

*Krisztián Ritter*

## THE ROLE OF AGRICULTURE IN RURAL DEVELOPMENT IN HUNGARY

### INTRODUCTION

Agriculture<sup>1</sup> and the food industry are connected to the national economy in several channels of diverse intensity. A fundamental aspect of the agricultural sector is the important role it plays both in developed areas and in the disadvantaged and backward rural regions, where the positive effects of the national economy are slow to take hold. The structure of agriculture and the inequality of conditions and resources for production all emphasize the multifunctional role of agriculture in a) levelling out and toning down regional differences; b) solving the social problems of the countryside; and c) preserving rural values and heritage. After the political change that took place in Hungary in the late 1980's, there was a significant change in the structure of land use and landownership, as well as in the organisation of production and factory structure in the country. In addition to these changes, there was significant market loss on both the internal and export markets. The organisational changes resulted in considerable withdrawal of agricultural capital, further aggravated by the very low investment return of agricultural production and the effects of globalisation. All these factors together contributed to the re-evaluation of the role of agriculture. This paper is based on the latest statistics published by the Hungarian Central Statistical Office (HCSO), the statistical data of the European Community (EUROSTAT), the results of earlier studies of the Institute for Rural Development and Extension on the topic, and the findings of our recent research.

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<sup>1</sup> Including forestry, fishery and the hunting sector.

## THE ROLE OF AGRICULTURE AND FOOD INDUSTRY IN THE NATIONAL ECONOMY

### Agriculture

According to the latest statistical data<sup>2</sup>, 83% of the country's 9.3 million ha total land area represents agricultural areas, of which utilised agricultural area (UAA) represents 5.8 million ha (62.9% of the total). This is the highest share of cultivated land in all 12 candidate states, 10 of which have just joined the EU as well as Romania and Bulgaria, analysed together; and analyses concerning all EU members take into account 27 states. In the old 15 EU member states<sup>3</sup> the average is 40.6%. The UAA of Hungary would contribute nearly 3.1% of the UAA of EU-27. Arable land represents approximately 76% of UAA, permanent crops 5% and permanent grassland 19%. The agricultural area per person working in agriculture is 23.3 ha (EU-15 average is 19.3 ha).

Although the decreasing importance of agriculture in the national economy is a European trend, this loss in Hungary in the past decade has not only happened in relation to other industrial areas, but also in relation to both investment and absolute value. Its share in GDP fell from 13.7% to 4.3% between 1989 and 2001, however this is still higher than the European average (1.7% in 2001).<sup>4</sup> Agriculture was not able to maintain its outstanding export trade position either. Agriculture and the food industry sector had a share of 22.8% of total export in 1989, and 7.8% in 2002, while the balance of trade in regard to food products remained positive. At the same time, the agricultural share of total imports reached 3.5%. 49% of all import came from the member states (in 2002), worth 640 million USD (see table 1). At the beginning of the 1990's the ratio of agricultural investment was 8.7%, by 2000 it had dropped to 3.3%.

From a social perspective, the importance of agriculture lies primarily in employment, although the Hungarian statistical figures are not adequate for a full analysis. The share of agriculture in employment between 1989 and 2000 dropped (sharply until 1994, then moderately) from 14.4% to 6.5% and to 6.1% in 2001, and remained at the same level in 2002 (see table 2). This number is slightly higher than the EU-15 average (see table 3). At the same time, according to the Agricultural Census (AC, 2000), 20.3% of the total population and 23.7% of the adult population are engaged in some kind of (hobby, supplementary, livelihood or full-time) agricultural activity. Thus agriculture encompasses more than purely economic factors.

<sup>2</sup> Source: MARD – Ministry of Agriculture and Rural Development, 2003; AC – Agricultural Census, 2000; OPARD – Operative Program for Agriculture and Rural Development, 2002.

<sup>3</sup> Source: EC (European Commission): *Agricultural Situations in the Candidate Countries*, Country Report on Hungary, European Commission, Directorate-General for Agriculture, July, 2002.

<sup>4</sup> Source: EUROSTAT.

Table 1

Export and import of agriculture and food industry by region (million USD)

	Export					Import				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
EU	1212	1145	1048	1221	1334	497	409	464	532	640
CEFTA	531	474	476	513	482	116	129	155	185	224
CIS	446	206	234	211	224	15	7	15	18	11
Baltic States	45	47	41	42	36	1	1	1	2	1

Source: MARD, 2003.

Table 2

Employment in agriculture (% of total civilian employment), by candidate country

	CZ	EST	CY	LET	LIT	HU	M	PL	SL	SK	CC-10
1998	5.6	9.5	-	18.7	20.7	7.3	-	-	12.1	-	:
1999	5.3	8.8	4.7	17.2	21.4	7.0	-	-	10.8	7.2	:
2000	5.2	7.0	5.4	14.4	18.4	6.5	1.4	18.7	9.6	6.9	13.3
2001	4.9	7.1	4.9	15.1	16.5	6.1	2.1	19.2	9.9	6.3	13.2

Source: European Commission, EUROSTAT (annual employment and labour force statistics) and OECD (annual labour force statistics).

Table 3

Employment in agriculture (% of total civilian employment), by member state

	B	DK	D	GR	E	FR	IR	I	L	NL	A	P	SF	S	GB	EU-15
1998	2.2	3.7	2.8	17.8	7.9	4.4	9.1	5.8	2.9	3.5	6.5	13.7	7.1	3.0	1.7	4.7
1999	2.4	3.3	2.9	17.0	7.4	4.3	8.6	5.4	2.0	3.2	6.2	12.6	6.4	3.0	1.6	4.5
2000	1.9	3.7	2.6	17.0	6.9	4.2	7.9	5.2	2.4	3.3	6.1	12.5	6.2	2.9	1.5	4.3
2001	1.4	3.5	2.6	16.0	6.5	4.1	7.0	5.2	1.5	3.1	5.8	12.9	5.8	2.6	1.4	4.2

Source: European Commission, EUROSTAT (annual employment and labour force statistics) and OECD (annual labour force statistics).

Table 4

Private farms according to farm size class, 2000

Farm size class	Rate of farms %	Rate of utilised agricultural area %
Under 1 ha	70,0	7
1-10 ha	25,0	27
10-100 ha	5,0	48
Over 100 ha	0.2	18

Source: AC, 2000.

### Food Industry

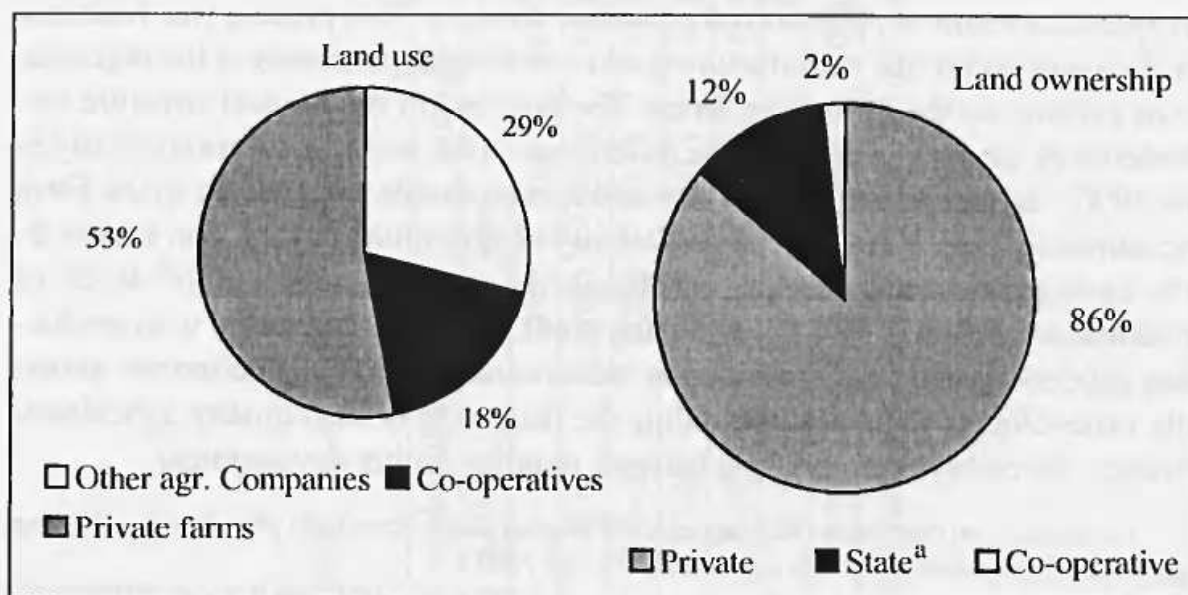
The food industry is responsible for 3.0% of Hungary's GDP and processes more than 75% of agricultural produce and raw materials (OPARD, 2002). Food products, beverages, and tobacco products represent 7% of national exports and the export balance is permanently positive. The sector's privatisation took place in the last decade and there was rapid growth in the number of entrepreneurs. The number of employees in the food sector dropped by 35% between 1990 and 2000, the rate in relation to total civilian employment is approximately 3–4%. 95% of the 8400 enterprises in the food sector are micro or small business with under 50 employees, while only 1.4% have more than 250 workers.

### THE EFFECTS OF ECONOMIC AND SOCIETAL CHANGES ON AGRICULTURE

The economic and societal changes that took place in the 1990's changed the organisation and ownership structure of agriculture. As a result of these changes, today 86% of the agricultural area (41% of forests) is private property, although land use can clearly be distinguished from land ownership (figure 1). Most agricultural land (59.5%) is leased (OPARD, 2002; MARD, 2003).

Figure 1

Land use and land ownership in Hungary, 2000



Source: Hamza et. al., 2002.

<sup>a</sup> State owned land is leased or managed by state-owned organisations, national parks and nature reserves.

Private farms cultivate more than half of the agricultural area. As can be seen in table 4, 66% of this area is farmed by holdings which are over 10 ha in size (5.2% of total private holdings). The remainder of the agricultural area is cultivated by cooperatives and other agricultural enterprises. The fact that 91.6% of this land is cultivated by 37% of the nearly 8500 agricultural organisations shows the relative concentration of this group (Hamza et al., 2002).

The average size of private holdings is 4.0 ha, while that of all holdings is 6.7 ha (EC, 2002). This is much lower, than the EU-15 average (see table 5).

Land ownership is thus characterised by an inconsistent distribution and considerable fragmentation. This affects both use and lease adversely, as well as increasing the cost of land administration. The agricultural economic organisations (all enterprises with or without legal entity, with the exception of private farms or holdings) which have developed from former state farms or collective farms, now operate mainly as leasers. Moreover the lease of private farms is remarkable. The lease periods are generally short-term (3–5 years on average), which creates insecurity among the leasers, especially when considering investments, and also makes reasonable concentration of land difficult to achieve.

The number of agricultural organisations showed a 12-fold increase between 1990 and 2000 (76% of organisations are without a legal entity). The agricultural sector is dominated by enterprises with a low number of employees: 96% of enterprises employ under 20 people, while those with 250 or more employees barely reach 1% (AC, 2000; OPARD, 2002).

The land use and methods of private entrepreneurs have been simplified in a way that requires little manpower. The diversified product structure of previous collective and state owned farms and private farms<sup>5</sup> connected with them has fallen apart as a result of political and economic changes. This process was furthered by the secession of the manufacturing and servicing departments of the organisations existing on the former big farms. The diversity of the product structure was hindered by the lack of capital. The differences in the sector grew continuously in the 1990's as agriculture became less and less profitable.<sup>6</sup> According to the Farm Accountancy Data Network, the profitability of agriculture is very low, a mere 2–3%. Despite favourable farming conditions, the state of assets<sup>7</sup> and low levels of investment resulted in low and wavering profit. Services (connected with production, processing and sales) provided to farmers and the rural population are generally undeveloped. Organisations aiding the marketing of high quality agricultural produce are embryonic, and their network requires further development.

<sup>5</sup> In this case, private farms mean agricultural production on household plots beside collective farms and in cooperation with them, in the 1970's and 1980's.

<sup>6</sup> The price of agricultural produce tripled between 1990 and 1999, and this was followed by a 4.4 – fold increase in industrial input. This tendency continued in 2001 as well.

<sup>7</sup> In the ten years following the political changes, there were approximately 4 billion euro worth of missed technical development. The production capacity of former collective farms is unservice-

Table 5

## Number and area of holdings (EU-15)

Farm size class (ha UAA)	Holdings			Average size ha		UAA		
	x 1000		% of total	ha		x 1000ha		% of total
	1997	2000		1997	2000	1997	2000	
0-5	3 901,7	3 899,5	55.8	-	-	7 008	6 589	5.4
5-10	929,2	833,8	13.3	-	-	6 523	5 884	5.1
10-20	757,7	691,1	10.8	-	-	10 706	9 822	8.3
20-50	802,0	738,3	11.5	-	-	25 459	23 611	19.8
≥50	598,5	603,3	8.6	-	-	78 995	80 883	61.4
Total	6 989,2	6 766,1	100.0	18,4	18,7	128 691	126 790	100.0

Source: European Commission, EUROSTAT (harmonized national data + Community surveys of the structure of agricultural holdings).

## RURAL DEVELOPMENT

There is no universally accepted definition of the notion of "rural area" in Hungary and this issue is the subject of controversy. EU or OECD standards cannot be fully applied due to unique national characteristics. In this article we define "countryside" as the area outside any settlement with a population of 10,000 people. According to the latest findings and based on previous studies we emphasize those areas where the number of people working in agriculture dropped significantly between 1990 and 2001 as "rural areas".

We face a similar situation when attempting to define "rural development". Taking into account the 1996 Cork Declaration and SAPARD regulations, our opinion is the following: Rural development is a complex development policy or action that is based on observation and evaluation of a given rural area's societal, economic and environmental processes, defines programmes and development projects involving the local population, and thus targets economic and market growth, preserves employment opportunities and enhances the general quality of living in the area.

### Regional Differences and Differences in Opportunity

Following the political changes in Hungary, the change in economic and societal characteristics caused irreversible differences between the various regions of the country. There are differences between regions, micro regions, and settlements (grouped by the number of inhabitants) in terms of natural resources, farming areas, economic structure and accessibility. The most prominent and increasing differences can be observed relating to the following: agricultural capability, economic structures, economic productivity, economic activity of the workforce, rate of unemployment, level of income, rate of poverty, level of infrastructure and services. The above factors together hinder the economic and societal development of the countryside, create differences in opportunity for rural communities and threaten rural regions and settlement areas with irreversible secession from the rest of the country.

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able, and the generally bad condition of the equipment meant that they could no longer be used for production. Current capacities are under utilised, and any development is halted by lack of resources. Private assets did not follow the changes in agriculture and land ownership. Assets previously owned by collective farms were either not used or could not be used by small farms. Furthermore, the shortage of capital limits the rate of acquisition of modern equipment.



## Countryside and Agriculture

In the European Union the "countryside" has a completely new societal and economic dimension and meaning (Márton, 1998). But in Hungary the fact that agriculture still has a significant importance in most rural areas, and that rural policy and agricultural policy generally go hand in hand cannot be disregarded. Nevertheless, the connections between the countryside, rural development and the agricultural sector are a much-debated issue. Still, it is a fact that agriculture and rural areas are inseparably linked as agriculture very much affects a given area in both economic and non-economic activities.

The importance of rural areas is being re-evaluated in Hungary. Promising signs can be seen in the resettlement of rural areas, and in the past few years the development of the basic infrastructure also shows an increasing trend in smaller towns and micro settlements. However, Hungarian rural development policies still focus on abolishing the economic backwardness of the rural areas that are most dependent on agriculture, despite the fact that the agro-economic characteristics of these areas are below average, and the only sources of employment are agriculture or local governments (as both national and international investors seem to avoid these regions).

According to EU and OECD criteria, 96% of Hungary qualifies as "rural area", representing 73.6% of the population (OPARD, 2002). "Mainly rural areas" represent 62% of all land with 33.5% of the population, which is 3.5 times higher than the EU average (9.7%). 36.5% of the total population lives in villages, and more than one-fifth of the total population lives in settlements of under 1000 inhabitants, and this group represents 59% of all villages (OPARD, 2002). Services supporting farmers and rural communities are still underdeveloped. Power-supply and communication channels are generally satisfactory but other elements of infrastructure are not adequate and show a wide range of differences related to the type of settlements. The small villages (especially in the north-east and south-west of the country) and individual homesteads in the southeast are in the most disadvantaged position, as their infrastructure is behind that of the larger settlements, and they are very difficult to access.

With regard to demographics, the rural areas in Hungary are at a disadvantage to the towns. Natural population growth decreases at a significant rate, the structure of the population is unfavourable and ageing, migration from villages is considerable and the rate of the population who are economically inactive is high. The unemployment rate is higher in rural areas, and this increases even further in the smaller settlements, where there are very few employment opportunities for the unskilled and the elderly. Although this is a general trend, it is more prominent and more difficult to remedy in rural areas than in urbanised regions. The

problems mentioned above are very significant especially from the point of view of the agricultural sector and agricultural employment (see table 6. and 7.).

In the villages there are hardly any economic activities other than agriculture, and as a result land cultivation and its related activities influence the degree of willingness on the part of the people to stay in the settlement. Furthermore, decreasing agricultural employment appears concentrated, especially in the north-east and south-west of the country (see figure 2.).

Figure 2

Areas depressed by decreasing agricultural employment in Hungary, 2001



Source: The author's Ph.D. research, 2004. In the marked micro-regions the rate of agricultural employment (% of total civilian employment) decreased by more than 10% between 1990 and 2001. (The research eliminated the distortional effect of micro-regional centres) The highest rate of decreasing agricultural employment (15.78%) emerged in the north-east of the country. The average of micro-regions represents 4.38%.

Census, 1990 and Census, 2001; HCSO (Hungarian Central Statistic Office).

In our opinion, if the state should fail to take preventative action with regard to the above, there is a risk that the following factors will become a problem in the future, especially in the case of villages and small settlements:

- The unfavourable age and educational structure of the population, and the migration of younger generations, which is leading to the gradual de-population of smaller settlements;

Table 6

Labour force by age group in Hungary, 1990–2001 (%)

Age group	Agriculture			Industry			National economy		
	1990	1996	2001	1990	1996	2001	1990	1996	2001
age 14–29	23.5	21.8	17.9	28.2	29.7	28.4	27.2	28.5	26.6
age 30–39	31.0	25.9	2.1	30.9	25.1	24.4	31.4	26.3	25.1
age 40–49	27.2	35.1	34.0	26.5	32.7	30.1	26.9	32.3	29.8
age 50–	18.3	17.2	25.0	14.4	12.4	17.1	14.4	12.9	18.4
Total	100	100	100	100	100	100	100	100	100

Source: Hamza et. al., 2002.

Table 7

Labour force by educational level in Hungary, 1990–2001 (%)

Level of education	Agriculture			Industry			National economy		
	1990	1996	2001	1990	1996	2001	1990	1996	2001
Primary school	55.3	46.4	34.0	42.3	25.1	19.5	38.6	21.3	15.4
High school	39.2	50.4	58.2	51.2	66.4	71.2	49.2	61.6	65.0
Higher education	5.5	7.2	7.7	6.5	8.5	9.2	12.3	16.8	19.6
Total	100	100	100	100	100	100	100	100	100

Source: Hamza et. al., 2002.

- The permanently high ratio of unemployment (usually higher than the national average);
- The decreasing number of employment opportunities and the difficulty of creating new jobs;
- The lack of infrastructure, the low quality of services and the standard of living.

The core of the problem is that traditionally the rural economy was based on agriculture, and to a lesser degree on the processing of agricultural raw materials. Currently – although there is considerable debate in this respect, – in the larger settlements agriculture is no longer the dominant factor, and other economic sectors have come to the fore (Dorgai, 1998). At the same time, the importance of agriculture is decreasing in villages, mainly because of the bad conditions that have previously been discussed. Moreover other industries have not yet settled in these areas and the availability of services is limited. Hungary's agricultural and rural development policy has to find a solution to this unique situation, while complying with European Union policies.

## AGRICULTURE, THE COUNTRYSIDE AND ACCESSION TO THE EUROPEAN UNION

### Aims, Strategy and Priorities in Agricultural and Rural Development

The priority in rural development, as defined by the Hungarian government, is the European agricultural model - that was set out in the latest reforms of CAP –, aiming to achieve an integrated production and sustainable agriculture in the country. This strategy rests on the following: a thorough analysis of the current situation, the sector's SWOT analysis, and the state sector's development regulation (1997/CXIV.), which determine the basic areas of agricultural and rural development. These all harmonise with section II of the Council Regulation No. 1257/1999 (later referred to as the Regulation) aims and goals for rural development. This strategy is in line with the rural development theories in the European Charter of Rural Areas (1995) and the Cork Declaration (1996). These aims are furthered by measures, which connect national funding, private resources and EU funding according to the additional principle of the Community. In line with the national aims outlined in the National Development Plan (NDP, 2003; the Prime Minister's Office, Department of the National Development Plan and EU assistance, Hungary) strategies, the Operative Program for Agriculture and Rural Development (OPARD, 2003) targets agricultural and rural development. The connection between the aims of the two Plans can be found in table 8.

Table 8

## Connection between the priorities and actions of OPARD and NDP objectives

General objective of NDP	Agricultural and rural development objectives		Priorities of OPARD	Actions connecting to the priorities
1. Enhancement of economic competitiveness	Improvement of the competitiveness of agricultural production and food-processing	Modernization of agricultural* production	1. Establishing the competitive basic commodity production in agriculture*	Assistance of agricultural investments
		Development of human resources in production		Modernization of forestry
	Environmental-friendly development of agriculture, rationalisation of land use	Modernization of food-process	2. Modernization of food-process	Modernization of fishery
		Maintenance of agricultural land use in unfavourable areas and in environmentally protected areas		Assistance of young farmers
2. Environmental protection and regional development	Supporting the countryside	Environmental-friendly agricultural production, landscape protection, agrarian-environmental protection		Assistance of professional extension course and vocational rehabilitation
		Saving the economic-, ecological- and social role of the forests		Improvement of processing and sales cycle of agricultural products
		Improving rural potential and increasing rural employment	3. Rural development	
	Supporting the countryside	Creating a more appealing rural environment		Alternative income opportunities
				Development of agriculture-related infrastructure
				Basic services for rural population and entrepreneurs
				Village development and village renewal, protection and conservation of the rural heritage
				Leader+

\* Agriculture, forestry and fishery

Source: OPARD, 2003.

### Anticipated Effects

The situation of Hungarian agriculture and rural areas is primarily defined by the national agricultural and rural development strategies and EU laws and regulations. On close examination of our research results, EU laws and regulations, international economic changes and the natural laws of economy, two issues can be identified. The first issue is the rationalisation of the agricultural sector, which, if agrarian policy is well defined and executed, with comparative advantages lead to a more effective production ratio. This will allow farmers to be more competitive as regards sales and income. It is in our national interest to achieve these goals, but it also ties in with aims outlined by the EU. The efficiency and time-scale of this process can be greatly helped by accession to the European Union, and the joint utilisation of national and EU funds. The regulations passed in order to satisfy these aims would also further sustainable growth and development, the emergence of a European agrarian model, and the appearance of a new agricultural, food processing, entrepreneurial and farm structure. Furthermore, it would significantly help in the emergence of economically effective farms, and in increasing productivity and the number of marketable produce. The combination of these factors can soften the effects of economic, societal and social differences.

The second anticipated issue is that in a world full of strict regulations and laws, many farmers and agricultural enterprises will be pushed to the fringes, and will be excluded from the market. This is partly caused by their lower level of technical, financial and knowledge background compared to EU farmers and also due to the fact that Hungarian farmers are unprepared for the accession. These problems, and the issues arising from the regional differences constitute a considerable threat. Unless these problems are solved and farmers are prepared for entry into the European Union, many rural areas in Hungary will face significant disadvantages, despite the fact that rural development represents the second CAP pillar of EU policies, and brings much potential and many opportunities to backward rural areas.

Our research shows that a key factor in development both from an agricultural and rural point of view is the improvement of human resources in production. This can provide the means of increasing the level of competition, especially among smaller farms.<sup>8</sup> This and the importance of consultation are given primary emphasis by the Institute for Rural Development and Extension. Consultancy is

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<sup>8</sup> In accordance with Section 5 of the Regulation, investment is given to farms, which are economically stable; respect the environmental, hygiene and animal health regulations; and whose farmers have the necessary skills. The support of young farmers is of special importance (section 8 of the Regulation), in establishing a favourable age structure and land concentration. This is closely connected to early retirement programmes (funded by Guarantee Section according to section 10 of the Regulation). Further courses (section 9 of the Regulation) target professional issues by highlighting information about the European Union and adapting to the new situation. These are im-

likely to strengthen the market position of private farms, achieve more prominent cooperation between farmers (joint ventures, production, sales and supplier organisations), and promote growth in terms of farm sizes. Consultancy is also likely to have outstanding importance outside the agricultural sector.

Our opinion is that even after EU accession we will still have to address the principal problem concerning rural areas – the unemployment issue – which is especially hard on agricultural workers. They can seek alternative sources of income or be employed by other sectors, but only if the economy can provide such opportunities (which may not be the case in certain rural areas).

Further resources<sup>9</sup> are necessary for development, and these may only materialise through close cooperation between regions and settlements. The most important tasks are the following: finding alternative sources of income, and focusing on produce that is well adapted to local natural resources. One of the most important elements of rural development will be the improvement of rural economic potential, and the development of employment numbers. One approach to this issue is to develop the infrastructure in a way that takes account of local needs, regional agricultural production and processing; and the advancement of services provided to farmers. Another approach is the enlargement and diversification of rural economic activities in the region (such as rural tourism, agro-tourism, the development of traditional crafts, the diversification of production and processing of local food and non-food products, etc.); improvement of the quality of rural produce, and of public and agricultural services; creation of an environmentally friendly rural industry; and greater efficiency in sales and marketing. Rural standards of living can be improved by the development of a more attractive village environment (village renewal), and the availability of high quality services. This would provide the basis for further economic activities (such as trade or tourism). Individual projects and the different participants and sectors could be integrated by rural development strategies under the umbrella of the LEADER+ regulations.

This integrated and structured approach could help to increase efficiency and would tie in with other available EU funds, such as the European Regional Development Fund (ERDF), the European Social Fund (ESF), and the Cohesion Fund. These funds have a common goal of helping rural areas grow and develop by creating employment opportunities, developing infrastructure and human resources, and raising awareness of environmentally friendly solutions. Keeping in line with EU targets, improvements are to be expected with regard to the protection of nat-

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portant because of modernisation of farming practices (e.g. market regulations, funds, alternative income possibilities, alternative production, biological farming).

<sup>9</sup> This raises the issue of the lack of resources, especially acute in the case of small settlements. EU funding requires a minimum of 25% one's own resources, and this can be problematic for villages (Ritter, 2000). This can be solved by co-operation between villages.

ural and cultural values of the rural areas. Region-specific problems, namely lack of employment opportunities, underdeveloped infrastructure, low level of entrepreneurship and dependence on agriculture are likely to be less acute. Further investment would help small and medium size businesses, there would be more integration, individual (specific) products would have a better chance of entering the market, and the development of the infrastructure would further assist farming. This could mean that the threats villages have to face (e.g. continuous migration, deterioration of standards of living, etc.) would be minimised.

## CONCLUSION

Traditionally agriculture was a dominant part of the rural economy, but still it is only one of many factors, and its development must be considered in conjunction with all other sectors of the economy. There are international requirements relating to markets and competition (e.g. WTO), and these conflict with the promotion of sustainable development that is expected by society. The goal of attaining a good standard of living for people working in agriculture and the goal of protecting natural resources and the environment also leads to conflicting priorities. Setting agriculture on a different track is not an easy task even for an organisation such as the European Union. In order to become competitive on the international market, agricultural production has to become more efficient, farmers and agricultural workers need to achieve a respectable income to be able to sustain a good standard of living, agricultural production needs to become sustainable, and environmentally friendly issues need to be taken care of. These issues are likely to yield contradictions.

A point that must be recognised is that agriculture is no longer the dominant economic factor (and in some cases not even a minor one) in most areas. Furthermore, there has been a re-evaluation of the concept of land use and landownership. In line with European trends, the countryside is more and more popular, not in an agricultural sense but for recreation and living. This trend is enhanced by the presence of local industries and the increasing availability of services. The connection between agriculture and land in a spatial sense needs to be reconsidered, as the sector cannot maintain the current level of economic production.

Our research shows that with regard to the development of rural communities, agriculture is being marginalised. Instead of agricultural programmes, more complex rural development programmes would bring solutions (e.g. programmes which involve a greater number of economic activities) even to the less privileged agrarian areas. It is very important to find alternative solutions, which would build on local natural, economic and human resources. If possible, all development projects should focus on and make use of local resources. An effective rural



development policy would not only lead to an efficient agricultural sector, but could also serve as the most effective long-term solution to the problems faced by agricultural settlements.

Agriculture is an integral part of the rural economy, and an integral part it will remain. But the role that it can play in rural development is greatly influenced by its weight in the national economy, and this is decreasing. The rate and speed of this process varies from region to region, but these differences are unlikely to disappear even in the distant future. However, rural values, rural culture, and the environment are dependent on the work of agricultural employees. Rural development cannot be successful without agriculture, because this sector has great potential, which the rural economy cannot afford to ignore. In spite of this fact, the resources of this sector are limited, and it cannot take on the varied and costly responsibilities of rural development by itself. Nevertheless, if the real potential of Hungarian agriculture is recognised, it can be a solid part of the rural economy and a good basis for further development. The sector will be considerably influenced by the new opportunities that will be brought by the degree of success in using these opportunities to their full potential. The more prepared the agricultural sector is to meet these challenges; the more successful it will be in the development process.

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