



European
Commission

HUNGARY

CAP IN YOUR COUNTRY

The **Common Agricultural Policy (CAP)** is Europe's answer to the need for a decent standard of living for 22 million farmers and agricultural workers and a stable, varied and safe food supply for its 500 million citizens. As a common policy for all 28 EU countries, the CAP strengthens the competitiveness and sustainability of EU agriculture by providing Direct Payments aimed at stabilising farm revenues and finances projects responding to country-specific needs through national (or regional) Rural Development Programmes, which also cover the wider rural economy.

The CAP also provides a range of market measures, including tools to address market difficulties, and other additional elements such as quality logos, promotion for EU farm products which complete CAP action to support farmers. The CAP budget fixed for the period from 2014-2020 provides a total of EUR 408.31 billion with EUR 308.73 billion intended for direct payments and market measures (the so-called First Pillar) and EUR 99.58 billion for Rural Development (the so-called Second Pillar).



HUNGARY

- covers an area of **93 024 km²** of which **57 % is agricultural land** while forests cover 21 %.
- has a total population of **nearly 10 million**, of which more than 4.5 million (or **46.7 %**) live in predominantly rural regions.
- has a farming sector characterised by **small farms**, nearly 85 % of the roughly 500 000 farms have less than 5 ha.
- is characterised by a **rather atypical agricultural sector** with a very high share of arable farming (81 % of agricultural land) and low grassland (14.2 %).

INVESTING

in Hungary's agriculture 2014-2020



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In the period to 2020, the new CAP will invest more than **EUR 12 billion**¹ in Hungary's farming sector and rural areas. Key political priorities have been defined at European level such as: jobs and growth, sustainability, modernisation, innovation and quality. At the same time, Hungary has flexibility to adapt both Direct Payments and the Rural Development Programme to its specific needs. For example, Hungary has opted to shift 15 % from its envelope for Rural Development to Direct Payments for the years from 2015 to 2019.

Fairer and greener direct payments

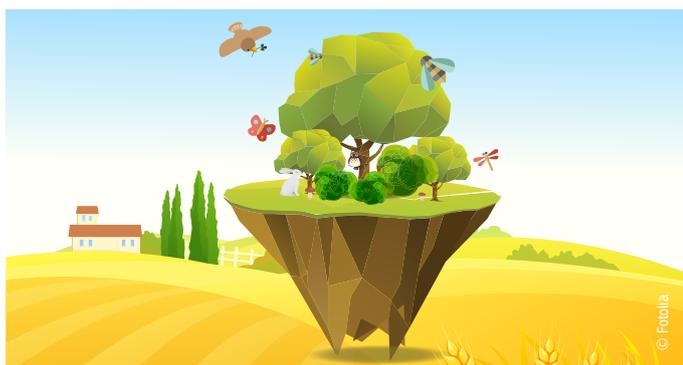
The new Direct Payments are to be **distributed in a fairer way** between Member States, and between farmers within the same Member State, getting away from allocations on the basis of "historical references". Due to persisting difficulties in certain agricultural sectors, Member States also have flexibility to provide extra support to specific sectors (nationwide or in particular regions). With **more than EUR 8.9 billion** for the period 2014-2020 (after the transfers to and from the rural development budget), the budget available for Direct Payments in Hungary is just over **EUR 1.27 billion** a year - much the same as the reference amount in the previous period, despite a general reduction of 3.2 % at EU level. (The actual amounts received from 2007-2013 were subject to the phasing-in rules agreed in Hungary's Act of Accession).

A key change in the new CAP is the application of new '**Greening**' rules, in order to highlight the benefits farmers provide to society as a whole on issues such as climate change, biodiversity loss and soil quality. Under this system, 30 % of the Direct Payment envelope, paid per hectare, is linked to three

environmentally-friendly farming practices: crop diversification, maintaining permanent grassland and conserving 5 % of areas of ecological interest or measures considered to have at least equivalent environmental benefit.

Hungary has chosen to prolong the [Single Area Payment Scheme](#) (SAPS) until the end of 2020 as the system to distribute basic income support among Hungarian farmers: this system links the amount of support to the area that each farmer declares with simpler administration. The Hungarian authorities have also decided to earmark 13 % of the Direct Payments envelope (the maximum permitted) for **voluntary coupled support** (targeting beef and veal, fruits and vegetables, milk and milk products, protein crops, rice, sheep meat and goat meat, as well as sugar beet). In the context of achieving a **fairer distribution of the support**, the Hungarian authorities have introduced a Basic Payment ceiling of EUR 176 000 per individual farm, with the funds generated by this ceiling, estimated at EUR 345 million over the period, transferred to the envelope for the Rural Development Programme. Hungary also applies the [Small Farmers Scheme](#), a simplified system of support for the smallest beneficiaries, with a maximum annual payment of EUR 1 250 per farmer. This scheme reduces the administrative burdens for these farmers, lessens the controls on [cross-compliance](#) and exempts them from greening rules.

Other changes introduced in the 2013 CAP reform include stricter rules on active farmers eligible for Direct Payments and a new 25 % aid supplement for young farmers for the first 5 years, in addition to already existing installation grants.



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¹ Total allocation of Direct Payments and Rural Development for the period 2014-2020 (in current prices).



Farmers at the heart of the food supply chain



To improve the balance of the food supply chain in Hungary, EU instruments (such as [Producer Organisations](#)) help farmers to get better organised and to market their products better.

Moreover, the EU organic logo helps consumers choose food produced in a sustainable way.

Supporting key priorities for Hungary's rural development

With a total contribution of **more than EUR 4.2 billion** for measures benefiting its rural areas (EUR 3.4 billion from the EU budget and EUR 740 million of national co-funding), the [2014-2020 Rural Development Programme for Hungary](#) emphasises the following priorities:

- restoring, preserving and enhancing ecosystems;
- developing viable farms, increasing economic performance of agricultural holdings promoting food chain organisations and risk management in agriculture.

The programme also provides a risk management option – in cooperation with public administrations, insurance companies and mutual funds – targeting income stabilisation support for up to 15 000 farms.

Rural Development projects supported by the CAP

Young farmer sets up Mangalica farm

With the help of EU funding, a young Hungarian farmer, Zsóka, set up her own business in eastern Hungary. From buying land to growing fruits and vegetables, acquiring special machines such as slicing machines and modernising the farm, all has been supported by EU Rural Development funds. Expanding activities to animal husbandry, the farm now has a stock of 300 Mangalica, a native Hungarian pig breed, fed with the farm's own organic forage. Working with her sister, Zsóka sells a range of pork products and has already gained awards for product quality. [More information.](#)

Total budget: EUR 95 200 (EU contribution: EUR 68 590)



KEY ACHIEVEMENTS



Between 2005 and 2013, the CAP invested **nearly 12 billion²** in Hungary's farming sector and rural areas with the objective of stabilising farmers' income, modernising and increasing the sustainability of Hungarian farms and securing the supply of safe, affordable and quality food for its citizens.

Hungarian farmers benefit from the CAP

During recent years, Direct Payments have been a key safety net. In 2014 some 174 870 Hungarian farm businesses received more **than EUR 1.2 billion** in Direct Payments, 80.1 % of which received a payment below EUR 5 000. Moreover, in 2016, the EU spent nearly EUR 54 million on market measures in Hungary, targeting mainly the wine sector.

Fostering growth and jobs in Hungary's rural areas

In the period from 2007 to 2013, the Hungarian Rural Development Programme invested **more than EUR 3.8 billion** of EU funds in a whole range of different activities supporting agricultural production and benefitting Hungary's rural areas by preserving its diversity and enhancing its economic strength, cultural richness and social cohesion. In concrete terms, the European Agricultural Fund for Rural Development provided support, in particular, for:

- **training** for more than **234 000 farmers**;
- **installation** support for **8 400 young farmers**;
- the **modernisation of almost 12 000 farms**, with an investment volume of more than EUR 1.3 billion;
- **improved basic services** for the rural population and the economy with an investment volume of EUR 205 million;
- almost **12 500 LEADER** projects.

The Rural Development Programme also encouraged a more sustainable agriculture:

- bringing more than 1.1 million ha of land under more agri-environmental friendly production methods.

2 Total expenditure for Direct Payments, Market Measures and Rural Development (payments) for the period 2007–2013 (in current prices).



Adding value with Quality schemes

Through the [Quality Policy of the CAP](#), the EU provides a number of measures to help producers build on the high quality reputation of European products to sustain competitiveness and profitability. A key tool in this is the register of more than 1 300 protected food names which are classified as a **Protected Designation of Origin (PDO)**, a **Protected Geographical Indication (PGI)** or a **Traditional Speciality Guaranteed (TSG)**. The production of these registered quality products contributes to diversity, development and growth in the rural areas where they are produced and protects local knowledge, skills and jobs.



At present, Hungary has [14 products](#) registered, of which [6 as PDO](#) (such as *Szegedi fűszerpaprika-őrlemény/Szegedi paprika*), [7 as PGI](#) (such as *Magyar szürkemarha hús*) and [1 as TSG](#).

Responding to new market difficulties

Following the prolongation of [the Russian ban on the EU agricultural imports](#) and the specific market conditions of the summer 2015, the European Commission adopted in October 2015 a [support package worth EUR 500 million](#) to back those farmers affected most by the market difficulties, including EUR 420 million in national envelopes to support especially **dairy and livestock sectors**, with flexibility to Member States to decide how to target this support. Hungary opted to use all of its EUR 9.5 million allocation for the milk sector.

In July 2016, the European Commission announced a [further solidarity package aid](#) worth EUR 500 million including adjustment aid worth EUR 350 million aimed at the dairy sector in particular, with nearly EUR 9.5 million earmarked for Hungary.

What do the Hungarians think of the CAP?

According to the most recent Eurobarometer survey, published in January 2016, Hungarians consider "supplying the population with a **diversity of quality products**" (53 % compared to 42 % EU-28) and "maintaining **economic activity** and employment in rural areas" (39 % of Hungarians compared to 29 % in EU-28) as the two main responsibilities of farmers in society. In addition, Hungarians think that the common agricultural policy should mainly "ensure **reasonable food prices** for consumers" (54 % compared to 51 % in EU-28) and "**develop rural areas** while **preserving the countryside**" (49 % compared to 46 % in EU-28).

The Eurobarometer survey 440 "Europeans, Agriculture and the CAP" can be consulted [here](#).



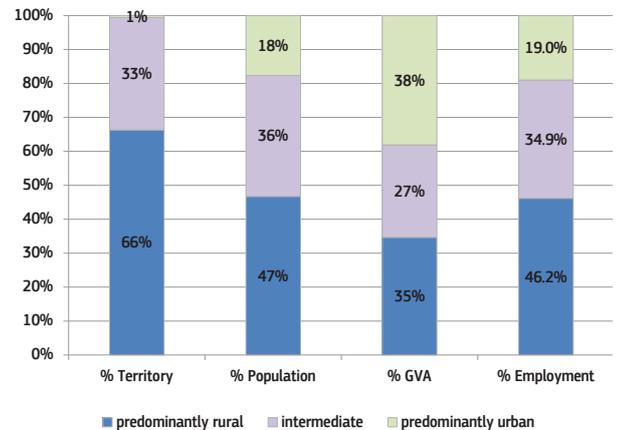


AGRICULTURE AT A GLANCE

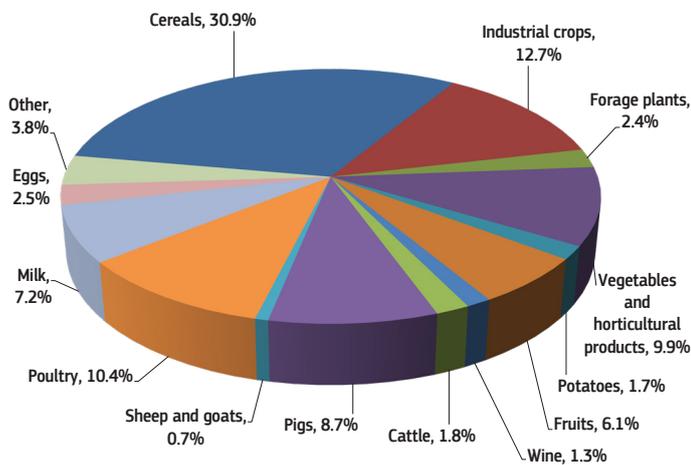
Hungarian agriculture is characterised by:

- **small farms:** nearly 85 % of the roughly 500 000 farms have less than 5 ha.
- a rather **high contribution to the economy** (4.5 % of the total GVA, compared to 1.6 % in EU-28), and **average contribution to employment** (same level of 4.7 % in both Hungary and EU-28).

Importance of rural areas

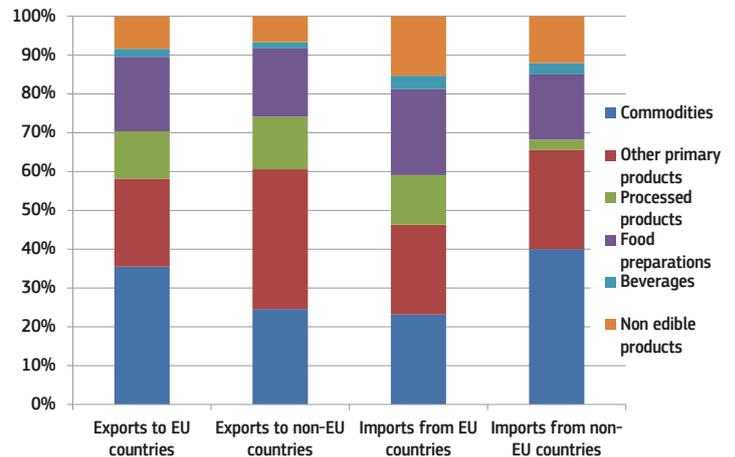


A very diversified production



Output components (2013-2015 average); values at constant producer prices

Agricultural trade with EU Member States is highly important for Hungary (2014 data)



Farmer's income continues to be more volatile than wages and salaries in other sectors

