

HUNGARY

Farm's performance, restructuring & modernisation

Location
Szaltnak

Programming period
2014 – 2020

Priority
P2 – Competitiveness
P4 – Ecosystems
management

Measure
M04 – Investments in
physical assets
M10 – AECM
M11 – Organic farming

Funding (EUR)
Total budget 129 550
EAFRD 83 555
National/Regional 14 745
Other (bank loan) 31 250

Project duration
2017 – 2019

Project promoter
Zoltán Szedlák & Erika
Gulácsi family business

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A family farm used support from multiple Rural Development Programme (RDP) measures to ensure the farm's viability and diversify towards a quality focused and profit-oriented business.

Summary

Zoltán Szedlák has been breeding cattle and producing crops since 1996 and in 2008, his wife joined him to run the family business. In 2009, they switched to organic livestock farming. Subsequently, they created a five-hectare leisure park called "Lámató Szaltnak" with the help of LEADER funding. It contains a pond, barns, llamas and a large green area. Their farm now consists of about 100 ha focusing on animal husbandry.



Improvements were essential to maintain the viability of the family farm. This has been done by producing quality products, rather than by increasing the quantity of production. The farm used Rural Development Programme (RDP) support from several measures, including conversion to/maintaining organic farming, agri-environment schemes and modernisation of cattle farms to fence the livestock. The objective was to increase the value of their agricultural products by setting up a small processing plant where they could process their own matured beef products.

Results

The farm's product range consists of various matured beef and pork products: ready to cook beef and sirloin steaks (tenderloin sirloin steaks, T-bone steaks, ribeye steaks), matured thighs, shoulder, and their organically produced beef. They also produce different sausages and salamis all made from Mangalica, a Hungarian breed of pig.

The farm expects to process between 10 to 15 animals per year for meat production. Under extensive grazing conditions it takes a little more than a year to reach the slaughter weight of an animal.

According to the business plan, the beneficiaries anticipate a net profit from meat production of around EUR 6 250 a year.

The farm's main revenue comes from conventional crop production, including the direct payments, which amount to between EUR 30 000 and EUR 45 000/year.

Lessons & Recommendations

- ❑ There was a wide variation in the length of time it took for their different funding applications to be processed. One took a year and a half to be processed, which was in their opinion too long. Another of their applications, submitted much later, actually received approval ahead of it.
- ❑ It is not easy to get a bank loan as there is a lot of bureaucracy, including multiple submissions of supporting documents. Maintaining a good relationship with the bank was important to ensure a positive outcome.

Context

Zoltán Szedlák and Erika Gulácsi's farm is located in Szalatnak, a village in Southern Hungary which, in 2020 had 348 inhabitants. The region is a popular destination for retired people from Germany, the Netherlands and Belgium, who make up one third of the local population. Zoltán comes from this area, while Erika moved here from the capital, Budapest, 11 years ago. They have two children who do not fully appreciate the value of living in a rural area at the present. Their parents hope that once their children are older and have travelled the world they will appreciate what they have created and return to the countryside. Erika strongly believes in creating a sustainable future for rural areas. For her, it is very important to have a rural intellectual class in Hungary.

Currently the family farm is 100 ha, out of which 75 ha is arable and 25 ha is grass land, with 57 beef cattle, of which 24 are suckler cows. The cattle production is completely open air, having only a semi-roofed area under which the animals can stand. To date, they have sold livestock but, with the recently completed investment and to achieve the 'Farm to Fork' concept, they will only sell processed products from now on. The farm also has an animal petting zoo (including llamas) and a pond created five years ago. Fishing has stopped because it is not financially viable, but fish farming on the lake continues. The fish are harvested once a year and sold at the market.

Investments are important to run a viable family business. Zoltán and Erika believe in the principle of standing 'on several legs'. The purpose of the farm is to make distinctive local products and sell them locally to consumers so they can gain an insight into rural life. All of this, they hope, will build toward the future creation of gastro and rural tourism. The couple has realised that family farms can be successful, not just by selling mass produced foods, but rather by selling unique, regional and possibly branded products on which other services can be built.

Objectives

The short-term objectives of the beneficiaries are:

- increasing the family's revenue;
- developing a tourism offer;
- raising awareness about the region;
- creating a functioning and profitable farm and
- applying for additional support to continue the farm's development.

Activities

Zoltán and Erika decided to rethinking how they ran their family farm. Rather than continue with conventional crop and livestock production, they chose to breed the high-genetic value Hungarian multicoloured and Hungarian grey cattle varieties that make good use of lower-quality extensive grasslands. Following this decision, the livestock farming and forage area were converted to organic farming. The couple has been successful in several tender invitations for support and almost all of them help contribute to their environmental efforts.

To date, under the coordination of the Hungarian Ornithological Association, the couple has set up 440 bird houses thanks to various sources of financial support.

With the help of a LEADER project, they created a family petting zoo and a small lake of 1.6 ha.

The following applications for support helped them to compensate for the loss of revenue due to their conversion to green/organic agriculture:

- 'Conversion to/maintaining organic farming' (M11) – EUR 19 800.
- 'Agri-environment schemes' (M10) – EUR 28 700.

Other applications supported the modernisation of the farm:

- 'Modernisation of cattle farms' (M04) – EUR 10 100 – which allowed for the livestock farm to be fenced.
- 'Increasing the value of agricultural products and promoting resource efficiency in processing' (M04) – EUR 39 700.

The latter was used to set up a small processing plant, with solar panels, where the farmers process their own matured beef products from their livestock. The most expensive part of the project was the development of the ripening chamber, which is adjustable to the exact temperature and has controllable humidity, costing around EUR 15 600. In addition, knives, meat choppers, saws, cabinets and sinks, a cutting table and an industrial vacuum packaging machine were purchased. The intention is soon to replace the old grinder, mixer and charger with the support of a new LEADER application.

After a trial period, sales began and the beneficiaries also started their own marketing activities. Currently, Zoltán and Erika are looking for partners to collaborate with for future work and further development.

Main Results

The project and the investments are still working well, however it took several years to create the right conditions to increase the income of the family farm.

Agreements have already been reached with nearby slaughterhouses, to slaughter their animals locally. Their processed products are mainly sold to the domestic market - on farms, to restaurants or wineries. However, the farmers also want to use social media for sales. The local inhabitants - especially the Western European retired community - are attracted by the farm's high-quality products.

The law allows direct sales of 24 animals per year for cattle; currently the farmers expect to process 10 to 15 animals per year. In open air conditions, it takes just over a year to reach the slaughter weight of an animal.



The farm's product range consists of various matured beef and pork products: ready to cook beef and sirloin steaks (tenderloin sirloin steaks, T-bone steaks, ribeye steaks), matured thighs, shoulder, and their organically produced beef. They also produce different sausages and salamis all made from Mangalica, a Hungarian breed of pig. The products are not technically organic because the animals are not slaughtered in an organic slaughterhouse, but they come from organically produced stock.

Their nearly five-year investment phase is over, but the couple still need to implement two LEADER supported projects that were recently approved. These include the creation of a small local product buffet, and six children's

fishing competitions. Next year, farm production will take place in parallel with tourist activities. However, the big task of the future will be to coordinate these two different activities to create a viable family farm which will succeed without requiring funding subsidies.

The farm's main revenue comes from conventional crop production, including the direct payments support received. It is between EUR 30 000 and EUR 45 000/year. According to the business plan, the beneficiaries anticipate a net profit from meat production of around EUR 6 250/year. Although it may not be much, they consider it to be realistic.

Key lessons

There was a wide variation in the length of time it took for their different funding applications to be processed. One took a year and a half to be processed, which was in their opinion too long. Another of their applications, submitted much later, actually received approval ahead of it. The variation in processing times and delays has led to a situation where they now need to decide how to proceed as currently both they and their contractor are working to full capacity and it is difficult to take on more work.

It is not easy to get a bank loan as there is a lot of bureaucracy, including multiple submissions of supporting documents. Maintaining a good relationship with the bank was important to ensure a positive outcome.

The changes that have taken place in recent years in Hungary are noticeable. Nowadays, the authorities help entrepreneurs conform to all the regulations. This is a big and welcome change. The Local Action Group (LAG) staff have also been extremely helpful.

In cooperation with several local producers, and with the help of the LAG, the couple submitted a joint Short Supply Chain application. The idea is to keep the countryside alive by making it more viable.

Additional sources of information

www.facebook.com/horgaszat.allatsimogato.vendeghaz/
www.facebook.com/zerahus/