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Contents

FOREWORD

ARTICLES

- Shaping rural development research in Europe: acknowledging the interrelationships between agriculture, regional and ecological development** 59
Thomas DAX
- Labour adjustments in agriculture: evidence from Romania** 67
Barbara TOCCO, Sophia DAVIDOVA and Alastair BAILEY
- From enthusiasm to scepticism: tourism cluster initiatives and rural development in Slovakia** 74
Vladimir SZÉKELY
- Agri-food exports from European Union Member States using constant market share analysis** 82
Štefan BOJNEC and FERTŐ Imre
- The impact of ten years of European Union membership on Hungarian agricultural trade** 87
HEGEDÜS Zsuzsanna and KISS Judit
- Is the New Wine World more efficient? Factors influencing technical efficiency of wine production** 95
TÓTH József and GÁL Péter
- Romanian farm support: has European Union membership made a difference?** 100
Carmen HUBBARD, Lucian LUCA, Mihaela LUCA and Cecilia ALEXANDRI
- Soil and crop management and biomass removal effects on soil organic matter content in Hungary** 107
ELEKI Krisztina, Richard M. CRUSE, Natalia ROGOVSKA, FODOR László, SZABÓ Lajos and HOLLÓ Sándor

BOOK REVIEW

CONFERENCE REPORT

EIP Agricultural Productivity and Sustainability

AGRÁRGAZDASÁGI KUTATÓ INTÉZET, 1954-2014

INFORMATION FOR AUTHORS

Manuscripts should be prepared in English and sent via e-mail to the Editor-in-Chief at studies@aki.gov.hu.

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Foreword

In 1954 the Hungarian Ministry of Agriculture established a new institute that was to be the direct predecessor of the Research Institute of Agricultural Economics (AKI), although several reorganisations would take place over the intervening 60 years.

During its existence, AKI has produced numerous publications, mostly in Hungarian. However, for over 50 years, *Studies in Agricultural Economics* and its predecessor publications have played a unique role in disseminating the research results of the Institute, not just in Hungarian but also in English, French, German and Russian. Over time the content of the journal has broadened to include papers published by researchers at other institutes in Hungary and elsewhere, and editorial procedures have been tightened up such that all papers are now rigorously peer reviewed, with this task mainly falling on the shoulders of the journal's Editorial Board.

Hence, the members of the Editorial Board of *Studies in Agricultural Economics*, past and present, have made an important, and perhaps not adequately appreciated, contribution to the work of AKI over the years. The 60th anniversary of AKI provides the opportunity to redress this oversight with the publication of an issue of the journal composed only of papers authored or co-authored by members of the Editorial Board.

The areas of expertise of the Board members are many and varied, reflecting the range of topics covered by the journal. The authors were free to choose the subjects of their submitted papers and, as a consequence, this issue of *Studies in Agricultural Economics* includes research results that are likely to be of interest to a broad cross-section of its readership.

As if to illustrate this point, Dax describes the rationale behind the development and implementation of the ERA-NET RURAGRI. Three interrelated dimensions (agricultural, ecological and spatial development) need to be addressed in rural development research, but so far they have only partly been explored jointly. Research commissioned by RURAGRI will help to fill that gap.

Tocco, Davidova and Bailey identify the determinants of labour adjustments with respect to the agricultural sector in the post-transition period in Romania. The low levels of mobility out of agriculture point to the need for investments in human capital, specifically in education, and for creating alternative sources of income from non-agricultural activities in rural areas.

Tourism is often suggested as a driver of rural regeneration but the study by Székely of four tourism cluster initiatives in the Slovak Republic shows that, according to a set of economic indicators, their economic impact since establishment has not been as big as had been hoped. Such initiatives are not appropriate for all rural areas.

The next three papers explore aspects of international agri-food trade. Using constant market share analysis, Bojnec and Fertő show that, while the structural effect is mostly positive for all European Union (EU) Member States, the residual and second order effects are more often positive for the Eastern EU Member States and, after the EU enlargements, more often negative for the EU-15. Hegedüs and Kiss develop this theme by analysing the impact of EU membership on Hungarian agricultural trade with the EU-27 in the period 2003-2013. While trade has grown dynamically over this period, the Hungarian export commodity structure is dominated by raw materials and semi-processed goods, while the import structure, although diversified, is processed goods oriented.

The study by Tóth and Gál seeks to explain the success of the New World wine producing countries by focusing on the macroeconomic elements that affect technical efficiency. Inefficiency is related to factors such as the development of the financial system, the quality of human capital and per capita wine consumption.

Hubbard, Luca, Luca and Alexandri analyse the volume and composition of national and EU agricultural financial support in Romania between 2002 and 2012. Whilst EU funds have become more important since accession, support from the Romanian national budget remains significant. The main beneficiaries are the large-scale commercial holdings.

Finally, Eleki, Cruse, Rogovska, Fodor, Szabó and Holló demonstrate that the removal of crop residues for uses such as biofuels can threaten soil quality and long term farming economics due to depletion of soil organic matter. Some form of above ground biomass should be returned to the soil, especially with monocultures of maize.

As Editor-in-Chief of *Studies in Agricultural Economics*, I would like to extend my own grateful thanks to the members of the Editorial Board for all their hard work and support.

Andrew Fieldsend
Budapest, July 2014

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Book review

POTORI Norbert, Paweł CHMIELIŃSKI and Andrew FIELDSEND (editors)

Structural Changes in Polish and Hungarian Agriculture since EU Accession: Lesson Learned and Implications for the Design of Future Agricultural Policies*

* Agrárgazdasági Kutató Intézet. 2014, 292 pp.

Assessment of the scope and approach of the study

This study is the result of research cooperation between the staff of the Research Institute of Agricultural Economics (AKI) in Budapest, Hungary and the Institute of Agriculture and Food Economics of the National Research Institute (IERIGŻ-PIB) in Warszawa, Poland. The study's title defines its purpose and approach, and the words of introduction from the Directors of the two institutes, Dr. Kapronczai István of AKI and Prof. Dr. hab. Andrzej Kowalski of IERIGŻ-PIB reinforce this message.

The study analyses the changes in the agri-food sectors of Poland and Hungary since these countries' accession to the European Union (EU) in 2004. Both countries have benefited from EU accession, although the chances and opportunities arising therefrom have been exploited differently. The agri-food sector in Poland has probably adapted a little better to the requirements and benefits of the Common Agricultural Policy (CAP). However, further challenges await the agri-food sectors of both countries in terms of, for example, institutional efficiency and competitiveness, and the environmental context. Thus, it seems useful to carry out a cross-cutting, comparative analysis of the processes of change in the sector during the period of adaptation to the new opportunities and challenges associated with the common market, common rules for support schemes under the CAP and other institutional arrangements related to EU accession. This study is not only an *ex-post* assessment, but it also features some elements of an *ex-post* analysis.

It can be difficult to maintain the scientific nature of such an analysis without falling into the mannerisms of so-called expert consulting studies, and having an excessive focus on the description of statistical data. The authors have avoided this by properly recognising and analysing statistical data and drawing generalisations of cognitive and scientific importance with policy implications. Moreover, the involvement of two institutes can make it difficult to maintain consistency of approach, but the adoption of common methodologies by the two sets of researchers emerges quite clearly from the study's constituent chapters.

In such a cross-cutting study it is also difficult to define an ideal hierarchy or even order of the topics to be discussed. Structural changes, especially within the meaning of their qualitative dimension, refer both to institutional and regulatory spheres, and to changes in the real sphere, that is in management processes in the agri-food sector. The added value of the publication is the attempt to describe the relationship between these structural changes in both spheres.

This attempt has proved fairly successful. The study is diligently and accurately written. It comprises relatively few repetitions, the majority of which address support schemes under the CAP.

Institutional and regulatory conditions of structural changes

The study does not present an overall view of the institutional and regulatory changes in the agri-food sector related to EU accession, but rather of selected topics. Attention is paid, without assigning any appropriate priority or hierarchy, to such institutional factors or conditions which have had a significant impact on structural changes in the sphere of real management in the agri-food sector. Let us refer to some of them which are, according to the reviewer, the best presented scientifically in the relevant chapters, and probably the most important.

Certainly, the land market, and the right of ownership and lease are such conditions. With certain limitations the *Land tenure* chapter addresses these issues from the relevant perspective, i.e. efficient allocation of land, transaction costs and property rights. These conditions result in the specific structure of ownership and use of land and changes thereto, i.e. processes that are quite different in both countries. In Poland, the result is the high price of land, hardly visible structural changes and a weak system of leasing. In Hungary, the well-developed system of land leasing has facilitated adjustment of the production structure; however, the purchase of land is a problem. Generally though, the land market, regulatory solutions and land policy have not reduced the relative allocative inefficiency of this factor among agricultural producers.

The development of institutional and regulatory conditions for innovation in the two countries is an equally fundamental issue. In addressing it the *Institutional preparations for the implementation of the European Innovation Partnership* chapter meets high standards of scientific analysis. It includes relevant conceptual references, especially to the 'Agricultural Knowledge and Innovation System' model and outlines its components, i.e. research, extension, education and support system. Readers will find the presentation of the European Innovation Partnership and the analysis of Hungarian and Polish preparations for participation in this programme interesting, but the conclusions drawn as to this participation are quite unclear, not synthesised and too technical. The reference to the concept of 'innovation brokers' is interesting. It is a pity that the authors did not consider whether the support system actually liberates or rather forces

innovation. In the neoclassical approach, innovation as a source of increasing competitiveness is induced by competitive equilibrium conditions and the dependence of producers on the market and resulting tight budgetary constraints.

The *Agricultural insurance support schemes* chapter is written knowledgeably but too much attention is given to business and environmental issues and too little to insurance as a factor of economic stability. Whether attention is given only to production risk insurance against, for example, drought, floods, or also to market risk insurance associated with increasing price volatility and fluctuations related to the integration and globalisation of agricultural markets is not clearly explained. During the period of previous regimes in both countries, compulsory insurance schemes against *force majeure* existed. The question arises as to why this arrangement was changed. There is, however, no market risk to which the authors do not refer. The ways of developing a new production risk insurance scheme in both countries are synthetically presented and provided with rich empirical illustration. Remarks on obstacles to the development of the agricultural insurance market in both countries and subsidisation of insurance policies, e.g. the NAR system in Hungary, are valuable.

The study addresses the issues of financing and taxes in the *Financing of agriculture and investment support in agriculture* and the *Taxation in the Polish and Hungarian agriculture and health care system* chapters. They describe the changing status of these common agricultural and fiscal policy instruments, including the relationship between EU and state budget funding. In this sense, along with the cited and described empirical data, these chapters leave us no doubt about their illustrative value; however, their cognitive value is lower. Nevertheless, they contain a certain impact assessment of the financing system under the CAP. Slowing down structural changes is one of the impacts. Furthermore, excessively complicated procedures related to financing are a problem. The important issue of investments and their funding is presented quite schematically, for example there is no reference to their rationality in view of their relatively very large subsidisation. In the light of the political debate in Poland, the description of the income tax system in agriculture in Hungary is of high informative value. Considerations regarding the VAT system in both countries in the framework of a unified EU regulation are of similar importance. Obvious from an economic point of view, the issue of social care is also a political problem. The tax systems of the two countries differ in agriculture and other sectors. Social care systems are also different; however, it seems that the Hungarian system is more rational and less burdensome to taxpayers. The critical comparative analysis is not exhaustive enough from the perspective of theory and policy implications.

Structural changes in the real sphere of the agri-food sector

The comparative analysis of structural changes in the agri-food sector indicated in the title of the study is of diverse nature as to both the subject and approaches. On the one hand, the analysis compares the most important charac-

teristics of the entire sector, and on the other hand, examines the whole sector in terms of post EU accession changes. Two chapters address this issue, *A comparison of the agro-food sectors in Poland and Hungary from macro perspective* and *Development of the Polish and Hungarian food industry from 2000 to 2011*.

The first of these chapters introduces the book and illustrates the role of the sector in the economy and the state of its development in the two countries. Thus it constitutes a good starting point for the analyses included in the following chapters. Indicators, such as the share of the agri-food sector in GDP, employment, the national economy and investments, are analysed first. Then, the value of agricultural production, its structure, as well as support and income in agriculture, the trade of agri-food products and expenditure on food are studied. This is not the best possible order. The conclusions point to, *inter alia*, the diversity of land use structure and income, the role of investments in the process of adapting to EU requirements, the role of agri-food sector in the economies of the two countries which, despite the declining trend, is still socially and politically important. The second of these chapters (the final one in the study) discusses the effects of EU accession and the resulting changes in the institutional and regulatory sphere. These effects are the structural development of the agri-food sector in general, in contrast to the results of detailed analyses of selected sectors, to which I refer below. Such an approach is also illustrative, rightly referring to the most important indicators, such as the value of production in the agri-food sector, the volume of consumption, the productivity of the labour factor in the sector in both countries. References to the structure of the entire food industry, e.g. in terms of its business structure, as well as the analysis of the level of investments and economic and financial results are the most important. These analyses are synthesised and have high informative value; however, the comparative analysis represents a weakness.

Four chapters analyse selected product sectors in the two countries. Relatively comprehensive analyses relate to the *pig, dairy, fruit and vegetable*, and *sugar* sectors. Underlying trends for production, structure and efficiency at the levels of agriculture as a supplier of raw materials and of processing are analysed, based on a wide range of empirical data. The two countries are analysed somewhat more individually than comparatively. However, the analyses in these chapters add value to the study. It is difficult to find both references to theory and more general patterns in a cognitive sense. However, observations regarding agricultural policy are important. They resemble sectoral analyses a bit too much, which is not necessarily an advantage here but they may be an important reference for other publications and assessments. The analysis of the development of the fruit and vegetable sector reveals massive structural and qualitative changes, including foreign trade accompanied by consumption changes related not only to domestic production, but also to imports of fruit from other climatic zones. The role of this sector has decreased in Hungary, but has gained importance in Poland. The structure of the dairy production and processing sector is examined in depth, and the analysis has proper theoretical and methodological grounds. The impact

of market and non-market regulations, as well as production quotas is shown. Structural changes in the sector, especially in Poland, and their effects in the form of consumption, foreign trade and prices are presented. The comparative analysis of the development of the dairy sector in the two countries allows for some generalisations. Similar remarks may be applied to the sugar sector where convincingly demonstrated structural changes are almost in line with the neoclassical model. The analysis of the relationship between value chain prices of pork production, and the relationship of livestock and feed prices and production efficiency is deepened. Risk management and forecasting, i.e. key aspects in this market, are passed over.

The analysis in the *Structure and development of the food retail sector in Poland and Hungary* chapter occupies a separate place. Retail sale of food is in fact a synthetic picture of the results of changes in the agri-food sector and its individual markets. Generally, this is not the subject of an integrated analysis in studies prepared by agricultural economists. The chapter addresses relevant issues of efficiency of this segment, which is in fact a driving force for the entire agri-food sector. This is where the most significant structural changes have occurred, enhancing consumer welfare, of course, based on the structural and qualitative development of the agri-food sector in both countries throughout the post-socialist period and especially since EU accession.

Summary

The study is sure to become a reference point for numerous analyses and publications. Providing agricultural economists from both countries with a basis for analysis that is fairly consistent in terms of methodology is an achievement. Analyses of the institutional and regulatory sphere and the real sphere of the agri-food sector separately for each country are in-depth and at the same time synthesised. The weaknesses of the study are the comparative analysis and drawing of generalisations. Furthermore, it does not include many *ex-ante* analyses, projections or expert opinions on future challenges. Nevertheless, each chapter provides a wide range of information, analyses and observations, the collection of which would otherwise involve much effort. The study carries a certain cognitive message, but most of all – a utilitarian message for agricultural policy.

Structural Changes in Polish and Hungarian Agriculture since EU Accession: Lesson Learned and Implications for the Design of Future Agricultural Policies may be obtained in printed form free of charge from Agrárgazdasági Kutató Intézet by emailing aki@aki.gov.hu and downloaded from http://ier-igz.waw.pl/download/15665-structural_changes_fin.pdf.

Reviewed by: Prof. Dr. Włodzimierz Rembisz, Wyższa Szkoła Finansów i Zarządzania w Warszawie, Poland. wrembisz@gmail.com

Conference report

European Innovation Partnership for Agricultural Productivity and Sustainability

Budapest, 6 May 2014

The establishment of European Innovation Partnerships (EIPs) represents a new approach by the European Union to encouraging research and innovation. EIPs are designed to be challenge-driven, focusing on societal benefits and rapid modernisation. The EIP for Agricultural Productivity and Sustainability (EIP-AGRI) which was launched in February 2012 aims to foster a competitive and sustainable agriculture and forestry sector that ‘achieves more from less’. It will contribute to ensuring a steady supply of food, feed and bio-materials, both existing and new, sustainable management of the natural resources on which farming depends, and working in harmony with the environment. To achieve this aim, the EIP-AGRI must build bridges between research and practice (farmers, businesses, advisory services, NGOs etc.).

The European Innovation Partnership for Agricultural Productivity and Sustainability (EIP-AGRI) Conference was organised in Budapest, Hungary by the National Food Chain Safety Office (NÉBIH) on 6 May 2014. The aim of the conference was to draw the attention of all interested actors in Hungary and the neighbouring EU Member States both to the importance of innovation in farming and the agri-food supply chain and to promote the formation of new relationships, partnerships and networks to capitalise on the opportunities offered by the EIP-AGRI.

The plenary session began with an opening speech by Tóth Katalin, Hungarian Deputy State Secretary for Parliamentary, Social and International Relations, who welcomed the conference participants and set out the aims of the conference. Then, Krijn Poppe, co-chair of the Standing Committee on Agricultural Research (SCAR) Collaborative Working Group on Agricultural Knowledge and Innovation Systems (CWG AKIS), highlighted the importance of the state’s role in encouraging innovation. Moreover, cross-border collaboration in research could benefit from harmonisation of rules and procedures for commissioning research, to help to create to a more integrated ‘market’ for research.

Deputy Team Leader of the EIP-AGRI Service Point, Pacôme Eloua Eyenga, stated that the EU intends to use the EIP-AGRI to build bridges between research and practice. The key actors of the EIP-AGRI will be the Operational Groups, which will bring the stakeholders together to implement innovative projects in pursuit of the objectives of rural development. Financial support will be available both for the operational costs and the realisation of the projects. In addition, Innovation Support Services will be established to provide assistance in finding partners and solutions to research problems as well as being a network of the stakeholders in the European Union (EU).

Feldman Zsolt, Hungarian Deputy State Secretary for Agricultural Economy, explained that in Hungary the cooperation between the actors of agricultural economy and sci-

entific research has to be improved. According to the Ministry’s plans, consortia that involve agri-business participants, research organisations and advisory organisations will be eligible to receive support for the realisation of innovation projects, including investments related to putting the results of innovation into practice for farmers.

To illustrate how agro-innovation could work in practice, three good practice case studies were presented. Moira Forsyth of Scottish Enterprise described rural innovation through knowledge transfer in Scotland, Hans-Olof Stålgren of the Swedish Rural Network introduced a method that shows that it is possible to actually produce innovations in a short time, and Benedek Zsuzsanna of the University of Pannonia, Hungary, outlined the operation of the Pannonian ‘Household’ Swine Programme.

In the afternoon session, seven parallel, interactive workshops were conducted to address five questions about the EIP-AGRI. These questions, which centred on the role and formation of Operational Groups in Hungary, were as follows:

- Which function could you play in the implementation of the EIP-AGRI?
- What kind of problems are there to forming Operational Groups?
- What do you think are the most useful practical steps for ‘kicking-off’ the establishment of an Operational Group?
- What are the main obstacles/challenges for setting-up Operational Groups?
- Are there any other ‘burning questions’ you want to discuss?

These workshops identified several problems and possible solutions, and these were summarised and presented by the moderators of each working group. Generally the difficulties of cooperation, lack of trust and information, complicated administrative system and the scarcity of farmer-oriented scientific experts were identified as key challenges for the future of a smoothly operating EIP-AGRI system in Hungary.

Closing the interactive discussion, Feldman Zsolt concluded that the most important challenges at present are the active involvement of the currently quite sceptical farmers in the work of Operational Groups, and the development and establishment of a simple management structure of the EIP-AGRI at both EU and Member State level.

The level of interest the EIP-AGRI in Hungary is reflected in the fact that the conference was heavily oversubscribed, with around 250 participants. The PowerPoint presentations can be downloaded from: https://www.nebih.gov.hu/aktualitasok/hirek/05_06_EIP.html or <http://elbs.hu/konferencia/eip-konferencia-2014-majus-6/>. Further information is available from Szabó Dorrotya (szabodo@nebih.gov.hu).

KAPRONCZAI István, General Director of AKI

Agrárgazdasági Kutató Intézet, 1954-2014

On 1 January 1954 the Ministry of Agriculture established a new institute with the name *Institute for Farm Management*, under the leadership of Horváth Lajos. This institute was, however, dissolved by the Ministry after just half a year of operation and was replaced by two institutes, the *Research Institute for State Farm Management* (RISFM, at Székkutas) and the *Institute for Farm Management* (IFM, in Budapest).

The establishment of two ministerial institutes was justified by the fact that the organisation and direction of state farms represented a different set of problems for the Ministry. The RISFM developed a statistical system for the analysis of state farm operation. In 1956 the Budapest-based Farm Management Department of the AGROTERV (a firm planning modern technologies for large-scale farms) joined the institute and in the following year the institute was relocated to Budapest. Meanwhile, the main task of the IFM, under the leadership of Lukács László and then Latkovics György, was to solve the current practical farm organisation problems of cooperative farms and machine stations.

Recognising that there was also a need for basic research, in 1956 the Hungarian Academy of Sciences (MTA), from the Farm Organisation Department of its Agricultural Research Institute at Martonvásár, organised in Budapest the *Farm Study Group* of the MTA under the leadership of Pálincás István, and then from 1 January 1957, Erdei Ferenc. In early 1957 this group evolved into the *Institute of Farm Management* of the MTA (IFM-MTA). In 1962 the name was changed to the *Research Institute for Agricultural Economics* of the MTA (RIAE-MTA).

Also in 1962 the RISFO and the IFM were amalgamated by the Ministry of Agriculture as the Research Institute for Farm Management (RIFM), located in Budapest under the leadership of Tóth Jenő. This institute functioned until the end of 1964. With effect from 1 January 1965 the RIFM of the Ministry of Agriculture and the RIAE-MTA were amalgamated into one institute under the name *Research Institute for Agricultural Economics* (RIAE). The institute was placed under the supervision of the Ministry of Agriculture and Erdei Ferenc was appointed as its leader.

The main reason for the union was to achieve closer cooperation between agricultural economics and farm management research in order to promote more efficient scientific development in agriculture. This involved both basic and applied research. In 1968 the various parts of the institute were moved from three separate locations in Budapest to the present address of AKI, Zsil utca 3-5. Only the Department of Data Processing (i.e. the computer unit) remained in its

old home. On 1 January 1969 the Section of Farm Analysis and the computer stock was transferred to the recently established *Statistical and Farm Analysing Centre* (SFAC).

A further development in 1962 was the setting up of the STASZIG (a computer and statistics centre that was part of the Ministry of Agriculture) under the leadership of Szemesy Tibor, which served as the informational background of the Institute. A few years later the *Statistical Agency for Data Processing and Economic Analysis* (SADPEA), which united the capacity of certain departments pertaining to STASZIG and the RIAE, was formed, headed by Némethi László. Its main task was to collect and process data in cooperation with the Hungarian Central Statistical Office and the Ministry of Finance.

In 1982 the *Institute for Research for Food Production and Economy* (IRFPE) came into existence, focusing on research. This development recognised the close links between agriculture and the food processing sector. IRFPE belonged to the Ministry of Agriculture and later was merged with the RIAE.

In 1970 the RIAE employed nearly 250 people but between 1984 and 1991 the headcount fell from 207 to 83. Meanwhile, the number of persons employed at SADPEA decreased to one tenth of its original total. In 1991 the SADPEA and RIAE were reunited again under the name of the *Research and Information Institute for Agricultural Economics* (AKII), although for the time being they continued to be located at separate offices. Although a main driver of the merger was to achieve cost savings, it was logical to bring together the information technology databases and the research activities in one institute.

Over time, the former SADPEA staff were relocated to Zsil utca, thus bringing all activities of the institute under one roof. The institute regained its former name, the *Research Institute for Agricultural Economics* in 2004, the year of Hungary's accession to the European Union. At this time, the country became part of a large, organised but highly competitive market that offered great opportunities for the stakeholders but also brought along serious challenges. The work of AKI has helped Hungary to become an important and successful part of the EU's agricultural industry.

Since 2004, neither the framework nor the role of the institute has changed significantly. As a background institute of the Ministry of Rural Development, its 130 staff continue to provide support to decision makers and other agri-food supply chain actors in Hungary, with 60 years of experience behind them.

Studies in Agricultural Economics

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Studies in Agricultural Economics publishes original research papers, review papers, policy analyses and book reviews on agricultural economics, rural development and related topics including: agricultural production and competitiveness, environmental resource management, agri-food supply chain management, markets and marketing, international trade, econometrics, rural economic geography, rural economy and sociology, and development of information and knowledge based society in rural areas.

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