MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

New Hungary Rural Development Strategic Plan

(2007-2013)

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Content

Abbreviations

ARDA	Agricultural and Rural Development Agency
ARDOP	Agriculture and Rural Development Operational Programme
CAP	Common Agricultural Policy
CF	Cohesion Fund
EAFRD	European Agricultural Fund for Rural Development
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Community
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FÖVÉT	Agricultural and Rural Development Interest Reconciliation Council
GC	Golden Crown
GDP	Gross Domestic Product
HCSO	Hungarian Central Statistical Office
LAG	Local Action Group
LEADER	Links between actions for the development of the rural economy
LFAs	Less Favoured Areas
LPIS	Land Parcel Identification System
LRDC	Local Rural Development Community
LRDO	Local Rural Development Office
MARD	Ministry of Agriculture and Rural Development
MEW	Ministry of Environment and Water
NAPP	National Agri-Environment Protection Programme
NDP	National Development Plan
NDPC	National Development Policy Concept
NHDP	New Hungary Development Plan
NHRDP	New Hungary Rural Development Programme
NHRDSP	New Hungary Rural Development Strategic Plan
NRDC	National Regional Development Concept
NRDN	National Rural Development Network
NRDP	National Rural Development Plan
NVP	New Vásárhelyi Plan
R&D	Research and development
ROP	Regional Operational Programme
SAPARD	Special Accession Programme for Agriculture and Rural Development
TA	Technical Assistance
WFD	Water Framework Directive

Introduction

The New Hungary Rural Development Strategic Plan (hereinafter Strategic Plan or Strategy) aims at establishing the frameworks of the successful implementation of the Rural Development Programme. It provides for the **strategic framework of the Hungarian rural development programme covering the period between 2007 and 2013**. The Strategic Plan aims at creating the development framework necessary for the development of agriculture, the preservation of environmental values of rural areas, the strengthening of rural economy and the cohesion of rural society in line with the Lisbon objectives and the principles set out in the conclusions of the Gothenburg European Council.

The objective of the document

Based on the experience of the recent agricultural and rural development programmes financed from national sources or co-financed by European funds, **the objective of the Strategy is to set up the directions and objectives of rural development** and to identify the tools and methods for attaining the objectives in line with the New Hungary Development Plan.

The framework of the Strategy

The framework determined by the European Union:

- Council Regulation (EC) No 1290/2005;

- Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD);

- Council Decision on (EC) no 144/2006 on Community strategic guidelines for Rural Development (Programming period 2007-2013)

- The principles of sustainability as set out in the conclusions of the Gothenburg European Council and in the Lisbon Strategy.

The framework determined by the national development policy documents:

- **National Development Policy Concept**, which determines the objectives of the Hungarian development policy and the measures for their achievement;

- **National Regional Development Concept**, which determines the objectives, principles and the system of priorities of the regional development policy of Hungary;

- **National Action Programme (2005-2008),** which defines the steps to be taken for the achievement of the objectives of the Lisbon Strategy;

- **National Environment Protection Programme;**

- **National Forest Programme.**

The Strategy's vision for the future

The Strategy serves as the chief framework document for the development of rural territories in Hungary between 2007 and 2013. In this period, multifunctional agriculture will be further strenghtened by a set of tools and methods aiming at increasing the competitiveness of the actors of agriculture. With the integration of resources and harmonisation of conceptsrural areas will be given the chance to restructure local economy and to increase the quality of life of the rural society. There will be even more emphasis put on the aspects of sustainable development and on environment-conscious agricultural production in line with the exceptions of society and the agricultural farming validating the aspects of environment is getting to become a kind of service for the wider society.

The most important task Hungarian rural development faces is to handle the special situation of Hungary in terms of low activity rate of the rural population, the social tension deriving from the low rate of employment: low rate of income. It means at the same time to resolve the discrepancy between prosperous agricultural capabilities and the underdeveloped rural areas.

As to strengthening rural economy, the Strategy provides solution in three aspects.

On one hand it supports the competitive agricultural holdings based on good agricultural capabilities, which provide services to farmers of the surrounding region, and help them in integration. They also play an important role in shaping and activating local society.

On the other hand it supports small farms in general, young farmers and the strenghtening of family farms, which on one hand are able to emphasize their income-generating capability, and to reach comparative advantages of economies of scale by using the sources of rural development. On the other hand the diversification of activities and the entering onto niche markets mean the maintenance of farming activity for these farmers in the long run.

Third, the micro-enterprises of rural areas should be strengthened in an integrated way, based on the specificities and the breakout points in the area, using the area-based approach.

In the above mentioned ways of development it is possible to reach the goals of having employees creating new workplaces in every rural village, which are able to catalize local economy, and to facilitate the clamp of local entrepreneurs utilizing the opportunities in the area.

At the same time the cumulative economic activity can only assure sustainable development in rural areas and villages with keeping the recent low scale of environmental load. So the realized expansions always have to be coupled with the protection of natural, environmental values.

Nevertheless, successful rural economy is a necessary but not completely sufficient requirement for the creation of successful and liveable villages. Innovation-oriented modernization is also necessary in the undermentioned areas – with respecting traditions:

- Developing the accession to services – using new IT technologies
- Village renewal – heritage protection
- Development of local capacities, creation of innovative rural development networks

The claim of rural areas to improving their supply with infrastructure (transport, inner areas) , and to the financing of their health-care and basic educational services go beyond the frames and possibilities of agricultural rural development, so the realization of these developments are only possible through a complex rural policy involving several ministries.

Besides the above mentioned goals the Strategy also designates to strengthen local communities, to build up local partnerships and, in compliance with the principle of subsidiarity, to enhance local democracy in the frame of LEADER-like partnerships.

I. Basic analysis of the economic, social and environmental situation

General description[1]

Hungary' territory amounts to 93,030 km^2, had a population of 10,096 thousand on 1 January 2005 showing a constant decrease.

The **conditions of agricultural production** (soil conditions, climate and geographical conditions) **are favourable** even in international comparison. 83% of Hungary's territory (9.3 million hectares) are suitable for various agricultural and forest management activities, depending on the productivity of the soil, thus arable land is a resource of utmost importance and a key factor in production in Hungary.

As compared to the other sectors of national economy, the **share of agriculture is decreasing**[2]. In 2005 the contribution of agriculture to the gross domestic product (GDP) was 3,7 %, together with food industry approximately 6,1 %. The share of agriculture and food industry in exports amounted to 7,2 %. As to **investments** the agricultural sector contributed to the total of investments in the national economy by 4,4% in 2005, **and as to gross output** the share of agriculture and food industry accounts for 8,8 % of the total; both **figures indicate a slight increase** compared with the figures of the last years[3].

In 2004 and 2005 **agricultural activities were pursued on 63% of the country's 9.3 million hectare's territory**, with 48.5% used as arable land, 11.4% as grassland and 3.1% as , vineyards and orchyards. 19.1% of the total area is covered by forest – the EU-25 average ratio of forest cover is 35,7% - and 1,02% is covered by reeds and fish-ponds. The average ratio of agricultural land in the countries of the EU is significantly lower than in Hungary (EU-25: 37,3%). No major change had occurred from 2000 to 2005 in the method of land use and in the structure form of cultivation. 54,8 percent of total agricultural land is used by economic organisations, while 45,2 percent is used by private farms (2005 data). As the overwhelming **majority of land is used as arable land**, this determines the structure of agricultural production and the diversification possibilities.

Table for land use (percentage of the country's territory)	
Arable land	48,5 %
Grassland	11,4%
Vineyards and orchards	3,1%
Forests	19,1%
Fish-pond	0,36%
Reeds	0,66%

[1] See Map 1. in the Annexes.
[2] See Annex 2. for more details.
[3] See Annex 3. for more details.

The **activity rate** in Hungary was 56,8 percent in 2005, which is significantly lower than the EU-25 average 63,3%. The **unemployment rate** in Hungary is 7,2 percent, **in rural areas it is 9,2 percent.**

As to the **regional differences** in the global economic figures of the country, it may be stated that the Central Hungarian region's contribution to the national GDP is the highest. South Great Plain and South Transdanubia have the biggest share in the contribution of agriculture to the gross added value, these latter two regions have the highest number of agricultural employees, while South and North Great Plain have the most significant share in agricultural investments and in the number of registered economic organisation in the field of agriculture.

1.1. Competitiveness in the agricultural, food processing and forestry sectors

Main characteristics of the Hungarian agricultural, food industry and forestry sectors: potentialities and problems

Market analysis

The **gross added value of the agricultural sector** in 2005 was HUF 815,9 billion (EUR 3,2 billion) (3,7 percent of the total national value), while the value added by the food industry in the same year was HUF 490,4 billion (EUR 1,92 Billion) (2,4 percent). Both figures **indicate a slight increase** compared to the figures of the year 2000.[4]

The consumption of the main agricultural products in Hungary has increased in the last 5 years. The consumption of meat, milk and vegetables show an increase compared to year 2001. As for the export of agricultural commodities it can be observed that all the significant sub-sectors – including meat, vegetables and cereals – of agriculture have been experiencing an **increase in the total value of exported products** since 2002. The most significant rate of increase was experienced in the field of cereals and meat. Among the new member states Hungary is one of the few permanent **net food exporters.**

The **increasing trend of consumption of meat in Hungary** provides Hungarian animal husbandry farms with the opportunity to widen their market share; nevertheless the competition of the cheap import products causes significant difficulties. New investments can strengthening of their marketing abilities and can improve their competitiveness on internal and external markets as well.

Quality – among others – one of the key elements of the competitiveness of products. Generally, it can be stated that **the quality of the Hungarian agricultural products is satisfactory** and does not lag behind other European countries. Moreover, the quality of products often exceeds the that of the European counterpart's products. The good quality of

[4] See Annex 4. for more details.

products may be due to the favourable climate conditions and the traditionally high level of experience in production.

Hungarian producers are facing however two challenges concerning quality production: on the one hand the marketing of quality products is missing, on the other hand, at the same time the discrepancies between the levels of quality of products – mostly as a consequence of a fragmented production structure and the lack of cooperation among producers – hinder the meeting of a demand for large quantities.

Hungary is characterised by a fragmented farm structure. Small and large farms co-exist in Hungary. The number of private farms and enterprises that can practically be regarded as commodity producers is estimated at 210-220 thousand. In 2005 the average size of arable land owned by private farms (the category includes not only the commodity producers) was 3.5 hectares, as 73% of non-commercial farms cultivate plots smaller than one hectare. As a result of the scattered farm structure, it is difficult to achieve the competitive farm size, especially in private farms, and the application of modern agricultural technology and the utilisation of the production capacities are also hindered. The arrangement of difficulties originating from this farm structure, finding a solution to general land consolidation, and establishment of proportionate farm structure at national level will be an indispensable task of the coming period, although in many aspects it goes beyond the scope of this Strategy.[5]

The **net income of farms shows a controversial picture in Hungary:** joint farms achieve a continuous increase in net income, while the income of private farms per hectare shows a decreasing tendency. The reason is, that private entrepreneurs suffered the most from the decline of income experienced in animal husbandry. Private farms could not realise significant improvements in their production value per hectare, while joint farms could increase the value of their production by 15%.

Human conditions: employment, age structure and level of skills

The share of agricultural production in employment was 5 %, inclusive of food industry this figure amounted 8,6 percent (334 thousand employees) in 2005, gradually decreasing in the last years. [6]

Productivity of labour in agriculture is lower in Hungary than the EU average: the gross added value per one agricultural employee is 12,7 thousand Euros/employee, which is 57% of the EU-15 average.

In Hungary 76% of farmers are men and 24% are women. The average male farmer is 53 years old, while the female farmer is 60 years old , which shows **the bad age structure of agricultural farmers.**

The **skills of farmers** in business administration, marketing and the compilation of applications **are deficient**. Private farmers are mostly in lack of knowledge about the European Union (market and production regulation, support system, requirements concerning

[5] See Annex 5. for more details.
[6] See Annex 6. for more details.

product quality, animal keeping and environment protection) and professional farm management.

The institutional background of vocational training is well-developed; nevertheless, the **vocational qualification level of private farmers is low**. In 2003 only 4.8% (in 2005 4.9%) of the managers of private farms had primary school, 7.6% (in 2005 7.4%) secondary school or higher agricultural qualification. 2% of men and only 0.2% of women have higher-level agricultural qualifications.

Innovation, use of ICT in the agriculture

A **significant backlog can be observed regarding innovation** and computer literacy among farmers. Only 32% of farmers have computers and 28% use the Internet. Based on the comparison of the branches of the national economy (CSA, 2004) on the use of communication and information technologies, it can be concluded that 86,3% of the agricultural entrepreneurships is using PC (the national average is 88,6%), and only 58,7% has access to the Internet (the national average is 76,2%).

Integration and cooperation

Despite the positive fact that in the recent years producers' organisations have been strengthening, the largest problems of the Hungarian agriculture and food sector are the **inadequate level of cooperation among farmers** and the disharmonious relationship between producers, processors and merchants. Producers' groups have only a 12% share in the sectoral output of horticulture. The negotiating position of non-integrated producers, who provide the decisive majority of the output of the sector, is weak. Only 18% of animal products are produced in the framework of producers' cooperation.

Food processing

In **food processing small and medium-sized enterprises have the dominant role**, 89.6% of them employ less than 20 persons. Although completely fulfilling the requirements on food safety, a determinant ratio of them – with special regard to small and medium size undertakings - suffers a competitive disadvantage arising from the shortage of capital, and there are not enough sources either for the quality, food safety and environmental investments in order to meet the EU standards. Profitability of the enterprises and the level of innovation are inadequate and the marketing activity also requires improvement. Within the food industry – mostly typical for small and medium-sized enterprises in the primary sector – the technology used is obsolete, the product structure is outdated and the quality of products is unbalanced. Especially small and medium-size enterprises (SMEs) have a significant backlog in the application of innovation and R&D achievements.

The level of technology in agricultural needs to be increased

The majority of farms in Hungary – also in the field of crop production – is unable **to ensure the technological background** necessary for a competitive production because of the lack of capital. Machineries of the post-harvest phases are especially in need of modernisation. The average age of machines and equipment is over 10 years, it is indispensable to renew them in

order to fulfil environmental requirements and also for energy saving purposes. The average value of assets in Hungary is EUR 2572,8/ha , while the EU average is EUR 8064,3 in this field.

In case of animal husbandry, **there is a significant backlog in the environmental aspects of manure storage.** Although Hungary has a derogation concerning the fulfilling of environmental requirements of manure storage in animal husbandry, these investments have to be taken place as soon as possible.

In agriculture and forestry, certain **elements of the infrastructure** – roads, service facilities, water management systems – **are incomplete or obsolete**. Although Hungary is rich in surface waters, the size of irrigated area is small. As compared to the 11% ratio in the EU-15, in Hungary the size of irrigated area is only 2% of the utilised agricultural area.
52% of the country's territory is subject to the risk of floods and is in excess of surface waters. At the same time, crop production is threatened by drought. The vast majority of **public watering facilities** amounting to around 37,000 km at national level **is in need of reconstruction.**

Water management covers an integrated approach in order to supply proper quality water in a balanced quantity necessary for agricultural production. Agricultural water management has special needs in Hungary. Water management measures ensure the favourable condition water and the protection of the soil. Besides infrastructure-type investments, environment-friendly measures are and shall be used to ensure-high quality production and production safety. Water management is carried out in a way that enables not only the supply of water necessary for agricultural production, but also the meeting of the requirements of ecology, namely the water supply of water habitats enclosed by arable land without destroying protected areas. Water management has especially a key role in horticulture, plantations and sowing seed production.

Structural problems in the Hungarian agriculture

In the recent years **disparity has occurred in the Hungarian agriculture between crop production and animal husbandry**. The current level of cereal production has **led to overproduction**, which has triggered an imbalance on the market. Nevertheless, **the agricultural structure of Hungary will be based on cereal production also in the long run.** Hungary faces a twofold challenge : promoting the **diversification of production** by ensuring outlets for cereal production, while the **modernisation of technology** used in crop production is also inevitable. The **lack of capital** – that is typical for most of the actors of the sector – hinders farmers to be competitive on the market.

1. Animal husbandry

The development of animal husbandry has key role in giving added value along the product chain of crop production. Due to the **lack of capital** investments in the technological modernisation of animal farms decreased, which causes a decrease in the number of animals and the deterioration of the competitiveness of farms.

Hungarian animal husbandry has a significant potential in producing added value and in employment by shifting towards quality-orientation and sustainability[7]. The average size of animal husbandry farms shows controversial picture: in the case of pig farms the size increased by the year of 2005, while in the case of cattle farm size decreased. As for meat production, in the last five years a balanced tendency may be observed with approximately 1.4 million tons of meat production annually.[8]

The integration of production, processing and sales is insufficient. Mainly the private animal keeping farms are lagging behind in terms of meeting the environmental, animalwelfare and quality assurance standards of the EU. The average age of animal keeping buildings and built-in technologies is between 30 and 35 years. Plant cultivation was better in adapting to the changes in environmental conditions, so in the course of the past years the development efforts aimed at agriculture were enforced with greater efficiency in plant cultivation. A major gap started to show in technical standards and production efficiency between the crop production and animal husbandry sectors.

The decrease of animal stock continued in 2005. The number of cattle was lower by 6%, the number of pigs was lower by 13%, and the number of poultries was lower by 5% compared to the average of years 2000-2004. Only the number of sheep increased by 10%, but the latest data indicate decrease in this sector as well. The hen stock decreased in the last few years and accounts for almost 50% of the poultry stock, while the number of geese and ducks increased. The bird-flue cases of the year 2006 broke this increase, but the water-fowl sectors are still considerable. The turkey stock is significant (4.1 million) and increases slightly. The production of animals for slaughter decreased by 15% compared to that of the year 2003. The production of cattle for slaughter decreased by 24%, the production of pig for slaughter decreased by 5% and the production of chicken for slaughter decreased by 9% in 2005. Honey production fell by 10% in this period.

The **main trends of animal husbandry of the recent years, broken down by species** are the following. By the first of December 2002 the neat livestock decreased by 2% to correlate to last year. The stock of cows stagnated, pig stock increased by 260 thousand heads. At the same time the stock sheep decreased by 33 thousand heads. Within the poultry sector the stock of hen decreased by 6% as compared to the stock of December 2001. The stock of turkeys decreased by 17%, the stock of geese decreased by 8%, the stock of ducks increased however by 21%. The production of slaughter-animals increased by 5,3% as compared to the figure of 2001. Furthermore the production of the products of animal- origin – except for a decrease (3%) in wool production – was increasing. Honey production increased by 34% in the year of 2002.

In 2003 the net number of livestock decreased by 4%. The stock of cows also decreased at a similar rate (12 thousand animals). Pig stock decreased by 3,4% by the first of December 2003. Number of sow population decreased by 14,2%. By the first of December 2003 sheep stock increased by 17,5% as compared to last year. Within the sheep stock the population of ewes increased by 12%. The stock of hens increased by 16% in of 2003, nevertheless the number of laying hens decreased by 563 thousand animals. The stock of turkeys increased by 31%, the stock of geese livestock increased by 39%. The stock of ducks decreased by 21%. The production of slaughter-animals increased by 4%, as compared to last year. Within slaughter-animal production that of cattle increased by 19%, the production of pigs increased

[7] See Annex 7. for more details.
[8] See Annex 8. for more details.

by 14,6%, and the production of sheep increased by 10%. The production of poultry decreased however by 9%. Milk- production decreased by 5% in relation to last year. The production of wool increased by 25%, the production of eggs increased by 1%.

The decrease of cattle stock continued in 2004 by 2%. The number of sheep increased by 8%, and the number of ewes increased by nearly 14%. In the poultry sector, the size of the gallinaceous bird stock decreased by 12,5%, the number of turkeys decreased by 16% and the number of geese decreased by 24%. Pig stock decreased by 17%. The number of breeding sows decreased by 10%. The number of animals for slaughter dropped by 4,5% since 2003. Wool production increased only within animal products. Cow-milk production decreased by 4,4%, egg production decreased by 1% and honey production by 9,5%.

The size of the cattle stock decreased by 2% in 2005. The number of cattle for slaughter increased however by 17% in 2005. within the cow stock. The number of cattle for slaughter decreased significantly, by 24%. The pig stock decreased by 5%. The number of breeding sows decreased by 6%. There was a slight fall in the number of sheep in 2005. (0,6%). In the poultry sector, the number of turkeys and ducks increased considerably (+23%, and +21%). The production of animals decreased by 8% in 2005. The most significant decline was experienced in the production of cattle for slaughter (23,5%). Within animal products, eggs production decreased by 8%, cow-milk production stagnated and wool production increased by 3,3%.

2. Promoting the production of bio-fuels

Based on the agricultural potential of the country, approximately 7-8 million tons of **biomass may be used for energy purposes**. The current level of biomass production in Hungary is very low compared to the production potential. There is a steady demand for renewable energy resources providing the possibility of export expansion.

At present, Hungary can not meet the Community requirements on the usage of renewable energy. The national processing capacity of the renewable energy sources is minimal. This is accompanied by the low level of energy efficiency. Presently in Hungary, the ratio of bio-fuels within the total amount of fuels used is 0.4%, which is one tenth of the relevant ratio in the EU. Only 8-10% of all biomass produced is used for energy purposes.

By the end of the programming period the Hungarian government plans to increase the ratio of the use of renewable energy to 5%, within which the ratio of bio-energy may exceed 4%. The agricultural government has set the objective of producing approximately 800,000 tons of bioethanol, which means the processing of 2.4 million tons of cereals annually by the end of the period between 2007 and 2013.

3. Alternative land use

Forestry

The size of area subject to **forest management is 1.98 million hectares** (2005), and the area covered with tree stock amounts 1.85 million hectares. 41% of forests is in private ownership, 58% in state ownership and 1% in community ownership. The entire area of private ownership forests amounts to 787,000 hectares of which private and associated farming is

performed on an area of 555,000 hectares (71.5%). The vast majority of afforestation (90%) takes place on privately owned areas, so the ratio of private forests is continuously increasing. The number of private forest owners reached nearly 250,000 persons on the cultivated part of the forest area, which shows the fragmentation of property. The average area of operating private forest holdings is 2.2 hectares.

In terms of the basic function, 64.2% of the country's **forests serve economic purposes**, while 34.4% is utilized for protection purposes and 1.4% for public recreation and miscellaneous other uses. **The average size of afforested area in the recent years amounted to 7.000 hectares annually, covering mostly agricultural land, therefore reinforcing land use.**

Afforestation facilitates the development and the spread of nearly-natural **forest management methods** and the **use of biomass as a renewable source of energy**. Competitiveness of the forestry sector will improve and the role of forest management in rural development will increase.

The primary objectives of forestry are to increase the size of afforested areas, to facilitate the restructuring of agriculture, to promote the alternative use of lands, to increase the role of afforested areas and forests in environmental protection, in economy and in social-public welfare, and to improve rural employment conditions through the development of the forestry sector.

Horticulture

Horticulture, which is in the process of integration, **adapts to the new market trends and consumer demands** in a more and more flexible way. Private farms have an increasing role in the production of region-specific, traditional products of high quality. This has a favourable effect on self-employment and the increasing number of employment in the farms, and also encourages the processing of these products.

In the recent years, the average contribution of the horticultural branches to the gross agricultural output has been 15%, to the total of agricultural exports it has been almost 25%. With the improving of the quality of life and the spread of health-conscious consumption , the demand for these products is forecasted to increase in the European Union and in Hungary, as well. There are still exploitable capacities in the non-food-producing horticultural activities and in the investmentsin the utilisation of geothermal energy resources.

Concerning the most important horticultural products, the **most significant trends** in the recent years have been the following.
The most significant types in vegetable production between 2002 and 2005 were the following: sweet corn, tomatoes, watermelon, white cabbage, onions, carrots, green peas, cucumbers, sweet pepper, and parsley roots. The harvested arable land area of vegetables 115 thousand hectares in 2002, and increased to 117 thousand hectares in 2003. It decreased to 103 thousand hectares in 2004 and to 87 thousand hectares in 2005.
Sweet corn had the most significant ratio in vegetable production in 2002 and 2003. Watermelon production was more significant than in the previous year and the share of it increased until 2005. The production of sweet pepper increased between 2002 and 2005 either. The production of green beans, green peas, green peppers and onions dropped in 2002. There was a considerable fall in the production of snap beans, parsley roots, green peas,

onions and carrots in 2003. The yields of other vegetables in the year 2003 considerably exceed the average production of years 1996-2000. Total vegetable production amounted to 1.5 million tons in 2005, 486 thousand tons less than in 2004. The most significant drop of production was experienced in the field of vegetables for processing.
In Hungary 699 tons of fruit were produced on 97 thousand hectares in 2002, which means a significant drop compared to the average production of the years in 1996-2000. 724 tons of fruits were produced in 2003. Seven fruit species (apples, pears, cherries, sour cherries, plums, apricots, peaches) made up 95% of the total fruit production. 1 038 thousand tons of fruits were produced on 103 thousand hectares in 2004, and 732 thousand tons of fruits were produced on the same area in 2005.
Apple was the decisive fruit in the Hungarian fruit production with a share of about 70 per cent between 2002 and 2005. The production of peaches and apricots increased until 2004 and decreased in 2005. The production of sour cherries, pears and stone-fruits increased in 2003 but the production of plums decreased in 2003. The production of sour cherries and plums significantly increased in 2004. The average yields of cherries, plums, sour cherries and stone-fruits significantly dropped in 2005. The vineyard area remained about the same between 2002 and 2005, and the average yield of grapes increased until 2004 and considerably decreased in 2005 due to the unfavourable weather conditions.

4. Logistics

As Hungary is a **land-locked country**, logistics and its capacities play an increasingly important role in influencing the **market access of agricultural products**. Storage and logistic capacities – mostly as a result of the ARDOP – have been built up, but the connections between them and the logistic services are missing. As result it is difficult for Hungarian agricultural products to access to the – foreign – markets, which **causes a significant backlog in competitiveness.**
The situation of cereal production, including sales, is worsened by the deficiencies in logistic network and warehousing (storage). The underdevelopment of the logistic systems connected to the food industry – with special regard to logistics systems owned by producers, also serving commercial purposes - hinders the enhancement of competitiveness. It is indispensable to improve the connection between the individual and scattered logistic capacities, which is possible, among others, through further investments in the development of the road network in the outskirts.

Summarized, the main **strenghts** of agriculture, food industry and forestry are as follows: the traditions and good natural and climatic conditions for agricultural production, therefore significant production potencial in agriculture. Among the **weaknesses** the imbalanced structure of agriculture, the overproduction of crops, and the lack of capital have to be mentioned first. The low level of skills and innovation, the obsolate technology used, the lack of market-orientation, the bad age- structure of farmers, the fragmented farm structure typical for certain groups of producers and the low level of organisation of producers and poor cooperation along the product chains are also among the weaknesses and problems that needs to be tackled.

Needs

The **needs** following from the above description and the facts consist of the restructuring of production by a shift towards an increased market orientation, the need for technological

modernisation **to increase competitiveness** and creating added value, steps to focus on capacity building and efforts to balance the age structure of farmers. Initiating the cooperation among the participants of product chains and encouraging innovation is also of particular importance[9].

Competitiveness of agriculture and food processing and the maintenance of markets should be promoted by investments. It is fundamental that the supports should give preference to **innovation, high quality production**, the application of energy and cost-saving methods, the protection of the environment. The improvement of competitiveness cannot be achieved without **technical-technological renewal** also in the field of crop production.

As the market tensions on the crop markets could increase in Hungary – partly because of the planned abolishion of the intervention system –, the change in production and market structure is needed to preserve the income-producing possibilities of producers. One of the market-compliant methods to achieve this is to increase the **crop production for energy purposes**. Since the production structure should be adjusted to the market needs, in addition to the production of commodity cereals for human consumption and for livestock feeding, the establishment of the conditions for the **use of cereals for energy purposes** is also indispensable.

In order to comply with the EU regulations on the **production of renewable energy** and to promote the restructuring, it is necessary to develop the capacities of the production and utilisation of renewable energy sources.

In the field of **animal husbandry, the increase of competitiveness and product quality** can be achieved through the promotion of investments in the field of environment protection and animal welfare, modernisation of production and of the introduction of new production methods.

In branches producing basic foodstuffs, there is a substantial need for investments in the field of environment protection, **food safety, quality improvement**, brand development and sales.

In order to exploit the market opportunities, the **cooperation between producers, processors and traders** should be harmonised and strengthened. Producers should be encouraged to appear jointly in the market and to establish **producer organisations**. A fundamental precondition of competitiveness is the integration of production, procession and sales. The developments serving the interests of producers communities should be given special attention.

Development of **horticulture** has special importance because it represents a potential way of **diversification** and also from **employment** aspects. In order to improve the market-orientation of the sector, the technology of production, product manipulation and procession should be developed, the marketing activity should be improved and training and advisory programmes should be launched.

It is important to improve the readiness of the economic actors of the sector to apply the achievements of **innovation**. The background for this is ensured by research and development, the establishment of the system and infrastructure of innovation services, the

[9] See annex 9. for more details.

development of the IT network and the application of **information and communication technologies.**

It is also of high importance to promote and motivate the **use of advisory, information and farm management services** by agricultural producers and forest holders. Targeted professional trainings are needed, mainly regarding animal welfare, use of alternative energy sources, agri-environmental issues, up-to-date farm management and forestry skills and economic-legal knowledge for the sake of the improvement of the qualification level of farmers, and the farm management skills of young agricultural entrepreneurs.

For the sake of the improvement of the efficiency of farming, it is necessary to improve the quality of arable land, to preserve and use the water resources in a rational way. For all this, there is a need for complex water management including infrastructural developments.

In the field of logistics, the integration of the existing storage capacities has to be given more weight in the coming programming period. Besides, the **accompanying logistic services** shall be developed. The connection points of agri-logistics to the general logistic centres and capacities shall be ensured.

1.2. State of environment and the countryside

1.2.1. Biodiversity, high natural values

In Hungary, **biodiversity is rich** in natural or semi-natural habitats, but poor in intensive large-scale arable crop production areas. The species of wild fauna and flora of Hungary and the native animal stock represents outstanding genetic value, the game stock and the rare agricultural plant species of Hungary attest high genetic diversity.

Hungary is characterised by **natural values of significant size and extent**.[10] More than 9% of the country's territory (857 thousand hectares) is under nature protection. 836,7 thousand hectares of this area are of national importance, out of which 109,7 thousand hectares are highly protected areas. Territories under natural protection can be categorised as follows.

- National Park *485 thousand ha*
- Landscape Protection Area *324 thousand ha*
- Nature Conservation Area *27 thousand ha*
- Natural Heritage *1 pcs*

On other level of protection, but with national importance there are the territories of the Nature 2000, the natural areas, the Environmentally Sensitive Areas and the ecological corridors.

The approximately 40% of the nationally protected acreage that is under agricultural cultivation is characterized by less fertile soils and conditions generally less amenable to farming. In such areas, extensive forms of agriculture coupled with respect to environmental assets could be a solution for local farmers.

Environmentally Sensitive Areas

The support of the **Environmentally Sensitive Areas** is implemented among the agri-environmental measures. It was announced as the zonal target programmes of the agri-environmental schemes for the purpose of nature protection within the frameworks of Natural Rural Development Plan. 15 Environmentally Sensitive Areas have been supported on 120 hectares. This programme will be harmonised with the Natura2000 programme in the next few years.

Natura 2000 areas

In Hungary, 467 special protection areas and 55 special bird protection areas have been designated. The overlap of the two types of areas is about 41%. According to preliminary estimations, agricultural areas marked out as Natura 2000 areas cover 483.4 thousand hectares of grassland and 522.6 thousand hectares of arable land, 773,4 thousand hectares of forest, of which 207 hectares are in private hands. The **Natura 2000 network** partly overlaps with the natural areas protected by domestic law: this is 39% of the designated Natura 2000 areas. In

[10] See Map 2. in the Annexes.

line with the objective of the preservation of natural heritage, the realisation of the Natura programme will be based on the Natura management plans elaborated within the framework of the protection of natural heritage.

Less Favoured Areas (LFA)[11]

Agricultural production on Less Favoures Areas contributes to sustaining the agricultural employment, to the increase of the income-generating ability of rural areas, to the improvement of the quality of life in rural regions and to the sustainment of local communities. Support for LFA contributes to the utilisation of abandoned lands and ensures an income supplement for farmers pursuing agricultural activities in less favoured areas. It promotes the restructuring of production and the extensive keeping of (often endangered) animal species that adjust to the disadvantageous conditions. The compensation contributes to the preservation of farms in the affected areas and to the improvement of their viability.

Hungary implements the "Support of Less Favoured Areas" programme with respect to the criteria laid down in Articles 19 and 20 of Council Regulation 1257/1999/EC. Areas falling under Article 19 are uniform as regards natural production conditions, and complying with all the three conditions determined in the Article. The total area of such areas is 395,402 hectares, which is 6.3% of the total cultivated area and 4.25% of the total area of Hungary.

Less favoured areas according to Article 20 are areas affected by specific disadvantages, in which farming should be continued according to needs and subject to certain conditions, in order to conserve or improve the environment, maintain the countryside and preserve the tourist potential of the area. The requirements set out in Article 20 are met by a total area of 488,156 hectares, which is 7.77% of the total cultivated area and 5.24% of the total area of the country. The total surface of LFAs is 883,558 hectares that is 9.5% of Hungary's total area, and 14% of the total cultivated area.

Agro-environmental schemes

A common problem on the whole territory of Hungary is the deterioration of near natural habitats caused by extensive agriculture and a gradual diminishing of the characteristic traditional and value protecting farming methods and species. On, a significant part of Hungary, it is necessary to transform land use and to determine national priorities such as searching for new ways of land use, and regional priorities (transformation of the use of areas endangered by excess surface waters, restoration of near-natural economic systems). Arable land is still endangered by the processes that deteriorate the quality of soil (erosion, acidification, salinification and compaction), the negative nutrient balance and the lack of environment-conscious nutrient management, which hinders sustainability.

Agro-environmental programmes are typical in the territories reach in natural values. Within the framework of the programme between 2007-2013, there is a clear focus on the preservation and maintainance of high natural values on agricultural areas as well.

The area cultivated by the 24,100 enterprises and farmers awarded agri-environmental support totalled **1.4** million hectares in the years 2004-2005 . The areas covered by the Program now

[11] See Map 3. in the Annexes.

make up more than 25% of all agricultural land in active cultivation – a high rate even in EU comparison.

Target Programmes	*Supported area (ha)*
Arable crops	1098961,38
Grassland management	306415,23
Plantations	46108,62
Wetlands	35333,43
TOTAL:	**1 486 818.66**

The main objectives of the programme lays in the conservation and improvement of the state of the environment, the reduction of environmental burden of agricultural origin, the provision of environment protection services, the strengthening of the agricultural practice based on the sustainable use of natural resources and the establishment of a production structure in line with habitat features, the environmentally conscious farming and sustainable landscape use.

Under the programme, support is granted to farmers and other land users who make agri-**environmental commitments on a voluntary basis**. Payments for the fulfilment of provisions set out in the Programme are to be granted annually per hectare or livestock unit to compensate farmers' additional costs and income foregone related to the fulfilment of the provisions.

The programme consists of horizontal and zonal elements. Certain agri-environmental provisions can be applied for the existing way of land use on the whole eligible area of the country, that is, the payment is of horizontal character. As for the use and the type of land, there can be four target programmes distinguished.

- Arable cropping: environment-friendly arable crop production, ecological arable crop production, arable farming with the objective of environment protection, arable farming with the objective of water protection, arable farming with the objective of soil protection;
- Grassland management: general grassland management and grassland management with the objective of environment protection;
- Plantation: integrated and ecological fruit production and vine growing;
- Wetland: extensive fishponds, reed management, management of loams and tufts, .

Within the agri-environmental programme, farmers carrying out agricultural activities on the designated areas can undertake special provisions in addition to the horizontal provisions. Provisions that can be undertaken on these areas are named **zonal provisions**. Zonal provisions can only be undertaken by farmers in the area designated at the level of physical blocks. Zonal target programmes can be aimed at **nature protection, soil protection or water protection**.

Organic farming

The support of the **organic farming** is implemented among the agri-environmental measures. 103.000 hectares land area was organically managed in a controlled way by 1117 farms in 2002 that accounts for 1,75% of the total agricultural land area. In 2005, 128.575 hectares land area was organically managed by 1935 farms that accounts for 2,2% of the agricultural land area. 76 thousand hectare organically managed land area was supported in 2005 within the frameworks of the National Rural Development Plan.

The support of the processing of organic production – implementation of the system "from the land to the table" – is particularly important, because the products produced in Hungary are sold as raw products in a substantial rate, still more than 70% on foreign markets.

Organic farming also **contributes to the attainment of the objectives of Axis I.,** as it provides an opportunity for the diversification of production structure. Additionally, it represents a shift to quality production and fosters innovation and market-orientation of farmers.

As a conclusion, it can be stated based on the experiences of the current programmes aiming at the protection and maintainance of natural values, that certain **environmental programmes with a low level of requirements and provisions could not fulfilled the expectations as serving the appropriate tools for the maintainance of natural values.** Therefore a shift towards higher and stricter conditions of agri-environmental programmes shall be carried out from 2007 onwards.

1.2.2. Water management

The uneven distribution and extreme quantity of rainfall and the diversity of relief conditions result in water surplus in some territories and the lack of water in others. Hungary is rich in surface waters resources, 96% of which arrive from outside the country. The fact that the country is located in a basin implies that **floods and excess of surface waters** are frequent, endangering significant agricultural areas. On the other hand, **droughts** damage the same size of area as floods and excess surface waters.

Water quantity

The unbalanced distribution of precipitation, the shortage and the extreme quantity of precipitation cause excess water on certain areas and water shortage elsewhere Most of the surface water of Hungary comes from other countries, which strenghten the structural and long-term feature of the problem, raising the exposure of the country to the water management practices of neighbouring countries. On the other hand, the water storing capacities and the underdeveloped irrigating systems do not make it possible to reduce the effects of exposion.

Floods

The flow rate of the country's rivers is to a large extent dependent on the water management of countries upstream. Inside the national boundaries, flood plains along the rivers and smaller streams total 35,000 km^2. Between 1994 and 2004, floods occurred in each year except 1997, 2003, and 2004, triggering the appropriate level of alert. The two major rivers, the Danube and the Tisza, overflow their banks every 2-3 and, every 1.5-2 years, respectively. Nearly half (43.6%) of the length of principal levees (4220 km) does not meet the regulations. Former flood plains accommodate one third of all arable land in the country, as well as 32% of railroads, 15% of roads, and over 700 settlements with 2.5 million inhabitants. Excess surface waters often accompany flooding, particularly in the Tisza Valley. Changes in land use (e.g. clear-cutting) in gathering grounds and the neglect of catchment areas, particularly upstream of the country, flood levels have been up, especially along the Tisza and its tributaries, to the point where it no longer makes sense economically to defend against floods by raising the levees even higher. Instead of raising the levees it is proposed to spread and support land-use adjusted to the natural endowments.

Excess surface waters

Roughly one fourth of Hungary's territory consists of lowlands with no natural outlet for water. 10-15% of the 5 million ha of farmlands in active cultivation is subject to recurrent – often annual – excess surface water damage. The average of many years running is 13,000 ha of land under inland waters for a period of 2-4 months annually. By the 1990s a 46,700 km long canal network was constructed in the flat watershed of 43,700 km^2, of which a total length of 8,500 km is managed by the Water Management Authority, 3,100 km is operated by the agriculture offices and 20,300 km is supervised by the water supply partnerships. Local governments oversee 2,100 km long canals, while about 12,700 km long service canals (held by farms and private individuals) add up to the total excess water drainage system of the country. This system is complemented by 235 reservoirs with a total capacity of 259 million m3 are in place to channel off and store excess surface waters. The highest risk areas in the country are the low-lying sections of the Tisza Valley and the valley of the Danube.

Droughts

Recent years have seen a distinct rise in the possibility of a moderate drought to occur in every season and within this trend, the likelihood of extraordinary spring and winter droughts has also increased. Extraordinary droughts are to be expected, particularly - in patches of variable intensity - in the Great Plain and, to a lesser degree and involving only moderate droughts, in Transdanubia. Arid conditions may set in every other year, while the average recurrence cycle of very severe droughts in the Great Plain has been between 10 and 20 years. Considering the typical precipitation levels during the vegetative period, rainfall alone is insufficient to supply the water needs of crops.

Water quality

The quality of waters is endangered by a couple of effects, including the diffuse **nitrate load and the emission of ammonia**, originating – although not solely – from agriculture.

As for the nitrate load of waters, the nitrate content of the surface and groundwater has reduced significantly in the last 10 years: 77,5 %, (2000-2002) (1992-1994=100%). As for the nutrient balance of waters, the average excess nitrogene in the country is 5,1 kg/ha (average of years 2002-2004).

Point-source pollution of water may occur most frequently **in the area of animal keeping sites**. Emission of nitrogenous compounds may chiefly be generated by the cattle, pig and poultry breeding sectors or the inappropriate use of artificial fertilisers. Meeting the requirements of the Community is a significant problem for the animal husbandry sector which postpones the date of fulfilling them, also making the ensuring of high water quality postponed.

The environmentally critical, nitrate-sensitive areas in Hungary are 4,337,500 hectares, including 2,788,800 hectares in agricultural use. From the point of view of protecting water supplies, the greatest problems are presented by the liquid manure and waste-water discharges of large, industrialized livestock farms raising pigs, cattle, and poultry.

Implementation of the Nitrate Directive

In Hungary, the nitrate-sensitive areas include 1779 settlements specified in a Government Decree. This constitutes also the frameworks of "sound agricultural practices" through which farmers are able to meet the criteria articulated in the Nitrate Directive. The measures introduced by the Government Decree were designed based on nationwide surveys of nitrate pollution and associated data conducted in 2000. The surveys and tests examined surface and underground water supplies and their gathering grounds, the eutrophic state of waters, and the extent to which agricultural activities impacted nitrate concentrations. The analysis of this nitrate concentration of waters led to the **designation of nitrate-sensitive areas** and the compilation of an **Action Program for the period 2002-2012.** The action program is divided into four-year phases by enabling revision every four years based on data reported regularly by farmers and on the findings of periodic site inspections.

The nitrate-sensitive areas were designated with respect to underground water supplies, tracing the administrative limits of individual settlements, on the basis of sensitivity categories. The **nitrate pollution of underground water** supplies from agriculture is primarily associated with large, industrialized stock farms, notably those using liquid manure methods. According to a survey conducted in 1996-1998, Hungary produced some 11 million m^3 of liquid manure annually, requiring approximately 80,000 ha of farmland to be spread on. Nitrate-sensitive areas generate 3.4 million m^3 of farmyard manure annually. Harmful nitrate discharge in Hungary comes partly from **inadequate manure storage** at livestock farms and partly from the disposal of untreated sewage from settlements, neighborhoods, and buildings without drain canals. Concerted action with the **involvement of measures within Axis I.** could handle the problems connected to the manure storage.

Implementation of the Water Framework Directive

The fulfillment of the provisions/requirements laid down in the Water Framework Directive could largely help in the mitigation of the water-supply problems and could contribute to ensuring a balanced quantity of water. The **Water Framework Directive** (WFD) entered into force in 2000 in Hungary. The WFD was adapted into national legislation in 2003. The assessment and the description of water basins, as well as the shortlisting of protected areas and waters were carried out in 2004. In 2006, the monitoring system was set up and the public consultation started. By the year 2007, the most important water management problems shall be defined. By 2009, the water management plans, including an action plan, (river basin

management plan) shall be finalised. The implementation of the action plans will start in 2012.

1.2.3. Climate change

In 2006 a comprehensive study has been prepared in Hungary about the effects of the global climate change, which conducted that in the last thirty years global warming has been accelerating, the **frequency of extreme weather conditions has grown** and the annual precipitation has decreased.

The effects of climate change in Hungary are largely influenced by and dependant on the current climate conditions and the geographical location of the country. Estimations and latest data show that in line with the global warming, the quantity of precipitation – especially in the summertime – significantly diminishes. This could result in the increase of frequency of droughty periods by some 60%. Another impact of climate change will be the increased number of extreme whether phenomenon, mostly the extreme quantity of water and the growing distance between the highest and lowest temperature degrees. As the result of the special soil conditions of Hungary, the frequency and extension of excess surface water and droughts inrease.

Agricultural and forestry by-products can be used in the production of renewable energy resources. The use of materials of mainly agricultural origin (biomass) as fuel also forms part of the **battle against climate change**.

These developments are in harmony with the strategic Community objective of using biomass for energy purposes, namely the Biomass Action Plan, the EU Strategy for Biofuels, Directive (EC) 77/2001 on promotion of electricity produced from renewable sources of energy in the domestic market[12] and Directive (EC) 30/2003 on promotion of the use of biofuels in transport[13]. In line with this latter Directive, Member States are requested to increase the ratio of bio-fuel in the total fuels used in public transportation upto 5,75 percent. Currently, **in Hungary, only approximately 0,4-0,6 % of the fuels used is bio-fuel.** A concerted action of measures will be implemented in Hungary to reach the objectives as stated in the Government Decree 2058/2006. (III.27.).

Appropriate environmental actions on the appropriate level (afforestation, agri-environmental management, grasslands) contribute to the fulfillment of obligations set in **the Kyoto Protocol** on mitigating the effects of climate change. In order to reduce the emission of CO_2, SO_2 and NO_X – beside the spread of renewable energy sources – the afforestation of agricultural areas is also important. In the Kyoto protocol Hungary has committed itself to diminish the harmful emission of glasshouse gases by 6 percent till 2008-2012, taking the years 1985-87 as a basis. Currently the CO2 emission is by 24% smaller than committed in the Kyoto Protocol. This is 25-28 Mt GWP/year.

[12] OJ L 283, 27.10.2001
[13] OJ L 123, 17.5.2003

As the result of the growing role of the use of bio-fuels, the harmful emission decreases and this tendency is sustainable in the future. This way, a significant contribution to the mitigation of climate change can be reached.

The role of forestry

Forests occupy a considerable part of the country and are in good natural health. Habitat features of forest areas (1.845 million hectares) are excellent, consequently, 86% of forest areas are covered by frondiferous tree species and the ratio of indigenous tree species is high, 57%. Nearly 21.4% of the country's territory is utilised by forestry, from this the ratio of forest cover is 19.1%. 18.9% of the country's forests are under natural protection, which is significantly higher than the EU average. 47% of all protected areas in Hungary are forests. They include 49 reserves with 9,731 hectares of seed area, on which no logging or any forestry interventions are allowed. Due to the problems of private forest management (lack of capital and assets, fragmented holding structure) the environmental condition of private forests is stagnating, while in a smaller area, where the management conditions are not clarified (232 thousand hectares), deterioration can be observed.

Forests have a significant role in the **fight against climate change and its consequencies** in water management, in the **protection against erosion and deflation. Forests make a vital contribution to improving air quality**, particularly by filtering dust and **absorbing carbon**. Forests located near harmful emissions from ponctiform or linear sources can be very useful in minimizing the pollution reaching settlements in the vicinity. For this reason, it is desirable to increase forest acreage and particularly forest belts along roads and industrial objects.

The **plantation of fast-growing species** could provide the basis for the use of biomass, that is necessary for the production of green energy. The biomass of fast-growing energy crops substitutes the biomass of traditional forests in the production phase, making a significant contribution to the protection of traditional forests and indirectly to the mitigation of the impacts of climate change.

1.2.4. Soil conditions and land use

In Hungary the **environmental load of agricultural origin** (contamination of soil and water) **is low**, which is due to the low usage of pesticides and artificial fertilizers.

The average quantity of artificial fertilizers applied in the soil was 133 kg/ha in 2005, which is much lower than the EU average. The area treated with plan protection chemicals was 3449500 hectares in 2005. The active ingredient of artificial fertilisers sold for agricultural area was 67 kg/ha in 2005.

Consequently, the main problem in the field of agro-environment is not the damage caused by the excessive use of artificial fertilisers, but the deterioration of soil quality caused by inappropriate nutrient-management. **Soil compaction**, which mainly results from inadequate agro-technology and the depletion of the organic matter content, affects approximately 1.4 million hectares. Among a certain number of farmers the lack of environment-conscious farming can be noticed.

In Hungary **wind and water erosion**[14] is a serious agro-environmental problem. Among soil degradation processes the most significant one is water erosion, which endangers around a quater (25,3%, 2.297.000 ha total) of all agricultural areas. The area endangered by wind erosion is also significant, approximately 1,4 million hectares. As a result of water and wind erosion, annually approximately 80-100 million m^3 soils are damaged on the average, entailing the decay of 1.5 million tons of organic material lost for agriculture.

Salinification limits the fertility and productivity of soils on 946 thousand hectares. On an additional 245 thousand hectares, salinification occurs in the deeper layers of soil. The risk of salinification is increased by the appearance of excess surface waters.

There is **high acidity** on 13% and moderate to low acidity on 42% of the soils of Hungary. 50% of soils belong to the category of acid soils, causing a decrease in the productivity. The acceleration of acidification is mainly caused by inappropriate use of artificial fertilizers, by acid subsidence in the atmosphere and the not adequately dynamic soil management (liming).

Territories, which are endangered by diffuse **nitrate load and the emission of ammonia**, originating from agriculture, takes up approximately 3.9 million hectares, from which 2.64 million hectares are agricultural areas.
Forests have a significant role in water management, in the **protection against erosion and deflation** that occur as a result of climate changes and in the mitigation of the effects of against erosion and deflation.

As a summary, it can be stated that the **strenghts** of the environmental situation in rural Hungary consist of several elements: the rich bio-diversity, the significant size of territories falling under natural protection, the extent and importance of forests and the low environmental load of agricultural origin.
Among the **weaknesses** of the state of environment, the increasing water and wind erosion, the soil compaction and salinification, the challenges posed by the climate change and global warming, the structural water quantity imbalance and the nitrate load in the area of animal keeping sites shall be mentioned.

Needs

The current state of environment in rural areas **needs** to be further strenghtened by the increased **protection of** territories with **high natural values**, by concerted actions for the mitigation wind and water erosion and by the dissemination of environment-friendly farming practices **to sustain the favourable environmental conditions**, the low level of environmental load.

It is necessary to encourage the **utilisation of natural- and environmental friendly agricultural methods.**

By exploiting the favourable endowments, by spreading **environment-conscious landscape management**, **land use** that adjusts both in the economic and environmental aspects to the agri-ecological endowments contributes to the sustenance of environmental values, to the

[14] See Map 4. in the Annexes.

improvement of the environmental conditions and to the preservation of the biological and landscape diversity. Hence, the increased promotion of such methods remains to be an important task. In areas and regions less suitable for competitive production, land use that serves nature protection (e.g. afforestation, usage for bio-energetic purposes, grassing, creation of water habitats) are alternative possibilities.

For the **environmentally sound soil use**, in areas intensely exposed to water and wind erosion, the proper soil cultivation, the management of organic matters and also the appropriate crop structure should also be given attention. The effective protection against deflation can be facilitated by forest management, which, at the same time, abate the erosive effect of water as well. With the improvement of forest management a favourable water management situation can be established. The soil degradation caused by harmful processes can be reduced by soil protective/sound agrotechnical methods. **Afforestation in harmony with environmental considerations** and the quality of forests are also important objectives. Besides abating erosion and deflation, proper **forest management** also has a role in the maintenance of the diversity of the natural environment and in the protection of soils. The establishment of agri-forestry systems is considered a new potential development area in terms of diversification. Spreading of the environment-conscious farming methods and of those adapted to the habitat features - agri-environmental protection, Natura 2000 - may be promoted by continuing the existing rural development support and the soonest scheduled introduction of new support titles.

To **protect the nitrate sensitive areas,** to reduce ammonia emission and to protect waters, the use of artificial fertilizers and plant protection chemicals shall be reduced. In order to protect waters and to diminish the existing nitrate pollution, the rules of good farming practice have to be observed in the affected agricultural areas.

Particular emphasis shall be put on **integrated water management** in order to ensure the appropriate quality and quantity of waters. In order to achieve the good condition of waters by 2015 as it is prescribed in the **Water Framework Directive** (Directive 60/2000/EC), restrictions determined in the integrated water management plans have to be applied in the catchment areas. Changing of land use, creation of aquatic habitats and afforestation can reduce the risk of floods and excess surface water. One of the most successful methods to prevent excess surface water is to use proper agricultural techniques and to create appropriate crop structure

Introducing **environmental friendly nutrient management**, increasing the organic matter content of soil, and utilising green manure can significantly reverse the increasing acidity of soils. In order to avoid the worsening of the current state of salinification, the application of strict regulations for land use and water management is necessary. In order to avoid soil compaction, appropriate agricultural techniques should be applied. Amelioration methods have to be used to prevent the compaction of deeper soil layers and this must be done in conjunction with water planning as required.

1.3. The quality of life on the countryside; the social and economic situation of the rural society

Main characteristics and needs of the rural economy and society in Hungary

Definition and demarcation of rural areas in Hungary

During the past fifteen years, the **disparity between the regions and settlements of the country and the backlog of the rural areas has been growing** despite the endeavours of the regional and rural development policies. The definition of rural areas in the Strategy originates from the characteristics of the settlement structure of Hungary based on the experiences of the previous programmes.
Generally, **settlements with a population density not exceeding 120 persons/km² or having less than 10.000 permanent residents are eligible for support.** The definition takes into account the differences within the settlement structure of the Great Plain by elevating the upper limit of the population of the eligible settlements to 15.000 residents for the two Great Plain regions. At the same time, the outskirt of non rural settlements, have more than 200 persons or 2 % of total population (as the ratio of the permanent population of the settlement) living in the outskirt areas are also considered as rural, so eligible for support. However, it excludes the settlements that belong to the agglomeration of Budapest.[15]

Typology of micro-regions in Hungary

The **micro-regions in Hungary can be categorised along the core economic activity** and/or the key features of the economy, society and specialities of the micro-region. This way, **four main categories of micro-regions** can be identified:

- peri-urban (type) micro-regions;
- agricultural micro-regions;
- micro-regions with touristic potential;
- industrial areas.

Out of the 168 micro-regions of the country, 165 micro-regions have territories (settlements) eligible for the support of the Rural Development Fund. These micro-regions – based on their specialities and the local partnerships – have to identify the way of development in the future and an integrated planning and implementation is necessary for the realisation of objectives. The **lack of clear and integrated delivery mechanism for rural development resources** in the current period has resulted in developments without connections and synergies, in the creation of excess capacities, and in some cases the lack of projects and the imperfections of implementation. [16]

In Hungary, there are 28 least developed micro-regions, suffering most from the lack of capacities. The development potential of these micro-regions is weak, they can characterised by the growing number of unemployed persons and an increasing gap between them and other micro-regions.

[15] See Map 5. in the Annexes.

[16] See Map 6. in the Annexes.

The structure of rural economy

In rural regions the **average domestic income per capita** is 71.45 % of the national average and the tendency shows a growing gap between rural and urban territories.

Rural areas are dominated by private enterprises, 66% of all enterprises belongs to this category compared to 52%, which is the national average (data year 2004). The ratio of **micro-enterprises** in rural areas is 74% compared to 70% at national level. The ratio of both primary and secondary sector enterprises is higher in rural areas (11%, 22%, 2004) than the national average (4%, 18%, 2004). It means that the representation of the tertiary sector in rural enterprises is significantly lower (67%, 2004) than the that of the country (78%, 2004). The increasing number of rural accommodation places and the broadening of touristic programmes indicate the process of economic restructuring.

The **innovation ability of rural enterprises is weak**. The **lack of capital, professional and entrepreneurial skills** hinders the launching of new enterprises. Since economic (financial, business development, logistic and information) services concentrate mostly in bigger cities, the access to these services in peripheral or scarcely populated rural settlements is limited. Generally, rural regions can be characterised by activities having weaker income-producing capacity, lower economic activity, and the dominance of lesser trained persons engaged in mainly physical labour.

The **average wage of agricultural employees and the average income of agricultural enterprises is below the national economy average in accordance with global trends**, resulting a relatively high ratio (38.1%)[17] of private farmers pursuing additional income-earning activities either in the agriculture or in other sectors and causing an increase in the number of part-time farmers.

Employment opportunities in rural areas

The decrease of the role of agriculture in employment has had the most unfavourable effect on rural areas. By 2005 the **ratio of agriculture in employment reduced to 5%.** In rural regions the **rate of unemployed within the active aged population(15-59) is significantly higher** (9.2%, 2005) than the national average (6.3%, 2005) and compared to 8.04% in 2000 it shows a faster rate of growth than at national level. In rural regions the ratio of employees is 49.9%, compared to the national ratio of 56.8%. In rural regions nearly one half of registered unemployed persons (48.76%) are permanently unemployed. Due to the scarce local employment possibilities only 39% of the employees in villages can find a job locally, and 61% are daily commuters. Statistical data indicate that the ratio of unemployment is higher in case of women in rural areas.

Natural and cultural heritage and traditions

Rural areas are rich in natural and cultural values and traditions. Natural aeras and natural values are partly under national protection or under the protection of the Community 194 national values are treated by National Parks and 1273 locally protected values are treated by local governments According to the national monument registry, 56% (5815) of various category monuments can be found in rural regions, while 83% (2377) of jeopardised

[17] Eurostat, (2003)

monuments are also located in rural regions. The cultural heritage, as a local resource, is bearing the regional uniqueness and therefore has an important role in the determining of the directions for development. The local initiations built upon the local specialities contribute not only to the **protection of values**, but also to the increase of attractiveness and **touristic potential**.

The level of education and skills of inhabitants of rural territories is generally low

The **level of qualification of people** living in rural regions is **much lower than the national average**. In villages the ratio of inhabitants having completed only the elementary school (as the highest level of education) or not even that (24 and 19 %, respectively) is higher than the national average (19 and 15 %, respectively). Thus 43% of the population of villages has no qualification at all. No difference is shown in the secondary school qualification index (51 %), but villages have more skilled workers who do not hold a general certification of education G. The ratio of persons with higher education degrees in villages (5 %) is one half of the national (12 %) and a third of the town average (15 %), which shows that due to the lack of proper jobs, the qualified manpower leaves the villages.

The access to basic services is limited

Significant ratio of the rural population, especially those living in small settlements have no or not adequate access to basic services. Rural areas are lacking recreational and cultural services, which is one of the reasons of outward migration of young people.

The situation of women in rural areas

Women living in rural areas **are facing a number of special problems**, which can be grouped into three main issues:

- The lack of jobs affects more negatively the women than men;
- The difficulties of commuting to neighbouring cities because of lack of infrastructure and services;
- Lack of basic services in rural settlements.

As a result of the above-mentioned factors, rural women are faced with an extremely low employment rate (51 percent in year 2001.).

The situation of „Roma" population in rural areas

The **situation of Roma people is critical** in certain rural areas. Most of them only have occasional and uncertain employment and a very low level of education. The ratio of the Roma population in rural regions was 3.2% as opposed to the national average of 2% (2001, Census). More than half of the Roma population lives in rural settlements, most of them in a segregated way.[18]

Employment opportunities for Romas are very much limited: on average 21,4 percent of Roma population was employed (the employment rate for men is 28%, for women 15,1 %) in 2003. The level of education of Roma people is also much below the national average: only 18% of them has the maturity exam (compared to 59%, the national average).

[18] See Map 7.. in the Annexes.

Outskirt farmsteds are facing special problems in rural Hungary

„Tanya" is a special settlement type exiting characteristically in the Great Plain could be translated as scattered homesteads. The total population lives such places sums up to about 200 thousand people.The **situation of „tanya" needs a special approach** because of the specialities and the differentiated economic and social situation of „tanya". The most important threat for tanya is the constant outward migration of people. To tackle this problem, a complex set of measures has to be introduced, which cover the development of agriculture and infrastructure, the natural protection, economic diversification and supporting basic services.

The LEADER approach

The **objective of the LEADER approach is to strenghten and revitalise local communities**. It is important for micro-regions to implement innovations of common interest based on local specialities and endogenous resources, which contributes to strengthening local communities.

As a result of a several-year preparation, **more and more local communities and initiatives have been formed in rural areas**, which indicates the increasing activity of local communities. This is proved by the high number of local action groups taking part in the LEADER+ in the period 2004-2006. It means 70 LAGs implementing their strategies, covering a population of 1,5 million people.[19]. Based on the experiences of the LEADER+ , it can be concluded that t**here is a need for improving capacity and skills** concerning the planning, project generating, animation and implementation of local development strategies.

The **number and role of Public-Private-Partnerships[20] in rural areas are low and weak**, which limit the possibility of exploiting the synergies of cooperation in the field of rural development. Although many development strategies have been prepared at micro-regional level, the harmonisation of them has not been carried out, and no capacity-building to the implementation of those strategies has been attached.

The current structure of Local Action Groups needs strengthening in a way to increase the average size and the population covered by each action group. The aim of **consolidating the LEADER programme** includes the **empowerment of the LAGs** and the initiatives of the programme to facilitate them to (re)formulate action groups covering more territory and people.

The frameworks of the LEADER programme in the next programming period needs redesign. There shall be **more emphasis put on the governance of LAGs**, which includes trainings and capacity building of the members of LAGs on one side, but also the reshaping of the LAG structure and the inner procedures on the other.

The **involvement of local players** – entrepreneurs, civil organisations, local municipalities – in the elaboration of micro-regional rural development strategies **is very limited**. The **lack of**

[19] Source: ARDA, 2005; See Map 8. . in the Annexes.
[20] Public-Private-Partnerships in this context mean partnership of rural actors: entrepreneurs, civil organisations and local municipalities.

information channels and trained personnel hinders the flow of information at micro-regional level, which is an obstacle the successfull realisation of development plans and projects.

The **lack of rural development strategies, the lack of capacity for the elaboration and preparation of strategies and projects** in all of the micro regions of the country and the **desintegration of the selected and implemented projects** has resulted in inconsistencies of developments, the realisation of unnecessary capacity surplus (mostly in the field of tourism) in many micro-regions.

As a summary, it can be stated that among **the strenghts** of rural areas and communities, the rich cultural and natural heritage and also the experiences of the diversification – with main focus on rural tourism – that has already started in the rural economy can be mentioned. The main **strenghts** of rural communities are the increasingly important partnerships and local initiatives.

On the other hand, **the weaknesses** of rural society and economy include the low level of skills and education, the low density and income-producing ability of rural enterprises, the lack of jobs and the limited access of inhabitants to basic services. Rural territories face even more with challenges, like the special problems of rural women and disadvantaged social groups (Roma population) and also the special situation of people living in outskirt areas. Local communities are still **weak** in capacity building and in the implementation of integrated development strategies.

Needs

Therefore, the most important **needs** of rural territories are the development of rural micro-enterprises and encouragement of diversification in order to create jobs, the improvement of skills and education and providing a wider access to basic services of high level. The needs of the outskirt territories, the rural women and the Roma population shall be handled by the use of special programmes[21].

The low level of employment, the insufficient economic and entrepreneurial activity, as well as the income situation can be improved by **economic restructuring**, which results in an increasing number of and more competitive enterprises, higher level of employment and better income conditions. This requires fostering the entrepreneurship, the improvement of the situation of micro enterprises, developments aiming at economic diversification and expansion of activities as a way out of agricultural production

The employment situation of rural areas can be improved by the **touristic usage** of their favourable landscape, environmental and cultural amenities and values. A condition of this is to create authentic, high-quality touristic services and regional touristic products that represent the rural lifestyle and rural culture in an authentic way.

For the improvement of the human capital it is essential to **improve the quality and the accessibility of the human infrastructure in rural areas**. This requires the unified and target-oriented utilisation of the national and Community co-financed programmes and supports. Educational and skill improving programmes and the promotion of advisory services can contribute to the improvement of the human potential and the capability of the rural areas. Development of human conditions through the promotion of the acquisition of the missing skills in the framework of out-of-school adult education is especially important in the segregating and falling behind regions.

Preservation and programmed development of the **natural and cultural heritage,** especially of the traditions and the built heritage provides basis both for the improvement of the quality of life and the diversification of the economy. A condition for the utilisation of these inherent resources is to improve the appearance of the settlements and the quality of the built

[21] See Annex 10. for more details.

environment, to form and develop community places giving room for local self-organisation, and for a part of the basic services provided for the economy and local residents. On the other hand, it is also necessary to continue to explore and communicate the values and, this way, to strengthen the identity of local communities.

Local partnerships **needs** improvement and support in the field of increasing animation and human capacity, strategy formulation and realisation. There is a need for strenghtening the flow of information at micro-regional level with the help of trained personnel and setting up of infrastructure (Local Rural Development Office). There is **need for capacities for the preparation and elaboration of local rural development strategies in micro-regions**.

II. Overall strategy, translation of Community priorities and setting of national priorities

The global objective of the Strategy is to contribute to the sustainable development of rural areas, based on national characteristics, within the context of European Rural Development Policy.

The strategic objectives of the current programming period, partly as continuation of the former objectives, were evolved in accordance with Article 9 of Council Regulation (EC) No 1698/2005, in complete harmony with the Community Strategic Guidelines for Rural Development prepared by the Council of the European Union, more concretely, with the rural development priorities identified in Chapter 3 thereof.

In accordance with the above-mentioned Guidelines, the rural development priorities of the EU are the following:

Improving the competitiveness of the agricultural and forestry sectors;
Improving the environment and countryside;
Improving the quality of life in rural areas and encouraging diversification;
Building local capacity for employment and diversification.

The current national **agricultural and rural development strategy** of Hungary is part of a **longer-term planning process and policy formulation**. The **basic cornerstones and priorities** of the Hungarian agricultural and rural development were **laid down at the beginning of this decade**. The general strategy of the **SAPARD Plan** was based on three priorities, with emphasis on the improvement of competitiveness in agriculture and processing industry on one side, and on improving the capacities of inhabitants in rural areas. Between 2004 and 2006, the **Agriculture and Rural Development Operational Programme and the National Rural Development Plan carried on the SAPARD targets and priorities**. These programmes complemented the development policy of the former periods financed only by national resources. The main areas of intervention in these two programmes included the creation of a competitive farm structure; the creation of conditions for the high-quality food production and of food safety; the promotion of agricultural and rural employment; the creation of modern land-use system; providing professional advisory activities and helping information flow; supporting qualitative stock breeding; and supporting afforestation and renewal of forests. **The system of targets, the structure and the results of the above-mentioned programmes lays the foundation for the development priorities of this Strategy.**

The Strategy will contribute to the competitiveness of agriculture, food production and forestry, respecting the principles of sustainable development and the protection of natural values and biodiversity. The Strategy strives for the enhancement of quality of life throughout rural Hungary by strenghtening entrepreneurship and providing access to services. Local initiatives will have a key role in the revitalisation of local communities and the implementation of the Strategy.

In the Strategy there **are 15 main actions** defined.

Main actions are:

- The key development areas of the Strategy;
- Reflecting the strategic choice, to what special attention will be paid;
- Formulating a part of the tools aimed at achieving the strategic goals;
- Consisting of measures in an integrated way to exploit synergies.

In line with the objectives of the EU Strategic Guideline "Improving the competitiveness of the agricultural and forestry sectors", the general objective of Axis I. of the Strategy will be realised through the following main actions:

1. **Promoting information dissemination**
2. **Age-restructuring**
3. **Farm and production restructuring**
4. **Support for investment and quality measures**
5. **Support for infrastructure**

The EU Strategic Guideline "Improving the environment and countryside" is in harmony with the general objective of Axis II. of the Strategy, which will be served by the following main actions:

6. **Support for agri-environment, Natura 2000 and forest environment**
7. **Preserving LFA territories and the traditional agricultural landscape**
8. **Investment support for environmental standards and water management**
9. **Support for afforestation and fast growing species**
10. **Ensuring the balanced quantity of high quality water**
11. **Strenghtening the protection of soils**
12. **Ensuring the animal welfare payments**

"Improving the quality of life in rural areas and encouraging diversification" is the Strategic Guideline of the EU, which is totally in line with the general objective of Axis III., which will be attained by the following main actions:

13. **Support for diversification, micro-businesses and tourism**
14. **Improving access to basic services and preserving natural and cultural heritage (village renewal)**
15. **Support for local capacity building**

Farmers and agricultural holdings complying with the requirements of the environment-friendly and conscious farming methods will be prioritised in the implementation of the measures of Axis I. and III.

The **general objective of Axis IV. of the Strategy,** which has the same objectives as the EU Strategic Guideline "Building local capacity for employment and diverzification", will be realised by the **application of LEADER approach connected to** all of the four axes. The objectives of Axis III. will be present still with the greatest emphasis in the LEADER

programme, but efforts have to be made to orient LAGs towards the objectives of Axis I. and II.

The indicative allocation of resources

Based on the analysis of demands presented in the first chapter as well as on the review of interventions responding to them, the necessary sources for the given axes are defined as follows:

Axis No. 1	47%
Axis No. 2	32%
Axis No. 3	17%
Technical Assistance	4%

The **resources of Axis IV**. – 5.5 % – will be deducted from the amount allocated for Axis I-III, following the ratios **25-10-65 percent, accordingly. Out of the resources allocated for Axis I., approximately more than 10 percentage points of the resources serve the objectives of Axis II.**

The above figures clearly express key findings of analysis of the current situation and the need stemming from it.

1. **Hungarian agriculture has the potential of becoming a competitive sector** if structural problems can be overcome and innovative and marketing-oriented philosophy can be introduced and disseminated.
2. **Environmental load** caused by agriculture **is low** in European comparison. Resources shall be used for the long-term preservation of this condition and for the raising of awareness among producers towards the importance of the principle of sustainable farming.
3. The challenges that rural society is facing can be tackled by **creating and retaining workplaces and fostering entrepreneurship** in rural areas. The quality of life shall be increased by providing a better access to basic services on one side and by renewing settlements and protecting cultural heritage.

Horizontal aspects

In line with the Community Strategic Guidelines, the New Hungary Rural Development Strategic Plan pays **special attention to the prevalence of horizontal policies: sustainability, equal opportunities and territorial and social cohesion**. These policies should be taken into account during the elaboration of the strategy as well as in the course of programming, implementation, evaluation and monitoring. The programme shall ensure the respect of horizontal priorities in harmony with the New Hungary Development Plan as well as in line with the community directives, national regulations and the previous practice.

Coherence with the Lisbon and Gothenburg objectives

The Strategic Plan will contribute to the objectives of the Lisbon Strategy and the Gothenburg European Council, as the main **objectives of this Strategy have been defined in accordance with the Lisbon and Gothenburg objectives.**

The **Lisbon Strategy,** which targeted the increase of competitiveness and creating jobs in a longer term, **is reflected in this Strategy by the efforts of enhancing competitiveness and innovation through investments in technology and human capital**. Innovation and investments in the field of agriculture and the diversification of the economy of rural areas will integratedly contribute to the increase of the competitiveness of rural areas. Therefore, the reduction of structural tensions and territorial differences that are typical for rural areas will be mitigated.
The Strategy also handles the challenge of continuious employment emission of agriculture caused by technological development through **enterprise promotion and job creation**, strengthening the service sector in rural areas and providing trainings and education which factors will together contribute to a better rural entrepreneurial environment.

The **connection with the National Reform Programme** (or the **National Action Plan**) is based on **two main pillars**. Firstly, the emphasis of this Strategy – in accordance with the Reform Programme – is laid on the increase of competitifeness and economic development. Secondly, there is an integrated approach to handle the unemployment: it reflects in the Strategy in the development of rural micro-enterprises and a wide scope of diversification, but also in the support for the training and advisory services.

The implementation of **the Gothenburg objectives in this Strategy is promoted by** the strategic efforts of **raising environmental awareness, ensuring agricultural and forestry environment protection, preserving biodiversity and rural landscape**, the natural and cultural heritage.
In the case of investments and technological modernisation, compliance with sustainability criteria will be ensured. Additionally, modernisation of technology in agriculture ensures lower environmental load and the dissemination of use of cultivation methods and procedures more favourable for the environment.
The Strategy serves the realisation of the principles and goals set up in Gothenburg through the application and initiation of **environment-friendly farming methods**. From 2007 onwards, there will be a shift towards the **preservation of high natural values** and a more significant contribution to **combating climate change**. The increased use of renewable energy will also have a favourable impact on energy efficiency, environmental load and fighting global warming.

The obligations that Hungary has taken with the signal of the **Kyoto Protocol** are already fulfilled and this position will last till 2010. Hungary has committed itself to reduce the emission of gases by 6 percent compared to the emission rates experienced in the mid of ’80s. It can be concluded based on the current emission tendencies that the obligations can be met without introducing any special measures. The use of renewable energy resources can be increased in line with the Kyoto objectives and with the requirements of the EU. Renewable energies cover only 3,5 percent of the use of energy in Hungary, that is aimed to double by 2010.

III. Strategy per axis

3.1. Improving the competitiveness of the agricultural and forestry by supporting restructuring, development and innovation

General description

Based on the conclusions drawn from the examination of the current situation, it can be stated that the most important **need for the strenghtening the competitiveness** of and encouraging the restructuring of the agricultural sector while sustaining the favourable environmental conditions and the low level of environmental load.

The main actions and measures under the general objective of the first axis will contribute to the improvement of the competitiveness of agriculture, to the achievement of sustainable development and to the restructuring of the agricultural sector. They initiate farmers to comply with the market tendencies and consumer's demand. Innovation in the fields of agriculture greatly – directly and indirectly – contributes to the improvement of the competitiveness of rural areas. Change in the methods of land use and production structure can give a boost to restructuring in order to create a long-run-sustainable structure of agriculture.
Priority will be given to measures that promote restructuring, innovation, production of quality products, trainings and education. The fact that in agriculture and food processing, efficiency and quality are emphasised serves the implementation of the community and national priorities, as well as the realisation of the Lisbon and Gothenburg objectives. Measures promoting skills acquisition contribute to the application and dissemination of innovative methods, facilitating this way the improvement of efficiency and the production of quality goods.
The adequate and efficient implementation of the main actions related to investments and technological modernisation are promoted directly and indirectly by main actions concerning human capacity building.

Connected to the general objective of Axis I., there are six Community Priorities serving as reference points in the Strategy:

1. **Knowledge transfer;**
2. **Investment in human capital**
3. **Quality in the food chain.**
4. **Modernisation;**
5. **Innovation;**
6. **Investment in physical capital**

The overarching national priority, in line with the Community Strategic Guidelines and the general objective are the following:

- **Improving outlets for arable production by modernising the livestock and processing sector and diversification into energy crops and horticulture.**

There are five main actions serving the implementation of the CSGs.

3.1.1. Promoting information dissemination

This **main action is aimed at improving the human conditions** of agricultural production through **providing the basis for improving competitiveness** in the form of knowledge transfers, spreading of information. The adjustment to the rapidly changing market conditions and environment will be facilitated by the continuous development and acquisition of knowledge. The measures promote the dissemination of innovative practices, including farming practices in an environmentally friendly way. Development of advisory services will also contribute to the competitive, environmentally conscious and sustainable agricultural production.

Trainings

The **improvement of level of knowledge** and the transfer of up-dated information to rural communities and farmers make a wide-ranging training services necessary. The use of information and communication technologies shall come into the limelight in agriculture and rural policy, in order to promote knowledge and information distribution and and also to create the electronic – web-based – network of rural actors.

Advisory

Setting up of a **well-functioning advisory system** could largely help farmers to have access to up-dated information and to get tailor-made, solution-oriented advises, necessary for the run of farms. The availability of advisory services is of particular importance for farmers to be able to use the latest farming practices and production methods. Within the framework of the advisory system an agro-business news agency will be set up to prepare farmers for competition, to provide them with information and to strenghten their market position. The content of advisory services shall include the knowledge on the elaboration of agricultural strategic and business plans.

This main action serves the implementation of two Community Strategic Guidelines: "Knowledge transfer" and "Investment in human capital".

Measures:

- Vocational training, information activities and innovation;
- Establishment of special advisory services for plant management;
- Use of advisory services;

Targets:

Some 15-20 percent of registered farmers will claim advisory services during the 7 years. Around half of the registered farmers will join various training programmes in the period till 2013, one third of them will take part in IT training courses and half of them in trainings related to cross-compliance.

3.1.2. Age-restructuring

This **main action is aimed at improving the human conditions** of agricultural production through **providing the basis for improving competitiveness** in the form of facilitating changes in the age-structure. Facilitating the setting up of young farmers and the retirement of elderly farmers will promote the establishment of an adequate age structure.

The opportunity of support for farm-transfer in accordance with the support for young farmers can improve the current age-structure of agriculture, which is of overriding importance from the point of view of ensuring the continuity and knowledge-based renovation of agricultural production.

This main action serves the implementation of the Community Strategic Guideline "Investment in human capital".

Measures:

- Setting up of young farmers and
- Support for farm-transfer (early retirement)

Targets:

Through the implementation of the measures, the aim is to encourage young farmers to start up agricultural activities and therefore to increase the share of farmers below 40 years of age in the total agricultural production.

3.1.3. Farm and production restructuring

Within the framework of this national priority, the **imbalance between crop production and animal husbandry shall be handled.** This includes steps to adjust the structure and usage of cereal production to the market demands and to enhance the role of agriculture and forestry in the production of energy resources. As part of the restructuring, the aim is to change the land use by the end of the next programming period. Restructuring also means the shift towards sub-sectors of agriculture or other activities resulting in increasing local value added at higher level.

Adjusted to the specific objective of **modernisation and development of the physical resources and the promotion of innovation**, as a result of the modernisation of farms, the production structure will improve and a better asset supply adjusted to the new farm structure will be created. This facilitates the improvement of the economic performance and the retention of jobs. During the reconstruction of animal husbandry sites, investments that facilitate environment protection and energy saving are given emphasis.

The investment projects raising the value added and quality of agricultural and forestry products, the diversification of production, the improvement of environmental conditions as

well as the development of agricultural infrastructure contribute to creating a competitive sectoral structure.

Investments in all cases are in line with the environmental requirements of the EU posed to development projects therefore contribute to the realisation of the objectives of Axis II. concerning the protection of biodiversity, waters and soils.

The development of business environment and the promotion of innovation is inevitable to create a competitive agricultural and food industry sector.

This main action serves the implementation of the Community Strategic Guidelines "Modernisation" and "Innovation".

In order to handle the structural problems of the Hungarian agriculture, diversified approach is needed. To mitigate the market tensions caused by the **overproduction of cereals**, there can be **five ways of facilitating restructuring:**
The **production of bio-energy** could provide a solution for the overproduction on two sides. On the production side, the plantation of fast growing species decrease the land used for cereal production, while on the market side, the use of cereals for bio-ethanol production decreases the surplus that was produced.
Investments in animal husbandry also diminish the production surplus of cereals using it as input for animal breeding. This significantly increases the creation of added value along the production chain.
Forestry – more precisely afforestation – decreases the area used for crop production, therefore results in a potential decrease of the total amount of cereals. This way it contributes to the change of the production structure.
Horticulture – based on the favourable conditions for agricultural production – can be an alternative solution for the diversification of agricultural activities and for the income generating of producers.
Development of infrastructure, especially **investment in logistics**, could largely help to improve market access of agricultural products and commodities.

The above-mentioned ways of development of physical resources shall be accompanied by the introduction of innovative technologies and a wide-range of services for information, knowledge and competency dissemination.

3.1.3.1. Promoting the use and production of renewable energy resources

The **production and utilisation of renewable sources of energy** may significantly contribute to the restructuring of agriculture on the market as well as on the production side. On the market side, this main action represents alternative markets for producers, while on the production side, the production of renewable energy makes the creation of higher added value.

Pillars of the main action:

1) Increasing the (added) value of agricultural and forestry products

By encouraging the production of renewable energy, the level of processing of agricultural products can be increased. By using cereals as raw materials for energy production, more added value along the product chain can be realised, increasing the income possibilities of producers.

2) Modernisation of agricultural plants

The capacities for the processing of agricultural raw material for energy purposes shall be set up. This will be realised significantly by the modernisation of currently existing production capacities.

3) Promoting innovation, market orientation and fostering entrepreneurship in agriculture

The production of renewable energy requires the use of new technologies and the adaptation of innovative production methods and tools. Diversification of agricultural (cereal) production and the processing industry strengthens the market-orientation of farmers and the players of processing industry.

Measures:

- Modernisation of agricultural plants
- Increasing the economic value of forests
- Increasing the value of agricultural and forestry products
- First afforestation of agricultural land

Targets:

As the result of the measures, the use of green energy, and the production of bioethanol, bio-diesel and bio-gas will significantly increase in Hungary by 2015. Millions of tons of biomass, usable for heating purposes, and hundreds of thousand tons of oil crops and raw material for bioethanol should be ensured, annually. The area of energy crop production will largely increase by the end of the programming period.

3.1.3.2. Utilising the potential and strengthening the viability of the animal husbandry sector;

Hungary places special emphasis on the **modernisation of animal husbandry** and improving the willingness of producers to keep livestock. Animal husbandry is a key issue in the following programming period, since in Hungarian agriculture a significant increase of importance of the sector is necessary in order to reduce structural tensions of production structure. The aim is the establishment of an optimum proportion of animal husbandry and cultivation of plants. Giving emphasis to meeting the EU standards is a key point in this main action.
This action also **serves the implementation of the objectives of Axis II.**, fulfilling the environmental requirements that are posed to the animal husbandry sector. Technological modernisation can conduce to mitigating the Nitrate emission accompanying the animal breeding.

Pillars of the main action:

1) Increasing the (added) value of agricultural and forestry products

The imbalanced structure of crop production and animal husbandry shall be shifted towards the growing weight of the latter. The surplus of the crop production can be used by the animal husbandry sector. This way, the process of restructuring in the agriculture can be accelerated and also significant increase in the creation of added value along the product chain can be realised.

2) Modernisation of agricultural plants

The backlog, that is typical for animal husbandry farms, sites and other production capacities in the field of technological development can be mitigated through the modernisation of animal husbandry farms. Significant emphasis shall be put on encouraging investments necessary for fulfilling the requirements concerning animal health, animal welfare and environmental standards. Therefore, **investments could also contribute to the attainment of the objectives of Axis II.**

3) Promoting innovation, market orientation and fostering entrepreneurship in agriculture

The use of up-to-date technologies in animal husbandry could largely contribute to the enhancement of the competitiveness of the sector and to the production of healthy and good quality meat products. The market-oriented approach shall be encouraged in the production of quality meat products.

Measures:

- Modernisation of agricultural plants
- Compliance with EU regulations
- Animal welfare payments

Targets:

Through the implementation of the measures related to animal husbandry, the share of livestock keeping in the gross output of agriculture will increase. The number of livestock farms, requiring modernisation in order to meet the standards for animal husbandry will decrease by a half till 2013.

3.1.3.3. Creating more added value in horticulture

Developing of the horticulture sector could increase added value and competitiveness in agriculture and could widen the income-earning and job-creating capability of agriculture. There is potential for development in non-food horticulture as well.

Pillars of the main action:

1) Increasing the (added) value of agricultural and forestry products

Diversification within the agricultural sector can be encouraged by promoting producers to carry out agricultural activities with higher added-value creating possibility. Horticulture – the fruit and vegetables sector – has significant potencial in the field of increasing added value of agricultural products and also in creating employment and generating income for producers. Therefore, horticulture can play a significant role in restructuring, as it can be a real alternative for producers in diversifying or chaning their core agricultural activity.

2) Modernisation of agricultural plants

In the field of horticulture, the level of technology used is lagging behind even compared to other sectors of crop production. The modernisation of technology used and increasing the capacities and the level of technology especially in the post-harvest phase could be essential for the production of marketable products.

3) Promoting innovation, market orientation and fostering entrepreneurship in agriculture

Market orientation of producers can be promoted by encouraging them to take part in producers' groups. This way, economies of scale in the production side can be reached, while on the market side – through unified appearence on the market with the help of labelling and common marketing actions – competitive edge can be reached and market niches can be exploited. Promoting innovation not only in the technology used, but also in marketing methods is of primary importance for the players of horticulture.

Measures:

- Modernisation of agricultural plants
- Increasing the values of agricultural and forestry products
- Support for setting up of producers' groups

Targets:

As the result of the implementation of the main action, the number of individual farms engaged in horticultural production will increase, resulting also an enhancement of the share of horticulture in the distribution of gross output of agriculture.

3.1.3.4. Forestry

Improving the competitiveness of the forestry sector could largely conduce to the overarching goal of the Strategy, which lays in the promotion of restructuring in the agricultural sector. A developed and sustainable forestry sector could provide a possibility for restructuring in two aspcts. On one side, the forestry sector can make a change in the land use structure by the afforestation of agricultural land, while on the other side, the use of biomass of forests can provide additional possibilities for diversification.

Pillars of the main action:

1) Increasing the (added) value of agricultural and forestry products

In the processing of forestry products, a significant potencial can be realised in terms of creating added value. The level of processing can be increased by the integrated development of human and phisical infrastructure, the encouragement of cooperations and the use of modern technology.

2) Modernisation of agricultural plants

Agricultural plants in the field of forestry has a significant backlog in the level of technology they use. In order to increase competitiveness in the sector, the modernisation of plant and the dissemination of use of modern technologies is essential. Technological development could result in a better income generating role of forestry, which could have an accelerating role in the restructuring process.

3) Promoting innovation, market orientation and fostering entrepreneurship in agriculture

The use of innovative technology, the innovative ways of cooperation of forest owners, the innovative methods of processing could contribute to a better adaptation of market demands, therefore to a better position on the market of forestry products.

Measures:

- Increasing the values of agricultural and forestry products
- Increasing the economic value of forests
- First afforestation of agricultural land

Targets:

The primary targets of this main action include the increase of the territory covered by forests, the enhancement of the technologies and methods used in forestry-management.

3.1.4. Support for investment and quality measures

The marketing opportunities, as well as the relationship between and the concentration of production and **processing may be strengthened** and improved through **raising the quality of agricultural production and of the products**, the creation of the basis for quality production, and through **food safety,** environmental and marketing developments. The application of the technologies and know-how based on the results of R&D activities facilitates the acquisition of new markets and retaining the existing ones. It serves the improvement of competitiveness by motivating the compliance with the requirements and regulations based on community legislation, the participation of producers in **food quality assurance systems**, and of the promotion of products certified in these systems. Along the most important product chains, such sales and **innovation systems** based on producer groups will evolve, which efficiently serve the supply of high quality products to the markets.

This national priority serves the implementation of the Community Strategic Guideline: "Innovation and quality in the food chain".

Pillars of the main action:

1) Increasing the (added) value of agricultural and forestry products

Competitive advantage for the producers and processors can only be ensured by attaching more added value to the products in the processing phase. The Hungarian food industry is facing a fierce competition, which requires the restructuring of the food industry, the increase of the level of technology, the production of new products based on the consumers' demand and the establishment and strenghtening of the integrations of the actors of the food chain. Local products have considerable and good market potential, which can be exploited by the means of innovation. Competitiveness can be enhanced through integrated product labelling and market-oriented approach as well. Only giving more added value to agricultural products in the processing phase can provide a competitive edge to the producers and processors on the market.

Measures:

- Increasing the value of agricultural and forestry products
- Cooperation for the development of new products, processes and technologies in the agriculture, food-industry and foresty sector
- Support for producer groups in the field of information and promotional activities pertaining to products belonging to food-quality systems

Targets:

This main action contributes to increasing added value by processing agricultural products. As the result of the above-mentioned measures, the profitability of food sector and the added value of the products will increase.

2) Promoting innovation, market orientation and fostering entrepreneurship in agriculture

The use of **novel solutions and innovative technologies, facilitating the development and application of innovation – also in the field of crop production –** are key elements of agricultural competitiveness. The co-operations based on partnership and farmers' organisations, being within the value chain, may result in much more competitive structure. Reorganisation of agricultural product tracks in accordance with the needs of the market and producers' demand is also of high importance. Promotion actions are aimed at enhancing the level of consciousness of consumers and encouraging the marketing of foodstuff being in line with consumers' demand and innovative production methods.

The Innovation and Technology-transfer Centre shall be established for the promotion of enterprises by knowledge-sharing and cooperation.

This main action provides the frames **to improve the technology used in agriculture and food industry** in a broad sense. It may contribute to the increase of the general

competitiveness of agriculture and food industry on one hand, and may reduce environmental load, on the other.

Measures:

- Cooperation for the development of new products, processes of technologies in the agriculture, the food-industry sector and forestry
- Support of agricultural producers participating in food quality schemes
- Support for setting up of producers' groups
- Support for semi-subsistance farms

Targets:

Measures of this objective will serve for the strengthening of producers' groups and food industry enterprises during the next programming period, resulting a significant increase in the net revenue of them.
The measures of this main action will contribute to generating value added through the application of innovative approaches and by the modernisation of plants.

3.1.5. Support for infrastructure

Ensuring a balanced water supply of agricultural areas, increased attention should be paid to the **establishment and maintenance of facilities of water management**. Emphasis shall be laid on the development of irrigation and amelioration. Elimination of water damage and drought must also be also given importance in the national priority.

Investments in human capital, innovation and up-to-date technology can not be effective and can not result in a real change in the production structure without ensuring the basic infrastructural facilities for agricultural holdings and farmers. Infrastructural development is a prerequisite for investments aimed at giving a boost to added value creation and the dissemination of market-orientation. Infrastructural developments, which are part of water management systems, play a significant role in creating a balanced production structure in huge parts of arable land of the country. This way, **the objectives of Axis II**., concerning the balancing of water imbalancements in water quantity and quality, **could also be realised.**

Indirectly, the development of infrastructure connected to agricultural production can be the basis for the **infrastructural development of outskirt farmsteds.**

This main action serves the realisation of the Community Strategic Guideline „Investment in physical capital"

Measure:

- Improvement and development of infrastructure related to the development and modernisation of agriculture and forestry

Targets:

The area under water managements systems will be enlarged. The main action will also contribute to moderate the infrastructural backlog of agricultural holdings.

Financial weighting within Axis I.

As for the financial allocation of resources among the main actions within axis I., the following main statements can be made:

Priority will be given to the main action „Farm and production restructuring", allocated the highest percent of all the resources for Axis I. to this main action. It is justified by the need of mitigating the imbalancements of the production structure. The „Support for investment and quality measures" has the second largest financial share in the total reasources. The „Support for infrastructure" main action has a medium financial weight, while „Promoting information dissemination" and „Age-restructuring" has the smallest financial envelope.

In the development of human potencial, the indicative breakdown of resources are as follows: ICT will take up half of the resources for human development, around one-third of these resources will be spent on trainings, while the rest (some 15-20 percent) of the resources on the advisory system.

In the field of physical investment, around two-third of the resources will be spent on quality improvement, while one-third of the resources for infrastructural development.

Summarized strategy structure along Axis I.

<table>
<tr><th>General objective (Axis)</th><th>Community priorities</th><th>National priorities</th><th colspan="6">Main actions</th></tr>
<tr><td rowspan="9">Improving the competitiveness of the agricultural and forestry by supporting restructuring, development and innovation</td><td rowspan="2">Knowledge transfer</td><td rowspan="9">Improving outlets for arable production by modernising the livestock and processing sector and diversification into energy crops and horticulture by creating added value in the production chain</td><td colspan="2">Promoting information dissemination</td><td colspan="4">Training
Advisory</td></tr>
<tr><td colspan="6">Age-restructuring</td></tr>
<tr><td>Investment in human capital</td><td colspan="6">Support for investment and quality measures</td></tr>
<tr><td>Quality in the food chain</td><td rowspan="6">Farm and production restructuring</td><td rowspan="6">Promoting the use and production of renewable energy resources
Strengthening the viability of the animal husbandry sector
Creating more added value in horticulture
Forestry</td><td rowspan="6">Increasing the (added) value of agri-cultural and forestry products</td><td rowspan="6">Moderni-sation of agri-cultural plants</td><td rowspan="6">Promoting innovation, market orientation and fostering entre-preneur-ship in agriculture</td></tr>
<tr><td rowspan="5">Modernisation
Innovation</td></tr>
<tr><td rowspan="4">Investment in physical capital</td></tr>
<tr><td colspan="6">Support for infrastructure</td></tr>
</table>

3.2. Improving the environment and the countryside by supporting land management

The general objective of Axis II. is to improve the environment and the countryside by supporting land management.

General description

As concluded from the examination of the current situation in the field of environment, it can be stated that there is a **significant need for safeguarding the favourable conditions of environment, and for the increased protection of natural values**.

The basic principle of **sustainable farming** is a land use system that is adjusted to the natural endowments, the landscape, the habitats, the features and limitations of the environment. This way, the **protection of biodiversity and natural values** of high priority can be further strengthened. The intensity of protection should be determined in accordance with the natural values of the area, the characteristics of the landscape and with the maintenance of the traditional rural landscape. It contributes to the preservation of the natural resources, such as biodiversity, and to the preservation and the spreading of environment-friendly production methods and renewable energy resources in harmony with the environment. All these also have a **role in the enhancement of the attractiveness of rural areas**, in their long-term, healthy development and in the strengthening of the regional cohesion.
In order to achieve the **good condition of waters**, the implementation of the **Water Framework Directive** will be ensured.

Connected to the general objective, there are three Community Priorities defined in the Strategy:

1. **Biodiversity, high natural value, traditional landscapes;**
2. **Water;**
3. **Climate change.**

The overarching national priorities in line with the Community Strategic Guidelines and the general objective are the following:

- **Conservation of Natura 2000 agricultural and forestry areas and other high nature value areas;**
- **LFA**
- **Water management in quantity and quality;**
- **The increase and sustainable management of forest resources;**
- **Biomass for energy production;**
- **Protection of soils.**

There are seven main actions serving the implementation of the CSGs.

3.2.1.Support for agri-environment, Natura 2000 and forest environment

The main objectives of this main action are to include the **preservation and maintenance of the favourable environmental situation of the indicating species and designated habitats**, through the maintenance of low-intervention farming methods; ensuring the natural condition serving as a basis for the designation of the areas and the conditions of farming that create and maintain such conditions; compliance with the applicable land-use regulations. The dissemination of environmentally friendly farming methods involves the compulsory and voluntary provisions of Natura 2000 network.

The objective of the sustainable use of agricultural land and the dissemination of environmentally friendly farming methods encourages a production structure that is adjusted to the habitat features and environmental aspects while preserving high natural values. The main action contributes to the **reduction of the environmental load of agricultural origin,** to the improvement of the general environment conditions and to the promotion of environmentally friendly farming practices, which integratedly results in a better, sustainable and long-term protection of high nature values. In the 2007-2013 period, a **shift towards the protection of high natural values** will be carried out. Territories of grassland are regarded as the most valueable natural endowments, forests are also very valueable, while territories under production show a bit of backlog concerning natural values.

In the framework of the agri-environmental programmes, that serve the **sustainable use of agricultural land**, special emphasis will be given to special farming methods that are **connected to water management programmes**, or to those that serve the protection of water-basin **or linked to the climate change**. The support of **organic farming** – including organic husbandry – will be implemented among the agri-environmental measures. With the current farming methods, the essential objective is the conservation and protection of high natural values and habitats and the encouragement of the environment-friendly extensive animal breeding.

The dissemination of environmentally friendly farming methods involves the introduction of organic farming, the **compliance with voluntary commitments** undertaken in the frame **of agri-environmental management** and compensations available for abiding by the provisions on the protection zones of drinking water reservoirs, and non-productive investments related to those. The promotion of methods of environmentally friendly farming may play an important role in sustaining and developing habitat rich or potentially rich in plant species and in related animal species. This contributes also to the **preservation and development of rural environment and society**.

The measures included in this main action can provide farmers carrying out agricultural activity on the designated areas with a calculable income in the rapidly changing market environment.

This main action serves the realisation of the Community Strategic Guideline „Safeguarding biodiversity and preservation of high nature value”

The basic pillars of this main action are:

1) Agri-environment

The agri-environmental programmes contribute to the development of rural areas and provide environmental services for the whole of the society. They encourage farmers to apply production methods that are compatible with the sustainable use of the environment, the landscape and the natural resources and the conservation of genetic sources on agricultural lands. The main objectives of the main action are the protection of high natural values, the conservation and improvement of the current state of the environment, the reduction of environmental load of agricultural origin, the provision environment protection services, the strengthening of the agricultural practice based on the sustainable use of natural resources, promotion of environment-saving livestock keeping relying on grazing grounds and the establishment of a production structure in line with habitat features, environmentally aware farming and sustainable landscape use.
Agri-environmental schemes consist of even more strict conditions and rules than the Natura programme.Within the agri-environmental programme, only conditions and obligations over the GAEC can be compensated.

Measures:

- **Agri-environment payments**

Targets:

The share of area under agro-environmental programmes as well as the size of sensitive natural area preserved will increase. The most important objectives of the programming period of 2007-13 is to keep on the process of introducing and spreading the environmentally friendly production methods by increasing the ratio of resources towards the programmes that are more favourable for the protection of the environment, and to increase the number of farmers managing agri-environmental production as well as the proportion of the areas, which are in a natural sense more valuable.

2) Natura 2000

The main action aims at sustaining the favorable natural condition of Natura 2000 areas, ensuring protection for the natural value justifying the designation, and promoting and supporting activities sustaining the natural conditions serving as the basis of the designation.

The annual compensation provided for the private farmers concerned on a compulsory basis ensures the long-term sustenance of the Natura 2000 network over the long term, it provides a farming prospect for those involved and also has a substantial educative effect.

The farming potentialities of those engaged in forest management on Natura 2000 territories are restricted to ensure the achievement of Natura 2000 objectives. Compensation payments on Natural 2000 areas are available as an offset of compliance with mandatory specifications in the provisions of law on the use of land.

The introduction of the support of the Natura 2000 network, the designation of the habitat areas as well as the payment of grants expresses a shift towards the policy of safeguarding

high natural values. Afforestation projects as well as the preservation of existing forests significantly contribute to the conservation of biodiversity notably in Natura 2000 areas.

The Natura programme will start from September 2007, with the Natura grassland programme. The legal basis for grassland areas will be adapted by then.

Measures:

- Natura 2000 payments and payments linked to the implementation of Directive 2000/60/EC
- Natura 2000 payments

Targets:

The main objective is the increase the number of farmers supported on Natura 2000 areas. The reversal of biodiversity reduction and the increase of the population of the indicated species, the preservation and improvement of the indicated habitats are also important goals of the national priority.

3) Forest environment

Forest management could start due to **forest environment protection programme**. Most part of the schemes is based on manual-work intensive, traditional forest managing methods, which will result in the improvement of self-employment. It is necessary to uniformly reinforce the environmentally conscious management methods in the private forest owners, therefore, the integration and close links of the **forest environment protection programmes must be strengthened**.

The forest environment measure aims at creating and ensuring the ecological bases of sustainable forest management. Contribution to the preservation and enhancement of biological diversity, to the conservation of waters and soil. The objective is to apply forest management best adapted to the local habitat conditions, in order to make multiple forest functions considered simultaneously, environment-conscious forest management practises should be spread.

The forest environment measure contributes to the fulfilment of the commitment made in Goteborg to reversing the decrease of biological diversity until 2010, the fulfilment of the objectives of the Framework Directive on water management and the objectives of reducing the impacts of climate change specified in the Kyoto Protocol.

Measures:

- Forest environment payments

Targets:

Approximately 10% of all forest could take part in forest environment programmes.

3.2.2. Preserving LFA territories and the traditional agricultural landscape

Less Favoured Areas (LFAs) are areas affected by particular handicaps, in which farming must be continued as required and under certain conditions, in order to conserve and improve the environment, to sustain the area and to retain the tourism potential of the territory.

This main action contributes to the **preservation of grasslands, utilisation of abandoned lands, and maintaining traditional agricultural landscape** and ensures an income supplement for farmers pursing agricultural activities in less favoured areas. The national priority includes the establishment of a production structure adjusted to habitat features, environmentally aware farming and sustainable landscape use; extension and improvement of rural employment and income earning possibilities and creating a new, alternative rural economic environment that is in harmony with the environmental protection requirements. In Hungary there is no mountain areas falling in the scope – therefore, being a part – of LFA.

Income support for farming in less favoured areas contributes to sustaining agricultural employment, improves income-producing ability of these areas, aids in elevating the quality of rural life and preserving rural communities, helps conserving cultivated areas by the evolution of land use created by the operation and facilitation of sustainable farming systems as well as it prevents the spread of fallow areas.

The **compensatory support for less favoured areas** can ensure the conservation of the demarcated grasslands, the farming methods connected to the objective of the protection of water basin as well as the preservation of appropriate land use contributing to the protection of water and soil. It contributes to the utilisation of abandoned lands and ensures an income supplement for farmers pursing agricultural activities in LFAs. Indirectly it promotes the restructuring of production and the extensive keeping of animal species that adjust to the disadvantageous endowments and have importance from marketing aspects and also of special species.

Forestry management in non-agricultural land could be a solution for the environmentally friendly use of LFA territories. Through the afforestation on LFA, the unfavourable conditions of soils can be made better. **Afforestation of agricultural areas** less capable of competitive production, preservation of the environmental state of forests and the support of traditional forest management play a significant role in agriculture.

The definition and designation of less favoured areas shall be revised and adjusted to the golden crown system, expressing the quality of soils in Hungary.

This main action serves the realisation of the Community Strategic Guideline „Safeguarding biodiversity and preservation of high nature value”

Measures:

- Payments to agricultural producers of less favoured areas, other than mountain areas

Targets:

The support for Less Favoured Areas can result in the increase of the income-level of land owners and could contribute to the preservation of the rural environment.

3.2.3. Investment support for environmental standards and water management

Ensuring a balanced water supply of agricultural areas, increased attention should be paid to the **establishment and maintenance of facilities of water management**.

This main action serves the realisation of the Community Strategic Guideline „Investment in physical capital" and "Water management".

Investments in human capital, innovation and up-to-date technology can not be effective and can not result in a real change in the production structure without ensuring the basic infrastructural facilities for agricultural holdings and farmers. Infrastructural development is a prerequisite for investments aimed at giving a boost to added value creation and the dissemination of market-orientation. Infrastructural developments, which are part of water management systems, play a significant role in creating a balanced production structure in huge parts of arable land of the country. This way, the objectives of Axis II., concerning the balancing of water imbalancements in water quantity and quality, could also be realised.
Hungary places special emphasis on the **modernisation of animal husbandry** and improving the willingness of producers to keep livestock. Animal husbandry is a key issue in the following programming period, since in Hungarian agriculture a significant increase of importance of the sector is necessary in order to reduce structural tensions of production structure. The aim is the establishment of an optimum proportion of animal husbandry and cultivation of plants. Giving emphasis to meeting the EU standards is a key point in this main action.

The imbalanced structure of crop production and animal husbandry shall be shifted towards the growing weight of the latter. The surplus of the crop production can be used by the animal husbandry sector. This way, the process of restructuring in the agriculture can be accelerated and also significant increase in the creation of added value along the product chain can be realised.

The backlog, that is typical for animal husbandry farms, sites and other production capacities in the field of technological development can be mitigated through the modernisation of animal husbandry farms. Significant emphasis shall be put on encouraging investments necessary for fulfilling the requirements concerning animal health, animal welfare and environmental standards. Therefore, investments **could also contribute to the attainment of the objectives of Axis II.**

The use of up-to-date technologies in animal husbandry could largely contribute to the enhancement of the competitiveness of the sector. The market-oriented approach shall be encouraged in the production of quality meat products.

Measures:

- **Compliance with EU regulations**
- **Modernisation of agricultural plants.**

- **Infrastucture related to the development and adaptation of agriculture and forestry**
- **Animal welfare payments**

Targets:

Infrastructural developments could indirectly contribute to the increase of competitiveness of agricultural plants. Investments in water-management facilities conduce to the safeguarding of good quality water in a timely and territorily balanced quantity and also to the protection of environment. As the result of the technological and physical investments the harmful emission of animal sites will decrease.

3.2.4. Support for afforestation and fast growing species

As a result of the **multi-functional and sustainable use of forests** the water balance of the given areas will improve, there will be **less erosion damage** resulting from the extreme weather conditions, and the environmental load originating from air pollution and noise pollution will decrease. As a result of the long-term afforestation programmes, the ratio of frondiferous forests will further decrease as well as the environmental damage originating from global warming, while **biodiversity will increase.**

Afforestation projects as well as the preservation of existing forests satisfy a complex social demand by enlarging the ecological, economic and social functions of forests, thus facilitating rural development and improving the quality of life of rural population. The forest-environment protection objectives can be implemented as part of this national priority as well.

The multifunctional and sustainable use of forests, and the strengthening of their social and public welfare function can be continued under this measure. In addition to the economic benefits, the significance and necessity of afforestation can be characterised by favourable impacts on the soil, water, air and biodiversity, in summary: on the state of the environment.

Objectives of forestry also include the establishment of high biodiversity natural forests, through a substantial increase in the ratio of native tree species, particularly on protected areas. The measure also aims at compliance with the relevant expectations of the EU (green energy, renewable sources of energy), and diversification of energy supply.

The supply of biomass must be expanded also with the tools of targeted energy production in order to fulfil the future expectations of the EU. It is necessary to provide afforestation support because of the capital inadequacy of farmers and high planting costs. The establishment of arboreal **plantations for energy production** can help several thousand producers in ensuring rural income-earning opportunities. The main action also aims at compliance with the relevant expectations of the EU (green energy, renewable sources of energy), and diversification of energy supply. Within the framework of the main action support can be granted for the plantation of short crop cycle arboreal energy plantations.

This main action serves the realisation of the Community Strategic Guidelines „Safeguarding biodiversity and preservation of high nature value", "Water management" and "Mitigating and adapting climate change".

Measures:

- **First afforestation of agricultural land**
- **First establishment of agroforestry systems on agricultural land**
- **First afforestation of non-agricultural land**
- **Forest-environment payments**
- **Restoring forestry potential and introducing prevention actions**

Targets:

By the end of the next programming period, the primary afforestation will increase significantly and the total area of arboreal plantations will take up 49.000 ha. The plantation of fast-growing species results in the decrease of agricultural land and provides the raw-material supply of the production of green energy.

3.2.5. Ensuring the balanced quantity of high quality water

The imbalancements of water quantity (extreme water conditions) that have in recent years arisen in the Hungarian agriculture needs the application of farming methods and investments which contribute to the mitigation of the imbalances. As the result of the use of chemicals and the inappropriate use of agricultural technology and methods, the quality of waters also needs improvement.
This national priority serves the realisation of the Community Strategic Guidelines „Safeguarding biodiversity and preservation of high nature value", "Water management" and "Mitigating and adapting climate change".

In a significant part of Hungary it is necessary to transform land use and to determine national priorities such as searching for new ways of land use and regional priorities (transformation of the use of areas endangered by floods and excess inland waters, restoration of near-natural economic systems).

The appropriate nutrient management:and the use of chemicals in line with the regulations posed by the EU legislation could significantly contribute to the safeguarding the quality of waters.

As a result of the multi-functional and sustainable use of forests and the afforestation with mostly indigenous frondiferous tree types typical to the given habitat, the water balance of the given areas will improve, there will be less erosion damage resulting from the extreme weather conditions.

Measures:

- Support for non-productive investments

- First afforestation of non-agricultural land
- Agri-environment payments

Targets:

The objectives of this main action are to mitigate the imbalancements of water supply and to contribute to the increase of water quality.

3.2.6. Strenghtening the protection of soils

Deterioration of near-natural habitats formed and maintained by extensive agriculture and gradual diminishing of the characteristic traditional and value protecting farming methods and species are common characteristics of the whole area of Hungary. Arable land is still endangered by the processes that deteriorate the quality and productivity of soil (erosion, acidification, salinification and compaction), the negative nutrient balance, the unreasonably low rate of environment-saving livestock keeping relying on grazing ground and the lack of environment-conscious nutrient management, which hinder sustainability.

The main action should address the problems caused by the inadequate nutient management, the obsolote technology used in agriculture and the extreme wheather conditions. The following processes of degradation associated with agriculture are significant and need to be tackled:

- erosion by wind and water;
- compaction;
- acidification of soil;
- risk of excess surface water;
- generation of sodic spots,
- structural damage; topsoil crusting and cracking.

Forests change land use structure in a favourable way, but also contribute to soil protection, increase biodiversity and mitigate glasshouse effect.

Amelioration projects in agricultural plants could conduce to the mitigation of harmful effects of agricultural production and wheather on soils through building and reconstruction of amelioration and soil protection facilities for the protection of agricultural areas against erosion, deflation, leaching and improving the water household.

This main action serves the realisation of the Community Strategic Guidelines „Safeguarding biodiversity and preservation of high nature value", "Water management" and "Mitigating and adapting climate change".

Measures:

- Agri-environment payments
- Infrastucture related to the development and adaptation of agriculture and forestry
- First afforestation of non-agricultural land

Targets:

The chief objective of this main action is to safeguard and to improve the good environmental state of soils.

3.2.7. Ensuring the animal welfare payments

Ensuring the **animal welfare provisions plays an important role** in increasing the income-producing capability and the competitiveness of the animal husbandry sector, and indirectly to balance the animal husbandry and crop production. Considering that the support sources of animal husbandry sector is extremely limited, it is essential that rural development supports should **contribute to the quality improvement of the sector** concerning animal welfare, and should also contribute to the reduction of profitability problems.

There will be two main directions within this objective:

- Maintenance of high level technologies in animal husbandry, with respect to animal welfare.
- Establishment of high-level technologies in animal husbandry, with respect to animal welfare.

Animal welfare payments cover the overcommitments that animal breades take. Covering of additional expenses concerning high level keeping technologies from the aspect of animal welfare aspect as well as establishment of high level keeping conditions.

Compliance with strict animal welfare provisions involves additional expenditures, which are mitigated by the payment of compensations. The improvement of animal welfare – due to increased consumer awareness - indirectly contributes to the preservation of the sector's income-producing ability as well as to the reduction of point-like ammonia emissions and fulfilment of the requirements stated in the Nitrate Directive.

Measures:

- **Animal welfare payments**

Targets:

The number of farms receiving animal welfare provisions will reach the number of some 3.000.

Financial weighting within axis II.

As for the financial allocation of resources among the main actions within axis II., the following main statements can be made:

The biggest share in the financial frames of Axis II. has the „Support for agri-environment, Natura 2000 and forest environment" main action. The support for afforestation and fast growing species will have a significant part of the resources. Investments for water management and the main action aimed at „Ensuring the balanced quantity of high quality water" are at the same level concerning the allocated resources.
The main action on LFA and animal welfare have the lowest share of resources, deriving from the good environmental conditions experienced on LFA territories and on the demand for the investments to reach animal welfare standards.

Summarized Strategy structure along Axis II.

General objective (Axis)	Community priorities	National priorities[22]					Main actions						
Improving the environment and the countryside by supporting land management	Safeguarding biodiversity and preservation of high nature value and traditional landscape	Conservation of Natura 2000 agricultural and forestry areas and other high nature value areas	Water management in quantity and quality	Increase and sustainable management of forest resources	Biomass for energy purposes	Protection of soils	Support for agri-environment, Natura 2000 and forest environment	Preserving LFA territories and the traditional agricultural landscape	Investment support for environmental standards and water management	Ensuring the balanced quantity of high quality water	Support for afforestation and fast-growing species	Strenghtening the protection of soils	Ensuring the animal welfare payments
	Water management												
	Mitigating and adapting climate change												

[22] In case of the National priorities and the Main actions each priority or main action serves the realisation of more than one Community priority. For example: Water management contributes to the balance of water quantity on one side, but also to mitigating the climate change on the other. This national priority has also contribution to safeguarding biodiversity.

3.3. Improving the quality of life in rural areas and encouraging diversification of economic activity

The general objective of Axis III. is to improve the quality of life in rural areas and encouraging diversification of economic activity.

General description

The examination of the current situation of rural territories clearly showed the **need for** increasing the income-producing possibilities through **enterprise promotion** and job creation. On the other side, **improving the quality of life** is necessary to mitigate outward migration from rural areas.

The development of the rural economy appears with an increased weight within the frame of Axis 3 as the most significant area to be developed. Maximum added value could be reached by the parallel and integrated development of these two areas. The policy concept of Axis 3 put more emphasis on the **diversification of rural economy** compared to the **improvement of quality of life** in rural areas. The key areas of the Axis wishing to obtain the expansion of the rural economy among other things are the diversification of non-agricultural activities, the development of human resources and infrastructure of micro-enterprises, the strengthening of related developments and synergy, and the development of partnership networks. **In the course of the implementation of axis 3 the LEADER methodology based on partnership will strongly prevail**. The objective is to strengthen cooperations based on the association of rural entrepreneurs with integrated economy development plans in the background, and to establish so-called “rural development clusters”. The list of settlements eligible for support in the framework of measures of Axis 3 will be included in the Annex of the New Hungary Rural Development Program.

Connected to the general objective, there are two Community Priorities serving as reference points in the Strategy:

1. **Creation of employment opportunities and conditions for growth;**
2. **Improving governance.**

The overarching national priorities in line with the Community Strategic Guidelines and the general objective are the following:

- enhancing economic development and quality of life in rural areas and safeguarding the natural and cultural heritage;
- enhancing micro-regional governance;
- consolidating and reinforcing the LEADER groups.

There are **three main actions** serving the implementation of the national priorities.

3.3.1. Support for diversification, micro-businesses and tourism;

The employment tensions in the countryside can be reduced and the income generating opportunities can be increased only through strengthening the rural economic potential, which contributes to the improvement of employment by **creating work places in rural areas apart the agriculture**. In order to reach this objective, the **promotion of non-agricultural activities of agricultural households** and the encouragement of rural micro-enterprises are of special importance.

Rural enterprise development is a key area for the **acceleration of economic growth** in rural areas and for **increasing employment**. The promotion of diversification may contribute to the restructuring of rural farms.

In the frame of this main action, special attention will be devoted to the **development of rural tourism**, which is based on the natural and cultural heritage of rural areas. Special emphasis will be placed on undertakings engaged in producing and processing region-specific products.

Fostering entrepreneurship can only be effective when accompanied by the **development of business environment,** capacity building and trainings.

This main action serves the realisation of the Community Strategic Guideline „**Creation of employment opportunities"**

The basic pillars of this main action are:

1) Diversification

In rural regions the number of jobs outside agriculture is low, and this is aggravated by a decreasing rate of employment in agriculture. In rural areas the valuable handicraft traditions are still alive, which play an important role both in employment, and in maintaining the region's unique image.
The main action aims primarily at improving the income position of the rural population living primarily from agriculture, at decreasing migration from rural regions, at raising the standard of living conditions in rural areas, at creating and keeping jobs outside the primary sector, as well as at developing the quality of local products/services, increasing their value added. The objectives also include the promotion of manufacturing and service activities of households having income from agriculture to produce additional income, promotion of locally produced products in reaching the market.

2) Micro-business

Compared to the national average, the number of enterprises is typically low in rural areas and there is only a slight increase in the density of enterprises in the last ten years. The structure of the rural economy can be characterized by the significant proportion of micro-enterprises. These enterprises constitute a decisive part of the rural economy in respect of both social and employment aspects. Their expansion, and the improvement of their competitiveness are important elements of the rural economy. Creation of new jobs through support for the

establishment and development of rural micro-enterprises, therefore increasing the gross added-value of the supported enterprises are of particular importance for enhancing rural (local) economy and the income-generating role of rural territories.

3) Promoting tourism

The employment position of rural regions can be improved by the utilization of their advantageous landscape, natural attractions and cultural heritage features for tourism activities. The multiplying effect of tourism could increase the volume of direct product sales by small-scale producers, stimulates the turnover of local markets and creates new links between the town and the village population.
The development of tourism services and marketing contributes to the transformation of the economic structure of rural regions. The income from tourism strengthens local economy, and thus it contributes to the improvement of the quality of life and the elimination of regional economic disadvantages.

Measures:

- **Diverzification into non-agricultural activities**
- **Promotion of turism activities**
- **Supporting the establishment and development of micro-enterprises**

Targets:

The main action will contribute to increase the number and profitability of micro-enterprises in rural areas, resulting a slight increase in enterprise density. The number of farms and agricultural households carrying out diversified economic activities will also increase.

3.3.2. Improving access to basic services and preserving natural and cultural heritage (village renewal)

The **improvement of quality of life** in the countryside is possible through the **sustainable, complex utilisation of the cultural heritage and natural values**. The preservation of the cultural and natural values of rural areas and contributes to the functioning of the local communities, to the revival of the local civil society and cultural life, to the strengthening of the local identity and to the development of cultural and recreational activities.

Improving access to basic services

The development of basic services provided for the rural population is closely attached to the **improvement of quality of life in the countryside**, for which the most important instrument is constituted by the establishment of **integrated, multi-functional small settlement service centres**. As the facility for rural communities to access services does not reach the desired level, therefore it is necessary to develop integrated rural services.
The scope of basic services rendered to the rural population comprises cultural, social and official services and the provision of access to products on the market.

Besides setting up service centres in rural settlements, basic services – especially those tailored for women and disadvantaged groups – shall also be improved by investments. **Childcare services** support rural women from two aspects: on one side, it increases the work possibilities for them by creating – quite often part-time or seasonal – workplaces, while on the other hand it gives the opportunity for women with children to enter or return to the labour market. The same situation is as for the services of caring elderly people.
Social land programme addresses the needs for disadvantaged social groups by providing them job possibility, to start up economic activity for self-sufficiency at the beginning, and for local markets later.
The **development of integrated small-settlement service centres** would make available all essential communication and official services as well as other services improving the quality of life in small settlements. The service centres will serve as the background infrastructure for advisory services.

Safeguarding natural and cultural heritage

Village renewal and the **preservation of rural heritage** are of outstanding importance and they are also closely related to efforts of revitalising traditions. The renewal of villages is a tool for strenghtening rural communities, as well as for the creation of an attractive environment that improves quality of life in rural areas.
Within the framework of safeguarding the rural heritage, natural heritage and values shall be increasingly focused. The protection of high natural values necessitate the **elaboration of plans – especially for the Natura territories** – about the designation, the way of protection, and the methods could be used.
In order to decrease outward migration from rural territories, the **quality of life in outskirt farmsteds** shall also be enhanced by protecting the built heritage, and by providing alternative – renewable – energy resources.

Village renewal

The rural residential environment, the overall physical image of settlements is showing a deteriorating picture, the condition of the built heritage and public grounds of settlements is gradually deteriorating, and the rich intellectual, cultural, built and natural values of rural regions are degrading. In order to increase the attracting force of rural regions the image of settlements must be improved, making the cultural and natural heritage connected to rural life suitable for being demonstrated to the public. In rural regions the number of local production, selling and buying-up sites with an infrastructure suitable for selling the products locally is low, so the vast majority of the products are sold in large towns through intermediary traders and returned to rural regions afterwards, which increases prices significantly and reduces the economic profits of the producers.

The measure aims at improving the image and environment of villages, at conserving and renewing the built, natural and cultural heritage and local identity and improving the infrastructure conditions of product sale.

This main action has **particular relevance for outskirt farmsteds**, which are even more experiencing the bad conditions of public buildings and the weak access to basic services. The development of the outskirt farmsteds is therefore of high importance in rural areas.

This national priority serves the realisation of the Community Strategic Guideline „Creation of employment opportunities" and „Creation of conditions for growth".

Measures:

- Basic services for the rural economy and population
- Conservation and modernisation of the rural heritage

Targets:

At least in one third of the eligible villages there will be a service centre set up with the involvement of local entrepreneurs. The number of services available on average in the eligible villages will grow. In rural areas, the ratio of monuments endangered will decrease, and the number of villages with renewed rural heritage will increase.

3.3.3. Support for local capacity building

This main action supports the phrasing of regional level rural development concepts structured from base level, to be built into a local development strategy and the implementation thereof, thereby strengthening a synergy and a territorial coherence between the measures of all the Axes. The main action promotes the development of local human capacities necessary for creating and implementing local rural-development strategies. The

main action provides assistance to the preparation and implementation of local development strategies.

The objective of local capacity building is to facilitate the sustainable and innovative utilisation of endogenous resources and the improvement of the quality of life in rural areas based on local solutions via the implementation of integrated local rural development strategies and based on a wide-scale partnership. This way, the local governance can also be strenghtened.

The general objective is to facilitate the sustainable and innovative utilisation of endogenous resources and the improvement of the quality of life in rural areas based on local solutions via the implementation of integrated local rural development strategies and the operation of comprehensive partnership.

The goal of this main action is for the rural development strategy to be prepared for the area development small regions with the participation of the local authority, business and civil organisations. Besides the preparation and elaboration of the local rural development strategy, a suitably trained executive personnel needs to be involved, and the local-level development plans need to be communicated.

Basic preconditions of the effective implementation of local rural development strategies are in familiarity with the human, cultural, environmental and economic resources of the rural areas (action areas), maintaining relationship with the local governments, entrepreneurs and civil organisations, regular dissemination of up-to-date information, trainings for those involved in the development activities and for the new participants. Constant expansion of the development capacities in accordance with the local needs can be ensured by research studies exploring the local endowments, values and capacities, improvement of the human and physical capacity and assets of network building, exchange of experience and elaboration of joint projects with Hungarian and foreign partners.

Strengthening of the rural economy and the local communities can only be effective through the improvement of the human potential on the basis of the LEADER approach, which is aimed at developing and strengthening of the local and micro-regional communities and networks resulting in the reinforcement of local partnership. Innovative human services adjusted to the local conditions and developing local solutions can play a distinguished role in this process.

The approach, which involves the members of communities, motivates activity but respects cultural characteristics make the LEADER programme suitable for the improvement of the situation and integration of disadvantaged or special social groups.

The main action enables the support of the theoretical elaboration of small-region level rural developments structured from base level, creating synergy between the development requirements of Axes III and IV. In the framework of the measure, Local Rural Development Offices (LRDO) are set up in the micro-regions, this way, the harmonisation of the potential participants in rural development may be realised, which concentrates the development resources. The LRDOs coordinate the establishment of the so-called Local rural Development Communities (LRDC) – one per small region, organised on a LEADER basis. **The LRDO-s and the LEADER Action Groups will have a key role in delivering the resources of Axis III. measures, based on the local partnership and on the adjustment to the elaborated**

local development strategy. This structure is also aimed at **consolidating the current LEADER programme.**

This main action serves the realisation of the Community Strategic Guideline „Creation of conditions for growth".

Measures:

- LEADER
- Skills-acquisition, animation and implementation with a view to preparing and implementing a local development strategy

Targets:

The target of this national priority is to **consolidate the current structure of the LEADER** programme in Hungary by increasing the territory and population covered by the LAGs. Additionally the empowerment of LAGs by **giving more weight to local governance** is a key objective.

As for the financial allocation of resources among the main actions within axis III., the following main statements can be made:

The majority of resources (appr. 60%) is intended to be spent on enterprise development, fostering growth and employment in rural areas. Within the frameworks of enterprise development, the support for micro-enterprises will have a key role as the most significant tool for the diversification of rural economy.
Improving access to basic services and preserving the natural and cultural heritage (village renewal) will have still a significant share of resources (appr.30%), which is reasonable if taking into account the investment need of these objectives on one side and the current financial situation of local municipalities (the potencial beneficiaries) on the other.
Around 10% of the total budget for Axis III.-IV. will be spent on local capacity building and establishing local partnerships with the involvement of Rural Development Offices.

Summarized Strategy structure along Axis III-IV.

General objective (Axis)	Community priorities	National priorities	Main actions
Improving the quality of life in rural areas and encouraging diversification of economic activity	Creation of employment opportunities and creation of conditions for growth	Enhancing economic development and quality of life in rural areas and safeguarding the natural and cultural heritage;	Support for diversification, micro-business and tourism
			Improving access to basic services and preservation of natural and cultural heritage (village renewal)
	Improving governance	enhancing micro-regional governance;	Support for local capacity building
		consolidating and reinforcing the LEADER groups	

IV. The indicative resource allocation of the New Hungary Rural Development Programme

For the implementation of the New Hungary Rural Development Strategic Plan, Hungary shall submit **one single rural development program**, named the New Hungary Rural Development Programme. This Programme shall be **applied on the whole territory of Hungary**. The Programme will be administered and managed at central level.

Part of the measures will be geographically limited, taken into account the different natural characteristics (Less Favoured Areas, Natura 2000 territories), or the different level of development and density of populaton of rural areas (Axis III. Measures).

In line with the inherent objectives of the Programme, the **indicate allocation of resources is based on the main characteristics of the Hungarian agriculture** – the need for increasing the competitiveness of agricultural production through technological modernisation, human capacity building and creating more added value –, **the state of environment in rural areas** – the low environmental load connected to agriculture and the need for the increased protection of territories with high nature value – **and on the development potencial** – focusing on enhancing the competitiveness of rural enterprises in order to create jobs and improve the access to services – **of rural territories. Other national and regional policies** will also contribute to the improvement of rural world and to the diversification of its ecnomy.

The **experiences of the former and present development programmes also largely influenced the allocation of resources** in order to use the whole budget available for Hungary in the period 2007-2013 and to best utilise it for the development of agriculture, rural areas and for sustaining the favourable state of environment of rural territories.

The **table of the indicative financial resources** of the programme are as follows:

Name of Rural Development Programme	Funds from the European Agricultural Fund for Rural Development *
New Hungary Rural Development Programme	100%
Axis 1	47%
Axis 2	32%
Axis 3	17%
Technical Assistance	4%
Total	**100%**

*Together with the amounts available pursuant to Article 12 (2) of Regulation (EC) 1290/2005.

The **resources of Axis IV**. – 5.5 % – will be deducted from the amount allocated for Axis I-III, following the ratios **25-10-65 percent, accordingly. Out of the resources allocated for Axis I., approximately more than 10 percentage points of the resources serve the objectives of Axis II.** The **detailed financial tables will be the parts of the Rural Development Programme**.

V. Internal and external consistency of the New Hungary Rural Development Strategic Plan, complementarity with other Community funding instruments

5.1. Internal consistency of the national strategic plan

The internal consistency of the strategy is enforced by the fact that axes and measures have been planned and elaborated in order **to exploit the synergies** among them. All of the axes, main actions and measures contribute to the achievement of the global objective chosen. In order to enhance the effectiveness of the implemented measures, overlappings and controversies in between the Axis, main actions and measures have been eliminated.

Axis I.

Measures of the first axis have several connections to the second and third axes. Firstly, the advisory and training system addresses all potential beneficiaries of the measures of each axis. Secondly, all the investments in the modernisation of agriculture within Axis I. meet the requirements set up in the framework of Axis II., concerning environmental protection, sustainability and land use. Thirdly, the discharge of labour brought about by the technological modernisation can be tackled by the measures aimed at diversification and promotion of enterprises, supported in Axes III. The main action “Renewable energy” in the first axis is partly connected to the main action of the second axis “Forestry” along the production chain. The main action “Animal husbandry” in the first axis is strongly connected to the main action “Animal welfare provisions” in the second axis, as beneficiaries of investments in animal husbandry are eligible for compensation payments.

Axis II.

Within Axis II., the Natura 2000 programme, which will be launched gradually from 2007, will be based on the Natura plans to be elaborated in the framework of Axis III. The support of the new, extensive methods of sustainable and environment-conscious land use and the support of the preservation of biodiversity in the framework of the second Axis provide multiple possibilities for the diversification of the rural economy, the expansion of activities, the establishment of various services and the improvement of employment and the quality of life, as the main objectives of Axis III. The eco-farming and water management programmes implemented in the second Axis are connected to the water management measure of Axis I.

Axis III-IV.

The modernisation of settlements is enforced by the measure on infrastructural development in Axis I. and the measure on village renewal in Axis III. The investments in rural tourism, in the frame of Axis III., build upon the preservation of nature elements and natural values supported by the second Axis. The “advisory services” supported in the first Axis will form part of the services available for the rural population in the integrated service centres of settlements that are supported in the frame of Axis III. The LEADER approach creates a liaison between the individual actors of the rural economy by promoting the local communities and their initiatives in elaborating and implementing development strategies connected to the objectives of Axis I-III.

5.2. External coherence of the Strategic Plan

The New Hungary Rural Development Strategic Plan fully takes into consideration the **objectives of the Common Agricultural Policy** regarding market regulation and rural development and the changes in the ratios of developments and the system of objectives. Partly, by means of the agricultural developments, the strategy exerts and handles in its complexity the development of rural areas, sustainable development, the retention of rural population and the improvement of their quality of life.

In year 2006, significant changes were introduced in the sugar sector of the EU. The Strategy and the Programme provides the frame of diversifying the agricultural production. The predictable decrease in the production of sugar could lead to alternative enterprise development, the diversification of production and the strenghtening of rural development approach. Territory-based, micro-regional programme elaboration shall be supported in the framework of the Rural Development Strategy. Reforms in the sugar-sector could foster restructuring, one of the core elements of the Strategy.

The European Commission has proposed the abolishment of the intervention system in the maize sector. This would seriously endanger the profitability and market position of the Hungarian arable cropping sector. It has been a crucial task for the Hungarian agricultural policy until now to find new market outlets for the surpluses. If the planned Comission proposal entered into force, this task would become even more important. There are for possible ways to handle this situation: fostering the animal husbandry sector, diversifying into other sectors (e.g.: horticulture), handling the bottlenecks in the logistics system and finding new outlets in the bioenergy sector. The strategy primarily aims to serve these objectives.

The principles introduced by the CAP reform in 2003, and the basic principles introduced by the sectoral reforms following the CAP reform, specify that support from pillar I of the CAP is not primarily linked to the production of certain agricultural products but it ensures the security of income for each producer, in a form of support partly or completely decoupled from production.

The CAP reform specifies the decoupling of support mainly for the production of cereals, oil seeds, protein crops and fibre plants, milk, sugar, and partly for tobacco, as well as animal husbandry according to each defined option. The condition for support is cross-compliance, which, in the case of new member states, means that under the application of SAPS good agricultural and environmental conditions must be kept. The New Hungary Rural Development Strategic Plan helps to achieve the main objectives of the CAP in a way that whilst the reform loosens the constraint to produce cereals through the supply-reducing effect of the decoupled support, the New Hungary Rural Development Strategic Plan on the one hand also reduces supply (agro-environment, afforestation), but on the other hand it absorbs the excess production of cereals through animal husbandry and the production of bio-ethanol and a wider use of biomass.

In the course of the preparation of the Strategic Plan, great attention was placed on the **harmonisation with the principles of the Lisbon Strategy**. Hungary set up the general and specific objectives of the Strategy in line with the conclusions and suggestions of the mid-term supervision and evaluation of the Lisbon Strategy.

The principles of the Lisbon Strategy prevail in the whole programme, but mainly in the objectives and measures of Axes I. and III. The Strategy's objectives are closely linked to the goals of the Lisbon Strategy, as they aim at enhancing competitiveness and innovation in the field of agriculture and rural economy. The chief objective of Axis 3 is to develop the rural economy in order to strengthten the income-producing capability of rural enterprises and also to create jobs to balance the emission of agricultural sector. In a longer term it contributes to the **economic cohesion of rural territories** and ensuring the foundations of a long-term economic growth.

Migration from rural region will be reduced by measures contributing to the revitalisation of cultural and social life, strengthening of local identity, and cultural and leisure time activities making the region's tourism attractive force stronger, thus also **facilitating cohesion in the rural society.**

The Leader axis is intended to set the foundation of an integrated development at micro-regional level. The capacity-building implemented in the LEADER-programme, which is connected to the goals of enforcing training and education within Axis I. contributes largely to the objectives of creating **the knowledge-based society** laid down in the Lisbon Strategy.

The emphasis that is – in the framework of the restructuring of agricultural production – given to the establishment of production facilities of renewable energy contributes to the **EU committments for increasing the share of renewable energy** COM (2004) 366.

In order to consciously compensate for the impact of climate change, the objectives and measures of Axis II. of the Strategy – particularly those related to forestry management – correspond to the **EU Forestry Strategy and Action Plan** COM(2005)84, which is highly important in terms of ensuring sustainability and creation of jobs.

The objectives of the New Hungary Rural Development Strategic Plan are in direct – especially the objectives and measures of Axis II. – or indirect relationship with the **Community Environment Action Programme** (Decision No 1600/2002/EC).

The **protection of the environment and providing sustainability is a basic and horizontal principle** in the Strategy. The measures of Axis II. provide support specifically to meet the principles of the protection of the environment and sustainability. Axis II. involving the extension of environment-friendly farming methods, handling of less favoured areas, measures aimed at meeting forestry and animal welfare requirements, contributes in a fundamental manner to the protection of the environment and taking more into consideration sustainable development.

The requirements for cross-compliance set out in the CAP reform are directly applied through the land-based support in Axis 2, whilst the condition for the support for development defined in Axis 1 includes the full satisfaction of requirements for hygiene, animal health, protection of the environment and **food safety**.

The establishment of a competitive agricultural production, the enforcement of food safety and agricultural methods fostering the production of organic foods consistently fit to the **European Action Plan for Organic Food and Farming** COM (2004) 415.

5.3. Connection with other national programmes and policy concepts

The New Hungary Rural Development Strategic Plan is organically connected to the concepts related to and relevant for the development of the national economy.

The long term (2005-2020) development policy documents, named the **National Development Policy Concept (NDPC) and the National Regional Development Concept (NRDC)** determine the areas and objectives of use of the EU structural funds and the Cohesion Fund in the period between 2007 and 2013. The agricultural rural development connects to mainly those objectives of the NDPC, which aim to improve economic competitiveness, natural resources, the preservation of environmental values and their sustainability.

Taking the Community guidelines into account, the **New Hungary Development Plan**, which, in line with the Lisbon conclusions, aims at growth, the increase of employment and the improvement of the human and environmental conditions of the quality of life, is built upon the concepts above. In addition, it respects the principle of sustainability as stated in the conclusions of the **Gothenburg European Council.**

5.4. Connection of NHRDSP with other operative programmes in Hungary

The connection points between the New Hungary Rural Development Programme and the Operational Programmes to be launched in 2007 and financed from the Structural Funds and the Cohesion Fund as well as the **demarcation principles** followed accordingly are as follows.

In case of **infrastructural investments** in agriculture and **water management**, the Strategy only supports investments in agricultural outskirt areas. As for the investments into the **renewable energy facilities**, the Programme supports only the small-scale processing capacities, owned by the producers.

In case of enterprise development, **micro-enterprises with a full-scale –** with a very limited number of exceptions **– type of activity** can be supported in rural areas.

In the field of **tourism**, the demarcation principle reflects an approach, based on the size of the project and on the direction of integration among the project-owners: the establishment of non-commercial accommodation capacities, with the related services and small-scale infrastructure – all of this carried out striving for horizontal integration – will be supported by the programme. Other touristical investments are supported by the regional operative programmes.

As for the **renewal of villages**, buildings representing high cultural value and being under protection will be supported in order to increase the attractiveness of the settlements. The **principle of demarcation is two-fold**: it lays in the circle of eligible settlements on one side, and in the complexity of the project on the other. Rural settlements and simple project are supported by the Rural Development Programme. The development of infrastructure of villages is outside the circle of the eligible projects.

In case of supporting **rural basic services**, the **demarcation principle lays in the size of the settlements**, namely, the centre settlements of small-regions will be supported by the regional programmes, while small villages will be supported – and prioritised – by the Rural Development Programme.

The **advisory services, trainings and development of skills**, provided by the Rural Development Programme are limited in scope to the – potencial – beneficiaries of the Programme and in subject to the skills and knowledge which are necessary for the successful implementation of the measures of the Programme.

As for the development of micro-regions, **joint action of the operative programmes and the rural development programme is needed,** particularly in case of the **28 least developed micro-regions** to exploit the synergies of the programmes to the benefit of the micro-regions concerned.

The New Hungary Rural Development Strategic Plan supplements the support for development in the field of aquaculture of the **European Fisheries Fund,** since it brings into effect parallel objectives for modernisation mainly in Axes 1 and 2. The „Extensive fish ponds" and the „Reed management" target programmes forming part of the agri-environment measure will be continued as part of the present Strategy and Programme according to the conditions determined in the NRDP.

5.5. Horizontal policies

In line with the national and Community concept documents and the Community Strategic Guidelines, the New Hungary Rural Development Strategic Plan pays **special attention to the exertion and implementation at programme level of horizontal policies** (social/economic/environmental sustainability, equal opportunities, social and regional cohesion). These issues should be observed during the planning of the strategy and in the course of programming, evaluation and monitoring. The principles of equal opportunities and sustainability should be ensured in line with the New Hungary Development Plan and according to the content of it. This includes, on one hand, the minimum sustainability criteria according to which developments that reach a minimum environmental, social and economic sustainability level and beyond it meet the sustainability criteria can be supported in the interests of enforcing horizontal politics. The exact criterias should be determined in the NHRDP. The enforcement of the minimum sustainability criteria should be examined regularly considering the commitments of trancparency and partnership. On the other hand this includes among others, the identification of women, Romas and handicapped persons as target groups regarding the trainings and skills improvement
In the course of the selection of LEADER action groups the impact of the local development strategies on the disadvantaged social groups and meeting the minimum sustainability criteria will be important aspects. Representatives of these social groups will continue to participate

in the Programme Monitoring Committee. A basic condition of the exertion of horizontal policies is the harmony with Community guidelines and the national legislation

5.6. Consultation process

A new, intensive phase of Strategy's social reconciliation was launched after the Government's decision made on 16 August 2006. As part of this the **social partners were contacted for their opinion via the following channels.**

- Under the social reconciliation a rural residential forum was held in each county, typically at a small settlement in the county.
- Topical workgroup sessions were held at the Ministry of Agriculture and Rural Development in 11 topics of the Strategic Plan. The sector's civilian and interest representing organisations, advising bodies, chamber, agricultural undertaking and key personalities from education and science. In addition to the workgroups the Strategy was discussed at four macro-forums.
- As part of the social reconciliation the regional development councils and the small regions were asked to forward to the MARD their opinions and proposals about the Strategy.
- In the framework of the social reconciliation we created a special website (www.strategia.fvm.hu) where comments could be made in 5 different forms.

The structure of social reconciliation has been elaborated with respect to the following **basic principles:**

1. Ensuring access: the planning document of the strategy should be accessible for all interested citizens.
2. Creating the possibility for actual and interactive pronouncing of opinions: ensuring not only unilateral opinion forming but also the possibility for direct and two-way communication.
3. Offering several opportunities, forums for expressing opinions: in order that all concerned and interested parties can have a chance.
4. Wide-range information activity: about the progress of the social reconciliation and the possibilities of expressing opinions.
5. Feed-back: collection and procession of the received opinions and information about the results.

VI. Setting up the National Rural Development Network

Within the New Hungary Rural Development Plan, the National Rural Development Network (NRDN) will be established as a part of the Technical Assistance through the **concerted efforts of the governmental and administrational institutions, civil organisations – including „green" organisations –, local communities and LEADER action groups** - with particular regards to the National LEADER Centre - affected by rural development programs and the organisations representing the beneficiaries and stakeholders of rural development. During the establishment and building up of the Network it is necessary to find the harmony and synergy with the currently existing networks at the level of small-regions.

The NRDN consists of **four organisational levels and units**:

a) Central Management and Coordination: the central managing unit will be set up as one of the organisational units within the Managing Authority
b) Coordination units of the network: these units will carry out the training tasks and the organisation of trainings,
c) Local, micro-region coordination units of the network,
d) Organisations providing professional support. In the first half of 2007, the central coordination unit of the National Rural Development Network within the Managing Authority will be established. During 2007 the coordination unit will draw up the NRDN's action plan and select the regional and micro-regional coordination units. Therefore, the training and the provision of services for the actors in rural development may already commence at the beginning of 2007.

The basic tasks to be performed by the NRDN will be laid down in the **action plan to be elaborated by the Managing Authority and the actors concerned in 2007**.
The action plan will include as basic tasks the following:·

- Organisation, scheduling and regulations of the infrastructure necessary for the operation of the network·
- The legal provisions or those defined within the Managing Authority related to the operation of the network
- The method of connection to the European Rural Development Network, relating regulations, the tasks and role of the Managing Authority and the regional and micro-regional coordination units.
- Definition of the good rural development practice, summary and transfer of the national and EU experiences and skills (separated according to axes and horizontal issues) to the members of the network and the involved actors.
- Promotion of rural development policy, its methodology, collection and analysis of information related to rural development, with particular respect to assessing the needs of the actors.

The **total cost of the National Rural Network takes up 67 Million Euros**, of which 16,7 Million will be spent on the operation costs of the Network, while 50,3 will be spent on the realisation of the action plan of the Network.

List of Annexes

Annex 1.

List of indicators

Key impact indicators

	Indicator	Axis	Measurement of the indicator	Unit	Target data	Assessment Target value
1	Economic growth	I, III, IV	Net added value	%PPS		The programme evaluator (on the basis of data on outputs and results, baseline indicators, investigation and data from projects and later evaluations).
2	Employment creation	III, IV	Net number of jobs created -	number		
3	Labour productivity	I	Change in GVA per full time equivalent	thousand Ft/AWU, FTE		
4	Reversing biodiversity decline	II	Change in the decline of biodiversity measured by population developments of selected bird species	%		
5	Preserving agricultural and forestry areas with a high natural value	II	Changes in areas with high natural values	ha		
6	Increasing water quality (caused by the reduction of the amount of fertilisers)	II	Changes in nutrient balance - N (values and trend)	kg/ha		
7	Contribution to fighting climate change	II	Increasing energy production from renewable energy sources (agriculture/forestry)	kt/ oil equivalent kt/ oil equivalent		

	Additional Impact Indicators	Axis	Measurement of the indicator	Unit	Baseline data	Assessment Target value
1	Economic growth	I, III, IV	Net added value - food sector - agricultural sector - forestry sector - non-primary sector	%PPS		The programme evaluator (on the basis of data on outputs and results, baseline indicators, investigation and data from projects and later evaluations).
2	Economic growth	I, III, IV	Increase of GVA of agriculture (calculated at fix exchange rate)	%		
3	Economic growth	I, III, IV	Change of profitability if agriculture (calculated at fix exchange rate)	%		
4	Employment creation	III, IV	Net number of jobs created - agricultural sector - food industry sector - forestry sector - non-primary sector - gender (out of which female) - age (under and above 25 years)	AWU, FTE		
5	Employment creation	III, IV	Net number of jobs created - young farmers	AWU, FTE		
6	Labour productivity	I	Change in GVA per full time equivalent - agricultural sector - forestry sector - food sector	%		
6	Contribution to fighting climate change	II	Change in ratio of the utilisation of the biomass produced	%		

7	Contribution to fighting climate change	II	Change in the area cultivated for production of sources of renewable energy	thousand ha		
8	Contribution to fighting climate change	II	Change in are cultivated by environment-conscious extensive agruculture and forest management, or by in harmony with ocal conditions	thousand ha		

Context related baseline indicators

	Indicator	Measurement of the indicator	Unit	Baseline data	Target data
Horizontal (Programme level)	1. Designation of rural areas	Defining the rural areas NOT according to the OECD methodology (for definition see: Chapter 3.1)			
		Number of settlements	number	2986	2986
		Total area	km^2	81493	81493
		Number of permanent residents ()	thousand persons	4697.4	4697.4
	2. Importance of rural areas	Territoriy of rural areas	%	37.6	87.6
		Population in rural areas	%	46.15	
		GVA in rural areas	%	N.A.	
		Employment in the rural areas	%	49.9	
Axis I Improving the competitiveness of the agricultural and forestry sector	3. Agricultural land use	Arable area	%	84.8	80
		Permanent grassland/pastures	%	11.0	15
		Permanent crops	%	3.7	5
	4. Farm structure	Number of farms	numberthousand	714,8792	-50
		Agricultural area used	thousand ha	4.266,6	-17
		Average farm size and distribution (ratio of farms under 5 ha UAA, from 5 to50 ha UAA, 50 ha and more UAA)	%ha	88.9/9.4/1.8	60/20/15
		Average economic farm size and distribution (ratio of farms less than 2 ESU, from 2 ESU fo less than 100 ESU, 100 ESU and more)	ESU	88.3/11.6/0.1	65/20/15
		Labour force (Annual Working Unit in agriculture)	AWU	462740	-30000
	5. Structure in forestry	Area of forest available for wood supply (FAWS)	thousand ha	1702	
		Ownership (ratio of area of FAWS under “eligible” ownership – public, private)	%	0.5/36.6	
		Average size of private holding of Forest and other Wooded Land (FOWL)	ha	14.1	+2.5
	6. Forest productivity	Average net annnual volume increment (FAWS)	m^3/year/ha	5.8	0.5

Axis II Improving the environment and the countrysidetherough land management	7. Land Cover	Ratio of agricultural/forest/natural/artificial areas	%		
	8. LFA	Agricultural land in use – non LFA	%	84.9	
		Agricultural land in use –LFA with specific handicaps	%	8.3	
	9. Areas of extensive agruculutre	Used agricultural area for extensive arable crops	%		
		Used agricultural land for extensive grazing	%		
	10. Natura 2000 territory	Area of territory under Natura 2000	%	20.6	20.6
		Area of agricultural land on the territory under Natura 2000	%	17.2	17.2
		Forest area under Natura 2000 territory	%	43.6	43.6
	11. Biodiversity: protected forests	Area of forests protected to conserve biodiversity, landscape and specific natural elements (MCPFE 4.9, classes 1.1, 1.2, 1.2 and 2)	% total forest area	0.2/3.6/15.7	
	12. Development of forest area	Average annual increase of forest and wooded land areas	thousand ha/year	13.800	10
	13. Forest ecosystem health	Ratio of trees/conifers/broadleaved in defoliation classes 2-4	%		
	14. Water quality	Ratio of the territory designated as Nitrate Vulnerable Zone in Hungary	%	53.4	53.4
	15. Water use	Ration of irrigated UAA	%	1.76	2.5
	16. Protecting forests concerning primariliy soil and other ecosystem functions	FOWL area managed primarily for soil and water protection (MCPFE 5.1 class 3.1)	% total forest area	9.6	
Axis III Improving the quality of life in rural areas and encouraging diversification of economic activity (values for rural areas)	Population density	Population density in the countryside	inhabitants./ km^2	108.5	107.7
	Age structure	share of people aged 0-14 years old	%	15.6	16.2
		share of people aged 15-35 / 54-64 years old	%	68.7	63
		share of people aged 64 + years old	%	15.6	20.8
	Structure of economy	GVA in the primary sector	%	4.83.9	4
		GVA in the secondary sector	%	30.39	29
		GVA in the tertiary sector	%	64.965.2	67
	Structure of employment	Employment in the primary sector	%	5.0	4.4
		Employment in the secondary sector	%	32.4	31.2
		Employment in the tertiary sector	%	62.6	64.4
	Long-term unemployment	Long-term unemployment	%	3.2	3
	Educational attainment	Persons with Medium and High educational attainment (of people aged from 25-64 years)	%	76.4	79
	Internet infrastructure	ADSL coverage in Hungary	%	N.A.	

Objective related baseline indicators

	Indicator	Measurement of the indicator	Unit	Baseline data	Source/TARGET ??
Horizontal (Programme level)	1. Economic development	GDP /capita in p.p.s. (EU-25 = 100, three year average 2000-2002)	PPS/capita	61.40.8	NHDP
	2. Employment rate	Employed persons as a share of total population of age class of 15-64 years old	%	56.9	NHDP
	3. Unemployment	Rate of unemployment (unemployed persons as a percentage of economically active population	%	7.2	NHDP
Axis I Improving the competitiveness of the agricultural and forestry sector	4. Training and education in agriculture	Percentage of farmers with basic and full education in agriculture	% number	4.9/7.5	15/22
	5. Age structure in agriculture	Ratio berween farmers less than 35 years old and farmers of 55 years old or more	%	0.15	0.2
	6. Labour productivity in agriculture	Gross Value Added per annual work unit	Thousand Euro/AWU	4170	+1800
	7. Gross fixed capital formation is agriclture	Gross fixed capital formation is agriclture	Mio Euro	801	+205
	8. Employment development in the primary sector	Employment in primary sector	Thousands of people employed	194	-15
	9. Economic development in the primary sector	Gross Value Added in the primary sector	Mio Euro	2688.5	+1200
	10. Labour productivity in food industry	Gross Value Added per people employed in food industry	Thousands euro per people employed	13.9	+5
	11. Gross fixed capital formation in food industry	Gross fixed capital formation in food industry	Mio Euro	508.2	
	12. Employment development in food industry	Employment in food industry	Thousands of people employed	140.4	-8
	13. Economic development of food industry	Gross value added in the food industry	Mio. euro	1961.6	+700
	14. Labour produuctivity in forestry	Gross Value Added per people employed in forestry	Thousands euro per people employed	N.A.	
	15. Gross fixed capital formation in forestry	Gross fixed capital formation in forestry	Mio. euro	N.A.	
	16. Inportance of semi-subsistence farming in New MSs	Number of farms smaller that 1 Economic Size Unit in New MS	Number %	79.6	
Axis II Improving the environment and the	17. Biodiversity: Population of farmland birds	Development of populations of selected bird species / change in numbers	index	108.8	112
	18. Biodiversity: high nature value areas farmland and forestry	UAA of High Nature Value farmland	ha/UAA	505.5	505.5

	19. Biodiversity:tree species conposition	Area of forest and other wiided land classified by number of tree species occurring and by forest type	%		
	20. Water quality: gross nutrient balance	Surplus of nutrient per ha	kg /ha	20.3	5.1
	21. Water quality: pollution by nitrates and pesticides	Annual trends in the concentrations	indexmg/l	77.5	65
	22. Soil: Areas at risk	Areas at risk of soil erosion	tons/ha/year (estimate)	0,41	0.35
	23. Soil: Organic farming	Utilised Agricultural Area under organic farming	thousand ha	128113800	300000
	24. Climate change: production of renewable energy from agriculture and forestry	Production of renewable energy sources from agriculture and forestry	Ktoe Ktoe	777	800
	25. Climate change: UAA devoted to renewable energy	Utilised Agriculture Area devoted to energy and bionass crops	ha of UAA	N.A.	360
	26. Climate change/air quality: gas emissions form agriculture	Emissions of greenhouse gases, and of ammonia from agriculture	1000 t of CO_2 1000 t of ammonia		
Axis III Improving the quality of life in rural areas and encouraging (values for rurlaregions)diversification of economic activity	27. Farmers with other gainful activity	Percentage of farmers with other gainful activity than agriculture	%	38.5	47
	28. Employment development of non-agricultural sector	Employment in secondary and tertiary sectors (in rural regions)	Number of persons in thousand	3707.5	3745
	29. Economic development of non-agricultural sector	Gross Value Added in secondary and tertiary sectors (in rural regions)	Mio Euro	66338.6	72200
	30. Self-employment development	Number of self-employed persons (in rural regions)	Number of persons in thousand	535.3	549
	31. Tourism infrastructure	Total number of bed places in all forms of tourist accommodation	Number of ped places in thousand	569.2201	594000
	32. Internet take-up in rural areas	Persons having subscribed to DSL internet as percentage of total population	%	N.A.	
	33. Development of services sector	GVA in services as percentage of total GVA	% Mio Euro	65.2	72
	34. Net migration	Annual crude rate of net migration	Rate per 1000 inhabitants	1.7	1.5
	35. Life-long learning in rural areas	% of adults (25-64 ys. old) participating in education and training	%	4.6	7.5
Axis IV Leader	36. Development of Local Action Groups	Share of population on the territory where the LAS is active	Number of persons in thousand %	1530	4000

Additional, objective related baseline indicators:

Indicators	Measuring number, (measuring unit), year	Baseline condition	Target condition
Horizontal indicators			
Economic development	Share of agricultural production in the GDP, (%), 2004	3.1	2.9
Agricultural employment	Ratio of agricultural employees in the total number of employees, (%), 2005	4.97	3.9
Sustainability of equal	Ratio of women in the agricultural employees, (%), 2004	22.9	20

opportunities			
Environmental sustainability	Ratio of biomass produced used for energy generation (%)	8-10	22
Sustaining the regional cohesion			
	The difference among the extreme values of figures of GDP per capita (measured at the level of regions), (%), 2003	39.7	35.5
	Difference of migration in the rural areas, (persons), 2005	-4 020	-3500
Sustaining the social cohesion	Number of households without active earners in the rural areas, (thousand households), 2001	655.7	620
Axis 1: Improving the competitiveness of agriculture and forestry			
General objective: Establishment of sustainable and competitive agriculture and food economy			
Value added of agriculture	Value added of agriculture, (at current prices, billion HUF), 2004	676.6	+300
Profitability of agriculture	Profitability of agriculture[23], (HUF)	1.3	+0.5
	Profitability of food industry, (HUF)	2.6	+1
	Profitability of forestry, (HUF)	2.1	+0.8
Number of retained and created jobs	Number of retained and created jobs, (thousand FTE, AWU)	~	
Agricultural exports	Share of food economy in total exports, (%), 2005	6.1	+0.5
Specific objective: Supporting the acquisition of knowledge and the improvement of human resource skills and age structure			
Age structure	Ratio of individual farmers below 40 years of age, (%), 2005	14.4	+2
	Ratio of individual farmers above 55 years of age, (%), 2005	51.7	-1
	Number of farms set up by young farmers, 2005	86	+2100
Training	Number of workers participating in continuing and re-training in the food economy, (1000 persons), 2005	16	+100
Advisory service	Number of farmers making use of the advisory service, (1000 persons), 2005	1.5	+35
Internet use	Ratio of individual farmers using computer and internet, (%)	28	+40
Specific objective: Motivation production restructuring in the interest of achieving sustainable production structure			
Output of agricultural sectors	Distribution of gross output of agriculture in the main sectors (livestock keeping/plant production, of which: horticulture), (%), 2004	35.2/56.9/6.1	+9.8/-11.9/+1.8
Grain production for energy generation purposes	Ratio of energy generation oriented grain production, (%), 2004	0.3	+4
Development of livestock keeping	Number of individual farms engaged in livestock keeping, (1000 farms), 2005	222.7	+5
Development of horticulture	Number of individual farms engaged in horticultural production, (1000 farms) 2005	11.1	+1.5
Production groups	Number of production groups, 2004	252	+500
	Net revenue of production groups, (billion HUF), 2004	118.0	+300
	Ratio of revenue of products marketed by producer groups in agricultural revenues (%)	NA	
	Agricultural area covered by producer groups (ha%)	NA	
Diversification of production	Ratio of individual farms engaged in food processing (meat/milk/fruit and vegetable / winemaking, wine bottling), (%), 2005	0.8/0.5/1.3/0.6	
Specific objective: Modernisation and development of physical resources, promotion of innovation			
Value of agricultural investments	Value of agricultural investments (at unchanged prices of 1995.), (billion HUF), 2004	31.2	150/year
Ratio of modernisation investments	Ratio of modernisation investments by groups of assets (machinery/building/other), (%), 2004	38.4/30.4/31.2	42/38/20
Modernisation of	Number of livestock farms requiring modernisation, 2005	3850	-2000

[23] Profit before tax for HUF 100 total asset value

livestock keeping			
Modernisation of primary processing of agricultural products	Ratio of processing plants with modern technology, (%)	30	+35
	Ratio of investment projects for the complex modernisation of processing and sale (quality monitoring, storage, packaging, inventory maintenance) (%)	60	+5
Development of plantations	Renewal of plantations, (1000 ha)		
	Setting up of plantations, (1000 ha)		
Development of irrigation	Irrigated area, (1000 ha), 2004	93	+50
Energy use efficiency of agriculture	Energy use of agriculture per unit GDP (Terrajoule / billion HUF), 2004	43.5	-2.5
Farm consolidation	Farmland involved in farm consolidation, (1000 ha), 2005	55	+300
Specific objective: Improvement of agricultural production and of the quality of products			
Producer organisations	Number of basic material and processing integrations (organisations) (plant production/animal husbandry/horticulture/forestry)	NA	
Production of goods of special quality	Number of registered products provided with geographic product marker, (pcs)	11	+20-25
	Number of products included in the certification system of food products of excellent quality, (pc)	350	+50
	Ratio of sales revenue from traditional, special goods having geographic products markers in the total sales revenue of food economy, (%)	0.5	+0.5
	Number of traditional products of special quality, (pcs)	0	+10
	Ratio of products of higher quality with higher value added, (%)	2-3	+5
Axis 2: Development of the environment and of the countryside			
General objective: Development of the agriculture and forestry in an environmentally friendly manner through the progress of land-use adjusted to the agro-ecological endowments of the area, the protection of the natural-landscape resources, the improvement of their condition			
Extensive land use	Farmland involved in agriculture and forestry management committed to the requirements of environmental protection and landscape management and adjusted to the agro-ecological conditions (million ha), 2005	~1.5	2.3
Moderation of climate change	Area used for mitigating the global climate change (and consequences):		
	- farming area used for the production of renewable energy resources, (1000 ha), 2005	5,7	300
	- arboreal energy plantation, (1000 ha), 2005	~0	+60
Specific objective: Sustainable use of agricultural land areas, dissemination of environmentally friendly farming methods			
Agricultural areas in extensive use	Size of area in controlled organic farming or under transition, (1000 ha), 2005	128	300
	Share of area under agro-environmental program, of the total agricultural area, (%), 2005	25.3	28
Sensitive natural area	Size of area subject to contracts on the preservation of various wild species or communities (thousand ha), 2005	119.7	200
	Area affecting moderation/prevention of the discharge of pollutants into water bases, (thousand ha), 2005	0.8	2
Improvement of unfavourable soil conditions	Preservation of swampy and water habitats, (thousand ha), 2005	35.3	40
	Supported organic farming area,	76	130
	Integrated farming, (thousand ha), 2005	297.2	600
	Protection of cultivated area jeopardised by soil loss (water and wind erosion), (thousand ha), 2005	0	100
	Area affecting reduction of active agents/chemicals applied in the soil, (thousand ha), 2005	1450.6	1600
Natura 2000 agricultural areas	NATURA 2000 arable land and grasslands from agricultural areas, (%), 2005	17.2	17.2
	Supported NATURA 2000 arable land and grassland	0	400

Proper conditions of waters	WFD areas (action programs of water catchment management plans and water base protection areas) (thousand ha,)	NA	
	Supported WFD areas, (thousand ha)	0	
Specific objective: Sustaining agricultural activities on less favoured areas			
Less favoured area	Less favoured area, (thousand ha)	883.6	883.6
	Ratio of subsidised less favoured area from the agricultural area, (%) 2005	218.0	350
	Number of farmers operating on less favoured area, (thousand persons)	6.6	7.8
Abandoning cultivation	Ratio of plough-land left fallow, (%) 2004	4.1	3.5
Specific objective: Sustainable use of forestry areas and the increase of forest cover			
Forest cover of the country	Forest cover, (%), 2005	19.9	20
Afforestation	Primary afforestation in agricultural area, (1000 ha), 2005	17.8	+70
	- ratio of afforestation using indigenous frondiferous tree species, (%)	59.0	65
Forest-environment	Area of forests in forest-environment programme (1000 ha)	0	160
Natura 2000 forest	Natura 2000 forest area (1000 ha), 2005	773.4	773.4
	- of which, private forest (%)	26.8	26.8
Specific objective: Payment of animal welfare provisions			
Animal welfare	Number of farms receiving animal welfare and hygienic provisions, (pcs)	~	3000
	Livestock involved in operation of high level keeping technologies, (AU)	~	
	Keeping spaces established with high level keeping technologies, (AU)	~	2200
Axis 3: Improvement of quality of life in rural areas and promotion of diversification			
General objective: Improvement of quality of life, income and employment conditions of the rural population			
Income level	Average per capita domestic income in the rural areas (thousand HUF) and its ratio to the national income[24] (%), 2004	393.6 HUF, 71.45	425/73
Specific objective: Relief of rural employment tensions, enlarging the income earning possibilities			
Number of enterprises	Number of enterprises employing 1-9 persons operating in the rural areas (thousand enterprises), 2004	207.3	***215***
Enterprise density	Number of operating enterprises per thousand capita in rural regions (pcs)	56.45	58
Village accommodations	Number of hosts of village accommodations (thousand persons), 2005	7.3	***8.2***
	Number of guests in rural private accommodations (foreign/domestic), (thousand persons), 2005	36.2 / 116.4	***48/140***
	Number of guest nights spent in rural private accommodations (foreign/domestic), (thousand guest nights), 2005	171.3 / 396.6	***188/417***
Specific objective: Improvement of rural quality of life, through the sustainable, complex utilisation of the cultural and natural values			
Heritage protection	Ratio of monuments endangered in the rural areas (%)	41	***33***
Presentation of the village (rural) cultural and natural heritage	Descriptive (Based upon the survey made among the rural development micro-regional managers in 2005, such activities are performed in about 16% of the settlements. The description includes the number of rural settlements having display facilities, which present the rural life, traditions, natural values (village museum, regional heritage house, unique landscape etc. presentation of values designated as protected heritage sites) and the number of display facilities.	-	***21%***
Infrastructure for the sale of locally made products (local markets)	Descriptive (A small ratio of settlements operate markets for the sale of local products. The description includes the number and location of the local markets having appropriate infrastructure and operated at least with weekly regularity in the rural areas).	-	***+220***

[24] Average domestic income per capital at national levels, HUF 550830 (2004)

Specific objective: development of basic services provided for the rural population			
Access to basic services	Descriptive: Improvement of supply of rural settlements with services supportable by the program (by types of services)	-	
Social economy			
	Number of people employed in the social sector (thousand persons), 2004	NA	***+3***
Axis 4: LEADER type local developments			
General objective: Promotion of the improvement of rural quality of life through the implementation of integrated local rural development strategies and the operation of wide-ranging partnership, based upon the local solution of sustainable and innovative utilisation of internal resources			
Specific objective: Promotion of sustainable and competitive, innovative, local procedures			
Specific objective: Strengthening of rural economic potential through integrated programs based upon local endowments			
Specific objective: Sustainable and complex utilisation of cultural and natural values			
Specific objective: Development of human infrastructure and services			
Specific objective: Capacity and skills development promoting local cooperation and partnership			
		0	

Additional (context related[25]) baseline indicators:

Indicator	Measuring number, (measuring unit), year	Baseline condition	Objective condition
Horizontal indicators			
Axis 1: Improvement of competitiveness of agriculture and forestry sector			
Average size of holdings	Average size of holdings (individual farms / farming organisations), (ha), 2005	3.5/486.8	15/650
Supply of assets	Number of grain harvesters, (1000 pcs), 2005	12.1	+2
	Tractor power capacity per 1000 ha agricultural area, (kW), 2000	815	+90
Tractor density	No. of combine harvesters per 100 ha agricultural area, 2005	2.10.21	+0.60.04
Density of combine harvesters	No. of combine harvesters per 100 ha agricultural area, 2005	0.21	+0.04
Axis 2: Development of the environment and the countryside			
Ratio of nature conservation areas	Ratio of protected areas of national significance, (%), 2004	8.9	8.9
Soil amelioration	Area treated with organic manure, (1000 ha), 2004	460.2	500
	Active ingredient of fertiliser amount used on areas treated with artificial fertiliser, (economic organisations, kg/ha), 2005	133	150
	Active ingredient of artificial fertiliser sold for agricultural area, (kg/ha), 2005	67	85
Use of plant protection chemicals	Basic area treated with plan protection chemicals, (economic organisations, 1000 ha), 2005		
	- herbicide	1562.1	1410
	- insecticide	733.2	580
	- fungicide	791.1	640
	- other plant protection chemicals	363.1	210
Axis 3: Improvement of the quality of life in the rural areas and the promotion of diversification			
Long-term unemployment	Share of registered long-term unemployed within the registered unemployed in the rural areas, (%), 2005	48.76	42.5

[25] Effect of changes related to general economic, environmental, structural and social relations (context)

Annex 2.

The contribution of economic sectors to the Gross Domestic Product (GDP)				
Year	Gross Domestic Product (GDP), billion HUF	Of which, the percentage distribution of sectors (%)		
		Agriculture	Industry, Construction industry	Sevices
2000	13532,8	4,6	27,7	53,2
2001	15274,9	4,5	26,4	55,3
2002	17203,7	4	25,8	56,7
2003	18935,7	3,7	25,6	56,4
2004	20712,3	4,1	25,8	55,3
2005	22026,8	3,7	25,8	56,2

Source: Gross Domestic Product 2005 (Prelininary data II.)
Hungarian Central Statistical Office 2006.

Annex 3.

Indicators reflecting the role of agriculture (2000-2005)				
Year	Agriculture's (%) contribution to			
	GDP	exports[a)]	investments	employment
2000	4,6	6,9	5	6,5
2001	4,5	7,5	6,2	6,3
2002	4	6,8	6,3	6,2
2003	3,6	6,6	6,2	5,5
2004	4,1	6	4,3	5,2
2005	3,7	6,1	4,6	5

a) Together with food industry

Source: Gross Domestic Product 2005 (Prelininary data II.)
Hungarian Central Statistical Office 2006.

Annex 4.

Distribution of gross output and gross value added of agricultural branches in the national economy				
Denomination	**2001.**	**2002.**	**2003.**	**2004.**
	year (at current basic prices)			
Value added (billion HUF)				
National economy, total	**12 904,7**	**14 619,4**	**15 944,7**	**17 372,5**
Total activities of agriculture, game management and fishery	526,3	501,1	491,2	646,4
Forestry	34,9	35,5	30,2	30,3
Total activities of food industry	478,0	523,2	515,4	493,7
Total activities of agricultural branches	1039,2	1059,8	1036,7	1170,3
Percentage distribution %				
National economy, total	**100,0**	**100,0**	**100,0**	**100,0**
Total activities of agriculture, game management and fishery	4,1	3,4	3,1	3,7
Forestry	0,3	0,2	0,2	0,2
Total activities of food industry	3,7	3,6	3,2	2,8
Total activities of agricultural branches	8,1	7,2	6,5	6,7

Annex 5.

Number and land area of private holdings and agricultural enterprises, by size of the holdings (2003)

Denomination	Holdings		Land area		Average holding size, ha
	number,	distribution,%	ha	distribution,%	
2003					
Private holding					
less than 10 ha	662856	93,7	669584	28,4	1,01
10-50 ha	37132	5,2	763891	32,4	20,57
50-100 ha	5130	0,7	353653	15,0	68,94
100-300 ha	3062	0,4	509261	21,6	166,32
more than 300 ha	153	0	61300	2,6	400,65
Total	**708333**	**100,0**	**2357689**	**100,0**	3,33
Agricultural enterprise					
less than 10 ha	1190	17,3	3472	0,1	2,92
10-50 ha	1764	25,6	45137	1,3	25,59
50-100 ha	836	12,1	62498	1,8	74,76
100-300 ha	1567	22,7	309016	8,9	197,20
more than 300 ha	1534	22,3	3051969	87,9	1989,55
Total	**6891**	**100,0**	**3472092**	**100,0**	503,86
Holdings total					
less than 10 ha	664046	92,9	673056	11,6	1,01
10-50 ha	38896	5,5	809028	13,9	20,80
50-100 ha	5966	0,8	416151	7,1	69,75
100-300 ha	4629	0,6	818277	14,0	176,77
more than 300 ha	1687	0,2	3113269	53,4	1845,45
Total	715224	**100,0**	**5829781**	**100**	8,15

Source: Agricultural Census, 2000 – Regional data, Hungarian Central Statistical Office 2000. The agriculture of Hungary 2003 (Economic structural Census), Prelininary data. Hungarian Central Statistical Office 2004.

Annex 6.

Employment in agriculture					
Denomination	**2001.**	**2002.**	**2003.**	**2004.**	**2005.**
Number of persons employed (thousands)					
Sectors, total	**3868,3**	**3870,6**	**3921,9**	**3900,4**	**3901,5**
Agriculture	226,3	223,7	199,7	189,4	178,4
Forestry	17,1	17,2	15,5	15,5	15,5
Food industry	158,0	161,2	152,0	141,1	140,4
Together	401,4	402,1	367,2	346,0	334,3
Percentage share %					
Sectors, total	**100,0**	**100,0**	**100,0**	**100,0**	**100,0**
Agriculture	5,9	5,8	5,1	4,9	4,6
Forestry	0,4	0,4	0,4	0,4	0,4
Food industry	4,1	4,2	3,9	3,6	3,6
Together	10,4	10,4	9,4	8,9	8,6

Annex 7.

Livestock (thousands)					
Denomination	**2001.**	**2002.**	**2003.**	**2004.**	**2005.**
	1st December				
Farms total					
Cattle, total	783	770	739	723	708
of which: cows	368	362	350	345	334
Pigs, total	4822	5082	4913	4059	3853
of which: breeding sows	343	381	327	296	277
Sheep, total	1136	1103	1296	1397	1405
Chicken	34343	32206	37502	32814	31902
Corporations					
Cattle, total	497	494	489	475	474
of which: cows	238	240	233	225	225
Pigs, total	2398	2635	2658	2369	2331
of which: breeding sows	195	216	208	183	175
Sheep, total	173	150	173	182	180
Chicken	14163	14763	16184	16136	16038
Private farmers					
Cattle, total	286	276	250	249	234
of which: cows	130	122	117	121	109
Pigs, total	2424	2447	2255	1690	1522
of which: breeding sows	147	165	119	113	102
Sheep, total	963	952	1123	1215	1225
Chicken	20180	17443	21318	16678	15864

Annex 8.

Main data of food industry				
Denomination	**Volume indices of production 2005/2004 (%)**	**Volume indices of production 2004/2003 (%)**	**Volume indices of production 2003/2002 (%)**	**Volume indices of production 2002/2001 (%)**
Manufacture of food, beverages and tobacco products	95,6	96,0	99,5	101,4
Of which:				
Production and preserving of meat	110,6	88,0	95,7	107,0
Processing of fruit and vegetables	81,8	87,1	108,3	113,9

Annex 9.

Main characteristics of the structure of Hungarian agriculture

Region	Agricultural land area (ha) 2005	Distribution of GDP (%) 2003	Distribution of Gross Value added (agriculture, forestry; % 2003	Ratio of agricultural and forestrial employees (%) 2004	Agricultural investments (billion HUF) 2004	Registered economic organisations in agricultural and forestry sector 2004
Central Hungary	743	44,9	0,7	1,4	9,1	6 336
Central Transdanubia	1 103,10	10,2	3,6	5,2	12,5	6 254
Western Transdanubia	1 123,40	10,7	3,8	5,2	9,4	8 889
South Transdanubia	1 346,60	7	7,2	8,5	14,5	7 882
North Hungary	1 318,60	8,1	4,1	4	7,1	5 546
North Great Plain	1 817,90	10	6,2	7,6	16,2	10 391
South Great Plain	1 850,70	9,2	8,1	11,2	19	12 001
Country in total (*=average)	9 303,40	100	3,3*	5,3*	87,9	57 313

Main characteristics of rural areas

Annex 10.

	Number of micro-enterprises 2004	Number of buildings under national protection	Number of buildings under local protection	Number of non-commercial accomodations in rural settlements 2005	Total number of commercial accomodations 2005	Number of settlements with outskirt farmsteds	Number of settlements taking part in the LEADER programme
South Great Plain	95 136	760	2 378	2 058	28 084	113	101
South Transdanubia	73 135	1 556	4 024	8 746	61 021	27	152
North Great Plain	98 297	770	1 610	2 880	36 504	46	137
North Hungary	74 753	1 499	1 288	11 312	36 631	9	162
Central Transdanubia	85 719	2 034	1 732	7 334	61 017	27	131
Central Hungary	328 897	1 811	2 220	2 352	47 908	52	49
Western Transdanubia	81 845	2 281	1 595	9 771	58 125	6	228
Total:	*837 782*	*10 711*	*14 847*	*44 453*	*329 290*	*280*	*960*

Annex 11.

Detailed SWOT analysis of the Strategy

Opinion on the SWOT items linking with Axis 1.

Strenghts	Weaknesses
Extremely good ecological and habitat features	Extreme precipitation conditions resulting in an unfavourable situation of water
Forest management in accordance with long-term forestry plans based on yield regulation	Low profitability of the sector and lack of capital
Modern biological background, high-performance biological bases	The conformity between the size, form and production capacity of farms is inadequate and certain activities are characterised by low technical and technological level
High level theoretical, research and knowledge basis, well-established training networks	A significant proportion of the buildings, facilities and animal farms fail to comply with the EU standards
The large food-processing companies have been operating in an efficient way	The production infrastructure is insufficient and obsolete
Modernised technical assets in arable production	The age composition of farmers and agricultural employees is unfavourable
Concentration of the land use is under way	The professional, business management, market and marketing skills of farmers are insufficient
Certain SMEs have reached favourable results with certain locally made products (good efforts of the SMEs have appeared on the field of acquisition of markets, although the volume is not significant yet)	Training is not practice-oriented enough and the operation of the advisory network is inadequate
Low environmental load	The services assisting complete product lines and the commercial and logistic systems (warehousing, transport) are underdeveloped
The favourable effects of the former rural development programmes become manifest	The market oriented cooperation of individual entrepreneurs is on a low level
	Structural weaknesses, obsolete technical levels and inadequate marketing activities of small and medium food processing enterprises
	Significant segregation between food processing and raw material production; quality monitoring is unsatisfactory
	National Strategy for Agriculture has not been approved
	Production groups working effectively in wide range, have not been established in the forestry sector (private forest owners: the lack of tools, capital and knowledge)
	Low innovation activity and ability of SME-s (agricultural and food sector)
	The integration and co-operation is inadequate or lacks
	Problems of the sectors with territorial difficulties

Opportunities	Threaths
Increasing domestic and international demand for high quality domestic raw materials and for traditional, special food products with designation of origin	Increase in the competitive disadvantages of the agriculture
Improving food safety and quality, environmental and hygienic conditions	Weakening of the enforcement of interests
Improving the professional skills and the age structure of farmers	Loss of producer's market shares, decreased production, employment and subsistence problems
The use of domestic raw materials, the production and sales of quality products that meet the expectations of the consumers can be increased by marketing	Widening regional disparities
Establishing synchronised, well-operating product lines (producing, processing and purchase) and harmonisation of the differing interests	Lack of the developments conserve the environmentally damaging production methods
Alternative energy production	The price-sensitive consumer demand gives preference to cheap import products, which are frequently of bad quality and low content value
Increasing the Value Added of agricultural and forestry products	Biological deterioration of natural and landscape values, decline of biological diversity
Increasing demand for forestry by-procucts	Possible reform of CAP
Rich supply of surface and subsurface water	In the course of improving the competitiveness the principle of sustainability is injured and the environment protection requirements are not met

SWOT items linking with axis 2.

Strenghts	Weaknesses
In forest areas, activities are pursued in accordance with multifunctional, long-term forestry plans	Environment friendly technologies are insufficiently spread, the preservation and maintenance of natural resources is unsatisfactory
The game management conditions are favourable	The preservation and proper maintenance of areas with natural values are unsatisfactory
Low environmental load	Lack of professional knowledge and skills in environment management
High degree of biodiversity	Agri-environmental measures are underfinanced
Rich environmental values	The ratios of real, measurable environment and nature protection procedures are insufficient (the environment protection aspects are not properly observed in agricultural production)
Extensive farming and land use methods	The sale of products produced in small farms for the local markets is difficult
Farmers have realized the envitonmental/maintenance requirements of the agriculture and the opportunities of these	
Forest management for social welfare has been existing for decades	
Continuous, balanced afforestation	
Beekeeping sector has an important role in the maintenance of wild plant species through pollination.	
Opportunities	
Alternative energy production, spreading of agri-environment management methods	**Threats**
Improving the environmental conditions by developing extensive agricultural production and improving the conditions of the management of semi-natural- forest	Soil degradation result in irreparable losses of it's national value
Increasing the supply of locally usable waters through the retention and management of waters	The conditions of operation and the market opportunities of the private forest owners worsen
Increasing sustainable farming through the application of the game protection special programme	The extreme water supply conditions (floods, inundation by excess surface waters and drought) reduce the safety of agricultural production
Further rationalisation of land-use	Biological deterioration of natural and landscape values, decline of biological diversity
Spreading of labour-intensive and traditional farming methods	
Maintenance of soil fertility, and hereby reduction of the possiblity of soil degradation	

SWOT items linking with axis 3.

Strenghts	Weaknesses
Varied cultural heritage, natural values and diversed land makings.	Low-level profiting of rural areas' culural values and sustainable utilization of natural values.
Health, comfortable habitation.	Universally decaying image in small villages.
Except of haunts, small villages and periphery areas, the infrastructural provision of rural areas is eligible.	Hard to come at residential services.
The rich cultural heritage of rural areas, the natural- and production site makings afford eligible base for development of complementary economic activities – out of agriculture – (world heritage's location, architectural heritage, archeological values, folk culture, traditions).	Low-level permeation of subsistences based on non agriculture.
Qualified handicraft sociaty, professional jury method of handicrafts.	The economic services and related infrastructure (marketing, logistics, communication) are not eligible.
	Decreasing economic activity, largescale droppies in rural settlements.
	In rural areas rate of low profitability, traditional producing sectors significant, permeation of subsistences based on non agriculture is slow.
	The rural settlements enterprise and investment seductive capability low, as much as the rate of knowledge-based workplaces.
	Enterprising ability and innovation skill plead low rate among rural population, in absence of skills and solvency develpoment chances are not capitalized.
	Imperfection of partnership and running networks.
	Insufficient promotion of handicraft items, imperfection of social recognization, doubtfulness in field of marketing.
	Usage of renewable resources among entrepreneurs and public utilities is non prevalent.
	Ambvivalent quality and territorial distribution in field of village turism, imperfection of it's integration.
	Imperfection of legislative provision background in field of direct marketing throuhgh turism concerning small manufacturers.
	Reasonable development concerning service sector and infrastructure attendant enterprise.
	The weak access to basic services, especially to those connected to cultural life

Opportunities	Threaths
Revaluation of natural and cultural values and healthy environment	Continued migration of the active, skilled labour force, depopulation and ageing in small village areas and peripheral areas.
Increasing social demand for renewable, environment friendly energy sources	The existing values and uniqueness disappear as a result of the change in the functions of rural areas (agglomeration, resort villages etc.).
Increasing need and solvent demand for food produced with low environmental impact	Depopulation resulting from the decrease of the natural population growth and the migration of the skilled labour force, deteriorating age structure
Increasing demand for cultural heritage world-wide scale	Further reduction of the weight of agriculture in employment, which remains unbalanced by the development of the non-agricultural and other activities
Increasing demand for safe, healthy, labour intensive products and services repesenting the characteristics and traditions of certain areas, and inceasing demand for preserving values	With the increase of the immigration into urban agglomerations the geographical and settlement concentration further increases
Development of information and communication technologies would increase the business (capital) attraction capabilities of peripheral regions, the isolation decreases	Increase of featureless, general *„value crisis”* in commerce and public apprehension
According to european trends the values of characteristically rural resources (biomass), healthy living environment, and natural values are increasing	As a result of the lack of resources, the preservation of cultural values and the traditions get endangered
Increasing prevail of economic multiplicator effect of tourism by the sale of agricultural products and services in rural tourism	Further deterioration of the safety of property and public safety
Decrease of infrastructural disadvantages by accentuating environment friendly methods in EU cohesion policy	

SWOT items linking with axis 4.

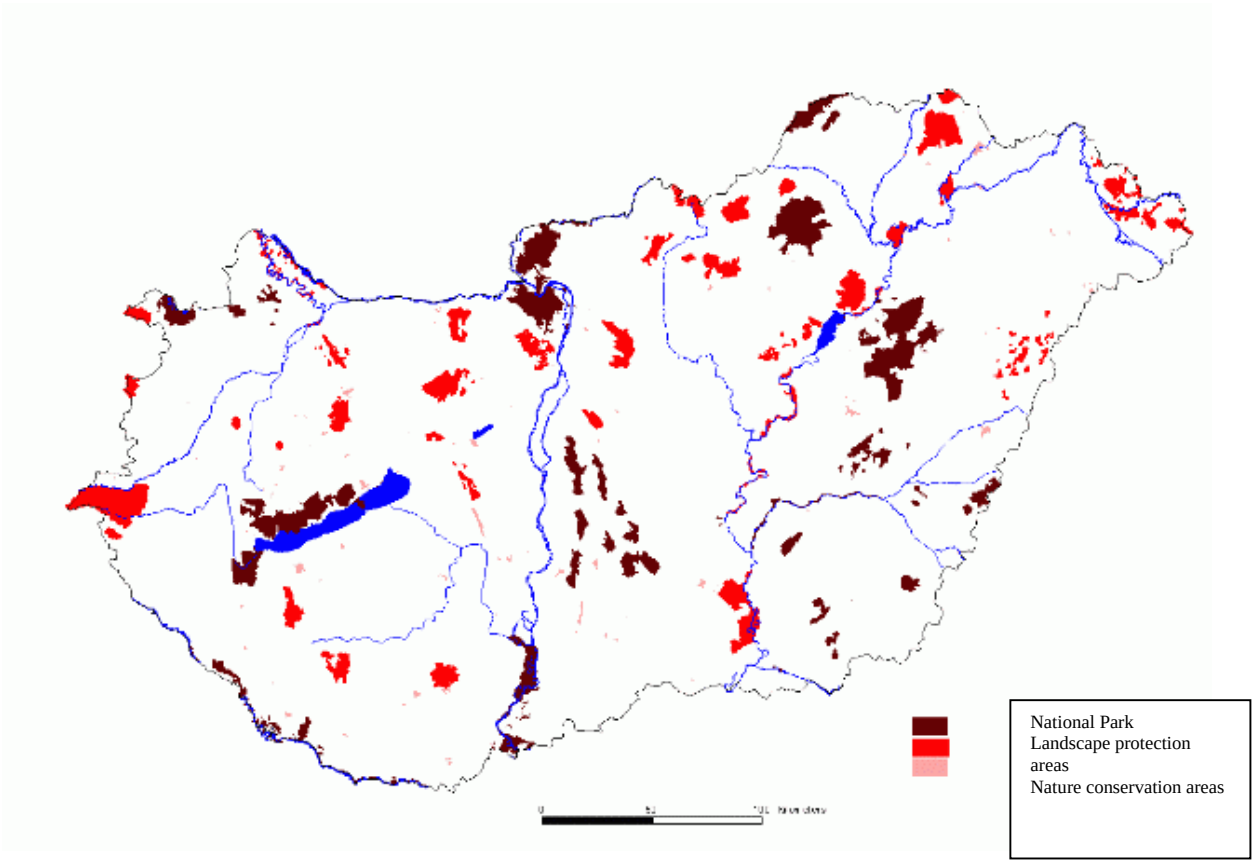
Strenghts	Weaknesses
Local experience and intention to prepare and implement sub-regional, integrated and regional development programmes. In certain regions the activity of local communities is increasing.	The capacity for entrepreneurship and innovation and the economic activity of the rural population are low
	Weak synergy between local developments, insufficient integration
	Lack of trust and internal initiation abilities
	The access to public services is difficult, the local, non-profit solutions are missing, there are large geographical and settlement disparities in the quality of the existing services
	Poor safety of property, especially in outskirt farm areas and small village areas
Opportunities	**Threaths**
Increasing need for improving regional and rural-urban relationships	Increasing segregation, further "ghettoing" of certain areas, worsening public safety
A significant ratio of the rural population is responsive to the developments based on partnerships, local resources and solutions	Further reduction of the weight of agriculture, which remains unbalanced by new economic and other activities
Development of information and communication technologies would increase the business (capital) attraction capabilities of and the access to peripheral regions	Further worsening of the access to rural settlements (roads, public transport)
An increasing regional and urban-rural integration, spreading of development projects based on partnership, local resources and solutions	Further deterioration of the safety of property and public safety

Map 1.

Physical Map of Hungary

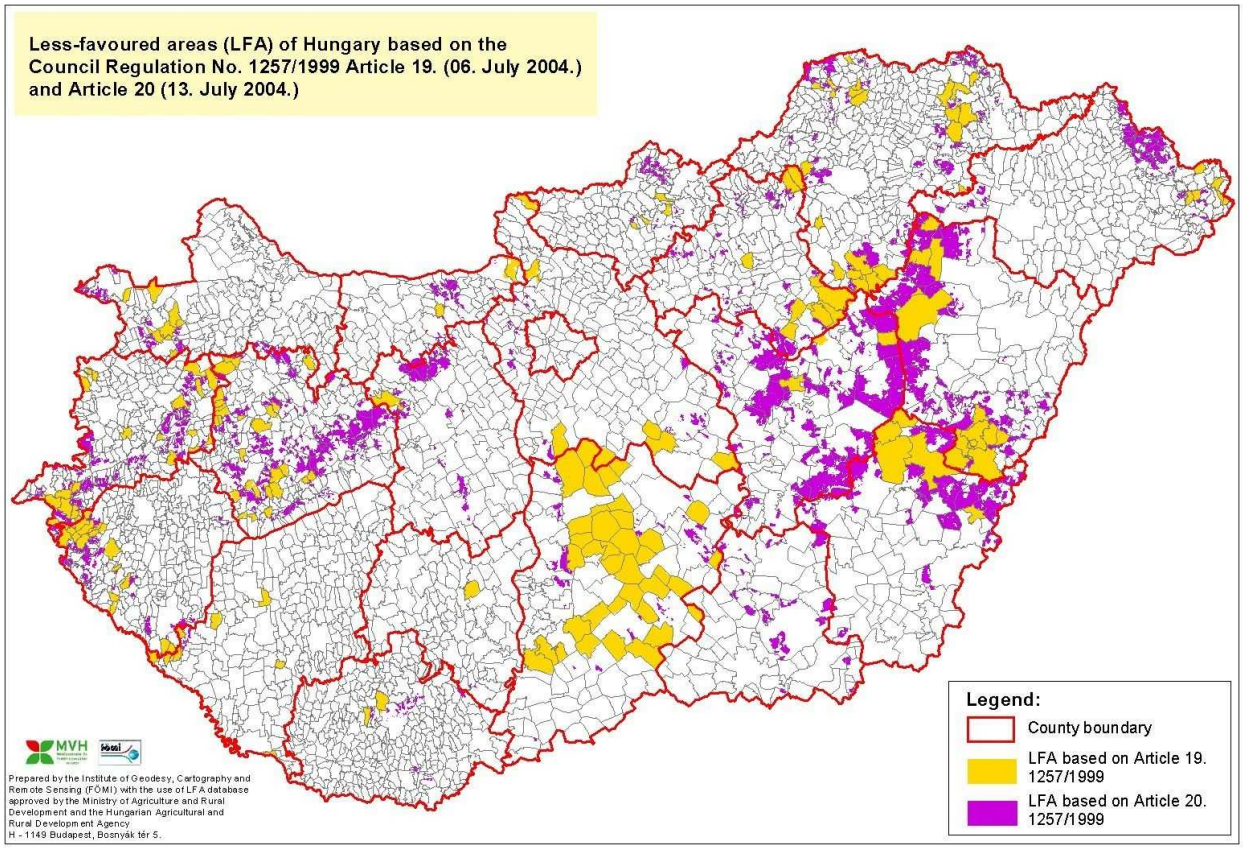
Map 2.

Territories under natural protection in Hungary



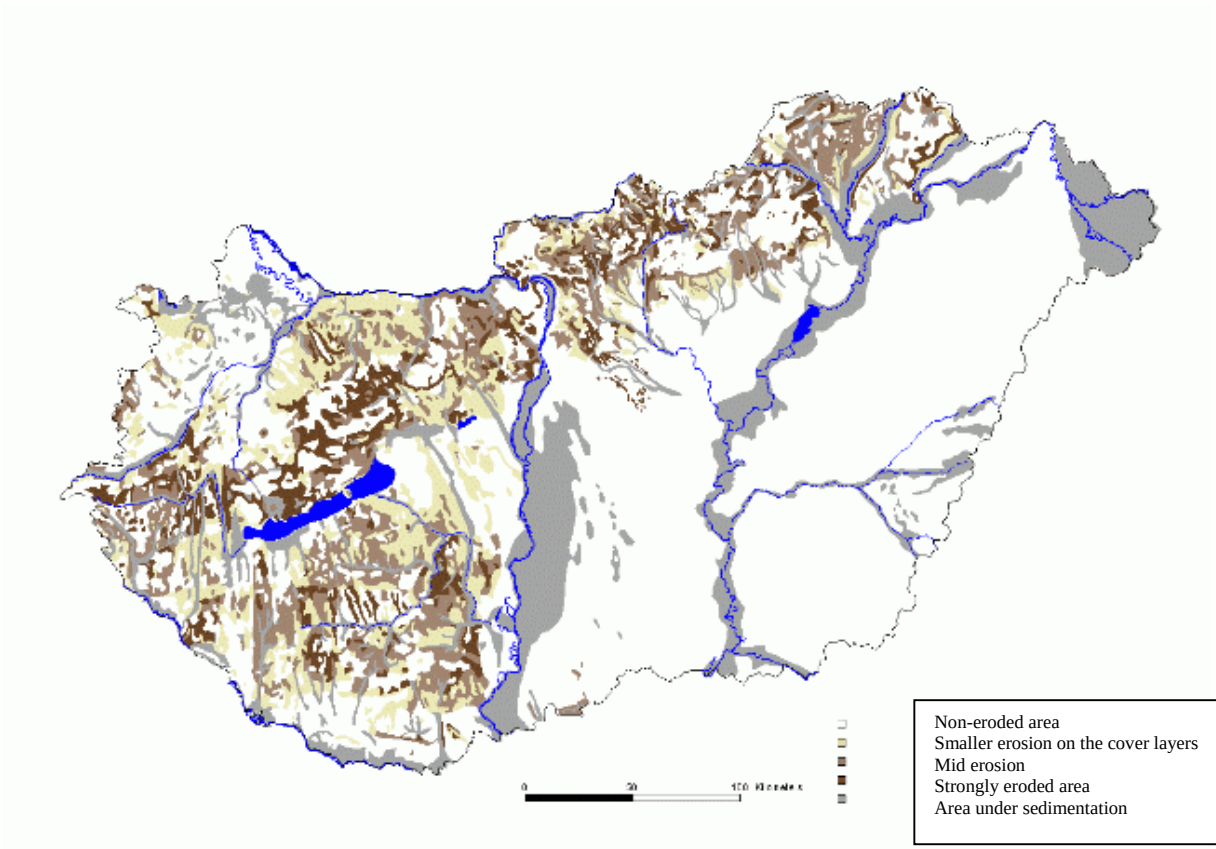
Map 3.

Less-favoured areas (LFA) of Hungary



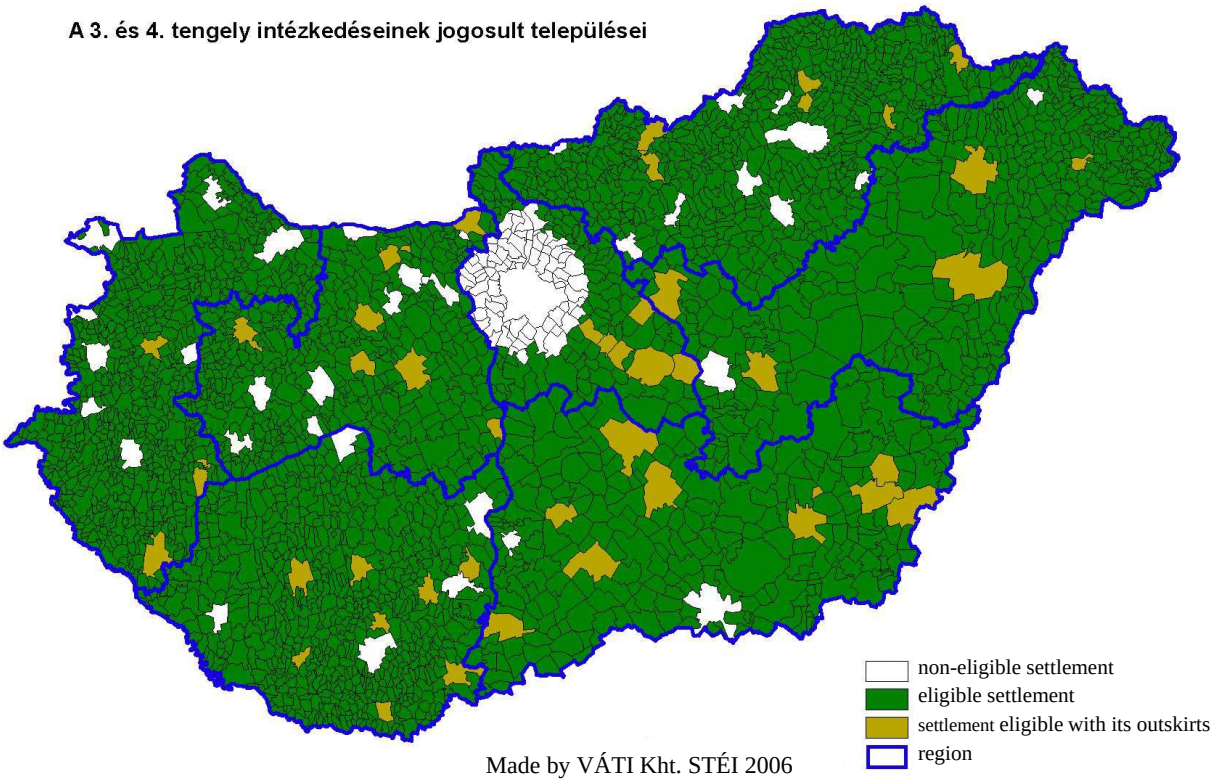
Map 4.

The erosion of soils in Hungary



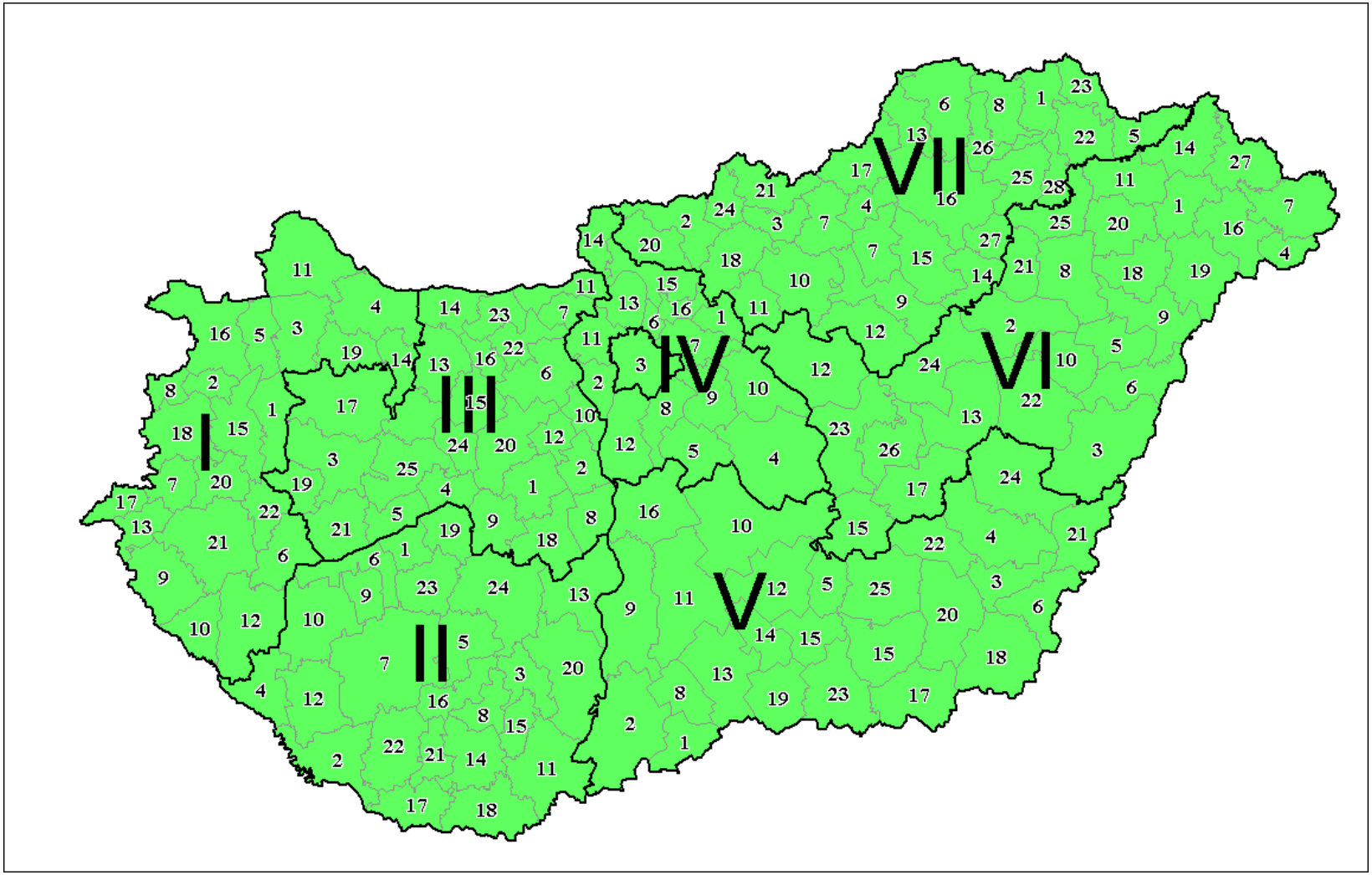
Map 5.

Eligible settlements of Axes III. and IV.



Map 6.

The regions and micro-regions of Hungary



I. Western-Transdanubia Region

Name of micro-region

1. Celldömölki
2. Csepregi
3. Csornai
4. Győri
5. Kapuvári
6. Keszthely-hévízi
7. Körmendi
8. Kőszegi
9. Lenti
10. Letenyei
11. Mosonmagyaróvári
12. Nagykanizsai
13. Őriszentpéteri
14. Pannonhalmai
15. Sárvári
16. Sopron-fertődi
17. Szentgotthárdi
18. Szombathelyi
19. Téti
20. Vasvári
21. Zalaegerszegi
22. Zalaszentgróti

II. Southern Transdanubia Region

1. Balatonföldvári
2. Barcsi
3. Bonyhádi
4. Csurgói
5. Dombóvári
6. Fonyódi
7. Kaposvári
8. Komlói
9. Lengyeltóti
10. Marcali
11. Mohácsi
12. Nagyatádi
13. Paksi
14. Pécsi
15. Pécsváradi
16. Sásdi
17. Sellyei
18. Siklósi
19. Siófoki
20. Szekszárdi
21. Szentlőrinci
22. Szigetvári
23. Tabi
24. Tamási

III. Central Transdanubia Region

1. Abai
2. Adonyi
3. Ajkai
4. Balatonalmádi
5. Balatonfüredi
6. Bicskei
7. Dorogi
8. Dunaújvárosi
9. Enyingi
10. Ercsi
11. Esztergomi
12. Gárdonyi
13. Kisbéri
14. Komáromi
15. Móri
16. Oroszlányi
17. Pápai
18. Sárbogárdi
19. Sümegi
20. Székesfehérvári
21. Tapolcai
22. Tatabányai
23. Tatai
24. Várpalotai
25. Veszprémi
26. Zirci

IV. Central Hungary Region

1. Aszódi
2. Budaörsi
3. Budapest
4. Ceglédi
5. Dabasi
6. Dunakeszi
7. Gödöllői
8. Gyáli
9. Monori
10. Nagykátai
11. Pilisvörösvári
12. Ráckevei
13. Szentendrei
14. Szobi
15. Váci
16. Veresegyházi

V. South Great Plain Region

1. Bácsalmási
2. Bajai
3. Békéscsabai
4. Békési
5. Csongrádi

6. Gyulai
7. Hódmezővásárhelyi
8. Jánoshalmai
9. Kalocsai
10. Kecskeméti
11. Kiskőrösi
12. Kiskunfélegyházai
13. Kiskunhalasi
14. Kiskunmajsai
15. Kisteleki
16. Kunszentmiklósi
17. Makói
18. Mezőkovácsházai
19. Mórahalomi
20. Orosházai
21. Sarkadi
22. Szarvasi
23. Szegedi
24. Szeghalomi
25. Szentesi

VI. North Great Plain Region

1. Baktalórántházai
2. Balmazújvárosi
3. Berettyóújfalui
4. Csengeri
5. Debreceni
6. Derecske-létavértesi
7. Fehérgyarmati
8. Hajdúböszörményi
9. Hajdúhadházi
10. Hajdúszoboszlói
11. Ibrány-Nagyhalászi
12. Jászberényi
13. Karcagi
14. Kisvárdai
15. Kunszentmártoni
16. Mátészalkai
17. Mezőtúri
18. Nagykállói
19. Nyírbátori
20. Nyíregyházai
21. Polgári
22. Püspökladányi
23. Szolnoki
24. Tiszafüredi
25. Tiszavasvári
26. Törökszentmiklósi
27. Vásárosnaményi

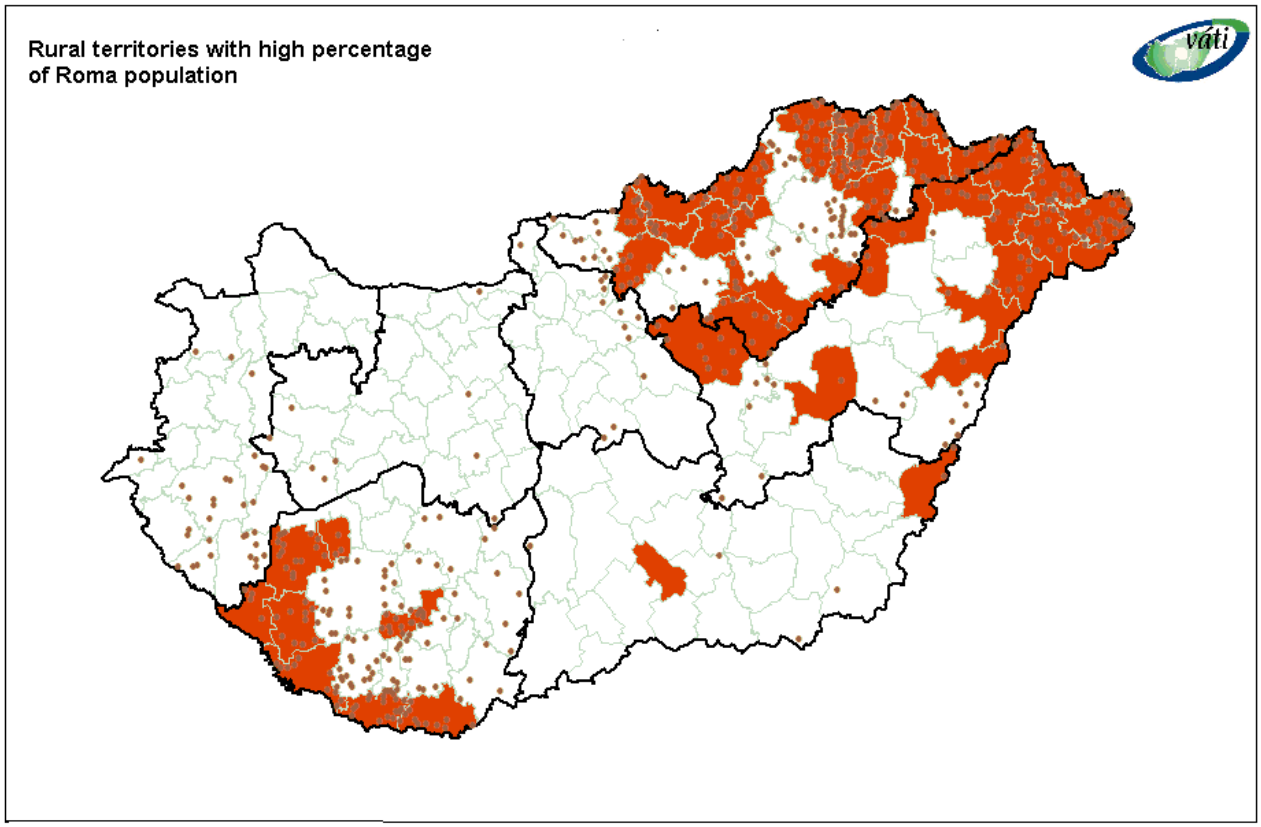
VII. North Hungary Region

1. Abaúj-hegyközi

2. Balassagyarmati
3. Bátonyterenyei
4. Bélapátfalvai
5. Bodrogközi
6. Edelényi
7. Egri
8. Encsi
9. Füzesabonyi
10. Gyöngyösi
11. Hatvani
12. Hevesi
13. Kazincbarcikai
14. Mezőcsáti
15. Mezőkövesdi
16. Miskolci
17. Ózdi
18. Pásztói
19. Pétervásárai
20. Rétsági
21. Salgótarjáni
22. Sárospataki
23. Sátoraljaújhelyi
24. Szécsényi
25. Szerencsi
26. Szikszói
27. Tiszaújvárosi
28. Tokaji

Map 7.

Rural territories with high percentage of Roma population



Map. 8.

Area covered by LEADER Action Groups