Some comparisons across Central and East European countries in terms the rural population living standard

Některá porovnání zemí střední a východní Evropy vztahující se k životní úrovni venkovského obyvatelstva

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Abstract: In this paper, we describe and compare the employment, wages and prices in the agricultural and other rural sectors in Central and East European countries. Together, we point out the lack of statistical information limiting the possibilities of the comparison. We comment the marked decrease in both production and employment in these sectors during the transition period. Together with low wages and the unfavourable development of the relation between the purchase and producer prices, this situation causes the retardation in the growth of the living standard of the rural population, in comparison with other sectors of the national economy. Therefore, the necessity of restructuring agricultural production arises, and first of all, the multifunctional character of the agriculture and the development of non-agricultural activities must be supported by the rural municipalities. It concerns, of course in different rates, all discussed countries.

Key words: rural population, employment, income and price level, living standard

Abstrakt: V této stati popisujeme a srovnáváme zaměstnanost, mzdy a ceny v zemědělství a dalších venkovských odvětvích v zemích střední a východní Evropy. Současně poukazujeme na nedostatek statistických dat omezující možnosti srovnávání. Komentujeme významný pokles produkce i zaměstnanosti v těchto odvětvích během transformace. Spolu s nízkými mzdami a nepříznivým vývojem cen zemědělské produkce i její výrobní spotřeby dochází k opožďování růstu životní úrovně venkovského obyvatelstva ve srovnání s ostatními odvětvími národního hospodářství.. Proto nastala nutnost zrychlit proces restrukturalizace zemědělského odvětví. Především musí být podporován, zejména místními samosprávami, multifunkční charakter zemědělství a rozvoj nezemědělských aktivit ve venkovských regionech. To se týká všech srovnávaných zemí, i když každé v jiné míře.

Klíčová slova: venkovské obyvatelstvo, zaměstnanost, příjmy a ceny, životní úroveň

PREFACE

The conditions for investigating the living standard of the rural population

Statistical information about the position, especially about living standard of the households involved in agricultural sector and on the whole about the rural population, is not sufficient. Statistics of agriculture are more concentrated on agricultural production and trade, including international trade, and the factors of production, as land, capital investment, but less on the position of agricultural workers and their living standard. Only the household budget statistics enables to bring data about incomes and expenditures of farmer's households. However, these statistics deal only with selective data and their quality depends on a considerable extent on the numerousness of the households in surveys. Comprehensive information is given in the statistics of wages about the wages of

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workers in agriculture, forestry, hunting and fishing. But this information refers only to employees and the lower the share of employees in a country, and the higher the share of self-employed farmers, the less information the statistics of wages give us. Yet, among the CEEC, there are considerable differences in these shares. The information about rural population as such is not the matter of any specific observations, because it is very difficult to give the definition of rural population. The indirect characteristics of rural population can in many cases be found in the regional cross-sectional dataset, which is usually tackling the issues of the density of population, the structure of employment, etc. Nevertheless, the data in such studies cover only certain perspectives of rural population issues, whereas it is specifically developed for other purposes.

Another difficulty we meet with when making the effort to compare the living standard of the rural population across the CEE countries: the statistics has not been gathered using a fully harmonized methodology, and also time series of data are not perfect, so that there are some gaps in them.

In spite of all shortcomings, we can still find enough possibilities to disclose both the similar and dissimilar features and attributes in the compared countries and to deduce some important consequences for the further development. In this paper, the attention is paid namely to the following problems:

– The employment in the agricultural and other rural sectors (forestry, fishing etc) and the related characteristics of labour market.
– The development of the wages in these sectors in comparison to the total wages development, as well as the incomes of members of households in general, depending how far we can find data.
– The level and development of input- and output prices in agriculture and their impact on the agricultural population trends.

THE EMPLOYMENT IN THE AGRICULTURAL, HUNTING, FORESTRY AND FISHING SECTORS IN THE CEEC

The number of workers in agricultural sector is one of the most important indicators in the role which this sector plays in the economy of a country. From this point of view, we can observe considerable differences among the CEEC, with respect to the size of a country, the role of agricultural sector in the whole economy of a country, as well as on the form of ownership, how it was developed in the past and during the economic transformation.

To show the importance and meaning of the number of workers in agriculture and the related sectors, we present the recent (2003)[1] number of people employed in these sectors.

The Table 1 indicates that Poland and Romania, which is presently the EU candidate country, have the biggest share of population involved in agriculture and the related activities. These two countries have at the same time relatively high shares of agricultural employment with respect to the total employment. These facts refer to the doubtless influence on future reforms of the EU Common Agricultural Policy (CAP). However, as to smaller countries, Bulgaria and Lithuania are also facing a relatively high share of agricultural employment.

The Table 2 demonstrates differences in the share of agricultural employment among the compared countries.

Table 1. Employment in Central and East European countries (in thousand persons), 2003

	CZ	EE	HU	LV	LT	PL	SK	SL	BG	RO
Total employment (NACE 0)	4 939	595.5	3 922	1 007	1 438	13 782	2 165	922	2 740	9 223
Agriculture, hunting, forestry, fishing (NACE A+B)	202	36.7	215	138	251	2 603	139	83	263	3 286

CZ = Czech Republic, EE = Estonia, HU = Hungaria, LV = Latvia, LT = Lithuania, PL = Poland, SK = Slovakia, SL = Slovenia, BG = Bulgaria, RO = Romania, CY = Cyprus, MT = Malta

Source: Statistical Yearbook on Candidate and South-East European Countries, data 1996–2000, (EUROSTAT); Statistical Yearbook on Candidate Countries 2003 (EUROSTAT)

[1] For some countries the data for 2004 are already at disposal but the difference from the year 2003 is not significant. Nevertheless, the decrease of the number of employed is continuing.

The average percentage of employed in agriculture, hunting and forestry in the EU 15 in 2003 reached 4%, in the EU 25 – 5.2%, and the 10 newcomers themselves (together with Cyprus and Malta, which have a very low share of agricultural employment) reached 15%.

Unfortunately, we can find some inconsistencies in data concerning agricultural employment in different sources of information. This is caused mainly by a different methodology of data collection, which is not always described, and also by the different time of elaboration of the data. In spite of these difficulties, fairly great differences in the share of agricultural employment among the introduced countries are registered; especially in the present candidate countries Romania and Bulgaria. Withal, in all introduced countries a marked trend to the decrease of the share of employment in agriculture is proceeding (see the Table 2). The trend of decreasing number of workers involved in agricultural sector is not caused by the factor of growing productivity of labour, but by the decreasing demand for agricultural production influenced by the growing offer of cheaper imported production. This factor plays of course a different role in each country. The greatest decrease of agricultural production took place in the first years of the transition to market economy. Nevertheless, agricultural production has continued to decrease also in the recent years, with the exception of Lithuania and Slovenia, where a moderate increase was recorded since 1995 to 2002. (It is worth to mention that in the same period, the world's agricultural production grew to 116%). From the point of view of domestic demand, the factor of the decreasing share of food expenditures also influences the development of the internal demand for agricultural products. (But this share is still significantly higher than in the EU 15 and it will continue to decrease in connection with the process of approaching the level of more developed countries).

It should be mentioned that the decrease of agricultural production might cause the retardation of the growth of productivity of labour what could cause the failure of the qualitative development of the agricultural sector as a whole.

As it was already said, the number and percentage of workers involved in agriculture is connected also with the type of ownership and forms of farming. Countries with a higher percentage of agricultural workers have also a higher share of small private farms, what has also historical roots in the specific circumstances of the development of the agricultural sector in totalitarian regimes in every country. While in Poland, Hungary and Romania, a strong sector of private farms existed even during the old regime, in the Czech Republic and the Baltic States the agricultural firms were forcibly fully collectivized. At present, the share of physical person's farms in the CR is 27%, in Hungary 43%. In Estonia 80% of the registered entrepreneurs in agriculture and the related sectors were sole proprietors in 2004 (Estonian Statistical Yearbook 2005).

In connection with the decreasing number and share of agricultural workers, also the area of agricultural

Table 2. Employment in agriculture, hunting, forestry, fishing (% of total employment)

Countries	1990	1997	1998	1999	2000	2001	2002	2003
CZ	12.4	5.8	5.6	5.3	5.2	4.9	4.6	4.1
EE	.	9.9	9.5	8.8	7.0	6.9	6.9	6.1
HU	7.4	7.3	7.1	7.0	6.5	6.2	6.2	5.4
LV	.	.	18.7	17.2	14.4	12.5	11.3	9.9
LT	.	.	20.7	21.4	18.4	16.5	17.8	17.0
PL	.	20.4	19.0	.	18.7	19.2	19.3	18.4
SK	13.9	8.6	.	7.2	6.9	6.2	6.2	5.0
SL	.	12.1	12.1	10.8	9.6	9.8	9.2	9.0
BG	.	.	26.2	25.8	26.2	25.8	25.6	25.6
RO	.	40.9	42.0	44.0	45.2	44.4	36.5	35.6

For abbreviations see Table 1

Source: Statistical Yearbook on Candidate and South-East European Countries, data 1996–2000 (EUROSTAT); Statistical Yearbook on Candidate Countries 2003 (EUROSTAT); Statistical Yearbooks of CEEC (2004); Agriculture in the European Union – Statistical and Economic Information 2005 (EUROSTAT)

land, and also arable land in the CEEC countries is decreasing, and the area of non-agricultural land is increasing. This is in correspondence with new direction of the CAP, which favors the development of the second pillar, the development of rural areas. Of course, there is a mutual influence – the greater support of the second pillar causes the decrease of agriculture land. However, the support to the second pillar has so far a small share in the whole sum of means designed to the CAP – about 11% – and it should doubtless grow in the future.

The share of agricultural employment in rural areas will continue to decrease. Avoidance of this requires investments into non-agricultural activities, because there is doubtless the effort aimed at the population not to move to great cities and remain in rural areas. At present, the cities do not need yet the supplementary increment of labour force from agriculture, and especially of the unskilled labour force, because of the already existing problems of unemployment. It will be necessary to support the development of services, of small and middle size firms, the development of firms processing the agricultural raw materials. Even now the agricultural firms are continuing to develop the manufacturing and services. These activities represent already a great share of agricultural business activities, especially by big agricultural holdings, and this tendency will continue.

Nevertheless, there will be a different impact of agricultural employment decrease in different countries. Smaller countries, with a low share of agricultural workers within the employment and at the same time low share of small farms, will experience a small impact of this decrease. However, the impact may be rather serious for the local area development and from the regional policy point of view. On the other hand, in large countries with a high share of small farms, there may occur an undesirable increase of unemployment in the country, which would decrease the living standard of the population and create an additional pressure to state budget by increasing social assistance to these becoming unemployed. This concerns some regions in such large countries as Poland and Romania. Therefore, there must be more attention paid to the creation of conditions for the growth of non-agricultural employment, increasing farm multifunctionality and giving this process a sufficient time. This means that this process will be a long term one, to avoid serious economical and social crises.

In connection with the tendencies to reduction the agricultural production, also the problem of inefficient exploitation of natural resources arises in conditions when a great part of the world population is lacking the basic means for subsistence. This doubtlessly hints at the inability of the contemporary society to resolve the problems of elimination of the poverty at the world dimension on a new level and with new methods, hence this problem remains to be solved with the improved methods of trade and shifts of the values in the future.

THE LEVEL AND DEVELOPMENT OF PERSONAL INCOME IN RURAL SECTORS

Two main indicators are to our disposal to characterize the level of personal income as the substantial indicator of the living standard of the population: wages and household's income. Examining the sector of agriculture as a main sector involving rural regions' population, we must take into account different kinds of employment, particularly employees earning wage and self-employed farming persons, who do not get wage. The shares of these social groups in the CEEC are quite different. In Hungary, Poland, Romania and Lithuania, where the share of physical person's farms is high, the wage is not representative enough to characterize the living standard of the agricultural population as a whole. In countries, where the share of employees in agriculture is high and the share

Table 3. Monthly gross nominal wages in national economy, in EURO

Countries	1996	2001	Indices (2001/1996)
CZ	281	430	153
EE	195	352	180
HU	242	352	145
LV	142	284	200
LT	122	274	224
PL	270	562	208
SK	210	286	136
SL	752	984	130
BG	59	123	208
RO	109	162	148
TR	397	480	120
CY	1 181	1 554	131
MT	845	1 238	146

For abbreviations see Table 1

Source: Statistical Yearbooks on Candidate Countries 2003, EUROSTAT

Table 4. Average monthly gross wages growth 1990–2002 (%) (current prices, national currency)

Countries	Total	Agriculture
CZ	478	419
EE	1 004	849
HU	550	550
LV	.	.
LT	.	.
PL	735	678
SK	358	276
SL	1 399	1 167
BG	.	.
RO	.	.

For abbreviations see Table 1

Source: Statistical Yearbooks on Candidate Countries 2003, EUROSTAT; Agricultural statistics 2006, EUROSTAT

of small private firms is low, (for inst. the Czech Republic, where the share of employees in agriculture – in concordance with the high share of large legal entities – reaches 70%, and the share of farms of physical farmers represents 27% of the agricultural sector, but also in Estonia, Slovakia and Slovenia) the wages are good indicators for characterizing the living standard in agriculture. We will try to use and compare both wages and household's income even if there is a lack of data in some countries.

Firstly, to characterize the general level of earnings and their differences among the CEEC, we introduce the only available and relatively comparable level of wages, expressed in EUR (using the EUROSTAT exchange rates) –Table 3.

The differences are remarkable first of all in Bulgaria and Romania, on the other hand two members of the EU, not being the CEEC – Cyprus and Malta have a several times higher level of wages. A high wage level indicates also Slovenia, the country with special historical development in the framework of previous Yugoslavia. Thus the influence of totalitarian regime on the economic retardation in the remaining CEEC is evident also on the indicators of wages. Nevertheless, a convergence in the level of wages has taken place – the lowest wages grew faster. However, let us mention that we do not discuss here the level of consumer prices and different inflation rate in each CEEC. Therefore the indices imply only the development trends of relations among countries.

The most distinctive feature of the personal incomes of the rural and especially agriculture population in all CEE countries is their lower level in comparison with other sectors of the national economy and of the national economy in total. This reality can be proved both by wage relations and household's income relations. Let us begin with wage relations (Table 4).

At the beginning of the transformation, a special situation was met in the Czech Republic and Slovakia, when they created two republics of one state of Czechoslovakia. Due to almost 100% collectivization and nationalization, wages in agriculture were higher than in industry and in the total economy. The reason was agricultural mass production, but also a special economic policy which supported collective farming. Also in Slovenia and Bulgaria, the average wage in agriculture was higher than the total average wage. But very soon the proportion changed and in 1995, in all countries agricultural wages were lower (Table 5).

To be more precise, the sector of agriculture in the introduced wage statistics involves in all countries also forestry, where the level of wages is higher, and in Hungary and Estonia it involves also fishing, where the wages are noticeably lower. But the weight of these sectors in comparison with the proper agricultural sector is small and does not influence the average wage substantially.

The living standard of the CEEC, however, was influenced by particularly high rates of inflation, in some of countries extremely high, which modified the introduced nominal growth of wages. High rates of inflation were the consequence of a quite abnormal subsidized consumer price level and the structure in totalitarian economies and this had to be rectified during the transformation. The impact of the infla-

Table 5. The share of agricultural average wage in the average wage of the total economy in 2002 (%)

CZ	EE[1]	HU	LV[2]	LT	PL	SK	SL	BG[3]	RO
74	60	69	80	.	92	77	83	70	50

For abbreviations see Table 1

Source: Agriculture Statistics 2006, EUROSTAT

[1]2001, [2]2003, [3]1995

Table 6. Consumer price indices (1990 = 100)

Countries	1995	2000	2002	2003
CZ	252.4	349.9	373.3	371.0
EE	19 482.0	30 999.0	33 978.0	34 420.0
HU	309.7	625.3	719.0	793.0
LV	.	5 241.1	5 477.0	5 634.0
LT	.	19 937.4	20 256.0	20 017.0
PL	556.7	1 012.9	1 089.0	1 100.0
SK	272.3	403.8	446.7	.
SL	1 204.8	1 788.6	2 083.9	2 200.1
BG	4 605.3	15 8 750.1	180 339.9	184 307.4
RO	9 353.4	111 767.1	184 106.1	

For abbreviations see Table 1

Source: Statistical Yearbooks on Candidate Countries 2003, EUROSTAT; for Estonia author calculations based on Statistical Office data

tion was especially deep on low income strata of the population and caused the growth of the formerly almost inexistent income differentiation. The losers of that process were mostly households who with certain characters – big families, pensioners, single parent families and also to a great extent agricultural workers. Therefore, the introduced nominal wage have to be deflated by following price index numbers – Table 6.

The household budget statistics confirm the similar picture and trends of development as the statistics of wages. But the figures are less reliable because of the already mentioned small sample of observed households. On the other hand, the obtained information includes all kinds of incomes of the household (social income, property income, etc.), which characterizes more fully the income situation. For comparison, it is computed per capita, because different households have different number of members. It means also that it is usually smaller than the indicator of wage, as the main income, which is related only to the receiver of the wage. Unfortunately, as already mentioned in the preface, the different methodologies of collecting data on household budgets where many indicators are missing, allow us to show data only for four countries (Table 7).

THE IMPACT OF PRICES AND THEIR DEVELOPMENT ON THE LIVING STANDARD OF THE AGRICULTURAL POPULATION

The living standard of the rural population is influenced not only by the consumer prices development, which affects the real value of incomes, as it was mentioned in the previous part of this paper, but also by producer prices and costs of production. In general, the price level of the agricultural production and also of the agricultural land in the CEE countries is at present due to existing exchange rate (with the exception of Slovenia due to the different historical development) lower than the price level of the EU 15. The price of land is an exceptional case; in the past regime, no price was attached to land, because it was common property and no market deals were conducted on land. Even now, where land is the subject to market exchange, the land prices are incomparably lower than in EU 15. But it is a special problem with special consequences for the CEEC, which is not the matter of discussion in this paper.

The lower price level of production in the CEEC is a temporary advantage for these countries and partially compensates lower direct payments from the EU, because the purchasing power of EURO in these countries is higher. But this advantage will weaken with the supposed gradual decline of agricultural prices in EU 15 in future and with their inevitable

Table 7. Household income (average monthly available income per capita, national currency)

Countries	2002		2003	
	average household	agricultural household	average household	agricultural household
CZ	9 084	8 331	9 563	8 483
LT	442	.	457.6	329.5
PL	2 366*	2 302*	2 454	2 241
SK	7 836	7 400	8 287	7 649

For abbreviations see Table 1

*2001

Table 8. Price level of agriculture production in comparison with world price level

Countries	Average of 2000–2002 (the world price level = 100)
EU 15	53
Czech Republic	130
Hungary	131
Poland	118
Slovakia	126

Source: Lukas, Poeschl (2004)

gradual approximation to much lower world prices. The recent research introduces the following information (Table 8).

On the other hand, there was a disadvantageous development of the prices of agricultural inputs, which grew markedly more than the prices of output, what is demonstrated in many analyses and in recent statistics of the EUROSTAR[2], which give us an overview about the development of terms of trade in agriculture in the period 1995–2004. In the table 8 and graphs we introduce the development during 2000–2004 (Table 9).

From 7 CEEC, for which the input (purchase) price indices are available, in 5 countries the indices of agriculture inputs prices both in nominal and deflated values are higher than output (producer) price indices; the greatest differences show Hungary and Slovenia. Besides, in most of countries the level of output prices in real terms is lower than in 2000, what has not good consequences both for investment and consumption possibilities in farming. Two countries do not follow this trend, namely Latvia and Lithuania. On the other hand, most of the EU 15 countries show also a higher growth of input price indices than output price indices and the indices are similar for the EU 15 and the EU 25 (the EUROSTAT estimate). A large difference between the development of prices of agricultural inputs and outputs during the period of the transformation can be demonstrated on the case of the Visegrad countries – the Czech Republic, Hungary, Poland and Slovakia, for which are indices disposable from 1990 (Table 10).

Only since 2000 the proportion has been improved, nevertheless, the indices of the prices of inputs are higher than the indices of the prices of agricultural outputs. It is supposed by research works of the WIIW Vienna, that the tendency of quicker growth of the price of inputs will continue, due to higher requirements for investment and to expensive services in correspondence with the rules of the EU. Also environmental requirements are becoming more stringent and meeting these requirements adds supplementary costs for agricultural production. However, increased production prices are natural also due to advanced technologies of inputs and growing prices of energy and fuel, what is demonstrated by a similar development of the terms of trade in the countries EU 15. Only the growth of labour productivity in agriculture and of its quality at the level of advanced non-agricultural sectors will be able to improve and straighten the price relations in the future. The existing price relations in agriculture and their development hinder the growth of value added in this sector and cause the decreasing effectiveness of the farming. At the

Table 9. Input and output price indices, nominal, deflated, in 2004 (2000 = 100)

Countries	Nominal indices		Deflated indices	
	input price	output price	input price	output price
CZ	108.4	102.9	99.7	94.7
HU	131.3	104.5	102.3	81.4
LV	115.2	121.4	100.9	106.3
LT	92.9	102.9	91.2	101.1
PL	120.8	111.6	107.9	99.6
SK	115.3	103.8	89.2	80.3
SL	131.7	112.2	103.0	87.8
EU 15	110.1	105.0	100.0	95.4
EU 25	110.8	105.3	100.0	95.3

For abbreviations see Table 1

Source: The 2005 Agricultural Yearbook, EUROSTAT

Table 10. Indices of input and output prices in agriculture (1990 = 100%)

	1995	1999	2000	2001	2002	2003	2004
Czech Republic							
Input price	183.8	206.3	227.3	239.6	339.3	333.9	358.9
Output price	128.2	129.1	141.0	153.7	139.1	136.5	140.5
Hungary							
Input price	250.9	443.3	491.6	504.9	480.9	487.2	503.9
Output price	206.4	317.9	389.4	378.5	353.2	358.2	317.0
Poland							
Input price	512.4	828.5	923.0	982.9	1 010.1	1 043.0	1 116.8
Output price	478.4	595.3	682.8	708.8	645.9	654.8	762.0
Slovakia							
Input price	257.4	337.2	367.9	402.2	.	.	422.0
Output price	145.8	158.9	170.4	183.7	.	.	176.9

Source: Agriculture 2003, Ministry of Agriculture of the Czech Republic; WIIW Handbook of Statistics Countries in Transition, 2003

same time, it constricts the possibility of increasing the income of agricultural households and their living standard. Agricultural employers have not got enough means to increase wages of their employees, and the benefit of individual farmers is not sufficient to higher their personal incomes and to secure the means for investment into the development of their farms. Therefore, considering the today's situation the agricultural sector necessarily requires the support and some redistribution of means created in the whole economy to the benefit of the agriculture, both at the national and international level. Without this help to the agriculture and rural regions, the development of the whole society would be hampered. Let us add, that the enlargement of the EU by poorer countries with a high share of agricultural sector and with low productivity of labour in agriculture will stress requirements for this redistribution. Still the support schemes to agricultural sector should take into account various aspects of the sector – the diversification possibilities of the production, increasing efficiency of production, protection cultural heritage and natural environment etc, not to lead to waste of resources.

CONCLUSIONS

The trends of the development of the agricultural sector in the CEE countries have some specific features. During the transformation period, the production in most of countries decreased markedly, and the same concerns the number of workers in the sector, who are at the same time ageing. This trend will continue, of course in each country with a different intensity, and it will bring strengthening of some contradictions. The decrease of production might cause the worsening of living standard of the agricultural workers considering that the restructuring of the production goes too slowly or does not happen at all, or if these unemployed people cannot find work in other sectors of the economy. Therefore, the rural municipalities should support the development of multifunctional character of the agriculture, creating of new workplaces besides agricultural activities – to support the development of services, of small and middle sized firms, the improvement of the rural infrastructure, by all means which will be at disposal, including the state and the EU support. This will be advantageous for all rural population, not only for agricultural workers. However, it is obvious that it will demand the strengthening efforts of the rural and in particular the agricultural population alone. It is possible that especially for some small farms the situation will become impassable and they will look for another employment.

The modernization of agricultural production, including its restructuring, calls for qualified labour force. But it is very difficult to acquire it in the conditions of ageing of the agricultural population and when the agricultural work is not attractive for young people due to the low level of earnings. The lower

levels of gross wages of agricultural sector compared to the economy average are also shown in previous discussions in this paper. Paradoxically, the unemployment in other sectors of the national economy in cities could help to retain young people in rural regions and to force them to look for opportunities to come useful in rural regions. This process will be easier for smaller countries, with a low share of agricultural workers and at the same time a low share of small farms, which have as a rule lower income due to lower productivity of labour than large agricultural legal entities. On the other hand, in large countries with a high share of small farms the process will be more difficult and may provoke an undesirable increase of unemployment both in some regions of the country and also in cities. It will require longer time and more means to solve these problems.

The present situation justifies the enforcement of the second pillar of the CAP. It represents now only a small part of the whole financial support to the agriculture, about 11%. It is inevitable to extend this for supporting the convergence of countryside and cities. On the other hand, the farmers from the CEEC prefer at present direct payments and demand for these, what is quite understandable in the situation of low wages and income and with low prices of agricultural production and higher prices of its inputs, as it was demonstrated in this paper. Also the first pillar of the CAP serves more to bigger farms with higher productivity of labour, than to small farms which are as a rule less effective. With the shift of means from the first pillar to the second, there will not be means enough to support small farms more than at present. It will require a great effort and a long time period to solve these problems. A certain role will doubtless be played by the change of generations.

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