility of the ARDA. The AHFCS together with ARDA shall check the selected applicants, examine the control criteria set by the ARDA, generate certificates and/or reports and send them to the ARDA. The evaluation 193 of result of the on-the-spot checks, the drawing of consequences and the necessary steps shall remain to the responsibility of the ARDA. Both the Plant and Soil Protection Service and the Animal Health and Food Control Stations will perform their tasks together with the inspectors of ARDA. In other cases these institutions will perform their own authority checks and send the results of their measurement activity to the Paying Agency as a certificate.

The HUNGARIAN FRUIT and VEGETABLE BOARD, which functions with ministerial recognition, is an organisation set up on the basis of the Product Council Act (1993/VI) to conciliate interests within the sector.

The Board is an open organisation; membership is voluntary and open to all Hungarian growers, traders, processors and consumer associations involved with vegetable, fruit and mushroom products, and to the relevant educational and scientific institutions, companies and cooperatives. After accession to the European Union the Board will continue to function as an interprofessional organisation.

The Board primary goal is to help Hungarian fruit and vegetable products to compete successfully on domestic and foreign markets.

Its goals are:

- to promote the profitability of production for the vegetable- and fruit-growing farmers and organisations it represents,
- to conciliate the interests of the producers, processors, traders and consumers involved in the fruit and vegetable product chain,
- to strengthen cooperation within the sector,
- to balance interests between the participants in the product chain,
- to promote the introduction of new domestic and foreign research results into practice,
- to prevent or overcome extreme fluctuations in production and marketing.

The Agricultural Economics Research Institute (AKI) is the leading organisation in Hungary for research on economics in agriculture. Its legal predecessor was established in 1954; later it was reorganised several times and also merged into other institutions. Its staff number is 148; most of them are researchers and some of them are engaged in the field of information services by gathering and analysing data required for the national economy.

AKI has a double role. On the one hand, the research supports the decisions that government bodies and businesses need to make in the field of agricultural policy, on the other hand - as a research institute carrying out independent scientific research - produces and disseminates scientific research information for clients and other stakeholders concerned.

Special attention is paid to the following issues:

- the new situation of the Hungarian agricultural economy following the EU accession;
- serving the national interests in the Common Agricultural Policy
- common market organisations and the impacts on the agricultural production
- outlook of agricultural markets
- support to rural development programmes,
- rural employment and income.

The Institute operates also a set of information systems required by both the scientific research and practice and by which the data supply requirements of the EU can also be met. These are the following:

- Farm Accountancy Data Network,
- Market Price Information System,
- Projections based on the Economic Accounts of Agriculture.

Other activities of AKI:

- research management in the field of agricultural economics
- assistance to agricultural universities and colleges,
- assistance to fellow researchers,
- extensive cooperation with foreign and Hungarian research institutes,
- analyses for international organisations (FAO, OECD, WTO),
- library,
- information on Teletext, Internet and by other media.

1.2 Brief description of the environment in agriculture

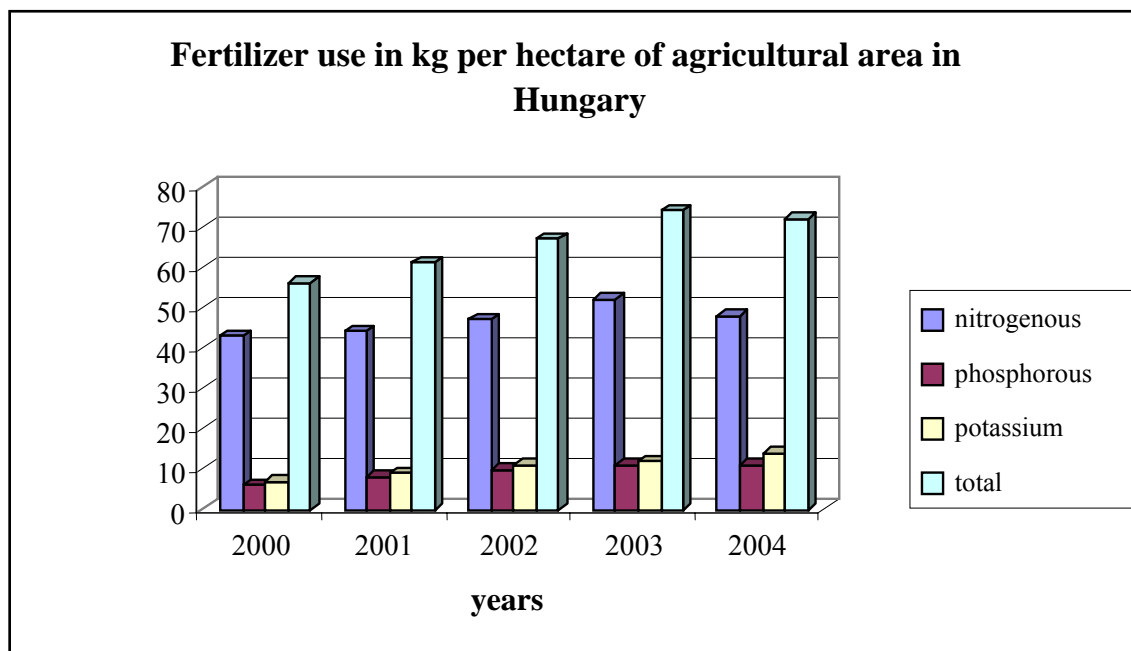
Hungary, compared the most European countries, is in a peculiar position, since more than 85 % of its territory is suitable for exploitation of soil fertility by silvicultural and agricultural activities. Nowadays two-third of Hungary is under agricultural practice, and the remaining 15 % serves for infrastructure, mining, industrial and military use as well as housing. Owing to this the agricultural sector has a considerable impact on biodiversity.

The increasing environmental problems arising from agriculture originate from changes in consumption habits, improvement of agricultural products, progressive globalisation of markets, green-field investments as well as from the influence of the national and international agrarian policy.

Although the various contaminating chemicals of agricultural origin threatening biodiversity have decreased in volume, technological backwardness and lack of development still cause a considerable problem. The use of fertilisers has strongly declined, namely, by 83.8 % from 1980 to 1993 (211 kg versus 34 kg per hectare). It has slightly increased throughout recent years. (54 kg per hectare in 1996) The presence of weeds in arable lands increased considerably, probably due to the inappropriate use of herbicides of recent years. The progression in the expected rate of pesticide and fertiliser use should be followed by technical development in any event, since inadequate handling and storage has caused contamination in several cases.

Table 12 summarizes the use of fertilizer per ha of agricultural land in Hungary in years 2000 – 2004 while table 13 shows fertilizer use per hectare of orchards. Table 14 shows total use of fertilizer in Hungary.

Figure 5. : Fertilizer use in kg per hectare of agricultural area in Hungary.



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

Table 12. : 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 13. : Fertilizer use in kg per hectare of orchards 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

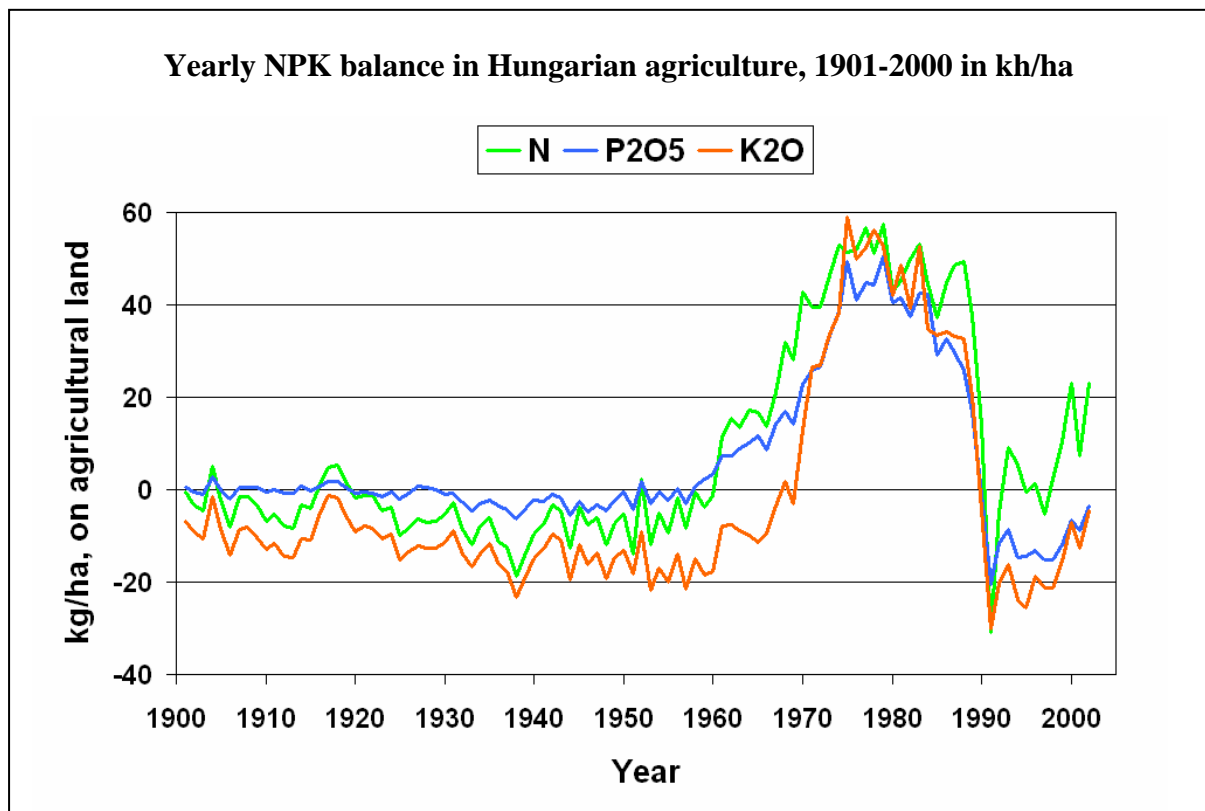
Source : István Szucs, Studies in agricultural economics 2004, Research and Information Institute for agricultural economics, Budapest, 2004

Table 14. : Total use of fertilizer in Hungary.

Rok	N	P	K	Total
Used volume, in 000 MT				
1998	248	39	41	328
1999	262	39	45	346
2000	258	45	52	355
2001	275	58	62	395
2002	293	60	70	423

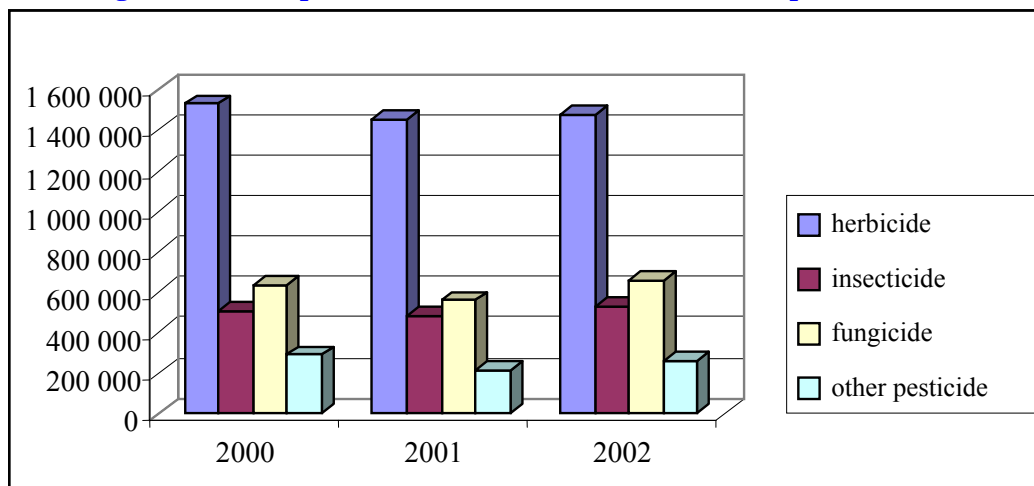
Source: AKII

Figure 6. :Yearly NPK balance in Hungarian agriculture, 1901-2000 in kh/ha.



Source: Environmental approach, Csathó and Radimsky, 2005

Figure 7. : Plant protection area (hectares) treated with pesticides in arable land.



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

Table 15 shows arable land area treated with pesticides while table 16 provides the same information for orchards.

Table 15. : Plant protection area (hectares) treated with pesticides in arable land.

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

Table 16. : Plant protection area (hectares) treated with pesticide in orchards.

	2000	2001	2002
herbicide	8 079	9 856	10 667
insecticide	14 135	14 240	14 891
Fungicide	14 289	14 678	15 225
other pesticide	5 511	5 389	6 107

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.

The land available for irrigation under the laws of water management is 323,000 hectares (5% of the agricultural area), but the area actually irrigated is 210,000 hectares (3.6% of the agricultural areas). 12,000 ha of orchards is under irrigation system from which 7,000 is apples.

Table 17. : Irrigated area in Hungary, 1998 - 2004

	1998	2004
Irrigated area in ha	136,000	210,000
% of the agricultural areas	2.2	3.6

Source: Hungarian Central Statistical Office

Up to the present, the Ministry's water management tasks have consisted mainly of coordinating and controlling the development, maintenance and operation of lakes, waterways and water establishments related to agriculture and regional development. The Ministry's main objectives were groundwater drainage and the provision of additional water during periods of drought – i.e. creating a water management system which guaranteed not only the safety of areas adjacent to population centres, serving agricultural purposes, but also that of the settlements themselves. The Ministry developed a 6–7 year program to carry out reconstruction work on the 36 000 km long state-owned navigable inland waterways and on smaller waterways in hilly areas, both of which were due for attention 20–25 years ago. The cost of the program amounts to 32–35 billion HUF, and its implementation, which also assists local governments in meeting their responsibilities in adjacent areas, has been underway since 2000. The Ministry developed a water management support system for agricultural purposes for the year 2002, with the demands of landowners, land users, local governments and farmers in view. Through this program, the Ministry supported the restoration of 3100 km of state-owned, navigable inland waterways for agricultural purposes; 1200 km of minor waterways; 500 km of irrigation ditches; 2500 water management structures; 118 groundwater pumping plants, plus 120 for stagnant waters exceeding 5 hectares; and also the restoration of 31 100 km of state-owned small rivers and other inland waterways run by water management companies.

Table 18 summarizes the most important agri-environmental problems in Hungary.

Table 18. : 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, ++ severe, +++very severe

Source: Agriculture and rural development operational program, Hungary.

Water erosion affects 35.3% of all agricultural area, totalling 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 the area affected has not grown significantly. Stalinisation affects 946 000 hectares which is 10 % of the total territory of the country.

Soil compaction poses 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 is facing risk over a longer period of time that the pollution from the surface can reach the point where water is obtained.

1.3 Brief presentation of the CMO system in the country

1.3.1 Description of the historic of implementation of CMO

The common market organisation in fruit and vegetables is in Hungary as well as in other Member States regulated by the Council Regulation (EC) 2200/1996 which generally defines common organization of the market in fruit and vegetable and the forms of support that are applicable for the sector.

Hungary is an export oriented country in fruits and vegetables. The impact of EU accession on the sector was therefore studied by Hungarian experts long before the country's actual accession into the EU. Information about the CMO in fruits and vegetables was obtained also through EUCOFEL, an international association for export and import of fruits, of which Hungary is a member.

Hungary has been following the changes related to the 1996 reform of the CMO in fruits and vegetables since 1994. The CMO contains measures that are not country specific, they do not consider specifics related to the change of the system that occurred in Hungary 1989 year. Since 1999 Hungary has been intensively adopting elements of the Commission Regulation (EEC)

2200/1996 into national legislation. First of all national legislation was dealing with the creation of producers' organization as a main element through which support can be obtained in the sector.

The objective of producers' organizations is to plan and adjust production to consumers' demand in terms of quality and quantity, support of concentration of inventories and their placement on the market, reduction of production costs and stabilization of prices, support of production methods, production technologies, and methods of waste disposal that are not harmful for the environment and that protect quality of water, soil, landscape and/or support biodiversity.

List of relevant EU legislation:

- Commission Regulation (EC) No 1432/2003 of 11 August 2003 laying down detailed rules for the application of Council Regulation (EC) No 2200/96 regarding the conditions for recognition of producer organisations and preliminary recognition of producer groups
- Commission Regulation (EC) No 1433/2003 of 11 August 2003 laying down detailed rules for the application of Council Regulation (EC) No 2200/96 as regards operational funds, operational programmes and financial assistance
- Commission Regulation (EC) No 1535/2003 of 29 August 2003 laying down detailed rules for applying Council Regulation (EC) No 2201/96 as regards the aid scheme for products processed from fruit and vegetables
- Commission Regulation (EC) No 1943/2003 of 3 November 2003 laying down rules for the application of Council Regulation (EC) No 2200/96 as regards aid to producer groups granted preliminary recognition
- Commission Regulation (EC) No 103/2004 of 21 January 2004 laying down detailed rules for implementing Council Regulation (EC) No 2200/96 as regards intervention arrangements and market withdrawals in the fruit and vegetable sector
- Commission Regulation (EC) No 686/2004 of 14 April 2004 laying down transitional measures concerning producer organisations in the market of fresh fruit and vegetables by reason of the accession of the Czech Republic, Estonia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Slovenia and Slovakia to the European Union

The following Hungarian national legislation is related to the CMO:

- Directive of the MARD No:126/2004 (VIII.6.) on amendment and supplement of the directive MARD - National regulation on producers organisation in fruit and vegetable
- 155/2004 (X.22.) on support for processed fruit and vegetable
- 17/2005 (III.11.) on implementation of environmental programmes
- 36/2005 (IV.22.) on producers organisation in fruit and vegetable
- 41/2005 (IV.28.) on market regulation in fruit and vegetable sector including withdrawal from the market

Goal of the cooperation at the producer level, i.e. creation and development of the Producers Groups is mainly improvement of the competitiveness, creation and maintenance of jobs in rural areas, increase of the living of rural standards, distribution of costs within individual members and enhancement of the marketing.

With the accession of Hungary to the EU situation on the market had changed. There is about 5000 cooperatives in Hungary, which produce 1,5 – 3 % of GDP. Out of the total number of cooperatives approximately 2200 is engaged in agriculture. Total number of members in cooperatives is 1,5 mil., from which only 9 % is in agricultural sector.

1.3.2 Organisation of the implementation at national and regional level

1.3.2.1 Planning – Programming

Ministry of Agriculture and Regional Development is a managing body responsible for programming and planning in the area of CMO.

The following measures are related to planning, programming and implementation of individual instruments of the Common Agricultural Policy:

- export licenses
- export refunds
- recognition of producer organisations
- aid for recognition plans
- aid for operational programmes
- aid for producers of tomatoes and peaches
- withdrawal of products from the market

Recognition of producer organisations is exclusively in the hands of the Ministry of Agriculture and Rural Development.

1.3.2.2 Implementation and control

Paying agency is an implementing, or executive body in the area of instruments of the common market organisation with agricultural products. At the beginning AIK (Agrarian intervention centre) was the paying agency. It was later transformed into Mezőgazdasági és vidékfejlesztési hivatal (Office for agriculture and rural development). Paying agency through 19 regional offices conducts the following activities:

- provides support in the area of agriculture, rural development (direct payments, arable crops, ...) and it is responsible for the system IACS,
- implementation of instruments of CMO (interventions, trade mechanisms)
- organisation of the market with crops and animal products based on national regulations,
- implementation of SOP,
- financing of SAPARD

Paying agency is allowed according to Commission regulation 1663/1995 to delegate some activities on other institutions. That is what happened in Hungary, but the paying agency is solely responsible for the implementation and control.

Hungary planned to utilise all measures of the CMO in fruits, in reality only selected measures are actually utilised – mainly aids for operational programmes. Until now only one partial payment was made, namely aid for covering operational costs according to Article 21 of the Commission Regulation 1433/2003 – organizations can apply for aid covering partially expenditures incurred during last three months that were related to operational programme. The deadline for submission of applications for year 2004 is 30 June 2005 and currently the processing of applications is taking place.

Controls in relation to CMO in fruits are conducted according to the relevant Commission and Council regulations (Council regulation 2200/96 and .Commission regulation 1432/2003, 1433/2003).

According to Commission regulation 1432/2003 controls of producer organisations and groups of producers aim to find out whether all criteria related to the achievement of recognition and extension of recognition are met.

According to Commission regulation 1432/2003 there are in site controls at producer organisations aimed to find out whether all conditions for recognition are met, i.e. whether all measures from the recognition plan were taken. The major attention is placed on the comparison of actual investment and other costs and expenditures with the received aid. There is at least one control at each producer organisation before the payment of financial aid is made.

According to Commission regulation 1432/2003 there are controls at producer organisations with preliminary recognition to check conditions for provision of aid (financial plans for achieving recognition and special loans).

1.3.2.3 Monitoring

Monitoring of prices is the most important type of monitoring. Price monitoring is crucial for the adoption of Commission decisions. In particular it is important for decisions, measures related to support levels, which are not fixed but which are dependent on the current market situation (mainly export refunds). Agrárgazdasági Kutató Intézet (The Agricultural Economics Research Institute) is responsible for monitoring of prices.

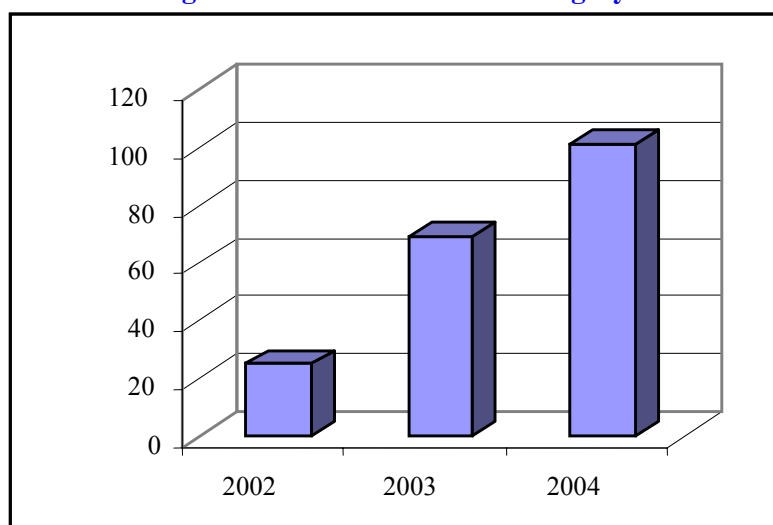
Monitoring of fulfilling of conditions required for individual type of support. These conditions are being monitored during on spot control at the Producer Organisation or Producer Group level. Shortcomings observed during the control may result in refusal of the operational programme, to stop process of payment or even pay-back of the financial support.

Understanding of the monitoring and its role seemed to be a bit misunderstood by the responsible officials. Training of relevant staff is recommended to enhance understanding and knowledge of the monitoring system.

1.3.3 *Organisation of the producers*

In year 1999 there was a single organisation of producers of fruits. Their number has gradually increased. Producer organisations were formed because of good promotion and because of the possibility to obtain funds from the EU. In 2002 there were 25 organisations of producers of fruits and in 2003 year there were 69 such organisations. Currently the number of producer organisations is 101, of them 8 are fully recognized while others are partially recognized. These producer organisations have 18.7 % share on the total production of fruits in Hungary. After EU accession an analysis was prepared which says that the optimal number of producer organisations is 50, of which 10 with recognition. Producer organisations were founded because of substantial national support before EU accession that was provided for establishing of producer organisations. The number of producers' organisations is higher than what the market needs. Some organisations of producers are therefore merging.

Figure 8. : Number of PO in Hungary



Source : AKII

Table 19. : Number of PO in Hungary

	2002	2003	2004
Number of PO	25	69	101

Source : AKII

Producer organisations that applied for preliminary recognition are preparing schedule of activities – recognition plan (for maximum of 5 years). The recognition plan contains goals that assist in completion of recognition from the viewpoint of stability of administrative operations of the producer organisation. The recognition plan is submitted together with the application for preliminary recognition.

During the period of preliminary recognition Member States may provide support for the establishing and administrative functioning in the form of direct support (lump sum aid) or in the form of subsidized loans, credits covering part of the investment needed to obtain recognition and for preparation of the recognition plan. 75 % of financing of producer organisations with preliminary recognition comes from the EU while 25 % comes from the Member State.

Each producer organisation is required to create operational fund consisting of financial contributions of its members that are based on the quantity or value of sold products and on financial support. Its goal is to achieve competitiveness and it can be used in two forms: operational programme and withdrawing of production from the market. In this case it is financed 50 % from the EU and 50 % from the producers' organisation. The maximum contribution is 4.1% of the value of marketed production. In Member States with lower organisation of producers there are available national aids in the amount of 50 % of members' contribution. EU can substitute this aid for those Member States that have value of marketed production lower than 15 % of the total value of marketed production and share of fruits and vegetables is higher than 15 % of total agricultural production. Operational fund can be used only for activities related to the implementation of approved operational programme, withdrawal of production from the market and administration of operational fund.

In Hungary recognized organisations chose the following system of financing: 4.1 % EU (SOP), 4.1 % contributions of members and 2.05% national support (if it is available).

Requirements for the creation of producer organisation in Hungary:

- Recognized producer organisation – 15 members and 250 mil. Ft. annual turnover

- Producer organisations with preliminary recognition – 15 members and 125 mil. Ft. annual turnover
- Producer organisations of producers of bio products – 15 members and 150 mil. Ft. annual turnover

Sources of producer organisation can be used for objectives delineated in the three-year operational plan, mainly for purchase of investment, to cover operational costs, or provision of marketing support. These resources must be used for other goals than other support.

1.4 The level of implementation of the CMO measures

In the area of market organisation in fruits there are the following instruments that can be used:

- export licenses
- export refunds
- recognition of producers' organisations
- support for financing of action plans
- support of operational programmes
- support for the producers of tomatoes and peaches
- withdrawal of products from the market

In Hungary the following measures for regulation of market with fruits were approved:
export licenses and export refunds

The system of administering of export licenses and export refunds has precisely set specifics in the adopted regulations. The system is the same for the whole EU and it is not adjusted for the situation in Hungary.

Direct support provided for the activities of preliminary recognized organisations of producers according to Commission regulation number 1943 /2003 article 3:

Based on the annual value of marketed products with the lump sum rate from the value of marketed products in the amount of maximum 1 000 000 EUR:

- The first year 5%
- The second year 5 %
- The third year 4 %
- The fourth year 3 %
- The fifth year 2 %

From the value of marketed products above 1 000 000 EU:

- The first year 2.5%
- The second year 2.5 %
- The third year 2 %
- The fourth year 1.5 %
- The fifth year 1.5 %

While the maximum support (sum of both computed values) must not exceed:

- 100 000 EUR for the first year,
- 100 000 EUR for the second year,
- 80 000 EUR for the third year,
- 60 000 EUR for the fourth year,
- 50 000 EUR for the fifth year;

Support of investment for preliminary recognized producers organizations:

The basis for this type of support is the approved plan of recognition that also includes the costs of the investment. Individual producer organisations must finance minimum of 25 % of the investment cost. For the support can apply those producer organisations with preliminary recognition at which the paying agency made inspection on site.

Support related to the withdrawal of production from the market

Recognized producer organisations can apply for support if they incur transportation costs related to the withdrawal of production from the market. Agriculture and Rural Development Agency (ARDA - in hungarian MVH) is responsible for the quality and quantity inspection of the withdrawn production. Application for the remuneration of costs must be filed with the MVH.

Support for sorting and packaging

Recognized producer organisations can apply for support to cover costs of sorting and packaging related to the withdrawal of production from the market. Maximum amount of support is 132 EUR/t. Product must be packed in pack of 25 kg net weight and labelled with EU sign, or "product for free of charge distribution"

Total support of the agricultural sector and rural development for 2005 is 328,3 mld. Ft. This consist support from the national budget in amount of 159,0 mld. Ft and from the EU budget 169,3 mld. Ft.

Budget break down:

- direct support and market measures (including CMO on fruits) 109,4 mld. Ft,
- national cofinancing (Rural Development Plan, Sectoral Operational Programme, SAPARD) 78,6 mld. Ft,
- national aid 140,3 mld. Ft.

There is no special allcation for the CMO on fruits within the budget for market measures.

Controls on the spot are conducted by the regional offices of the ARDA. It is by this that full monitoring of supports within this CMO realises. Where necessary, controls are made in cooperation with bodies carrying out delegated tasks.

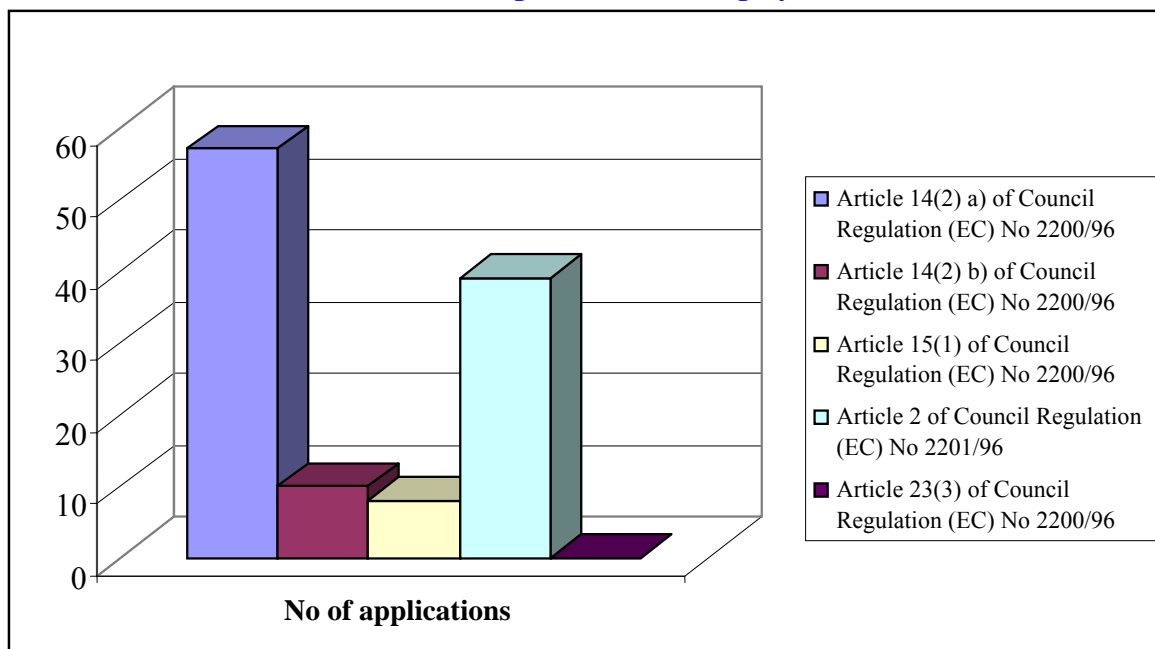
The Hungarian Government in order to stimulate support for cooperation and creation of the producers groups is preparing law on cooperatives.

Number of applications and amount paid for each aid is listed below.

- operational aid for producer organisations granted preliminary recognition [legal basis: Article 14(2) a) of Council Regulation (EC) No 2200/96]
 - number of applications: 57
 - no amount paid
- investment aid for producer organisations granted preliminary recognition [legal basis: Article 14(2) b) of Council Regulation (EC) No 2200/96] (i. e. support of the activities of the recognition plan)
 - number of applications: 10
 - no amount paid
- financial assistance for operational funds [legal basis: Article 15(1) of Council Regulation (EC) No 2200/96] (i. e. support for the operational programmes)
 - number of applications: 8
 - amount paid: HUF 43 705 029
- processed products support scheme (tomatoes, peaches and pears) [legal basis: Article 2 of Council Regulation (EC) No 2201/96]
 - number of applications: 39

- amount paid: HUF 1 092 797 936
- compensation for market withdrawals [legal basis: Article 23(3) of Council Regulation (EC) No 2200/96] (i. e. product withdrawal from the market)
 - no application
 - no amount paid

Figure 9. : Number of applications for support provided within the eligible measures of the Market Organisation in Hungary



Source: ARDA

Table 20. : Number and of applications and amount paid for support provided within the eligible measures of the Market Organisation in Hungary

	No. of applications	Amount paid (HUF)
Article 14(2) a) of Council Regulation (EC) No 2200/96	57	0
Article 14(2) b) of Council Regulation (EC) No 2200/96	10	0
Article 15(1) of Council Regulation (EC) No 2200/96	8	43 705 029
Article 2 of Council Regulation (EC) No 2201/96	39	1 092 797 936
Article 23(3) of Council Regulation (EC) No 2200/96	0	0

Source: ARDA

2. QUESTION ON APPLE PRODUCTION

Question 5 (F1): Concerning apple production in enlargement countries: what are the observed and expected environment related impacts of the market measures of the CMO [e.g. via grubbing up, new varieties, intensification, absence of producer organisations]?

Questions to the authorities and professionals:

Back ground information

- are there statistics on these operations in apple orchards in your country?

Most of the surveys and statistical data can be obtained from the Research and Information Institute for Agricultural Economics (AKII). However there are no specific statistics on grubbing up of orchards and planting new varieties available in Hungary.

- o grubbing up of orchards to convert them into other agricultural land,
- o grubbing up of orchards to convert them into more productive new orchards

Few old orchards are being grubbed up but they are rarely converted to other agricultural land. Usually they are converted into more productive orchards. However, planting of such new orchards also proceeds slowly. Annually between 3 000 and 4 000 hectares of new orchards is planted.

National aid for planting of new orchards was cancelled with the EU accession and new instruments are not in place, yet.

However, there was a possibility for the supplementary project to convert plantation orchard to flood area. The instrument has been rarely used.

- o planting of new varieties,

The biggest problem is the old age of orchards. Most of orchards are 20 to 30 years old. This consequently leads to low production and low productivity of orchards. Fruit producers also try to produce new varieties that are resistant against diseases and pests like new varieties of apples, but these varieties are difficult to sell abroad. Planting of new orchards is limited. Minimal area of planted orchards is 1 hectare.

- o intensification i.e.: increase in inputs like fertilisers and pesticides, increase in density of plantation, irrigation, etc.

Although official statistics shows slow increase of fertilisers and pesticides use in last years almost all interviewed stakeholders confirmed decrease in fertilizers and pesticides use at the farm level. In any case consumption of fertilizers and pesticides is below EU level and will not grow significantly. On other hand increase in density of plantations can be expected with replacing of old orchards.

- o number of producer organisations?

Total number of producer organizations in year 2004 was 101 of which 8 with recognition. For year 2005 the number of producer organizations is predicted to reach 50 to 70, of them 10 recognized.

After EU accession national aid for planting of new orchards was cancelled and no European support exists. In 1996 support for planting of new orchards was halved relative to the previous period

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

Large cooperatives and state farms were typical for Hungarian agriculture before 1989. In fruit production however, individual orchards although merged in large cooperatives had still character of family farms. Families looked after the orchards but the management of cooperatives and state farms took decisions. Orchard management was in the hands of families but the cooperative and/or state farm management was responsible for sale of production. After 1989 the agricultural reform caused privatization of state farms and cooperatives. Orchards were mostly transferred to the families that looked after those orchards before. Fragmentation of orchards followed and individual orchards became small.

Gradually farmers became aware of the importance of mutual cooperation and started to form producer organisations. Due to the process of merging producer organisations are starting to achieve the required turnover necessary for recognition.

- if some grubbing up of orchards and/or replacements of varieties have been done with EU subsidies, which programme was it and what were the conditions linked to these grants?

The total area of apple orchards in the country is 42 000 hectares. Half of the area is formed by old orchards that are suitable for grubbing up. There was no support particularly targeting to grubbing up of old orchards or planting new varieties. Hungary intends to obtain such EU support for replacement of apple orchards.

Sector of apple producers has increasingly bigger losses mainly caused by old age of orchards. The goal of new programmes of support is to increase production for domestic market and direct consumption.

In Hungary there is a programme of national aid for planting of orchards which is, however, not realized because of the lack of national funds. Prior to the EU accession there was a national program for support of restructuring of orchards. The amount of support per hectare was 300 – 400 000 Ft. Farmers, however, were not interested in participating in the programme because of low level of support and because of expectations of higher support from the EU.

Under SAPARD programme, Hungarian MARD introduced measure “Agricultural production methods designed to protect the environment and maintain the countryside” for environmentally sensitive areas. This measure was aimed at the support for pilot management agreements and demonstration farms, of the selected components of the recently approved National Agri-environment Programme (Gov. decree no. 2253/1999.), designed to introduce and expand agrienvironmental measures in pilot areas. The measure included Management Package Organic or integrated orchards and vineyard farming with the aim to :

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

The following general environmental conditions had to be maintained in order to receive the support under SAPARD programme:

- survey (inventory) of agro-ecological characteristics of the farm (monitoring baseline)
- conservation plan for 5 years based on agri-environment and nature conservation expert advice

- participation in training programmedirect, practical knowledge and skill for environmentally sound farming
- keeping management diary
- weed control, shrub control, elimination of aggressive species
- maintenance of agricultural roads

The CMO effects

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

In respect to orchard management itself there has been very little change with the announcement and actual EU membership at the farm level. Farming practises (including use of agri-chemicals) remained unchanged and if they are subject to change based on economic situation of the farmer rather than EU accession itself. Intensification of production has been slowly affected by the accession but strongly depends on available funding. Environmental impact of the accession in apple sector is neglectable. The most visible change can surely be attributed to the establishment and development of the Producers Organisations.

- Did the producers modify their practices before the CMO implementation in order to comply with its requirements from the beginning of its implementation? (Gives examples if possible)

Behaviour of producers was affected by the possibility of establishing producer organization, because national support was distributed only through producer organizations. Also information of the Hungarian government that investment related to the purchase of technology, packing equipment would be supported motivated creation of producer organisations that are able to provide support for their members.

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

Not adequate information on the CMO principles leads Hungarian representatives of farmers to conclusion that main risks of the implementation of CMO are those related to the use of differentiated rates of support from the EU budget (difference between EU15 and NMS10). Additional risk comes from the inflow of cheaper production from other Member States.

In our opinion the major risk associated with the implementation of CMO is lack of detail information and national co-financing.

- Do you think that this will lead to important changes in agricultural practices?
 - increase in fertiliser use
 - increase in pesticide use

In general, currently farmers do not expect that CMO on fruits in Hungary would significantly influence the use of fertilizers and pesticides. First, consumption varies from year to year depending on pests and insects population in that particular year. Second, prices of inputs are high and optimising on input use is necessary. Third, current market prices for apples do not allow farmers to spend more money on fertilizers and pesticides. As farmers say “We give the apple tree what it needs”. This however, to certain extend could be changed with growing income of farmers, who might possibly use more spraying in order to guarantee that the pest or insect is destroyed/killed.

- increase in the density of plantation

Hungarian experts expect that old orchards will be slowly replaced by new orchards. In spite of prevalence of aged orchards their replacement will depend on the available support rather than on production or non-production yield of the particular orchard. Replanting will surely bring new technologies including higher density of plantation and irrigation. Intensification of orchards will

in this respect slowly increase the production. With the current problems with marketing of apples it may lead to grubbing up or abandonment of less productive orchards.

- development of irrigation

In spite of general high underwater level in Hungary irrigation system is becoming important for apple producers. Currently only about 12% of total orchard area is under irrigation. This represents 12,000 ha from which apples are on 7,000 ha. In areas with low underwater level almost all new planted orchards include irrigation system. The most used irrigation system in Hungary is the drop irrigation system.

- other changes in practices

According to the vice chair of the research institute (AKII) there is a declining trend in using of industrial fertilizers and pesticides in orchards. The use of fertilizers is low because fruit sector is a low profit sector. In comparison with other EU members the use of fertilizers and pesticides is at the lowest level. In the 90s use of fertilizers was at 600 000 tons annually, currently it is 400 000 tons. In intensive orchards the use of fertilizers is higher. According to the representatives of producers the use of fertilizers has not increased after EU accession.

- replacement of old orchards by new varieties
- disappearance of some varieties

New consumption trends lead to an introduction of new varieties, which are oriented mainly for exports. Traditional varieties will be sold on domestic market. Some old varieties may disappear or will remain only in small family gardens.

Fruit producers try to introduce new varieties which are resistant against diseases and pests.

- changes in the share of the production sold in accordance with EU fruits standards

It is expected that CMO on fruits, with both investment and marketing support, will strongly affect changes in share of the production sold in line with EU fruit standards, which will increase. Also growing global markets and preferences of consumers push apple farmers towards the EU standards.

- changes in the size of orchards

In general CMO on apples will not affect farm size, which will remain unchanged. This is due to the fact that in Hungary there are family farms cultivating their own land. From the experience however, it can be expected that those commercially oriented farmers with larger orchards will take over some small inefficient farms.

- other environmental effects

According to the Hungarian farmers, CMO itself will bring very little if any at all positive environmental effects. In their opinion the environment is not suffering under current apple management practices. With lower volume of insecticides and pesticides (compare to years prior 1990) quite many birds and insects has already come back to fields.

In addition, Introduction of Integrated Protection of Plants has been developing in recent years. More and more farmers produce apples under this system. This can be seen as the only positive environmental effect of the recent developments in apple sector in Hungary.

In Hungary there are several bio-orchards but their area is small. Mostly they are orchards of low size, 1-2 hectares.

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

Currently the apple farms are family farms with small average size. Given structure of apple farm sector in Hungary leads the individual farmers to group into larger marketing units. Small farmer has very little chance to compete and/or to supply his production to large supermarket chains. This

was well ahead understood by the Hungarian Government that supported establishment of the Producer Organisations.

Such producer organisation will definitely affect organization of the offer on the market. Large POs will have stronger position in negotiating selling conditions with large buyers i.e. hypermarkets. Such balance is already needed. Of course not all producers will be incorporated into PO and those small ones will be able to place their products only to local markets with low perspective of getting the best price.

- elimination of some small producers

It is expected that the small producers would remain on the market although some inefficient will have to leave the market. Especially POs protect the small producers from their disappearance.

Producers organisations

- Are there producer organisations? If not why not?

As it was pointed out above the overall number of producer organisation in 2004 was 101, of which 8 recognized. Government support for establishment of POs caused that currently there are too many and too small Producers Organisations. For the year 2005 it is predicted that the number of producer organizations will fall and will be in the range 50 – 70, including 10 with recognition. At this time the process of merging of Producers organisation is market driven. Larger POs will have better perspective to place their product on the market, negotiate better price and even to approach supermarket food chains. Purchase of new technologies (mainly processing, sorting, cleaning, packing, and other services including transportation but also consulting services will further motivate farmers to join or merge into the producer organisation. Producer organisations were originally located at the regions with optimal production conditions for fruits and vegetables. Currently the stress is on close distance to market and support of marketing channels.

- If yes, what were the main difficulties in starting these organisations?

At the beginning the creation of producer organizations was negatively affected by the prejudices stemming from the functioning of former agricultural cooperatives. Misunderstand of its role and name, (farmers called it also “Cooperatives”) was the first major obstacle in its development. To meet the minimal turnover was also difficult for some POs. Currently the trend of merging producers organisations for the sake of increasing market power is observed.

- Did they exist before the EU membership?

Producer organisations existed before the EU accession. In 2002 the creation of producer organisations was prompted by the possibility of obtaining national support and 2002 year can be considered as the starting year for producer organisations in Hungary.

- Which type of institution is it (i.e. : Co-operative, private, etc.)?

The most used legal form of a PO is a cooperative and a joint stock company. Institution of any legal form can be recognised as a Producer Organisation. Producer Organisations are formed by natural persons and legal persons, mainly individual farmers, but also by limited liability companies, joint stock companies and other legal forms.

- Which type of budget (i.e. : private funding, grants from the state, from EU programmes, if yes which ones...)?

Producer organisations are financed from the following sources:

4.1 % PO members' contribution to cover operational costs

4.1 % support for the turnover (SOP)

2.05% - refund from the national sources (if they are available)

Thus producer organisations can obtain 10.25% of the total turnover of fruits and vegetables. Financing of the producer organisations is guaranteed after fulfilling of the requirement of

turnover. It is necessary to have separate accounting for operational costs, costs of individual members and for total income of the producer organisation.

- Type of activities (i.e.: advice to farmers, selling, etc.)

Services provided by producer organisations:

- Common purchasing of technology, seeds and fertilizers
- Provision of storage capacity, cooling equipment, sorting and packaging technology
- Common presentation of interests
- Solving the problems of selling (marketing)
- Consultations

- Which project of development? With which funding?

There were two projects that supported creation and development of the producer organisation structures and principles:

- Cooperation through EU COFEL (International association for export and import of fruits) with merged funding from the EU COFEL and Hungarian state budget, and
- Dutch-Austrian Twinning project financed by Phare, which was focused on establishment of the producer organisations.

Three types of projects that are planned at the PO level:

1. Restructuring of orchards including intensification and irrigation systems
2. Investment projects in processing (cleaning, sorting) and storage facilities
3. Support of marketing activities – e.g, “3 x 3”, which means that every person should consume daily three times three types of fruit and vegetables.

International chains have a strong position in Hungary. According to representatives of producer organisations it is necessary to organize training for managers of these producer organisations. In Hungary, products must have a label of origin, identification where the product comes from. Supermarket chains do not comply with this requirement. It is impossible to track the origin of product if all trade is conducted with the use of large containers, this is true for apples. Additionally low quality low price products are sold in supermarkets

- Is there at state level an interbranch organisation?
- If not why not, if yes which organisations is it composed of?

Producer organisations are associations at national level. There is no representation of a foreign firm or company. They are not organisations with international branches since there was no need for such organisation yet.

Conclusions – Recommendations

- According to you what are the main problems associated with the implementation of the Fruits CMO in your country?

The major problem in Hungary with implementation of the CMO on fruits and vegetables is national budgetary crises, which resulted in delay in implementation of the CMO measures. National co-financing is not available and thus no measure could be launched.

New, difficult and often changed administration and control procedures hamper the smooth start of the CMO implementation. Planting of new orchards is limited. Minimal area of planted orchards is 1 hectare. Storage capacities are not sufficient. When filing projects producers face problems that paying agency set tougher criteria than the EU, recurrent submissions of actualized documents are required and payments are late.

- What could be the solutions to these problems (with a focus on environmental ones)?

There are several proposed solutions to problems of common market organizations in fruits and vegetables. These solutions were also proposed by Hungary at the Agricultural Council of the EU. Unfortunately, problems of the farmers including apple producers after accession are very little if at all related to environment. Problems with delayed direct payments, crises in the state budget to cofinance any other programme, low market prices and pressure of big food wholesale and retail chains caused that farmers at this time pay much less attention to the protection of environment.

Reduction of regional disparities

It is important to ensure further support to regions lagging behind. Such support should prevent growing disparities. In this respect it is recommended to increase support for Producer Organisations at the Operational programme level from the current 4,1% to 6%. Additionally measures for strengthening of the Producer Organisations in these less developed regions should be ensured for the transition period (at least for the next budgetary period 2007 – 2013)

Using of programs of grubbing up of orchards

Structure of fruit production in new Member States does not correspond to the market requirements of the enlarged Europe. This creates mainly supply problems. Common interest should be to avoid seasonal crises within the entire EU. It would be advisable to apply similar package of the programmes (grubbing up of orchards) used during the accession of the Eastern Germany. Although it is solving structural problems rather than to be the organic part of the market regulation, but it is assumed that this would be necessary condition for the further more efficient market regulation. Such measures should be applied mainly for less productive apple orchards.

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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