

Finding new development opportunities in rural areas: the case of Somogy in Hungary

Somogy is one of 18 NUTS 3 regions that were studied in depth by the European Network for Rural Development (EN RD) Thematic Working Group No 2 "Agriculture and the wider rural economy". The main purpose of the exercise was to identify and describe the relationships and potential synergies between agriculture and the wider rural economy, with specific focus on the actions supported in the framework of the rural development programmes.



The Somogy county is located in South-West Hungary, and is characterised by economic diversity. The areas close to Lake Balaton, which is one of the major tourist attractions of Hungary, and those neighbouring the main city of the county Kaposvár are more developed, while the Southern areas are generally lagging-behind. The county is facing some serious difficulties, and has not yet overcome many of the problems that evolved since Hungary's transition into a market economy. If used efficiently, the rural development programme could help significantly to overcome such difficulties.

The characteristics of Somogy county

Somogy is the fifth largest county of Hungary. The natural environment is characterised by small hills; 40% of its area is highly rugged with rivers and streams, whereas 60% are larger plains and offer great opportunities for agricultural production. The county has invaluable natural resources, a rich fauna (suitable for hunting and fishing), woods and herbal plants. This wealth in environmental resources could contribute significantly to the region's future development.

The various micro-regions within the county are characterised by different levels of economic development. They range from dynamic, developing, catching-up, stagnant to lagging behind regions. Generally, the county's economy is under-developed when compared to the national average. Somogy is among the least developed counties based on its GDP per capita (17th out of the 19 counties in Hungary).

Some, 6% of the county's population is involved in farming, while approximately 80% of the adult population has some kind of links to the agricultural sector. Half of the agricultural producers produce for own consumption, 35% sell produce that is beyond its own consumption, and 15% produces for sale.

The regional net earnings are some 17% lower than the national average, the former being some €383 per month, the latter €460 (Central Statistic Office in Hungary - KSH, 2010).

The main agricultural products of Somogy include cereals, corn, sunflower and rape. The traditionally cultivated tobacco, sugar beet and potato are grown less and less due to sales difficulties. Furthermore, animal husbandry is also showing a quickly declining trend, especially as far as cow and sheep breeding are concerned.

Problems and ways forward

Somogy is facing some serious problems that are hampering its development. Some of these can be better understood in the light of the recent development of Hungary's agricultural land and farm structure. Privatisation of the agricultural land during the transition process from a centrally planned to a market economy resulted in a highly fragmented land structure. Many of the local farmers do not possess a large enough land to carry out agricultural activities in a competitive way. Therefore, many of these landowners (as well as those who do not live in the area) often lease their lands. The leasing system has dominated Hungary's agricultural property structure to date.

'Civil society, due to commonly known and unique national factors, exists almost exclusively at the level of statistics. [...] The local society has no interest articulation capacity and its negotiation capacity is negligible, which makes the region highly vulnerable.' (In the 24th hour, Koppányvölgy, Leader Somogy)

Generally, small landowners do not have sufficient equipment and storage capacity to carry out their activities independently, and therefore have become highly dependent on larger farms and companies. This situation is further aggravated by the general lack of social cohesion and cooperation structures among local farmers, despite the creation of a number of 'Procurement and Sales Partnerships' (BÉSZ) and 'Partnership of Production and Sales' (TÉSZ). In many cases, small farm holders have limited (or

no) options to sell their products, and live in uncertainty due to the lack of long term-contracts.

With the exception of very few large processing firms (mostly owned by non-nationals) and a couple of medium to small-size ones, the processing industry (e.g. former meat and sugar processing) has gone bankrupted. Therefore, most raw food products leave the county unprocessed. At the same time, processing firms still operating at the local level often buy their raw products from nearby regions, rather than from local producers.

Another tension has evolved around the issue of ownership of agricultural land by foreigners. There has been a fear that individuals and companies within the EU will take advantage of the low prices of land and will buy up relatively cheap farmland and housing. Buying land with speculative purposes has been an issue to date and is reflected in the planned request of the Hungarian government to the EU to extend the moratorium on agricultural land sale to foreigners (the current moratorium expiring in 2011).

Ageing and depopulation (outmigration of young people) as well as the lack of qualified people and long term unemployment are serious problems in almost all micro-regions of Hungary, including those in Somogy.

In recent years, there have been concerns with regard to the quality of environment and in particular as far as water quality, soil erosion and state of forests are concerned. Inappropriate agricultural production methods are often the cause of environmental damage, such as soil erosion which is a particular problem in Somogy due to inappropriate farming methods in arable farming.

'The inappropriate and intensive agricultural production methods [...] play a predominant role in the county's soil erosion.' (Revision of Somogy County's Environmental Programme, 2009)

The Rural Development Programme (RDP) in Hungary could help to alleviate many of the problems currently faced by Somogy. Among others, measures within axes 1 and 2 could help to overcome difficulties that producers are facing today, for instance the lack of modern agricultural technology and machinery, and environmental problems caused by intensive farming. Furthermore, if used efficiently building on local initiatives and needs, axes 3 and 4 support could help to make local areas more attractive to live. Some successful project examples demonstrate these opportunities.



Environment-friendly free-range sheep breeding

The sheep farm of Artur Horn and his family is a very good example of livestock farming that takes full account of the ecological diversity and conditions of the local area. The project is supported by measure 214, the main aim of which is to contribute to the sustainable use of agricultural land, and it shows how local producers can operate farms in an environment-friendly and sustainable manner. Artur, a game manager and professor at Kaposvár University, started farming as a second job in 1993, when he set up a free-range pig farm. In 1995, he turned to red deer farming, and in 1996 he bought 60 merino sheep. For economical reasons he stopped deer farming in 2007, and gradually increased his flock of sheep. Currently he is breeding some 200 (mother) sheep and 30 moufflons.

The farming methods applied by Artur are highly innovative in the local context. People are generally sceptical about such methods, and concerned about breeding animals without a stable (i.e. in the open air) during the whole year, as well as about property safety issues (free-range animals are said to be at a higher risk of being appropriated). *“When concerns are raised about keeping sheep outside during the whole year – says Artur, – I always say that God created sheep in a clever way. Its wool coat is warm and a good thermal insulator so protects it from the wind and cold, and people also use sheepskin to protect against rain, and this is for a reason. It’s true that there are some ten days in a year when I wouldn’t even keep my dog outside, but normally this doesn’t cause much harm to my sheep. Generally, I’m more concerned about the hot weather.”*

The project is carried out in a highly environment-friendly way. The farmer does not use any chemicals, fertilisers or artificial feed, which is good for the soil, local waters (small stream and lake and reservoirs) and plants. Furthermore, animal husbandry is fully compatible with the grassland conditions, as the soil quality is unsuitable for arable farming.

Artur managed to overcome the difficulties often faced by local farmers in Somogy. He has found a simple but innovative way to operate his farm without expensive equipment or the need to employ people. Compared to traditional sheep farming, this method has a very low labour-intensity,



since the animals 'serve themselves' led by their instincts.

Other than its environmental returns, the project has a number of further positive features. Animal husbandry is a declining sector in the region, and therefore the project contributes to agricultural diversity. Furthermore, agri-environment payments helped the farm to become self-sustainable, and this way ensures jobs and living for the whole family. *"For a while, I was a bit worried that there will be no one in my family to take over the farm. However, my daughters and their partners live in the farm now and it seems that some of them are keen to stay and continue working on the farm. It doesn't matter what type of animal they will want to breed, but rather that they keep the family land and continue on"* - says Artur

Somogy county has strong potential for alternative energy production. However, the current use of biomass for energy purposes is only approximately 3%. The agricultural sector could potentially produce some five times more energy than it consumes in the form of bioenergy. Best potentials lie in cereal-based ethanol fuel and rape-based biodiesel. The biogas plant set up through rural development support in Kaposzsekcső, at the very border of Somogy, offers a good example for biogas development opportunities in the region. The project is supported under the heading 'Modernisation of agricultural holdings (livestock farms)' (measure 121).



New Biogas Plant in Kaposzsekcső

The project aimed at making better use of agricultural by-products in bioenergy production, through building a biogas plant primarily based on solid and liquid manure. In the framework of the project a biogas plant was built in the Kaposzsekcsői Business Park, in an area of 1.7 hectares. The promoter company (Kaposzsekcsői Mg. Zrt) is growing 400 cattle and 400 sows. Biogas is produced in three fermenters. The project received support under measure 121 (modernisation of agricultural holdings) of the rural development programme.

The project promoter wanted to orient its activities towards a new area and they were actively searching for new opportunities to complement their existing activities in livestock farming. This has become especially eminent in the light of sales difficulties in the animal husbandry sector. The main link established by the project is between animal husbandry and bioenergy production (energy industry). However, the new plant also contributes to the financial viability of animal husbandry, and hence to the sustainability of food processing. The beneficiary primarily sells its products to local food processing firms and markets. Adjacent to the Biogas Plant, Agrár-Béta Agricultural Company is planning to set up a bioethanol plant. The by-product of bioethanol production will be used as a raw material in the biogas plant, at the same time the bioethanol plant will use the waste heat produced by the biogas plant.

The project has been innovative in the local context, as it is the first biogas plant in the South-Transdanubian Region. The promoter was inexperienced in the field and started the project with an entrepreneurial



spirit, hoping to find new income sources for their agricultural company. *"Twenty years ago, when someone came up to me with the idea to set up a similar plant, I straight said 'no' – says József Gál, financial manager of the company. – However, we have been facing difficulties in the animal husbandry sector in the past years and the land here is not of the best quality, so we can not switch to arable farming. We had to make a move and be receptive to new ideas if we wanted to survive."*

The added value of the rural development funds & lessons learnt

Somogy is facing some serious problems (such as ageing and depopulation, declining of the traditional agricultural sectors, lack of processing industry, and environmental problems) and the RDP has much to offer to eliminate these. There have been a number of successful projects supported through EAFRD (European Agricultural Fund for Rural Development) that point into this direction.

However, local and national stakeholders raised serious concerns in the current programming period (2007-2013) with regard to the inappropriate management and use of the funds. Among others, the programme management has been criticised for being over-centralised (in particular in axes 3 and 4) leaving no real say for Local Action Groups and other local stakeholders in elaborating and implementing their strategies. Furthermore, Axes 1 and 2 funds are seen to be strongly biased towards larger (already better-off) farms.

The development of local areas is only possible through the engagement and active involvement of local people. Making the area more attractive for young people, capacity-building and reviving of local cooperation structures are essential pre-condition for successful rural development and diversification. Local people need to see that they have a say in shaping the future of their local areas. Bottom-up rural development approaches, such as the Leader approach, would have much to offer in this respect.

Somogy has some strong bases for development (such as its rich natural environment, tourism and bio-energy production potentials), and future rural development programmes need to better explore these. Stakeholders of rural development in Hungary have accumulated much experience over the years of the current programming period with regard to the management and operation of the rural development programme. Future programmes have the task to eliminate previous 'mistakes' as far as possible and turn rural development funds to the full benefit of the region and the country.