

The Role of Organic Agriculture in Rural Development

Csaba SARUDI
Zoltán SZAKÁLY
Attila MÁTHÉ
Viktória SZENTE

SUMMARY

Rural development includes local population, its way of life, employment characteristics, income structure, dwelling conditions, service levels as well as cultural aspects just as traditional handicrafts, dishes, language, clothing and habits. Since agriculture is a historically determining economic activity in rural areas its effects primarily determines the rural ways of life. New rural development policy of EU can be featured by multisectoral and integrated approach. Organic farming is based on the definition of ecology as former namings just as „ecological”, „biological” represent it. Its basic aim is ensuring sustainable development whereas it uses again, from time to time to locally available reserves. Among basic principles of organic farming can be found the protection of soil and environment and this implies the usage of natural capacities of plants, animals and the landscape and willingly tries to improve the quality of the environment. It can be stated that market demand for organic products is the strongest in Europe, as much as 46% of the world's organic product output is sold in this continent which possibly can be explained by its economic development level. This overall development reached Hungary, too. In December 2002 the estimations showed 105.000 ha and within this 54.497 ha had been registered as approved organic area. During the last year we carried out two focus group analyses examining the reasons for buying or not buying organic foods. In the presentation the most important results of the two focus groups will also be introduced in details.

KEY WORDS

organic agriculture, rural development, consumer preferences, eco-tourism, environment protectio

University of Kaposvár, Faculty of Animal Science
Institute of Economics and Organization
Guba S. u.40, H-7400 Kaposvár, Hungary
E-mail: szekeres@mail.atk.u-kaposvar.hu

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INTRODUCTION

In the European Union it is well traceable that agricultural, rural and environment policies are being harmonised with the needs of sustainable development. The gaining of the rural areas is an accelerating process which on the one hand is in connection with the most complex manifestation of rural functions (economic, ecological, community as well as cultural and social functions), on the other hand it comes from the idea stating that rural areas offer indispensable services for the whole society, therefore accepting and developing rural values is an interest of the society.

According to Buckwell rural environment covers every aspect of natural environment (biodiversity, living spot and resources protection but also landscape protection) as well as of artificial environment (conserving traditional architecture, archaeological sites and other elements of historical heritage). Rural development includes local population, its way of life, employment characteristics, income structure, dwelling conditions, service levels as well as cultural aspects just as traditional handicrafts, dishes, language, clothing and habits. Since agriculture is a historically determining economic activity in rural areas its effects primarily determines the rural ways of life (Buckwell, 1997).

According to the criteria of the EU 96% of Hungary's territory is considered to be rural area, where 74,5% of the population live. The share of the basically rural areas is 58,8% and their share of the total population is 31,3%. It is 3,5 times higher than that of the EU (9,7%). 36,5% of the total population live in villages and more than one-fifth of the villagers live in settlements with a population less than 1000. They amount to 59% of the communities (villages).

New rural development policy of EU can be featured by multisectoral and integrated approach. It can be clearly seen that besides production agriculture plays an important role in conserving values of rural areas and creating alternative income resources is an integrated element of rural development politics.

All this is connected with fact that in the EU the multifunctional European agricultural model is main stream and agriculture has to have a two-type performance.

1. It has to produce good quality, whole value and safe foods. It is an economic function which has to be regulated by the market and not financemnt since commodity production is not financed in any other branches of economy.
2. It has to offer concrete eco-social services (they are the so-called environmental services which serve the maintenance and protection of the rural area, the natural habitat, waters, topsoil helping the people living there). Financial assistance can be

claimed in case agriculture offers certain services to the society besides commodity production.

The intention of the European Union is to assist the accessing countries (among them Hungary) which have employment achievement and environment-friendly policy at the same time. Organic production offers useful performances for the society besides conventional production. In case of organic production quality is more important than quantity, since in farms using environment-friendly ecological methods smaller yield can be obtained.

AGRICULTURAL ECONOMY IN RURAL DEVELOPMENT

Within national economy sectors it is ag economy that has the strongest connection with rural areas mainly because the rural area itself delivers the operation field and labour base of ag economy (especially of agriculture and forestry). Ag economy ultimately determines the income positions of rural families and communities, therefore it is a settlement forming factor. It has strong and direct connections with living environment, renewable natural resources, so it has an effect on the state of its elements (primarily on soil, surface waters, flora and fauna).

Ag economy and forestry utilize 85% of Hungary's territory. The rate of agricultural and inside this of ploughland in Hungary's total area is outstanding in Europe. Perspectives of intensive land utilisation are excellent and these factors can strengthen the importance of agriculture and forestry within rural development.

Ag economy still has an important role in employing and supplying the rural population, though the number of people employed in agriculture shows a constant decrease. The share of the employed people was 17,5% in 1990 (955 thousand employees), 6,2% in 2001 (239,4 thousand employees). According to the General Agricultural Register 20,3% of the total population, 23,7% of those above employment age (with helping family members 2,5 million people altogether) have any relations with agriculture (first job, second job, self-employment etc.). Despite this decrease the number of ag employees is still twice as much than that of the countries with developed agriculture mostly because of the high ratio of agricultural area and high proportion of labour intensive branches as well as of high population density. An important aim of rural development is to avoid the decrease of employment capacity, since during recent years only a small part of labour capacity released by this branch was taken over by other economic sectors this way increasing the number of unemployed people.

Agriculture and forestry are the users and partially the producers of renewable resources, thus they offer special environment economic services. The

preservation of natural environment as well as providing capacities for human recreation offer special services to the society. Both activities are connected to the ecological function of rural areas and this way they ensure complex manifestation of other functions, the harmony with economic functions and through the latter they form the base of sustainable development.

Agricultural economy, however in a limited range, area and time, can fulfil certain social functions especially in areas where severe and long lasting employment problems occur, maintaining agricultural production seems to be unnecessary from economic points of view but from social political aspects - being no other chance of employment - still remains justifiable. Financial and moral consequences of taking up excessive and long lasting unemployment is definitely more severe than maintaining labour intensive and supported agricultural production. In this range one can find social land granting programs, raising the substantial level of poor population segments, forest cultivation, reculturing wasted grass- and arable lands (even in the form of public purpose employment) etc.

CONNECTIONS BETWEEN ORGANIC FARMING AND RURAL DEVELOPMENT

Organic farming is a sustainable production, which highlights the harmonic connection of humans and their environment, it harmonizes the developed agricultural methods with the facilities of nature. It combines the ancient practical knowledge of the conventional farming with today's scientific results. The looking after of our natural habitat and organic farming are related and they affect each other since according to researches organic production in nature protected area or near to it increases the efficiency of both of them. On the other hand organic farming is nothing but applied environmental protection and since the environmental state of the Hungarian agriculture is better than that of the more developed countries in Western-Europe, it gives a comparative advantage to the country if it uses environment-friendly methods due to their higher efficiency.

The National Agri-Environmental Protection Program was launched to help organic production and environmental protection: to protect natural sources, product quality and to support food safety.

Organic farming can be connected to any function of the rural area:

Its economic role is represented by widening the range of employment, creating new workplaces, improving the population keeping ability of the area.

- Its ecological function is well connectable to environment- and landscape conservation and hence in an indirect way to maintaining biodiversity.

- Social and cultural functions mean in this context the revitalising and developing of traditional farming methods.

Organic (eco-) farming delivers an ever growing market background for producers in rural areas. It is important, however that organic farming has to be concerned as a complex and integrated system. It means on one hand that the shift to organic farming should include not only the production of organic raw materials but also the processing, packaging and marketing of them. On the other hand it is important to establish the organisational and interest forms and systems which cover the production itself, the equipment and genetic base supply, small and medium size processing facilities, packaging, advisory and marketing management. Regarding growing domestic and foreign consumption trends, good price positions, lack of export restrictions organic farming can turn itself into a new „alternative” employment segment in many areas of the country. In this way the previously ignored factor of rural development can potentially turn into a dynamising engine of regional development.

BACKGROUNDS OF ORGANIC FARMING

Organic farming is based on the definition of ecology as former namings just as „ecological”, „biological” represent it. Its basic aim is ensuring sustainable development whereas it uses again, from time to time to locally available reserves. Among basic principles of organic farming can be found the protection of soil and environment and this implies the usage of natural capacities of plants, animals and the landscape and willingly tries to improve the quality of the environment. Artificial add-on products are only limitedly used, synthetic fertilisers, herbicides and medicines are fully avoided (Yuseffi and Willer, 2002).

When Rudolf Steiner, the father of antroposophy, kept his first lecture on biodinamic agriculture in 1924 he couldn't even guess that 70-80 years later massive thousands of people would refer to his opinions. His method turned the interest toward the protection of environment and highlighted the importance that man should live with the environment instead of simply living in it. The new movement suffered a drop back during the war and the following years and not sooner than the 80s it began to emerge again and spread over first in developed countries (U.S.A., West-Europe) where population recognised the importance of environment protection mainly driven by oil crisis, acid rains, damaging ozone shield and the Chernobyl catastrophe in 1986. Spreading of this environment friendly farming method was effected (beyond ideology) by economic factors, namely the overproduction. By this method, even with smaller yields more healthy and better selling goods can be produced even for domestic markets.

As a result the social acceptance of organic farming improved and the size of registered organic areas grew year by year.

In Hungary, similarly to other countries the phrase of multifunctional agriculture came into foreground stating that yield level, production costs are no longer taken as primary indices but environmental effects, health effects, aspects of landscape value and employment issues get higher priorities. Organic farming as the most important breakthrough point has its potential for further development since more and more countries separate remarkable amounts of money for environment saving eco-producers for whom the obtained subsidies can cover the income gap caused by lower yield levels.

ORGANIC AREAS IN HUNGARY AND IN THE WORLD

Rate of organic lands remarkably increased in recent years because not only of state subsidies but also of increasing demands and the ever growing sense for environment. According to estimations organic area size is expected to dynamically grow in the near future. Figure 1 shows the size of approved lands of organic production according to continents in 2003.

The biggest cropland can be observed in Europe besides Australia and South-America. It can be stated that market demand for organic products is the strongest in Europe, as much as 46% of the world's organic product output is sold in this continent which possibly can be explained by its economic development level. As for production area size Italy has to be highlighted where the area size reaches 1.27 million hectares (Yuseffi, 2003).

This overall development reached Hungary, too. In December 2002 the estimations showed 105.000 ha and within this 54.497 ha had been registered as approved organic area. It means 1.7% of total agricultural land (Biokontroll, 2003). Table 1 shows

Table 1. The development of organic production in Hungary between 1991 and 2006

Year	Organic area (ha)	Area development (previous year = 100,0)	Number of producers (db)
1991	2.840	100,0	56
1992	3.330	117,3	51
1993	2.540	76,3	67
1994	2.250	88,6	73
1995	8.532	379,2	108
1996	11.390	133,4	127
1997	15.772	138,5	161
1998	21.565	136,7	330
1999	32.609	151,2	327
2000	47.221	144,8	471
2001	79.178	167,7	764
2002	105.000	132,6	955
2006*	300.000	–	5000

*estimated data; Source: based on the own calculation of Biokontroll Hungária Kht., 2003

the changes of registered and pre-registered organic area both in size and percentage in Hungary along with the number of producers from 1991 to 2006.

In recent years a remarkable growth in organic area sizes could be observed which potentially follows the tendencies mainly due to the National Agricultural Environment Protection Program. According to estimation within short time it can reach 300,000 ha and that is significant even in European scale.

TURNOVER OF ORGANIC PRODUCT AND CONSUMER PREFERENCES

Development can be understood in a wider aspect than simply explained by production size and producer number. Turnover on organic products increased also significantly, which is expected to reach 23-25 billion USD in 2003. Organic foods share

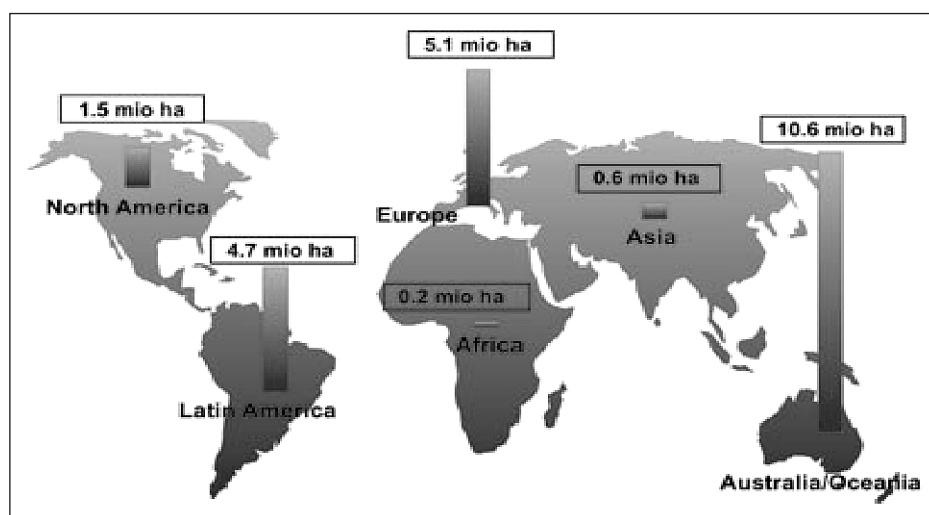


Figure 1. The size of organic lands in different continents

on average is 2.1 % of total food consumption. The numbers indicate the growth of consumer number but also the ever widening organic product choice (Kortbech-Olesen, 2003).

Organic farming - as producers say - contributes to conserving the environment and the rural land. The same is stated by those consumers who decided to buy organic foods.

In Germany (Hinderer, 1996) several market surveys were conducted in past years analysing the buying motivation factors in case of organic foods. While only healthiness had been placed first before 1996, in the same year highest rank was awarded to the following motives:

- 53% Ecology, ecological product
- 20% Healthy lifestyle
- 19% Rejecting industrialised agricultural production

According to a Dutch study about 50% of answers stated healthiness and 30% referred to environment friendly production as highest rank motive (ZMP, 1999).

In Hungary a market survey was designed in 1993 involving 713 organic food consumers and 1,000 control consumers (Bódi, 1994). Highest motivation factors in buying organic foods were health (92.3%), environment protection (48.3%), better flavour (36.3%), lower processing level (23.7%) and less packaging (4.5%).

A year later organic product retail units and consumption were investigated by Bódi (1994) who conducted the survey in Budapest and in Szeged and asked 200 consumers and 16 retail handler. The consumers were exclusively organic product buyers. Their motivation rank showed conserving health, improving wellness, environment protection.

Frühwald and Mokry in 1999 found that on organic food market the best part (80%) of consumers decided to buy organic products because of the healthiness, 18% said that environment protection is the main aspect and only 2% explained the decision by the tastiness of the product.

Our survey involved 423 people and 87% of them thought the organic products to be more healthy than the traditional ones mainly because of reduced quantities of chemical residues (Szente, 2001).

After getting acquainted with buying preferences of consumers it seems to be worthy observing the special possibilities in marketing of organic foods.

Focus group analyses on organic food preferences

During the last year we carried out two focus group analyses examining the reasons for buying or not buying organic foods. In the followings the most

important results of the two focus groups will be introduced.

The participants of the focus groups could not differentiate the definitions organic, bio and eco. More of them noted that they are likely to relate to each other. Most of them have never heard of organic products, however, the definitions bio and eco sounded familiar to them. According to the results, organic foods are different from conventional foods because they are natural, free of chemicals and conservatives, have different taste and promote healthy life. The appearance of organic foods, however, was found to be unpleasant, especially in the case of fruits and vegetables (unpleasant, small, spotted etc.).

Typically, the consumers of organic products consume primarily cereals (oat, buckwheat and millet) on a regular basis. Mostly those families eat organic vegetables that are self-suppliers. Organic food is bought once in a month. No organic product of animal origin was bought or consumed by the focus group members.

The selection of the organic products is good; however, the main reasons why focus group members do not buy organic food are the difficult availability and the high price. According to some, the average organic food is twice as expensive as the conventional ones; while others think the difference is 5 to 30 per cent.

The Hungarian consumers buy their organic foods in special small shops, but sometimes supermarkets sell such kind of products, too. The organic products are said to have excellent quality and their taste is better than that of the conventional foods as well.

The primary reasons for the participants of the focus group to consume organic foods were that they help maintain good health, prevent diseases and improve life and lifetime. The environmental issues got less focus, and the animal welfare (ethical issues) does not play role in the purchasing decisions at all.

In their opinion, the following factors would be necessary to improve the number and frequency of their purchase: convenient and better availability, much more advertisements and information, awareness-raising of the consumers.

According to the consumers of organic foods, those who do not buy organic foods are less educated and have less income and are not interested in such types of products. In general, it is typical that these participants have got no information on the positive effects of organic foods, therefore they are not motivated to buy such foods.

As an opposite, those who buy organic foods are open and intelligent pay attention both to their own and their children's health. They live in towns, follow the

trends (reform kitchen), are mainly women and live under better conditions than the average. This group is likely to have higher qualifications too (Szakály et al, 2003).

CONCLUSIONS

European Union is supporting the development of rural areas, environment protection and conservation and maintaining landscape capacities. From 2002 the official channel of this support is the SAPARD frame program where one of the target activities is organic farming in a wider context, that means production, processing and marketing. Eco-tourism is also supported which serves for the environment in different aspects:

1. Recreation in rural environment: contributes to development of rural infrastructure, improves the population keeping ability of the area and offers work places.
2. Offering organic foods: Producer offers and sells locally grown organic foods for the guest.
3. Fairs, exhibitions, local eco-markets: Displaying, offering and selling eco-products by regional or micro regional producers.
4. Organising programs: traditional pig slaughtering or a simple animal fair can attract a number of visitors.
5. (Re)Forming architecture style: traditional building materials and styles that reflect a certain nature based sense.
6. Innovation, offering high quality services: targeting on conscious and self defining market segments.

In West-European countries a well proved method is to open up eco-restaurants and hotels, where the foods and dishes are prepared from controlled organic materials but even the architectural issues reflect the closeness to nature.

It can be concluded that organic farming respects the nature- and environment protection in multiple ways:

- First, the producer who fulfils the requirements of organic farming, regardless whether he decided by his own individual values or by economic interests.

- Second, the consumer, who serves for the environment when buying organic foods.
- Third, both of them since one of the crucial point of organic farming is optimising, and that is when both the producer and the consumer tends to achieve the highest available quality through the least minimal costs. Best alternative for it is the local selling of goods since in this way there is no pollution by transport emissions, no need for long term storage etc. Beside these factors the eco-tourism means another effective marketing channel.

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