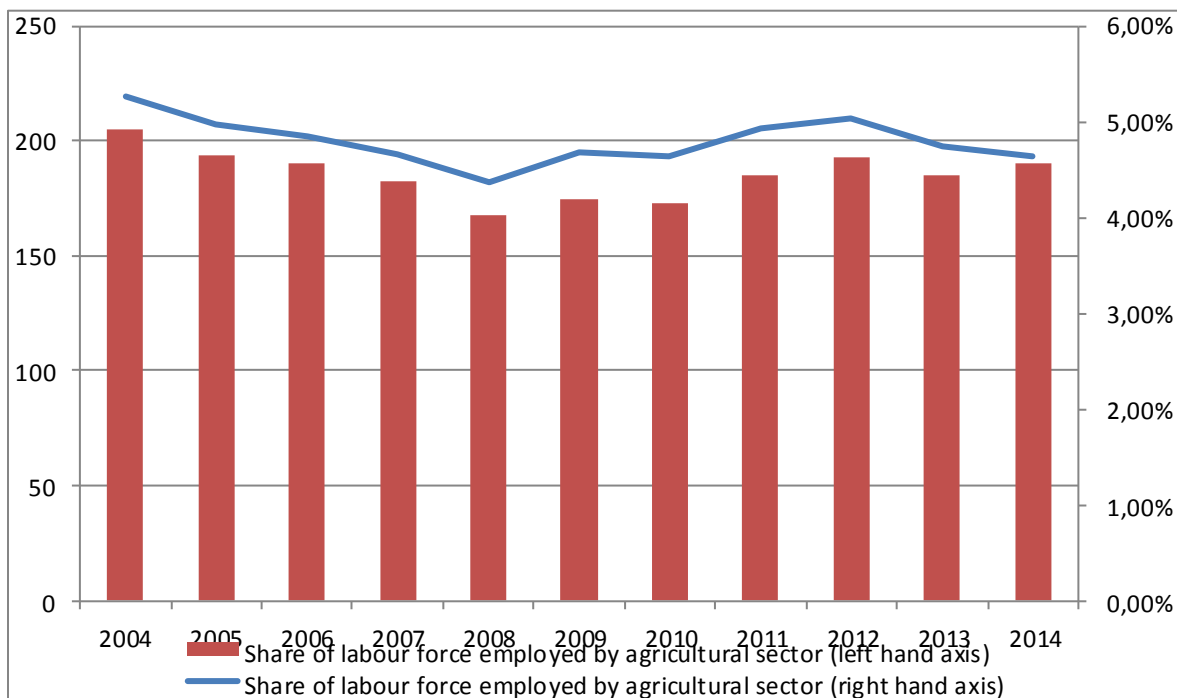




## *The impact of the agricultural sector on employment and foreign trade balance in Hungary*

The Hungarian Central Statistical Office published the latest Farm Structure Survey on 23 July. This publication presents the key areas of the Hungarian agricultural sector and their potential as future contributors to economic growth. The value of agricultural output totalled HUF 1 228 million in 2013, while GDP added value was HUF 1 099bn, representing 4.4 percent of total GDP. The number of agricultural sector employees reached 190 thousand in 2014, constituting 4.6 percent of the country's total labour force.

### *Agricultural sector labour force*



*Source: Hungarian Central Statistical Office (KSH)*

The agricultural sector has been one of the most important divisions of Hungary's economy, as in 2013 8442 economic units and 485 thousand sole holders were active in this field. While the number of economic units has remained largely unchanged, that of sole holders has been getting lower year after year, dropping from about one million in 2000 to below 500 thousand in 2013. Out of these farmers, 47 percent produced solely for own consumption, while

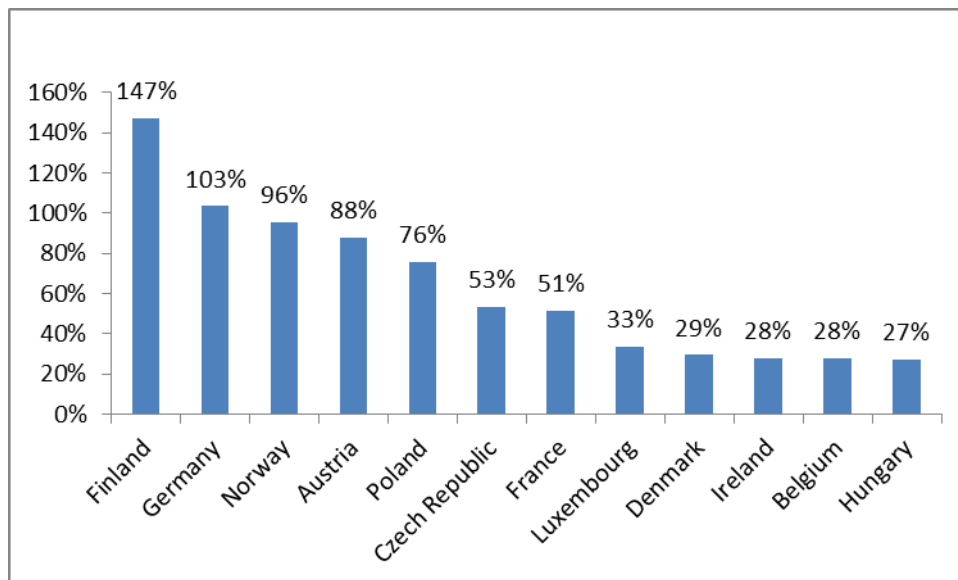


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the proportion of those producing primarily for sales was 34 percent. In order to increase the number of people making their living from agriculture, the Government launched the “More agricultural jobs!” programme in 2014 which provides support for work-intensive agricultural activities and aims to preserve existing and create new jobs. Through the enhanced funding of animal husbandry, production of fruits and vegetables as well as seeds, thousands of jobs are expected to be created until 2020. Under the scheme, new funds totalling HUF 212bn will be disbursed as of 2015 for mainly animal husbandry (the production of milk, beef cattle, pig, poultry and sheep).

**Sole holders rely mainly on their families to do agricultural work, but the popularity of traditional family farming has been declining**, as the number of farmers older than 65 years is outweighing that of young ones. According to 2007 data, there are more young farmers than those in retirement age only in Germany and Finland. In Hungary, the number of young farmers is some 73 percent lower than those above the age of 65 years, chiefly as a consequence of migration from the countryside to urban areas.

*Proportion of farmers under the age of 35 years to those above the age of 65 years*



*Source: Eurostat*



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**Over the past years, there has been a massive change not only in the number of sole holders but also in the structure of plant production.** While the number of sole holders involved in arable land production dropped by 12 percent, some 90 percent of sole holders produce only up to three crops. Hungary's livestock has been dwindling steadily: the number of livestock producing economic units and sole holders fell by 3 percent and 18 percent, respectively. Hungary has been committed to agricultural development and the support of livestock farmers. Accordingly, thanks to the agricultural lease programme – that favours these producers – and consistent market-improving measures, livestock production grew again in the initial three months of 2015.

In light of Eurostat data, over the past years livestock has also diminished in the Central and Eastern European region. In Hungary, the largest drop was recorded in pig farming: in comparison to 2000, by 2013 the stock of pigs fell by 40 percent. From a European perspective, the countries that saw the largest fall in the number of pigs between 2004 and 2014 were Slovenia, the Czech Republic and Slovakia; while in this regard Hungary only came tenth. As far as the number of dairy cows is concerned, Slovakia suffered the largest loss over the past ten years. On the other hand, the stock of both beef cattle and dairy cows was up in some countries, with the largest increases recorded in Luxembourg, the Netherlands, Portugal, Germany and Spain.

***Albeit of excellent quality, Hungarian land is still low-priced***

***There is a five- to fifty-fold difference between prices of agricultural land in Hungary and abroad, depending on quality. The moratorium on purchasing Hungarian land by foreigners ended in April 2015, therefore, it has become more difficult to combat land speculation. However, the protection of domestic soil has been a Government priority and a new law clearly states that Hungarian soil shall belong to resident farmers. The law regulating the selling and buying of land is another instrument in the fight against land speculation as it stipulates that future purchasing contracts can only be concluded as state-certified documents. The right of pre-emption and expropriation– in case of conservation areas -- granted for the state are further guarantee elements.***

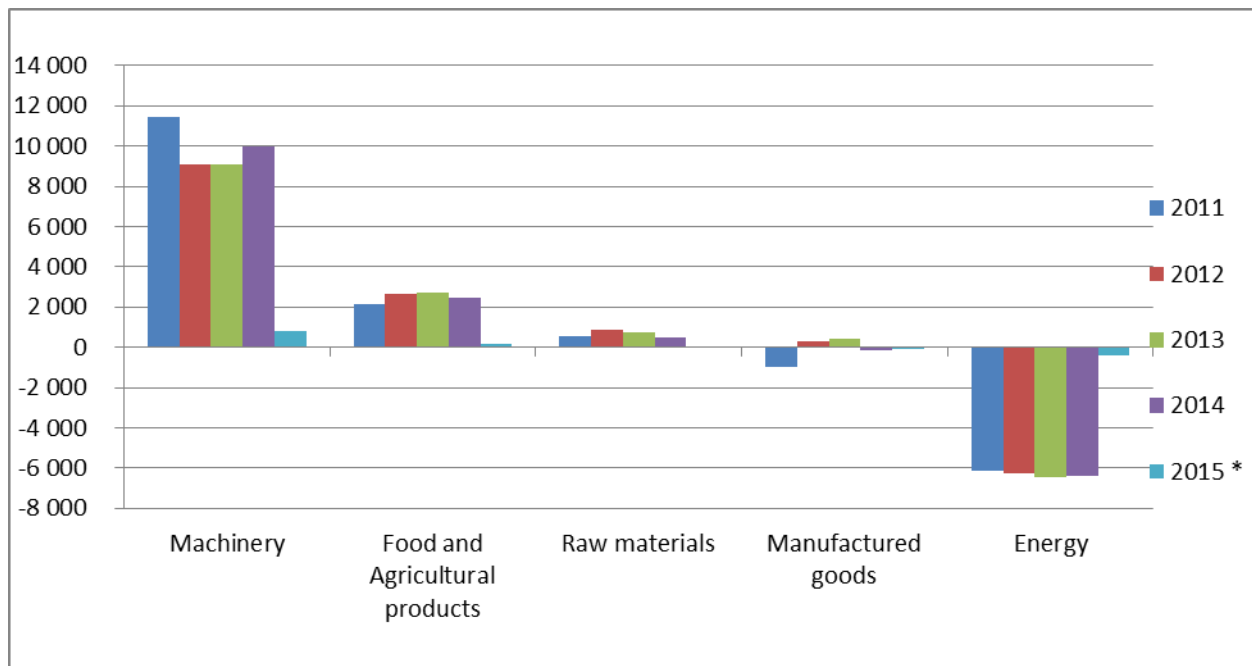
The agricultural sector is having a positive impact not only on employment but on foreign trade balance as well. Annual data prove that the sector has been instrumental in Hungary's foreign



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trade surplus. The below chart shows the impact of various commodity groups upon the foreign trade balance between 2011 and 2015. These data compiled by the Hungarian Central Statistical Office (KSH) aptly demonstrate that Hungary relies on massive energy imports, a sizable negative factor on foreign trade balance. Manufactured goods have over the past three years -- with the exception of 2012 -- turned into a positive component. The commodity group of food, beverages and tobacco products has improved the trade balance year after year, while the machinery and transport equipment category has had an even larger positive impact on the overall foreign trade balance.

*Foreign trade balance by commodity groups*



*Source: Hungarian Central Statistical Office (KSH) (Data from January-April 2015\*)*

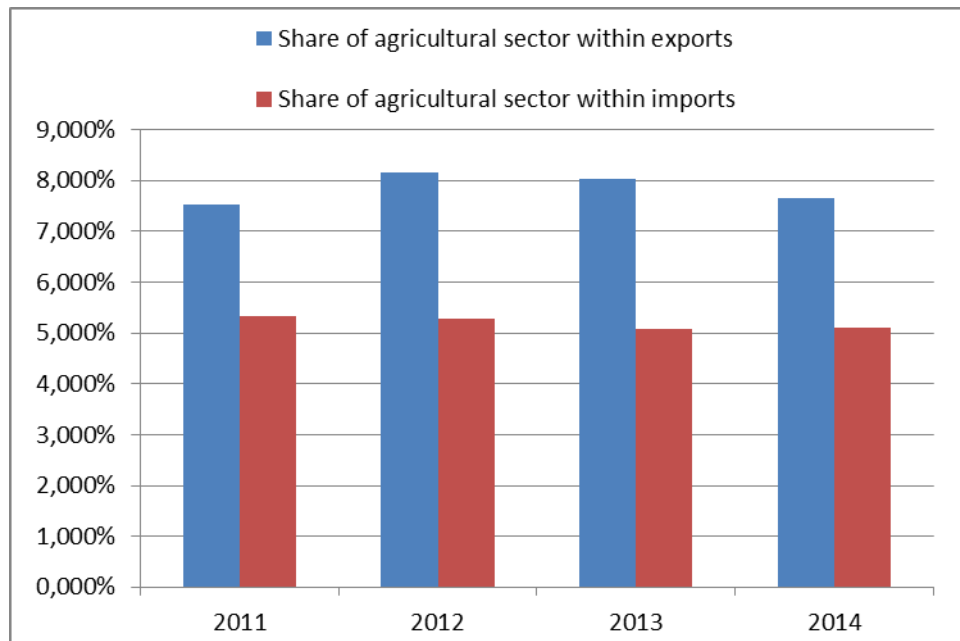
The share of the category of food, beverages and tobacco products, which includes agricultural raw materials, of Hungary's total export and import volume was 7.65 percent and 5.1 percent, respectively, in 2014. **This commodity group, which primarily includes agricultural products, has thus been a major contributor to Hungary's positive foreign trade balance.** The trade balance of raw materials had posted increasing surpluses every year since 2004, with the exception of the past two years when surpluses were lower compared to 2012. In 2014, the



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surplus of foreign trade balance concerning food, beverages and tobacco products totalled HUF 2500 million.

*The agricultural sector as foreign trade factor*



*Source: Hungarian Central Statistical Office (KSH)*