

# THE APRICOT STORY: PATTERNS IN A LOCAL CIRCULAR FOOD CHAIN IN NORTH HUNGARY<sup>1</sup>

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Using a case study, this paper examines how EU standards of geographical indications (GIs) can integrate into Hungarian socio-embodied patterns. It uses apricots from the underdeveloped Gönc region of Hungary as an example, defined in the EU GI context as a local resource of cultural identity. The collective memory as a cultural heritage of the Gönc region is examined in relation to products and services that have existed for generations. The aim of this paper is to provide evidence that without geographical circulation, exchange, and appropriation of products, the associated knowledge of innovation strategies, innovation capabilities, and the market outcomes of firms in the food industry does not provide absorptive capacity. It suggests that innovative responses to existing isolated economic services could provide coherence among the three pillars of sustainability, given policy and institutional innovations designed to foster innovation and expand markets.

**Keywords:** cultural identity, embeddedness, geographical origin, PGI, marketing

**JEL codes:**L15, Q13, R12

## 1. Introduction

There are many regional geographies of food production and food preparation in which place has played an important role (e.g. Prosciutto Toscano (PDO) from Italy; Lübecker Marzipan (PGI) from Germany; Scotch Beef and Lamb (PGI) from Scotland; apricot from Gönc (PGI) in Hungary). Place-based names indicate the geographical origin of agricultural products. These geographical indications (GIs) also capture the product's cultural and historical identity (Bowen – Zapata 2008). Mediterranean countries such as Italy, Greece, and Spain represent themselves with a huge selection of registered food products for consumers worldwide. Hungary has only 13 food product items<sup>2</sup> (wines and spirits are not included) registered in the EU list of GIs and traditional specialties, despite of the existence of a wide variety of traditional food items in the

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<sup>2</sup> More details about GI products of the EU27 countries can be found at <http://ec.europa.eu/agriculture/quality/door/list.html>.

country. GIs, themselves protected by myriad institutional arrangements, are a global phenomenon.

This paper investigates whether there is a relationship between social capital and economic development opportunities through the collective memory of the cultural heritage in the Gönc region of Hungary. Social capital (Adler 2002) and cultural heritage (Sasaki 2004) are social structure phenomena; from an economic point of view, the prosperity of a place is related to its competitiveness (Porter 2008). In this relationship, cultural and social development and competitiveness play a key role. The primary objective of this paper is to explore how the multiple attributes of local agricultural products as a cultural heritage are protected by GIs in the Abaúj region in Hungary, where Gönc is located.

In practice, it is important to identify how knowledge and memories as managerial capacity are transferred. Resources such as human and financial capital are inputs of the indicators of regional activities (Hjalager 2010). Although significant knowledge transfer is embedded in the system (Behara 2000), the influence of innovation on practical processes among small enterprises is fragmentary. Asymmetric division of power in the knowledge transfer could both improve and damage the learning process and innovation (Flikkema *et al.* 2007).

Boundaries are socially retained and temporarily transmitted. Attention has shifted from general topics of economic history towards the everyday lives of people. The aim of this paper is to capture a heterogeneous set of cultural identities of a region and to understand the extent and effects of socio-ecological memories of actors by analyzing where local knowledge and old-new practice link to the blocked socio-embodied services. As reputation and local identity play a big part in local development (Alberti 2012), experts and locals were interviewed about their perceptions of how the value of the local goods has transformed their society for worse and introduced a new social economic system.

This paper is organized as follows. Section two reviews relevant prior academic research on the concept of GI categories extended with household economy theory. Section three gives a brief historical context of the environmental and social background of the region focusing on the history of the apricot in North Hungary. Section four describes the fieldwork methods used in rural areas, while section five presents the results of the interviews, the internal and external features of the community's socio-ecological memory of the apricot. Finally, the major insights generated in this paper are synthesized. The paper may stimulate further inquiry into the role of

socio-ecological memory for transmitting knowledge and developing sustainable management practices.

## **2. Theoretical Framework**

This section introduces different factors and practices of GI strategies. It attempts to bridge the gaps between and within disciplines concerned with the location of production and consumption. Geographical names have been used to identify products of exceptional quality.

### **2.1. Geographical Indications (GIs)**

The globalization of the agro-food system lies in the international trade of agricultural and food products. In the EU's agro-food product system, the quality policy comprises products with GIs, traditional and specialty products, and organic products. GIs capture cultural and historical identity with unique characteristics and heritage aspects. Products identified by their name of origin have established a niche in food and beverage markets in the food industry, where the GI labels assure consumers of genuine, unique, and higher quality food (Broude 2005). At the same time, GI labels offer producers an opportunity to differentiate their products and perhaps obtain higher prices. The trade is dominated by corporately restructured agro-food capitals, a new international division of agro-food labor, and the replacement of national institutions by international institutions to regulate trading relations for agro-food products (Bonanno *et al.* 1994).

#### **2.1.1. Quality and space**

This section discusses the link between space and quality through GIs, focusing on the role of quality understood as a process leading to quality promise and experience. By reviewing prior research into the concept of quality, it attempts to bridge the literature on innovation and regional competitiveness on quality to discuss GIs in relation to the added value of regional competitiveness. A few studies recognize the relation between space and quality (Murdoch *et al.*, 2000; Parrot *et al.* 2002; Mansfield 2003) especially in global and regional competitiveness.

Mainstream research on competitiveness focuses on innovation and industrial dynamics (Porter 1990; Nelson 1993; Nonaka 1994; Grant 1996). In the academic field, the competitiveness of a nation or a region was found to be less the result of intentional strategies (Porter 2000) and

constructed advantages (Cooke – Leydesdorf 2006). In economic geography, innovativeness is seen to be more efficient in localized specialized firms (Porter 1990; Maskell – Malmberg 1999).

GI represent a profitable market opportunity for agro-food producers, including consumers' characteristics (Bernabéu *et al.* 2010; Teuber 2011); attitudes, values, and goals (Greibitus *et al.* 2011); and the product's nature and place of origin (Scarpa *et al.* 2005).

Product differentiation implies the construction of transparent market relations around specific sets of quality definitions that are shared by all parties involved and communicated to consumers to convince them to pay premium prices.

Only producers in the specific, delimited area, who follow a code of practice, can join the special value chain. But once producers have established themselves as such, their goods are included in the products from the delimited region. This refers to the theory that exclusivity is provided by compulsory membership with voluntary sharing. The natural limitation might help to explain why some PDO and PGI 'clubs' are more successful than others (Thiedig – Sylvander 2000).

### **2.1.2. Property rights**

In the EU, GIs are collective property rights, which identify a good as originating from a specific geographical region. A form of intellectual property rights protection, they are defined in the 1994 Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement by the World Trade Organization (WTO).

There are three GI schemes and traditional specialties that have been established to promote and protect names of quality agricultural products and foodstuffs: protected geographical indication (PGI), protected designation of origin (PDO), and traditional specialties guaranteed (TSG). The producers of GI products signal to consumers the specific qualities their products possess. As these qualities are attributable to the land, due to the product's ties to a specific region of production, GI products are considered to have potential to benefit rural development.

### **2.1.3. Internal and external barriers**

Studies have highlighted internal or external barriers facing producer groups who want to exploit market opportunities through the introduction and regulation of GIs. External barriers are the lack of international reputation among consumers (Bureau – Valceschini 2003), and increasing competition among GIs and other labels signaling other intangible attributes that infringe on geographical name property rights (Barjolle – Sylvander 2002; Parrott *et al.* 2002; Ilbert – Petit 2009). There is also the rising competition of any other individual brand using location as a quality label (Raynaud *et al.* 2005). Internal barriers refer to the risk of hazards and selling products below the jointly established quality standard (Moschini *et al.* 2008). Heterogeneous characteristics of producer groups of GIs could differ in their power and influence on resources and strategies. In group heterogeneity, the collective action has a mixed effect on the level of cooperation within an organization in terms of members' characteristics (Poteete – Ostrom 2004), resources (Anand - Khanna 2000), and strategies (Heckathorn 1993).

It is important to identify how knowledge and memories as managerial capacity are transferred. The paper shifts to the interrelationships between GI-labeled food products and regions to contribute to the economic, environmental, and social wellbeing of communities and producers.

## **2.2. Households as a second economy**

In economics, household production (accommodation, meals, etc.) is mainly labor with at least one-third of the physical capital used in the market economy (Becker 1962; 1974; Lancaster 1975; Ironmonger 1995). In the “new household economics” theory Morgan and Baerwaldt (1971) researched inter-household transfers. As the interactions with the market economy recognized, the role of households in building human capital has grown. Boulding (1972) conceptualized households as the main driving force of the market economy, but also the most important agent in the grants economy (Mitchell 1919; Kuznets 1929 in Kahn 1998).

A few attributes are relevant in the present context of Hungary. In the 1970s and 1980s, there was both a state and a non-state sector in agriculture, industry, and commerce, but the proportions were radically different. In the period 1970–1989, many people were employed on collective farms for which they drew a wage. Unemployment did not exist. A secondary income (non-state) was permitted by the state for those who chose to sell their surplus fruit grown for personal use to the collective farms. There were powerful large firms in both systems, but the

size distribution was very different. The ‘soft budget constraint’ syndrome appears in both systems (Kornai 1986).

As Hankiss (2002) explains, ‘after the late 1970s [...] references to this “shadow society” or “underlying society”, to this “latent” and “hidden” sphere or “hidden dimension”, to a “second Hungary”, to “disguised large social strata living beneath the level of the political system” kept multiplying. People lived two lives: their official life and their family life.’ (Table 1).

When households grow as second pillars of an economic system and become stronger, the food chain is based on semi-legal or on black market operations. War-time rationing gave rise to trading outside of official markets. Supply had to meet demand and did so via the black market (Carter 2013). Products appearing on the black market, oftentimes thought of as illegal or stolen, also included farm products sourced directly from the farmer, circumventing official channels, and extra rations. Because sellers did not ‘exist’, there were no income taxes or rent to pay, so their prices were often lower than those in official market outlets (Lipton *et al.* 1990).

In Hungary, the dividing line between the first (official) and the second (household) economy did not start to disappear until the mid-1980s when various ownership forms were introduced alongside valued added tax (VAT); competition on equal terms became the norm (Hankiss 2002).

**Table 1. Polarization of first and second societies in Hungary**

	Visibility	Non-Visibility
	First society	Second society
<b>Homogeneity</b>	Homogeneity, Diffuseness, Atomization	Differentiation, Integration
<b>Nationalization</b>	Predominance of state ownership	Predominance of non-state ownership
<b>Centralization</b>	Total centralization of all spheres of social existence	Growing autonomy of economic and social actors
<b>Status</b>	More or less visible to the ruling elite	Invisible or only partially visible to the ruling elite

<b>Political interest</b>	Political intentions interests	Priority of socio-economic factors
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Source: Hankiss (2002)

These historical economic and political factors influenced the recent impact that territorial product qualification had on rural development. Product quality is connected to the know-how in the producing region.

In practice, and on balance, Hungary is still one of those countries in Europe starting from a semi peripheral position (Hankiss 2002).

#### **2.4. Apricot from Gönc – origin of PGI**

There are limited academic papers about the effects of cultural heritage in agro-enterprises and the consequences of regional competitiveness. This paper composes a reference frame to explain those implications and factors that are part of the Hungarian society which have not changed in centuries, thus building a logical bias into the research.

There are two main categories of resources: material and immaterial. The latter are based on human skills, culture, and knowledge, while the former fall into the financial and production process categories. The categories ‘local food’, ‘manufactured beverage’, or ‘farm goods’ have multiple attributes, yet these characteristic criteria overlap strongly in the case of apricots in Gönc.

#### **2.5. Geographical factors**

Abaúj is one of the seven statistical regions of the Borsod-Abaúj-Zemplén administrative county on the border with Slovakia. The second largest county of Hungary, it is a geographically diverse area. The emblematic apricot-growing regions of Hungary have been rearranged in recent years, as production shifted from the Kecskemét environs to the Abaúj–Gönc area with four small subregions. Of the 3,988 hectares of all registered apricot farms in Hungary in 2012, 1,503 are located in North Hungary, a drop of 8% since 2007; yet this region still represents 40% of the national output. The average farm size in North Hungary is 3.6

hectares. In 2012, the number of small (under 0.5 hectares) and large-sized farms (over 25 hectares) had decreased, while the number of medium-sized (3–15 hectares) farms grew (Table 2).

**Table 2. Area of apricot farms by size 2007 vs 2012**

Year	2007		2012	
Area of apricot farms by size	North Hungary		North Hungary	
Smaller than 0.5	101.69	6%	↓43.20	3%
0.5– 0.99	54.71	3%	↓49.00	3%
1.0– 2.99	159.28	10%	↓147.60	10%
3.0– 5.99	109.95	7%	↑147.70	10%
6.0– 9.99	128.90	8%	↑168.80	11%
10.0–14.99	163.63	10%	↑250.00	17%
15.0–19.99	280.62	17%	↓219.90	15%
20.0–24.99	110.55	7%	↓109.50	7%
Over 25 hectares	522.27	32%	↓367.40	24%
Total net number of farms in hectares	1631		↓1503	

*Source: KSH 2013.*

### 2.5.1. Landscape

Natural factors have a role to play in protecting the designation of origin. The type of production that develops in a region is often determined by its physical landscape. Bérard and Marchenay (2007) posit that the ‘natural environment alone, however, cannot account for what makes these products special’. Rather they say it is the ‘skills, social patterns, practices and perceptions’ of the local people that make them special.

Gönc in Abaúj is a unique and geographically bounded area. There is also a geographical and historical intertwining of the relationship between apricots from Gönc and wine from the Tokaj wine-growing area. Traditionally, apricot trees are planted between the vines. The breaking point in their natural symbiosis can be attributed to phylloxera (a grape-louse) which spread all over Europe in the late 19th and early 20th centuries. With most of the vineyards wiped out, other types of fruit orchards were planted in their stead. The Tokaj vineyards were replanted without the apricot trees, yet in Gönc, the surviving stronger apricot trees continued to flourish.



Today, in Tokaj, the larger-than-standard wine barrels used for Tokaj Aszú wine, are still referred to as *Gönci hordó* (barrels from Gönc) although they are now made elsewhere. In Gönc, the local knowhow and barrel-making skills formerly so depended upon have long since disappeared.

### **2.5.2. History of apricot cultivation in Gönc**

The driving forces of transformation process are heterogeneous. The main actors play an important role in how to create potential value in a region. Innovation of knowledge is often associated with adaptive learning processes during the history of a place. The exchange of products and processes is needed for the circulation of trends. The phenomena of the transmission of behavior and consumption consolidate the learning process.

The origin of the apricot is disputed. Archaeological excavations found apricot seeds in China and Armenia and historical texts suggest that apricots were also cultivated in Persia. Although the apricot is native to a continental climate region with cold winters, it can grow in Mediterranean climates, too.

### **2.5.3. Etymology of apricot**

To explore how knowledge and experience are retained and transmitted, this paper looks back at the origin of the name ‘apricot’ (*Prunus Armeniaca*). The Romans called the apricot tree *Armeniaca*, i.e., the tree of Armenia, whence it originated. The Latin term for the apricot is *praecocia*, which calls attention to the fact that it ripens before other fruit at the beginning of the summer (Morikian 2012). The Hungarian word used for this fruit crop, *kajszibarack*, is of Turkish origin, i.e., *kaysi*, meaning superior, sweet-seeded, and grafted (Ercisli 2004 in Halász *et al.* 2010). The term apricot in Arabic is *al barqūq*, and the word *barack* in Hungarian is similarly used for peach. In Hungary, exclusively grown and cultivated groups of varieties of apricots have begun to evolve in the last 400-450 years either in wealthy households or in church properties and monasteries.

### **2.5.4. Cooking activity**

Food is an expression of cultural narratives. Culture, environment, and consumption are in a dynamic relationship, shifting and evolving at different points in time and place. Consumption

is determined by the culture of which consumers are a part; which groups of people consume what is determined by the environment in which they live. Cooking plays a big part in social interaction. Cookbooks and their recipes are, in effect, a blueprint of social interaction (Bardenstein 2002). Users play an active and creative role, deliberately engaging with the environment and society, not for reasons of efficiency, but rather to foster social relations. Looking at the ingredients needed, and adapting the recipes to those ingredients available, enables people to share their ways and knowledge, not just about cooking, but to suggest a sense of presence and sociability. The end product (meal or beverage) cooking activity can be reinterpreted as an experience, and the use of technology supports intimacy, communication, education, fun, and creativity while cooking.

### **3. Modern area and collective farms**

The first time the fruit went global was at the 1867 World Exhibition in Paris. Cherries and apricots from Zemplén county won a gold medal. After this success, the real upswing period in apricot production began in the 1880-1890s, when phylloxera destroyed the vineyards and strengthened fruit production.

The recent version of the apricot was recognized in 1960,<sup>3</sup> and became an independent dominant variety in the growing area of Gönc. This coincided with the success of the newbuilt collective farm. Apricots from Gönc became a nationwide brand, when local collective farms built stronger markets behind the Communist wall. The leader of the collective farm had good networks with political decision-makers in the county and researchers from the University of Debrecen. To make the apricot famous, local small household backyard farms needed to be extended and the production profile consolidated. The locals' feedback and cooperation helped to raise the standards of quality.

Having found political and financial allies in the socialist countries of Eastern Europe, they established a robust agricultural capacity, built a new infrastructure, and expanded human resource development through free universal education thus raising the level of adult literacy. Because of central regulations and policies supported by the government and developed by

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<sup>3</sup> More descriptions about the apricot of Gönc can be found at [http://eredetvedelem.kormany.hu/download/5/1f/71000/Gonci\\_kajszibarack\\_termekleiras.pdf](http://eredetvedelem.kormany.hu/download/5/1f/71000/Gonci_kajszibarack_termekleiras.pdf)

agrarian universities and institutions, new market gardens and fruit farms impacted the relatively closed food-chain of the period, producing for CMEA countries.<sup>4</sup>

### **3.1. Transition and the European Union**

Hungary faced significant challenges during the transitional period when it moved from a command economy to a market-based economy. In the EU, ‘values-based labels increase consumer access to information about the quality attributes and processing methods of food products’ (Bowen – Zapata 2008). Decision-makers have a marked preference for the concept of ‘role of origin’, i.e., the product’s uniqueness stems from its ‘relationship with the production area and its high quality is due to the accumulated know-how of the producing region’ (Török 2008).

### **3.2. Hungaricums**

Studies have highlighted internal or external barriers facing producer groups who want to exploit market opportunities through the introduction and regulation of GIs. An external barrier is the increasing competition of any other individual brand using location as a quality label (Raynaud *et al.* 2005;) and competitiveness nowadays is high. As market actors need to identify their products, there are many different value-added labels on the agro-food market. Labels are strategies that comply with certification standards (Raynolds *et al.* 2007).

Hungaricum is a trademark applied to unique Hungarian products, specialties, works of art, and food which characterize Hungary by their uniqueness, specialty, and quality. Historical and cultural heritage products from the northern part of Hungary belong to the official list of Hungaricums.

In the Gönc region, pálinka is a local beverage made of 100% apricot defined with PGIs since 2008. As a characteristic alcoholic beverage of Hungary, Gönci Apricot Pálinka was defined with the Hungaricum TM in 2012. The Bible of Vizsoly was classified as a Hungaricum from this area in 2015. These products have been adopted in a compilation of national treasures by

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<sup>4</sup>CMEA (Council for Mutual Economic Assistance), 1949–1991, an economic organization under the leadership of the Soviet Union that comprised the countries of the East European Bloc along with several socialist states elsewhere in the world (Cuba, Vietnam, China, etc.)

the Hungaricum Committee. Space limitations do not allow a discussion of the historical evolution of this region, but highlighting these features may help to demonstrate the difficulty of disassociating tradition from origin.

Knowledge and memories as managerial capacity are transferred. Resources as human and financial capital are inputs of the indicators of regional. Research has developed two reasons to explain tradition and transition between practices and values on the level of national culture in Eastern countries (Bakácsi *et al.* 2002). First, there is a strong cultural change process in Eastern societies when moving toward the expected values of Western norms; these have substantial constraints and limitations. Secondly, the gap between espoused values and theory-in-use is well-known in the region and the economic performance is strongly attached to (visible and hidden) cultural heritage.

#### **4. Methodology**

To understand the holistic phenomenon of this study, the research design relies on a case study approach (Eisenhardt 1989; Yin 2003) to look at the formation of the cultivation of apricot and processing end-products. Retrospective data collection based on local databases, oral history, and previous studies at local museums, libraries, and associations. This paper uses interviews with key respondents guided by literature on social memory (Halbwachs- Coser 1992) and the embeddedness of economic behavior (Granovetter 1985). The embeddedness position is associated with the ‘substantivist’ school of anthropology, identified especially with Karl Polanyi (1944). This paper focuses on identifying emerging ‘quality’, ‘traditional’, and/or ‘local’ products, and how they are associated with feelings and social events.

The methodology consisted of (1) carrying out a pilot field study to examine the phenomena of the historical, agricultural, and horticultural values applied in a static environment to the demands of socio-ecological systems in north Hungary; (2) identifying key respondents for interview and researching quantitative data on municipalities in recent years. At this point some patterns of socio-ecological memory emerged (3), which were used in (4) a second pilot with the objective of deepening an understanding of how pálinka (as one of the end-products of apricot) is interpreted in its local environment.

#### **4.1. Pilot study and choice of field study sites**

The study is based on semi-structured interviews in three local municipalities over a period of ten months designed to gather primary information about the phenomenon of apricot products. Informal talks and interviews with individual allotment-holders were encouraged.

This area of PGI of apricot includes 45 settlements: Gönc (town) in the Abaúj region (alongside 24 other small municipalities with populations under 800 residents). The main allotment in the research area is in Gönc (2,137 residents); another two Vizsoly (961 residents) and Boldogkőváralja (1,626 residents) are located 20 km outside the town. These areas were chosen for three criteria: within a 30-km GI location radius having (1) physical structure (gardens, farms with apricot trees), (2) economic structure (end-products made locally); and (3) social structure (primary school, medical practitioner, church). Social features of farming or gardening were encountered, and how these were retained and transferred during the transition was noted. Respondents were selected by random sampling, and notes were taken during most of the interviews; some were audio-taped.

##### **4.1.1. First survey**

The second step was to send a formal survey by e-mail to 20 municipalities to solicit information about local management practices and to identify key informants for the interview study. The survey was conducted in spring/summer 2014. Responses were received from three locations, a 15% response rate. Those who had not replied were contacted again. Lack of response was due to limited Internet access and/or lack of personnel with the ability to use a computer.

#### **4.2. Open-ended interviews**

Written questions were used as a guideline when conversation faltered. The in-depth semi-structured open-ended interviews were conducted using snowball sampling (Goodman 1961 in Biernacki – Waldorf 1981) asking prospective and recommended contacts about their perceptions of the value of the local goods. The concept of social memory has been linked to the development of emotional and ideological ties with a particular history and geography. Memory is not simply a recollection of times past; it is also anchored in places.

Ten semi-structured interviews were carried out, six conducted at garden plots owned by the key responders. The transcribed interviews were analyzed by classifying the respondents' answers, as conversations often digressed and did not always relate to apricot production. Not all interviews were recorded and transcribed in full but the key findings from each interview were noted in detail. The length of the interviews varied between 60 and 90 minutes. Patterns that emerged from the transcribed interviews are presented as classes in Table 3.

**Table 3. Classification of interview patterns**

N=10	Sex	Settlement	Occupation	Education
Interviewee1	Male	Location 1	Municipality employee	High school
Interviewee2	Male	Location 1	School director	College
Interviewee3	Female	Location 1	Artisan manufacturer/owner	University
Interviewee4	Female	Location 2	Allotment owner	High school
Interviewee5	Male	Location 2	Farmer	High school
Interviewee6	Male	Location 2	Municipality employee	College
Interviewee7	Male	Location 3	Municipality employee	High school
Interviewee8	Female	Location 3	Teacher	College
Interviewee9	Female	Location 3	Municipality employee	University
Interviewee10	Female	Location 3	Housewife	Secondary School

The purpose of the interviews was to identify (a) why poverty is so rampant, given that the region's main product – the apricot – has been granted GI status; (b) what the vision is for the future, and (c) how local leaders could leverage GI status to improve services. It was important to identify socio-ecological memory that could enable management practices, memory that has been retained and stored, both within the community and externally.

**4.3. Data analysis**

A sense of historical precedence linked to memories that have been handed down through generations is what gives a place depth. The semi-structured interview approach followed the paths below.

**4.3.1. Talking about farming: the shortage of land and the lack of ownership**

Preliminary research of available statistical data showed how difficult it would be to find someone who owned an allotment with fruit trees for farming. The following quotes demonstrate this problem.

*We don't own allotments; we have some trees in the backyard, and it's hard enough to look after them.*

Interviewee 8

*I don't have fields; my parents sold their part of the collective farm after the transition as we needed money.*

Interviewee 10

*A few families around bought all the allotments after the collective farms collapsed. They had money to invest. Three or four wealthy families own all the hilly fields; no one else could pay for them and work on them.*

Interviewee 1

*After the collective farms broke up, the municipality kept its own fields and a big allotment where families can buy one or two lines of apricot trees. Each line has 72 numbered trees; for a family that could be enough.*

Interviewee 5

*We, in the municipality, have some fields just at the end of the settlement. With EU and government funds, we started to work on them with locals who have been unemployed for ages, producing potatoes, beans, carrots. They were successful last year. This year, they built a couple of greenhouses as well. We already have lettuce and, in the cellar, mushrooms. Vegetables go to the school kitchen for the children. We want to improve our local capacity. Sometimes we overproduce; no matter. In the next village, we are going to exchange for something else that they have. This year we got 400 kg of pickled cabbage for wood and mushrooms.*

Interviewee 9

#### **4.3.2. Talking about the differences in local society**

Society divides along the lines of land ownership, authority or influence, or high income. The medium and large farms (between 6 and 25 hectares) do not provide equal employment opportunities for everyone. The following quotes illustrate this point.

*People are lazy.*

Interviewee 10

*No politicians invest here. This is not Tokaj. We don't have any governmental networks for supporting this region. If we had some, we could be better.*

Interviewee 3

*There is no work here. Everyone is employed by the local municipality. No one has a full-time business from which they can live just on that income. They need some extras.*

Interviewee 7

*School teachers are running B&Bs for tourists. The mayor has allotments. Everyone has extra income.*

Interviewee 4

#### **4.3.3. Talking about the Roma ethnic minority as an unnamed and unspoken reality**

According to national data, the Roma ethnic population is over 20% of this region. In the local public schools, ethnic Roma pupils form over 60% of the student corpus. Poverty and a lack of education, coupled with unemployed social status are handicaps that are not acceptable by the middle age and elderly non-Roma locals. Again, the following quotes illustrate this issue.



*Matthias, the King, once had a Black Army. Sometimes we use them [Roma] as well, on the fields.*

Interviewee 5

*I believe in equality, but they cannot work, can they?*

Interviewee 7

*Here we cannot say anything, but they [Roma] are all around.*

Interviewee 9

*We cannot leave them [Roma] on the street. We have to support them. We have to find a way for mentoring. That is our priority in this school. Strengthen their willingness to reach their dream.*

Interviewee 2

#### **4.3.4. Talking about transport**

It is not easy to reach any of these municipalities. Buses mainly run twice a day: in early morning to deliver commuters to the city to work and to school and in the afternoon to bring them home. Owning cars is a status symbol; car-sharing is not common but does exist.

*To get to and from the village is not easy. Buses run three times a day; twice at the weekend. Petrol is too expensive to drive to the next town.*

Interviewee 10

*No car, no movement.*

Interviewee 5

*Buses are expensive and run infrequently. The municipality car sometimes picks up the ill or old people to go to hospital but, not so often.*

Interviewee 6

#### **4.3.5. Talking about the past**

Geographic concentrations of production and selling apricot via local collecting farms provided a competitive field and good demand conditions for the residents in the region in the past. The resource-supported agro-industry had strong vertical and horizontal co-operation with households and universities that ended up with privatization. Today, memories from elderly households paint pictures of good times.

*In the old days, everything was better The Russians bought everything, drank anything.*

Interviewee 4

*We were young and healthy, it was enough.*

Interviewee 10

*During the collective farm days, everything was better, much better. We had jobs. We had fields with some extras. The kids were small. It was lovely then, not now.*

Interviewee 8

#### **4.3.6. Talking about local goods**

Local goods do not always belong to a visible traditional culture; sometimes they go beyond. The social system is based on living together. Despite the unique landscape and rich cultural heritage, the challenges of social structures reduce the prosperity of the place. Competitiveness without related, supporting institutions and actors means innovative processes may fail. Festivals, tourist programs, and visitors could play key roles to build competitiveness on the existing resources.

*Here we run church services together. We must cooperate and help each other, Catholics and Protestants together. We are in the minority here. We must be strong.*

Interviewee 5

*Because of the bible, we get many pilgrims from far away, not just from Hungary. But here, there is nothing else. No hotels, no water. We need water. We need spas to keep the tourists here in summer. We have no entertainment. Families run away from the heat. But we don't have water.*

Interviewee 1

*The Apricot Festival in summer is good - three or four days and plenty of strangers; tourists everywhere. We have no place to accommodate them. They come only once a year.*

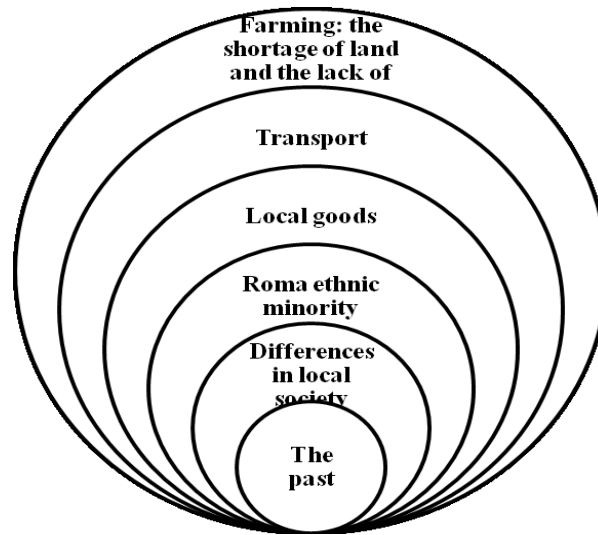
Interviewee 3

*Would be good to have a Pálinka festival but we don't have money to organize it. Each year it is risky to have it, but it is always good to have many people here. But they are not staying. Where? What for?*

Interviewee 4

#### **4.4. Diversity generates different solutions to different problems**

It is important to identify (Figure 1) how knowledge and memories as managerial capacity are transferred. The diversity of pálinka is an example of the capacity of rural areas to generate different solutions to different problems. Therefore, each one needs to be monitored for its social, environmental, or economic effects.



**Figure 1. Diversity generates different solutions to different problems**

There are two main categories of resources: material and immaterial. In this region, pálinka, as a resource, is made from 100% apricots grown locally. It is an important end-product. Gönci pálinka has had a GI status since 2002 and labelled as a Hungaricum since 2008.<sup>5</sup> Two locally registered companies applied for both labels in 2009: Boldogkő-Fruit Kft and Miskolci Likörgyár Zrt.

Since 2010, Hungarian law has decreed that each adult-aged member of a household can legally distil the equivalent of 50 liters of pálinka (86% alcohol) tax-free for personal consumption each year. Yet the EU directive allows only a 50% reduction on the normal excise rate for such distilleries. In 2015, the European Commission launched an infringement procedure against Hungary for violation of EU excise tax rules on pálinka, described as the country's 'eau de vie' '[...] To comply with the decision, Hungarian lawmakers raised the excise tax on pálinka distilled for private consumption by contract distillers to 50% of the normal rate, but introduced

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<sup>5</sup> More informations about Hungaricum products <http://hungarikum.kormany.hu/magyar-ertektar>

a flat tax of just 1,000 HUF per year for Hungarians who distil pálinka at home' (Politics.hu 2015).

In practice, if the geographic area of a GI is small, and if the GI product represents a large portion of local agricultural production, opportunities for increasing this production might well be limited by, for instance, the amount of land available (Moschini *et al.* 2008).

In our 100% apricot-based pálinka example, selling pálinka ostensibly produced for 'personal consumption' might be a temptation too strong to resist. A producer who wants to supply a quantity of this certified, high-quality GI product has two options: comply with the relevant GI specifications or ignore or violate them by producing a lower-quality product at cost instead.

While the law makes the indicators 'actionable', it fails to reflect the reality: 'where systematic compliance with the law is lacking, regulatory changes may not achieve the full desired results' (DoingBusiness 2015).

#### **4. Conclusions**

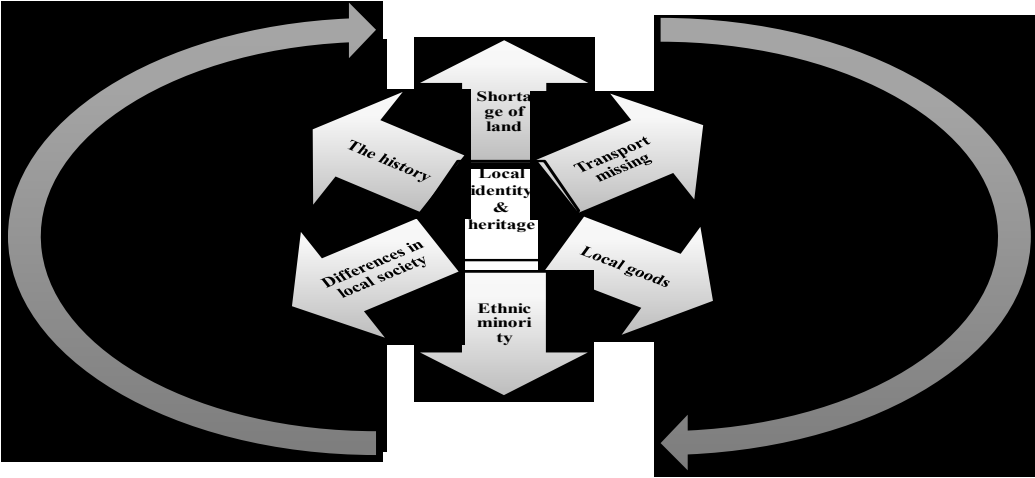
Thus, the prevalence and importance of PGI labeling grow as GIs continue to increase around the world, yet GI labeling initiatives remain unclear and highly debatable in this region Hungary.

Today's agro economic system is a dynamic sector that works together with a global value chain, with special regulations, labeling systems, and marketing plans. Producing characteristic fruit and goods with GIs and national trademark labels needs more than just special production knowledge. Without local businesses to take advantage of these labels, the complex process of certification loses its key effect: location. GIs need common local control of the production and sales processes.

The traditional knowledge of apricot production as part of both the local agro-system and the local food culture in north Hungary has largely been lost among local residents. Deprived of their traditional incomes, poverty-stricken elderly households are looking for alternatives to survive everyday life, a life that is far from the average norm. Because of high unemployment rates, families have existed for years without any one member having a regularly paid job. This

current pattern is set to repeat for the younger generation. Seasonal work (spring and summer) is available to some – working in the fields, picking or selecting apricots – but no permanent workplaces offer a steady income to cover the cost of living. The low/absent purchasing power does nothing to help the local markets. The search for cheaper commodities disrupts the local food chain and takes people to markets outside the area.

**Figure 3. The EU GI schemes in the region**



Source: author

Abaúj-Gönc is an undeveloped region without a strong economic structure, and very little purchasing power. In such a closed economy, the role of a GI system is isolated, and cannot reach the local customers (Figure 3).

Owning land is the preference of medium or large farmers and farm associations but not of families. The three pillars of sustainability – economic, social, and environmental – are crumbling because of disparities in wealth and education levels; the social element is separated, isolated, and divided because of the shortage of transport and inefficient road networks. Young people go to big cities to study and stay there. Urban migration is a one-way street. Depopulation and poverty are causing irreversible damage in this region.

Current government policies are inevitably a barrier to further development, as they focus on households selling fruit is a quick, seasonal solution. The quick solution is not always the best solution: selling apricots to external suppliers and retailers will not transform the local market but will change the fruit into a no-name product. To distil and sell pálinka among friends could bring in pocket money; but without suitable investment, the quality of the GI product will be damaged.

Municipalities focusing on long-term strategies for communities, instead of short-term profit, could maintain the quality of the product and add value to it. Supporting families with permanent jobs in community fields could help to bring back the benefits that come with traditional self-sufficient households. Offering alternatives for families and the next generation could restore competitiveness to the region. Products with GI certification should be leveraged.

Consumers do not have to be local. With the right marketing and more education, goods could be sold farther afield. The strength of local municipalities and their willingness to cooperate with clear decision-making to further such initiatives could result in generating wealth for residents. Local, family businesses could be involved in restoring their own personal solvency. Only functioning markets and a wealth-generating economy can make a smart local community.

Marketable GIs can have important implications for welfare improvements and vice versa. Credible GI certification is a benefit for consumers and provides untold benefits for producers.

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