



Experience of agricultural income stabilisation tool in Hungary

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EU Legislation

- REGULATION (EU) No 1305/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 December 2013
- on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
- **Article 39: Income stabilisation tool**
 - Support can be granted where the drop of income exceeds 30 % of the average annual income of the individual farmer in the preceding three-year period
 - Payments by the mutual fund to farmers shall compensate for less than 70 % of the income lost

Hungarian holdings

Different obligations referring to financial reports



- Compulsory double-entry book-keeping
- Income statement is available



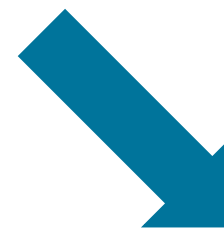
,A' method



- Single-entry book-keeping
- Use a full revenue- and cost statement



,B' method



- Only full revenue statement
- Invoices are partly available



,C' method

What producer's data are available?

,A' method

- Incomes ✓
- Costs ✓
- Inventory change / Value of capitalised self-produced agricultural goods / ✓
- Income statement only focusing on the agricultural activities !

,B' method

- Incomes ✓
- Costs (expenditures) ✓
- Inventory change ✗

,C' method

- Incomes ✓
- Costs ✗
- Inventory change ✗

State aid

- **Source: Hungarian State Treasury (MÁK) (producer at the ,A' method)**
- Subsidies determining agricultural income
 - Subsidies for several years (e.g.: direct subsidies, „greening”).
 - Essential criteria of identifying the change of income: in case of appearing regularly in the same farm every single year of the period of four years. (3 reference years + 1 accounting year).
- Excluding the occasionally received grants and investment subsidies
 - To avoid having significant diversion in the change of income in the accounting year as well as the reference years; to avoid receiving unjustified compensation.
 - Investment subsidies are not part of the income calculation of the current accounting year!
- Compensation related to risk management
 - Avoid overcompensation

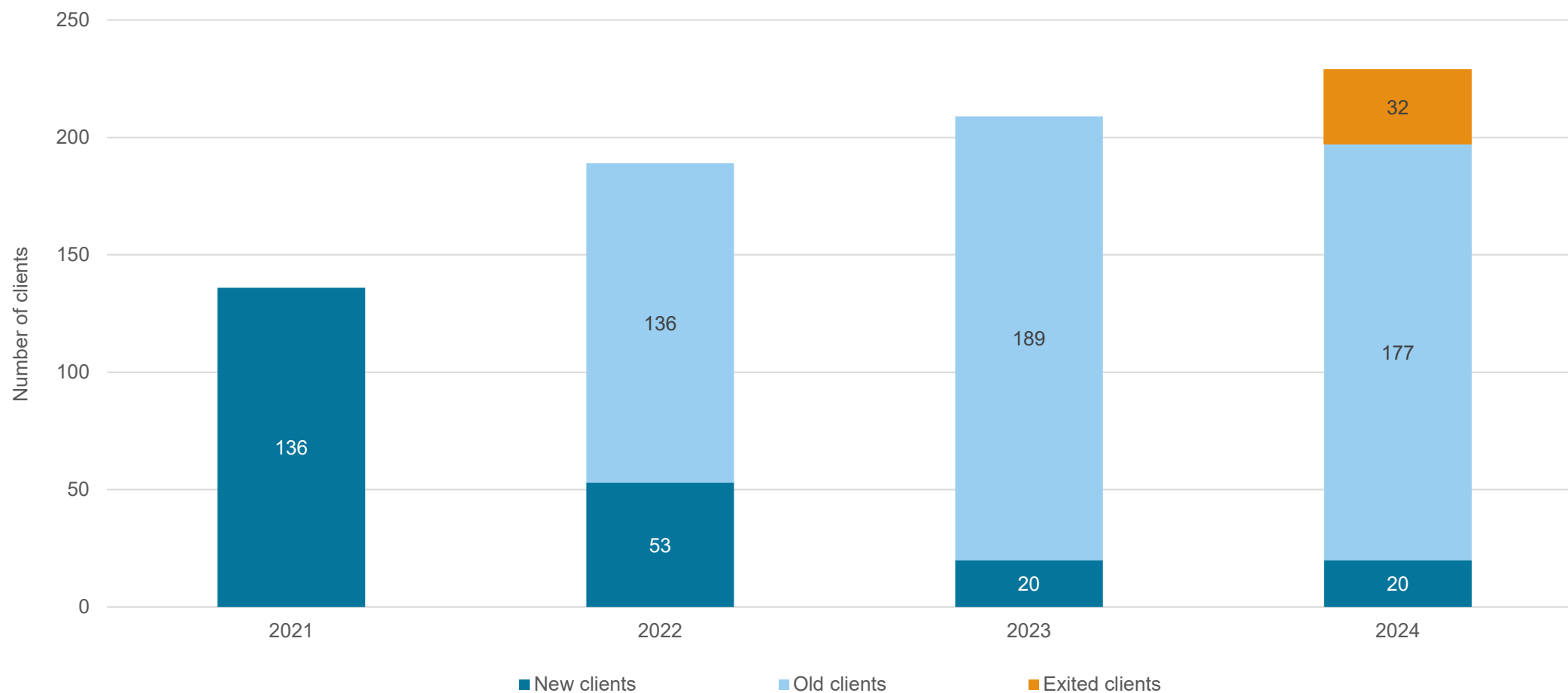
Principles of income calculation

- Income index usage (Income/SO)
 - Its aim is not to show the effect of changes in the production structure on the change in income.
- Reference period – The benchmark is the average of 3 years prior to the accounting year
- Cases of compensation:
 1. Accounting year (AY) income index / Reference income index $< 0,7$ (*If incomes are positive in the accounting year and in the reference period*)
 2. AY income index / Reference income index $> 1,3$ (*If incomes are negative in the accounting year and in the reference period*)
 3. AY is negative and reference period is positive
- 30 percent income reduction is necessary in case of income calculation without subsidies. → Eliminating the distortive effect of changes in aid policy.
- Negative reference income is ineligible.
- Measurement of compensation: 69.9 percent income reduction



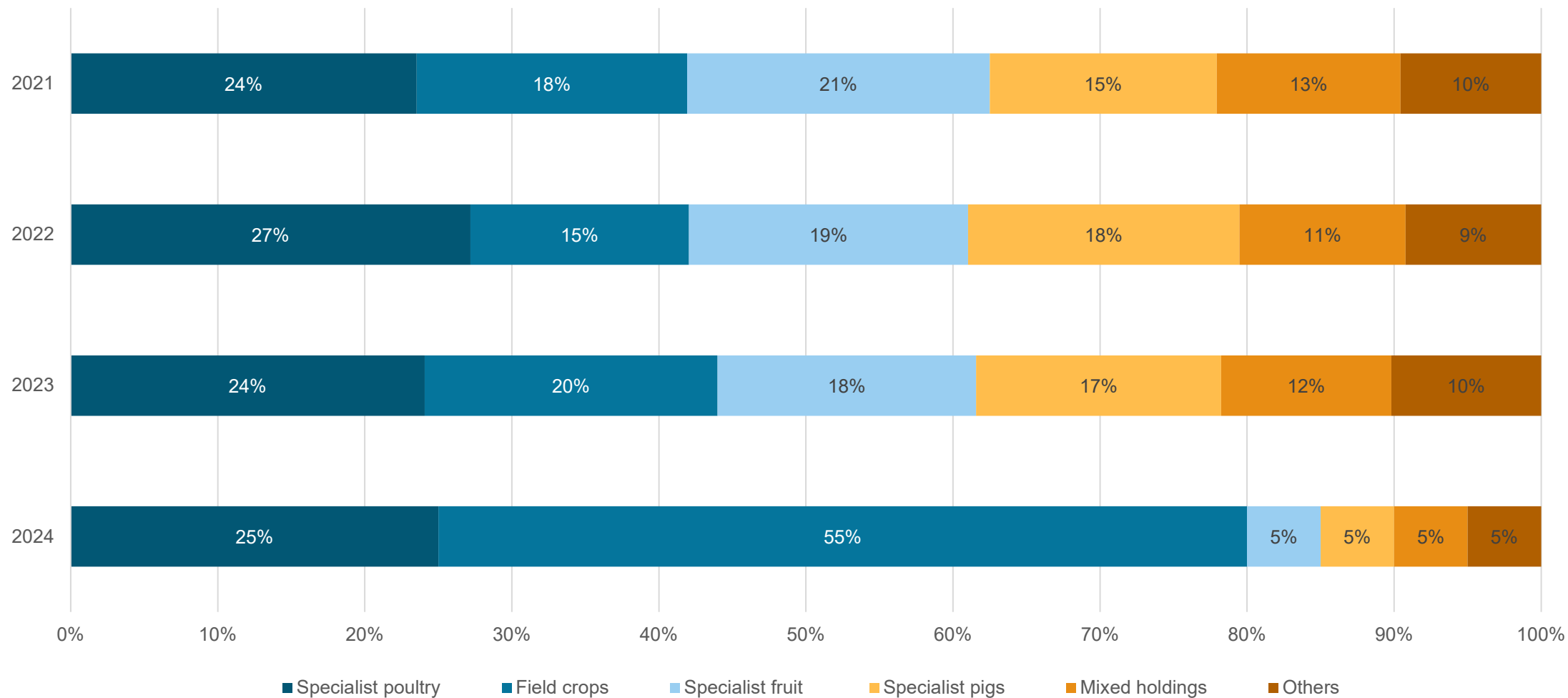
Results

Evolution of the number of clients



Source: Calculated by the Hungarian FADN unit based on data from the Hungarian State Treasury

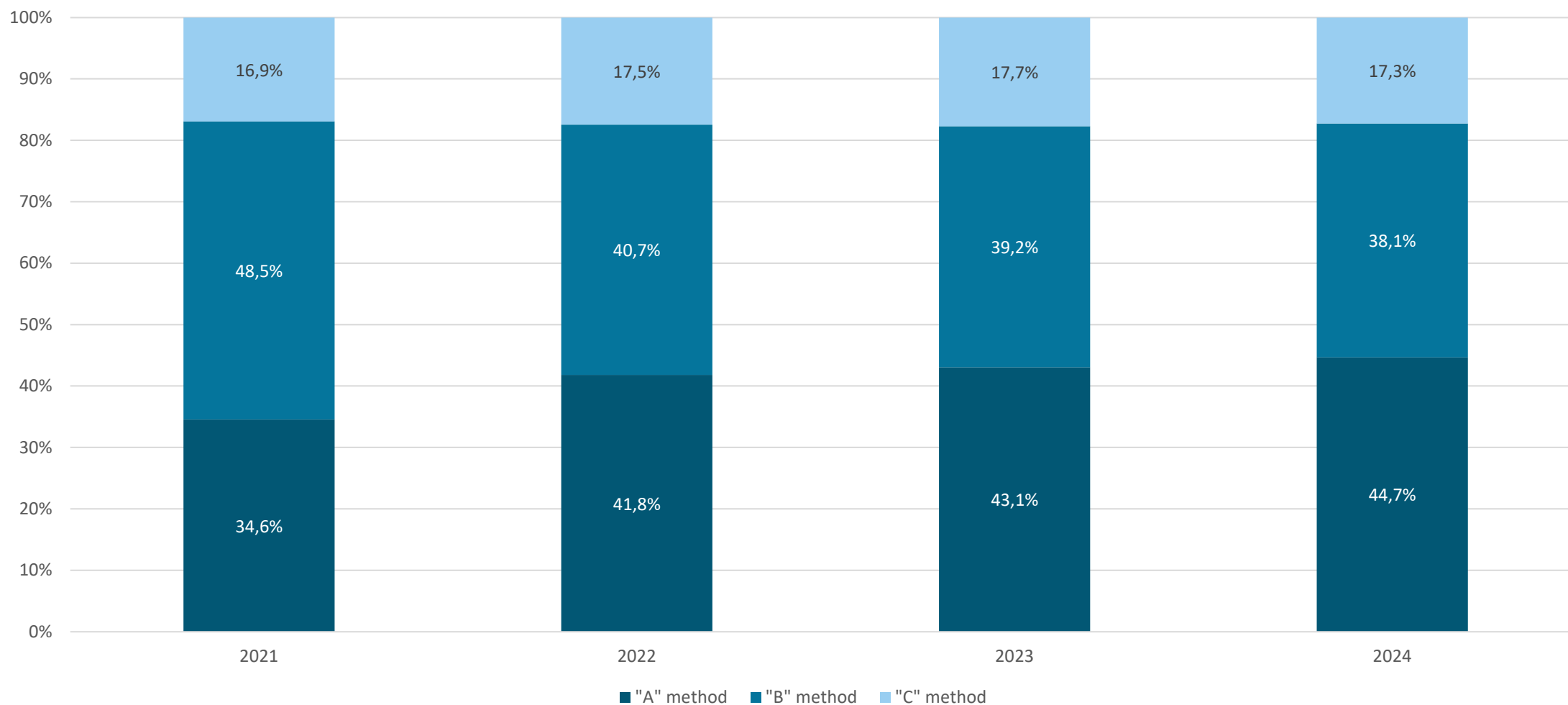
Distribution of new clients by main farm types



Remark: Farm types are based on EU typology.

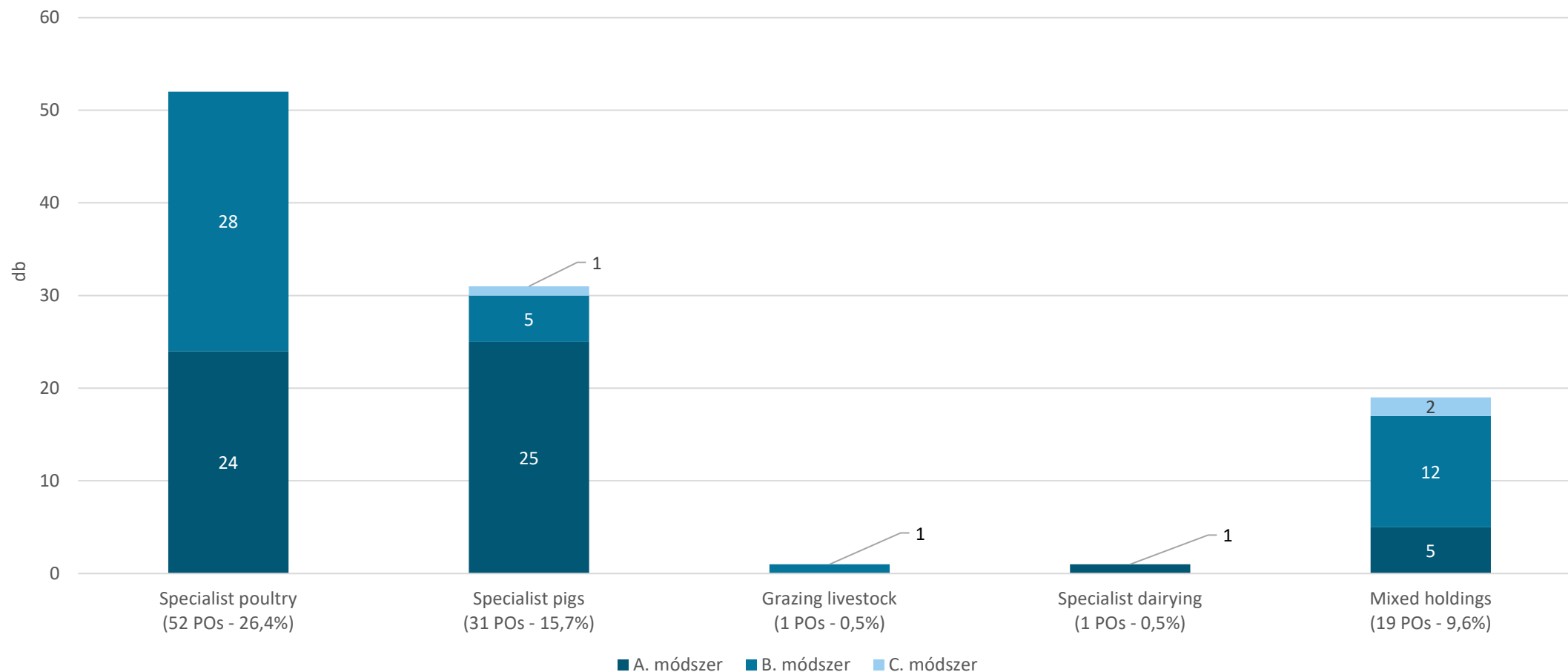
Source: Calculated by the Hungarian FADN unit based on data from the Hungarian State Treasury

Distribution of clients by "method", by year (total)



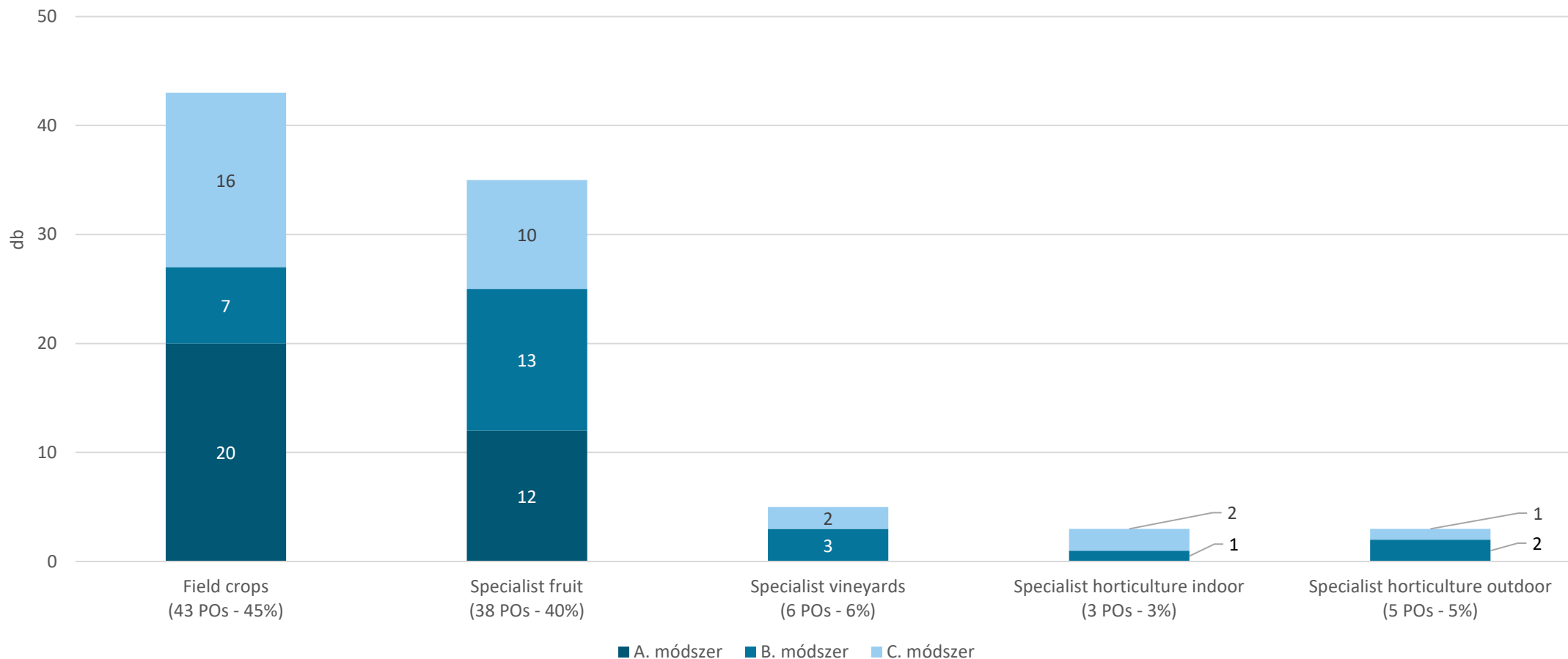
Source: Calculated by the Hungarian FADN unit based on data from the Hungarian State Treasury

Evolution of the number of clients by type of activity and income statement I, 2024



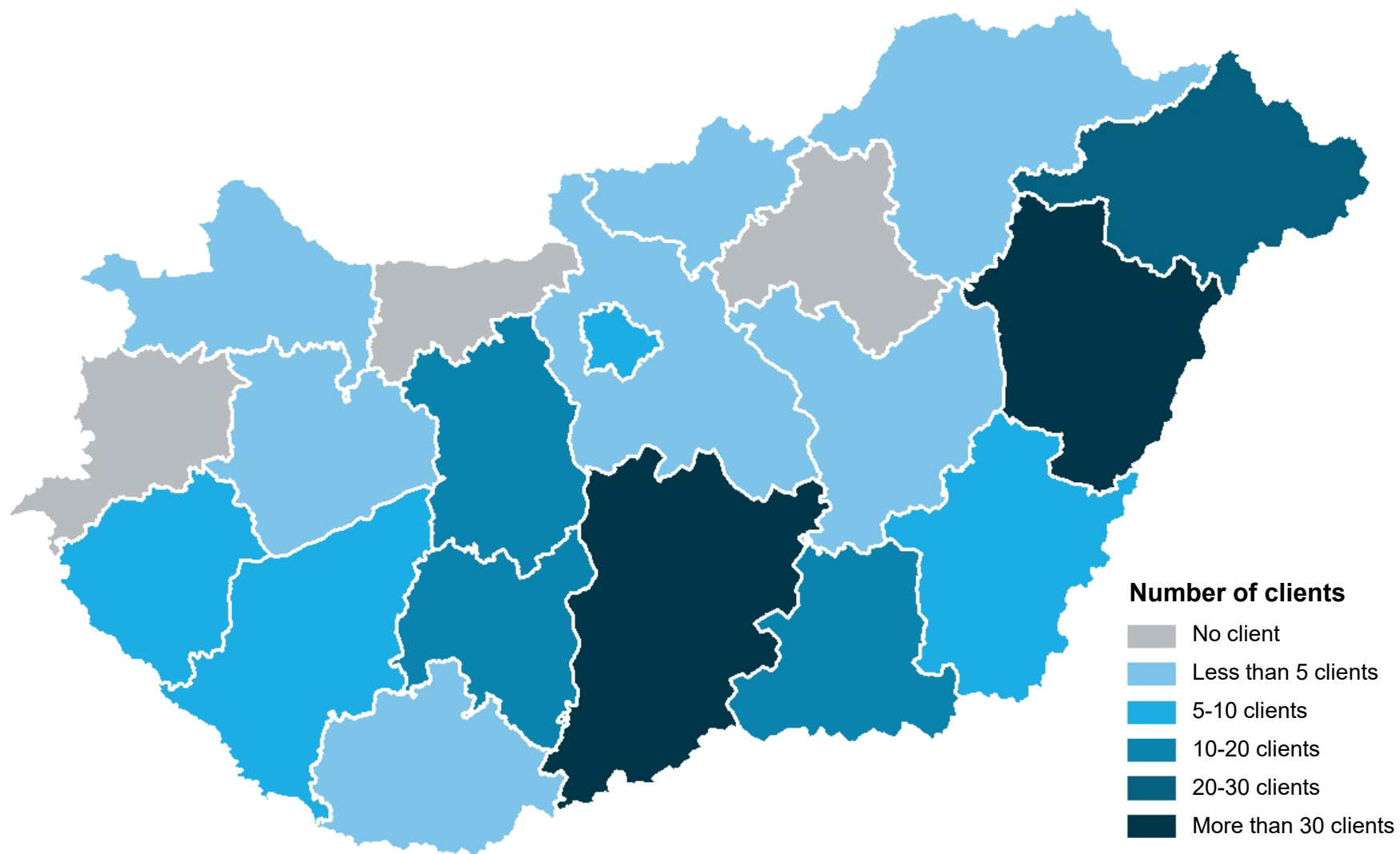
Source: Calculated by the Hungarian FADN unit based on data from the Hungarian State Treasury

Evolution of the number of clients by type of activity and income statement II, 2024



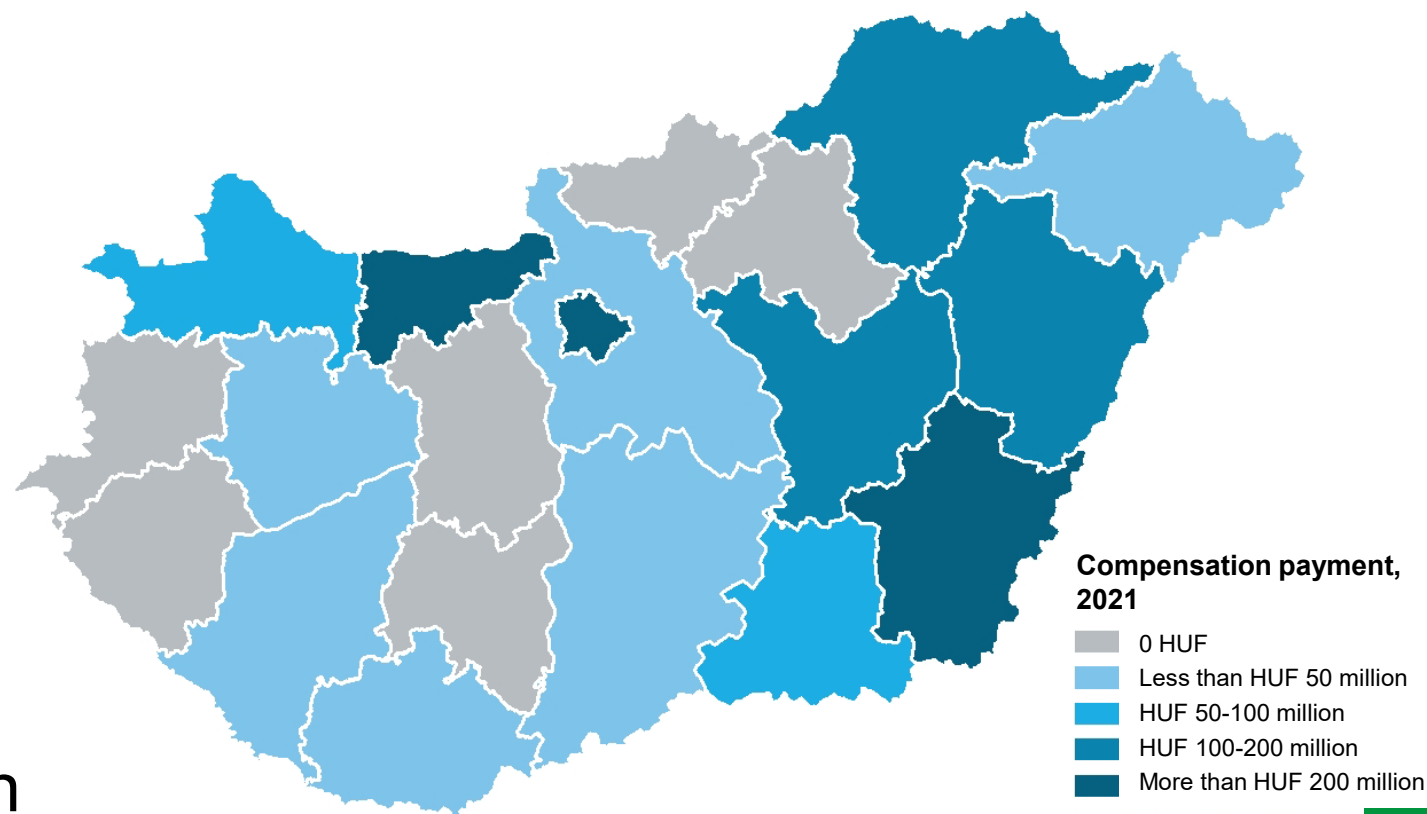
Source: Calculated by the Hungarian FADN unit based on data from the Hungarian State Treasury

Geographical distribution of clients 2024



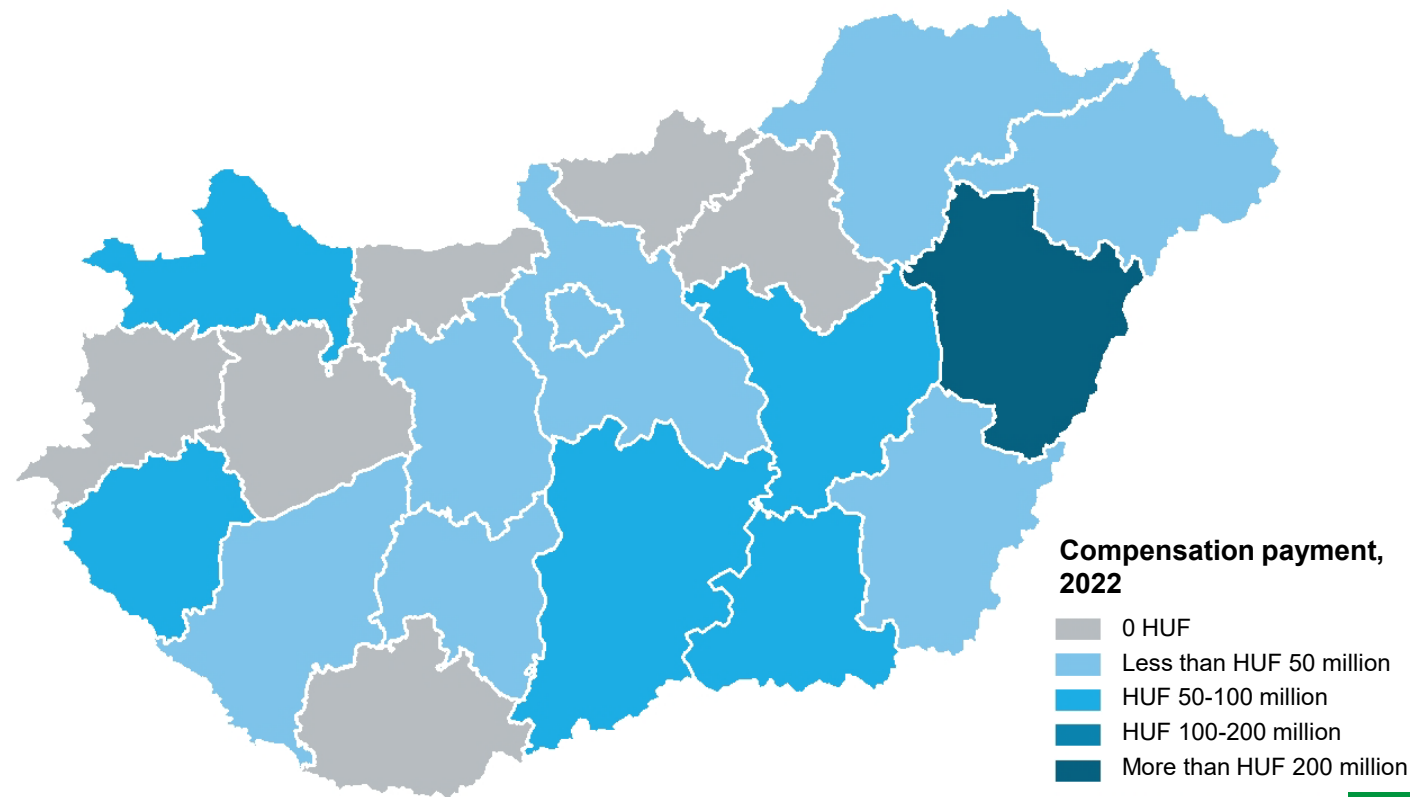
● Compensation payment, 2021

- 51 farmers were entitled to compensation payments, among which EUR 1.48 million was paid.
- Only 9.4% of the claims (EUR 15,66 million) could be paid (with an approval rate).
- Under the additional compensation procedure, 36 producers agreed to make additional payments, resulting in the creation of a fund of EUR 3.05 million.



● Compensation payment, 2022

- 189 farmers were eligible to apply for compensation, of which 49 were entitled to compensation, among which EUR 2.28 million was paid
- On average, producers received compensation of 18.1 times their payments.



Distribution of payments

Farm type	Number of clients	Distribution of clients	Compensation (HUF)	Distribution of compensation
Specialist and general field cropping	13	26,5%	115 625 400	13,0%
Specialist fruit	11	22,4%	156 014 841	17,5%
Specialist vineyards	3	6,1%	2 388 724	0,3%
Specialist pigs	9	18,4%	282 410 413	31,7%
Specialist poultry	9	18,4%	62 825 590	7,1%
Various crops and livestock combined	4	8,2%	271 721 156	30,5%
Total	49	100%	890 986 124	100%

Discussion

- Low number of clients
- Low payment rates
- Complex stock management (for individual farmers, no other support scheme requires so much data)
- Significant management and financial control (this level of data control is not common)
- Inappropriate income calculation

Thank you!



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