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Organic farming support and its current situation in Hungarian Land Policy***

Abstract

Organic farming is evolving worldwide, both production and consumption growing steadily. Despite the outbreak of this cultivation trend, Hungarian farmers apply only a small extent of the potential opportunities, so the agricultural government wanted to increase the size of the agricultural land in organic farming in line with the EU objectives. The National Rural Strategy for the Development of Ecological Management sets the goal for Hungary to increase the area of organic farming to 350,000 hectares by 2020. In order to achieve these goals, the status of organic farming should be studied in the Hungarian land policy system. The aim of the research is to carry out a comprehensive analysis of the consequences in the land policy resulting from the support system of organic farming. The study presents the most important rules affecting the sector and the aid for agriculture and rural development system. The current CAP runs from 2014 to 2020, so it is particularly interesting to see what changes can be expected in the post-2021 support system. The dissertation analyses the new regulation applicable after 2021 on organic farming, the Regulation 2018/848 of the European Parliament and of the Council.

Keywords: organic farming, land law, food law, Hungarian law

Land policy – with various tools such as the administering of subsidies – regulates the ownership and use of the land in ways that can serve to protect or change the existing system of tenure. ¹ The main objective of the EU's Common Agricultural Policy (CAP) is to develop a modern agricultural model,² and it strives to build a farming structure that ensures sustainable food production based on family farms and stable food supply. In terms of its impact on the environment, food production is one of the most significant burdens on our planet originating from human activities; therefore, it would be reasonable to support agricultural systems that also consider social and environmental concerns.³ In order to achieve these objectives, organic farming and sustainable food production that is less harmful to the environment and human health (from both the producer's and the consumer's side), can provide an

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¹ Kacz 2006, 35.; Ihrig 1968, 191.
² Cros 2017, 1.
³ Gul 2014, 2.
appropriate solution. Organic farming is an evolving sector worldwide, both production and consumption growing steadily. Despite the advantages of this cultivation trend, Hungarian farmers apply it only to a small extent of its potential opportunities, thus, in harmony with the EU objectives, the agricultural government wanted to increase the size of agricultural land with organic subsidies. The National Rural Strategy for the Development of Ecological Management sets the goal for Hungary to increase the area of organic farming to 350,000 hectares by 2020. In order to achieve these goals, one has to take into account the domestic situation of organic farming.

The aim of the research is to carry out a comprehensive analysis of the consequences of the farm policy resulting from the support system for organic farming. The study presents the most important rules concerning the sector and the support system of agriculture and rural development. After describing the rules, we will deal with the farm policy situation of organic farming. The current CAP cycle runs from 2014 to 2020, so it is especially important to see what changes can be expected in the post-2021 support system. The dissertation analyzes the new regulation applicable after 2021 on organic farming, Regulation 2018/848 of the European Parliament and of the Council.

1. The regulatory system of organic farming in the EU and Hungary

Organic farming is conditional on the proper application of the rules laid down in the relevant EU regulations at the stages of production, processing and marketing. The first rule for the sector was adopted in 1991 in the Union, Council Regulation (EC) No 2092/91, which was replaced by the series of legislation currently in force. Council Regulation (EC) No 834/2007 on organic production and labelling of organic products and repealing Regulation (EEC) No 2092/91 (hereafter: Regulation (EC) No 834/2007) is of the general nature of the legislation applicable from 2009 onwards. According to Article 4 of Council Regulation (EC) No 834/2007, organic farming is a specific form of agricultural production that favours local resources and natural processes against external resources and non-native materials in production. It is aimed at protecting soil fertility; consequently, the use of synthetic plant protection products, fertilizers and genetically modified organisms is prohibited. Prevention is crucial in plant protection, only those substances listed in the positive lists of EU eco-regulations can be used as a nutritional supplement and as a plant protection product. In the field, crop rotation with yearly sequences of papilionaceae

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4 Ábrahám 1986, 139.
5 Bharti 2017, 1617.
6 “The importance of eco-farming would assume that it has a decisive and growing share in land use. In contrast, in 2014 the production area of Hungary was 129,294 ha, which is 2, 4 percent of the land base.” Tanka 2018, 208.
7 Ministry of Rural Development National Action Plan for the Development of Ecological Management (2014-2020).
8 Hegyes 2013, 61.
and other green manure crops must be developed, organically produced manure must be used or in its absence non-industrial livestock manure can also be utilized. The total amount of active N applied shall not exceed 170 kg N/ha/year. In addition to trade rules, detailed rules for the implementation of Regulation (EC) No 834/2007 regarding organic production, labelling and control are laid down in Commission Regulation (EC) No 889/2008. A separate piece of legislation is Commission Regulation (EC) No 1235/2008 on imports. They are directly applicable in all EU Member States, including Hungary.

Legal harmonization of EU regulations in Hungary on the detailed rules for certification, production, marketing, labelling and control of agricultural products and foodstuffs in accordance with organic farming requirements is based on the VM Decree 34/2013. The VM Decree provides for the responsibilities and powers of the competent authority. The most important official tasks are delegated to the NFCIH, the Pest County Government Office and the district offices acting in the field of food chain safety and animal health, as well as district offices acting under the authority of plant and soil protection. The Hungarian eco-regulation derives from the food law of Hungary, XLVI of 2008. The act is based on the Food Chain and Regulatory Supervision Act. In Hungary, two organizations deal with control and certification tasks today, Biokontroll Hungária Nonprofit Kft. (HU-ÖKO-01) owned by the Hungarian Bioculture Association and Hungária Öko Garancia Ltd, a Hungarian subsidiary of the Austria Bio Garantie. All inspection bodies have their own markings to distinguish between controlled organic products in addition to the universal label within the European Union. In order to help consumer information, the EU introduced the Common Eco-label in its 2017/2009 Regulation.

This is mandatory for pre-packaged, certified organic food produced in all EU Member States. In addition to EU regulations, qualifying bodies for their objective sanctioning regulate their penalty catalogue to determine what penalties will apply in the event of non-compliance. The regulation must also be adhered to during the transition from traditional to organic farming. The changeover is 2-3 years in the case of plant cultivation and 1-2 years in animal husbandry. Only the product produced in the year following the changeover can be considered and marketed as an organic product. Compliance with the regulations from the time the contract is concluded or from the date specified in the contract is subject to a comprehensive on site review at least once a year on a pre-agreed date. Occasionally, additional announced or

9 Roszik 2013.
10 Chiarabolli 2019, 13.
11 The purpose of the eco-label is to generate a positive perception of consumers, with a similar tool for labelling the content of the negative GMO that provokes negative judgment. For analysis, see Szilágyi & Tóth 2017, 499.
12 Nébih 2019.
13 In accordance with Article 36 (1) of Regulation (EC) No 889/2008, the conversion period is:
(a) 2 consecutive years in the field of land use;
(b) 2 consecutive years for grassland use;
(c) 3 consecutive years in the case of plantation land use.
unannounced checks may occur. The audit evaluation is based on the information contained in the auditor's report, and in case all products are compliant with eco regulations and the qualifications set down by the contract, a decision is made to issue the certificate. The certification issued is for the name of the contracted partner, for the activity under its control, and for the list of all products that can be marketed with an ecological (or transition) mark. Any necessary corrective actions and deficiencies must be implemented within a specified time limit. The certificate is normally valid until the end of the following year or until the new certificate is issued.

In view of the dynamic development of the organic sector, Council Regulation (EC) No 834/2007 stated that EU rules and experiences on organic production should be reviewed. According to a review carried out by the European Commission, the EU legal framework for organic production needs to be developed to ensure that its rules meet the high expectations of consumers and are sufficiently clear to all those concerned. After a three-year phase of intense legislation, representatives of Member States have adopted an agreement on new rules for organic farming, which simplifies and harmonises the rules for organic food production. From 1 January 2021, Regulation 2018/848 of the European Parliament and of the Council on organic production and labelling of organic products and repealing Council Regulation (EC) No 834/2007 (hereinafter referred to as "2018/848 EU") shall apply. Compared to the previous regulations, the new EU Regulation 2018/848 has significantly broadened the scope of general objectives. In the future, it will be more important to maintain the long-term fertility of the soil, stimulate short sales chains, encourage local production, and preserve rare and indigenous varieties. There are major changes in the rules for farmers in third world countries. In the past (EU Regulation 2092/91), the EU recognized many third countries as having equivalent organic production rules and control systems. This way both parties evaluated each other's products according to their own rules. Under the new rule, the principle of equivalence is replaced by the principle of congruence, thus creating a level playing field for economic operators from third countries. Overall, the same rules will apply to all organic producers and products, so the eco-logo will mean the same quality guarantees across Europe. It is expected that the administrative burden will be reduced, as small farmers can choose to undergo group certification, thereby reducing their cost while facilitating their access to the eco production system.

14 Kovács B. 2013, 3.
15 § 18 (1) b) of Act CXXII of 2013 on transfer of agricultural lands (hereinafter referred to as Fftv.); § 46 (3) b) of Fftv.; Csák 2010, 20.; Olajos 2017, 105–116.
16 Council Regulation (EC) No 834/2007 (9).
17 Olajos & Szilágyi 2015, 71–82.
18 Szabó 2018.
2. Support system for organic farming

In Hungary, the profitability of farmers' production depends to a large extent on EU agricultural and rural development subsidies. In short and medium term, changes in the aid policy will have significant impact on the production structure, which will eventually lead to changes in ownership. The support system is based on the regulations formed by multiannual financial framework adopted by the Council in accordance with the European Parliament. They set the ceilings of the annual general budget with legally binding commitments for the EU as a whole and for the different areas of activity separately. The current EU agricultural support system has evolved as a result of a long reform process: production and product-related support to increase production are replaced by direct support, removed from the production and the product, to ensure the livelihood of the producer. The latest reform of the CAP was formally adopted by the European Parliament and the Council of Ministers of Agriculture at the Agriculture and Fisheries Council in 2013 with the adoption of the four basic regulations defining the framework for the CAP up to 2020. These are Regulation (EU) No 1307/2013 on direct aids, Regulation (EU) No 1308/2013 on the single market organization, Regulation (EU) No 1305/2013 on rural development and the so-called 'Single Market Act', Regulation (EU) No 1303/2013 on Horizontal Financial Funds. For Hungary, the most significant source of funding – EUR 12.3 bn for the 2014-2020 financial period – is provided by the EAGF and EAFRD framework of the CAP. The Common Agricultural Policy support system is able to influence agricultural land use by means of compulsory payments in cases of compliance and by payments made to farmers on a voluntary basis. The application of the Rural Development Program to support the transition to organic farming and the maintenance of organic farming is a voluntary payment system in which the participants undertake to carry out additional activities during their management in order to achieve the objectives of organic farming. The support is conditional on the continuation of farming in accordance with the certification requirements for organic farming during the 5-year commitment period, both in the areas under conversion and in conversion. Measures to support organic production, financially supported by Regulation (EU) No 1307/2013 of the European Parliament and of the Council, have become the pillar of rural development following the CAP reforms. An important feature of the current domestic system is that, unlike in the previous period, support for organic farming is separated from the agri-environment program (AKG),

19 “Profitability of organic farming is decreasing across Europe, without subsidies in Hungary – according to model calculations in 2007 – not profitable.” Alvincz & Koltai 2009, 156.

20 Biró 2019, 4.

21 Somai 2014, 9.

22 Kanyó 2018, 5.

23 Olajos 2006, 3–22; Olajos & Raisz 2010, 39-56; Tanka 2008, 14–2; Szilágyi et al. 2017, 160–180.

24 The legislative framework is provided by the rural development policy established by Regulation (EU) No 1305/2013 of the European Parliament and of the Council (2).
the two programs being clearly identified as two distinct measures. The most recent tender for transition to organic farming, VP4-11.1.-11.2.-18, was launched in 2018. The commitment period for organic farming lasts from 2019 to 2023. The aid is limited to holdings registered in and subjected to the accredited inspection system, during the entire period of the five-year commitment, on their arable, plantation and grassland areas used in accordance with legal regulations.\textsuperscript{25} With the help of the support, some 2200 farmers will be able to carry out organic farming using a total amount of HUF 64.38 billion in a total of 122,798 ha.\textsuperscript{26}

| Cultivation Branch | Changeover Support (Euro/ha/year) | Maintenance Allowance (EUR/ha/year) |
|--------------------|----------------------------------|------------------------------------|
| plow               | 242                              | 172                                |
| vegetables         | 516                              | 366                                |
| apples             | 1,040                            | 802                                |
| grape              | 873                              | 674                                |
| other fruits       | 734                              | 568                                |
| grassland          | 147                              | 147                                |

Table 1: Support amounts by cultivation branches\textsuperscript{27}

3. The position of the sector in the domestic property policy with regards to subsidies

In the European Union, property policy is a national competence,\textsuperscript{28} but in parallel with support policies, "deggressivity", i.e. decreasing support in proportion to increasing land sizes, has been introduced. Despite the fact that in many cases the compensation is differentiated over a certain size of the farm, the rate of organic farming aid is always 100%. According to Alvincz, "there is no significant difference in the size of the holding in the case of ecological or conventional types of farming", because more extensive farming is characteristic of a significant part of organic farms, which induces a larger farm size in order to make the profit-making capacity similar to that of intensive farming.\textsuperscript{29} However, the opposite is also true, as more than 90% of organic farmers are farming less than 300 hectares.\textsuperscript{30} Therefore, in line with the Hungarian government's agricultural and rural development policy,\textsuperscript{31} which mainly

\textsuperscript{25} Agrotrend.hu 2018.
\textsuperscript{26} Kanyó 2018, 21.
\textsuperscript{27} Agrotrend.hu 2018.
\textsuperscript{28} Especially applicable principles should be respected by all Member States. These are the free movement of capital, according to which EU citizens or businesses should not be prohibited from buying agricultural land in the EU Member States may not impose stricter conditions on its customers than its own nationals. Biró 2010, 27.
\textsuperscript{29} Alvincz & Koltai 2009, 156.
\textsuperscript{30} Haraszthzy 2013, 5
\textsuperscript{31} In addition, organic farming serves the government's agricultural and rural policy goals by increasing the need for manual labor due to more moderate use of chemicals and thereby
relies on small and medium-sized family farms,\textsuperscript{32} and recognizing the need to increase the area of organic farming in the cases of organic farming support the government did not introduce degression.\textsuperscript{33}

Figure 1: Size of controlled ecological areas in Hungary 2005-2017\textsuperscript{34}

In Hungary, thanks to the support of the National Agri-environmental Program, the areas under organic farming have increased significantly from 1995 to 2004. However, after 2004, in contrast to the neighbouring countries, both in the size of the area under control and in the number of controlled economic operators, the number of such holdings stopped growing and even decreased. This is associated with a significant reduction in support.\textsuperscript{35} In 2009, because of rising subsidies, the number of ecological areas and businesses started to grow again, signalling the sector's high dependency on aid. Based on the year 2016, the results of the measure supporting organic farming financed by the Rural Development Program in the autumn of 2015 are apparent. In Hungary, controlled organic farming went on 186,322 hectares in 2016. Based on the Farm Structure Survey 2016, nearly half a million agricultural enterprises, 9 thousand economic organizations and about 416 thousand private farms have been engaged in agricultural activity in our country, of which the share of organic farmers did not reach 1%. In 2017, there were 3642 registered organic farmers in Hungarian agriculture and nearly 200,000 hectares of land involved in organic farming registered 4% of total agricultural land use.\textsuperscript{36}

\textsuperscript{32} kormany.hu 2018.
\textsuperscript{33} Mezei 2018.
\textsuperscript{34} KSH 2019.
\textsuperscript{35} Szabó et al. 2003, 26.
\textsuperscript{36} Olajos 2018, 190–201.
In light of the above, analysts suggest that by the end of the decade, environmentally conscious (ecological) production could be on 350,000 hectares or 6-7 per cent of the total agricultural area.\(^3\)

4. Final Thoughts

Although the EU does not prescribe a Community property policy, it is able to influence land use and land developments by regulating agricultural subsidies. In addition to production, agriculture has to assume environmental, social and employment tasks, therefore it is necessary to keep examining how it is possible to better coordinate aid policy and landscape protection tools. The mutual objective of CAP and our domestic agricultural and rural policy is the management of social and environmental aspects, which, supported significantly, is accompanied by an increase in the size of organic farming areas in Hungary. Due to the sector's regulatory and support system, a positive trend has begun and Regulation 2018/848 of the European Parliament and the Council is expected to induce upgrading in the position of organic farming after 2020.

\(^3\) Agrotrend.hu 2018.
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