

Status-quo analysis (WP3)

National report Hungary (D3.2)



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Encouraging Collective Farmers Marketing Initiatives (COFAMI)

Background and objectives

- Collective action by farmers has played an important role in the history of European agriculture and rural development. During the 20th century the joint actions of farmers in many EU countries gave rise to the foundation of agricultural marketing co-operatives, resulting in better market access, increased farm incomes and regional employment. More recently farmer collectives have made an important contribution to the spread of sustainable production methods.
- Now European agriculture is facing a range of new challenges. Farmers have gradually lost control over supply chains, due to the growing power of retailers, and are also confronted with a general decline and reorientation of policy support. At the same time, there is a need to respond to changing consumer demands for food safety, quality and an attractive countryside. Again, collective action may help in finding appropriate answers for these new challenges.
- Against this background the COFAMI project studies the potential role of collective farmers' marketing initiatives (COFAMIs) in finding adequate responses to changing market and policy conditions. More specifically it aims to identify the social, economic, cultural and political factors that limit or enable the development of such initiatives. The project also seeks to identify viable strategies and support measures to enhance the performance of collective farmers' marketing initiatives.

Steps in the research

- At the start of the research a conceptual framework for the study of COFAMIs will be developed. A review of relevant scientific literature and a 'quick-scan' of 8 previous EU research projects which included COFAMI cases will provide the basis for this.
- For each study country a status-quo analysis of collective marketing initiatives and relevant contextual factors will be made. This involves an overview of existing COFAMIs, their aims, organisational forms and strategies, relations with other supply chain partners, and relevant market and policy environments.
- A series of 18 in-depth case studies of different types of COFAMIs will be conducted. These will provide more detailed insights into the influence of different factors that limit and enable the development, performance and continuity of COFAMIs. The performance of initiatives in terms of social, economic and environmental impacts will also be assessed.
- In the synthesis the results of these different research activities will be integrated into general conclusions about the relative importance of various limiting and enabling factors for different types of COFAMIs. Support strategies for COFAMIs and measures to improve their performance and dissemination will also be formulated.

Project results and consultation

Participatory methods and stakeholder consultation will play a key role in all stages of the project, to ensure that research outcomes are grounded in field experiences and policy debates. A National Stakeholder Forum will be established in each participating country. In addition a European-level expert group of scientific and field experts will be formed to broaden geographical coverage beyond the 10 countries represented in the project.

The research will provide farmer groups, support organisations and government agencies with insights into different collective marketing strategies, their success and failure factors, and suggestions of measures that support COFAMIs. Additionally, the project will contribute to scientific and policy debates on the role of farmers' initiatives and new supply chain arrangements in promoting sustainable rural development and the supply of safe and quality food.

All project results will be made available through the project website www.cofami.org

Project partners

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Contents

CONTENTS	4
1. INTRODUCTION	5
2. GENERAL DESCRIPTION OF THE IMPORTANCE OF COLLECTIVE FARMERS' MARKETING IN HUNGARY	6
2.1. HISTORICAL CONTEXT	6
2.2. PRESENT SITUATION AND TRENDS: GENERAL CONFIGURATION OF COLLECTIVE FARMERS' MARKETING	9
2.3. CONCLUSIONS	12
3. CHARACTERISATION OF THE MAIN FORMS OF COLLECTIVE FARMERS' MARKETING IN HUNGARY	13
3.1. DIFFERENT FORMS OF COLLECTIVE FARMERS' MARKETING.....	13
3.2. INDIVIDUAL CHARACTERISATION OF EACH 'MAIN' FORM.....	14
3.2.1. <i>The group of giants: The integrators</i>	14
3.2.2. <i>EU conform producers' co-operations</i>	19
3.2.3. <i>Alternative bottom-up co-operations</i>	24
3.3. CONCLUSIONS ON THE IDENTIFIED DIFFERENT MAIN FORMS.....	27
3.4. THE IMPORTANCE OF SOME BROAD FORMS OF COFAMIS IN HUNGARY.....	28
4. CONTEXTUAL FACTORS THAT EFFECT THE EMERGENCE AND PERFORMANCE OF COFAMIS	29
4.1. DESCRIPTION OF THE DIFFERENT CONTEXTUAL FACTORS.....	29
4.1.1. <i>Political and institutional factors</i>	29
4.1.2. <i>Economic and market factors</i>	31
4.1.3. <i>Technical and Knowledge factors</i>	34
4.1.4. <i>Social and cultural factors</i>	36
4.1.5. <i>Geographical factors</i>	38
5. SUMMARY OF THE MAIN POINTS OF THE COUNTRY REPORT ..	41
REFERENCES	43

1. Introduction

The cooperation and collective action of farmers has been a very important element of the European agriculture and rural development both decades ago and now. As the members of the COFAMI research team agreed, such initiatives help the farmers to reach better market position, improve rural employment and the spread of sustainable production methods.

In our country report we emphasize the most important characteristics of the Hungarian agriculture and rural areas, the existing examples of COFAMIs and other organizations, which have more or less similar role in the Hungarian agriculture. The presented organizations are examples on how the different actors are trying to answer the challenges of the rapidly changing economic and social environment. In the last chapter, we present the most relevant enabling and limiting factors of COFAMIs.

In our report we argue that the Hungarian agriculture has a dual structure. Before World War II. large estates producing for the Hungarian and international market were characteristic, but there were a lot of small farms also that produced mainly for self-provisioning. After the collectivization in the sixties, big state farms, cooperatives and small-scale, croft farms were typical in Hungary. Today big private farms, medium size enterprises and small family farms for self-provisioning still exist, although their interests and possibilities are different, which is a very important factor of establishing and developing COFAMIs.

In the third chapter we present the current situation of farmers' co-operations, which can be characterized by three main types of initiatives: (1) new types of co-operatives and enterprises that are EU conform and mainly encouraged by state and EU support, (2) big integrator organizations usually built on former state co-operatives (both vertical and horizontal), (3) alternative types of bottom-up initiatives with the original aim of collective producing and marketing.

Overviewing the limiting and enabling factors of COFAMIs the participants of the National Stakeholder Forum emphasized the problems of professional education, the difficulties in obtaining financial sources, and the importance of studying foreign examples. The participants underlined also that there is a contradiction between the democratic and participative decision-making processes of COFAMIs and cooperatives, and the centralized decision-making processes that are more fruitful in the competitive economic environment.

2. General description of the importance of collective farmers' marketing in Hungary

2.1. Historical context

The Hungarian agriculture, rural society and rural economy have a dual structure, which causes a latent conflict till now among industrialized agriculture and rural development. The virtual conflict is between market driven arable crop production, and the aims of endogenous rural development and small scale farming for local markets and self-provisioning. Collective farmers' marketing initiatives has very few traditions in Hungary, as we will present. Large estates cannot offer enough jobs for the local inhabitants, whilst local activities are difficult to be marketed.

Before World War II big farms – large estates – were characteristic in Hungary, although on some parts there were also independent peasant-farms. The conflict caused by the concentration of land property, land-use and the (rural) poverty has been characterising rural Hungary for the whole period. Almost half of the rural people had no more land then the piece on which their house were, so they had to sell their working-force, but on the large-estates they could work only during the summer. Also the industry could not give them work. The main aim of their farming activity was self-provisioning if it was possible, and they sold only the rest of their products on the (local) market. These farms were not connected to the national or international markets.

After World War II the large-estates (and the estates of the Churches) were given partly to the land-less, according to the Law IX./1946 (Valuch 2001; 190). The socialist type collectives were established in two waves: the first wave of collectivisation was in the fifties, when mainly the poor new land owners – without enough land to live on it – joined, and the peasant farm owners rejected it. In the sixties, in the period of the so-called second wave of collectivization also the former farm owners were forced to join the collectives. Self-provisioning or croft-farming remained important, or gained again major role in agriculture, parallel to collectivisation. It had its tradition also from the large-estates, where the workers got a part of their earning this way, but the new economic and agricultural situation also made it necessary to allow croft farming. Despite the quick industrialization, the towns and new factories could not absorb (?) the free rural labour force, whilst the production of the new agricultural collectives was uncertain, and in the rural areas the purveyance was unsatisfactory

even in the early seventies (Kováč, 1988). The main goal of croft farming was to use the labour-force of the family, which also reduced the number of jobless. Since the seventies, croft farming was allowed not only for the members of the collectives. Also from this time, market became more and more important for the farmers, although their bargaining position was very poor. As there was no market-economy, most of the croft-farms could not become real enterprises but remained part-time farms for self-provisioning. They were typical examples of the so-called second economy, which provided additional income and a higher standard of living.

According to researches in the eighties on social stratification of rural Hungary (Kováč et al.; 1988), there were six types of small-scale or croft farming. The traditional croft-farms for self-provisioning had a many kinds of products, they do not use economic calculation, and although they sell the rest of their products they are also changing products with each other. The free time or leisure croft-farms are also for self-provisioning, here the owners are townsmen and rational economic calculation is very typical for them, even if they do not sell anything on the market. They are usually producing vegetables, fruits or wine. The peasant type croft-farms are similar to the traditional self-provisioning farms; the difference is that peasant farms are producing for the market. Although they make some kind of calculation, it is embedded in the local traditions; it is not an economically rational calculation, they also do not count the cost of their own labour force. They have a very diverse product structure, which protects them from the sudden policy or market changes. That is the reason why these farms are not merged with other big agricultural companies.

The so-called integrated semi-enterprises are usually keeping animals. The most labour-intensive part of the production is going on in the farm, and the integrator buys the ready products, the animals. Because of the strong integration, there is no real entrepreneurial spirit and gain.

The integrated enterprises are also specialized. The integrator supplies them with raw materials (seeds, pesticides, machinery, sometimes animals), and also the integrator is responsible for the marketing. The farmer is organizing the production and takes all the risks of it: the farmer has to buy the inputs from the integrator, and has to sell the ready products for the same company.

The market-driven farm enterprises are organizing their production and their marketing. In this last two types farming is a full-time activity. These types were surviving the changes of the regime sometimes with minor modifications.

The socialist type collectives change much more. The privatisation and the decrease of employment was the fastest in agriculture. In 1993, the Law on Collectives (1992/I) and the Laws on Compensation (1991/XXV; 1992/XXIV; 1992/XXXII) created the basis for restructuring agriculture. According to the research of the Hungarian Central Statistical Office (CSO) and the IPS-HAS in 1997, the transformation of the collectives resulted the following four types:

- About half of them split up one bigger and several smaller companies, but the bigger could continue farming.
- 17% of the socialist type collectives became enterprises. From a certain point of view, this was the most successful way of transformation. They lost only 23% of their previous land, but employ only 41% of their previous employees.
- 30% of the collectives split up several small companies – it was a possibility to avoid bankruptcy.
- 7,4% of the collectives did not go bankrupt, but because of their loans, they could not continue farming.

About one million and six hundred thousand households (46-47% of all households) are involved to some extent in agriculture, but only around 440.000 farms produce for the market (Countryside 2005 database, IPS HAS). There are 6902 agricultural enterprises (average farm size: 233 hectare), and 708.383 private holdings – family farms (average farm size: 2,1 hectare). The non-market-driven farms are producing for self-provisioning. In the last decade the production of commodity farms has decreased, and there has also been a slight concentration of cultivated land.

The decline of the Hungarian agriculture slowed in the mid-nineties, as Juhász and Mohácsi argue in their article (1996). According to them, in 1995 the food processing industry and large wholesalers could invest in agricultural subcontracting and in integration, which had long traditions. It was very fruitful for both subcontractor companies and farmers. Subcontractors forced the farmers to farm more precisely, to learn new methods, and they ensured a better market, gave them loan and credit and the possibility to grow bigger.

In the case of horticulture, bigger agricultural entrepreneurs were organizing producers' groups of farmers (often without official forms). Already in the late eighties integrated semi-enterprises and enterprises were among the most successful farms, and also in the nineties such forms of farming proved to be profitable. They had a quite good market, and received definite technological instructions. Smaller farmers could not get a loan, because their only

valuable property was their land, and private companies are not allowed (except for a short period) to own agricultural land. Although it seems to protect the small-scale farmers, this law (Law on Land 1994/LV.) helped the emergence of the subcontractor/integrator companies, as they did not have to compete with foreign farmers (because foreigners are not allowed to buy agricultural land), and only they were big enough and reliable for the banks and big industrial companies of agriculture (producers of machinery, seed, pesticide, and other chemicals) to contract with. Subcontractors and integrators have a special role also in marketing. Besides of raw materials and loans, they offer also buying up contracts for the products. In this way they are organizing agriculture. They help to learn financial and contractual discipline, economic rationality, but their economic power is depressing for the farmers, but it is also a barrier of the flexible structural change. Now industrialized arable-land farming ensures the profitability of the subcontractors. Naturally, these farming methods are not economically sustainable without subsidies (press release of the Government, 28th of March 2006). These methods do not help rural inhabitants to earn their living locally, and also do not meet the aims of nature conservation or environment protection. The subsidies that make subcontractors and industrialized agriculture profitable are mainly from the EU, which expresses its desire to protect environment, conserve natural habitats and viable rural localities.

2.2. Present situation and trends: General configuration of collective farmers' marketing

Although agricultural co-operatives have a significant history as we could see in the previous chapter, collective farmers' marketing initiatives are not widespread in Hungary nowadays. The present situation of farmers' co-operations can be characterized by three main types of initiatives:

- a) big integrator organizations usually built on former state co-operatives (both vertical and horizontal);
- b) new types of co-operatives and enterprises that are EU conform and mainly encouraged by state and EU support;
- c) alternative types of bottom-up initiatives with the original aim of collective producing and marketing.

There are hardly any official statistics on these forms of collective farmers' producing or marketing initiatives: only registration data of the ministry and some marginal research reports provide information on their significance. Furthermore, the last group is almost

unknown for officials as they represent only a very small segment of the market and even some of them are not established in official terms.

Agricultural integrator organizations are registered by the Ministry of Agriculture and Rural Development. Usually integrators represent the biggest market share and power as they integrate hundreds of farmers and thousands of hectares of land all over the country, thanks to their richness in capital, political lobby power and strong relationships both in internal and external markets. One data to reinforce this statement: in 2002 35% of the total Hungarian production of food and vegetable was integrated (Tátrai, 2003). The functioning of integrators is regulated by the ministerial regulation 3/2003, according to which integrators should provide working capital, market information, technological or administrative services for farmers and should buy up the products (for selling or processing). In practice, integrators usually coordinates the whole producing process from making decision on what to produce and purchasing input materials (often developing inputs as well) to selling the products. Integrated farmers have only few opportunity to participate in decision making, however through the integration they receive up-to-date market information (Oláh, 2002), their income become more easily calculable and they can also decrease the risk related to partners, prices and marketing (Tátrai, 2003). Integrators are represented in every industrialized branch of the agriculture from producing corns or fruits to animal husbandry, and both vertical and horizontal integration can be found in the country. It is not rare that integrators not only use but misuse their superiority, for example they usually encourage farmers to establish producers groups (or establish one themselves) in order to obtain state and EU support, however they do not always allocate this subsidy towards farmers. The present power of integrators stems mainly from their historical background: most of them were established during the seventies as co-operative of co-operatives, but they could follow the directions of latest technology already in the socialist era. After 1990, they could successfully transform into capitalist organizations (usually public companies) and continue their former activities. Problems in the agricultural sector even favoured them a little bit, as farmers' willingness to join an integration increased because of the growing uncertainty.

The most important statistics of different forms of new type co-operations are the following: in 2005 there were 93 producer marketing organizations and 252 producer groups¹ – these are types acknowledged and supported by the EU (functioning in different organizational forms, mostly co-operatives or limited companies); and in 2003 there were 662

¹ Data from Ministry of Agriculture and Rural Development (MARD).

supplying and marketing co-operatives – these are the new type co-operatives legalised by the law on co-operatives (Act CXLI. 2000) and subsidized only by the state during the period of transforming into one of the EU-conform forms (Dorgai et al, 2005). Producer groups and new co-operatives can be specialized in any kind of products (corns, vegetable, fruit, fodder, animals etc.), while producer marketing organizations can produce only fruit and vegetable. All three types embody horizontal integration between small or medium scale farmers producing usually in the same small region or county with the aim of gaining bigger market share and stronger bargaining power, and to a lesser extent decreasing risks through diversification, sharing tasks and harmonizing farmers' activity. Member farmers have their own property and they cultivate their land on their own, although they have to produce those products in a determined quantity what are decided by the common organization. This functioning model (excepting producers marketing organizations) shows some similarity with late-socialist type of co-operatives, especially as some of these new initiatives were originally established in the former era as state co-operatives. The historical heritage is mirrored also by the domination of industrialized cultures and the relative lack of capital. However, common decisions are based nowadays on market information instead of state plans and the main goal of farmers is to sell more and better products than individually. The market significance of these initiatives can be shown by the following data: producer marketing organizations provide approximately 21% of the country's total production on fruit and vegetable, while producers groups give no more than 8-9 % (estimated) of the total agricultural production (no data available on new co-operatives) (Dorgai et al, 2005).

Alternative bottom-up co-operations as the third type of potential COFAMIs in Hungary differ to some extent from the first two groups. They are like non-professional collective initiatives of farmers or people who imagine rural development through farmers' co-operations with the aim of supporting organic agriculture, local food production or providing more certain livelihoods for locals. These are real bottom-up initiatives in the sense that they are neither successors of the former state co-operatives, nor applicants for EU or state supports, but the common idea of some local farmers. There is a huge variety among them in product range, number of participating farmers and organizational forms (even there are some initiatives without official organizational form). However, all these initiatives are generally limited to a settlement or a small region regarding the collaborating farmers, focus on some kind of special products (e.g. organic) and represent only a marginal segment on the market. This latter is the reason why they are mostly invisible for the official statistics. As far as we know these kinds of farmers' initiatives, we can divide them into three groups: co-operations

on organic farming; co-operations aiming rural development; and others like initiatives for community-supported agriculture.

After the brief description of the main forms of collective farmers' initiatives, we can discuss the main trends of their development and the (dis-)favouring factors of that. The relatively high number of different forms of farmers' co-operations indicates that in order to develop the collaboration among farmers, it is not the number of organizations that should be improved, but their scope to accommodate more farmers. According to estimations, there is a high potential for collective farmers' producing and marketing initiatives in Hungary: approximately 90-100 thousand individual farmers represent the potential target group (differences stems from the different base – land use or farm classification – of calculation) (Dorgai et al, 2005). An important challenge for existing organizations is to fulfil EU and state requirements on the one hand (in order to receive financial support), and to adapt to market processes (regarding quality, quantity and price) respecting democratic decision-making on the other. The continuously changing demand necessitates the quick reaction of producers, which is only possible by using new information techniques and employing highly qualified workforce, but in the same time, this flexibility is accompanied by growing risks. Co-operation is not only a risk-sharing response to the mentioned challenges, but can contribute to the reproduction of local rural livelihoods. However, there are some disfavouring factors of the development of COFAMIs as well, like lack of information (on market trends, prices, quality expectations etc.), non-adequate market behaviour (e.g. violating quality standards), or pursuing only individual profit.

2.3. Conclusions

To sum up this chapter we can conclude, that in Hungary the significance of collective farmers' marketing initiatives is threefold. On the one hand, we can assume that the market share of these organizations is smaller in Hungary than in the former EU countries; although it is growing (this assumption is reinforced by statistics and publications, for example Dorgai et al. 2005, Tátrai 2003). On the other hand, a significant part of the present farmers' co-operations are rooted in the former socialist-type co-operatives, which poses the question of how the former state co-operatives could transform and be successful actors in the competing market. Finally, we assume that COFAMIs are able to contribute to the reduction of duality between small-scale family farms and large-scale agribusinesses.

Regarding the historical background, we can point out that former co-operatives continue to live either after a successful capitalist transformation maintaining their initial market power (in the case of integrators) or after some partial modification towards a more flexible, marketable organization but retaining some old illnesses (in the case of producers group). In contradiction to these two types, producers marketing organizations (based on the EU regulation) and alternative bottom-up initiatives (based on individual ideas) break away from the socialist traditions of co-operatives and go back to earlier approaches (e.g. to the Rochdale principles). It is interesting, how democratic functioning, common decision-making and other important characteristics can gain bigger ground both in newly established and in surviving organizational forms and how the former initiatives can influence the latter. It is obvious that from 1990 the legislation has gradually created a more and more favourable situation for real co-operatives and that this process is also supported by the EU accession as the Union requires changes in organizational structures in order to dispose financial support. At this point, we can refer back to our first assumption on smaller but growing market significance of farmers' co-operations, as EU funding and changing legislation provide a favourable environment for these initiatives. Moreover, as farmers have to hold on the market competition, they realize that co-operations result in many tangible advantages regarding their position on the market. These are all promising signs of a future trend of growing market significance of farmers' collective marketing initiatives.

3. Characterisation of the main forms of collective farmers' marketing in Hungary

3.1. Different forms of collective farmers' marketing

In the previous chapter we briefly described the three types of collective farmers' marketing (new type co-operations, integrators and alternative bottom-up initiatives) that seem to be the most unambiguous and manageable categories. It is undoubted that all three categories contain COFAMIs in a great variety, and that there are many different classifications that could also be reasonable. We would like to raise four grouping factors from these potential classifications. Almost every original type contains more or less organizations focusing on special product quality (for example organic food or PDO/PGI), although according to our estimation, those initiatives are in majority that produce "normal"

products. Collective farmers' marketing initiatives could also be grouped by their territorial embeddedness and extent. Distinguishing the national, regional and local or small regional level, we assume, that integrators mainly function on the national level; producers groups, new co-operations and producer marketing organizations work on the regional or small regional level; while alternative bottom-up initiatives operate on the local or small regional level. The historical background could be another grouping factor (whether the group of organizations have rooted in the former socialist era's co-operatives or established after 1990). Finally, the dual structure of the Hungarian agriculture could also be a factor along which we could distinguish small-scale family farming (producing for self-provisioning and market as well) and large-scale agribusinesses (using usually industrialized farming methods).

However, as we have already mentioned it in the former chapter, the topic of farmers' co-operation is not a well-explored research field in Hungary, moreover, the concerning official statistics are incomplete. Thus, without detailed information on collective farmers' marketing, we do not want to construct another typology based on the possible classifications, but insisting on the three clearest forms described shortly in the former chapter. Moreover, this grouping provides the opportunity to discuss some of the aspects presented above (e.g. territoriality or historical background) as they are attached to the three main forms to some extent.

In the following section we are aiming at presenting two cases of each main type that fit the characterization of COFAMIs the most. We are choosing individual examples that represent borderline between small-scale family farms and large-scale agribusinesses; because we think the importance of COFAMIs in the Hungarian context is that they can resolve the dual structure of agriculture. During the description, we will focus not only on the characteristics that make the specific organization be a COFAMI, but on their imperfections as well, as these can be the most typical Hungarian features of collective farmers' marketing. As country-level statistics are incomplete and in some cases not very reliable, we cannot provide all of the required general data regarding the three main types of Hungarian COFAMIs.

3.2. Individual characterisation of each 'main' form

3.2.1. The group of giants: The integrators

According to internal records of the Ministry of Agriculture and Rural Development (MARD), the total number of integrator organisations in Hungary is 987. The majority of integrators functions as limited companies (45,3%) while the second big group functions as co-operatives (30,4%). These two main forms are followed by public companies (15,7%), deposit companies (3,9%), entrepreneurs (3,2%) and others. The integrators integrate a total number of 126,733 farmers all over the country from which 117,088 are small-scale family farmers with low income enjoying tax alleviation and relieved reporting.² The extent of the integrated land area exceeds the 1,5 million hectares. The economic significance of integrators is shown well by the value of produced products and services: in 2004 the products produced in integrations were worth almost 450 billion HUF while the services provided in integrations were worth more than 66 billion (the total value of agricultural production, fishing and forestry was 1,647 billion HUF in 2003³). The most important products of integrated farms are corn, sunflower, wheat, chicken, fruit and vegetable, and hog (in the order of the total value of produced products in 2004). In the following we are going to present two integrator organisations – KITE and Bóly Public Company – but there are other good examples, e.g. IKR Bábolna Inc. (www.ikr.hu), Takarmányszervíz Ltd. (www.takarmanyszerviz.hu), Raiffeisen Agrárház Ltd. (www.rah.hu), Árpád-Agrár Inc. (www.arpad.hu), Agro-Coord Ltd.

KITE⁴ (Corn and Industrial Crops Production Co-operation) **Public Company** is one of the biggest agricultural companies in Hungary that functions as an integrator/subcontractor organisation. KITE was founded in 1972 as the association of nine socialist agricultural co-operatives situated on the Great Plain (the centre lies in Nádudvar, near Debrecen). During the eighties, the number of member co-operatives rose to four hundred with a cultivated area of approximately 1.4 million hectares (almost 30% of the total arable lands of the country). In the first period, KITE and its member farms dealt with corn and sugar beet production, and then their activity expanded to vegetables and irrigated cultivation as well. Also in the early years, KITE helped its partners to purchase agricultural machinery.

After the transformation, KITE had to change its organizational form: it withdrew from the Red Star Agricultural Co-operative of Nádudvar and it was converted into a union in 1990. Almost 80% of the former members entered the new organization and contributed to its

² There is no appropriate english word for this category of farmers (őstermelő in Hungarian) as it is unknown in the former EU countries and not acknowledged by the EU. This category will be abolished continuously in the following years.

³ Data from the Central Statistical Office.

⁴ The sources of data are the website of the company (<http://www.kite.hu>) and the presentation of the president of KITE presented in IPS-HAS, Budapest, 15. 02. 2006.

common property. In 1992 KITE Public Company was established by members of the union, companies and banks. After the continuous increase of capital, in 1998 its subscribed capital was 944 million Ft (approximately 3,5 million Euro) and its own capital was 3,2 billion Ft (approximately 12 million Euro). The annual turnover exceeds 70 billion Ft (264 million Euro). Its present shareholder structure is the following: more than 40% of the shares is in the property of the association of the former members and partners; the employee share runs to 15%; other companies own less than 15% of the shares; and the remaining part is in the hand of private persons, the management (2%) and the local government of Nádudvar – thus the total number of shareholders is about 700 person (<http://www.magyarhirlap.hu/cikk.php?cikk=66690>). This diverse structure of proprietors serves the interest of small owners (mainly farmers and agricultural enterprises) in three ways. The company is protected against hostile bid, partners can rely on an annual dividend of 11-13%, and they have official voice in the most important decisions through the general meeting (although it is a question, whether they can and want at all to enforce their interests).

The main activities of the company can be divided into six groups. KITE is one of the biggest Hungarian wholesalers of agricultural inputs (chemicals, machinery, seeds), its market share is about 25-30%, which provides significant bargaining power against multinational input producers in favour of farmers buying their inputs from KITE. The company does not produce input materials, but it deals with mixing fertilizers and chemicals from bought materials. The company also deals with technological development: it is one of the Hungarian companies that imports the latest agricultural technologies from all over the world, try and adapt them to the Hungarian conditions, and it co-operates with some national agricultural R&D centres as well. As an integrator organization, KITE provides professional consulting, loans and guarantee for its partners; maintains a country-wide network for servicing; and buy up the produced agricultural products from the integrated farmers, stores them and sells them collectively. KITE has regional centres all over the country, thus it integrates almost 3000 small-scale producers.

From the viewpoint of this research, the first and the last three activities of the company are the most important for us. Through these activities, KITE represents its 3000 partners in one on the input and output markets. Integrated farmers can realize financial advantages by means of the economy of scale and bargaining power provided by the collective market representation through KITE. Members are not obligated to trade with KITE, however by signing a contract they accept the conditions of the company (quantity of products, price, technology etc.). KITE also encourages farmers to establish regional or small regional

producers group (now there are 16 producers group integrated by the company). In these organizations farmers have almost full right in decision-making: the board is composed by producers and one person from KITE and the supervisors are also farmers. This structure allows farmers to obtain both the EU support and the credit or guarantee of KITE, from which they can invest in technological development, machinery or storage capacity.

According to the president, KITE is a “Janus-faced” organization: towards big multinationals it is a hard and profit-oriented partner, towards producers it accepts joint interests. Nevertheless, we can mention the other side of the coin. This huge integrator organization supports the collective marketing of farmers, although it is not initiated by farmers but by a former co-operative. The integration provides many advantages for the producers (e.g. minimizing risk); however, KITE is able to misuse its superiority through pressing down the prices or delaying the payment. Producers are represented in a significant number among the shareholders, but market information – which is the basis of the company’s decisions – is at the management. Thus, in the sense of participation in democratic decision-making, KITE cannot be seen as a COFAMI. This is only a horizontal integration that provides the opportunity for farmers to reach higher margin and more secure income, but it is not engaged in organizing real co-operation among farmers in order to create brands or alternative supply chains and a real market position through these. KITE is not interested in these activities that could “empower” farmers, as the market where it is competing does not value brands or alternative marketing techniques. To sum up all previous information, we can conclude that KITE is rather a multinational-like company than a collective initiative of farmers. Underlying facts are for example its structure and decision-making process, the markets where it positions itself or its partner-policy (the sub-contractor role). However, the company clearly recognizes that farmers mean the basis of its success, thus it tries to create an advantageous environment for farmers and through this for the co-operation between farmers and itself.

Bóly Public Company⁵ also has long traditions: it was established in 1963 as a co-operative of nine smaller co-operatives, and in its golden age it cultivated almost 20,000 hectares arable land in the South-West part of Hungary, near Mohács (its centre is situated in a small town called Bóly). Bóly Co-operative was one of the biggest collective of the country during the socialist era, and the state – acknowledging its economic role – promoted it to the

⁵ The sources of data is the website of the company (<http://www.bolyrt.hu>).

rank of agricultural combine. In 1992 the co-operative had to change its organizational form and became public company, however Bóly Ltd. continued to stay in the property of the state.

The company was privatized only in 2004, when Investgroup-Bóly Ltd. bought 77% of the shares for 4,75 billion Ft (approximately 18 million Euro) which was 165% of the actual face value. As Investgroup is a locally rooted enterprise, after the privatization Bóly Ltd. became a locally owned and managed company – its shareholders are the workers, the management and its 23 integrated partners (5, 30 and 39% one by one), and an investor called Ho-Me 2000 Ltd. (26%). Since 2004, Investgroup raised capital in Bóly Ltd. and its share grew up to 82%. Now the annual return of the company reaches 18 billion Ft and its profit is about 600 million Ft (data from 2005). Although local interest groups still have a significant share and thus official power in decision-making through Investgroup, the investor company (Ho-Me Ltd.) started to buy up the shares in order to gain bigger influence and become the majority owner. If this tendency continues, local owners will be ousted from the strategic decision-making and even from controlling the decisions – thus Bóly Ltd. can easily lost its local interest and present character. (<http://www.origo.hu/uzletinegyed/hirek/vallalatihirek/20051230aboly.html>)

Bóly Ltd. functions as a vertical integrator: it has developed many activities supporting its first and most important profile, grain production (1). The company produces corn and cereals hybrids, soybean, leguminous and many kinds of organic grains. This activity is building upon its own research and development capacity (2) that is responsible for the quality of “Bólyi” brand. Regarding its share in the structure of activities, agricultural production and especially cultivation (3) is the most important function of the company – this is the basis for agricultural integration as well. The agricultural production is used further in two ways: the company deals with producing and supplying fodder (4); and it also have food-processing units – a mill and a soybean processor (5). Animal husbandry (6) (hogs, cattle, poultry and horses) builds on the fodder production. These main activities are supported by two complementary functions: wholesale, shipping and customs services (7); and an accredited laboratory for soil analysis. Finally, in order to utilize the non-agricultural lands of the company, it has a department for chasing.

The integrator role of the Bóly Ltd. dominates the most in poultry and cultivation, especially soybean production. Farmers get all inputs from the organization (the grains, the techniques of cultivation etc.) in order to produce the same quality of soybean, then the company buys up the annual production, processes and sells it under the collective brand name of Bólyi. The speciality of soybean production is that soybean was adapted and

domesticated in Hungary firstly by the company, and up till now Bóly Ltd. and its integrated farmers produce soybeans in the biggest amount. The soybean “Bólyi” is not only Hungarian, but also it is free from GMO, thus the brand name indicates clear quality parameters. Through soybean integration, farmers can gain higher and safer income, thanks to the well-known brand and the absorbing capacity of the external and internal markets that Bóly can reach easily. However, the relationship between farmers and the company does not really go further a simple subcontractor relation or quasi franchise: farmers get the inputs and the cultivation methods and they are assured for buying up their production. The company is able to keep prices at a relatively low level, and it is not guaranteed that any proportion of the profit is turned back to producers.

Searching for characteristics of COFAMIs in the Bóly Ltd. we can conclude, that similarly to KITE, this company is not either a real collective farmers’ marketing initiative, rather it is a multinational agribusiness. Bóly Ltd. was established as a state co-operative in the socialist era, and it was able to transmit its former market position and regional role to the present situation. Despite local farmers feel the company as their own, it is not initiated by them. Furthermore, Bóly Ltd. is not democratic in the sense, that farmers have very little power to influence the management and the strategic decisions – e.g. they are not able to hinder a hostile bid or to protect themselves against the company’s superiority. Regarding the co-operation between farmers or farmers and the company, we have very few information, but it seems that there is no real collaboration but relations targeting production and trade. However, the common brand, the limited geographical extension and the old traditions of local co-operations provide possibility for a real collaboration and independent initiative of farmers, while the present integration gives them safe workplaces, fewer risk and an average income that is more calculable.

3.2.2. EU conform producers’ co-operations

In 2005 the MARD registered a total number of 345 new type, EU conform producer organisations from which 93 were producer marketing organizations and 252 were producer groups. Beyond these organisations supplying and marketing co-operatives exist also – their number was 662 in 2003 (Dorgai et al, 2005). Organisations belonging to the first two forms functions mainly as public or limited companies and co-operatives, while the third category contains only co-operatives. The market significance of these initiatives can be shown only by estimated data: producer marketing organizations provide approximately 21% of the country’s

total production on fruit and vegetable, while producers groups give no more than 8-9 % of the total agricultural production (Dorgai et al, 2005). The product range of these organisations contains mainly fruit and vegetable (according to valid regulations producer marketing organisations are allowed to produce only fruit and vegetable) and to a lesser extent animals (hog, sheep, poultry). Most of the producer marketing organisations are newly established, while producer groups and supplying and marketing co-operatives are usually rooted in former socialist-type co-operatives. In the following we are presenting two cases – Mórakert Co-operative and Arany Sárfehér Co-operative – but there are many examples to investigate, e.g. BOTÉSZ Co-operative (www.botesz.hu), Öko-Melli Co-operative (www.oko-melli.hu), Mezőker TÉSZ Ltd, HAVITA-TÉSZ Co-operative (www.havita.hu), Zöld Kert-TÉSZ Co-operative, Bakony-Tej 2004 Ltd.

Mórakert Purchasing, Marketing and Servicing Co-operative⁶ is often mentioned as a success story of both new-type co-operations and rural development building on own resources. Mórakert is a co-operation established by 52 local farmers in 1995 in Mórahalom that is a small town in the South Great Plain region, near Szeged. This region is one of the sunniest and warmest parts of the country, where the soil favours primarily fruit and vegetable production. As the town had long agricultural traditions but a significant rate of unemployment, the major of that time had an idea of a democratic, German- and Danish-style co-operation among farmers that builds on equality of farmers, independence in production but a collective market presence in order to found local brands and provide safe livelihoods. Mórakert is the embodiment of this idea that originated from the local Agricultural Association. Its fundamental aim is to support self-managing, individual local farming without taking the risks of production. However, Mórakert provides professional consultation at every phase of the business process, it concentrates collective resources and markets the goods produced by the members. One more important characteristic of its functioning, that Mórakert acts in a not-for-profit way towards its members.

Since the date of its foundation, Mórakert Co-operation has made an imposing career: in 2004 it had 719 members and more than 2000 subcontractor, the quantity of marketed goods reached the 18,000 ton, the net income grew up to 4.5 billion Ft, and the number of employees rose from 1 person to 88. Mórakert became a brand that is well known both in Hungary and in the neighbouring countries: its products can be found in the shelves of big supermarkets while 30-40% of the production is sold abroad. Its activity gained acknowledgement in 2002 as

⁶ Sources of data are the website of the Co-operative (<http://www.morahalom.hu/partnerek/morakert/index.html>)

Mórákert was the first co-operation that received the title of producers marketing organization – the EU-conform organization form. The co-operation is in the property of local and regional farmers, the members of the organization. The most important body is the general meeting where the principle of one member - one vote is dominant. The general meeting decides on the president and the member of the board of direction and supervision, while the chief executive is appointed by the board and does not belong to the membership. The co-operative contains five departments: management and sales; financing and accounting; development; input purchasing and distribution; and production and storage.

Mórákert has a widening range of activities. The main functions are the following: collective purchasing of input materials for fruit and vegetable production; consultation and co-ordination of production; services (e.g. manipulation, storage, wrapping etc.); providing environment-friendly techniques; and collective representation of interests. Through these activities, the priorities of the co-operations are to stabilize production prices, to apply environment-friendly methods and to provide adequate technological background for preparing and selling products. Up until now the co-operative markets only unprocessed goods – fruits, vegetables – under the brand of Mórákert. The product range varies from different types of potatoes through tomato, green pepper, cabbage and carrot to fruits (especially peach and grapes). In order to create a favouring environment, Mórákert is member in many regional and national organizations representing farmers' interest (like the National Potato Product Board, or the Agrarian Chamber of the county), it takes share from small-regional organizations supporting local collective sales, and it also encourages other types of co-operations among the farmers of the region. Through these relationships, Mórákert creates a network that makes its functioning more embedded, and thus much easier as partners help each other.

As we have already mentioned, the whole activity of Mórákert is based on the co-operation between producers. The organization provides input materials, cultivating and technological advices if need, but does not determine to farmers what to produce. The organization buys up the contracted amount of products from the members and other subcontractors as well, stores it, clean it, wrap it and then sell it on the market under the collective brand. The co-operation provides many advantages for producers: the collective purchase of input materials contributes to save 8-12% of the costs, while the buying up provides the possibility to sell surely the products in a relatively depressed price but in large quantity (<http://www.nol.hu/cikk/371167/>). In this way, individual farmers are able to

compete with large-scale rivals on the market, as they can provide the market with quality, branded products in a significant quantity.

To sum up the former information we can conclude the followings. Mórakert Co-operation was established by local farmers without any kind of state support; and functions today in a democratic way, which means that farmers are independent in decisions on the production, and that they can participate in collective decision through the general meeting. As Mórakert provides its services towards the members in a not-for-profit manner, there is no way for the exploitation of its superiority (if there is any, since it is the collective organization of farmers). Since Mórakert exists, it has reached an ambitious growth that has resulted the increase of local standards of living (more workplaces, higher income, safer livelihood). This development could not be reached, if the co-operative did not use innovative solutions during its functioning, e.g. depending on local agricultural traditions, building viable relationships, creating an own local brand and developing continuously the technological background. Thus, from the viewpoint of the research, Mórakert seems to be a good example for Hungarian COFAMIs.

The **Co-operative of Arany Sárfehér Grapevine- and Wine-producers**⁷ was founded in 2003 by 150 small-scale vine-producers. The co-operative is situated in the West part of the Great Plain near Kecskemét, its centre is Izsák. The name of the organization stems from the grape traditionally produced here: arany sárfehér (gold mud-white). This vine is an old Hungarian type that can be produced only in this small area, because it needs special geographical characteristics, like the mixture of sand (which reflects sunshine and store the warm) and clay (which is rich in nutritive), and the high level of ground water. The organization was established according to the Act CXLI. (2000) on new-type co-operatives, thus it is one of the acknowledged Hungarian producer groups and it is authorized to apply for EU support. The aim of the initiative is to process or market the vine produced by members (not only arany sárfehér but every kind), and to provide input materials, machinery and professional advice in order to guarantee the special quality of the vine grape and the wine stemming from the region.

Since its foundation, the membership of the co-operative has grown to 450 producers with a cultivated area of approximately 1250 hectares. The starting capital has also increased threefold, although it is still relatively small (9 million Ft, approximately 33 thousand Euro).

⁷ The source of data is the website of the Co-operative (http://hosting.vitae.hu/aranysarfeher/modules.php?name=Arany_Sarfeher)

Now the co-operative has members from eight villages situated in the small region, and despite it is waiting for new members to join, the geographical extension of the region is an unambiguous limit for the membership. There is no available data on the financial situation and profitability of the co-operative, however we should mention that it provides its services towards its members in a not-for-profit way, and the possible earnings should be divided among the proprietors. The most important body of the co-operative is the general meeting where the principle of one member – one vote is dominant. The general meeting decides on the president and the members of the board and on the most important questions concerning the whole organization. As the co-operative extends to more villages, it is also possible to organize partial general meetings.

To reach the above mentioned goals, the co-operative coordinates the marketing activities of the producers; applies for financial support (and also encourages its members to do the same); provides technological background (storage, processor) and input materials; buys up the vine in a stable, relatively high price (according to the special quality); organizes professional forums and trainings; participates in local and small regional development programs; and lobbies for acknowledging arany sárfehér as Hungaricum. Since 2003 the co-operative was able to realize two milestones related to this wide range of activities. In this year, the special grapevine arany sárfehér became acknowledged officially as protected origin type, and this classification concerns not only the grapevine but also the wine and champagne produced from it. That is a relatively rare phenomenon in Hungary that the whole producing process gets under protection and not only the specific site. The other important result of the co-operative's activity that it has gained the support of the agricultural minister to buy up a huge processing plant in Izsák, where the organization would be able to produce its own, branded wine and champagne. By the help of the state (the co-operative needs financial guarantee in order to get loan), the negotiation can come to the end in the near future.

Through the co-operation, members can realize many advantages. The organization provides a safe and relatively high income as the co-operative is more successful in applying for financial support and competing in the market than the individual producers. The co-operative is able to balance to some extent the quality of vine produced by different farmers by the help of collective purchasing and professional advising. Thus, it is able to supply the market with a homogenous high-quality product whether it is grapevine or wine and champagne. However, producers have also some obligations if they want to join the co-operative: they have to pay the annual subscription and a determined financial contribution to the capital, they have to sign a contract on selling their products to the co-operative (after

signing this contract, they lose their freedom in choosing the best price), and they have to provide information on their production regularly.

Based on the presented characteristics of the co-operative, the following conclusions can be sketched out. Arany sárfehér Co-operative is a locally embedded organizations initiated by vine-producers of the small region. The reason for establishing a producer group was not only to gain better market position and higher income through the collective marketing, but also to create a collective identity and visualize it through the traditional product of the region. In this sense, this initiative can be seen as an innovative attempt – even if available financial support motivated also the foundation. The co-operative functions in favour of its members and through the annual (or usually more frequent) general meetings the occasion for democratic decision-making is also provided. Economies of scale stemming from the collective representation on the market are not accompanied by the misuse of its power on farmers. Through it's functioning the co-operative develops and strengthens local community as it organizes community events and meetings and is in favour of small-scale rural development programs. Thus, the environment created by the organization supports real co-operation between members. Comparing these characteristics with those attributed to COFAMIs, we can see significant similarities, and therefore Arany sárfehér Co-operative can also be seen as a Hungarian example for collective farmers' marketing.

3.2.3. Alternative bottom-up co-operations

As we have mentioned in the second chapter as well, alternative bottom-up co-operations are almost unknown for officials as they represent only a very small segment of the market and even some of them are not established in official terms. These are real bottom-up initiatives in the sense that they are neither successors of the former state co-operatives, nor applicants for EU or state supports, but the common idea of some local farmers. There is a huge variety among them in product range (although most of them produce high-quality, organic food), number of participating farmers and organizational forms (e.g. foundation, association, co-operation etc.). All these initiatives are generally limited to a settlement or a small region, focus on some kinds of special products (e.g. organic) and represent only a marginal segment on the market. In the next part we are going to describe two initiatives targeting the collective marketing of organic farmers, but there are additional examples like Nyitott Kert Foundation (www.nyitottkert.hu), Sokoró Foundation (www.sokoro.hu), Gaia Foundation and Galgafarm (www.giaalapitvany.hu), and small groups of organic farmers.

According to previous studies on **organic farming**, there is a special group of farmers, which can be characterised as COFAMIs. Organic farming in Hungary – as in Western-Europe as well – was a social movement at the beginning (Tovey, 1997). In the eighties enthusiastic people founded an association to support organic farming and some kind of “organic” lifestyle. The association had several regional groups. The members were meeting to discuss their problems related to farming methods, marketing, selling or buying organic products. Until 1996, the Association was responsible for the inspection and control of organic agriculture. In the mid-nineties as organic agriculture gained major role in the European agricultural and rural policy (CAP reform) it became necessary to establish an independent inspection body also in Hungary. This process had important impact on the association and on its regional and local groups. As they were the founders of the inspection body, they could have a special position in the system. They were not controlled individually, but in local groups. Since the EU accession, they are inspected individually, but for a reduced price. Despite the reduced price, a significant part of the local groups’ members cannot afford to be controlled. At the beginning, the local groups were producing vegetables, fruits, some eggs or milk-products mainly for themselves, and they sold only the rest at the local market or at the organic market in the capital. Now the members of the local groups, who are still producing certified organic products, are mainly farming for selling and not for self-provision. These initiatives are not COFAMIs in all cases, but some of the local groups are fulfilling the criteria of COFAMIs. Farmers, who are responsible for all the decisions, found COFAMIs; their main activity is production, and some groups are aiming to sell the products together. An average local group has three/seven members, they have a small garden (about 1000 square meter) and they produce many kinds of organic vegetables and fruits. Now there are 22 groups in Hungary that still have certified farmers, but most of the groups are not COFAMI as we use the term.

In previous field researches, we made some interviews with some members, coordinators of such groups (we have data on 14 groups from the 22). According to it, we know that three groups have almost disappeared (has only one member), and about half of them is working with more than five members. Now we would like to present two groups, which show the typical differences between such groups and the “ideal” type of COFAMI.

One of them is situated in the Great Plain (Kiskunság), and has seven members. The members are quite different. Three of them are relatives (wife, husband and their daughter); they farm together and share the works partly. They have several gardens and produce much

kind of fresh vegetables and fruits. They do not have a green house, and although they have some hens, and sometimes even a pig, or a goat, they do not sell animal products. The other four members produce separately, they are part-time croft-farmers, they have a job (one of them is teacher). They usually produce for self-provisioning; fresh vegetables, fruits, poultry – like a peasant farm, but sometimes they only have some orchards and they do not produce anything else. All of them are living near to each other (in the same village), or at least in the neighbouring town, and most of them meet frequently each other. It is very important that they are locals; they were born in this county or at least living here for decades. The production of the group members is very diverse (a wide range of vegetables and fruits), and they do not have big amounts of products, but they are selling the surplus at the fresh organic products market in Budapest. In summer, they go to the market separately, but if they have less surplus only one of them travels there. They do not have any official form of cooperation, but they share information and help each other to sell the products.

This group cooperates with other farmers also, who are controlled independently from the “small group”. They have every day contact. They started together organic farming, just some of them grove bigger; the difference is only in the system of controlling organic farming. One of the most well known farmer of the group has greenhouses (around one hectare), and he is producing different kind radishes, lettuces, potatoes, cucumber, oil pumpkin, and so on. He taught himself the technology of organic horticulture, works together with the members of his family, and sells the products at the fresh organic products market in Budapest. He has enough goods to sell around the year, so in wintertime, when the smaller-scale farmers has only few products to sell he is offering also their products.

The members of the group do not market together in the broad sense of marketing, just help each other in selling, thus they do not have to make strategic decisions. On the regular market (organic fresh products market), they can sell everything they have, and they are unable to grow bigger. New inhabitants are not successful in starting such kind of activity. Going every week to the fresh products market is a very common way to sell the products in Hungary, especially if there is a major city. This group is in better condition because the transportation became easier after the construction of motorway.

The other group of “farmers” functions in Southwest Transdanubia. They are former towns-people who moved to a small abandoned village in the forests of Zselic. It is a lovely charming place, with hills and orchards, small pieces of arable land and meadows. They bought old houses, renovated them and tried to revive the vanished life-style of the peasants.

They try to realize their romantic ideas, and produce everything for themselves. If they need something, they change with each other, and they sell their products outside the village only if it is very necessary. The village has no roads, but they do not miss it, they do not wish to have visitors, tourists. Obviously it is also not a COFAMI, because in this case there is no product, the producers do not want to offer anything, because they do not want participate in the economy, in the system of the present society. If they could, they would exclude themselves from society.

3.3. Conclusions on the identified different main forms

In the former chapter we presented six possible Hungarian examples of collective farmers' marketing initiatives – two cases for three categories (integrators, new-type co-operations and alternative bottom-up co-operations). A general conclusion of this work is that the presented cases differ from each other in many dimensions: they pursue different strategies, they are in a different stage of their life cycle, they produce in different scales and they extend to different regional levels. However, these differences are interdependent, and their combination characterizes well the groups.

Integrators are big, multinational-like companies. The strategy used by them builds on competing firmly in the market, keeping prices down and providing a steady high quality (whether they are vertical or horizontal integrators). To realize profit, they need a stable structure of subcontractors, but the present disintegrated structure of land property does not favour their ambitions. Thus, it is their interest to organize farmers and encourage them to co-operate. These integrators were built during the socialism, so that they have well-known names and built up relationships all over the country. The long tradition of their activity results in a significant geographical coverage and thus in a high amount and variety of marketed goods.

New-type, EU conform co-operatives were established after the transformation, and they have tried to break away with socialist characteristics. They represent real co-operation among farmers, they function democratically, and they apply innovative solutions in order to hold on the competition. Their strategy is locally embedded, builds on traditions, and focuses on high and special quality. By the help of these differentiating characteristics, they are not competing with integrators – they occupy another segment of the market. Despite these initiatives are young, they are strongly embedded in their local environment, and they try to build up regional networks, interest groups also. Their geographical extension is limited to

small-regional/regional level, but they sell in the national and even international markets. In comparison to integrators, EU conform co-operatives represents smaller scale both in quantity and in geographical coverage, however their functioning is much closer to the characteristics of COFAMIs than the former group.

Alternative bottom-up initiatives appeared already in the eighties. Some of them disappeared during the last decades, but none of them became successful. They could hardly grow big enough to compete with subcontractors and integrators, but we assume that also the lack of trust caused difficulties in such cases. In addition, the economy of scales could have been problematic: it was difficult to control and manage major organizations, and they lost their most important characteristic: equal opportunity to decide on strategy.

Comparing these three groups, mainly new-type co-operations seem to satisfy our starting assumption that collective farmers' marketing initiatives represent borderline between small-scale family farms and large-scale agribusinesses. However, the three main forms can be placed in a continuous scale from small-scale farming without strategic decision-making and relevant market presence to large-scale industrialized initiatives (sometimes in a quasi monopole situation) organized from above to win the competition.

3.4. The importance of some broad forms of COFAMIs in Hungary

As collective farmers' marketing is not a research topic that is well described and detailed in the Hungarian literature, furthermore official statistics deal with only the category of EU conform new-type co-operations and the transforming socialist co-operatives, it is hard to describe the given structure and the defined aspects. Regrouping the former classification according to the new aspects, the following picture is being outlined.

Regarding the characteristics of the presented integrator organizations, we can say that they function as 'traditional co-operatives' – they create market power by pooling products and resources, and collective farmers' marketing is rather an instrument than the goal. Accepting this assumption, a few traditional co-operatives should represent quite a significant part of the Hungarian market through integrating many (more thousands) small-scale farmers all over the country.

COFAMIs focusing on product quality differentiation are represented by more cases from the alternative bottom-up initiatives (organic farmers' co-operation) to the new-type co-operations (Mórákert). The number of these initiatives cannot be estimated easily because of two things. On the one hand, quality products offered in local markets by small-scale farmers

and their groups can be relatively frequent, but they represent only a very small part of the total food market. On the other hand bigger co-operations (like Mórakert, although it is an exception as it has its own brand) do not always use own brands, thus it is hard to identify the competing actors from the shop shelves. Nevertheless, we think that the number of this kind of initiative is limited, but shows a growing tendency.

We have presented also one territorially embedded COFAMI that makes use of specific territory based assets and networks (Arany sárféher Co-operation). We think that this type is quite significant in those parts of the country where some kind of special features support the agricultural production. However, we also think that these initiatives do not dominate the market. According to the database of the Hungarian Patent Office (www.mszh.hu), 46 geographical markers are under protection (e.g. “Tokaj”, “Makó”, “Szeged”) from which nine belong to non-agricultural products – although we do not know how many products are marked by these geographical markers and how many organisations use these signals. On the website of the Ministry of Agriculture and Rural Development, twelve special Hungarian products are mentioned as “Hungaricums”.

In our examples we did not present any organization that focuses on producer-consumer networks. Although, there are some attempts to establish COFAMIs like this – e.g. a community supported agriculture model near Budapest – but these initiatives usually struggle with financial problems and their market position is weak even in the local markets.

Two more categories left: COFAMIs focusing on non-food products and on services or public goods. Because of the lack of available data and own experience, we do not deal with these forms temporarily.

4. Contextual factors that effect the emergence and performance of COFAMIs

4.1. Description of the different contextual factors

4.1.1. Political and institutional factors

As Juhász and Mohácsi are arguing in their article (1999) the institutional system of agriculture has to provide a controlled market, sustainable development and a reasonable income for the habitants of rural Europe. Of course, market competition, security and the

anticipated/expected reasonable income are contradictory conditions. Although the claim for security of living and farming is emphasized because it protects the local communities and inhabitants, it is also important for other actors of rural development and agriculture. Assured markets, and reliable suppliers are necessary also for the major actors of agriculture and food industry, thus cooperation and established supply chains are important also for them. It may lead to a monopolistic power of major cooperation, cartels. From this point of view, the active participation of state institutions is very important in the changes of rural society and economy. Another characteristic trend is that the importance of agriculture changed in the last decades. The emphasis from proper and secure food provisioning shifted to food-safety issues in Europe. In the same time, the system of subsidies has to fit the GATT/WTO requirements and help rural inhabitants to gain proper living circumstances. The Hungarian institutional system has to serve and function under these contradictory claims and conditions, like in other European countries.

In Hungary, the Ministry for Agriculture and Rural Development (MARD) is responsible for the questions concerning agriculture, food and food safety. As the Law (1997/CXIV) on the Development of Agriculture and its decrees are declaring the Producers Marketing Organizations (PMO), Purchasing and Marketing Associations (PMA) and Producers' Groups are controlled by the MARD. The MARD has four Deputy State Secretariats and eighteen Departments. The Agricultural and Rural Developmental Agency (ARDA) was established according to the Government Decree 81/2003. (VI. 7.), and it undertakes paying agency activities. The type of support measure determines these key types of activities, which range from the receipt of applications to assessment, through to authorisation, including support allocation, payment transfer, registration and accounting.

Key activities also include collecting, processing and handling data required for operating the support system, in addition to carrying out essential regular regional and financial audits, as specified in applicable regulations.

The ARDA has 19 county offices. The PMOs and producers groups have to register themselves at the ARDA offices, as well as the subcontractors (integrators). (The legislative frames for subcontractors are in the fifth Appendix of the 3/2003. I. 24. Decree of the MARD). Over viewing these decrees the legislative structure is formulated to fit the requirements of the European Union. Although the European Union prefers vertical integrations, local, and bottom up initiatives, these regulations are sometimes barriers of such activities (for example in the case of Producers Groups; some of them cannot provide the expected income). As Kovách and Kucerova argue in their recent article on project class

(2006) “certain power holders, including the state, continue to dominate the resulting networks that remain, in reality, hierarchical. Furthermore civil control is rather ineffective (and under-developed) and there is an evident lack of administrative managerial and expert knowledge.” They also pass a much stricter adjustment on the institutional frames of the Czech Republic and Hungary: “Both Hungary and the Czech Republic, in their role as Accession States, are implementing to the letter the demands of EU planning and application policy in the context of regional/rural development and, more specifically are actively teaching themselves through the EU application process.” (p. 12.)

The Decree on organic farming (140/1999 Decree of the Government (IX.3.) is very similar to the legislation of the EU (2092/91 EC Decree), and was being modified according to it. It is often criticized for the lack of cooperation with the organic farmers’ organization, and being adopted without taking into consideration the Hungarian specificities.

Also the Law on Food Production (LXXXII/2003) is quite important for the COFAMIs. Until 1st of April, 2006 it did make no distinctions between small-scale farmers and food producers, and they had to fit the same conditions as the companies of food-industry. The Decree on Small-scale food production, processing and marketing in February 2006, (14/2006 FVM), allows the small-scale producers to sell their own products on the local markets, they only have to register themselves at the local office of the Animal Health-Service and Food Quality Production. They do not have to adapt a HCCP system.

4.1.2. Economic and market factors⁸

Agriculture plays a decreasing role in the Hungarian economy. In 2004 the agricultural production reached only the 3.3% of the GDP (ten years ago this proportion reached 5.8%); while the sector gave work to 5% of the total number of employed. Both agricultural employment and investment show a falling tendency. These trends are mirrored by the produced quantity of different agricultural goods: in 2005, there was a general decline in the production of cereals, potato, vegetable, fruit and animal keeping, and only maize, poultry and sheep farming indicated a little growth (of course one reason for this is the last year’s unfavourable weather). Decreasing production resulted in falling agricultural buying up – in 2005 the volume of bought up products was 7.6% smaller than the year before. However, decreasing supply in the market contributed to a small growth in prices (producer prices

⁸ Data is based on the following publications: Agricultural Production, 2005; Agriculture in Hungary, 2005; Food balances and nutrients consumption, 2003. Hungarian Central Statistical Office, Budapest.

shows stagnation, but buying up prices grew significantly in every group of products). Agricultural costs, on the other side, fell by 0.5% in average, which is the result of the significant decline in the price of fodder, while other input materials became more expensive. Regarding the trends of prices and costs, we can estimate that the profitability of agricultural production stagnated or grew a little bit in the last year. Two data reinforce this assumption: the gap between relative prices of agricultural and industrial products has fallen slightly, and the average net wage in the agricultural sector rose by 7.6% (however, this proportion lags behind the national average, and the wages are also lower here than in other sectors). All these unfavourable tendencies indicates that Hungarian producers have to struggle for retaining their market position, and that in this economic environment especially small family farms are losing their competitiveness and becoming more and more exposed.

Regarding the structure of food supply chains, we can state that markets are still monopolized as they were in the socialist era; the only change is that in the last decade multinational firms replaced the state companies. The advent of multinational firms in Hungarian food purchase, supply and retail chains has not led to alternative changes. The marketing and food processing are controlled by sales and food industry cartels. More than two third of the sweets industry, brewery, tobacco, vegetable oil industry, poultry-processing, alcohol distillery, more than half of wine and champagne production and considerable part of pork and beef processing are owned by multinational companies (data sources). Only those “new” family farmers can be successful who reach an agreement with big, mainly international retail sale companies and supermarkets. The most significant social capital is the capital of networking and networking skills are of primary importance in the farmers’ experience. Changes in the distribution of retail trade and the yearly turnover of the largest supply companies show that the monopolization of the market is an evident tendency. Supermarkets and hypermarkets offer “labelled” products coming from different territories, traditions, cultures or communities, and as a result, identifiably local products appear on the shelves of mega shops. Thus, to compete these strong multinational rivals seems to be possible only in two ways: becoming one of their subcontractor (or a subcontractor of a Hungarian big firm); or building alternative supply channels and use differentiating marketing.

Quality standards for food products are prescribed by the Codex Alimentarius (Act. LXXXII., 2003) that corresponds to the EU regulation on food safety. The implementation of these rules resulted changes mainly in the processing industry: it favoured big processing plants of solid capital, as the higher quality standards required investment and technological

development. Today there is no significant differences between large and small processing units, as small businesses who could not invest in technology have already went bankrupt, and those who survived have closed up. Besides this state-driven quality standards, there is one more labelling (organic food) which was originally initiated by farmers and others. Organic certification had been introduced in Hungary more then twenty years ago, when an association (Biokultúra) was founded by producers and consumers in order to organize those who are interested in organic food. As the market started to expand, the inspection and certification of the producers had to be organised. Earlier, this task had been carried out by the association to the full satisfaction of the partners, consumers and the International Forum of Organic Agriculture Movements who approved of the association's inspection activity. Biokontroll Hungária Kht. was established in 1996 in order to separate inspection and certification from the interest group. (Megyesi, 2005)

Regarding the changes in consumer demand for food products, we can state that food is still the most important consumer's good (GFK, 2003). Almost everybody can afford to buy an expensive bottle of juice or pack of pasta, but something more costly would not be obtainable. According to the above cited research, six groups can be distinguished according to alimentation customs. The largest group is the so-called "traditional" (approximately 38%). The members of the group usually eat traditional food made of self-grown and produced goods. The second largest group is the "gobblers" (22%). They usually have what they like; they eat a lot of cakes, candies, but also yoghurts. The group of "moderns" are about one fifth of the population (16%); they are young urban people and prefer to buy ready-made meals, juices, ice creams. The remaind one quarter is divided between the last three groups: the "healthy" (12%), the "irregularly eater" (7%) and the "gourmand" (5%). According to official statistics on food consumption (HCSO, 2005), we can say that the individual structure of food consumption seems to move towards healthier habits (e.g. the proportion of fish and honey consumption increase slightly, animal fats are becoming replaced by vegetable fats etc.). However, prices are still more determining than the quality of products.

Multifunctionality is marginal both among farmers and as consumer demand. The only statistic on non-food services provided by farms shows that approximately 6% of individual farmers and 17% of organizations offer services (like processing, tourism, transport), which is a minority.

Concluding the impacts of economic and market factors on COFAMIs we can say the following. There is a strong pressure stemming from the actual market situation and the state towards co-operation and collaboration among farmers. Competing big multinationals and

holding on the concentrating processing industry require innovative marketing solutions and joining forces from small-scale producers. However, from the consumer side there is a weaker motivation for quality-based co-operations as consumers are price-sensitive

4.1.3. Technical and Knowledge factors

As we wrote in chapter 2, the Hungarian agriculture has a dual structure, which has also effects on the technical factors influencing COFAMIs. The modernisation, specialisation and intensification of agriculture is led by the major contractors or integrator companies (as the participants of the National Stakeholder Forum enforced this hypothesis), who are less interested in founding and developing COFAMIs. After the change of the regime agricultural investment has decreased: the index of agricultural investment comparing to 1987 (100%) sank to 25 % by 1992, and after the top year of 2003 (50%) in 2004 it reached again only 39 % although the EU SAPARD and other preparatory programs provided funds for agro-technological investments (source of data: HCSO). These programs were available for major agricultural companies.

Besides the national level statistics, we would like to present the most relevant technological changes from another viewpoint, using the commercial date of KITE Inc, one of the biggest traders of technological inputs and equipments. In 1993 the company's total turnover of technical equipment was 4 billion HUF, which increased to 25 billion HUF in 2003, and to 18,4 billion HUF in 2005. The data represent intensive technological investment in agricultural production, the use of modern machinery and high quality raw materials: seeds, pesticides, and nutrients – in one word: modern intensive farming technology.

The difference between data on national level and that of a big company dealing with technology transfer shows us that diverse trends of technological development characterize the Hungarian farms. Mainly enterprises that are rich in capital and integrated farm units have the possibility to renew their farming technology. Most of these farms do not participate in any COFAMIs, while others are integrated by big multinational-like companies. Integrated farmers, however, are often forced to buy the latest technology from the integrator by previously signed contracts, and it is also not unusual that later they cannot pay regularly the annuity to the integrator, therefore they have to give back the machinery. There are, of course, successful examples for COFAMIs using advanced technology, e.g. the Mórakert Co-operative which we presented in chapter 3. According to our hypothesis the development of

this company is different from that of other big enterprises because of the different attitudes of its members and also the special role of managerial knowledge. One of the most important questions of the field research is to test this hypothesis. Nevertheless, we can conclude that for the present time technology transfer does not fill its possible enabling role in establishing and developing Hungarian COFAMIs.

Education is also a very important factor. Technological support in form of knowledge transfer seems to be well organised, as the huge infrastructure behind agricultural research and the broad range of agricultural colleges and universities may create a favourable basis for founding and developing COFAMIs. However, agricultural education had some crises before the nineties that have continued till now. In the former era agricultural higher education was focused on large-scale farming, which became irrelevant even before the fall of socialist co-operative and state farm system. It was also too theoretical without or with very few field-practices. Usually the background of the students was non-agricultural, most of them did not really want to be agronomist, and agriculture could not provide enough workplace for them. After the transformation agricultural universities turned very slowly towards new technologies (multifunctional agriculture, rural or territorial development organic farming for example), and could hardly fulfil the requirements of the labour market. They started to teach other professions also, but the level of linguistic and computer skills education remained pretty low and the amount of field practice decreased further in the last decade. As a result, most of the newly graduated people cannot speak foreign languages and have useless knowledge. The technological training on secondary educational level is also in difficult situation because numbers of specific agricultural secondary schools were closed. The participants of the NSF agreed too that insufficient education is one of the limiting factors of developing COFAMIs.

The infrastructure of agricultural research is shown by the following data of the Hungarian Central Statistical Office. In 2004 132 research units (it is 9,8% of all Hungarian research units; university, state or private institutes together) made researches in the field of agriculture and food processing – 64 state research institutions, 52 higher education units and 17 private, market research units. The number of researchers at these agricultural research units was 1944 persons from the 30420 persons, the total number of Hungarian researchers. The distribution of total number of researchers in agriculture is: 141 at private, market research units, 1056 at universities, 746 at research institutions. From the total number of Ph.D. diplomas which were issued in Hungary about 9% were awarded for agricultural scientists. In 2003 agricultural firms, institutions and individual researchers registered 399 innovations (181 for products,

122 for process, 96 for products and process) and 451 firms introduced technological innovations. Despite of these significant numbers, there are no research institutes that would dedicate their activity especially to development collective farmers marketing initiatives, but as marketing has major role also in agriculture there are several institutions examining such issues.

According to the findings of CORASON research, the farmers' local lay knowledge is still important in Hungarian rural areas, although it can be really successful together with managerial knowledge and professional forms of knowledge. We think the most important knowledge form for COFAMIs is managerial knowledge and those additional forms that are needed for networking with integrators and international retail companies, although these knowledge forms are not really wide-spread in rural Hungary. As we also recognized earlier, interrelations among different forms of knowledge are uncertain, which is a disfavoured factor for the development of COFAMIs.

The most important actors of technological transfer and innovation are the intermediate actors: members of the village manager network, agro-chambers, provincial Agricultural Offices and other institutional networks. Farmers' organisations usually concentrate on representing political interest and lobbying, while technological transfer is not in the focus of their activity, which can be a limiting factor of their development.

4.1.4 Social and cultural factors

In the next pages we try to evaluate how the different factors may influence the developing of COFAMIs. We argue that the local identity may be one of the important factors. There were only very few researches in Hungary on the questions and problems concerning territorial identity. Researches on local identity are defining this term similar to the definition of national identity: as the belonging to a (social) group (to a community). As A. Gergely (1996) emphasized in his definition, identity is a reference group, a definition of "me" versus "they", "we" against "the others".

According to previous researches (Murányi-Szoboszlai, 2000), living place (the environment) influences the most the local identity; the negative or positive relationship to it influences irrationally the feelings towards the different territorial levels. The researches on territorial or local identity are usually defining local identity on three geographical levels:

- On the historical, traditional, cultural etno-regional level, which is usually very important for the locals, it has real significance for them;
- On the county level – it is the historical administrative unit
- On regional level – it is the new (EU) level of administration.

There are no country level data on local identity, but a research in the South Great Plain Region shows that the attachment to the traditional geographical units (small regions) and to the localities is the strongest, and this influences also the relationship to the above levels (county- and regional-identity). The affection to the locality can be important also in the case of COFAMIs – we assume, that the few successful initiatives (Mórákert Cooperation) are based also on local-identity, and are embedded in the micro-region, although this can not be seen in material, objective forms, but in cultural, societal phenomena, in social patterns, human relationships.

The alimentation of the peasants and the order of meals changed only in the middle of the twentieth century. Until then, most of the Hungarians ate twice a day. Typical dishes were made with bacon, fat or meat (there were a lot of shepherds) and with cabbage (fresh, or sour). They also ate a lot of porridge (there were several kinds, made of millet, sunchoke (*Solanum* sp) and different vegetable). As the Great Plain has a lot of ponds, marshes, rivers and streams, fishing and fish dishes were also really common in the region. The habits have changed since then and the region lost its characteristic alimentation patterns. One of the traditional meals still eaten today is the so-called “tarhonya” – it is a kind of dried pasta prepared as garnish or cooked in soup.

Nowadays restaurants offer “gulyás”, fisherman’s soup, “paprikás” all over Hungary, regardless of the regional meals, tastes or ingredients (In very frequented tourist areas there may be differences that will be presented later in the case studies). Although the most famous meals are offered all over the country there are some local specialties. The same is the situation with the vegetables or fruits: there are famous product region, although the PDO/PGI labels are not very widespread, which maybe a limiting factor for developing COFAMIs.

Even in regions with typical dances, traditions children do not learn the local folk-dances, but some general famous “folk dances”. The similarity of dishes, the lack of special knowledge about local traditions, customs show that local identity can hardly be defined in material terms.

We have only hypothesis about the possible elements of local identity and about the signs which show that despite the above written, it still worth examining. The new micro-regions are not embedded in the Hungarian society or administrative structure, these are not ideal

units of investigating local identity, we suppose. There are special units, traditionally rooted geographical units in which the commercial relations, friendships, and marriages were more usual some decades ago, and although (folk) traditions, costumes disappeared also in these regions, the social network and relationships are still more intensive, which can help developing collective initiatives, because the necessary trust still exists. As we see these phenomena depends much on the locality, so we shall examine them in the case-studies.

4.1.5. Geographical factors

The geographical and location factors should be examined properly during the Cofami research at the time of the field studies because of the huge regional differences. Here we present some general trends, according to the results of the Rurban project.

Hungarian settlement structure has not changed radically in the 20th century. The proportion of the rural population relative to the total population decreased from about 60% to 35-40% by the late 1980s, but this decrease is because of the bureaucratic redefinitions of settlements from villages to towns. Although rural economic and social structure and the lifestyles in rural areas have been modernised from the late 1960s to the 1990s, because of investment in basic infrastructure, there is still a characteristic gap between urban and rural areas concerning living standards. Counter urbanisation seems to be the strongest determining factor in population change, resulting in constant or increasing population in rural areas. Regional differences and the social and economical impacts of these are also causes of population change. Urban migration into rural areas commenced from the mid-1990s when economic liberalisation led to a growth of unemployment rate (12% from 1990, 1994 and 1995, and to just under 10% in 2000) and a deterioration in the living standards of the poorest urban strata and pensioners. The population of villages increased by 70,000 (0.7% of the total population) year by year after 1994. One of the specific characteristics of counter urbanisation in Hungary is the massive growth of rural population growth massively in urban areas (mainly in Budapest). At the same time, out-migration endangers remote rural areas. Counter urbanisation is a complex social change in which urban upper middle classes move to favoured leafy suburban settlements and those losing out in the post-socialist transformation hope to survive hard times in rural places where housing and living costs are lower than in cities. The Northeast, some other Northern regions and small villages in micro-regions of Southern Transdanubia are mostly rural. These regions are characterised by ageing population as well as by the danger of depopulation of settlements. A crucial component of population

processes is the growth of the very poor and excluded gypsy population and the emergence of gypsy villages in many rural regions.

From some aspects there is a similarity concerning conflicts of land-use to the Western-Europe experiences. The question how and for what purpose to use land has been raised in some frequented areas like main tourist regions, metropolitan agglomeration around Budapest and five other cities and some quickly developing industrial, commercial centres. The most problematic question is that not all of arable land was cultivated in the middle of the nineties. The land use has two conflicting characters: the traditional one on agricultural modernisation and the post-productive on urban colonisation as tourism and out-migration. In Hungary, there are three main categories of land use: agriculture land, nature conservation areas (national parks, landscape protection areas, nature conservation areas) and built-up areas. There are some "classical" conflicts arising between producers and staff of natural parks and environmental activists, between state offices, industrial firms and rural settlements, environmentalists around sources of pollution, nuclear cemetery or Danube dam system but urban pressure seems to be the basic conflicting situation in the new century. Because of the territorial differences, such conflicts should be examined in every research areas.

During the socialist time, the structure and role of settlements were homogenous and clear: in urban settlements people live in higher-class positions, while in rural settlements they live in lower ones, urban means industry, and rural means agriculture.

After the change of the political system in the 1990's economical, social and cultural structure became diversified in rural areas.

- Since the end of the 1980's the suburbanisation has speeded up concerning mainly the urban middle classes. In urban neighbourhood villages and in other peripheral settlements far from the city new, high position families have been rolled up commuting between rural and urban places.
- There are some traditional village areas where intellectual families have been migrated. They have been emigrated because of city lifestyle. The rural offers a new post-modern lifestyle of them.
- The immigrants are mostly pensioned and German speakers. Real estate and better livelihood motivated them. Their main targets are the villages at the western part of Hungary. These people stay in the country mostly from spring to autumn.
- There are many settlements, which attract lot of industrial investors from abroad. Their main targets are towns. People are immigrating to small villages around the multinational industrial areas to work there. Some firms have warehouses near little villages.

- Lot of urban unemployment moves back to their home villages to found own agricultural farm and enterprise. Privatisation and land restitution encouraged moving back to villages.
- Special programmes of the local governments increased the number of inhabitants of the villages. For example, they offered free building sites for young families.
- Not only higher-class position people immigrate to the villages, but urban underclass too. Urban citizens not being able to find an occupation and livelihood in the city, move to remote city agglomeration villages. Specialists say that some of the local governments are trying to export the underclass, especially the gypsies.
- The increase of gipsy population (in number and in rate too) is an important source of the growth of rural populations. It shows up mainly in small village areas.

5. Summary of the main points of the country report

In the report we presented the continuity in the Hungarian agriculture. The dual structure is characteristic nowadays as well, although the socialist type collectives split up one bigger and several smaller companies (45%), became enterprises (17%), split up in several smaller (30%) enterprises or finished farming (7,4%). Some of the former croft farms grew big, but the main change since the early nineties has been the development of integrator and subcontractor companies. Although they help farmers to learn financial and contractual discipline and economic rationality, their economic power is depressing for the farmers and it is also a barrier of the flexible structural change.

Among the three main types of initiatives we described first the subcontracting companies – and emphasized those attributes that make them different from the ideal type of COFAMIs. However, as the participants of the National Stakeholder Forum made it clear, integrators are the most market-oriented organizations among Hungarian initiatives for collective marketing, which makes it reasonable to keep them in the focus of the report. The group of new-type cooperation is very heterogenic, and should be examined more deeply in the next phase of the project. The alternative bottom up initiatives are extremely weak, their market share is almost invisible. The significance of collective farmers' marketing initiatives is threefold. On the one hand, we can assume that the market share of these organizations is smaller in Hungary than in the former EU countries; although it is growing (this assumption is reinforced by statistics and publications, for example Dorgai et al. 2005, Tátrai 2003). On the other hand, a significant part of the present farmers' co-operations are rooted in the former socialist-type co-operatives, which poses the question of how the former state co-operatives could transform and be successful actors in the competing market. Finally, we assume that COFAMIs are able to contribute to the reduction of duality between small-scale family farms and large-scale agribusinesses.

Regarding the historical background, we can point out that former co-operatives continue to live either after a successful capitalist transformation maintaining their initial market power (in the case of integrators) or after some partial modification towards a more flexible, marketable organization but retaining some old illnesses (in the case of producers group). In contradiction to these two types, producers marketing organizations (based on the EU regulation) and alternative bottom-up initiatives (based on individual ideas) break away from the socialist traditions of co-operatives and go back to earlier approaches (e.g. to the Rochdale

principles). It is interesting, how democratic functioning, common decision-making and other important characteristics can gain bigger ground both in newly established and in surviving organizational forms and how the former initiatives can influence the latter. It is obvious that from 1990 the legislation has gradually created a more and more favourable situation for real co-operatives and that this process is also supported by the EU accession as the Union requires changes in organizational structures in order to dispose financial support. At this point, we can refer back to our first assumption on smaller but growing market significance of farmers' co-operations, as EU funding and changing legislation provide a favourable environment for these initiatives. Moreover, as farmers have to hold on the market competition, they realize that co-operations result in many tangible advantages regarding their position on the market. These are all promising signs of a future trend of growing market significance of farmers' collective marketing initiatives.

As we wrote also in the NSF report, our definition on COFAMIs is not really appropriate in the Hungarian context (or if this is the "right definition", there are no real COFAMIs in Hungary). In the next phase of the research we shall focus on the reasons for these differences. We presented the Mórakert Cooperative, which seems to fit the original definition of COFAMI, and which is also very successful economically. What are the factors, which makes this cooperative successful? Comparing Mórakert Cooperative and other COFAMIs, there are only minor differences in economic or market environment, natural and ecological circumstances, so we think, that these are not the most relevant factors; but case-specific intangible social and cultural factors, local identity and its role must be examined further as possible explanations for the difference. This is also reinforced by Cloak, who argues that although present rural studies are carried out on "materialist approaches" (Cloak, 2005. p. 23.), it would be fruitful to turn our attention to social, cultural and societal factors (for example: problems of aging, gender, local identity). In our opinion emphasising these factors in the next steps of the research (especially in the case study) could help us to better understand the reasons of the success or the failure of COFAMIs.

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