

**Local Food Production,  
Non-Agricultural Economies and  
Knowledge Dynamics  
in Rural Sustainable Development  
(the Czech, Hungarian and Polish cases)**

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## **Local Food Production, Non-agricultural Economies and Knowledge Dynamics in the Rural Sustainable Development**

### **Introduction**

The volume presented below contains three chapters focusing on the issue of local food production and three chapters on the issue of non-agricultural economy prepared by three Central European teams, namely: the Hungarian, Czech and Polish ones as a part of the CORASON project. All of them try to address the problem of role of various types of knowledge used by different actors involved in the processes under consideration as well as the contribution of described cases into the process of rural sustainable development. They bring together various cases showing various kinds of agricultural product portrayed as a special kind of food that has been produced in the particular area and/or on the particular farm and therefore might be perceived as a local one.

The Czech chapter focuses on the production of the “organic” meat. The idea to construct the quality of such a product seems to be a primary goal of the analysis contained in the paper. The “organic” character of the product has resulted not only from the style of breeding of the calves but also from the method of slaughtering as well as cooling, cutting and packing process. Therefore such an analysis might be treated as an example showing the social character of the construction of the so-called “bio-product” (an organic one). Since it has been almost entirely the social process it has been also quite interesting to find some ways of omitting established rules. However, on the other hand the role of cooperation among various actors has been underlined pointing out at the success of the whole network “(...) because it *reveals* at proper time points and proper places its parts” (Czech paper, p. 11).

Quite contrary the Hungarian chapter provides us with three different stories. The first one shows the identification of local food with the particular producer performing at the particular territory. The production of meat seems not to be so different from conventional producers, however, the agreement between the large farm and the relatively small slaughter house gives the product its “local” label. In fact, the farm has been identified as the Nature and Gene Conservation Public Company, but this particular characteristic seems to have a minor impact on the “locality” of the product. Just an opposite has to be mentioned in the second Hungarian case of the family farm that has been known as an organic one using also biodynamic methods. It is not only the case of agricultural production but the involvement in further parts of the food chain as well. As it has been stressed in the Hungarian chapter (p12): “They are using traditional Transylvanian recipes for their ready made food products”. Such a product might be found in the largest supermarkets in Hungary. The third Hungarian case, however, provides us with a slightly different, but a much more complex story from the wheat growing area of Mezőtúr. One can identify here the direct involvement of various actors. Two of them sell local products (wheat, flour) for distant consumers. The first one, the investigated farming family raises wheat, barley, sunflower seeds and corn and sells them to consumers and buyers outside the region. As it has been pointed out: “(...) they do not know what happens to the products they are producing” (Hungarian chapter, p. 15). The second actor has been of a very different character. The ABOMILL company purchases wheat from farmers in

the area under strict requirement for the quality of the product and again sells the flour made of the regional wheat in the region as well as outside it. The other actors in the case seem to act according to the scheme of local producers for local consumers. A baker and a confectionary owner sell their products for local consumers. However, both of them do not pay much attention to “the locality” of their products. They might be treated as examples of conventional local producers approaching mainly local customers with various products, using some foreign names for the offered ones.

Finally, the Polish chapter brings two entirely different cases. The first one focuses on the traditional sheep cheese from the Podhale sub-region in the Southern region of Małopolska. The cheese called “*oscypek*” has a long and quite well established culinary tradition in the region as well as in some other parts of Poland. Quite interestingly, in the research conducted by the Polish team, its presence has been identified in three different networks, namely: “*oscypek* as a souvenir for the mass tourism”; “*oscypek* as a conqueror of the food market”, “neo-traditional *oscypek* in EU realities”. Then, this part of the chapter provides us with a rich analysis of the changing functions of the “iconic” regional food in the contexts of rising mass tourism as well as European integration. The second Polish case has been focused on apple production in the community located in Łódzkie region (central Poland). Sketching the picture of two competing producer groups the authors try to show and analyze the importance of various types of knowledge resulting in success or its lack in the undertaken initiative.

To sum up, it should be stressed that all three chapters might be treated as an important contribution to the analysis of the problem of rural sustainable development in these three countries of Central Europe. Such a process of development forms a colorful and complex part of reality. It seems that the best option to consider such a reality is focusing on various interesting cases. An example of such an approach one might find below.

Seeking by evidences of non-agricultural economies the tree teams try to address the problem of role of various types of knowledge used by different actors involved in the processes under consideration as well as the contribution of described cases into the process of rural sustainable development. They bring together different cases showing various kinds of non-agricultural economic activity treated as a supplement or, to use a stronger statement, an alternative to traditional rural activity i.e. work on farm.

Two Hungarian cases bring different stories of local non-agricultural economic development. In the Mezőtúr region the strong tradition of pottery making especially from late XIXth century has been the background for this type of activity during the communist period and after the collapse of the communist system. Nowadays the Manufacture Pottery Ltd is the biggest enterprise of this type of business employing 12 potters and semi-skilled workers. There are also some independent potters running small businesses on their own. Such a consideration contained in the chapter brings an interesting issue who has the right to use the label of locality as well as who is able to define what is the “authentic” local product. Another problem lies in the lack of real co-operation among talented potters in the area. There is also almost no impact on the sustainable development of the area. The main interest of particular potters has been focused on entering the efficient retail network being able to sell their products in Budapest. In turn, the second case shows the importance of non-agricultural economic development linked with the change of the character of tourism. The Valley of Arts Festival might be treated as a kind of such a project focused on the development of an alternative, “cultural” tourism. The project analyzed in the chapter has been invented by a

Hungarian composer who bought his second home in a village in the region and organised first festival in 1989. Local inhabitants helped him in cleaning the village and offering accommodation for incoming tourists. The other villages attracted by the growing number of incoming people have joined the festival and formed “the Valley of Arts. From the financial side the festival has been supported by the state and individual sponsors. The economic side of festival and the issue of making profit from it has been the source of the conflict between local people and organizers on the one hand and visitors on the other. Moreover, the music and art presented there are not just local one. Quite contrary it is the presentation of general Hungarian tradition. This festival that was clearly the invention of outsiders has contributed to the sustainable development of the area. It certainly gives and opportunity to make an additional income by local inhabitants offering various services for visitors. It has also strengthened local identity and a vibrant co-operative network existing among villages in the valley. Therefore, quite contrary to the first pottery case, the festival in the valley of arts has proved that selling local products to outsiders alone not necessarily results in the complex development of the community. However bringing outsiders to *the place* seems to be an opportunity to initiate the process of sustainable development.

Quite interestingly the first case analysed by the Czech team has been very similar to the first Hungarian pottery case and - at the same time - quite different. The key actor of the initiative is a 31 years old woman whose grandparents had a family farm in the area. At the beginning of the 1990's her family re-took the family property and started again farming business. At that time she was a student at secondary artistic school in Prague. When she returned to her family house she started work in local manufacture. Then after two years she decided to run her own business making pottery. After next two years she bought another house, employed some workers and enlarged production not only for regional market. Financial resources and help were provided by some family members and friends. However, the significant change in the project occurred when the business owner decided to integrate her business with the community life. All the types of knowledge have been combined in the project, namely: local/tacit one focusing on the old technology of making pottery but supplemented by expert, scientific learned by the business owners in school; expert and managerial knowledge carried out by NGOs, local entrepreneurs as well as expert and managerial knowledge carried out by business owner family members and friends helping to run the pottery business. The second case of basket production shows some other interesting factors of local development. The business owner was born in the area and spent a lot time with his grandfather who taught him almost all skills necessary to make baskets. He became the only person in the region who got this unique, very local and tacit knowledge. Then the analysed case might be treated as a triumph of lay/tacit knowledge. However, at the same time it might be also treated as an example of the significance of expert knowledge since the producer's grandfather who taught him all the details was himself an employee of the National Institute Supporting Traditional Arts and Crafts. The producer himself got the title “Representative of Traditional Folk Arts” from the National Institute of Folk Culture. His activity, however, has not yet helped to start more complex local development like in the previously described Czech case. Therefore one cannot point out at its contribution to the sustainable development of the areas. So far such a contribution remains only potential.

The Polish chapter has been focused on two different cases that are: agro-tourist initiative and the so-called “Kitchen Centre of Business Support”. The first case seems to be the successful initiative of local farmers and local authorities in Zgierz community (Łódzkie region) searching for alternative sources of income. Various types of activities have been offered for individuals and tourist groups visiting the area, namely: horse riding, fishing in

local streams and ponds, exhibition of traditional farm and country house tools and devices, organisation of tours, establishing the network of tourist trails, etc. Moreover, the activity of association has been supported by other local organisations under the recent edition of LEADER + initiative. Quite contrary, the second project implemented in the Raciechowice community (Małopolskie *voivodship*) might be presented as an unsuccessful initiative launched by the local authorities. With the use of the special grant the building of old school has been remodelled and turned into “business incubator”, where “(...) local women could find the necessary production space and offices to start a food processing enterprise” (CR Poland: 13). That explains the word “kitchen” in the name of the project that was mentioned earlier in the paragraph. However, two basic reasons might be identified as key causes of the failure of the project. Both of them are connected to the shortages of different types of knowledge as well as a proper social capital. Local authorities simply could not find a sufficient number of local women who would be ready to organise an initiative and work in the “incubator”. Moreover those who were eager to be a part of the project did not have a proper knowledge concerning traditional cooking recipes from the area. In addition, the strict sanitary law regulating the process of food processing and production made the whole idea unprofitable. Therefore, we might stress that lack of local, tacit knowledge as well as lack of administrative and managerial knowledge concerning the law regulations resulted in the collapse of the whole initiative.

Based on all remarks presented above, one should stress that all three chapters might be treated as an important contribution to the analysis of the problem of rural sustainable development in these three countries of Central Europe. Such a process of development forms a colorful and complex rural reality, thus the chapters presented below might be treated as a useful occasion to enrich the understanding of its nature.

*The Editors*



# Local Food Production in the Czech Republic

Eva Kucerova<sup>1</sup> – Lukas Zagata<sup>2</sup>

## Introduction

The study aims on alternative food-production system in the Czech Republic. For the purpose of the study we have focused our attention on a very successful representative of the Czech organic farming. We have picked a beef, which is launched out under the brand *Biohovezi* (*hovezi* means beef and the prefix *Bio* refers to its organic origin) and which, in our opinion, can cast light on innovative capacity of a local society.



In general terms, our goal is to describe this unusual food-production system and – by this – provide information concerning the constitutive elements of the CORASON project – knowledge dynamics and the concept of rural sustainable development (rSD) in the Czech Republic.

We have decided to reach our goal through detailed study of the food quality, whereas there are two reasons for doing so. Firstly, one can see that the bio-beef's *raison d'être* stems from a peculiar definition of the *quality*, and secondly, our approach to the study of the food quality breeds a possibility to answer more general questions, which would not work vice versa (these arguments are elaborated in the beginning of the presentation of our study case).

## 1. General information

### General Description of the Research Area



*Usti Region* (NUTS 3) was selected as the Regional research area and *District Decin* as the Local implementation Area (NUTS 4)<sup>3</sup>.

Usti Region is located in the west-northern part of the Czech Republic and shares its northern border with the German Bundesland Saxony. The region covers 5.335 km<sup>2</sup> (which is about 7% of the total surface of the Czech Republic) and has got approximately 820 thousand inhabitants. 80% of people are living in urban areas and the region has got the fourth highest population density in the Czech Republic. 44% of economic-active inhabitants are employed in secondary sector and 52% in tertiary one.

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<sup>3</sup> All statistical data refer to the year 2004, unless there is stated a different year.

The aggregate statistics for the entire region are a bit hazed due to the fact that the region consists of four sub-regions that are quite different in their natural and economic conditions. The selected LIA forms to a single partition of the region, differing from the general look of the rest. It covers about 1/5 of the region's area (909 km<sup>2</sup>) and has got about 133 thousand inhabitants. Population density is around regional average (147 inhabitants/km<sup>2</sup>).

Climate conditions vary within the district area due to different natural conditions. The average annual temperature in some parts is about 5°C, while in other part reaches 9°C. Due to the amount of rainfalls, the district belongs to a well-irrigated area.

Considering the land use in the district, 40% of the district's surface takes up agricultural land, whereas most of this land (60%) represents perennial grassland. This land is mostly located in higher-altitudes and Land Protected Areas.

There are registered 380 agricultural enterprises in the district. Majority of them (177) farm on the land, which has got less than 5 hectares. On the other hand, there are 15 subjects that have got more than 500 ha. Natural conditions of the district make it suitable to use an extensive-way of farming. According to statistics, this area is typical of the lowest livestock farming intensity in the Czech Republic (18,4 pieces of cattle per 100 ha). In the year 2004 there were registered 38 farms in the system of organic farming.

### **Local Food Production and Consumption**

This part provides brief information on the issue of food production and consumption in the Czech Republic. It starts with a description of the change in the food consumption pattern that occurred after the year 1989. The rest of this section is then dedicated to organic food sector in the Czech Republic. The purpose of this enquiry is to provide contextual information that is needed for comprehension of the case study, which follows after that.

### **Basic Trends in Food Consumption Patterns**

Food production and consumption patterns in the Czech Republic have been significantly influenced by political and economic changes that had emerged after the year 1989.

One can distinguish at least three factors that have contributed to the changes in consumers' preferences with regards to food. The first one was the economic transformation, including liberalization of prices, which started in 1991. Food prices that had been kept low for decades in the communist Czechoslovakia started to rise, whereas the growth was faster than the increase in incomes of most Czech households. This situation newly shaped consumers' preferences and led to change in the amount and structure of consummated food. The second factor dealt with general socio-cultural changes that set up new diet habits among the Czechs. The third factor has been represented by an increase in supply of certain commodities, such as fresh fruit and vegetables that have become available after the year 1989 on regular basis during the whole year.

Indeed, all of these factors were mutually interconnected and therefore worked simultaneously. The outcomes were obvious in case of many kinds of food. The official statistics have recorded the decrease in annual consumption of meat<sup>4</sup> (95,5 kg per capita in 1990; 80,5 kg in 2004), sugar (44 kg in 1990; 42,6 in 2004) and butter (8,7 kg in 1990; 4,6 kg in 2004), which are the most obvious examples.

Some of those types of food have been substituted with other ones, which were found to be more in accord with healthier way of dieting. Consequently the demand for them increased. This trend is visible in case of the annual consumption of fresh vegetable (66.6 kg in 1990;

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<sup>4</sup> The indicator refers to meat in terms of "with-the-bones weight".

79,8 in 2004), fresh fruit (59.7 kg in 1990, 83,4 kg in 2004) and plant oil (12.8 kg in 1990; 16,0 kg in 2004), to name at least some of them.

Considering the local food production in the Czech Republic, it is needed to mention a relatively high extent of self-subsistence, namely in rural areas. In the past there were mostly economic reasons for doing, but nowadays supplementing own food is rather leisure-time activity, which is often supported with the notion of having a control over the origins of the food. There are no official statistics, which could describe the extent of this phenomenon precisely. Nonetheless, the Czech Statistical Office has provided estimates, which say that there are for instance more than 1 million of households in the Czech Republic, which keep poultry (mostly hens in order to have their own eggs).

### **Organization and Production of the Bio-Food in the Czech Republic**

The organic farming<sup>5</sup> has emerged in the Czech Republic in the beginning of the 90s. In that time, it had been institutionalized in two parallel ways: formally (with the state support) from the top, and by initiatives of farmers, who were founding new associations. In the year 2000, there was passed a key law on the organic farming, which set up legislature framework for the period before joining the European Union.

Number of subjects in the organic-farming sector has grown since the beginning of 90s, but only until 1993 (there were 135 organic farms in 1992; the total farmed area was 15 thousand ha). During the years 1993 – 1997 the organic farmers were not subsidized and the organic-farming activities were inhibited. The support was restored in 1998, which stimulated the growth of organic agriculture. In 2004 there were registered 836 organic farms, with about 263 thousand hectares of the total farmed land. Arable land makes up 6.16% of this land, 0,4% makes up orchards and vineyards, and about 90% represent perennial grassland (complete data can be found in appendix). This structure of the land-use is very typical of the Czech Republic's organic sector; however, it is very different from the general situation of land use within the agrarian sector in the Czech Republic. Official agencies have recently put some effort in decreasing the share of the perennial grassland by restructuring the subsidies for the farmers.

Considering the institutional framework of the Czech organic sector, the most important body is the *Inspection of the Organic Farming* (in Czech KEZ – Kontrola ekologického zemědělství). It is a publicly beneficial company that was founded in the year 1999 by the Union of Organic Farmers Pro-Bio, Foundation Fund for Organic Farming FOA and Society of Advisors and Inspectors of Organic Farming EPOS. The Inspection plays a crucial role for the farmer and processors, because it is entitled to certify the subject and their products with the label Bio. The cooperation between the Inspection and organic farmers went through a severe crisis during the last year. The farmers mostly complained about a difficult administration, which accompanies the farming, and bureaucratic application of the rules. As a result there was accredited another agency that has got a right to exert the control in the organic farming sector and certify the products.

The organic food market in the Czech Republic is still relatively small. Total turnover of retail stores was about 270 million CZK in 2004, which is 0.12% of Czech food market. Considering distribution channels of the organic food, 65% of the organic products are purchased in supermarket chain stores, about one quarter in specialized shops with bio-products and only 3% directly on farms.

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<sup>5</sup> According to the Council Regulation (EEC) No 2092/91 the organic farming is in Czech called *ekologické zemědělství*, which means *ecological agriculture*. Its products are certified with the label *Bio* and their names include the prefix *Bio* or *Eco*. Despite different context and content of organic farming in the Western Europe and the Czech Republic, we are going to call the Czech ecological agriculture as the organic agriculture.

**Table 1: Organic farming production in supermarkets in the Czech Republic**

	Number of retail shops	Number of bio-products	Total turnover (million CZK)
TESCO	17	62	14.4
HYPERNOVA	39	49	11.9
CARREFOUR	8	40	10.4
DELVITA	20	47	9.3
GLOBUS	9	45	9.1
BILLA	70	25	6.2
ALBERT	15	5	6.1

Source: Green Marketing

Besides that there is a large unbalance between supply and demand. Despite the steady growth of the organic farming in the Czech Republic, there is still insufficient supply of every-day food. On the other hand the demand for the organic products is not large enough to make retailers to sell them on regular basis.

Representative survey (from the year 2004) stated that there were less than 1/5 of respondents, who claimed that they eat bio-food. Those who do so mostly mentioned vegetables, meat, flour, cereals and dairy products, when naming their typical bio-menu. Another survey (that focused on consumers' attitudes and was carried out in 2002) explicated the problem with the structure of the organic food market – many respondents complained about the lack of dairy products, bread and bakery products and certain meat products (such as sausages) in bio-quality, which would be available on regular basis.

The state of the organic-product market also reflects the fact that Czech consumers are not acquainted enough with the organic certificate. Only recently there was prepared a national campaign for the support of the Czech organic products. Another reason is that most people are not willing to pay additional costs for the food in the bio-quality, because the food in the Czech Republic is relatively cheap and thus any comparison of prices seems very unfavorable for organic products.

Due to the low consumers demand, the farmers, who take part in the system of organic agriculture, are not always motivated to produce their products with the bio-certificate. Besides that there is not enough processing facilities available (such as a bio-slaughterhouses) in the Czech Republic and/or small farmers have not got access to suitable markets, on which would be demanded the bio-products (usually in large cities).

The case that we are going to present indeed challenges some of the facts mentioned above (so that could be why it is interesting to have a look at it). The farm is registered in the organic farming system. They specialize in livestock production, but unlike many others, they are able to finalize their products with the certificate Bio. Besides that they have managed to sell their products in super market chain stores on regular basis. Finally, they also succeed in selling their products in spite of the generally low demand for beef meat in the Czech Republic and its higher price. Therefore we have decided to adopt this case as the object of our study. Explanation of its nature might become a useful contribution to the understanding of the issues, which are outlined in the CORASON project.

## 2. Case study

### Introductory Methodological Remarks

The point of our view on the given issue is, of course, sociological one. In particular we have found quite useful to take the constructivist view (inspired by the Paris sociological school and led by the suggestions in the relevant input paper) and capture the studied phenomenon using the actor-network theory. This approach allows us to overcome traditional sociological way of explaining quality with reference to a perception and evaluation of a certain individual – as it would have done for instance the school of symbolic interactionism – accounting that the *quality* is a matter of the subject's definition based on the understanding of symbols that comprise social meanings (such as the organic-farming labels certifying an origin of the product).

We give up those kinds of explanations that tend to treat the *food quality* as a stable and immanent trait or essence of the object and that, at the same time, fall short in empirical depiction of its “core”, however, we do not want to give up the study of the food quality itself and so we are taking a different stance.

From the point of our view, the food quality is the effect of a set of mediators that associate in heterogeneous networks and construct (literally work on) its existence. It is not difficult to imagine that there would hardly exist a beef in organic quality without IFOAM, BSE testing, Czech Act on Organic farming, organic inspectors keeping eye on farming practices, bull-calves that are not allowed to try GMO crops and green stickers with the sign Bio – just to name some of the actors. By their work there are formed substantial traits that make up new quality that is perceived by a subject and (under certain circumstance) evaluated as being of a distinct nature.

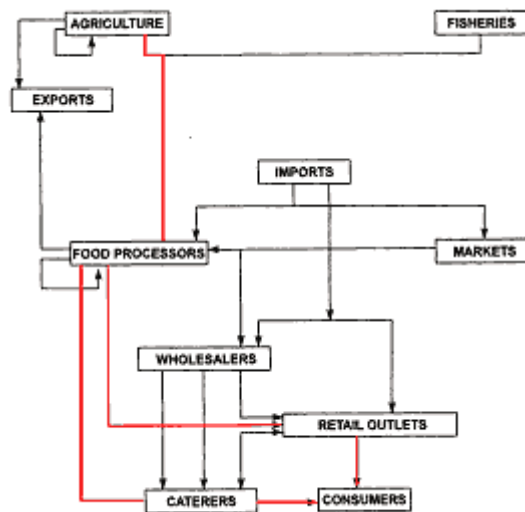
It may seem that with the use of the words “evaluation” and “subject” we fell in the same trap just like those that we had previously criticized. It is not quite true, because by the “certain circumstances” we again refer to work of other actors in position of mediators that are mobilized for constructing the complementary side – the subject – whereas this process can be done in many different ways. Subject then becomes a matter of construction by many other elements, including the object itself: a young man is more aware of food quality after reading new scientific findings that relate consumption of organic food and men's fertility, a woman becomes mother, which shifts her judgment on what is good to eat, or a man is served a delicious steak in an organic restaurant and becomes an advocate of organic farming.

The examples mentioned above should also illustrate that the object of our study – bio-food is fabricated by mediators including human and non-human actors. All of them (when active) change state of affairs – *qualify* the product – and so we are convinced that in the empirical study on the *quality* of food, it is necessary to pay the attention right to them.

Once we consistently acknowledge this type of constructivism, there is no way to admit that the *food quality* exists per se and that it could be explained with reference to people's definitions, which are for instance reflected in their needs and shopping customs. Instead of that we are going to change the direction of explanation, which implies – as Latour (2005) suggests – not taking the social aggregates as the given that could explain the studied issue, but to consider the social aggregates as what should be explained by specific associations. We therefore work towards gaining the answers on questions concerning the *food quality* – what is so special about the locally produced organic food, how can the *food quality* persist in time and what is it made of at all? – and by this, we are going to illuminate the questions on the knowledge dynamics and the rSD.

## Data collection

The data for our case study have been gathered using basic data-collection techniques, such as documents study, observation and interview. In stake of our empirical work, we have visited key stages of the food-production system: farms, slaughterhouse and a retail store. We subsequently carried out a couple of semi-standardized interviews with crucial actors within the production system. Besides that we proceeded documents study, which included strategic documents, official statistics, newspaper and magazine articles, producer's website and supermarkets' flyers.



## Production Systems and Actor-Networks

If we take a look at some of the enquiries belonging to the field of sociology of food (e.g. Beardsworth and Keil 2002; Germov and Williams 2004), one can see that there is paid much more attention to food risks and anxieties than to food quality, and that these accounts, at the same time, deal much more often with consumption than production aspects of food. In accord with this perspective, we began our study with a rather general look that can provide basic information on the object of our study. For this purpose, we have adopted a model, which can illustrate the paths of our selected product (Beardsworth and Keil 2002).

The travel of the bio-beef from a farm to a consumer is fairly straight. The meat is made of cattle that are located on Czech farms, so there is no place for any imported meat that could become Czech bio-beef. Besides that we have no information about exports of this product abroad. The cattle therefore go (and later on, we will see that it literary walks} from its home farm to slaughterhouse. Bio-meat is subsequently transported to retail outlets (mainly supermarkets in large towns and cities, but also organic grocery-stores) and selected restaurants. Either way the meat afterwards meets a consumer.

It is important to note that the outlets in the production-vertical (i.e. farms and the slaughterhouse) are owned by a single stock company. In this sense the production of the bio-beef is based on rational business plan that renders this project viable. Later on, we will show how this fact influences associations of the particular actors and their consequent mobilization.

It has come about that the production-system model takes shape of a network. Nevertheless, if we want to depiction the studied phenomenon in the "actor-networky" way, we have to abandon this model and start following actors all the way through and look how they contribute to the construction of the quality bio-beef.

## Case Study Analysis

### Bio-cows, Bio-bulls, Bio-calves and Bio-Meat

The stock company *Spojené farmy a.s.* (Joint Farms Inc.) bonds together farms, which are located in northern and northwestern part of the Czech Republic. The farm, which we have visited as a part of our field work, is located in Decin district. This farm has got a key position, because next to it is the slaughterhouse. However, other farms and their land of the

company, are spreaded over this and the neighboring region, namely in Ceska Lipa, Decin, Liberec, Litomerice and Cheb districts.

Animal husbandry on the studied bio-farms is separated with regards to particular categories of cattle. Calves are usually born during the first months of a year and are kept with their mothers for suckling. They stay together on pasture until late fall. By that time the calves can reach weight about 300 kg and then continue their way to a feedlot. Some of the newborn cows are kept for renewing the herd.

It is important to note that bull-calves that are leaving the farm when advancing to the bio-feedlot is not usually extra priced. And what more, those which are not sold to the bio-feedlot end their lives in conventional slaughterhouse without ever obtaining the title Bio. Thus as one can see, it is not solely the facts that the calves were given birth by a bio-cow on a bio-farm, nursed with bio-milk and ruminating bio-grass, but other things that ascertain that the bull-calves are turned into bio-bull-calves and subsequently into the bio-beef.



The bio-feedlot is basically another farm, which manages large areas of perennial grassland in organic-agriculture system. At this place the bio-bull-calves are fed until they gain their slaughter weight. The desired level is between 450-600 kg, with the average 550 kg.

The bio-feedlot neighbors the bio-slaughterhouse that exerts the slaughter, cooling and maturing, cutting and packing the meat. Its capacity is about 6 bio-animals per day. Due to its regime the product, which comes out, preserves the prefix bio. The biggest advantage stems from the fact that it is not necessary to transport the bio-bull-calves from the farm. This fact significantly reduces the stress of

animals. Note bene this measure does not result from any rule that would be of an official origin or enforced by a legislature.

The bio-beef quarters are kept in cool-storage room for 48 hours and then are let for mature for another 4 days. After that the bio-meat is cut apart, packed and transported to distribution centers and retail stores.

Every piece of the bio-beef is given a label that gives consumers information on its organic origin, recommended use (goulash, entrecote, beefsteak etc.), temperature for storing, web site address, category of meat (such as a gaskin), identification of the particular animal concerning its gender, age, date of slaughter, BSE test and the breed number. Then follows casual information on price, weight, expiration date and the producer's address. The last line unobtrusively acquaints customers that The Bio-Beef is Typical of A Traditional Way of Cattle Breeding. If a customer takes time to visit the stated web site and type in the number of the package, he/she gains additional information about the breeding farm and its location.

### Tracing the Quality of the Bio-Meat

There are many ways how to conceptualize organic agriculture and its products. One can see that it includes ecological, economical, political, technological and, with regards to organic movement, even religious aspects. Due to its nature the phenomenon of the organic agriculture overlaps ontological spheres of nature and society. If we paraphrase the Latour's basic argument (1993) about the proliferation of hybrids, we can say that the object of our study is belongs to them, while the bio-bull-calves are too social and narrated to be truly natural, the chemistry of the bio-meat is too real to be reduced to symbolic aspects and belief of its quality, and the discourse of the health effects of bio-food is too real and too social to boil down to meaning effects.



In this part of the text we are going to take a closer look at the bio-beef and its quality by pointing out to particular mediators that forms the hybrid actor-network.

The organic agriculture is based on international farming practices that are approved by the IFOAM. The Czech farmers who pursue this way of farming are advised and controlled by inspectors of the KEZ (Kontrola ekologického zemědělství – Inspection of Organic Farming). This organization checks farms and authorizes their participation on the organic-farming system, and certifies their products. The inspection visits each farm once a year and 5% of all farms, randomly selected, are inspected one more time unexpectedly. Either way it is too difficult to find out for sure whether a given farmer follows all the rules<sup>6</sup>, including the most important ones - concerning the use of chemicals such as herbicides and artificial fertilizers. It is up to a farmer how strictly wants to follow the rule and thus it is the farmer (or a manager of the farm) and not the inspector, who influence the nature of the product on the first place. The KEZ plays much more important role for consumers, because it labels products and by this it authorizes their origin.

Czech certificates of the organic food Bio may connote that the product draws on some special natural origin. Interesting question is how is the bio-quality created in the first place?



The conversion period for farms that breed animals takes from 12 - 24 months. Purchased animals have to come from organic farms; under certain circumstances (which are not unlikely to occur) it is possible to start with conventional animals. Thus bio-animals could be either of the bio or conventional origin, and those that are bio must have been bred from those that once

were not bio – unless we want to accept the creationism-like idea that the bio was made of nothing. As one can see, the bio quality must have been constructed (and is kept) by careful selection of animals that aspire on the title bio – nothing more, nothing less. The same thing occurs again anytime when it is necessary to renew the herd or when the animals proceed from one category to another. In our previous description we have already mentioned the important fact that only the bio-bull-calves of suitable breed, with good constitution and for a reasonable price can be promoted to become bio-bulls.

The key place for the bio-beef production is the bio-slaughterhouse that concentrates many important mediators. Bio-bull-calves in the feedlot are kept right next to the bio-slaughterhouse and suitable individuals are taken from pasture on slaughter. Extensive regime of the facility enables and at the same ensures that there is being slaughtered only one animal at the time. This measure helps to reduce stress of animals that significantly influences nature of the final product. The meat is cooled down and then let mature for another 7 days. Stable temperature and humidity in contamination-free area affords to guarantee 9-days expiration period. After the maturation the meat is cut apart by qualified employees and then packed. Their work is extremely important, because they influence the visible quality (outlook) of the product. Due to their work the meat is perfectly cut off and cleaned, which is extremely important for most customers. The quality with regards to this particular feature is excellent - it is not even necessary to rinse the bio-meat before cooking. The final impression of the meat is supported by an extra deep green tray that prevents customers from seeing a blood on the bottom.

What has stroked us during the research was that the bio-slaughterhouse was not obliged to follow rules much different from those that have to obey conventional slaughterhouses. However, the result of their work is pretty much distinct. As we have seen, it is not only the

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<sup>6</sup> We have found two examples of organic farmers, who told us how easy it would be to cheat on some of the rules without ever finding out.



used technology that changes the quality of the bio-meat (maturing), but also the butchers and other employees of the bio-slaughterhouse. It is very difficult (if ever possible) to distinguish particular actors, but their work (in net) significantly changes the qualities of the final product. As we have observed – the animals suffer from the low stress not only due to the fact that they do not have to travel from one place to another on a truck, but also due to the fact that the cowpunchers instead of using electric truncheons rather attract animals to a green leaf or a hay, and the butchers are supposed to do their work calmly and treat each piece of meat appropriately, which means not to throw it or to knock it about – as it usually happens.

The director of the bio-slaughterhouse in the interview often referred to a set of unwritten rules for employees that are required. Following those rules, result in, what she called “Bio working-conditions”. We can only speculate on what made her to work in this way, but it seemed to us that enforcing the decorum helped to cope with the rough conditions that the job in a slaughterhouse certainly brings in. Especially when we consider the gender aspects of her work.



Lets ask now, would that have been still bio-beef if it was processed differently – without the bio working conditions? We argue that no, because the bio-beef is just constructed by the above-mentioned mediators. Within the slaughterhouse the cowpunchers, truncheons, the director, decorum, butchers are mobilized together to fabricate the bio-beef. What would happen then, if the butchers had blunt knives, the director would quit her job, or the employees refused to treat the meat nicely as it was desired? Depending on the actor that has disappeared – the bio-beef would gain a new form – a different quality. In extreme cases the bio-beef and its quality could vanish entirely.

With respect to our point of view, we can ask how it is possible that the meat keeps its bio-form. How come that the construction persists in time and does not breakdown after leaving the yard of the slaughterhouse? Again, it should be clear by now that we assume that there are some other actors who must take a relay and keep up the bio-beef and its quality until it gets on the consumer’s plate. Therefore we need to take a look at them as well.

The bio-beef is available in selected supermarkets mostly in large towns and cities, and in a few organic-shops that are located in Prague. Yet, those shops sell the bio-beef only occasionally (3 days in a week). The bio-beef has been available in international supermarkets/hypermarkets since the year 2000. The first retail store that offered the bio-beef was Ahold in his stores Hypernova and Albert, later on was followed by Carrefour, Tesco, Interspar and Delvita. The retail stores work mainly as intermediaries in selling the bio-meat and their role is therefore quite straight-lined, which implies that they rarely contribute to the promotion of the bio-beef on their own.

A lot of information on the bio-beef and organic agriculture in general has been published in popular magazines and some newspaper. The publications peaked during the BSE affair. In that time consumers have become much more aware of risks of conventional agriculture, meat quality and food risks in general.

Another source of information, indeed very rich one, represents the official web site of the producer. Visiting persons can find there basic information about organic agriculture (“Why is the bio-beef better“, “How are the bio-bulls living”; and “Myths about beef meat”). Then comes a section dedicated to health, where are presented arguments in favor of the bio-beef with regards to issues that distinct the bio-beef from other types of meat, namely cholesterol (in comparison with pork and chicken meat), infertility (with respect to pesticides in

conventional food), allergy (linked GMO crops), cancer (linked to unnatural feed of pigs and chickens), malformations and immune-system dysfunctions (as a consequence of cloning), salmonella (related to antibiotics in feed of conventional cattle), neurological problems (due to presence of poisonous pesticides in conventional food) and civilization illnesses (which can be reduced with eating bio-food). The presented arguments draw on several types of sources – newspaper, popular magazines, textbook of organic agriculture and a cookbook. Association of the health and food consumption makes people aware of potential risks, albeit it is not possible to scientifically prove the health impacts of consumption of organic/conventional food.

At this point this is not as important as the fact that the reports on the illnesses help to distinguish qualities of the bio-beef and people's opinion on it. Mobilizing those actors points out to important conclusions that fabricate the qualities of the meat (the bio-beef is hypoallergic, has got lower cholesterol, reduce risk of cancer etc.) and at the same time influence people and make them more aware of civilization illnesses (infertility, immune-system dysfunction, neurological problems) - both types of constructions (object and subject) are happening simultaneously.

The marketing of the bio-beef is untypical of one more thing. The producer gives customers a lot of information on how to prepare the bio-beef. Its "Friendly Recipes" are intended to undermine a common belief that the "cooking from beef meat is too demanding – on time and on skills" and so they offer a dozen of recipes on how to prepare goulash, sirloin of beef, entrecote and so on. Why does the producer care so much about the cooking of its product?

Preparation of the meal represents a final step before consumption, and as other procedures, it may easily (or hardly - depending on the skills of a cook) fail. At this point one can identify many actors that are translating the quality of the food and one of them is a good recipe. The recipe itself cannot of course guarantee a right preparation of food, however, if it is followed, it makes the successful result more probable. It helps to avoid all kinds of mistakes, such as cooking bio-beef for too short and make it tough, put wrong combination of spice in beef-goulash or use wrong type of meat for a sirloin. Some of the present participants work as intermediaries (and so they unlikely fail in their role), but some of them keep their positions of mediators and outcomes of their work are not certain. The quality that have been constructed and translated up to this point heavily relies on the proper work of those mediators. The producer at this point basically helps customers to mobilize them in the proper way, so their work can result in excellent gustatory experience that makes customers to call the bio-beef a quality food.

Our previous description of the construction of food *quality* included a large set of actors. Their successful cooperation makes up the bio-quality. Different sets of actors on different stages of the food production system enabled the existence of the bio-product all the way from the farm to a customer's plate. At this point we should emphasize one more time that this path has not been straightforward-going but on each level there were needed other actors to take part in the work, in order to achieve the desired goal.

The analysis showed how the object (the meat) has been qualified by the work of the participating actors. Yet, we have not explained so far how the whole network holds together and how the quality is being elicited to customers. Our notion, based on the empirical reflection of the studied case, is that the whole network is successful in its work, because it *reveals* at proper time points and proper places its parts. In comparison with the conventional food production systems it reveals more – everything that is worthy telling the customer and what matters. The bio-beef producer provides a lot of information about how the bio-calves born, how they live, what they eat, but tells nothing about how they are actually killed. The conventional food production system hide much more the work of mediators, because there

are less actors, whose work constructs the *quality* of the food (therefore it is efficient not to tell for instance how the conventional slaughter house with its daily capacity 40 pieces actually look like).

### **Alternative Food Production System and the rSD Concept**

The CORASON project treats the concept of the rural sustainable development as a pliable platform that is differently interpreted by participating actors.

The organic farming in the Czech Republic is formally acknowledged as a way of sustainable development. This fact is noticeable in the crucial strategic document concerning the organic farming in the Czech Republic. The Action Plan defines the organic agriculture as a farming system that “conforms to the principles of permanently sustainable development”. This interpretation is clearly stemmed from the Council Regulation (EEC) 2092/91, which recognized the organic farming as “one of the ways towards sustainable growth”. Despite the fact that the formalized organic agriculture shares common rules, the actual content of the organic farming (including the motivations, practices, value-orientation, environmental attitudes, political engagement of its participants etc.) vary significantly in each country. We can therefore argue that the participating organic farmers (and managers) necessarily come up with different interpretations of the rSD concept.

We had a chance to interview the chief executive of the company, as well as the farmers, who were employed as managers on the farms. What struck us the most was the minimal adherence of the management to what we could call the “organic values”. They followed all the required rules of the organic way of farming, but at the same time constantly undermined the notion of personal engagement (or belief) in the set of values once derived from the organic movement.

They did not produce the organic products, just because they would disagree with methods and consequences of the conventional agriculture, but because the extensive way farming has become (paradoxically) the most efficient way of farming in that particular area. For them the organic agriculture represented an effect of the state’s effort to rationalize the primary sector production by its extensification and allocation in less suitable areas, which can benefit from it. The organic farming is then seen as a solution for the inhibition of the primary sector by valorization of the final products. One can argue that this point of view is legitimate, and we can only agree, but on the other hand, this assessment of their own work, challenges many assumptions, on which the strategic document counts.

The rSD concept, which they have presented with their work, was related to rurality, but heavily laden with economic stance. According to this approach, the organic way of farming is adopted because it accords with the economic rationality, which is only secondary related to natural conditions. It is clear that this approach makes the organic farming to be just one of the possible ways of agriculture. One can therefore assume that the farmers with this attitude would be under different circumstances (in another location) willing to drop the organic methods and start farming in the conventional way.

From this point of view, the presented approach to the rSD threatens the role of the organic farming, which expects the government to be fulfilled by farmers. We are reluctant to use the hypothesis of conventionalization (Guthman 2004), because the Czech organic farming have been developing differently, in a different historical context, and thus the criteria that are used within the concept of conventionalization do not fit the situation in the Czech Republic.

Another question that is necessary to answer concerns the relation of this specific approach to rSD and the food production system with the peculiar food quality. In order to answer this question will go back and have a look again at particular actors and the knowledge they use.

Their practices, reflecting the used knowledge and its dynamics can show how stable is the *quality* of the food.

### **Knowledge Forms and Practices in Local Food Production**

The participating human actors mobilize specific sets of actors. We can assume that these actions express their personal definitions of quality. Their observation renders possible to distinguish the knowledge forms, which are used for defining what the *quality* is.

Our empirical work allows us to come up with three basic knowledge forms, which are reflected in the notion of food quality. They are compatible with the categories of the scientific, managerial and lay knowledge, but the distinction is not based solely on the content of the knowledge forms, but more on the relation between them. Those relations also capture the dynamics of the knowledge forms.

The food in bio quality would not have existed without scientists and their studies about the food quality. Their work is naturally aimed on the objective aspects of the phenomenon that can be for instance depiction with chemical analysis. This practice however causes problems when it is applied to organic food. Due to the amount of chemical residua in the organically produced food, which are reduced, this food is seen as the quality food. On the other hand, the other chemical analysis can prove that the organic food lacks some important nutritional elements and from this point of view, it is not a quality food.

Most people find themselves in the role of customers, who have more or less lay knowledge. Our modern society is typical of the fact that laymen heavily rely on the expert advice and it is not different with food. On the other hand, as we know from the sociology of food, food brings with itself cultural meanings and people, when acting socially, take them in account. Besides that the flow of information between laymen and scientists has started to be undermined by their surplus, especially in the field of health, dieting and food. The scientific knowledge has lost a part of its credit, because of the excessive amount of information and often-contradictory contents. This situation can be illustrated with the well-known dilemma, whether the organic food is *healthier* than the consumption of conventional food. It is clear that the laymen (customers) have to choose from this information in order to be able to act.

It is the third group of actor, who – with the use of the managerial knowledge – help to find the connections between the other two groups of actors. Their advantage is that they draw on scientific knowledge, which is ready for them to use, but their argumentation often include normative components.

We have got a chance to interview representatives of the expert and managerial group (the group of laymen, i.e. customers, was derived from the observed relations). The role of experts in the production system was priceless. They used their knowledge in order to mobilize necessary set of actors that fabricated the quality of the bio-beef. But their definition of quality was not transferable to laymen (customers) or has not been in accord with the managerial knowledge that shaped the whole network. Either way their definition of quality could not reach the group of laymen (customers).

The managerial knowledge, used by managers and used for managing the entire network, has in our opinion dominated. Their mobilization of particular actors was based on selected elements of the expert knowledge, but used in understandable way for the group of laymen. Their definition of quality draws on several sources. It calls up the need for a “typical way of breeding cattle” on one side and on the other they can argue with the up-to date excerpts from thirdhand scientific reports.

The use of the managerial knowledge in practice in fact vividly shows the construction of the object (bio-beef with its quality) and the subject (customers influenced by the presented information about the bio-beef’s quality and its impact on environment and people’s health).

## Conclusions

Our study case takes place in the northwestern part of the Czech Republic. The selected LIA (District Decin) is due to its natural and landscape condition favorable for extensive way of farming, especially in case of the livestock production. There are 38 subjects that farm organically.

Food production and consumption patterns in the Czech Republic have been significantly influenced by political and economic changes that had emerged after the year 1989. During the 90's there emerged a organic-food market. In spite of the increasing number of farms participating in the organic farming sector (in 2004 it was more than 800), the supply of every-day food is still quite low. On the other hand, the amount of the demanded products is still too subtle, to motivate more farmers to take produce in the organic quality.

The empirical study aims on alternative food-production system in the Czech Republic. Our goal was to describe this unusual food-production system and – by this – provide information concerning the constitutive elements of the CORASON project – knowledge dynamics and the concept of rural sustainable development (rSD) in the Czech Republic.

The bio-beef is a local product that comprises a specific meaning of quality, it is embedded in the socio-economic and cultural context of the Czech Republic and is produced within the alternative food production system. To call it a *local* product makes sense in the semantic opposition with some of the imported beef-meat products (for instance from Ireland), which compete them.

Our empirical reflection of the studied project allowed us to decompose the set of participating actors. By this we have been able to identify how is the *quality* fabricated through out the food production system. The *quality* is held by the work of mediators. Depending on the actor that would disappeared – the bio-beef would gain a new form – a different quality.

The organic farming in the Czech Republic is formally acknowledged as a way of sustainable development. The strategic documents in fact assume a sound personal engagement of participating organic farmers. However, this assumption is easily challenged by everyday practice. The producer of the bio-beef comes up with a peculiar approach to rural sustainable development, which is based on economic-rationality approach. They produce the organic products due to the fact that the extensive way farming is the most efficient way of farming in that particular area. There have opted for organic methods, because it was rational. The observed rSD concept was focused on agriculture (organic farming as a way to support less favorable areas and solve the problem of agricultural surpluses), but was tightly linked with economic approach.

We argue that this approach to the rSD threatens the role of the organic farming, which expects the government to be fulfilled by farmers. On the other hand, we doubt that that this approach threatens the *bio-food quality*. It may challenge in customers' eyes some symbolic values related to romantic notion of the organic farming, but the *bio quality* can be still kept, in that sense how we have grasped this subject in our study.

Concerning the study of the different forms of knowledge, we have assumed that actions of participating actors express their personal definitions of quality. Their observation renders possible to distinguish present knowledge forms, which are used for defining what the *quality* is. We started with the three basic categories of knowledge forms (scientific, managerial and lay knowledge), put emphasize rather on their mutual relation than on their content.

We have concluded that there is a gap between the scientific and lay part of the society. Scientific information, due to their amount and often-contradictory contents, more confuse than help to orient in the issues related to food and dieting. It is the third group of actor, who – with the use of the managerial knowledge – help to find the connections between the other

two groups of actors. This relation between the particular knowledge types was obvious in the study of the bio-beef food production system. The managerial knowledge, used by managers and used for managing the entire network, has dominated. Their position enabled them to use selected parts the expert knowledge and translate them to the group of laymen. This practice clearly reflected the methods of simultaneous construction of the object (bio-beef's qualities) and the subject (shaping customers' opinions on the quality).

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## Appendix

**Table 1: Development of the Czech organic sector in year 1990-2005**

Year	Number of Subject	Farmed Land Total	Percentage of the Land Fund Total
1990	3	480	-
1991	132	17 507	0,41
1992	135	15 371	0,36
1993	141	15 667	0,37
1994	187	15 818	0,37
1995	181	14 982	0,35
1996	182	17 022	0,40
1997	211	20 239	0,47
1998	348	71 621	1,67
1999	473	110 756	2,58
2000	563	165 699	3,86
2001	654	217 869	5,09
2002	721	235 136	5,50
2003	810	254 995	5,97
2004	836	263 299	6,16
2005	829	254 982	5,98

Source: Ministry of Agriculture of the Czech Republic

**Table 2: Structure of the land-use in organic farming since 2001 (%)**

Land	Relative share in 2001	Relative share in 2002	Relative share in 2003	Relative share in 2004	Relative share in 2005
Arable Land	8,78	8,31	7,70	7,50	8,1
Perennial Grassland	89,69	90,13	90,86	89,40	82,4
Orchards, Vineyards	0,45	0,38	0,36	0,40	0,3
Other	1,08	1,18	1,08	2,70	9,2
TOTAL	100	100	100	100	100

Source: Ministry of Agriculture of the Czech Republic

## Local Food production and Knowledge Dynamics in Rural Sustainable Development

Imre Kovách<sup>7</sup> – Boldizsár Megyesi<sup>8</sup>

In present paper case studies from the LIA situated in the Great Plain shall be presented. Two characteristic regions have to be mentioned: Hortobágy and Mezőtúr. The latter one is famous for its agriculture and pottery, tourism has a minor role in its economy. Hortobágy is one of the most well known regions of Hungary: nature preservation is very important here, both agriculture and tourism are based on it. Food industry plays an important role in both case study areas. We lay emphasis on expounding the characteristics of the Hungarian food industry and agriculture. Our aim is to present the processes that led to the differences between the studied regions and argue that due to the difficult financial situation of the inhabitants and the presence of multinational companies the short food supply chains are weak in the LIA.

We focus on the Mezőtúr part of the LIA, because it is a typical region of the Great Plain, as well as Hungary, while the scarcely inhabited Hortobágy has a special role, not only as a nature preservation and tourist area in the Hungarian countryside, but as a unique part of national identity.

### Climate, morphology, soil

The Great Plain and Jász-Nagykun-Szolnok County belong to the continental climate, as does the entire country. The average temperature is between 9,5-11,5 Celsius, winters are very cold and dry (minimum is around minus 30 Celsius), whilst summers are hot. Spring and early summer can be rainy, the average amount of precipitation is 450-620 mm and the number of rainy days is between 75-140 days yearly. The number of sunny hours is 1950-2100 hours per year, this is above the Hungarian average, whilst the precipitation is below the national average. (Territorial Statistics 2004, HCSO)

The research area is absolutely plain; its natural streams of water are the River Tisza and its minor tributaries. The morphology of the RRA is diverse, the soil types are especially varied:

Soil type	Amount hectares
Lowland chernozem soil of lime coat	42339
Chernozem meadow soil	129067
Solonetz meadow soil	42125
Solonetz turning into steppe formation	73040
Meadow soil	102501
Alluvial meadow soil	53675
Other	114386
In total:	557133

(Source: Environmental Statistical Data 2001, KSH)

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The soil in the Mezőtúr LIA is very good for agricultural production, the region is abundant in arable lands where wheat, sunflower, clover and sugar beet is produced. The soil of the Hortobágy research area is of worse quality, the meadows and grasslands are used for breeding live stock as described in the WP5 report. Beautiful natural preserves and a famous National Park is also situated in this area.

## **Socio-institutional and economical context**

As Marsden, Banks and Brostow (Marsden et al 2000) note food supply chains are an important dimension in the new ways of rural development and becomes a significant building block for new theory of rural development. This chapter explores some of the key aspects of the food chains in post-socialist Hungary and especially in the CORASON study area. For the better understanding of the food chain issue in a Hungarian (post-socialist) context, we shall focus on the specificity of the food market and agricultural production deriving from the socialist past, as well as the impact of land re-privatization, land use, consumers' demand, multi-nationalization and globalization of food-processing industry and retail-sale. Given the major differences between the food chains of newly joined and "old" EU states, structural change continues on the new members' food market. Some new issues need to be addressed by WP6, such as local food production and knowledge dynamics. Firstly, what is the relevance of agricultural production for household subsistence (this phenomenon is much more common than in the old member states) in food chains? Second, how do new production and supply entities and structures support or even limit the emergence of short supply food chains and local agri-food production systems? Clearly, the development of agri-food local production systems is predominantly limited by food production for self-provisioning and the impact of the multinationalisation of retail sale and the re-privatization of land.

### **Food production for self-provisioning**

In the socialist era an estimated 40 percent of food production from family farming did not appear on the market and was instead consumed by the household members of producers. Although the food supply chain has undergone radical transformation since 1990 and nowadays supermarkets provide a wide range of food supply, just like anywhere else inside the European Union, self-provisioning is still one of the most important reasons for small scale agricultural production. Due to increasing rural poverty and unemployment and the traditional knowledge of multi-sectoral, pluri-active income gaining, rural way of life gives old-new importance to self-provisioning. Predominantly vegetable, poultry, pork, fruit and wine are produced for self-supply. Food production is of primary importance, although in general households also get food from shops or markets, there is no direct link or food chain between consumers and the production of these mini-farms. Production methods apply new technologies from time to time, but in majority involve traditional knowledge.

There are two types of self-supplying farms: traditional and leisure farming. In the case of traditional farming the garden and the courtyard around the family home are the places where production goes on and the goal is to produce as much food as possible for self-provisioning. Food preservation has been increasing in the Hungarian households' time-budget since 2000. Leisure farming started decades ago when several thousand plots were parcelled out around the cities, as well as in frequented tourist areas. The number of second homeowners increased. The leisure farms, gardens, holiday plots, hobby gardens, vineyards have also become a basis for self-provisioning food production. The extent of local agri-food production is still enormous. In 2000 the Central Statistical Office registered around 1,6 million households (46-

47 percent of all households in Hungary) that produced some kind of food. 700.000 households smaller than the statistical “farm size” produced food for self-provisioning. Only one-third of the 900.000 households over the statistical “farm size” produced food for the market, while around 70% also produced food for self-provisioning. 40% of Hungarian households produce food for self-provisioning and the two-third of commercialized farms also produce food for household consumption. The fundamental role of 40% of the commodity farms (the so-called “peasant farms”) is production for market, but as traditional peasant farms they also consume part of their own products. Production in this case is not specialized, one or two product tend to be produced in large quantities. The duality of commodity and self-provisional farming enables the farms to survive the unfavourable political and economic changes. As a consequence of current “peasant type farming”, self-provisioning only has a role in around 60-70000 farms’ production. The wide-range of self-provisioning food production strongly limits the development of local agri-food production system and food supply chains.

### **Land- privatization and multi-nationalization, globalization of food preparing industry and retail sale**

Land re-privatization has resulted in quite dispersed and fragmented land ownership structure that also hinders the evolution of an integrated local agri-food production system. Mid-category farms, ranging from 50 to 300 hectares are too weak to become main actors of the local agri-food production and the short food chain. Smaller farms are unable to supply local food markets continuously, primarily they produce for household consumption, while the “mega farms” over 300 hectares are much more oriented towards international, rather than local markets whose capacity is too limited for wholesale production.

After 1990 private production became dominant in agriculture. There are about 1.2-1.6 million private family farms, the majority of which are small part-time farms and mostly producing for household subsistence. The average area of land held by private family farms is below 1 hectare. The structure of land ownership has been characterized by holdings smaller than 5 hectares; 44.2% of the holdings are below this size. About half of the land cultivated by individual farms belongs to units of less than 10 hectares. 62.5% of arable land is cultivated by tenants. In the case of farms of over 50 hectares, only 23-26% are owned by farmers. Hungarian agriculture consists of a mixture of farm types, including full- and part-time family farms, co-operatives and limited liability companies. This complexity may prove to be permanent.

About two million families were entitled to restitution, which meant that the amount of land available for restitution was insufficient to enable the development of new, viable agricultural enterprises. 1.5 million households had become landowners by 1996. The major part of rural society has become landowner, even many urban households have bought land. However, more than 90% of the arable land has been privatised. The national average plot size for lands acquired by restitution is 4.4 hectares per household.

#### Proportion of farms according to the size of cultivated land (%)

Land size	Proportion of farms (%)	Proportion of total cultivated land (%)
Not more than 1 hectares	70,3	2,8
1,1-5 hectares	19,1	6,5
5,1-10 hectares	4,6	4,9
10,1-50 hectares	4,8	15,2
50,1-100 hectares	0,6	5,9
100-300 hectares	0,4	9,3
300,1-500 hectares	0,1	2,8
500,1-1000 hectares	0,1	6,0
More than 1000 hectares	0,1	46,6
In total	100,0	100,0

(Source: HCSO, 2000)

The input – output structure of agricultural production, in the context of marketing, has been changing quite slowly. The sales markets are still monopolized as they were in the socialist area. Multinational firms replaced the state companies. The advent of multinational firms in Hungarian food purchase, supply and retail chains has not led to alternative changes. The marketing and food processing are controlled by sales and food industry cartels. More than two third of the sweets industry, brewery, tobacco, vegetable oil industry, poultry-processing, alcohol distillery, more than half of wine and champagne production and considerable part of pork and beef processing are owned by multinational companies. According to empirical evidence only those “new” family farmers can be successful who reach an agreement with big, mainly international retail sale companies and supermarkets. The most significant social capital is the capital of networking and networking skills are of primary importance in the farmers’ experience. Changes in the distribution of retail trade and the yearly turnover of the largest supply companies show that the monopolization of the sales market is an evident tendency. Supermarkets and hypermarkets offer “labelled” products coming from different territories, traditions, cultures or communities and as a result identifiably local products appear on the shelves of mega shops, but these are rather cases of a “project-network”, than a social network that could effectively contribute to local development. (The cases of Pick Salami, Grey Cattle Salami, Kalocsai, Szegedi paprika, hundreds of wines, Csabai, Gyulai sausage, Mangalica bacon and many other traditional or newly marketed food assortment can be mentioned here.)

#### The turn-over of major supply companies in Hungary in 2004 (AC-Nielsen)

Name	Number of commercial units	Return in million €
<b>CBA Ltd (Hungarian retail chain)</b>	<b>2836</b>	<b>1980</b>
Metspa (Metro holding, Spar, Kaiser’s)	166	1792
<b>Tesco Global Inc (Tesco)</b>	<b>69</b>	<b>1660</b>
Coop Hungary Inc (Hungarian ex-cooperative chain)	4487	1432
<b>Reál Hungária Inc.</b>	<b>1840</b>	<b>960</b>
Provera (Cora, Match, Alfa)	211	872
<b>Auchan Magyarország Ltd. (Auchan)</b>	<b>9</b>	<b>728</b>
Tengelman Group (Plus, Interfruct)	179	612
<b>Rewe Group</b>	<b>142</b>	<b>520</b>
Honiker (20 Hungarian chains)	1961	472

In the case study area the distribution of land ownership is even less favourable than the country average and thus one of the constraints of local agrifood production system

development. The agricultural production is substantially centralized. Some ninety per cent of family farms are mini-farms under 10 hectares that does not allow agricultural production above the subsistence level in the crop-growing area. According to statistical data, 21 % of the land area is uncultivated, 60% is used to grow wheat, maize, sunflower, rice and industrial plants, while breeding cattle, pig and sheep is also very important. After 1990 the rate of productive land had decreased along with the area of agricultural land. The area of gardens and vineyards had fallen most drastically. The KITE, one of the biggest integrator companies in grain production networked local wheat and maize production. The KITE was established in 1972 by 9 collectives for maize, industrial crop and wheat production. Within few years it had 400 partners: the entire area of land cultivated by KITE partners reached 1,4 million hectares (30% of the arable land in Hungary). After the post-socialist transition it became a limited company and now it is one of the largest commercial companies of articles used for agricultural production (ranging from fertilizers and seeds to tractors). Now KITE is a vertically organized agricultural production that had recognized the necessities and challenges of the integrated European food market.

#### Land use categories in study area (%)

Land in hectares	-10	10-50	50-100	100-300	300-1000	1000-5000	5000-
Tiszafüred Micro-region	2,94	17,7	8,8	20,6	17,6	32,4	0
Törökszentmiklós Micro region	12,9	12,9	12,9	19,4	19,4	19,4	3,2

#### Family farms and used land (%)

Land in hectares owned by family farms	-0,15	0,15-0,50	0,51-1,00	1,1-5,0	5,1-10,0	10,1-50,0	50,1-
Tiszafüred	34,0	21,3	10,1	20,7	5,5	6,5	1,9
Törökszentmiklós	47,7	13,4	7,7	19,2	5,5	5,7	0,8

When considering the categories of Marsden et al on the evolutionary patterns of the role of supply chains in agrarian based local development, it is important to identify some local specificity in context of the study area:

#### *A, Temporal evolution:*

Our starting point is the beginning of the sixties, a period of collectivization when 94 % of the peasants joined co-operatives. The food supply was nationalized under the aegis of the planned economy system. The vertical and horizontal food chains were organized and controlled by the state. The next date of significance was 1968 when market oriented reforms were introduced and agricultural production and food industry became more market oriented and effective. The following turning point was 1990-1994 when all arable land was privatized, the co-operatives had to be re-established, food-processing industry was privatized by law and multinational retail companies started monopolizing food chains. The fourth step was 2000-2004, the accession process to the EU when the judiciary and financial framework of food production and supply had to be adjusted to EU norms.

#### *B, Spatial evolution*

In the study area spatial evolution is mainly associated with re-structuring land ownership and increasing concentration of land use and food production. The new food supply and production chains after 1990 had potential to involve many farms.

#### *C, Evolving demand*

As a consequence of post-socialist marketing and liberalization the demand for quality food radically increased in the past fifteen years. Another component of related transformation is that demand for low price food has also been constantly increasing.

#### *D, Associational and institutional evolution*

Associational interfaces, networks are rather weak in the study area. KITE and other integrator associations encourage co-operation in the area, but this endeavour does not always match the interest of producers. The development of local institutional and associational co-operation between food producers, suppliers and food processors mainly fail due to the lack of trust.

### **Agriculture and food-industry**

Agriculture and food industry are very important sectors of the Hungarian economy, especially in Jász-Nagykun County. Most of the agricultural production is processed by the Hungarian food industry (75-80%) quite rapidly privatised in the early nineties. Now 93-94% of these companies are private companies and multi-national companies own around half of them. The process of multinationalisation is attacked by several organizations, by farmers and political parties, as described previously. Although production does not fall rapidly, the globalised character of the food industry and the ever stricter legislation makes it extreme difficult for small-scale food processors, as well as small-farm owners who find themselves at the mercy of the multinational companies. All these problems are very typical in Jász-Nagykun-Szolnok County. The number of employees in agricultural and food industry, the share of agriculture in gross output and gross domestic product had also dropped in the last fifteen years.

#### **Main characteristics of Hungarian food-industry**

	1990	1997	2004
Employed in agriculture and food industry	234200 (4,8%)	160200 (4,4%)	141100 (3,6%)
Share of food industry in gross output	9,2% <sup>9</sup>	7,3%	5,0
Share of food industry in gross domestic product	4,6% <sup>10</sup>	3,3%	2,5

Source: HCSO – Yearbook of Agricultural Statistics (Mezőgazdasági Statisztikai évkönyv) 2004

According to the ISCO '88 classification of employment among industrial workers 1942 people were working for the food industry in the Research Area (Jász-Nagykun-Szolnok), only 1,5% of the total employed population. Despite this fact, food industry has a special role in the region; it is also specified by Developmental Plans as an important tool of economic development.

The mill industry, brewery, sugar and vegetable oil processing are especially important. Each sector is monopolized by a multinational company, working with all the advantages and disadvantages of a multinational company. Sugar beet, sunflower and wheat production is also significant in this part of the Great-Plain. The case studies will present how farmers can cooperate with these companies and sell their products.

Local consumption patterns, diets and habits, trends of eating at home vs eating out, typical varieties and meals

The alimentation of the peasants and the order of meals changed only in the middle of the twentieth century. Until then, most of the Hungarians ate twice a day. Typical dishes were made with bacon, fat or meat (there were a lot of shepherds) and with cabbage (fresh, or sour). They also ate a lot of porridge (there were several kinds, made of millet, sunchoke

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<sup>9</sup> Data: 1991

<sup>10</sup> Data: 1991

(*Solanum* sp) and different vegetables). As the Great Plain has a lot of ponds, marshes, rivers and streams, fishing and fish dishes were also really common in the region. The habits have changed since then and the region lost its characteristic alimentation patterns. One of the traditional meals still eaten today is the so-called “tarhonya” – it is a kind of dried pasta prepared as garnish or cooked in soup.

Nowadays restaurants offer “gulyás”, fisherman’s soup, “paprikás” all over Hungary, regardless of the regional meals, tastes or ingredients (In very frequented tourist areas there may be differences that will be presented later in the case studies).

Data can be found only on the culinary habits of the whole Hungarian population. According to the results of a leading market-research institute, food is the most important consumer’s good. Almost everybody can afford to buy an expensive bottle of juice or pack of pasta, but something more costly would not be obtainable. Six groups can be distinguished according to alimentation customs. The largest group is the so-called traditional – more than one third of the population belongs here. The members of the group usually live in rural communities, they are elderly and their educational level is low. In general they eat traditional food made of self-grown and produced goods. The second largest group is the “gobblers”. They usually have what they like, they eat a lot of cakes, candies, but also yoghurts. The group of moderns are about one fifth of the population, they are young urban people and prefer to buy ready-made meals, juices, ice creams. There are three more groups: the healthy, the irregularly eater and the gourmand. The members of these groups live in cities, so they are not characteristic of our research areas.

As food consumption patterns changed, shopping patterns also changed. Hypermarkets are becoming increasingly popular and the role of small independent shops is less important as the following table shows:

	2000	2003
Hypermarket	14	21
Supermarket	15	14
Discount shops	16	15
Cash & Carry	6	4
Smaller shops belonging to a chain	5	14
Small independent shops	29	21
Grocery shops	1	1
Other	14	10

Source: HVG

Not only is the market share of small independent shops falling, so is the share of street markets and market-halls. Now only vegetable and fruit are sold in these places, because small-scale producers cannot satisfy the requirements prescribed by the Food Law. It is not allowed to sell fresh meat and dairy products at street markets. Of course, small-scale producers cannot comply with the Law for economic reasons. Services, such as on-line trade or home delivery of agricultural products do not exist in the research area, because it is quite far from Budapest or other big cities. One of the most important direct links between producers of the Hortobágy LIA and consumers of the capital is that one of the most well-known organic farms is in Hortobágy. Here vegetables are both produced and processed, several types of purees and other food (for example, aubergine cream (vineta) or zakuszká, aubergine cream with paprika) are made. Hortobágy is also famous for the Hungarian Grey Cattle and the Racka Sheep.

#### *Farm shops, direct sale of agricultural products*

Usually farm shops can only be found in regions where tourism is important, so there are no farm shops in the Mezőtúr LIA, but there are some in the Hortobágy LIA. Even in the

Hortobágy research area producers cannot base their income solely on the consumption of tourists, so they also sell to wholesale dealers. The goods sold in farm shops are usually very characteristic of the Hortobágy, for example they offer honey and honey-products (Apimel). It is also common, but only in case of small-scale farmers that they sell their surplus directly to the consumers – these are not real farm-shops.

There are more restaurants in the Hortobágy LIA because of tourism. One of the most famous is in the middle of the National Park, by an important main-road. Its offer includes several traditional dishes typical to the region, made of typical ingredients.

### **Presence of agricultural or agro-industrial systems<sup>11</sup>**

As WP5 pointed out, in the Hortobágy LIA and the National Park traditional husbandry methods are still used to maintain the grasslands. The Directorate established the Hortobágy Nature and Gene Conservation Public Company that does farming on a more than 15000 hectare area of Hortobágy National Park, using organic methods and benefiting from the subsidies of the National Agri-environmental Program. The company grows crops on 2000 hectares of arable land and is integrating another 600 hectares. According to the Company, this is the largest area (over 17 thousand hectares) under continuous organic cultivation in Hungary, as well as Europe.

The company uses the traditional grazing system, thus using traditional knowledge that has almost vanished in the past fifty years. They also process some of their own products and sell them to local restaurants and hotels. The company aims to realize a multifunctional agriculture, creating cooperation and cohesion among the different actors, ideas and economic scopes.

One of the most important actors of agricultural production is the KITE Ltd. already presented in the previous chapter. Its activity is quite important in the Mezőtúr part of the LIA.

*Public and private forms of certification for quality products, certification agencies active in the territory*

The Input paper makes distinction among the two main categories of qualities. “The first category stresses the link between quality *attributes of the product and its place* (the territory), process (or technique) and tradition (or history and culture) of production: “*Specific characteristics of the place of production (natural conditions, cultural and gastronomic traditions, etc) or the production process (artisanal, traditional, farm based, etc) are critical parameters to define the quality of the product, and in many cases are claimed to result in distinctive (typical) tastes or appearances*” (Renting et al. 2003: 401).” (Fonte 2005)

The second category of quality is related to the farming method. These products are “distinguished by environmentally sound production methods such as organic and integrated production”.

The first category is typical of regions producing wine (near the Keszthely LIA the wine region of Balaton Uplands can be mentioned, although it is not the most famous wine region in Hungary). There have been attempts to be included in this quality category by the Hortobágy LIA regarding other products like sausage, meat, honey, but they have not had any results until now.

Organic certification was introduced in Hungary more than twenty years ago. There are two inspection companies approved by the Ministry of Agriculture. The main one is Biokontroll Hungária Kht, which acts as an authority and according to the Civil Code is obliged to draw up contracts with its partners and cannot have preferences among them. An association was

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<sup>11</sup> In Basile e Cecchi (2001) there is a distinction between Agricultural systems and agro-industrial system: in the former there is local transformation of locally produced raw products, in the latter there is local transformation of totally or largely external raw products. The distinction could be relevant also whereas a “local system” *strictu sensu* is not recognisable.

founded by producers and consumers in the early eighties, and in following years the number of producers, traders, and consumers increased<sup>12</sup>. As the market started to expand, the inspection and certification of the producers had to be organised. Earlier, this task had been carried out by the association to the full satisfaction of the partners, consumers and the International Forum of Organic Agriculture Movements – IFOAM - who approved of the association's inspection activity. Biokontroll Hungária Kht. was established in 1996 in order to separate inspection and certification from the interest group. A later law consistent with the ruling of the European Community also prescribed this. It also controls the organic lands in the Hortobágy, Mezőtúr and Keszthely LIA's. (Megyesi 2005)

## Case Study Analysis

In present case study three typical food supply chains in the Mezőtúr part of the LIA will be presented. The characteristics relevant to the food supply of the Nature and Gene Conservation Public Company (Hortobágy Co) shall be expounded, as well as that of a medium size family farm using organic methods and partly situated in the area of Hortobágy National Park. The farm is well-known in Hungary, as a producer of organic food.

The Hortobágy Co, as mentioned earlier, does farming on more than 2000 hectares of arable land. Their main products are wheat, oil reps, oil pumpkin, mustard, barley and they own more than 15000 hectares of meadows and grasslands. The head of livestock is around 3000 (9000 Hungarian Grey Cattle, 50 thousand racka sheep and 350 horses). Similarly to conventional farmers, they sell their products to wholesale companies abroad, as well as in Hungary. As the market of their products is much smaller, their market relations are much more stable.

They have an agreement with a famous meat processor near Szeged. Szeged is a big city about two hundred kilometres from this part of the LIA. This small company is producing salami from the meat produced by the Hortobágy Co. and the product is later sold under the trademark of the National Park. It is a quality product characterized by a special quality related to both the processing and the territory. However, the marketing of the product is not very good, despite the fact that the name Hortobágy is well-known among organic product consumers, at least according to the managers of the company.

In this activity the Hortobágy Co. uses expert knowledge - although sausage making is traditional in the region, the salami itself is not produced here. In this case mostly the lack of managerial knowledge explains marketing difficulties. The company uses similar sales methods as conventional or multinational food producers.

The next example is a self-made family farm. They started farming in 1981 as a small family business. Now the family has 25 hectares of land (6 hectares of it is green-house) and some grasslands as well. Their main products are vegetables and since 2003 they are also processing some of the vegetables. They also raise a variety of animals. The family emphasizes the special farming method they use and the special quality of products attached to it. They are organic farmers, but they use biodynamic methods as well.

Their products (ready made food) can be found in the largest supermarkets, but the market of organic products in Budapest is also a very important marketing possibility for them. The

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<sup>12</sup> The controlled area of farming has been robustly increasing since 1999, therefore a lot of new members joined the Association. The proportion of organic animal breeding has always been very low. In 2003, there was organic animal breeding in only 137 units and the total number of animals was only 11,210.



farmer and his wife both participate in producing and also marketing their goods. Their work is based on traditional knowledge forms, but not only local traditional knowledge. They are using traditional Transylvanian recipes for their ready made food products. The family is very active in the region and also in the country. The husband is a well-known figure of the Hungarian organic scene; he is frequently invited to talk about organic farming and give interviews on the subject.

## **The wheat story**

### **The Mezőtúr part of the LIA**

Mezőtúr, as described above, is an excellent wheat growing area. A mill operated here until 2003, but it was closed for economic reasons. In this chapter actors who could – theoretically – form a chain will be presented. We did interviews with two bakers – one of them runs a larger, the other a medium size bakery. In their opinion, it is very important that in the last few years three new supermarkets and discount markets (Spar, Profi, Lidl) moved to town and a new hypermarket (Metro) opened in the neighbouring county centre (Szolnok). We also interviewed a medium and large scale farmer (farming on 400 hectares), the managing director of Abo-Mill, a big mill nearest to the LIA and the owner of a confectionary.

Although we will show that there are no food supply chains, as the Input Paper had suggested, a typology can be defined between interviewees, actors according to the source of raw material, and their consumers, buyers. The farmers are producing raw material for the food industry and for the consumers (distant and local as well), whilst the food processors are also buying the raw material and selling them to the (distant and local) consumers.

In this typology the usual Hungarian farmer (small, medium or large scale) is an intermediary actor between the local and the distant consumer. In our case the medium scale farmer is a typical example of this.

The farmer and his wife are producing wheat, barley, sunflower seeds, and corn. The farmer has no hired help, but his wife helps him with the administration (she was a bookkeeper in the former collective). They are selling most of their products to three wholesalers. They are participating in the program of KITE, they are founders of a limited company, together with other 40-50 farmers of the region. This company produces a typically high quality wheat, the farming method is fixed and members are assisted in selling their products. Sometimes they sell products with the intervention of the EU, or the Hungarian state. They do not prefer the local mills and processors, instead opt for the best price and conditions, although they grant that the local mill made their life more comfortable.

They are now about sixty years old. Both of their parents were working in agriculture, first as “private farmers”, then in the cooperative. Their families were quite poor, they had very little land. Later, they also worked for the cooperative. In 1992 they left the cooperative, bought a tractor and for years the man worked as an entrepreneur; he ploughed, did different kind of tillage work for farmers who had no proper engines, tools. In the mid-nineties they realised that there are more and more machines, so they started to work on their own land and as they did not have enough land, they had to rent now. Nowadays they are farming about 250 hectares with about 50 hectares of meadow, while the rest is plough land. Since 1992 they had bought another tractor, a combined harvester and all the necessary tools. These purchases were mainly financed by bank credit, but also SAPARD subsidy. These people are quite desperate, they feel that it is very hard to plan the future and they are at the mercy of the wholesalers, the KITE and the always changing laws and decrees of the state. They do not raise animals anymore (although their son had some and so did they a few years ago). They learned to farm at home, in this sense they are using traditional lay knowledge in their work. The man is defying the generally used agricultural method: the crop rotation, the timing of

sowing, where to seed a specific plant, when to start the plant protection, and so on. In making his decisions he uses both traditional and modern<sup>13</sup> agricultural knowledge he learned, saw at the cooperative. His wife is responsible for the financial issues. This happens quite often in the Hungarian countryside, as Csurgó (2002) proved it. In this work as well, the elements of traditional knowledge forms, from home, from the parents, and knowledge forms originated from the workplace could be found. It is very important that now they have a bookkeeper, because the regulations are too difficult for the wife to cope with, but she is still responsible for the cash-flow.

Their production is local, but their consumers and buyers are outside the region, they do not know what happens to the products they are producing.

### **The networking ABOMILL**

Even though the grain and especially the wheat production is the leading sector of agriculture in the Mezőtúr micro-region, there is no mill. Not so long ago a flourmill operated in Mezőtúr. but went bankrupt. The nearest mill is located in Törökszentmiklós, 20 kilometres away from Mezőtúr. The owner, the Szabolcs Gabona Holding is a big mill industry complex that covers thirty to thirty-five percent of the Hungarian flour market. The company owns 4-5 bigger mills in Eastern Hungary where the best quality arable lands can be found. Another mill industry firm, Pannon Mill, has to be mentioned, together with Szabolcs Gabona Holding they cover seventy percent of the Hungarian wheat-flour market. The two big mill companies have mills in Romania, Slovakia, Ukraine, Serbia, but they are in Hungarian ownership.

The ABOMILL in Törökszentmiklós produces 10-15 percent of the Hungarian wheat-flour, yearly 45-65 000 tons. 70 employers - millers and semiskilled workers – work in three shifts for 24 hours. The mill industry has longstanding tradition in Törökszentmiklós. Industrial grinding started around 1800 in a steam-mill. A modern mill was opened in 1920 and operated until 1997 when they introduced new technology and built new buildings that the license-holder Swiss firm required for the closed circuit, automated grind method. The ABOMILL produces exclusively wheat-flour for bread (no whole-meal or whole-wheat flour).

The ABOMILL is autonomous in making decisions regarding production, while marketing, accounting and financial management is controlled by the central office of the company. The Mill purchases grain directly from the producers. Strong quality requirements are set for the producers and the Mill does not have a constant suppliers' network. They grade and rank the grain when it is in the producers' store and the Mill never gets pre-contract. As the chief miller declared: "we get enough offers to be able to select". The Mill purchases corn from a 150 km circle in the region, but two years ago they had to buy corn in Trans-Danubia, because the gluten content was not acceptably high enough. Sometimes the Mill makes integrator contracts and provides some financial assistance to farmers, but ABOMILL does not strive to develop an integrating network. They buy grain possibly by 1 November every year. The thirty percent of the flour is sold outside the region, but not for constant partners, while the remaining seventy percent goes to the nationwide market. ABOMILL has a purchasing contract with METRO shop-chain. The concentration of production is intensifying, but the outputs and inputs of flour market do not make participation in short food chain or local agrifood production system necessary.

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<sup>13</sup> The knowledge form of the green revolution that could be seen as modern agriculture (Megyesi, 2005)

## Local for local

### Embedded in the local economy

Our first interviewee was a baker who runs a real family business. The family has two shops, one in Mezőtúr and the other in the neighbouring county, in a small town. The shop is near a thirty year old shopping centre and the bakery itself is just next to the shop, there is only a window between them, so anybody can have a look at the people at work. They started seven years ago (in 1998) when they had the possibility of hiring a small bakery. Since then they had moved and tried to improve their conditions, buying better machines. In the beginning they baked twenty-five hundred kilograms bread per day, now they bake only three hundred kilograms per day, but they also make sixty types of cookies and other bakery products. When the local mill was still working, they bought flour there, but as the mill closed two years ago, they have to buy somewhere else - the most important factors of their decisions are quality and price. They face serious problems, as they cannot accept the conditions of the local supermarkets, they cannot sell them their products. The local big bakery is producing for lower prices and the hyper- and supermarkets are buying bread from outside the region. The small family business tries to offer quality products, as well as sweet cookies, home-made in the morning, and so-called pre-baked cookies later in the afternoon. The system seems to be working: consumers also buy the more expensive bread when they enter to get cookies. They started the business spontaneously, although as an electrician the husband had been working for the local bakery company in the early nineties. They had no special knowledge, but they learned during the years. As far as we could tell, the wife is responsible for the financial issues of the business. They are producing from regional raw material for locals. Their activity is embedded in the local industry and society.

The confectionary owner learned his profession in the county centre and now he has two shops, one in the micro-regional centre and the other one in a bigger village. His parents lived in Mezőtúr, but he studied in Szolnok (the county centre). His parents were not of the same profession. He had a grandmother who used to bake for special events, like weddings or other occasions. Such ladies were common in the Hungarian countryside; they usually baked traditional Hungarian pastries, cookies (usually with nuts, poppy-seed and so on). He started to work in Szolnok, but as the economic situation changed he moved to the LIA. He built his own small company step by step. First, he had good relationship with a small business development agency, so he could get a loan. Since he was dutifully repaying his loan, he was lent money again. Earlier he had been making ice creams, now he is buying all the cakes from a bigger confectionary about twenty-five kilometres away from the LIA and he does not know anything about raw materials. The only thing he is producing himself is the ice cream. Originally fifteen years ago, when he started working as a confectioner in the county centre, he used Hungarian raw material, ice-cream powder and Hungarian ice-cream machine. After a few years he changed and now he is using the well-known Italian know-how of Caprigiani. He bought machines and raw material from Italy, only the sugar and milk (water) are from Hungary – usually from a hypermarket. He has international connections and travels often to North-Italy for training. He does not have any special contact with neighbouring producers or traders. He admires the Italian ice-cream companies and sells their products. Naturally he knows the well-known Hungarian pastries; he sells them, but does not produce them<sup>14</sup>. He

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<sup>14</sup> The only dessert he prepares is the tiramisu. There is a dairy farm near the micro-region that is famous in Hungary for its mascarpone-like cheese. When the interviewee occasionally prepares tiramisu, he uses the Italian made tiramisu powder.

could not list the pastries his grandmother made. He has no traditional, only professional knowledge, but he does not really use it. He has to be able to dismantle the ice-cream machine and buy the ingredients. This small business could be anywhere in the country or the world – it has very few links to the micro-region, although he has a very good relationship with his customers.

He is a typical mediator between multinational articles and goods, and local people.

These mediators are also significant actors of the local economy and very characteristic of the present Hungarian situation. Analysing their role is very important. According to Christopher Ray's theory on cultural economy (Ray, 1998), rural development should focus on local resources – this is exactly what is partially missing in these cases. What is it that limits the exploitation of local resources, what are the possibilities to link these kinds of businesses to the region?

## Conclusion

In the case studies we presented typical actors of food production in the Hungarian Great Plain, in the LIA. There are no real networks. The harvested crops – the most important agricultural products of the area – are sold to non-local food processing companies. These companies are not embedded in the local production-consumption network. Furthermore, the retail structure is characterised by multinational companies. As present paper shows, this is in connection with the tradition of self-provisioning and the consumption patterns of Hungary and especially of the region. Although in some important tourist areas efforts are being made to revitalize the cultural, historical or folk traditions (Hortobágy-Tiszafüred), these are still in a preliminary phase. Despite the difficulties these are very important possibilities for the tourist areas, as emphasized in previous WPs.

The described network is weak and actors are always changing according to the market. The most important for all the actors and mediators is the price of the goods. There are few examples of quality driven production.

Two examples have been presented from the Hortobágy part of the LIA where organic production is important. Major companies (like Hortobágy Co.) do trade like conventional companies, while smaller family enterprises are searching for new possibilities, not only in the field of production, but also in commerce.

In the Mezőtúr region where tourism and nature preservation is less significant, the farmers joined a limited company producing a special type of wheat that needs increased nutrient supply and more treatment, but can be sold for a better price. The limited company does not control farming methods, only the quality of the crops. It also helps farmers market their goods. This initiative is quite recent; 2005 was the first year, so we cannot yet talk about results. As farming methods are not prescribed, producers decide on it independently, using their traditional, local and professional knowledge. The managerial knowledge of the farmer and his wife was not sufficient to increase their farm size or to secure better market positions, so they had to choose a partner to help them. The limited company is a promising initiative according to their opinion.

Natural and environmental safeguards (organic or biodynamic) are not unknown to farmers of the region, but they do not regard it as an important opportunity, because there is no market for organic or biodynamic goods and they do not know the necessary farming methods. In Hungary the rules and requirements of organic farming were developed by a group of farmers who also founded an inspection body. Now with the EU regulations, the situation has changed

and farmers often complain that the decision-makers do not consider the agrarian, rural reality.

According to the interviews, local food producers have to compete with global or regional companies of the food industry, and in addition to this, local farmers find it difficult to negotiate a good price in their agreements with much larger wholesale traders or food processing companies. The example of the confectionary owner mediating between global goods for the locals and the bakery that processes local goods shows that the previous activity can be more successful in the Mezőtúr LIA.

In a paper published in 2005 Darnhofer argues that there are two possible ways of farm development: the modernisation model and the rural development model (Darnhofer, 2005). “The modernisation model follows the logic embedded in neo-classical economics. The farmer, an economic rational man or woman, competes with other producers, which enforces an adaptive strategy involving attempts to lower costs.” (Darnhofer 2005: 309) Farmers may choose another strategy as well. In the rural development model farmers try to diversify their activities and become independent from external resources and markets. In the Mezőtúr research area the modernisation model seems to be more successful in the short run. According to this model, medium and small-size farmers and food processors have to compete with other market actors under circumstances that suit the larger companies much better than the smaller ones.

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# **Local Food Production and Knowledge Dynamics in Rural Sustainable Development in Poland**

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## **1. Area description**

### **1.1. Description of the RRA1: Malopolska region**

Malopolskie voivodship covers 15189 sq km (since the last change of administrative borders in January 2003), which is about 5% of the country's surface area. It borders Silesian voivodship (województwo Śląskie) on the west (for 295 km), Swietokrzyskie voivodship on the north (182 km), Podkarpackie voivodship on the east (80 km) and Slovakia on the south (317 km, this is the only border based on the geographic criteria).

The region's population is 3 217 000 (data for December 2003) which is 8.37% of the entire population of Poland (fourth highest percentage in the country). The population density is 212 persons per sq km, which puts the voivodship in the second place in the country (behind the Silesian voivodship). The country's average is 124 persons per sq km.

The urban population in the region is 49.9% of the total population, which is significantly less than the 61.8% urbanisation indicator for the whole country. That indicator has gone down since 1995 (when it stood at 50.8%) despite the fact that several localities were given town rights. This is mainly because of migration from urban to rural areas and the negative natural increase of population in urban areas.

Rural areas were inhabited by 1 629 900 people which gives Malopolska region the second largest rural community in Poland. During the years 1988 –2002 (between the two last National Censuses) the rural population increased by 6.88%, whereas the urban population increased only 2.61 %. In the same period the numbers for the whole country were –0.57% and +1.88%. One can observe in Malopolska a stable - and opposite in comparison to the rest of Poland - tendency of a growing rural population. Malopolska's rural areas are additionally characterized by exceptionally high population density – 119 persons per sq km. That is more than twice the country's average (of 50 persons /sq km).

The Malopolska region has the most diversified surface area in the country. Most of its territory has an upland or mountain character. Over 30% of its area is situated more than

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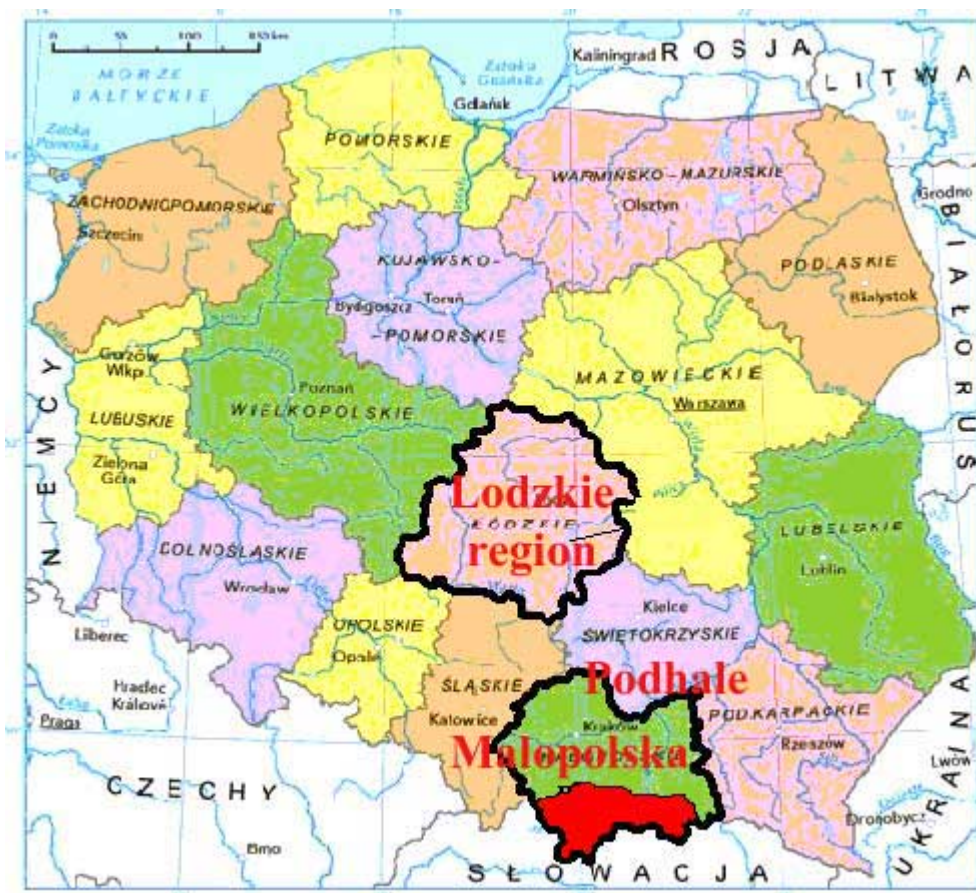
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500m above sea level and only 9% lies less than 200m above the sea level. With the altitude differential of 2340 meters, the zone of permanent inhabitation (ekumena) is 1000 meters. In Malopolska one can find 9 of the 17 main types of natural landscape of Poland and 7 different climatic levels, including the area with the highest annual precipitation. Compared to the rest of the country Malopolska voivodship has quite substantial groundwater resources but very limited amounts of underground aquifers. Due to the mountainous character of the rivers and streams, rapid water level rises and floods occur very often in many areas. The flood plain culminates in the Vistula River valley and endangers the city of Krakow and its surrounding territory. It is estimated that 48% of the region is especially endangered by the floods.

The economic potential of the Malopolska region accounts for 7.4 % of the country's GDP. The structure of economic activities is rather dysfunctional and needs to be transformed. 34% of the total working population works in sector I (agriculture, forestry and fishery), 25% in sector II (industry and construction), and over 40% in sector III (services).

Malopolska region has a very cumbersome agrarian structure. Over 97% of agricultural land is privately owned and the number of farms is 373 700. The main problem is the farm size – on average, they are only 2.6 hectares (6.6 ha in Poland), of which only 2.1 ha is agriculturally used. Over 90% of farms are smaller than 5 hectares and farms of the relatively optimal size of 15-20 ha comprise only 0.2%. One negative factor is the large number of plots that are spread over the large area. This arrangement is rather stagnant since only 1-2 farms per hundred are changing in size each year. In many areas plots are even further divided into smaller parts.

#### Location of the RRA1:



**Podhale region** – our study area in Malopolska is situated at the foot of the Tatra Mountains in the southern part of the voivodship. This area, due to its natural conditions and cultural heritage, differs a lot from the rest of the country. The mountainous character of the region makes it unique in comparison to the plains of central and north Poland (Lodzkie region). Historically, the region has been settled since the XII century, being a melting pot of the Polish, Romanian, Hungarian, Slovak and Russian cultures. This mixture created a distinctive culture of Podhale Highlanders that is still vital in language, regional costumes, shepherd's tradition, literature, folk music, glass painting and handicraft. In the social description of the region one must also include an important role of religion (Roman Catholic Church) and a spirit of independence that is a significant feature of the local mentality. Traditionally, the economy of the Podhale region was based on agriculture and animal husbandry (mainly cattle and sheep breeding). However, due to the difficult conditions of the mountainous areas, a significant part of the local population was living in poverty, which was a driving force for mass emigration (mainly to the USA). From the second half of the XIX century onwards the area began to attract a growing number of tourists. This branch of the economy was developing throughout the interwar period and under the Communist regime but a real boom occurred in the 1990's. Nowadays the Podhale region is the country's most popular tourist destination. It is estimated that around two million tourists a year are coming to visit one of several national parks, to hike or to ski in the winter. The main centers of the region (Zakopane, Nowy Targ, Białka Tatrzańska, Bukowina Tatrzańska, Biały Dunajec) are at the same time Poland's top skiing areas.

## **1.2 Description of the RRA 2: Lodzkie Region**

Lodzkie region is situated in the central part of Poland. It covers 18 219 sq km. The region's capital is Lodz, with other major cities being Piotrków Trybunalski, Tomaszów Mazowiecki, Bełchatów, Kutno, Sieradz. The surface is mostly plains with forest covering 20% of the area (the smallest ratio in Poland).

**Economy:** The most important factor of the Lodz region's economic growth is its natural resources supply potential. The district of Bełchatów owes its rapid growth to the fields of brown coal found in the area. The geothermal water resources in the northern part of the region have helped in developing spa, recreation, and tourist services, while the districts of Kutno, Łęczyca, and Łowicz are traditional agricultural strongholds.

Over 200 thousand companies operate in the Lodz region, most of which are micro-enterprises with up to 5 employees. Over 90% of these companies are private. The public sector is represented by the remaining 10%. Small enterprises, i.e. partnerships and private workshops represent an overwhelming majority in all of the region's districts. Nearly half of these workshops are located in Lodz – the region's capital.

**Agriculture** The Lodzkie region has typical agricultural features. The agricultural utilities cover 1.25 mln ha, which is about 70% of the general area of the province (the highest index in the country). The agricultural and food industry, represented by nearly 3000 units, employs 42,000 people. The average farm size in the region does not exceed 15 ha. This size is, however, the standard in Poland, for it involves up to 91% of farms. The total number of farms in the province is over 170,000. The equipping of Lodz agriculture in agricultural machines puts the region in the 4th position in the country.



**Table 4: Distribution (%) of the land uses in the RRA\***

<b>RRA LODZKIE REGION</b>	<b>2002</b>
Total (absolute) sq km	18,219
Agricultural land	72.4%
Forests and wooded area	20.9%
Waters	0.7%
Minerals	0.2%
Transport land	2.8%
Residential land	1.7%
Ecological land	0.0%
Wasteland	0.9%
Miscellaneous	0.4%

Source: Head Office of Geodesy and Cartography

**Natural conditions:** Lodz region is located in a zone of poor biodiversity when compared to the northern and southern parts of the country. The underlying cause of that situation was the severe natural transformation initiated by the development of agriculture and settlement and followed by industrialisation and urbanisation. As a result, the region's area is largely deforested. The forest cover in the region is the smallest in the country and amounts to 20.6%. However, this does not mean that the central part of the country is deprived of significant nature values. A good example is the river valleys, for instance, the Pilica River valley that - apart from a short section near Tomaszow- runs in its natural bed and yet is still extensively developed. The Warta river valley is more transformed, although some of its parts are also highly valuable i.e. swamp belt of the ice-marginal valley of the Bzura and Ner rivers stretching up to the Warta River. Despite its severe transformation, it is still home to many birds and swamp plants.

**Rogów community** – the second study area - is located in the eastern part of the Łódzkie region. It occupies an area of 66 200 ha. Its population consist of 4 698 inhabitants. Six natural environment protected areas are located in the community. River Mroga and its overflow arm form the major component of the natural landscape. This community is located near the Łódź agglomeration and two other major towns of the region, namely, Koluszki and Brzeziny. In such a situation agriculture is not the main source of income for the local population, it is traditionally combined with involvement in manufacturing industries. According to regional statistical sources, roughly 70% of inhabitants of working age have been typical peasant-workers.

There are no bars and restaurants in the community. The canteen at the research station of Warsaw Agricultural University has been the only opportunity for local people to eat out. The tradition of preparing meals and eating at home has been maintained in the community. People try to eat together in families if possible. They usually have three meals a day. In the summer they usually eat four meals (an additional meal between breakfast and lunch). The main meal has been eaten traditionally around noon. Two dishes have been usually served for the main meal of the day, namely: soup (that has been obligatory every day) and the second dish (usually mush with meat sauce or a chop with boiled potatoes and salad).

Local consumption patterns, as well as dietary habits, are quite similar to those found in urban areas in the investigated community. There is no direct connection between fruit production and their consumption. Despite the presence of an apple growing business there is no "apple culture" in the community. Apple orchards do not shape the consumer tastes of the inhabitants.

### 1.3 Local food production patterns and issues

Poland has a rich and diversified culinary culture. Many regions, having been influenced by different historical factors, have distinctive forms of cuisine. This heritage of traditional and regional products was endangered during the Communist period. In the realities of post-war food supply shortages, national authorities were promoting large-scale production of cheap and accessible food. In the state controlled economy there was no place for variety in local cuisine – the principle of socialist equality was valid also in the realm of food. Luckily, despite the state-driven homogenization, traditional food specialties survived in Polish families. What needs to be underlined is the fact that they were able to survive was possible mainly due to the rural communities. As the Polish countryside managed to resist the attempts of collectivization, the traditional mode of agriculture (family farms) was acting in favor of preservation of rural heritage. The situation has changed after the transition into the market economy in 1989. After the decades of isolation and empty shelves in the shops the national market was flooded by the large amounts of foreign and relatively cheap food. The patterns of consumption in Polish society shifted towards the “western” foodstuffs, as they were a symbol of the new realities. The appearance of the international supermarket chains that have conquered the retail sector has additionally strengthened this trend. The rapid “westernization” of food habits turned out to have a negative influence on the local food production. The structure of the market was dominated by the corporate grocery chains and the quality was a secondary issue to the low price.

Such a state of affairs has begun to change in the last few years. Firstly, consumers are becoming more concerned with food safety (visible influence of foot and mouth disease, mad cow crisis, etc.). Secondly, as wealth is increasing, society is spending more money on the more sophisticated consumables. The appearance and proliferation of shops with healthy, organic food, and vegetarian restaurants are a good illustration of this tendency. The third factor is linked to the development of tourism. In the popular regions (e.g. Podhale) one can observe a significant increase in the number of restaurants/eateries serving regional cuisine in the folk style. We can even talk about the development of a kind of fashion for local food as in almost every Polish city there is a place where the local version of “peasant food” is being served. In general, the short food-supply chains are beginning to develop as more consumers are prepared to pay for the “original taste with local identity”. The popularity of regional and traditional products is supported by a number of projects. These include both governmental projects (at the national and regional level: e.g. “Agro-smak”, “The taste of Malopolska”) as well as initiatives of NGOs (e.g. Slow Food Polska). It needs to be stressed, however, that Poland is only at the beginning of the process of preserving and promoting its culinary heritage.

The two study areas selected for the purposes of this report are situated at opposite ends of the continuum that represents the development of local food production. Malopolska region has perhaps the richest local food tradition in the country. In connection with a tourist boom this region is witnessing a real renaissance in traditional cuisine. The case of oscypek cheese, which is described later, is just one of many examples of successful food products embedded in local tradition. Lodzkie region, on the contrary, has not yet managed to revive its food heritage. There are several reasons that can explain this difference. The first is the alternative structure of agriculture: Malopolska has a very disadvantageous agrarian structure so farmers are forced to specialize in niche types of production. Lodzkie region, being a plain area with much larger plots (on average) has a dominating pattern of large-scale production. The second factor is that the Lodzkie region lacks a developed tourist sector, something that is a driving force for local food production in Malopolska.

## 2. Case studies description

### LIA 1 Malopolska: *Oscypek cheese – local food in transition*

#### A. Case study analysis

The first case study presented in this report will be the example of oscypek cheese from the Podhale region in southern Poland. There are several important reasons for such a choice. First of all, oscypek is the best known example of regional food in Poland. It is a symbol of the Tatra Mountains, which has a significance that goes way beyond the regional cuisine. Oscypek cheese has a great cultural significance as it belongs to the shepherd's tradition, and is at the same time a key tool used in preserving this heritage. On the other hand, oscypek cheese represents also a high economic value, constituting the base of a large and diversified production and retail sector. Its significance for the regional economy is hard to overestimate, as is illustrated by the involvement of a regional government in this matter. In addition – and what was a decisive argument for our selection – oscypek is present in several different, coexisting grocery store chains. What is more, these chains have undergone dynamic changes over the last decade. In our opinion, the case of oscypek cheese gives a unique opportunity to identify and analyze how different types of knowledge can create alternative directions in development of local food production.

A description of the network(s) linked with oscypek cheese needs to begin with a brief presentation of the cheese itself. Oscypek is a smoked cheese made of sheep's milk or a mixture of cow and sheep's milk. It is an important part of the shepherding tradition with a history going back to the XV century. For hundreds of years it was produced in the mountains by local shepherds. What is important, the cheese should be handmade of non-pasteurized milk in a mountain shed. The recipe is passed on from generation to generation in an unwritten form, which makes the final product unique for each shepherd who made it. As local highlanders say "there is one technique of production and many recipes." What can differ is the proportion of ingredients, temperature and time of smoking, and final size and consistency. What is common for all oscypek cheeses is the shape, which should be fusiform. In its original form, oscypek is produced and eaten in the summer season (from May to September/ October).

As this short sketch shows, oscypek cheese was intrinsically connected with shepherd's culture. It was an essential source of food in remote areas, with the mountain shed being a self-supply base for teams of shepherds. At the same time, however, it was also a product made for sale. Herdsmen were providing it to local villages, gaining an additional source of income. Oscypek naturally became a popular tourist commodity when mass tourism appeared in the Tatra Mountains. Such a situation remained in place until the fall of Communism: oscypek was traditionally produced as an auxiliary activity to sheep breeding, and eaten by locals or sold to tourists. This was the starting point for the significant changes that occurred in the 1990s and which continue today. Analysis of these changes allows us to distinguish 3 different networks that have been built around oscypek cheese. What is interesting is that in each of these networks a different vision of oscypek can be identified. For the purposes of this report we have labeled them as follows: 1. "oscypek as a souvenir for mass tourism"; 2. "oscypek as a conqueror of the food market"; 3. "neo-traditional oscypek within EU realities". These networks have been formed independently in various periods but today all three exist in parallel. They will be described below in order of appearance.

## **Network 1. “oscypek as a souvenir for mass tourism”**

To understand the form of this network one has to consider two important factors that were fundamental to its creation. Firstly, with the transition towards a free-market economy, many sectors of Polish agriculture experienced a deep crisis in the 1990s. This was especially visible in sheep husbandry. Breeders deprived of state payment faced a rapid rise in the price of the means of production. At the same time the price of wool fell dramatically. It is estimated that as a result sheep stock in the Podhale region has decreased five times (from about 250 000 to 50 000 ewes). In terms of oscypek cheese, this meant a huge reduction in supply, as there was a limited amount of its primary component – sheep’s milk.

At the same time, the Podhale region experienced a real tourist boom. Not only has the number of visitors to the Tatra Mountains increased significantly over the 1990s but the whole infrastructure of the tourist sector has also undergone extensive development. This was largely tied to the development of the skiing base. This in turn led to a transformation of tourism patterns – the winter holiday season has extended and become the busiest time of year. As for oscypek cheese, these changes opened a great potential market but with a difficult challenge – the window of sales opportunity being out of production season (May – September). As a result, a very limited supply of oscypek cheese collided with a growing demand.

Such a situation triggered a revolution in the oscypek cheese market. The phenomenon of “commercialization of the tradition” took place, driven by economic realities. In this context “commercialization” meant “improvements” in recipe. The crucial shift concerned the replacement of sheep’s milk with that from cows. This modification allowed sellers to overcome two main “structural” obstacles: the limited number of sheep was no longer a problem and “improved” oscypek could be produced all year (secured commodity for winter season). What is more, since oscypek has been decoupled from shepherding it has become possible to make it on the ordinary farm. It has led to further departures from the original technique, as the traditional, long process of smoking is being reduced to just several hours, or even replaced by steeping cheese in a tea-based blend. By implementing all these “improvements” the local community created large and decentralized sector for home oscypek cheese production. What is significant is that it is almost entirely located within the sphere of the black economy. A somewhat similar problem concerns the retail side. One can also observe the large and decentralized sector of small-scale retail. The street stalls and food markets are the dominant points of sale. Locals selling oscypek cheese on the roadside (on the fold-up tables or directly from the car) became an integral element of the Podhale region’s landscape. There are so many people wanting to have their own stall that it causes serious problems. Each year the national media describe conflicts around the annual space lottery drawing in Zakopane (which is the biggest resort town of the Tatra Mountains). The local authorities had to introduce the drawing as a method of assigning space for oscypek stalls on the main street of town, in order to keep it passable.

In general, the described network of “false” oscypek is the special case of local production for local markets. Special, because it is product for non-local consumers. In this food-chain oscypek cheese has become a kind of souvenir for mass tourism. The product marketing is targeting “distant” consumers who buy the commodity while visiting the Podhale region. The sales chain is short but the ties between seller and consumer are rather weak. It is normally a single transaction after which both sides will not meet again. With regards to power relations, it seems to be a producer-driven process. As demand still exceeds supply, producers are not under any large pressure. The main factor that shapes these relations is price. This is a market of price – oscypek being sold on the street need to be reasonably cheap so an average tourist can afford it. As a result it is difficult to talk about any process of quality

negotiation. Any resemblance between the false “popular” oscypek cheese and the original one is often just in name and shape. However, so far, the false version is pushing the traditional oscypek out of the market. According to estimates, only about 10% of the cheese being sold under the name oscypek in the Podhale region are actually made from sheep milk, in line with the traditional technique. Tourists are cheated but they do not seem to complain as long as the commodity is affordable and does not threaten their health. Many experts, local politicians and, particularly, herdsman are trying to reduce this black market of false oscypek. This is very difficult though, because both the production and retail sectors are a significant source of income for large number of local people. Since the conditions for agriculture in Podhale region are unfavorable and plots are very small (3 hectare on average) – “popular” oscypek remains one of the few alternatives for local farmers. In some villages, especially those of a less touristy character, around half of the inhabitants are involved in this network. Recently, several tendencies have occurred that seem to be leading to a reduction in the market for the fake local cheese: On the one hand, local authorities are trying to put both producers and retailers under greater control, and on the other, consumer awareness is gradually rising. These two trends should eliminate the most blatant examples of falsifications and force improvements in general oscypek quality.

## **Network 2. “oscypek as a conqueror of the food market”**

The second network to be described was created as a reaction to the “oscypek boom” mentioned above. The idea was to take advantage of the regional cheese carrier but on the different market level. Thousands of tourists visiting the Podhale region and tasting oscypek there created demand for this cheese in the whole country. Many people simply wanted to eat oscypek after they returned from the holidays. The main strategy of this network is to satisfy the new demand. It has to be mentioned however that in this analytical construction we have included two various forms of achieving this goal. Both are targeting distant consumers, but in different ways. The first dimension of this network is oscypek cheese as a product of dairy factories. In this case, several small and mid-sized dairies from the Podhale region decided to create a machinery-made cheese that will resemble original oscypek in color, shape and name. As a result, one can buy such oscypek-like cheeses in supermarkets all over Poland. Of course, the use of machines and vacuum packages means a drastic departure from the traditional pattern of oscypek. Above all this involves the use of not only cow’s milk but also pasteurized milk. Although highlanders say “such a product is anything but oscypek” there are still clients who buy it. One of the reasons for this success is the fact that dairies can guarantee food security. Products are labeled, hermetically packed and regularly tested. The name of the producer assures traceability. And last but not least supermarket-type oscypek is very accessible. All of these features turned out to be significant since the products have a considerable shelf life before they spoil. Nevertheless, there is the opinion that sales are rooted in dishonesty. The critique comes mainly from the Highlanders who are opposed to the right of local businessmen to use the name oscypek for the cheese produced in a dairy factory. They consider it a “stolen tradition”. The issue of the name is crucial as it gives the cheese in the shop all the charm of the mountain food. There can be however, a more creative approach to the matter. The biggest producer of factory-made Podhale smoked cheeses is using the name “scypek” to market its products. Although the name is only one letter different from “oscypek,” it is enough to avoid accusations of illegal competition. To sum up, this dimension of network no. 2 is an example of the long food chain. Power here is shared between regional private companies (producer) and non-local retail units. The quality is achieved through extensive innovations in the recipe, whereas local identity of the cheese is gained by the name

oscypek (or something very similar). In this version oscypek has almost nothing in common with its shepherd roots. What is also worth mentioning is that there is no conflict between this network and network no. 1. These two chains are simply embracing alternative market niches, hence they do not compete with each other.

The second dimension of the network putting oscypek cheese in the role of “market conqueror” is targeting yet another group of clients. As in the previous case it is being marketed to a distant consumer by presenting oscypek in a more “luxury” form. Two main channels of distribution should be mentioned here: restaurants serving various kinds of traditional Polish cuisine and shops with organic food. In this strategy oscypek is a sophisticated product for select customers who are willing to pay for regional delicacies. The main objective here is to sell cheese that is plausibly consistent with the traditional mode of production. It needs to be stressed however, that such a specialized type of food supply chain is by its nature quite different and removed from the origins of oscypek at a local shepherds’ shanty. This evolution involved several difficult challenges. The most important one was the question of national legal regulations concerning food markets. For many years it was illegal to sell traditional oscypek in shops as it is made out of unpasteurized milk. The requirement to pasteurize milk for all dairy products remained a fundamental principle of food hygiene regulations. Since – as the Highlanders claim - oscypek cannot be made in this way the situation condemned this product to the “food underground”. The conditions changed with a legal act introduced by the Ministry of Agriculture in 2002. Since then it has been possible to produce and sell several kinds of dairy products containing unpasteurized milk. The so-called Kalinowski decree (Kalinowski was the Minister of Agriculture at that time) opened a new era in the oscypek cheese retail system. This was not, however, the only obstacle. The products were allowed into the market but producers were obliged to obey very strict hygienic regulations. In the reality of the Podhale this turned out to be difficult to realize. There are a number of reasons for that. Firstly, it was often impossible to create or maintain suitable conditions in a mountain shed for practical reasons (lack of infrastructure, temporary character of the building, etc). Additionally, social factors played an important role. The Highlanders, known for their independence and distrustful attitude towards the Communist regime, were reluctant to accept something that had to be accepted as enforced regulations. What is more, they found the new requirements superfluous as they were backed by the knowledge derived from a long tradition of oscypek production. The argument went as follows: since oscypek was made in a “primitive” way for centuries and “no one ever got sick” this proves that “natural conditions” for the cheese production were very much safe for the potential consumers.

As a result there is only a small number of local oscypek makers who are involved in the described food supply chain. This is a kind of “elite” formed by the most progressive breeders. They not only made investments to fulfill all hygienic requirements but also introduced some marketing strategies. Such activity would not be successful without the promotion of regional products. That is why the “modern herdsman” are publishing promotional leaflets, presenting their products during expositions or fairs and carrying out business negotiations with shop and restaurant chains. Those who do not know how to do this on their own are acting in partnerships with businessmen. In analytical terms this is an example of the modern, consumer-driven food supply chain of local production for distant clients. It has a decentralized character that is based on individual contracts between producers and retailers. As the product is marketed to a special group of consumers (with high food safety awareness) the quality is the main object of attention. The retailers are cooperating only with selected oscypek makers who can guarantee the proper features of the final product. Also the value of regional food is important in this arrangement so cheeses are specially labeled to assure both traceability and conformity to the traditional method of production.

### **Network 3. “Neo-traditional oscypek in EU realities”**

The third network built around oscypek cheese that is described in this report is also the most recent one to have occurred. Its form is directly linked to the practice of certifying traditional local food and to the role of oscypek as a symbol of regional tourism. The new category of actors involved is a distinctive feature of this case in comparison to the previous ones. The dominant role of local authorities (at different levels) and the collective representation of breeders have given this network a more organized character. Let us start the description with the issue of tourism. The tourist boom in Podhale region that has been mentioned earlier in this report was to a large extent a spontaneous process. With time however, local authorities adopted a strategy of actions that were to support and strengthen the development of the tourist sector. The promotion of the region was realized both through creation of new attractions for visitors and through professional marketing campaigns. Oscypek cheese was chosen to become a central motive of this strategy. A special event called “the festival of oscypek” was introduced to the calendar of annual events organized in Zakopane by the local government. During this festival the audience can witness the traditional method of cheese making, listen to folk music and of course buy the oscypek cheese. Apart from that special festival, the oscypek cheese is also an obligatory element of almost every larger public event in Podhale during the tourist season. What is more, as oscypek has become an attraction of its own, local authorities, in cooperation with several herdsmen, have created the so-called “oscypek route”. It is a tourist package that includes visiting selected places where the cheese is made, getting to know its history and production technique and also the possibility of staying overnight. The oscypek farms are specially marked and the whole network is promoted in the informational leaflets.

The famous smoked cheese is present on postcards and other materials promoting the Podhale region. It is without a doubt one of the most recognizable symbols of the Tatra Mountains and the town of Zakopane. One may say that there is an interesting situation in this network, in which, on the one hand oscypek cheese is being promoted, but on the other hand, it, in turn, serves to promote the whole area. This dual relation can be observed in the example of the contest that has been organized by the local authorities in order to create the project of packaging for the oscypek cheese. The primary aim was to get the cheese packed so it could be a kind of sophisticated gimmick used in promotional campaigns of the region (mainly in the international arena). However, in the longer perspective, when the new packaging will be introduced on the larger scale it will be another factor in increasing the cheese’s popularity.

In the described network the involvement of the institutional actors is not only limited to the co – organization of the retail system. It is also visible in the aspect of production. Since local authorities are taking part in promotion of the oscypek cheese, they have also decided to undertake actions that would ensure the quality of the product. This is partly a reaction to the phenomenon of the oscypek “falsification”. In order to prevent potential misuses, the government launched a special commission in the late 1990s to control the herdsmen (the action did not embrace the “grey sector” of small-scale production). The commission includes representatives of authorities, veterinary office and the association of sheep breeders, yet it has no legal mandate to punish the unreliable cheese makers. The only “weapon” it has at its disposal is “suggesting some improvements” or awarding the best producers. For this reason the influence of this “social” commission is rather limited. The more far-reaching effects are linked to the process of certification. The certification is perhaps the most significant recent trend concerning oscypek cheese.

The idea of certification of oscypek cheese production was born in 1990’s. The Association of Sheep Breeders (ASB) wanted to get legal permission, for oscypek retail has

formulated a set of rules that should be obeyed during the production process. At that time these attempts were unsuccessful so the regulations remained on paper. The problem returned in 2002 when media revealed that the name “oscypek” was in the process of trademark registration and the application had been sent in secret by a private individual (a local official). In the scandalous atmosphere several local institutions were arguing about the right to register oscypek as a trademark. As a result of this “oscypek war” it was decided that the key role should belong to the ASB. Since the registration procedure required significant payments, the Association asked local governments of three Podhale districts for help and all these institutions have submitted a joint application to the Polish Patent Office. The situation changed again in May 2004 after Poland entered the EU. Since European rules on registration of regional products replaced the national ones after EU enlargement, the whole procedure concerning oscypek had to be started from the beginning. Again, the ASB, together with local governments, played a leading role.

The issues linked to the process of registration of oscypek cheese are described in detail in the next part of this report. At this point however, two important points need to be made. Firstly, the idea of registration is a symptom of the globalization of regional food. The formal actions have been undertaken with the aim to extend the market for oscypek cheese to the entire EU territory. This spatial extension required the involvement of institutional actors, hence the centralization of the food supply chain can be observed. Secondly, the oscypek entrance on the international market is accompanied by the reinforcement of its traditional features. The regulations concerning the production process, ingredients or the shape and size have been formulated after comprehensive study of the regional herdsmen tradition. This “return to the origins” is – if one takes a closer look – rather a creation of the “modernized tradition”. Because oscypek cheese, in order to conquer Europe, has to be in line with hygienic regulations, the suggested technique of production is in many ways an “improved” (you have previously used the quotation marks around the word “improved” when speaking of this version – when you use them, it implies that you have some skepticism regarding whether or not it is truly improved; when you don’t use them it reads as if you AGREE that it is improved – I recommend consistency with this) version of the traditional practices. Such a “neo-traditional” oscypek is embedded in local culture and at the same time causes no concerns about food safety.

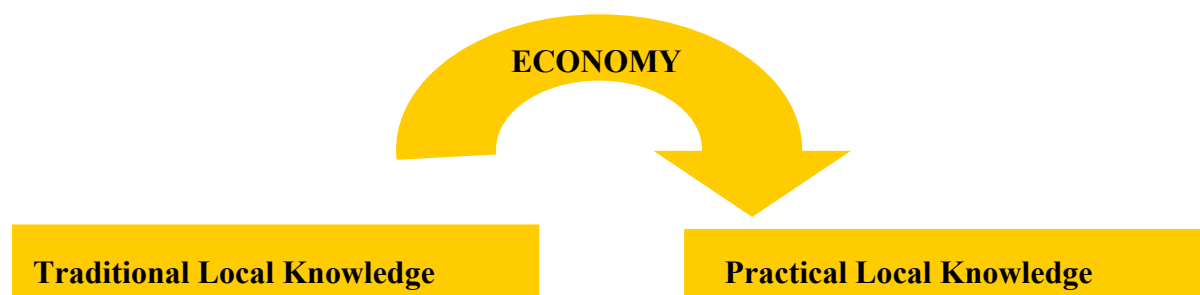
## **B. Knowledge in local food production**

When one analyzes this case study the first conclusion is that the three networks built around oscypek cheese are different in terms of knowledge dynamics. There is no doubt that oscypek in its original form is embedded in traditional local knowledge. Being a part of shepherd’s culture, the production of this cheese was for centuries based on tacit knowledge (unwritten recipe, production technique, etc.). However the network number 1 is the manifestation of change that took place in recent decades and was especially visible in the 1990s.

Oscypek cheese turned into a mass tourist souvenir that has very little in common with its origins. Both the recipe and the production method have been “improved” in order to bring more income to the local population. In that way the traditional local knowledge was transformed under the pressure of economic realities into something what can be called practical local knowledge. The pattern of knowledge transformation in network 1 is illustrated in Chart 1.



Chart 1



Such a modification of the knowledge basis allowed a large number of new actors to be included into the oscypek network. Local people who are not involved in sheep breeding are now producing and retailing modified oscypek, which helps them to financially support their families. Although in the opinion of many people it is a “commercialization of the tradition” in social terms it can be treated as an example of adjustment strategy. Here, it is a strategy that is a spontaneous reaction of the local community to the challenges and opportunities of mass tourism.

The second network described in the report is characterized by an alternative knowledge dynamic. In this case, the external types of knowledge are playing an important role. As far as mass production of oscypek is concerned, expert knowledge is required to manage the dairy factory or to market the products. This is the territory of the large and mid-sized business companies. As a result of this local actors have a weaker position in the network than non-local ones. What is more, the form of oscypek is further “reconstructed” so that it loses its local context. The Highlanders say that the oscypek has been hijacked by the large-scale producers but at the same time they add that in fact it is not real oscypek but an ordinary imitation.

In the other dimension of this network oscypek becomes a luxury delicacy for a special group of clients. Here also a use of external knowledge is visible. Because of that only an “elite of herdsman” is involved in this aspect of the food supply –chain - the type of modern shepherd who represents a mixture of local know-how and expert business knowledge. This is mostly the younger generation of producers who are open to market opportunities and are not afraid of making changes in their “fathers’ tradition.”

The last network presented above is built on a different knowledge dynamic. One can identify in this case the dominant role of managerial knowledge. The intensive involvement of institutional actors has led to the centralization of the food supply chain and to the shifting of power to the disadvantage of individual producers. This is a revolution in itself, as production and retail sales of oscypek cheese have heretofore been the domain of independent Highlanders. Many of them dislike the idea of supervision by authorities. Many, especially from the older generation, are opposed to any changes in the method of production. Several problems and difficulties have also occurred in connection with the registration/certification process. Firstly, it was an issue of creating the common “norm” for oscypek cheese. As each herdsman has his own recipe supported by years of tradition, any development of a single norm was very problematic. In the end, the ASB adopted regulations stipulating the proportion of ingredients, size and shape of the final product as well as the conditions for its production. This can lead to a negative standardization and a decline in oscypek variety (which is a part of cultural heritage). Some Highlanders hope, however, that the norm was created only for formal purposes and will not be enforced in practice. What also needs to be mentioned is the fact that the registered oscypek pattern provides strict requirements in terms of the raw materials the cheese can be made of. According to the norm the name oscypek can

only be used for products made of sheep's milk or a mixture of sheep's and cow's milk. In the latter option, important limitations are introduced: only two kinds of milk can be blended in a certain proportion and they must be milk from the Polish Red Cow (a rare breed of indigenous Polish cow; the project of its preservation was described as a case study in the Polish WP5 CORASON report).

In practice, such regulation will mean a real revolution in the oscypek market. The coexistence of the 3 networks will no longer be possible as the cheese in other forms will not be certified. This problem especially concerns network number 1 since the large sector of home production and street retail sales is based on the oscypek made of cow's milk. These actors will no longer be able to use the name oscypek for their products. They cannot shift towards the authorized standard for the product as they have no sheep or mountain sheds. What is more, if oscypek is to be produced according to the norm it will become available only through the summer season which would lead to an increase in its price. As a result, the existence of network 1. is under real threat. The large-scale producers are in the same situation – they will no longer be able to use the name oscypek, which was a key element of the market strategy for their products. To sum up, the process of registration and certification of oscypek cheese will open new market opportunities for some groups of producers but at the same time will probably cause marginalization of several categories of other social actors. The decline of the “popular oscypek” sector will especially have negative social and economic effects. The institutional actors that play a leading role in the creation of network number 3. seem unaware of that problem.

## **LLA 2 Lodzkie Region: apples from Rogów community**

Fruit production has traditionally been the predominant type of farming in the Rogów area. It has been rooted in the inter-war period mainly as a result of the research station of the Agricultural University in Warsaw established in 1921. There were a lot of small orchards in the area because of favourable natural conditions. However, it should be stressed that farmers themselves did not sell their fruit products before WWII. There was a kind of division of labour among Poles who were fruit-growers and Jews (mostly from Łódź) who were traders. Jews contracted fruits from Polish peasants, bought them later and sold them. The direct producers did not have any impact on where and at what price their products were sold to consumers or processors. Trade was mainly located in major towns and cities of the region.

The situation, however, changed significantly after WWII. Jewish traders vanished because of the Holocaust. But the Polish government established the National Institute for Fruit and Vegetable Production in the regional town of Skierniewice in 1946. The major task of this institute (the place for research and development activities) has been to introduce modern techniques of production as well as expert knowledge concerning fruit and vegetable production. Starting in the 1960s the Institute organised various projects to train farmers as well as facilitating meetings with experts. The fruit-grower cooperative was established in 1961 in the investigated gmina mainly in order to train farmers.

The “golden age” of the cooperative occurred in the late 1960s and early 1970s. All the orchards in the gmina occupied roughly 500 ha at that time. In comparison, today they occupy “only” 350 ha. In the 1980s the cooperative, like others in the region, fell into a crisis period. In turn, the first part of the following decade might be perceived as a discussion period about a new form of organisation for agricultural producers (including fruit-growers) called the producer groups. This idea had been heavily promoted after 1989 by state agencies called the Centres for Agricultural Advice (an extension service in Poland). After the trauma of Communism and its preferences for “socialised” forms of producer organisations they tried to

convince farmers of common initiatives and activities following the European tradition of co-operative movements. They stressed that the main idea of such producer groups laid not in the common efforts of production (as it was in collective farming under Communism) but in joint efforts to sell the produce grown by individual members of the group. The first such group of fruit-growers, named “Rogsad,” was established in the community in 1996, and was followed by a few others, including another fruit-producer group called “Sadownik” (Fruit-grower).

Let us consider the basic aims of the “Rogsad” association, as pointed out in its statutes. The association should act to: a) improve the quality of growing, preserving and processing of fruits; b) support any research concerning the techniques of growing, preserving and processing of fruits; c) participate in national as well as international exhibitions, trainings and seminars concerning the growing, preserving and processing of fruits; d) introduce new techniques and ideas, as well as dissemination of the experience of leading growers; e) facilitate the access to new means of production; f) provide its members with cultural activities as well as various services in Poland and internationally; and g) provide trade, transport and marketing services.

As we mentioned before, fruit growers in the investigated community have been organised in two associations: “Rogsad” and “Sadownik”. Let us focus now on a more detailed description of their activities.

It is worth noting that “Rogsad” was organised by local fruit-growers who were prominent local inhabitants, mainly activists and members of the local gmina council and other local organisations (for example: the Łowicz Cooperative). It might be said that those persons who were well oriented in local economic problems and occupied important positions in the local power structure now form the leading group in establishing the “Rogsad”. They knew each other quite well, and worked together on various, informal occasions. They were perceived as a local ‘elite’ since they were involved in economic activity of the community before. They had strong economic resources since they possessed fruits to sell not only during the summer season but in spring and autumn as well.

“Rogsad” has been formed exclusively by inhabitants of the Rogów gmina. The association has been formed on the basis of common economic interest, namely to sell apples. The strategy of forming such an association was perceived as an opportunity of joint effort to conquer the market. The whole process of adjustment of interests of individual producers took two years, resulting in the registration of the “Rogsad” association by 12 founding members in 1996 in the Skierniewice court. In the first year of activity membership increased to 20 persons. However, later this number declined to 15. Some members resigned from the association since they were not able to participate in costs resulting from the promotion and advertising of apples as well as purchasing cardboard boxes for apples. Today only 7 persons are co-operating with each other as active members of the association.

The leader of the “Rogsad” was at the same time the president of the local town council, the president of the hunters association as well as a former activist in the fruit-grower cooperative during the Communist period. He possessed sufficient knowledge to grow fruits as well as to sell them. Moreover, he was a kind of strong and leading personality. He made tremendous efforts to organise meetings and training courses for fruit-growers interested in the establishment of producer groups.

With the exception of this strong personality the producer group has been a kind of collective effort. All important questions have been discussed among the members of the group. “No decision – as we learned during the interview – has been taken exclusively by a leader. We discussed all the issues concerning production, sale, promotion as well as exhibitions”. All major efforts have been taken collectively while, at the same time, members of the producer group received money for their products individually. It resulted not from a lack of trust among them but from the organisation of the financial system of the producer

group. It was not registered as a collective enterprise by the Treasury Agency. Therefore, the members have been obliged to pay taxes individually.

The “Rogsad” has sold mainly apples (for direct consumption as well as processing) and some other types of fruits, namely: cherries, currants and plums. Fruit-growers decided to act collectively in order to respond to the demand from large retail enterprises. Individual farmers were not able to fulfill requirements of a supermarket chain since the cost of preparing the fruits for sale was too high for a single fruit farmer. Therefore, they decided to prepare fruits for sale collectively in order to minimise the cost of the whole operation. Moreover, the joint effort resulted in reduction of the cost of training courses and seminars as well as meetings with experts.

Members of the “Rogsad” have sold their products locally and, at the same time, exported them and sold them to processors. One of the major trade centres in Łódź, as well as the fruit stock market near Warsaw have been particular places of sale. It is worth stressing that members of the “Rogsad” own shares in the trade centre in Łódź mentioned above.

It should be emphasized that the members of the association have been involved in various types of sales in the local/regional market. First, they provide their fruits to the trade centre in Łódź (the agglomeration located nearby) as well as to shops in other towns in the region. Moreover, some of them have opened their own fruit and vegetable shops there. Therefore, it should be stressed that they do have direct contact with consumers. Moreover they are involved in indirect sales as well. They provide some wholesale facilities in other regions of Poland with their products partly on the basis of agreements/contracts signed with them. Some of these facilities purchase fruits directly for the local community. Export sales have been another means for selling “Rogsad” members’ products. A significant portion of export has gone to Romania, Czech Republic, Slovakia, and Belarus, as well as Ukraine. Before May 1, 2004 a lot of apples had been sold on the Russian market. A smaller part of the output has gone to Western countries, namely, Spain, Netherlands and Denmark.

Considering the example of the association one should stress the strong impact of expert knowledge, provided mainly by the three following institutions, namely: Regional Centre of Extension Service, Institute for Fruits and Vegetables in Skierniewice (the institution already mentioned above) as well as Regional Inspectorate for the Protection of Plants and Seeds. Regional Centre of Extension Service provided its assistance especially in the beginning of the 1990s when some fruit-growers started to organise the association. This help was focused mainly on trainings and seminars as well as visits to other areas of the country where such producer groups already existed. Meetings with experts from the Institute of Fruit and Vegetable Production were also organised to introduce fruit-growers to new techniques of production, protection of plants as well as new breeds of plants. The Centre, in collaboration with the Regional Inspectorate for the Protection of Plants and Seeds organised many field trips and exercises for fruit-growers in order to teach them, for example, how to work with new equipment, as well as to recognise affected plants. However, the organisations mentioned above did not provide fruit-growers with legal and technical knowledge concerning the problems associated with EU accession. Then, one might sum up that expert knowledge of a particular type, especially concerning the problems of fruit-growing, has been transmitted to the members of the association by the organisations mentioned here. We have to stress as well that members of the association themselves possessed knowledge concerning fruit-growing based on their experience in farming. Moreover, since they were mostly members of the local town council they possessed managerial knowledge concerning the mechanisms of the local political power structure.

Quite interestingly, the EU accession did not result in enlargement of the production and trade potential of the association. The association did not apply for financial support. Only individual members of the association applied to SAPARD for financial assistance and

they gained money to cover modernisation of storage facilities as well as purchasing new equipment.

“Rogsad” took part in various promotional activities. In collaboration with the trade centre in Łódź it participated in the International Trade Days in Poznań, one of the most traditional and prestigious trade events in Poland, as well as the PolAgra trade days (one of the major agricultural exhibitions in Poland). “Rogsad” products are well known on the market. Moreover, the association received several certificates of quality - both national and European - as well as some so-called certificates of recognition for its products. The “Rogsad” logo has been designed in collaboration with the Institute of Fruit and Vegetable Production. Its production has been certified by the Institute as an example of Integrated Fruit Production. Members of the association participate in regional meetings organised every year for agricultural producers under the frame of The Integrated Production Programme. All the “Rogsad” products are marked with its logo. Members of the association treat these types of activity as a part of their marketing strategy. However, such a strategy was only partly successful. Despite their efforts, they were not able to get any major retail partner for a long-term contract. Therefore they lost many resources for promotion and marketing.

As we mentioned above, thanks to advice from the Regional Extension Centre experts, the “Rogsad” association became a member of the Integrated Fruit Production programme. Its members obliged themselves to limit their use of chemicals in the fruit growing process. Such a programme was established in Poland in the first half of the 1990s. Despite the formal dissolution of the “Rogsad” association its former members cooperate informally and they run their production according to the Integrated Fruit Production standards. Each producer has to meet such standards by controlling use of chemicals (only some chemicals that are on the special list as relatively non-harmful for the natural environment may be used and only in small quantities), special planting procedures, keeping records of the whole production process (dates of use of chemicals, reports on the quantities of use of chemicals, observations of vegetation process, protocols of control provided by external experts). Each farmer growing fruits under the frame of the programme has to complete special training and receives a certificate of quality, i.e. the sanitary certification of his/her product. All the trainings have been organised by the Regional Extension Centre.

Therefore, we note that the standards of production quality have been defined by experts who decide about giving producers the certificates and sanitary approvals. One should also mention that the standards of production must meet not only the standards of the Integrated Production but national requirements concerning healthy products (some pesticides and stains are not allowed on the product) as well. However, on the other hand, consumers seem to be a growing force in the process of defining quality standards. Retailers and processors try to impose certain standards on the producers based on consumer demand. However, as we mentioned before, this tendency has not yet been visible in the case of the analysed association. As one of the members of the association told us: “(...) there was much interest within the market how and where apples are produced”. Therefore the marketing efforts did not result in the expanding opportunities to sell “Rogsad” apples.

The other producer group has been registered in the investigated community. We present some characteristics of both associations in the table below.

Criterion	Producer Group “ROGSAD”	Producer Group “SADOWNIK”
Members	Persons involved in the local administration	Farmers
Experts	Local authorities and Regional Extension Centre support	Trainings provided by the Regional Extension Centre
Quality Standards	Certificates granted by experts based on externally defined regulations; Integrated Fruit Production Programme	No certificates; producers independently define quality as chemistry-free product
Sale	Exclusive access to various markets, contract with the local fruit processor established by one member of the association; easier access to regional markets thanks to shareholdings in Regional Trade Centre “Zjazdowa” and Łowicz Primary Market	Individual initiatives of members to get into new markets, signing the contracts with retailers, wholesale and sale in Regional Trade Centre
Leader	Fruit-grower, president of the Local Council and the president of the cooperative in other community	Experienced fruit-grower, local activist (but not in formal organisations)

In closing, we would like to emphasize that neither of these associations acts formally today because of some fiscal problems. However, some former members of the associations still cooperate informally as individual producers. The main reason for the lack of success in both cases seems to lie in the failure to get long-term contracts from the retail networks. Both associations were not able to jump into “organised” markets controlled by distribution and retail institutions.

## Conclusions

Despite similarities that can be found in both cases of local food production in Małopolska and Łódzkie regions, the differences seem to be much more visible. Based on the description of both cases above we are able to consider both cases of local food production in a comparative perspective framed under two major sets of issues. The first one has been focused on the presence of the local food under consideration (cheese and apples) as a part of local as well as supra-local networks. In turn, the second one has been focused on the interaction among various types of knowledge involved in the projects as well as the activities being part of the networks pointed out above.

Trying to compare both cases in the regions of Poland one might emphasise that they are very different ones. While the sheep cheese (*oscypek*) has been part of various extended networks (local and supra-local ones) the apples of Rogów seem to be part of a rather local issue. We should highlight the fact that while sheep cheese has been quite well-known all over Poland, the Rogów apples have probably only been known to very local people in the respective area.

Moreover, the sheep cheese has been part of the larger culture. As it is mentioned in the literature, as well as in our report, this sheep cheese has been an important part of shepherd culture that has been distinctly characteristic for the region under consideration (the Tatra mountains, which are located in the Małopolska voivodship). However, such a culture has been known in the rest of Poland as well. On the other hand, apples from Rogów have not been known beyond the level of the investigated community. As we described in the case above, apple-growers from the community have had a lot of trouble selling their product to the supra-local retail network.

At the same time, local food production (sheep cheese) from the Małopolska region has become a part of the larger cultural complex - i.e. mass tourism - in the Tatra Mountains

and the nearby area. Being part of such an important cultural complex the sheep cheese production has been quite well recognized among the Polish as well as foreign tourists not only as a local food product but as a kind of regional icon as well. Again, quite to the contrary, nothing like this has happened in the case of Rogów apples, which remained a kind of local product and not part of a larger structure, either an institutional-sale network and/or a cultural complex.

Then the question arises: why has the promotion of Rogów apples on the supra-local level been so unsuccessful unlike the case of the Tatra Mountains sheep cheese? The comparison of both cases has resulted in the evaluation of the importance of various types of knowledge involved in both types of projects. We would argue that the presence or lack of suitable managerial/administrative knowledge could be recognised as a determining factor for the successful story of sheep cheese in Malopolska and the failure of the Rogów apples of Łódzkie region. In our opinion the managerial knowledge encapsulated in the ideas developed by sheep breeder organisations to promote the sheep cheese nationally, and later to register it as a local product under EU regulations might be seen as a key point of success. Nothing like this has happened in the case of Rogów apples. Fruit-growers from the area did not succeed in promoting their product nationally or even regionally. Therefore, despite the long tradition of fruit-growing in the community, supported by a rich local knowledge as well as expert knowledge provided by various scientific institutions, the whole idea to turn local Rogów apples into a global phenomenon (or at least supra-regional products) has not been successfully realized.

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# Non-agricultural economy in the Czech Republic

Eva Kučerová<sup>20</sup> – Adéla Ševčíková<sup>21</sup>

## 1. Introduction

The transformation of centrally planned economy into market economy and the European Union accession are the basic milestones for marketisation of rural traditions. From the beginning of 20th century, traditional handicraft has not got any chance to be integrated into the market process without a special regard to its historical and regional values.

In order of a successful development model emerging from within localities, local projects necessarily have to have the ability to see what is good for their areas and that they are able to apply that insight through projects in such a way that it furthers the growth on the local level within their enterprise activities. The phenomenon of culture economy (Ray 1998) is essential for the successful endogenous development of locality. Culture economy is also closely linked to rural tourism, marketing and selling strategies, and the role designers and experts in commercialisation of rural goods and services. And it can be more effective than direct market or niche market actions. Ray's three sources of the culture economy idea – the changing nature of consumer capitalism, the EU rural development policy, and regionalism – is reflected in the Czech Republic.

Rural images as a source for rural development changed after the fall of communism. On the one hand, it meant a challenge for rural development and, on the other, uncertainty and dilapidation of rural areas (Blažek 2002). The positive trends and conditions in the Czech Republic are as follows is: one, a heterogeneous countryside with a strong potential for rural tourism (protected nature zones, network of cycle-trails, cultural and historical landmarks); two, the improved quality of regional and local administration and management at all levels (the network of the Regional Agencies established in the micro-regions to help solving the particular regional problems, and to provide informational services and web presentation of localities) and; three, the emergence of civil association activities (renewal of local traditions in cultural and historical context) and local entrepreneurs (for example, the Moravian wine production and the local organic food production). Negative trends are related to the failure of technical (civil facilities, infrastructure), social (negative population development) and projecting/planning (bad co-ordination of development projects, not elaborated regional development strategies, and ineffective financial expenditures).

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## **2. Context Analysis**

### **2.1. Transformation of economy – new conditions and actors**

Speaking of the road of the Czech Republic from the communism era to the EU membership, we have to respect the experts who put emphasis on the path dependency effect on the Czech economic development.

Czech economical situation in the first three years (1990-1992) was typical by the privatisation of most of the economy, price liberalisation, a balanced state budget and a low unemployment rate (less than 4% up to 1995). The economy had been accelerated till the split of Czechoslovakia in 1993. From 1995, the trend of economic development was evidently decreasing. The breaking point of Czech economic development could be clearly identified in 1997 and the economists have found some evidence that the macroeconomic success was not based on the microeconomic foundations (CERGE, 2005). At that time, local owners of the privatised firms were indebted and lacked the sufficient managerial capital to restructure and consequently compete in the open market. Small firms were apparently supporting the low level of Czech unemployment. High liabilities led gradually to many financial problems of firms and were reflected in the fast increasing public budget debt.

The consequences of economic recession were reflected on the political stage as the governance crises and the consequent shift of political power from the conservative Klaus political party (the Civil Democratic Party) to the left-oriented Social Democrats (then represented by the person of Miloš Zeman) who were the governmental party till the elections in June 2006. The basic steps that have been done by the new governing party since 1998 were the revision of the privatisation process and introduction of investment incentives packages for investors, namely for FDI.

Consequently, since 2000 the economy was accelerating again, mainly due to the incoming foreign investments and the increasing private consumption. Finally, domestic firms started to invest on a relatively higher level into their development and increased their competitiveness in the market. Finally, the EU membership period could be characterised by the features from a slowly increasing economy to a prosperous one. However, the socialist policy contributed both to the large and still growing budget deficit, but also the continuing massive capital inflow into Czech economy, the GDP growth and a slow decrease of unemployment.

The sector structure inherited from communism was highly distorted. Primary and secondary sectors were larger compared to the structure of the developed Western economies and the tertiary sector was lagged behind them. Czechoslovakia was over-industrialised and rather more distant from the capitalist patterns in comparison with Poland and Hungary. Nevertheless, according to empirical studies, the Czechs are flexible enough to easily adapt to the rules of the newly established institutions (Elster – Offe – Preuss, 1998).

The branch and professional structure in the 90ies in Czechoslovakia began to change quickly due to the influence of the liberalisation of economy. Till 1993, the number of the workers employed in agriculture was rapidly decreasing (about 300 000 people left agricultural sector) and at same time, however, not so radically, there also decreased the number of people employed in the secondary sector.

Later, after 1993, the economic changes were less radical, but the trend kept the same direction – a decreasing number of people employed in the primary and secondary sector and increasing employment in the tertiary sector. The decrease in the proportion of workers in the primary sector was significantly influenced (along with agriculture) by the decrease in mining, metallurgy and the similar professions. In summary, the employment in manufacturing declined by one fifth in the period 1990-2001. With regard to the employment changes index, an increasing tendency could be found in several branches, e.g. in the electronic industry, clothing industry, timber and rubber industry, printing industry. The tertiary sector also witnessed different dynamics in specific branches. The most radical job changes emerged regarding the financial intermediate positions (in banks and insurance agencies mainly). As a consequence of the transformation of public administration, which has been done in 2000, new central as well as decentralised institutions were established<sup>22</sup> to offer new jobs. New services were introduced mainly in the frame of social security spheres (especially social security offices, employment bureaus) to provide many jobs for higher educated people (Potůček at al, 2003: 49-50).

From the economical point of view, there are in the Czech Republic distinguished regional differences corresponding with the dominance of the sectoral orientation: the regions, which were prosperous before 1989 due to the concentrated and supported mining industry are getting into the economical crisis (the Ústí nad Labem region situated in Northern Bohemia and the Karlovy Vary region situated in the Northwest of Bohemia); on the other side, there are some economically accelerated regions (the České Budějovice region situated in Sought Bohemia, the Zlín region located in Moravia, where there had been established shoe manufacturing industry by the Bata family, and the Central Bohemia region situated around Prague).

Nevertheless, the basic tendency is represented by the re-orientation from the primary and secondary sectors towards the tertiary and quaternary sector, but some branches are traditionally prosperous (e.g. chemical industry, electronic industry) and consequently strengthen economic prosperity of the regions (increasing GDP, decreasing unemployment, in-flowing foreign investments) (Tomeš 2001).

The transition from centrally planned economy to market economy has been characterised by the restructuring of sector economies and the fluctuation between sectors, firms and professions. Newly, there has been created a favourable entrepreneurship environment, which was almost absolutely eliminated during the communism era. The Act on Private Entrepreneurship was adopted on April 1990 to revive the old licensing system having existed before the WW 2.

The private sector was rapidly enlarged in the period 1990-1992. Large state companies were transformed with reducing the number of workers (note: at that time, the average number of workers per company was 3000, ten times more than was average level in the Western countries) down to the minimal effective numbers in the newly reorganised firms, mainly joint-stock companies or limited liability companies. On the other side, many workers entered into private entrepreneurship to legitimise their previous activities in the frame of grey economy (odd jobs). From 1993, the number of (small and middle) private companies permanently increases (Večerník at all., 1998).

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<sup>22</sup> Due the significantly different statistical data before and after the transformation of the public administration, we cannot use many the long term data series, because the data before 2000 are not available to be compared with the data collected after 2000. It creates troubles mainly with regard to the data for the RRA.

**Table 1: Basic socio-economic data of the Czech Republic**

<b>Employment structure (%)</b>	<b>1970</b>	<b>1975</b>	<b>1985</b>	<b>1990</b>	<b>1995</b>	<b>2000</b>	<b>2004</b>
Primary sector	18.7	15.8	13.7	11.8	6.2	4.6	4.0
Secondary sector				45.4	41.5	39.6	38.5
- mining				3.5	1.8	1.2	1.0
- construction				7.5	9.0	8.2	8.0
Tertiary sector				42.8	52.3	55.8	57.6
- accommodation/hospitality	0.38	0.40	0.62	0.9	2.8	3.2	3.8
<b>Unemployment</b>				0.73	2.93	8.78	8.3
<b>Gross wages (monthly)- (CZK)</b>					8572	14029	18583
- EUR (1 EUR=30 CZK)					286	468	619
<b>Budget balance (billion CZK)</b>		1.9	1.5	1.1	7.2	-46.1	-93.7
<b>Inflation rate</b>				20.8*	9.1	3.9	2.8

Source: Czech Statistical Office

\* Note: Data is from 1993 year, because data from 1990-1992 were not available.

## 2.2. Tourism as the base of regional economies

According to the documents of the Ministry of Regional Development, tourism is one of the important branches in re-vitalising of the economically weak and underdeveloped regions in the Czech Republic and the most dynamically developing business sector. Total revenues from tourism accounted to 3.5% of the GDP; foreign currency revenues amounted to 6.0% of total export of the Czech Republic and foreign revenues from services are close to 42.8%. The share of tourism in the total number of jobs in the Czech Republic is quite high (12.4%).

The one of strengths of Czech tourism (according the SWOT analysis for the purposes of the State Tourism Policy Concept) is rich cultural and historical heritage, folklore attractions and the protected nature (especially protected regions and natural parks) offering opportunities to exploit the increasing demand for new, modern tourism products such as rural tourism, ecological tourism, biking etc. There are many evidences of realising the so-called, green tourism including eco-tourism as well as rural tourism in all variations (Pourová 2002).

There are various possibilities how to utilise the existing potential, like the organisation of rural local markets including the demonstration of ancient handicrafts, traditional dresses, ways of farming, preparing food, building houses, rearing animals, food processing, etc. Although the open-air museums are better prepared to offer a more complex cultural and historical entertainment, similar cultural activities are increasingly emerging in many other rural contexts. Another very common projects in rural areas, more or less connected with cultural events or/and places, are building bicycle trails. Bike tourism is becoming more and more popular in the Czech Republic and consequently the network of cycle trails including interesting cultural and nature sites is expanding (Kováč-Kučerová, 2006). Some of the projects are organised more on the commercial base and some as voluntary activities in the frame of civil society. Still more of them apply for the European Union support from the structural funds.

**Table 2: Development of handicraft licences in the Czech Republic**

	1992	1995	1997	2000	2002	2005
Number of handicraft licences	190,517	271,678	440,265	543,986	619,826	678,385
Total number of trading licences	940,334	1,859,192	2,611,442	3,001,820	3,402,149	3,750,559

Source: Ministry of Industry and Trade

For the purpose of case studies we choose, from the activities mentioned above, handicrafts as a relatively successfully reinvented tradition, which is manifested in commercial production, exhibitions in the open-air museums and rural localities, organising special courses and many other ways.

## 2.3. Handicrafts as an integral part of non- agricultural economy

### 2.3.1. The history, background and the relevant political institutions and actors

Folk arts and crafts and folk art production have become the part of the cultural heritage that includes many ideas and the results of the creative work of the preceding generations. Folk arts and crafts and folk art production are not a static heritage: they are anchored in the past, but turned towards the future. The handicrafts had been integrated into economy till the beginning of the 20th century. Then the position of handicrafts was weaker and they were oriented rather on the decorative and artisan production instead of market products for the everyday use. Consequently, handicraftsmen and artisans started to establish non-governmental associations and co-operation to strengthen their position in the market. After the WW2, the non-governmental sector was rapidly reduced and handicrafts became organised under the umbrella of a state organisation, nowadays called the Institute of Folk Culture. During the communist era, the Institute was the dominant organisation, which organised all the activities of handicrafts till 1990, when there anew (re)emerged local and regional non-governmental organisations. The traditional goods production sold through the distributive system of the Institute of Folk Culture was successfully asserted in the market before 1990, it even had a massive character.

In 2003, the Czech government has adopted the *Conception for the Effective Protection of the Traditional Folk Culture* to support all kinds of the inherited and reinvented traditions in all regions. The Conception has aspired at a more systematic monitoring of Czech traditional folk culture and the activities of the individual artisans, associations and cultural organisations. For this purpose, the **Ministry of Culture CR** put emphasis on the national as well as European projects to support folk culture to maintain and reinvent the tradition. There were established special awards for the individual traditional handicrafts that would reinvent perishable traditional knowledge. The award is called the "*Holders of Tradition*" and only five Czech handicrafts can receive the price every year.

While the Ministry of Culture rather focuses on the question of traditions, the **Ministry of Regional Development** is oriented on the support of rural tourism as a whole including the revived tradition as a part of rural entrepreneurship. The **Information Centre of Rural Regions (Czech Tourism)** has been established under the umbrella of the Ministry of Regional Development to support rural regions development through the enlargement of tourism activities. The Ministry of Regional Development in co-operation with the **Ministry of Trade** established the **Czech Centre for Tourism** in 1993 to support the development of human sources with regard to rural tourism and agri-tourism. Also, the

*Institute of Folk Culture* has been established under the umbrella of the Ministry of Culture. The *Institute of Folk Culture* has been controlled directly by the *Ministry of Culture* of the Czech Republic since 1st January 1991. The institute has been established as specialised professional institution of the ministry to research and collect the traditional folklore, but also to organise and support the folklore and education events.

The relevant organisation dealing with the problems on the international level is the *European Centre for Ecological and Agricultural Tourism* (ECEAT), which started in 1993 to promote sustainable ways of the small-scale, environmental tourism in the rural Europe. The benefits directly encourage organic farmers, traditional farmers and other types of smallholdings to maintain the natural and cultural landscape. Among its present members, there are from the “CORASON countries” the Czech Republic, Finland, Germany, Poland, Portugal and Sweden.

### **2.3.2. The relevant support and development programmes**

#### **International Programmes**

- *UNESCO* support of the selected heritage monuments (in the investigated Jihočeský region, it is for example the town Český Krumlov).
- *European Folk Art and Craft Federation* – co-operation with craftsman, promotion of new designs of products, selling products and organising courses of the traditional crafts.
- *EU Structural Funds in the Czech Republic* – the priorities are oriented mostly on the educational projects and project strengthening entrepreneurial conditions

Operational programme Industry and Enterprise

OP Human Resources Development

Initiative LEADER +.

#### **National Programmes**

- Territorial Programmes for structurally affected regions as the Northwest Bohemia, North Moravia and Silesia; and selected rural areas.
- Support of Industry Entrepreneurs
- Countryside Renewal Programme

#### **Regional programmes**

Representatives of the Jihočeský region (Sought Bohemia region) launched a programme to the support of “living culture”, which includes handicraft, too. The expected investments for 2006 are 4.5 billion CZK.

Priorities of the Operational Programmes, mentioned above, are especially the support of new job opportunities creation through the diversification process; and civic facilities and services. The general aim of the operational program Multifunctional Agriculture and Rural Development is supporting of the better life quality of rural population, development of infrastructure in rural areas and a higher attractiveness of rural regions for living and

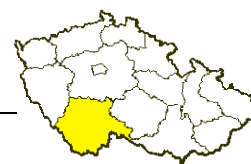
entrepreneurial activities (National Strategic Plan for Rural Development of the Czech Republic, 2005).

A really wide-spread national program is the *Countryside Renewal Programme*, which is widely utilised for its relatively simply application claims and conditions, available even for the smallest rural communities. Nevertheless, the *Countryside Renewal Programme* does not support directly entrepreneurship, but the necessary conditions for it (e.g. technical infrastructure in rural communities).

The future tendency of rural development is expressed in the documents planning financial support of rural regions for the period 2007-2013. There were set the following priorities for support from the European Agricultural Fund for Rural Development (EAFRD):

- diversification of non-agricultural economy, support of enterprise founding
- support of tourism
- renewal and development of villages
- support of services for rural economy and population
- preservation and development of countryside
- support of education and information development.

#### 2.4. Jihočeský region (South Bohemia Region, NUTS 3)



**Area:** 10 055 km<sup>2</sup> (12.8% of the Czech Republic)

**Population:** 625 000 (6% of inhabitants of the Czech Republic)

**Population density:** 62.1 inhabitants per km<sup>2</sup> (129 inhabitants per km<sup>2</sup> is the CR average)

**Neighbours:** Bavaria (Germany), the Plzeň Region, the Central Bohemia Region, the Vysočina Region

**The South Bohemia Region** is an administrative unit of the Czech Republic, located mostly in the Southern part of its historical region of Bohemia, with a small part in Southwest Moravia. Its capital is České Budějovice. The South Bohemian Region represents, geographically, a quite closed unit. The core of the unit is the South Bohemian basin. The Southwest borders with the Šumava Mountains, the Northwest borders with the Brdy Mountains, the North with the Central Bohemian Granite Highlands, the East with the Bohemian-Moravian Highlands and to the Southeast, it borders with the Novohradské Mountains. The South Bohemian basin consists of two smaller basins called the Českobudějovická and Třeboňská basin

The South Bohemian Region has the population of about 625,000 people, which represents the population density of approximately 62.6 inhabitants per 1 km<sup>2</sup>, the smallest number among the Czech Republic regions. The Czech average is about 129 inhabitants per 1 km<sup>2</sup>. In the five biggest towns, there lives more than one third of the South Bohemians. On the other hand, the smallest villages up to 200 inhabitants represent approximately 40% of the overall number of villages but have only 4.5 % of the region's population.

The region spreads on the area of 10.055 km<sup>2</sup>, which represents 12.8 % of the Czech Republic overall area. The region is the second largest region in the Czech Republic. One

third of the area is covered with forests, 4 % are covered with water areas. In the past, more than 7.000 ponds were built here. Their overall area today reaches more than 30.000 hectares.

**Table 3: Socio-economic and demographic situation in the Jihočeský Region (2004)**

<b>Employment structure</b>	<b>2004</b>
<b>Primary sector</b>	6.1 %
<b>Secondary sector</b>	41.7 %
- mining	0.3 %
- construction	9.8 %
<b>Tertiary sector</b>	52.2 %
<b>Unemployment rate</b>	6.96 %
<b>Gross wages (monthly)</b>	15 771 CZK (544 EUR)
<b>Net migration rate</b>	1.1 ‰

Source: Czech Statistical Office

The Jindřichův Hradec district, **the Local Implemented Area**, is the largest district in the Czech Republic; it is situated in the border area of Bohemia, Moravia and Austria. The population density is markedly lower than the Czech average (129 persons per 1 km<sup>2</sup>). The district is rich in cultural and historical landmarks and natural monuments, which are protected on the national as well as international level (Landscape Protected Areas, UNESCO)

The Třebonská basin on the one side and the hilly part of the countryside on the other side determine the character of the area. There are many peat bogs and it is also a significant area of ponds. In the district, there are about 2500 ponds with fish breeding with the total surface of 6% of the area. The important raw material source is woods, which take about 38% of district total surface. The area belongs to the industrial as well as agricultural districts. In 2002, there were 16,291 economic subjects (from these, 75% private entrepreneurs, 8.3 % private farmers, 6.5% companies and 1.5% foreign entrepreneurs).

There is a long- term industrial tradition in the manufacturing industry (food industry, textile industry, wood industry, engineering etc.), however, this district does not belong to the highly-developed industrial areas. That is the reason, why the environment is valued as a quite well preserved.

**Table 4: Basic information about the LIA Jindřichův Hradec (2004)**

<b>Area (km<sup>2</sup>)</b>	1 944
<b>Agricultural land (%)</b>	47.3
<b>Arable land (%)</b>	68.9
<b>Non-agricultural land (%)</b>	52.7
<b>Forest land (%)</b>	73.1
<b>Population</b>	92 658
<b>Population density (per km<sup>2</sup>)</b>	48
<b>Nr. of municipalities</b>	106
<b>- Towns</b>	9

Source: Czech Statistical Office



**Table 5: Socio-economic and demographic situation in the LIA Jindřichův Hradec (2004)**

Average age	39.5
Natural population increase (‰)	-1.6
Net migration (‰)	0.5
Total population increase (‰)	-1.1
Average monthly gross wage	14 291 CZK (476 EUR)
Registered unemployment rate (%)	7.5

### 3. Presentation of cases

#### 3.1. Pottery making in Děbolín

The LIA, where the village Děbolín is situated, has a long tradition in many kind of handicrafts – textile production, millers trade and many others related to food production as well as non-food production.

However, pottery production does not belong among the most traditional and common crafts in the LIA, the pottery products art as well as the utilitarian pottery production are popular in all Czechs regions. There are many traditional and modern patterns used by the Czech pottery makers.

The key actor of our "pottery story" is a 31 years old woman, Romana Hulíková, who established a pottery shop to produce the traditional and also modern ceramics – pots, bowls, figures etc. Originally, she came from farmers family – her grandparents owned a farm about 10 km far from the village Děbolín. In early 90s, the family restituted the family farm and started farming there. At that time she, was studying at Prague in the secondary school of arts with the specialisation on pottery making. The Prague experience, which she has acquired, was rather of the everyday life character ...

*"...the first week I believed that I got into hell, that I could not manage the life in Prague ... I had to organise all what up to that time was taken care by my mother – I had to take care of my clothes, my food, to pay bills and many other things to organise effectively and to be responsible for ... it gave me the basic training for my future enterprise ..."*

... and of course of the professional character, too....

*" ... the professional knowledge which I obtained during my Prague time was dual – first, it was of much more technological character: I have learned the particular techniques, how to process clay, how to colour it etc., the knowledge which I was taught by the teachers in school; second, the knowledge which was handed over by the masters whom I met there and visited in manufactures, I observed their way of work, I got from them what I could not get at school, I exploited their experience."*



When she finished school and came back to her native village, she got work in the local manufactory. After two years working there, she decided to start her own enterprise. She started to produce pottery in their family house and helped her mother and brother in farming. Her ceramic production was regarded as original and consequently was in great demand. Finally, after two years she expanded her production and had to extend her working place. Because of this, she has bought her own house (an old farmhouse in the neighbouring village) and started to employ workers and to enlarge the production for the market – not only regionally.

For the successful expansion, she needed material and financial resources and had to exploit all the available knowledge. Her brother took all responsibility to continue in farming and paid out his mother's and sister's (Ms. Hulíková) property shares. The mother is now fully engaged in the business as the accountant, organiser and occasionally as a shop assistant. A friend of Ms. Hulíková, a civil engineer, drew up the plan of the reconstruction of the farmhouse for the purposes of the manufacture, living flat and a pension which will be built in future; and her boyfriend, a sculptor and designer, designed and decorated the house and its surroundings (he made a sculpture, designed several tectonic elements to restore the rustic character of building). When the firm was on the top of expansion, she employed 13 workers to produce for the local and non-local market.

Very important was the fact that she was an outsider in the village, but not coming from the city. It was crucial for the further development and orientation of her activities. As she expressed it, she knew very well that for the local people she could be regarded as an outsider, coloniser and because of this, she would like to be accepted and rooted in the community, and therefore she decided to change her enterprise from mass production for the non-local markets to more diversified activities integrated into the community life.

The process of diversification was a long one and unforced. The milestone of the qualitative change in her enterprise as well as the relation with the locals was the Christmas time when she decorated a nativity with little Infant Jesus and a Christmas tree for the village.

*" ... people were shocked and the neighbours came to me and in a very surprised and happy way they told me that such a Christmas decoration was not in the Děbolín village for years ... and it became the stimulus to meet with the neighbours, to speak and sing together ... "*

She recognises that such activities would be convenient to her sociable character and make her satisfied, because she had evidenced being respected and accepted by the locals and found many other occasions for similar events (the Easter, the International Day of Children etc.). Nevertheless, such kinds of activities were not in harmony with her business, because she spent too much time and energy on it and were not profitable at all. On one side, she appreciates the importance of being the *local animator*, on the other side, she has got to be rational in business affairs.

The important incoming actor in that moment was a young university student of management Monika who started co-operating with Ms. Hulíková, first as a volunteer, later on she became her assistant who plans the future strategy of the firm development. Monika has completed the "trinity of business partners" (Ms. Hulíková, her mother and Monika as a manager). Monika's role was very important for the faster and successful diversification of the activities and also for the "diversification of knowledge" – Monika has taken responsibility for all rationally organised business affairs and Ms. Hulíková can focus more on the "art affairs". Monika brings in the basic assessment – business correspondence and the events in the locality with the networking of the significant actors and projects for non-profit activities.

Finally, there is a clear and purposive division of labour: Ms. Hulíková is responsible for the design and production of new and various kinds of products; her mother for the organisation and accounting; Monika for the management including project preparation.

The present "pottery project" could be characterised as a profitable project, which is strongly supported by the active participation of the local people in the role of volunteers in organising of the regular events and market strategy, which had been changed: the firm does not massively export pottery production outside locality and region any more, but attract customers to the locality. The tourist character of the locality is prompted due to the connections and the co-operation with the important actors. The important role is played also by local entrepreneurs in the case study, because they can provide the basic services for tourists (e.g. restaurant in village) as well as additional services (e.g. sporting airport to offer the tourist a sight-seeing flight), and the organisations with influence on the social and technical infrastructure with regard to tourism (e.g. Partnership – a non governmental organisation, which organises the Greenways program to support environmentally friendly projects, mainly biking trails lined out at the interesting places and equipped for visitors); and micro-regions (in our case study, it has no active or distinguished role).

The prosperous development based on this strategy needs a diversification of activities in the farmhouse, which are the following:

- production and consequently sale (in a small shop) of ceramics and other products (textile, candles etc.)
- organising regular as well as irregular events for the locals as well as tourists
- organising courses (ceramics production, textile techniques, dancing etc.)
- providing accommodation in the farmhouse
- providing all services for feasts, banquets, seminars, workshops etc.

For all their activities, there is available all the necessary knowledge. When we investigated the pottery case study, we have interviewed all key actors and participated in one of the events organised in the farmhouse – at the Christmas time weekend. People could come and visit the farmhouse trying to make a pot, a candle, to prepare a cake, to colour a picture ...and to rest in the hall to drink tea, wine mulled by the local recipe, to eat cakes made by the locals in the traditional way and to buy ceramics and textile products in the shop. Local people provided all services.

**Table 6: Actors and knowledge in the Děbolín case study**

ACTOR	ACTIVITIES	KNOWLEDGE TYPE	SOURCE OF KNOWLEDGE
Ms. Hulíková	Design of products, rooms, halls, professional-artisan skills	Expert, "inner knowledge" (talent)	Local, imported, reinvented
Mother	Accounting, works on PC, organising	Expert (?), lay knowledge	-
Monika	Management, organising, projectification	Scientific, expert	Imported
Locals	Organising, contribution by the knowledge of local tradition, history and knowledge of old crafts and everyday traditional activities	Lay, expert (when includes old technologies?)	Local, traditional
Non-governmental organisations	Support realised projects	Expert	Outside (national, international), imported
Entrepreneurs	Provides additional services (mainly for purposes of tourism)	Expert	Local
Media	Distribution of information, indirect advertisement	Expert	Regional

### 3.2. Basket production in Suchdol nad Lužnicí

Milan Macho is one of the very few people in the Czech Republic who possesses the skill of making baskets from arbour (*arbours are thin strips of wood made by chopping individual layers of tree rings*). This skill has been passed on from generation to generation in his family from the time immemorial; unfortunately, there are no written documents that would explain the origins of this handcraft. Milan Macho believes that one of his ancestors learned this skill in Austria, but nowadays this craft cannot be found there any more.

Milan Macho was born in Suchdol nad Lužnicí in 1983 and three years ago he graduated from a secondary school. Although he grew up with his parents in a town flat, he spent most of his free time with his grandfather František Veit in a small rural town nearby, where he became familiar with the craft of arbour basket weaving. His grandfather was an excellent basket maker who passed on this skill not only to his wife Alena Veitová but also mainly to his grandson. He taught him the technology of the material preparation, he used to go to the forest with his grandson to show him how to choose the suitable pine tree trunks, taught him how to store the sawed trunks, how to chop wood into arbours and how to work with them. Despite his young age, Milan Macho is the only person who sustains the skill of pine arbour basket making in the region. When Milan Macho was only 14 years old, his grandfather died, so he did not manage to teach his grandson all the necessary details of this craft. However, the time spent with his grandfather was enough for Milan to grow fond of this handcraft and to realise that he was the only person in the region to continue this tradition. That is why he pursues this craft, especially as a hobby.

The most difficult part of arbour basket making is the process of choosing and preparation of the material (pinewood), which Milan Macho learned from his grandfather. He says: "Anyone can learn how to weave a basket in a few weeks, but for the time being, no one except me can choose the suitable trees". Not even Milan's grandmother can do that. Obviously the most important step in arbour basket making is the choice of the appropriate tree. the chosen pine tree has to have thin tree rings (it has to grow for a long time in a sandy soil). The essential factor of this choice is the craftsman's feeling for the tree trunk, which has to have certain basic features: the wood must have few knots and the quality of bark is important, too. The second step is material processing. Trees are cut down in late autumn and in winter and then they are sawed into pieces 130 cm long. The sawed trunks are cut into eight

to twelve parts, which are then soaked in barrels for one year. Afterwards, these pieces are chopped into thin strips which are stored for the needs of basket making. Before weaving, these strips must be moistened so that they do not break. The completed baskets must be dried slowly near a stove.

Milan Macho is well aware of the uniqueness of his craft and products. He sells his products at special craft markets throughout the Czech Republic where he also presents the production of arbour baskets. His motto is: "I prefer to sell 100 baskets for 1000 Crowns rather than 1000 baskets for 100 Crowns each".

The life span of his products is usually 25 years. He sells the baskets by himself at markets and in his workshop. He does not want his products to be sold in big stores but considers selling his baskets in specialised arts and crafts shops. His main aim is to retain the uniqueness of his products.

The extent of the knowledge necessary for this activity is relatively limited. The most important knowledge is the practical and traditional one, which can be labelled as expert knowledge. It was passed on to Milan Macho as a family tradition by his grandfather. This knowledge became expert knowledge due to the fact that grandfather was an employee of the ÚLUV (the "*Centre for the Folk Art Production*", a national institute supporting traditional arts and crafts); therefore this organisation plays a very important role in preserving and continuing this tradition. Nevertheless, the only form of passing on this craft from generation to generation is by the word of mouth and teaching practical skills.

Another important participant in this process is the NÚLK ("*National Institute of Folk Culture*"). For several years, this institute has been awarding the title of a "Representative of the Traditional Folk Crafts". This award is given to manufacturers who master the technologies of traditional handicrafts that are in danger of disappearing and at the same time participate in preserving these crafts, passing on their skills to young generations and presenting these handicrafts to the public. Milan Macho became a holder of this title in 2003. However, there are no material advantages connected with this award. Milan Macho claims that it would be very helpful if the responsible authorities were more active in advertising and promotion. The effectiveness of publicity can be illustrated by broadcasting a short report about Macho's workshop on Czech Television, which caused an abrupt rise of interest in his products. However, Milan Macho has a very little knowledge of managerial skills. He is a freelance craftsman and his family members provide the business services such as bookkeeping for him. He has slowly started to get involved in and profit from rural tourism, which is unfortunately developing rather slowly in the region. His workshop is situated on one of the *Greenways* routes connecting Vienna and Prague. Milan Macho hopes that this will bring about a greater interest in his products.

#### **4. Comparative Analysis of the presented cases and the concluding remarks**

The selected case studies have many similar features on one hand, and many individual features on the other. We would like to point out the similarities and dissimilarities and shortly discuss the dynamics of knowledge.

The significantly (dis)similar features of the projects are related to the key actor of both studies – handicrafts. Both actors operate with specific knowledge, which is strongly tied to their individualities. In the interviews with handicraftsmen, we identified specific knowledge related to the subject of their activity. The knowledge has a dual character – first, the knowledge of technology (transmitted from the formal education system or informal – "inherited" within the family or transmitted from masters), and, second, the knowledge of art (talent). That kind of knowledge (knowledge of art) is unique and closely tied with the individual, but on the other side, the knowledge of art has to be legitimised by the others. The

evidence of legitimised knowledge is reflected in demand for their products in the market or/and awards.

The basic dissimilarities are in the **starting point of the handicraft (market) activities** and the **ambitions regarding the market** and consequently the **strategies of production and management of the firm**.

In the first case, the pottery maker has no traditional family background in handicrafts, her (Ms. Hulíková) motivation to launch the project of pottery house for tourists was to get a relatively independent (from the employee status) artistic and enterprise position.

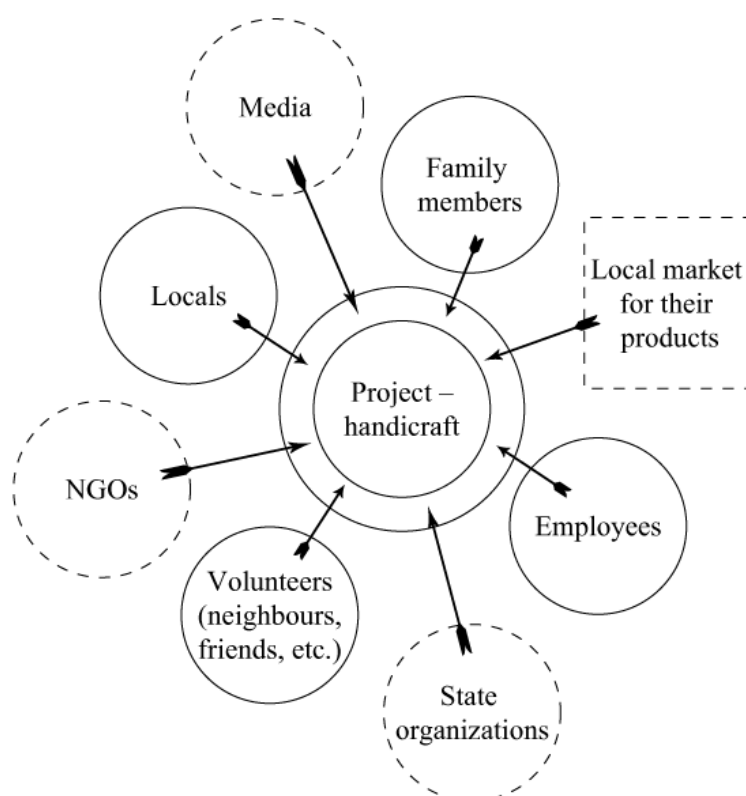
Consequently, she was primarily oriented on the marketisation of product, put emphases on the reinvented products and mass production for the purposes of profit. Her project is significantly diversified in activities; it rationally exploits the actors and their knowledge. At the background of the realisation of the pottery house, there is the endogenous rural development corresponding to the projectification process (the LEADER principle would be accomplished, if so).

In the second case, basket production is not such a well-developed project as the first one. Milan Macho inherited the knowledge in the family and his aspiration is primarily oriented on sustaining the tradition and, if possible, disseminating knowledge as much as possible. He would be eager to step into the market only under the condition of keeping the high quality of products instead of their mass reproduction. He identifies the product as an exclusive one (as a consequence of his original, unique, rare knowledge) and due to this; he perceives his position in the market as privileged. He absolutely prefers quality based on respect to tradition, however, it could mean a marginal position in the market. He is not involved in the projectification process, yet. His networking for the purposes of handicrafts as a business is rather passive in comparison with the pottery house. He exploits all networks, which have been traditionally used in his family before (state associations, the Ministry of Culture). However, he is ready to co-operate with expert associations and state organisations, he has a clear image of co-operation which would be economically more effective. Regarding his products, he is less open to the reinvention of the tradition.

The dynamics of knowledge has the core engine in the key actors of the case studies – artisans who organise/attract more or less actively the knowledge which they need for the purposes of their handicraft activities and get the synergic effect for their project. They are ready to exploit the knowledge of various characters – family members, locals, volunteers from locality as well as wider region, regional (in some cases also state) organisation and non-governmental sector institutions.

We could say that their projects are based strongly on the local knowledge, which is the starting point of their activities, and respect wholly the principles of endogenous rural development. In the same way, they are flowing in the streamline of exogenous rural development in a more passive modification – they let the institutions of regional or national character to impact their projects (mainly the media who provide for them with a specific kind of advertisement) and, in a more active way, they prompt the activities of the institutions which can strengthen their position in regional tourism. Their economic act does not suit to the conditions of demand and supply in the competitive market environment, because there is the confidence of their own specific and valuable knowledge to product hand made products (in some cases) with the long local and regional history. Acting of other actors (family members, locals, visitors, and supporting organisations governmental as well as non-governmental) legitimises their knowledge and prompts their possible successful opportunities in the marketisation process.

**Figure 2: Attraction of the knowledge of local, regional and non-local actors**



Nevertheless, their business activities are or have to be in future involved into the new redistribution system of the EU, realised in the LEADER actions, which operates as a network of local actors, the political-administrative bodies, experts and interest groups and the departments of the EU central bureau. This new system of social reproduction focuses attention on the actors and forms of social and political capital of local development, or, to be more precise, it focuses attention on the selection of actors of the development projects. The local power groups could evade market mechanism by co-operating, monopolising of resources, and thereby creating local corporatism.

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# **Non-agricultural economies as a factor of rural sustainable development in Hungary**

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## **1. Introduction**

In terms of the size and productivity of the non-agricultural sector of rural economy, the results show few signs of intensification. By considering the alternatives of non-agricultural economic activities, this paper focuses on the re-invention of tradition in rural regions as the key attempt of local actors to find new possibilities of accelerating local development. It is important to note that in territorial development the lack of development resources and strategies is suggested. The private sector of rural economy is rather weak and agricultural production has decreased after 1990. The banking system is not eager to provide loans for actors of rural economy. The main financial resources of development are the state budget and European Union subsidies. About 75 - 80 percent of the local governments' budget derives from the central government, a singularly high percentage in Europe. Local governments play a dominant role in the new redistributive and regional/rural development system, as a consequence of their role in distributing social and unemployment benefits and controlling development resources and local taxes. Although private economic actors obtain an increasing proportion of development funds, local governments and the local/rural administrative elite still dominate the (re)distribution of development resources. Since there has been a crisis in agriculture and production has been decreasing until recently, finding alternatives of economic development has become a rather pressing issue. Products are associated with the post-socialist renewal of local economy, in most cases somehow linked to rural tourism. The urban colonization of rurality and urban pressure on rural development is well under way in Hungary. Non-agricultural or even agricultural local production is developed to satisfy urban consumers' demands. These demands urge the re-invention of local traditions and the contrivance of new traditions to be offered to visitors. Re-discovering local identity is also one of the aims of the new local elite, who legitimize their power position through the process of remaking local tradition.

The term "re-traditionalization" in this paper is used as Granberg – Kovách and Tovey explained:

"A number of recent theoretical works ... emphasize the cultural component of 'modern' rural development. The emergence of notions like 'culture economy' and 'consumption countryside' imply that definitive changes are occurring in cultural understandings of rurality, and in an age of reflexive modernity, these can restructure agricultural or peasant ways of work and life. Cultural re-shaping of the late modern rural may suggest that the links between past and present/future structures must be completely re-interpreted – in the form, perhaps, of a 'heritage industry' or 'museumisation' of rural life. That might suggest that de-peasantisation leads not so much to de-traditionalisation as to re-traditionalisation, or to Hobsbawm's

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'invented tradition'. It then becomes critical to ask what such contrived traditions may play in the process of change.” ( Granberg – Kovách - Tovey 2001 pp 31)

## 2. Context Analysis

In this work package we shall compare two case studies. One of them is from a tourism region with great traditions: the Lake Balaton area. The other one is from the Great Plain, but not the famous Hortobágy *puszta* that would be an obvious choice. We chose another area, Mezőtúr, without any tourism tradition. This choice was made in order to compare two possible paths, patterns studying the role of tourism in rural sustainable development.

### 2.1. A region in the Great Plain: Mezőtúr

#### *Socio-economic conditions and major changes*

The Mezőtúr region is situated in the Great Plain near the River Körös. The importance of the river lies not only in the nearby National Park created to protect the ecologically valuable backwater system, but the clay soil of the flood area, used by the famous local potteries.

Earlier the micro region belonged to the Törökszentmiklós area, becoming a separate region in 2003. The LIA contains only five settlements: two towns (Mezőtúr and Túrkeve) and three rather small villages. The area struggles against demographic and economic problems, however its situation is a bit more favourable than the surrounding regions’ – this may explain the decision to break away from the larger regional entity in 2003.

**Table 1: Demographic situation in the Mezőtúr LIA**

	1990	2003
Population	33,625	31,026
Population density (inh. per km2)	46	43
Natural growth	-1.6	-5.4
Internal migration balance	No data	-5.1
Share of agriculture and forestry in total employment (%)	No data	10
Share of industry and construction in total employment (%)	-	38
Share of services in total employment (%)	-	52
Average number of school grades	-	8.97
Unemployment rate (%)	1.5	16.4

According to Table 1 the diminution of the population derives from two factors: the natural decline and the significant rate of emigration. The negative internal migration balance can be associated with the lack of job opportunities indicated by the relatively high unemployment rate and the proximity of Szolnok, a dynamic county centre that attracts people hoping to find better opportunities and social infrastructure.

The economy of the area is still predominantly characterized by agriculture: 10 percent of the employees work in this field, a percentage above the country average. On the contrary, the share of services in total employment is under the average (52 percent). This data shows the agricultural character of the area, though in the towns industry is also present.

Economic activity in the Mezőtúr region is very adverse and limited to the two towns. There are hardly any large or medium size companies in the area. The economic potential and tax paying ability of the active micro enterprises is low and they do not have any real development opportunities.

### *Relevant political institutions and actors*

In 2004 the Mezőtúr area was categorised as ‘socio-economically underdeveloped’, therefore it receives extra benefits from the Hungarian state, though the region is not among the 42 (from 168) most disadvantageous Hungarian micro regions under special treatment. The Development Association of the micro region works with two employees. They cooperate with the Tourinform Office in Mezőtúr town, the management of the National Park and the Local Arts Centre. The association of the micro region has good connections with the Regional Development Council and the Regional Foundation for the Development of Enterprises.

### *Objectives of development policies*

As a result of its brief existence and small size, there are hardly any development projects that focus exclusively on the micro region. However, in 2003 an overall strategic development plan was devised thanks to the financial support of the county’s council for regional development. Its realization has started recently. The priorities of the strategic program correspond to the chapters of the National Development Plan and try to cover all subsidized development activities: (1) Economic development based on local conditions, (2) Development of agriculture, (3) Improvement of human resources, (4) Improvement of the environment, (5) Strengthening cooperation. In the chapter concerning the first priority of the plan the title ‘development of tourist attractions’ can be found. This includes health and wellness tourism, active tourism and cultural tourism. The financial provisions regarding these tourism development activities amount to 12,7 million euros till 2013.

The strategy makers recognized the importance of local handicrafts. Alongside the food and wood industry they consider pottery as an opportunity to combat underdevelopment. Citation from the strategic development plan as follows:

‘Everything must be done to save the special handicrafts, regarding the EU trajectories that support building on local conditions. (...) In our opinion the key question in the development of the micro region is the economic development based on local ecological characteristics. Potentially we have all the conditions to do this and thus create a symbiosis including cultural attractions, handicrafts and agri-food production linked to tourism.’

## **2.2. North western Balaton: Keszthely and Tapolca**

### *Socio-economic conditions and major changes*

In the north western part of Lake Balaton the relevant areas of analysis have been two bordering micro regions: (i) the Keszthely micro region situated on the shores of the Lake, with Keszthely, the biggest town on the northern lakeshore in its centre, and (ii) the Tapolca micro region that hosts the summer festival called Valley of Arts. The area that gives home to this festival, in the backward part of Tapolca region is situated about 50 km northward to Lake Balaton. Significant parts of both micro regions belong to the Balaton Uplands National Park.

Thanks to its striking geographical position, the demographic and social problems in the Keszthely micro region are not as severe as in the Mezőtúr research area. The population of this LIA is growing in spite of the natural decline, this can be traced back to the positive

internal migration balance. However, the high rate of immigration is due to elderly people settling down in the micro region, attracted by its remedial thermal springs especially Hévíz (one of the towns of the LIA) and not young families settling down wishing to be identified with the local community and participate in its improvement.

**Table 2: Demographic situation in the Keszthely LIA**

	1990	2003
Population	46,440	47,866
Population density	92	95
Natural growth	-2.3	-3.4
Internal migration balance	3.4	4.2
Share of agriculture and forestry in total employment (%)	14	5
Share of industry and construction in total employment (%)	27	22
Share of services in total employment (%)	59	73
Average number of school grades	-	9.7
Unemployment rate (%)	1.3	5.0

The singularly high share of services in total employment shows that in line with the geographical conditions, the main source of livelihood near Hévíz and the shores of Lake Balaton is tourism. (When regarding only the shore settlements, this proportion would be higher than 90 percent.) As Table 2 shows, the unemployment rate is lower than the country's average and the educational structure is also much better here.

The demographic situation of the more sparsely inhabited Tapolca region (Table 3) is somewhat distinct. Here the growing rate of internal migration still cannot balance the natural decline of the population.

**Table 3: Demographic situation in the Tapolca LIA**

	1990	2003
Population	38,630	37,081
Population density	-	69
Natural growth	-	-3.3
Internal migration balance	-	0.3
Share of agriculture and forestry in total employment (%)	22	6
Share of industry and construction in total employment (%)	30	34
Share of services in total employment (%)	48	60
Average number of school grades	-	9,34
Unemployment rate (%)	-	4.7

The low average unemployment rate does not mean that the proportion of unemployed people is roughly similar: in villages far from the Balaton where people mainly live off agricultural activity, the rate is much higher, while at the lake the seasonality gives rise to difficulties. The decline of agriculture in the nineties caused serious problems in the area farther from the lakeside where this was the dominant sector of economy. The differences in employment cannot only be attributed to the service sector, as many people have found work in nearby towns or cities and become commuters.

#### *Relevant political institutions and actors*

In the North western Balaton area, the well developed Keszthely region has active development associations, while the Tapolca region is rather inactive. In the Keszthely region the three development initiatives cooperate. They mainly deal with finding partners, learning regional management through a trial and error process of obtaining financial resources and

developing their technical and human infrastructure. In this region, the civil sphere – as already mentioned in wp4 – is very active. Civil organisations and experts take part in the development activities.

Characteristically, a similar development association in the Tapolca region is rather inactive. There are smaller active areas in the region, especially the Valley of Arts area that consists of five settlements. Here civil activity is also significant, functioning as the engine of development. An NGO founded by artists runs the organisation of the festival. They cooperate with local governments, local civil society and the local church.

Although the entire area of Lake Balaton belongs to more than one NUT region, in some cases, it can be regarded as one region. For example, the Balaton Integration and Development Agency is an important actor in the planning and development system.

### *Objectives of development policies*

The North western Balaton area is not among the disadvantageous regions categorised by the state administration. Being part of a Designated Holiday Area, developments are under strict control. However, compared to the national average, this region has been very active in development and marketing activities during the last few years.

The Keszthely micro region has its own strategic development plan. Originally it was based on the national Sapard program, although it has been upgraded and extended. However, this strategic plan has not been launched yet. The program has a great deal of declared objectives primarily based on obtainable state subsidies and activities of their focus: (1) Development of Agriculture, (2) Support for alternative income sources, (3) Environmental protection and Infrastructure, (4) Village reconstruction, cultural heritage, development of tourism, (5) Improvement of human resources. The second priority designates the development of tourism, meaning rural tourism, tourist product development, program packages, marketing of the region, showcase workshops and exhibitions.

## **3. Presentation of cases**

### **3.1. The pottery making tradition in Mezőtúr region**

Remains of clay-plots originating from pre-historic times have been excavated in the region, but the modern history of pottery making started in the 16th century based on excellent raw material. Traditional pottery products were sold beyond the regional boundaries. The medieval guild system was reorganized in 1817 and this reform opened a period of economic boom. In the late 19th century there were more than 100 workshops. The 1880 - 1890 years was the classic period of Mezőtúr pottery. Local masters adopted the glaze decoration in the middle of the 19th century and the glazed crocks became outstanding products of this period. The characteristic colour of this golden age was the “roll-yellow” base with red, green, brown, blue flowers on the jars, crocks, big plates, kettles.

The turn of the 20th century was the era of shifting in style towards Secession (Art Nouveau). The master craftsman Balázs Badár was the one to recognize the new market demands and the necessities of the consumers. His works reinvented local pottery tradition and signalled the advent of a new age. He became a world-famous potter who won the first prize at the World Exhibition in Paris in the early 1900's. He applied new methods of pottery-making and colouring technology, and the recognition of new market demands inspired him to create well-marketed, low price clay pots in the style of classic china and porcelain works, available

for the middle class. The longstanding history of pottery art in Mezőtúr is the result of the continuous reinvention of local tradition, in the course of which professional skills were saved, improved and inherited.

By the 20th century the clay-pot industry experienced serious crisis as a consequence of competing with the mass production of low price industrial ceramic, aluminium and tin house ware. The potters switched from house ware production to the marketing of ornamental vessels. The inter-war period is evaluated as the epoch of style-decay when potters flooded the market with low-level variety store items.

The next turning point in the history of pottery was 1951 when the Co-operative Society of Potters was established. The masters certified by the Co-operative, renewed pottery art on the basis of reinvented tradition. The seventies and early eighties saw the coming of a new golden age when the new socialist middle class raised persistent demand for contested-traditional pots.

Following the capitalist transformation the Túri Pottery Firm was established in 1991 on the basis of traditional local pottery making. With time the Firm turned towards the western markets, a shift that required a new production profile, technology and business policy. In the nineties the Firm employed 70-100 persons, introduced new, mass production technology and distributed a large majority of its pots on the Western European markets. Multinational supply chains, such as IKEA, sold the pots that could no longer be considered traditional. At the turn of the millennium IKEA transferred the mass-production of pottery to Romania and in 2003 the Firm was liquidated. Nowadays the Kovács Manufacture Pottery Ltd is the biggest firm, employing 12 potters and semi-skilled workers. They produce 600 prototypes, mostly terracotta plant pots, traditional folk art ceramics and pottery goods. The other potter masters run one-man small firms and they also produce a wide range of goods from garden ornaments to fridge magnets. According to the interviewees the only way to survive the post-socialist market change is the radical reinvention of what traditional pottery making is.

### *The case of Magi Cseh – marketing success and knowledge of tradition*

Magi Cseh is one of the most famous, leading potters who was born and raised in Mezőtúr and at the present, is living and working there. Her life and potter career reflects the successful combination of excellent knowledge of pottery tradition, ability to re-invent good marketing skills and adaptability. She studied pottery at the Mezőtúr Pottery Co-operative and learned the art of traditional pottery making from professional masters. During summer holidays, she visited the pottery centres in Hungary and Transylvania and studied a great diversity of pottery traditions. From 1985 she worked as free-lance potter in Budapest. Between 1981 and 2005 her traditional clay-pots have been displayed at over 30 exhibitions and she has received several awards acknowledging her work.

She has successfully developed a reinvented pottery style, but as she said: ‘ I started to develop my own style on the basis of typical Mezőtúr, Great Plain black pots, because here in Mezőtúr earlier there was no glazed pottery, only black pots with wonderful “overlay” motifs.... and nowadays I make traditional, as well as modern pots that suit our times. But the core of my pottery is tradition, the glazed pottery tradition of the 19th century. I am mainly making blue pots, drawing on the tradition of the thirties.’ The only problem is her conflict with ethnographers (who are authorized to judge the authenticity of pottery) who do not accept the blue pots, because as she said: ‘they have strict definitions of authentic folk art and if there is a minimal difference, the pot is not authentic for them’.

She invents new forms and glaze colours yearly. She made artful brown-coloured pots years ago, as well as wonderful plate-tracery jugs and crocks, but could not sell any of it. Then she went to Austria to work as a pottery-wheeler and learned that Austrians coloured all pots blue. After returning she decided to make blue pots that have been rather marketable so far. As she

points out: blue plots can be considered as a reinvention of traditional forms or colours, only this is a tradition from the thirties and not from the classical period. In other words she does not simply re-invent tradition; she re-constructs what tradition itself is. She does not know why the blue coloured pots are so marketable, but this colour and motifs can be found in every shop and folk-art market throughout Europe as an authentic local product. The dark brown pots have much greater value in her eyes, but young costumers prefer the blue coloured jugs, cups, saucers, teapots and kettles, and the middle aged and older costumers' shelves are full of traditional clay-ceramics.

Her pots successfully compete with low price Chinese, Oriental and Eastern European products, but she is not eager to introduce pottery styles fundamentally differing from tradition in the Mezőtúr region. During her working years in Budapest she had acquired both marketing knowledge and network. She sold the pots directly to folk art shops, peddling from shop to shop with two bags. She has basic managerial skills. Nowadays she still has this network, but many shops had gone bankrupt since and she had to adopt a new marketing strategy. Her niece visits fairs to merchandise pots. The main event is the Christmas Fair in Budapest where they sell the majority of the yearly pot production. She used to teach young students, combining education with local knowledge, but currently there are not any students interested in learning pottery-making. She has a pessimistic view of financial and marketing perspectives, but at the same time she is establishing new contacts with the tourist industry and she has a perfect marketing plan to combine the knowledge of traditional, local pottery art, the re-invention of tradition, managerial knowledge and some practice in tourist business.

Not all potters in Mezőtúr are so successful. The main problem is that though there are a lot of talented individual potters in the area, they do not really cooperate. Without organizations such as the Co-operative Society of Potters and the Túri Pottery Firm 'community power' has dissipated. The masters work in their own workshops and they do not really meet each other. However, there are initiatives aiming to improve this situation. The Pottery Museum is going to host a permanent exhibition of the works of present day Mezőtúr potters, including their names and collections. This could prove useful in introducing present day pottery to tourists who often visit the town without seeing any of this work. Potters mainly work upon request and do not sell their products locally. The tourism business in the area is not strong enough to make direct selling possible.

István Gonda is another potter who started his carrier in the Pottery Co-operative. Recently he practically stopped making authentic folk pots. He says that in Budapest and other touristic regions of Hungary the works of Mezőtúr potters are sold in souvenir shops at a high price (of course, the profit goes to the shopkeepers). In these shops the tourists buy smaller size products that they can easily travel with and they prefer global motifs to traditional ones, for example Japanese tourists go for rising suns. He tried marketing traditional plates, but when he paid a visit to the Budapest shop, he discovered that all his works had been sold except for the traditional folk ones.

'Mass souvenir business' offers subsistence for some potters, but does not aid local development at all. Strengthening touristic activity is desirable for all local actors. They are – just as every area without conspicuous nature beauty or built heritage – especially interested in cultural and festival tourism. Mezőtúr would like to be a 'festival town' based on its earlier traditions. The Fair of Túr has been a regular event since medieval times. Suspended during the socialist area, this animal fair was renewed in the nineties as an arts and crafts flea market. Interestingly enough, though it has some cultural programs and of course, pottery and other folk arts are present, the fair has spontaneously become a real market with all the Chinese sports shoes and plastic toys that local people need and buy.

### 3.2. Lake Balaton and the Valley of Arts

In the late communist era the Balaton region was a favourite destination of German working class tourists. German families from the East and West spent their summer holidays here enjoying the relatively low prices. In the course of post-communist transformation consumer prices kept increasing in Hungary, therefore current prices in the tourism sector do not differ significantly from those of other European summer tourist destinations (Italy, Greece, Spain and Croatia). This change had significant impact on the services provided by the region (tourism agencies, hotels, apartments and family 'bed and breakfast' enterprises), since their economic competitiveness deteriorated with time. Foreign and domestic investment has not been sufficient and innovative enough to give the Balaton region a new image; therefore currently Lake Balaton is in crisis as a summer destination.

Traditional, low or medium quality mass tourism is not profitable anymore. Hence, new forms must be invented, the diversity of the region has to be emphasised. Tourism agencies and local governance try to create a new image for the lake, instead of the 'if the weather is not good, there is nothing to do' approach that dominated earlier. The new key words are 'wellness', 'alternative', 'quiet', 'sustainable' and 'quality' tourism.

Cultural traditions, gastronomy and folk arts play an important role in shaping this new image. The spa traditions of Hévíz are a perfect match for the wellness image; Keszthely town has valuable built heritage and vibrant cultural life. Traditional rural professions such as blacksmith, cooper, wood carver and potter have practically disappeared from the region; however tourists could be interested in them. On occasions, in response to the tourists' demand, local society has re-discovered these professions, but it may also occur that an outsider creates some business activity on the basis of local handicraft tradition.

Among reinvented cultural products, there are some that do not originate from the region, but are constructed as 'authentic Hungarian'. For example, the Hungarian grey cattle, these impressive and ancient animals bring the atmosphere of the *puszta* to the Balaton's shores. In the local pottery shops all the products from the Great Plain (Mezőtúr!) and Transylvania can be bought. Tourists can order fish soup and fish *paprikás* in every restaurant, but paradoxically the main ingredient of these dishes does not come from the lake, because of the industrial and centralised fishing system.

The decline of mass tourism and the emergence of new forms of tourism mostly concern the shore settlements of Lake Balaton. The way tourism affects smaller background settlements, mainly villages of 100-1000 inhabitants has also changed in the past fifteen years. First, before 1990 the economy of the non-shore settlements was based mainly upon agriculture and collective farming. With the collapse of farming cooperatives the villages underwent deep crisis that was later alleviated by a growing urban and foreign interest in rural landscape and housing. In the villages a significant proportion of the houses has been bought by non-Hungarian citizens (mostly of German and Austrian origin) and by urban Hungarian intellectuals who use their newly bought estates as summer cottages or permanent residence.

Our case study, the Valley of Arts Festival is a good and countrywide famous example of cultural tourism and of the above mentioned presence of urban actors in the rural area. The creation of the festival goes back to the early eighties. The 'father' of the festival is a Hungarian composer, István Márta. He bought a small peasant house in a little village named Kapolcs, in the backward Tapolca region. The founder and his friends were the pioneers of urban immigrants in Kapolcs. In no time the village became the focus of art society and media. The first Festival in Kapolcs was organised in 1989. The local inhabitants have taken



part in the organisation from the very beginning: they cleaned the village, built stages and shared their houses with the festival's visitors.

After the first years the festival had developed rapidly. Kapolcs village proved too small for the event, so neighbouring villages joined the festival and together formed the Valley of Arts. The festival has become increasingly popular with its exhibitions, art, dance and theatre performances, concerts, literature meetings, traditional markets and displays of original village life. Kapolcs has been renovated and transformed by the urban elite. Nowadays the valley hosts 200 thousand visitors every summer and is the biggest summer festival in the Hungarian countryside.

Theoretically, the Valley of Arts is a non-profit enterprise, a civil foundation established by István Márta is responsible for the organization. The expenses of the festival are mostly covered by the state (via application processes, 60 percent) and sponsors (40 percent). The total budget is about 4 million €, but it has been increasing each year. The development of participating villages is a priority of the budget, meaning that ticket income is given to the local governments (some years the costs were so high that the local government did not receive any money). The festival as economic activity may be viewed as a source of conflict between rural and urban dwellers: who gets the potential profit? In our experience, the urban immigrants are the ones who benefit mostly. On the other hand, the profit causes the most tension between inhabitants-organisers and visitors as well: local people and organizers are profit-oriented while the visitors keep saying that the festival is expensive and making profit is not consistent with the image of the Valley of Arts.

Why are we interested in this arts festival? It seems that the cultural elite comes to this rural area from the outside, just like the organisers and the visitors. If they present folk traditions in the programme, such as folk dance or handicrafts, it is from the general Hungarian tradition, not especially local. The answer is related to the above mentioned image of the festival. Two citations from the interviews to illustrate our point:

'I think that the valley has a very special atmosphere. It is very interesting that people here become docile, stop rushing and their faces are completely different.' (organiser artist)

'He said he likes Kapolcs, because it remained as it was, preserving its old reality. I feel that people come here for the ancient atmosphere of the village. Visitors told us: be careful, avoid the mistake made by the village of Hollókő (a UNESCO site), do not become a 'scenery village'. Here, everything is traditional, almost untouched and genuine' (local women)

The traditional, untouched and most important of all, genuine villages of the valley offer the experience of traditional rural and peasant life. Both tourists and organizers came to search for the authenticity in rurality. For most of its visitors, the Valley of Arts represents traditionalism and untouched rural life. This authenticity does not only concern the environment (nature, green landscape, traditional houses) but of course, rural community with its authentic human relationships. Feeling the *Gemeinschaft* of a small pre-industrial community is a very strong experience for urban visitors.

Though valley people are said to be really friendly and open-minded with strangers, the authenticity of the environment has some *staged* elements. In the beginning of the organisation process the inhabitants have been asked to revive their traditional professions to present the authenticity of the villages. Living up to the urban demand, local people play the role of traditional rural population during the festival. They decorate their houses with the 'necessary' accessories of traditional rural lifestyle (geraniums, garlic garlands, earthen pots). Although visitors come in search of the so-called rural idyll, this in itself is not enough for them. Post-modern tourists also need activities, in this case cultural programs provided by the

festival. Together these two components make the Valley of Arts a real attraction. This way the festival is headed more and more in the direction of interactivity.

‘We shouldn’t give people a mass of programs, instead they should have an opportunity to talk to each other here, to milk a goat there and to walk in the forest with the employees of the national park telling them about trees and flowers.’ (local civil)

The festival has both direct and indirect impacts on the area. For local people providing accommodation and catering, it means an additional source of income, though the real profit goes to outsider suppliers. Local governments hope to make financial benefit of the festival and are still eager to host the festival that provides them with some benefits, much below their needs or expectations. With the exception of the renovation of a number of traditional houses and churches, there has not been any intensive investment into local infrastructure (except in the village of Kapolcs, the initiator of the project and still the centre of the events). However, the indirect benefits are more important. The countrywide reputation and good connections of the valley may be convertible to capital for rural development projects. For example, the mayor of one of the villages attributes the establishment of a new community house, a new school and the construction of an important connecting road that helps people get to their workplaces more easily and thus keeps the village alive, to these connections.

Another important impact is the strengthening of local identity. The cooperation of the settlements created a valley-identity that had not existed earlier. At the same time, the rivalry between villages and the national popularity helps stimulate local cultural life. The large scale cultural festival had inspired local people. Theatre groups, choirs, internet clubs and youth associations were formed in the valley. The growing self-esteem and activity of the population makes local leaders a bit more optimistic.

‘The most important change I see is in our children’s way of thinking. That’s why it’s worth doing it, in the long run this will bring profit. These children have been growing up in the midst of this event and they are very much attached to the settlement, attached to the festival and they are so unbelievably creative and independent that I’m sometimes surprised.’ (local mayor)

‘As we don’t have an appropriate economic background in this area, what keeps people here? Only that they are fine, they feel good. We can’t really give them more. In the local groups that were formed, people feel good, they are pleased to take part, pleased to cooperate with each other and this may bring a little hope to survive.’ (local government official)

### **3. Comparative Analysis**

In both the CORASON project and WP7, the focus was on different combinations of external and internal knowledge forms used in rural areas, in this case in non-agricultural economic activities (Gorlach et al. 2005). A special emphasis has been placed on lay/local knowledge as an important resource in sustainable rural development. In Table 4 the main actors of the case studies and their different types of knowledge are summarised.

**Table 4: Main actors and types of knowledge used**

Main actors	Types of knowledge used
<b>Mezőtúr</b>	
Local potters	traditional and new
Local cultural government	political
Museum	expert
Local arts centre (organiser of the Fair of Túr)	managerial and political
<b>Valley of Arts</b>	
Festival organisers	expert and managerial
Local governments	political
Local civil organisations	civil
Local inhabitants	traditional lay
Festival visitors	-

In the Valley of Arts the dominant form of knowledge is the expert and managerial knowledge of the festival organisers. They are experts in the field of culture and management and their social network is significant. They are the leaders of this project; they not only dominate local inhabitants, but local governments as well. Nevertheless, these dominant urban actors definitely need the lay/local/tacit knowledge of local people. Without them the festival would not work and the ambitions of the organisers would fail. Therefore they actively use local knowledge and the result is a quite well functioning combination. The lack or deficits of knowledge may be attributed to the fact that local governments cannot make more profit from the project due to the dominance of non-local actors.

In the Mezőtúr case the knowledge forms in question are mainly internal as the actors are local to a greater degree than in the Valley of Arts. Internal knowledge is diverse; reinvented traditional knowledge of pottery should be underlined. The managerial and political knowledge of the local arts centre means successful lobbying activity in local and regional government decision-making, as well as outstanding participation in – even international – application processes and fundraising.

Though the Valley of Arts festival is very successful (more than 200 thousand visitors per year), the financial situation is problematic and uncertain every year. The festival does not get enough state subsidies via application, because it is too big and state officials think it is too successful and prefer other smaller events. The same problem arises regarding the infrastructural development of the area: decision makers think the valley does not need as much support as other areas, because it already has the festival. This is a kind of vicious circle, since if the festival breaks even, settlements do not profit financially from their participation. Therefore the Valley of Arts festival is yet to become the motor of economic development in the rural area.

The response of local population is rather positive. As we mentioned in the case study, local people participate in the events very actively as ‘valley workers’ and also apart from the festival, the cultural and community life in the area has grown stronger and local identity has been reinforced.

In the Mezőtúr area the newly formed micro regional cooperation weakened rivalry between the two towns hence local actors can work together reasonably well. According to our interviewees, this year the arts and crafts fair had a financial break through and hopefully it will develop a great deal in the following years. Nevertheless, it turned out that pottery in itself is not enough, neither for locals nor for visitors; it has to be combined with other attractions. Among the local tourism initiatives one can find spa tourism (to be built in 2006) and nature tourism (fishing, walking and bird watching) in the backwater areas.

Local population does not show significant interest in pottery tradition, but all the more would like to have a profitable tourist industry in the area.

Concluding this chapter, Table 5 shows the present differences between tourism facilities in the case study areas.

**Table 5: Tourism in the case study areas**

	Balaton		Great Plain
	Keszthely	Tapolca	Mezőtúr
Active <b>corporations and enterprises</b> per 1000 inhabitants	117	90	57
Companies and partnerships in the field of <b>hotels and restaurants</b>	330	156	22
<b>Tourist nights</b> per 1000 inhabitants	29118	5342	421

#### 4. Conclusions

The Mezőtúr area – except for the locals – is not really extraordinary in its natural environment or built heritage. However it has something that can be used in rural development: a cultural tradition manifested in the region's pottery. Referring to the *culture economy* concept of Ray (1998) – the (re)valorisation of a place through its cultural identity – Mezőtúr fits his category of *product identity*. This theory emphasises the commodification of local culture by encapsulating a territory/culture in products. Mezőtúr pots can be marketed directly or used in the marketing of the territory together with other historical or environmental components.

Our fieldwork showed that there are some bottlenecks regarding this mode of culture economy in the area. After the socialist golden age, nowadays traditional pottery art is not profitable anymore. It needs reinvention, but satisfying every demand surely holds the danger of commercialisation. As the interviewees told us, traditionally painted pots 'smuggled' among 'commercial' ones cannot be sold in the souvenir shops of major tourist regions. Selling tradition only seems to work in the authentic, original environment of the product; tourists need the experience of the real *place* that encourages them to buy. This method works perfectly in some potter villages of Transylvania.

The image of Mezőtúr area needs to be strengthened by the further development of product identity. Pottery as an industry does not work – whether pottery as a catalyst of tourism and a factor of rural development would work, we do not know yet.

In the case of the Valley of Arts – similarly to the entire Balaton area – Mode II of Ray's culture economy applies. This is what he calls *promotion of territory to extra-local* (Ray 1998). It happens in the form of constructing a new territorial identity communicated to the outside world and could potentially function in the context of urban regeneration: selling places for tourism. This was the case in the valley, though of course the organisation of the festival did not appear as a territorial development project. Meanwhile the side effect of the extra-local promotion has been an internal one: the territory has been spontaneously promoted *internally*. As Ray argues: 'Once the territory has been reconstructed as a coherent entity (...) it can function as a catalyst for local co-operative action and to generate a sense of culture-territorial loyalty in people and enterprises (Ray 1998, pp8).' This is exactly what happened in the Valley of Arts region, though it was never really an intentional policy. It is the consequence of external factors, such as imported culture. The identity of the area is very much dependent on the festival that is not the product of local people and is in a way independent from them. If it ceases to exist (as its situation is uncertain in every year) the further destiny of the valley is still undecided.

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## 1. Introduction

The main aim of this report is to analyse the changes that are taking place in the rural areas of Europe which exist in the situation where agriculture is no longer the sole pillar of the local economy. The research is to show the strategies undertaken by local communities in order to find an alternative source of income and to consider how these tendencies are related to the idea of sustainable development. The dynamics of knowledge in this context is the object of special interest.

In Poland the WP7 research has been carried out in two Regional Research Areas (RRAs) – Malopolska and Lodz region. Both are characterised by a disadvantageous agrarian structure and a high level of unemployment accompanied by hidden unemployment in rural areas. In both RRAs one could observe the rapid development of private, non-agricultural enterprises after the fall of the Communist system in 1989, as was the general phenomenon found throughout the whole country. This tendency concerned also the rural areas but on a far smaller scale than urban areas. The non-agricultural sector in the countryside in the described regions is still relatively weak and consists predominantly of small businesses employing less than 10 people (shops, factories, etc.). In such a situation, creating alternative sources of income for rural communities is one of the top priorities both for local authorities and for the inhabitants themselves. The two cases chosen for this WP are describing the initiatives that illustrate two different, but at the same time most common, strategies in this dimension. The case of the Agro-tourist Association of Zgierz from Lodz RRA is an example of “bottom-up” action of local people who are building their project on the base of rural tourism. The case of the rural business incubator in Malopolska Region is an example of a project instigated by local authorities that was aimed to develop production and processing.

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## 2. Context analysis

The “Strategy for Agriculture and Rural Development in 2007-2013” adopted by the Polish government in 2005 declares that over the indicated period of time a model of multifunctional development for rural areas is to be implemented in Poland, with the ultimate goal being *improvement of living and labour standards in rural areas through economic growth considering environmental requirements*. This should be accomplished by three objectives: 1. Supporting sustainable rural development; 2. Improving competitiveness of agriculture; 3. Strengthening food processing to improve food quality and safety. As regards the issue of RSD that we are mostly interested in, it is emphasised that it involves *creating conditions for different types of business activities pursued with respect to environmental issues, development of social and cultural functions as well as special attention being given to providing inhabitants with good standards of living*. It stresses the importance of implementation and promotion of local initiatives and programmes for revival of rural areas. At the same time, referring to the concept of the European model of agriculture, other important roles of agriculture, except food production, are pointed out, as it is assumed that *a concept of multifunctional agriculture indicates a possibility to combine these functions by developing food production in line with environmental requirements and landscape preservation and a possibility for farmers to pursue additional activities in order to diversify agricultural activity*. Measures to be taken to realise this objective include four priorities:

1. Diversification of activities to ensure alternative sources of income.
2. Preservation of natural and environmental values of rural areas.
3. Mobilization of rural communities and improvement of social infrastructure.
4. Development of technical infrastructure.

The importance of the above mentioned priorities cannot be questioned. However, attention needs to be given to three, very important for our premises. Polish agriculture suffers from a common phenomenon of hidden unemployment and, on a larger scale, a high rate of unemployment in rural areas since *non-agricultural activities in rural areas are poorly developed mainly due to a lack of adequate financial support and a low degree of social mobilization*. Thus, it shall be indispensable to support any forms of small entrepreneurship in rural areas, services for economy and rural inhabitants, local initiatives for revival and development of the rural areas as well as preservation and improvement of cultural heritage and rural tourism. Passivity of local communities is to be challenged through, inter alia, *engaging people in development and implementation of local development strategies including support for LEADER initiatives and activities aiming at improving living standards and public-private partnership*.

### Regional Research Area I (Łódzkie voivodship)

#### *Agriculture*

In 2002 slightly more than 200 thousand farms operated in the region. Regional agriculture has been dominated by rather small farms (less than 5 ha) consisting of almost 40% of all farms. Only slightly less than 6% of farms possess more than 15 ha – or what has been recognised in Poland as “large”. The average area of farms in the Łódzkie region is about 7.9 ha, which is only slightly below the average measure for all of Poland, which is approximately 8.6 ha. Considering the state of agriculture and rural areas in the region one

might point to a number of disadvantages, namely, a) the large and still growing (!) percentage of agricultural workforce, from 31.3% of workforce in 1999 to 33.2% in 2002, b) the relatively high rate of unemployment (including the so-called “hidden unemployment” in ag.), c) the low quality and fertility of soil; d) the mostly traditional character of farms focusing on various types of production at the same time; e) the low significance of off-farm income among the rural population; e) the low level of organisational and political mobilisation among farmers and the rural population; f) the high level of fragmentation of farming land; g) the underdeveloped processing sector in rural areas; and h) the low level of education among the rural population.

Considering rural development in the region one has to stress the importance of natural resources that should form the background for tourism as well as multi-functional agriculture. These two broad, and at the same time interconnected, goals have been perceived as key areas of – as it is called – “ecological” development in rural areas. The same strategy might be observed in many local rural communities (gminas) of the region. The situation in all of them has been shaped by the main characteristics of rural economy mentioned above.

The regional development strategy, based on such unfavourable characteristics of rural areas has formed the key aim of the regional development in the following way. The strategic aim is to improve the attractiveness of the region in Poland as well as among the regions of Europe through its cohesion and diversity. The central location of the region in Poland, as well as the restructuring of its economy from industrial-agricultural to service-manufacturing, form the two basic directions of change. Three strategic areas of development have been named in the document as well, namely, a) the improvement of human resources; b) the improvement of comparative advantage of regional economy, c) the improvement of functional and spatial character of the whole entity (cohesion) in order to form the region with a peculiar economic and cultural identity.

### ***Economic activity***

The number of economic enterprises in the region has slightly exceeded 230 000 in 2002. That equaled 6.4% of the total number of economic enterprises registered in the whole country. Comparing the considered number to that in 1999 we might observe an increase of economic enterprises by approximately 30 thousand in this three-year period. Most of them emerged in the private sector. It is also important to stress that “small” firms (with less than 10 employees) form the overwhelming majority (94.6%) of said enterprises. They are mainly concentrated in clothing and textile production – 41.2% (Łódź has been the traditional centre of such production in Poland); food and beverage production (8.7%), furniture production (7.9%) and metal production (7.6%).

In December 2002 slightly more than 1 million inhabitants of the region were registered as employees. That constituted 7% of all employed persons in Poland at that time. As we stressed earlier, the majority of them (slightly more than 33%) worked in farming while slightly less than 19% worked in the manufacturing industry. As we also stressed above the percentage of those working in agriculture rose during the three-year period. At the same time, the percentage of those working in the manufacturing industry declined during the same period. In turn, those working in services formed slightly less than 37% of all employed inhabitants in the region. Three years later they formed almost the same percentage among employees. However, what is interesting is that the slight growth of employees has been observed mostly in financial, consulting and research services, as well as in retail sectors.

At the end of 2002 the number of unemployed rose to slightly more than 230 thousand inhabitants. However, one should note that the level of unemployment has been diversified across the regions. It is worth pointing out that in LIA Zgierz (described below) the



unemployment rate nearly reached 25%, which was significantly above the average for the whole country. In 2002 every third unemployed inhabitant of the region of productive age lived in rural areas. This rate has declined slightly from the year 1999.

Nonetheless, the region under consideration might be perceived as an entity with relatively many organisations forming the so-called “market environment”. Organisations and associations registered in the Łódzkie form about 10% of all NGOs in Poland focusing on economic development. The most important are: Łódź Agency for Regional Development, the “Incubator” Foundation, Foundation for Entrepreneurship Improvement, Incubators of Entrepreneurship in Żelazów, Ozorków and Łódź, Industrial-Trade Chamber of Łódź, the Foundation for Entrepreneurial Education, International Łódź Trade Ltd., and the Business Club of Łódź. Such organisations have many contacts with foreign partners. The main area of their activity has been formed by various efforts to promote and internationalize the regional economy. Unfortunately, they are focused almost exclusively on Łódź (the capital city of the region), leaving the problems of rural areas almost untouched.

### ***Regional Research Area II (Malopolska)***

Malopolskie voivodship covers 15 189 sq km (since the last change of administrative borders in January 2003) which is about 5% of the country's surface. It borders Silesian voivodship (województwo Śląskie) to the west (for 295 km), Świętokrzyskie voivodship to the north (182 km), Podkarpackie voivodship to the east (80 km) and Slovakia to the south (for 317 km, and this is the only border based on geographic criteria).

Malopolska's population is 3 217 000 (data for December 2003) which is 8.37% of the population of Poland (fourth highest in the country). The population density is 212 persons per sq. km., which puts the voivodship in the second position in the country (behind the Silesian voivodship). The country's average is 124 persons per sq. km.

The urban population in the region is 49.9% of the total population, which is significantly less than the urbanisation indicator for the whole country – 61.8%. That indicator went down since 1995 (it was 50.8% then) despite the fact that several localities were given town rights. That is mainly because of the migration from urban into rural areas and the negative natural increase of population in urban areas.

Rural areas were inhabited by 1 629 900 people, which gives Malopolska region the second largest rural community in Poland. During the years 1988 –2002 (between the last two national censuses) the rural population increased by 6.88%, whereas the urban population increased only by 2.61 %. In the same period the numbers for the whole country were -0.57% and +1.88%, respectively. One can observe in Malopolska a stable and opposite tendency - in comparison to the rest of Poland - of a growing rural population. Rural areas are additionally characterized by their exceptionally high population density – 119 persons per sq. km. That is more than twice the country's rural average (which is 50 persons per sq.km.)

Almost 28% of Malopolska inhabitants have their main income source in manufacturing and services now, while only slightly more than 4% derive their income from agriculture. In turn, in the case of another 28% of Malopolska inhabitants the main source of income might be identified as pensions and other types of social benefits. Despite economic problems, the increasing number of economic enterprises in Malopolska has been visible. In 2003, more than 270 thousand private enterprises, as well as more than 8 thousand public ones, had been registered. Five years earlier, the numbers were 223 thousand and more than 5 thousand, respectively. One should highlight the fact that 8% of the total number of economic

enterprises in Poland has been registered in Malopolska, which gives the investigated region the fifth rank among all 16 regions of Poland. According to the last National Agricultural Census, slightly more than 370 thousand farms existed in the region. The overwhelming majority of them have an area of less than 5 hectares, while significantly less than 1% of them have more than 15 hectares. Therefore, Malopolska agriculture has been dominated by small and dispersed farms possessing their lands in much more than one contiguous piece. The ecological farms (with certification) are a quite new phenomenon. Only one farm in a thousand has such a certificate now in Malopolska.

Malopolska might be seen as a region with relatively strong foreign investment. The value of such investment in 2003 was slightly above \$600 million. In the last ten years the highest level of foreign investment (more than \$900 million) was observed, in 1999. Recently, foreign investment has occurred mostly in the manufacturing industry; however one might observe also a rising tendency for investment in the tourist infrastructure (mainly hotels and other such services).

In the context of economic development one should stress the network of various organisations that might form a peculiar type of social capital base. Let us mention that there are six such agencies covering all of the region with their activity, namely, the Malopolska Agency for Regional Development, the Malopolska Agency for Energy and Environment, the Fund for Partnership for Environment, the Malopolska Institute for Territorial Self-Government and Administration, the Tarnow Agency for Regional Development, as well as the Agency for the Development of Cooperatives. These agencies have been strongly connected to government as well as regional administration. Moreover, we might note that economic chambers and associations (there are eight main organisations of such type) as well as some other institutions supporting business. Their position has been definitely stronger than the influence of typical civil society organisations that are briefly presented below.

### **3. Presentation of cases**

#### **Local Implementation Area I – Zgierz community (gmina)**

##### *Main aims of the development strategy*

Gmina Zgierz is located in the northern part of the Łódzkie region and is known as one of the largest gminas (communities) in Poland according to its area (cca 20 thousand ha). Its population is 10 570 and its northern part is located only 5 kilometres from the geographical centre of Poland.

Traditionally, Zgierz has been recognised as a typical agricultural community. However, in the recent period, tourism as a new type of economic activity might be observed, resulting mainly from two factors: economic and social changes and natural conditions of the area. Such an orientation has been noticeable in almost every document prepared by gmina authorities. Development of the community has been based on promotion of tourism and recreation. Several factors have been named as key elements of such promotion, namely, the central location of the gmina in Poland and the short distance to the Łódź agglomeration, short distance to the newly-built national A2 motorway, natural conditions, and recreational areas for summer and winter sports. Protected areas occupy approximately 80% of the community area. Moreover, the gmina possesses 4 natural reservoirs, 57 natural monuments, various streams and ponds with clean water, as well as an attractive landscape. People from the region possess almost 15 thousand recreational estates in the gmina. More and more

people have settled in the gmina. In 2004 one could find 239 such new settlers, mainly from urban areas of Łódź and the town of Zgierz.

The relatively unpolluted environment and natural conditions, as well as landscape, form the foundation for recreational functions in the gmina. What is more important is that the idea of “sustainability” has been stressed in the community’s development strategy. The idea of “sustainable development” has been understood as “a balance between the state of the natural environment and the effectiveness of social, economic and spatial development”. There are four main areas in the gmina development strategy: 1) construction of residential settlements, 2) creation of recreational and leisure areas, 3) improvement of agriculture and rural areas, and 4) investment in the areas of the gmina located near the A2 national expressway.

In the context of the general aim of the gmina development strategy, aim number two seems especially important. The idea of economic development has been based on the promotion of natural and recreational resources as well as attracting investments and the development of new types of tourism and recreation. Agro-tourism has been perceived as a main source of income for the farming population. The promotion of local artists and craftsmen as well as local associations focusing on tourism and recreation, and tourist as well as sport trails have also been mentioned as part of the development strategy.

Such activity has already become a part of the Leader+ project as the community of Zgierz established a Local Action Group with other neighbouring communities. Members of the LAG formed the Foundation of Community Development called “PRYM” that has been focused on sustainable rural development, especially on tourism and recreation based on natural conditions and cultural heritage.

### *Agriculture*

2 200 farms operate in the investigated gmina (the average farm size is approximately 6.5ha). They use 9 400 ha of arable lands as well as 970 ha of meadows and 830 pastures. The fertility and quality of soil is rather low. 2/3 of the soil is of V and VI class. 85% of the arable land is used for growing cereals while 9% is for potatoes. Hogs (found on 19% of farms), poultry (26%) as well as dairy cows (27%) form the basic types of animal production. One might stress the presence of industrial agriculture, especially in poultry production (23 large and specialised farms). However, there are also some new tendencies in gmina agriculture. One might observe some horse-breeders as well as farmers raising ostriches, and even chinchillas. Because of the nearby Łódź urban agglomeration the consumer market for greenhouse vegetable production has also been rising in recent years.

### *Economy*

The economy of the gmina has been dominated by relatively small, family enterprises owned and/or operated by gmina inhabitants. Data gathered by the National Census Office show the following numbers. According to this source, at the end of 2004, 955 economic agents and enterprises had been registered in the investigated gmina, including 21 public enterprises. In the private sector, 934 units had been registered, including 755 individual entrepreneurs, 48 companies as well as 14 companies with foreign capital. They are mostly active in construction, transportation and trade. Some others are active in manufacturing (for detailed information see the table below).

Type of activity	Number
Construction	65
Trade	135
Transportation	32
Clothes manufacturing (tailors inc.)	15
Gastronomy	5
Food processing	6
Financial consulting and insurance	20
Furniture manufacturing	12
Medical services	20
Veterinary services	3
Auto-repair	31
Wood manufacturing	8
Multi-type activity	202
Other	111

Source: Development Strategy for 2006 – 2013, Gmina Zgierz

The number of registered economic agents and enterprises seems to be stable over the last few years. However, each year a certain amount of economic agents and enterprises have been registered but at the same time a certain amount have gone out of business. One might also observe such firms that cease activity and return to the market after a year or two.

Once we compare the number of existing economic enterprises with the number of gmina inhabitants one might draw the conclusion that the level of economic activity seems to be quite high. However, the number of people employed in the economic units mentioned above has not been much higher than their absolute number. That means that the development opportunities created by gmina enterprises have been limited.

According to local statistics the main sources of income of gmina residents are as follows: Agriculture has been indicated as a primary source of income by 31.8% of inhabitants. In turn, 33.9% of gmina Zgierz inhabitants work as hired workers in manufacturing and/or services to gain their basic income. Another group of 29.8% receives their basic income from retirements and other social benefits, while only 4.5% derive it from non-agricultural entrepreneurial activity. The unemployment rate stands at 17.8% and is below the average for the powiat. According to gmina authorities, the best opportunity for fighting unemployment lies in the possible economic improvements resulting from the presence of the newly-built national expressway and it leading to the services for travellers. The other possibility, partly connected with the issue mentioned above, lies in the development of tourism based on the promotion of local natural resources as was mentioned in the gmina development strategy briefly presented earlier. Such a strategy seems to be the key project for limiting of unemployment as well as the development of the service sector. Moreover, it has also been recognised as a possibility for additional income among farming families running their relatively small and mostly traditional farms. Gmina authorities have treated such a strategy as an instrument of local sustainable development and have co-operated in this initiative with another important social actor, namely the Agro-tourist Association of Zgierz Locality. This case will be described in more detail below.

The association has been established by local residents who reached the conclusion that they were not able to get sufficient income from their economic activity in agriculture. They decided to provide Łódź area residents with various opportunities and ways of spending their leisure time and treating this type of activity as an alternative source of income for them and their families. This has been called “weekend” or “after-work tourism” focusing on the

so-called active types of leisure, namely, biking, horseriding, etc. The word “agro-tourist” being in the name of the association has not been fully accurate since its members have not offered accommodation. They still have their own farms but they are treated either as a production unit for self-consumption or as a background for services offered to tourists. So the members of the association are not also agricultural producers as is usually the case in typical agro-tourism.

The tourist product prepared by the members of the association has been based on the promotion of local resources, namely, horse breeding for horseriding, local streams and ponds for fishing (including sales of fresh and smoked fish), exhibition of traditional farm and country house tools and devices as well as crafts, organisation of tours for visitors of various age groups (including school children and senior citizens) focusing on natural as well as cultural landscape in the locality, establishment of a network of tourist trails (for hiking, biking and horse riding). In other words, the members of the association “sell” the local resources including local natural monuments as well as cultural ones, such as for example the traditional water-mill, the blacksmith’s shop, as well as the sawmill. As the president of the association told us during the personal interview: “Our association converted various parts of the surrounding world into tourist products. There are many of such products, including, for example, the juniper protected area, the springs of local creeks and rivers as well as the old water-mill”.

Twenty persons (including also some people living in neighbouring gminas) are members of the association today. They pay small contributions to cover the day-to-day routine activity. However, for major undertakings, such as tracing out new tourist paths, printing information leaflets, or organising exhibitions, the association applies for financial resources from the gmina or powiat (local and regional authorities) or from some sponsoring agencies (foundations or even individual persons). Taking part in various competitions for agro-tourism and tourism agencies and using the gained remunerations has also been a way of gaining financial resources.

The association was established in the year 2000 based on some existing initiatives which focused on so-called “horse-tourism”. The main idea was to capitalize on attractive local natural resources as well as the short distance to the Łódź agglomeration. The growing interest in the active types of leisure as well as the low level of income from traditional agricultural activities were the stimulating factors as well. The five major aims of the association were named when the association was first formed. These have been 1) development of alternative sources of income for local farming families, 2) preservation of the traditional rural landscape, 3) preservation of traditional peasant culture, and 4) preservation of the regional tradition, and 5) promotion of the regional natural and recreational resources.

The year 2001 seems to be the most important moment in the short history of the association. Members of the association decided to start a joint project with some schools in the region. The project has been referred to as “Regional Education”. It contains several areas of activity: a) learning about the history of the region, its cultural and natural monuments, landscape parks and historic sites, and b) learning about traditional methods of farming and rural crafts (how to use a treadmill, how to make butter in the traditional way, how to bake bread, how to produce clothes at home, etc.). During the tours, young visitors have the chance to visit the old water-mill, the blacksmith shop where they might observe how to make a horseshoe, the sawmill, and the brickyard. Moreover, the visits to the “modern” ostrich farm, as well as the meetings with rural craftswomen making traditional paper flowers and other decorations as well as embroidery, have been offered. Transportation with rack wagons and cabs has been provided as well.

Members of the association offer the services not only for individual tourists and families but also for “organised” groups, like pre-school and schoolchildren, senior clubs as well as firms organising leisure time for their employees.

Creation of tourist trails has been an important part of the association’s activities. The horse ride trail, as well as a 33kilometre bike trail have been traced out in order to connect “farms” belonging to members of the associations and other attractive natural and cultural objects in the locality. Financial resources acquired by the association made this particular initiative possible. The association took part in a competition called “Useful holidays” organised by the Foundation for the Promotion of Rural Areas and the project of horse and bike trails presented by it won one of the major awards. This particular initiative was accomplished not only by members of the association. They cooperated with schoolchildren and teachers from the local school as well as some other members of the community who were interested in such a project. Children collected advertisements for products and services for tourists offered by local residents, as well as prepared descriptions of particularly interesting points along the trails. This collected material has been published in the local tourist guide.

A second tourist trail has been traced out in 2004. It connects the community directly to Lodz (capital city of the region). As the president of the association stressed in interview with us: “We found that Lodz is the city of many of our potential clients and we wanted to attract them”. Many local businesses (shops, restaurants and “interesting places” such as blacksmith’s shop, ostrich farm and others) became the key part of this strategy promoting tourist resources of the investigated gmina.

It is important to note that many local residents support the activity of the association. The owners of the blacksmith’s shop or ostrich farm, for example, are not members of the association, however they strongly cooperate with its members. This very traditional rural association in Poland, like the local Housewives Circle, offers significant help in organising various events, especially the catering service, and the singing group of its members. The local music group has been involved in events as well. The association with the support of various actors mentioned above organises various cultural events connected to the important dates from the traditional peasant calendar. One should note the harvest festival, as well as “Saint John night” in June (the shortest night of the year). Some hunting traditions are also preserved here, namely the so-called Saint Hubertus run, keeping the tradition of fox hunting. Such an activity of the association has been positively evaluated by local authorities.

In the interview the association activists highlighted – as they called it – the sustainable character of their project. They elaborated that various activities and initiatives undertaken under the frame of the project gave them an opportunity to make profits. In that sense they are rational from a typical economic perspective. However, as it was stressed during the interview, such economic activity does not harm the other important characteristics of the community, namely, the natural environment, as well as cultural heritage. Moreover, the idea of common effort to promote community helps to develop the spirit of community and common activity. One might say that some elements of the local civil society might be observed as a result of the project.

The interviewed activists underline the importance of local knowledge as well. In fact, the whole project has been based on a new interpretation of local knowledge and local tradition. It has been used for the promotion of traditional, non-agricultural types of activities as an alternative source of economic income for current local residents. However, one might observe the important impact of managerial knowledge as well in order to promote the local resources (including local tradition and knowledge) on a supra-local level and market.

The association has gained the support from other social actors as well. First, there is the cooperation with local authorities. The association took part in the discussion leading to

the creation of the local and regional development strategies. On the other hand, the local authorities support the initiative of the association with small financial grants for preservation of tourist trails, publishing information and the organisation of local events. Quite recently the association became a partner in the Local Action Group formed by the Zgierz community with four other neighbouring communities under the recent form of the LEADER+ programme. This Local Action Group has been named as the Foundation for the Local Development, the Polish acronym being "PRYM". Among other actors supporting the association initiatives one might point out the Local Cultural Centre, Regional Tourist Organisation, Landscape Park, various ecological associations, local media as well as the University of Łódź. Various levels of cooperation among all the subjects mentioned here might be proof of the necessity for using various types of knowledge: local knowledge (being carried out mainly by the association), managerial (carried out mainly by Local Cultural centre, Regional Tourist Organisation, Landscape Park and the media) as well as scientific (University of Lodz) to ensure the success of the whole project.

The establishment of tourism trails in the community has been perceived as a major success of the association. The idea for the tourist trails won third prize in the National Competition for "Best Agro-tourist Regional Product" in 2005. The five year-long activity of the association has been known in the region thanks to many printed materials and information provided by the regional media.

According to the association activists, their main difficulties lie in financial limitations. However, the association's recent participation in the LEADER+ programme has been perceived by them as an opportunity to overcome these difficulties. Therefore they are making further plans to establish a full open-air museum of a traditional village with an old gentry mansion and peasant cottages as well as stables, barns, and a house of rural crafts.

## **Local Implementation Area II (Raciechowice)**

The development of non-agricultural economic activity in the investigated gmina should be seen as a result of various efforts undertaken by local authorities. In fact, the project under consideration might be perceived not as a typical single project but rather as a set of policies advanced to coordinate various activities by local entrepreneurs and to help to implement various initiatives. As the head of the local administration said during the personal interview: "In the gmina nothing happens accidentally. Economic changes have been stimulated by purposeful efforts of local authorities". Therefore we will try to describe and evaluate gmina economic policy below.

The breaking point of the history of non-agricultural economic activity in the investigated community might be pinpointed as 1989 - i.e. the collapse of the Communist system and the beginning of major political and economic changes in Poland. Since that time one could observe the significant growth of non-agricultural economic activity in the Local Implementation Area. Three groups of entrepreneurs have been visible in this area of activity, namely the former farmers, former poultry producers (poultry production was one of the major agricultural activities in the area before 1989 and also in the first few years after the collapse of Communism in Poland) as well as newcomers using some advantages offered by gmina authorities in order to promote non-agricultural economic development.

The first group has represented the most traditional way of non-agricultural economic development in rural areas undergoing post-Communist transformation. Some farmers reached the conclusion that their farming activity does not result in sufficient income. Therefore they decided to supplement their income with trading activities, establishing small local shops in their houses. However, around 1996 the number of such small businesses grew

so high that some of them were forced to close because of falling incomes. The second group, namely, the poultry producers, resigned and switched their production into various types of services (stone-cutters, carpenters), producers of garage gates, bricks, etc. They use the former poultry houses as spaces for their new businesses or even rent the facilities to other entrepreneurs. This is still a significant part of the non-agricultural economic activity in the LIA. Stone-cutters are a good example of this vibrant activity. There are three such businesses in the LIA, all quite sizeable. Two are run by local people (two brothers), the owner of the third one is a newcomer who specializes in marble, offering such products to churches, for example. The two local firms have been focused on the production of grave markers and headstones as well as pavements and walls. Local people working as stonecutters might be treated as a legacy of stone-cutting activity in the LIA because of the stone quarry that existed in the area. Today the quarry is defunct but the tradition and skills remained in the area and they were helpful to open such businesses. The last group of entrepreneurs has been formed by newcomers trying to open businesses or move existing businesses into the area. People who are involved in the non-agricultural businesses in the LIA are no longer farmers at all. According to the head of the local administration: "Today the non-agricultural activity has been not the supplement to farming but has been carried out instead of farming".

Gmina Raciechowice has developed a special policy in order to get entrepreneurs from without. In 2003 a local law was established offering local tax cuts for those entrepreneurs who decided to move their businesses into the area. As a result some small businesses from neighbouring gminas and even from Krakow (the capital city of Małopolska) moved to Raciechowice establishing 11 new job positions. The local authorities' policy has been taken in accordance with the gmina policy to preserve the natural environment. Businesses that might be harmful to the environment are not allowed to be opened. Local authorities try also to encourage the development of small businesses co-operating with the larger ones located in the "special economic zone" established some years ago near Myślenice (the capital city of the powiat). Local entrepreneurs are also encouraged by gmina authorities to join the regional economic chamber in order to exchange experiences with other non-local businessmen as well as to get an opportunity to participate in various training sessions and workshops organised by the chamber. According to the head of the gmina administration, the non-agricultural economic development in the local community has to be encouraged and supported by local authorities in order to get some positive results. The first wave of spontaneous development of small retail services from the early 1990s is definitely over now and nothing more can happen without such activity from local and regional authorities. Therefore local authorities launched the local strategy for economic development in 1995. Local authorities created the Gmina Information Centre especially for entrepreneurs providing them with some legal or architectural advice as well as for local inhabitants searching for jobs. Moreover, the Centre offers some trainings and courses for unemployed people as well as an opportunity for them to meet with entrepreneurs looking for labourers.

Non-agricultural economic activity might be perceived as a significant and visible phenomenon in the LIA Raciechowice. According to the Census 261 businesses were registered in the LIA in 2003. 90% of them belonged to the private sector. The remaining 10% of the enterprises were registered as public entities, including 4 co-operatives. The tendency to establish new businesses was quite high at the beginning of the 1990s, but slowed down in the second half of that decade. However, a net increase of new businesses has been visible. Compared to the year 1995 the number of businesses in the LIA has increased by almost 20%. The details of this process are presented in the table below.



**The number of businesses in Raciechowice gmina (community) from 1989 to 2002**

Year	Newly registered	Closed	Total number
1989	89	10	79
1990	47	26	100
1991	61	20	141
1992	75	34	182
1993	30	30	182
1994	26	30	178
1995	32	36	174
1996	30	19	185
1997	32	25	192
1998	36	26	202
1999	33	22	213
2000	23	25	211
2001	44	43	210
2002	19	13	216

Source: Spytek, 2003: 37

Retail businesses as well as transportation services predominate among the businesses presented in the table above. Other types of businesses include: bakeries, carpentry, production of construction materials, and tinsmiths shops. Other services containing small hotels, tourist services, and business support services, as well as financial and insurance services still form the minority of local businesses. Almost all businesses belong to the ‘small’ category (less than 10 employees). The largest one gives work to 40 people. A significant part of the local labour force has been employed in public administration, education and health services.

The case of “Kitchen Centre of Business Support” in Raciechowice gmina (case II] was the initiative of local government. The idea was to create the base upon which a new branch of the local economy could be created. With the use of a special grant the old school building was turned into the “business incubator” where local women could find the necessary production space and offices to start a food processing company. Thus, the inclusion of the word “kitchen” in its name. The ambitious plan was not, however, materialised. Two main reasons for this was the insufficient number of women willing to engage in the project and the strict laws regulating food processing which made small-scale production unprofitable. The authorities, undeterred by this failure, decided to use the newly created “centre” for other ideas for non-agricultural economy. Firstly, it became the headquarters of the producers group established by the fruit growers (Raciechowice area is famous for its apple orchards). Later, after the group had found the new site the centre attracted companies from outside gmina. Both the marketing agency and the sewing factory that are currently using the building have provided new jobs for local community. In that sense the creation of the “business incubator” has contributed to the development of the non- agricultural economy. Although the enterprises are not run by locals, as was originally planned, they offer an alternative source of income in this predominantly agricultural area.

#### **4. Conclusions**

The presented cases are very interesting in terms of knowledge dynamics. In fact both projects have been based on anew interpretation of local knowledge and local tradition. These resources were used (successfully in case I and unsuccessfully in case II) for the promotion of non-agricultural types of activities as an alternative source of economic income for local inhabitants. However, one also has to stress the importance of the managerial knowledge in

this context. Both cases show that managerial knowledge is playing a key role in promoting the local resources on a supra-local level (case I] as well in attracting investors from outside the gmina (case II).

The Association in Zgierz is trying to make use of local resources, both natural and cultural, in order to create an interesting offer for tourists. One can observe that such a strategy, aiming to diversify rural economies through the development of tourism, is one of the most popular ways of approaching this issue. Without a doubt, tourism is the promising solution for many rural areas, especially ones that are situated in an attractive surrounding. There is, however, no single, universal “recipe” for rural tourism. In each case, depending on the possibilities and the characteristics of potential visitors the tourist offer should be constructed differently. In the process of searching for the most suitable model of tourist strategy for a particular rural community, the successful examples of already realised projects should be practical signposts. There are several lessons to be learned from the experiences of Zgierz gmina. Firstly, the “bottom-up” pattern of acting that is the guiding principle of the Agro-tourist Association of the Zgierz Locality, seems to be the optimal form for such initiatives. It allows for the most efficient use of social energy within the community. What is also important is that the “bottom-up” approach naturally favours promotion of local knowledge. The local activists, by virtue of being raised in the area, do not only possess an easier access to the resources of local knowledge but can also be excellent agents of social change. In contrast, the projects designed by external experts and instigated by authorities often fail to recognise the uniqueness of local realities and thus are not able to take full advantage of a community’s potential.

The element of social change is the second issue worth emphasizing. The promotion of local knowledge is a useful idea for creation of an attractive tourist offer. It cannot, however, be done without the involvement of managerial knowledge. It is the managerial knowledge that allows rural actors to function on the market of services. The contemporary version of agro-tourism is simply yet another product that requires marketing strategy and promotion, not to mention the calculation of costs or organisational skills. All of these elements are provided by managerial knowledge. Such a cooperation between two types of knowledge results in innovative projects, programs or ideas. However positive reception of these new ideas by the local population is not an easy process. This is the role for the local activists and most of all for the local authorities to support such processes of social change.

Tourism is not the only possible direction in developing the non-agricultural economy in rural areas. Another is the strategy to foster the activity of companies in the community. It can be done either by encouraging local population to start their own businesses or by attracting investors from outside. The case of “Kitchen Business Support Centre” links these two alternatives. Originally it was a project to create favourable conditions for local residents to start food-processing production. The idea, which was very much embedded in a strategy to make use of local knowledge, failed to materialise. Both the external (legal regulations) and internal factors (insufficient response from the local population) contributed to this failure. In our opinion, the lack of social leaders/activists who could be agents between authorities and inhabitants have been an additional negative factor. Unlike in the case of Zgierz Association in Raciechowice there was no “endogenous social movement”. The initiative of local authorities being a typical “top down” approach turned out to be not efficient enough in sparking a wave of entrepreneurship. The general conclusion seems to be that such a model (a “top-down” approach) is not an appropriate tool in attempts to make use of local knowledge. When there is no “bottom-up” initiative from the local population, the creation of even the most sophisticated infrastructure by the government will not bring a satisfactory result.

On the other hand, the actions of the gmina's authorities in Raciechowice were quite effective in attracting external investors. The difference is that such external actors are building their businesses without using local knowledge. For them, the favourable conditions created by the local government are sufficient (low taxes, infrastructure, etc.). In this dimension the "top-down" projects are successful as in the end they contribute towards the development of the non-agricultural economy (new jobs).

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