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**BULLETIN
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CONTENTS

	Page
Preface	3
Dr. József BOGNÁR The agriculture in the drift of the epoch change of the world economy	5
Dr. Béla CSIKÓS-NAGY Increased efficiency requirements in agriculture	13
Dr. János MÁRTON The activities of the Research In- stitute for Agricultural Economics directed to the development of socialist agriculture	21
 <u>Section I</u>	
Dr. László CSETE Rational utilization of the cropland and increase of its productive capacity	31
 <u>Section II</u>	
Dr. János MÁRTON	
Dr. Vilmos MARILLAI Economic and organizational prob- lems of developing the grain and meat verticums	39
Mrs. Lászlóné NÉMETI	
István TILDI	
Dr. Ervin SZEDERKÉNYI	
 <u>Section III</u>	
Dr. Gyula VARGA Modernization of production and marketing on canning industry product lines	53
 <u>Section IV</u>	
Dr. András ÉLIÁS Scientific foundation of macro- economic management of agriculture in the preparation period of the Sixth Five-Year Plan	71
János FELFÖLDI	
Dr. Kálmán KOVÁCS	

PREFACE

In the framework of the Days of Agricultural Economics and Farm Organization a conference on scientific-production matters took place at the Hungarian Academy of Sciences. The purpose of the conference was to sum up the research findings of those engaged in scientific activities and to transmit directly such results which may be of use in the years to come in the fields of management and production. The scientific-production conference coincided with the twenty-fifth anniversary of the Research Institute for Agricultural Economics, a fact that helped to boost interest in the themes treated. When discussing scientific achievements and problems, and formulating the contradictions of reality and the ways of dealing with them, the lecturers, speakers, and debaters often commemorated Ferenc Erdei, the outstanding personality of the profession and former director of the Institute.

The lecturers of the plenary session dealt with the problems of agricultural economics of our days and the immediate future. The contribution of the Research Institute for Agricultural Economics to the development of the socialist agriculture was expounded. On the second day of the conference four sections were formed. Section I dealt with the rational utilization of the cropland. In Sections II and III the subjects were the development and modernization of the grain and the meat verticum as well as of the canning industry. Section IV dealt with the scientific foundation of economic management in agriculture. The lectures, contributions, and comments contained many valuable and useful information. More than fifty representatives and scholars of agricultural economics and the related disciplines delivered lectures and offered comments; the abbreviated texts thereof are included in a special publication in Hungarian, issued by the Ministry of Agriculture and Food.⁺ The purpose of the mentioned publication is to overcome the disadvantage resulting from the limited participation possibilities and to make available the lectures and discussion materials of the Days of Agricultural Economics and Farm Organization to those interested.

⁺ Scientific-production conference on agricultural economics and farm organization. Budapest, 1979, Ministry of Agriculture and Food /MEM/

Due to technical reasons the issue No. 46 of our Bulletin series contains only the texts of lectures delivered at the plenary session as well as those of the introductory lectures in the Sections. We hope that the foreign representatives of our discipline will find the contents of the present Bulletin useful.

Section IV

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SCIENTIFIC FOUNDATION OF MACROECONOMIC MANAGEMENT OF
AGRICULTURE IN THE PREPARATION PERIOD OF THE SIXTH
FIVE-YEAR PLAN

/The lecture deals with the questions of planning and control,
productive forces, and foreign trade./

I.

Economic planning is an objective necessity following from the socialist form of ownership; under socialist conditions it is the general form of motion of the productive forces. The development of socialist ownership as well as the increase of the complexity of economic life require that the planning - and the management of the economy in general - should grasp reality increasingly better, more accurately, with an adequate fullness of the details and proper foresight. It is in this way that the plan and planning may become adequate tools of managing the economy of growing complexity.

From this it follows that planning is to be conceived as a complex activity, and that it is to be developed as a complex system, so that it can cover and coordinate all phases of the verticum of food production at all levels. It is to create harmonious proportions in respect of the following factors: agricultural production, processing and services, domestic and foreign trade, availability of the means of production, producers' needs, domestic industrial production and imports of the means of production. It is equally important, requiring similar efforts, that the different levels of the planning should be in harmony with each other; the plan of the national economy should be reflected in the regional and medium-level plans; and the most important thing: all the plans of the companies should serve the fulfilment of the objectives of

the national economic plan.

The flexibility of the plan and the planning system is of particular significance, too. It would be illusory to believe that we could foresee, even in the medium run, things with such a degree of accuracy that would make realization of our plans a success. We can contribute to the diminution of uncertainty by acknowledging its existence, by our confirming thereto, and by our making preparations for averting the undesirable but probable events. There are many other conditions contributing to the aforesaid process. The plan should cover not only our desires but also the tactical plan, i.e. the uncertainty, should be planned, too, by developing an algorithm of activity that reckons with the possible modification of factors beyond our control, and indicates in advance the road to be followed in given cases.

Thus, it is not enough to prepare variants to the plan because they form in themselves a closed system. What is needed is planning within a system of targets which facilitates the change-over, with the possible least loss, from the commenced series of action to a series of action which conforms to the conditions that have changed meanwhile; the change-over should take place without a break. The need of such a system is particularly valid for the food economy which, in turn, is capable of realizing it only when the conception and methods of the national planning are identical.

It goes without saying that the traditional methods and means of planning do not comply with these requirements. The entire system of the supply, processing, and evaluation of informations, as well as of the preparation of planning decisions and of the appraisal should be modernized. There exists already a scientific solution in this respect, it is ripe for introduction in practice; however, the latter has not taken place so far.

The system of conditions of the plan realization, i.e. the system of prices and control, is one of the most important means of the fulfilment of the economic plan.

The creation of the harmony of the plan and the control is a fundamental responsibility of all concerned, including the representatives of science and executive power. However complex is the task of the creation of harmony within the food economy and between the latter and the rest of the economic branches, it cannot be delayed, because the development of the economy demands it increasingly, especially now when the problems of a more difficult period are to be tackled.

We cannot maintain that the system of control corresponds to the requirements of our age and conditions, and that it serves perfectly

the fulfilment of social and economic objectives, our plans.

"We can bluntly state that in most fields of the economy the producers' prices are totally unreal... We are working with prices which neither reflect precisely the domestic inputs ... nor the import prices ... In our enterprises ... even the most qualified economic managers do not know accurately the cost of the things they use, considered on a nation-wide scale."

These weighty statements were made by comrade János Kádár. He simultaneously voiced the standpoint of the Central Committee of the HSWP according to which "we have to adjust definitely the producers' prices which are to express better the real costs."

In the course of the preparation of the Sixth Five-Year Plan we are making arrangements in respect of the modernization of the price system. In doing so we endeavour to enforce the value judgment of the world market respecting the foodstuffs to a greater extent than hitherto, and the same applies to the domestic inputs. It is obvious, however, that this endeavour can be made only step by step.

Yet, the price system is the most important part of the control system. Under the conditions of large-scale socialist economic planning it may function properly if it is based on a price centre that has been developed uniformly, and applied consistently, for the economy as a whole. It occurs of necessity in socialist economic planning that we deviate at times from the price centre, but to do it consciously we have to know at least from what we deviate.

In our opinion the profit, proportionate to the assets and wages /wages and current assets/ and computed for the value of the locked-up fixed and current assets, should be the centre of the prices. It is only this way that the different needs of the branches for assets and the circulation velocity thereof can be enforced.

The level of the prices should secure the possibility of income and accumulation to an extent that is needed for the minimum growth of the various branches.

The income that may be realized even in the rock-bottom price should be identical in all branches of the food production /moreover in the rest of the branches of the economy too/ at the level of the socially needed inputs /costs/. Thus, the development decisions of agricultural enterprises /and also those of other companies/ may bring to light the comparative advantages which may contribute to a considerable increase of the efficiency in the enterprises and in the economy as a whole.

The price reform of the Sixth Five-Year Plan, under preparation

now, will presumably approach the income, proportionate to assets and wages, as price centre, but it will improve the rentability proportions as between the main agricultural branches and products to a negligible extent only. It makes a moderate step in favour of animal husbandry, but the requirement that the self-financing - self-developing - ability of the branches should evolve on the basis of levelling is far from being met.

The present over-complicated, at times puzzling, contradictory system of control, enforced of necessity by means of subjectivism, is rooted in this distorted price system. It is for this reason that comrade János Kádár has come to the conclusion that "the complicated system of dotation and skimming, and of settlement, and what not, ultimately confuses the picture".

In the event of a system of prices, expressing economic reality and real interests, the economic control may follow, on the whole, the so-called "intervention in exceptional cases" principle of the management theory. It could enforce the central will by modifying from time to time the allocation and withdrawal factors in the desired direction, thereby stimulating or withholding the development of the branches to the necessary extent.

The essence of the economic system of control /of the indirect system/ is actually the fact that the final outcome of the economic processes is watched, and intervention takes place only in respect of the most important processes.

The control, carried out with economic means, intended for influencing all partial processes and results directly and instantaneously, is no more than the economic caricature of a control system based on direct orders, and is self-defeating. The preparation of the Sixth Five-Year Plan promises a significant progress in this respect, too. The system of control - mainly of supports - is simplified, it will become clearer and, we hope, more objective. There is reason to hope, too, that by enforcing increasingly the interests of companies and individuals it will serve better the realization of social objectives, the higher level of the supply of the population, the increase of economical food exports, the general and rapid improvement of the quality and efficiency.

This is not a little and easy task because, of course, we have many other requirements the control system of food production is to comply with. For example, it should be a complex system, devoid of contradictions, conducive to planning, and coordinated with the control system of the national economy as a whole. It should represent a rela-

tive stability, but - in case of need - it should change continuously, too.

It is stressed that the changes of the system should be gradual because the agricultural enterprises are unable to comply smoothly with abrupt, brusque interventions; the efficiency of the inputs, by which the more rigorous economic conditions should be mainly compensated, could be improved slowly and gradually only.

II

Our research tasks in respect of technical economics, this new discipline, are determined by the rapid technical progress, the industrialization of agricultural production, and its concomitants.

According to Leontief, the world-famous economist, "in our days economics can be turned into a real and useful science if it analyses the production process in reaching the technical relationships, and avails itself of the technical sciences..."

To put it more precisely, the task of technical-economic research is to develop methods and concrete recommendations for the purpose of improving the efficiency of the live and objectified labour, and of a more rational operation of the production bases.

In addition to the methods of business organization we attach great importance mainly to planning in connection with the improvement of the efficiency of productive forces. Our planning arrangements have not developed to a great extent in the course of the past 15-20 years. In practice we still use the old method in planning the productive forces and the conditions in general; at present we are exploring the possibilities of new methods.

New and better planning solutions are needed in many respects. The efficiency of assets is to be enforced already in the course of the planning. The investment plan which fits in with the given task of production is, for example, the main pledge of economical operation.

The plan is having an important function also in respect of securing the supply background. It is well-known that agricultural production depends increasingly on the industry, manufacturing the means of production. The industrial background is inflexible, moreover the market research activity of the factories is rather weak with regard to agriculture, while it has not developed at all in respect of some branches of agriculture. Therefore it is a vital interest of agriculture to present its well-founded needs in time.

Our direct research aim is to develop new solutions for the pur-

pose of planning the mechanization, the building investments, the fertilizer utilization, and the labour force. The solutions are to meet present requirements as well as those of the coming 2-3 plan periods.

Here are some details of the aforesaid research work.

In our view the mechanization of agriculture has reached a new phase whose most characteristic feature is that the capacity of the machine stock secures increasingly the firm bases for the completion of the production tasks of the principal branches in optimal time. Under such circumstances the harmony of production task and machine capacity is increasingly emphasized at the levels of business management and branch management alike. This need is to increase in the future.

The mechanization conforming to the details of the production task may be secured with the method of stock planning. The latter is missing from our present planning solutions, or it is of a formal nature where it exists. The determination of the proper composition of the new investments and of the purchases is not sufficient in itself because the proportionality requirements of the mechanization may be gauged first of all on the stock. The proportionality requirements are the following:

- proportionality relating to the production task,
- harmony of engines and other machinery,
- proportionate age composition,
- relationships of scrapping, replacement, and development.

The requirements can be met with detailed planning only which involves the employment of computer. In our Institute we have developed the simulation planning method for the purpose of computing the medium-range machine needs of Hungarian agriculture. It is applied to the computations of the Sixth Five-Year Plan.

A growing characteristic of building investments is reconstruction. The change of the purpose or direction of the utilization is also of relatively wide scope within the life of the buildings.

A method of economic planning is needed which takes into account the particular features of the reconstruction, as distinct from those of the new investments, and ensures enforcement of the efficiency requirements in this field, too.

Two important requirements of the planning of the fertilizer needs are expounded.

1. The prescriptions of production technology make difficult to modify the range, the modification is delayed for a longer period, therefore planning has to cover a longer space of time.

2. Planning of the fertilizer range should be made extensive, the determination by the three main effective substance varieties is not sufficient.

Due to the scarce finances the residue principle has been applied in respect of the planning of meliorations. The method of complex production development is to be applied in the future in such a way that the financial restrictions are enforced jointly for more factors. It does not make sense, for example, to plan large fertilizer utilization along with a low melioration plan. Such factors may also contribute to the stagnation, or decline in certain fields, of the fertilizer utilization.

When planning the labour force not only the resources are to be considered; it is necessary to develop solutions based on the production processes. In addition to solving the methodological problems, also norms, differentiated by technological levels, are needed for this purpose. It is also for this reason that within the framework of researches relating to labour economics we have devoted more attention in recent years to the analysis of work processes in the branches. Our researches relating to labour sociology assist the consolidation of planning from another angle.

Economic organization

The rational increase of the utilization level of existing assets is an old-established solution of improving the efficiency. In order to enforce this solution the methods employed should conform to the present level of the productive forces and to their modified structure. Some of our relevant researches are expounded hereunder.

The proportion of the open reserves is considerable in respect of the operation of the machinery and equipment. The share of the shift-time which could be utilized by means of coordinated measures, taken at enterprise and national levels, may be put at 10-15 per cent. This is not insignificant in view of the fact that the annual shift-time basis of the engines is 180-190 million hours.

It would be expedient to develop in the near future the national and enterprise system of economizing the technical capacities, to determine the requirements of capacity planning, and, what is the most important, to introduce compulsorily the uniform system of work statistics and appraisal in respect of the mechanized working processes and machine operation.

It is advisable to provide the expensive machines with instruments

which continuously measure and register the utilization. The utilization of the reserves may be promoted by programing the working processes, by the regular appraisal, and by means of a system of interestedness stimulating the utilization of the machinery.

The use of fertilizers is analyzed by means of computer examination covering several hundreds of thousand hectares and 25 factors. The purposes of the examination are to quantify the additional efficiency and the foundation of the perspective conceptions of fertilizer utilization from the aspect of efficiency.

It is advisable to enforce a new conception in respect of the meliorations. We should look for economical and cheaper solutions in this field, too.

We deem it proper to take into account the utilization of the machinery, at the disposal of the farms, in connection with meliorations, road building, and maintenance work.

The changes in labour productivity is based, instead of the global approach employed hitherto, on the analysis of the details of the branches and the enterprises respectively.

We are looking for the new methods of cooperating with other branches of the economy. For example, the VOLÁN Co. may be allotted more transport tasks. The following are needed for the purpose: mutual guarantees, a new system of money incentive in respect of the transport contracts, among others the decentralized development of the network of VOLÁN Co.

There are far more possibilities and tasks regarding the improvement of the efficiency of the productive forces than mentioned above. Please find hereunder a few key-words respecting our important tasks in economic organization.

Change-over from capitalist to socialist sources of supply respecting imported means of production.

Energy economization.

Development of inter-enterprise organizations ensuring the utilization and technical supply of machines and agricultural enterprises.

III

It has been a well-known principle of our agricultural policy for several years that the intensifying competition in foreign markets requires the export-oriented development of the production of the branch. We are of the opinion that the possibilities and the requirements should be formulated more consistently than hitherto. Our tasks are namely more complicated than those understood by the profession under the slogan of

improvement of the quality. We should like to emphasize some important requirements in this respect.

1. The characteristics and properties of our export products should reach at least those of the goods of our competitors. It is only this way that we shall be able to obtain prices identical with those received by exporters who are accorded the same commercial policy treatment as we get.

This requires a better knowledge of the quality characteristics of the products of the competitors, of the quality improving plans of our partners, and of the changes in the demand of the buyers etc.; we have to be aware of the consequences of the aforesaid requirements in the fields of the base material production and the processing industry. Our development possibilities should be subordinated clearly to the need of reaching and outdoing the quality of the goods of the competitors. We have to formulate this need in our plans more clearly than hitherto.

2. The requirements in respect of agricultural and food industry products depend to a much greater extent on the habits, taste, way of life of the consumers, and on factors that are hardly definable in an exact manner, than those in respect of durable consumer goods.

With the exception of agricultural mass-produce the foodstuffs appear, in general, in special forms. The taste and the needs may differ in the markets of socialist, advanced capitalist, or developing countries. The change-over from one market to another is not devoid of problems even in the case of products of the best quality.

3. The change-over from one market to another requires very often changes in respect of quality or technology. Even the readiness and ability to meet the wishes of the most fastidious buyer do not mean that the product in question may be sold automatically in another market. A given product is having therefore a concrete market; it is not certain that another buyer is in need of a product of better finish and hence more expensive, and that he is prepared to pay the higher price.

4. The majority of the exporters are compelled to be in the market with crude and processed products alike, and to ensure their ability to supply. The existence of processing capacities and the increase of processing spare the exporters the compulsion of immediate sales. The radius of the market widens, a better sales opportunity may be waited for.

The marketable processed products facilitate to increase the foreign exchange earnings. This does not mean in itself, however, that the foreign exchange earnings have become more economical during the given period. Thus, the exportation of a crude product may become more econom-

ical during the given period. Thus, the exportation of a crude product may become more economical if more favourable prices are obtained. At the same time, considering a longer period, the foreign exchange income may be increased and optimized as the processing degree is raised.

In addition to the rational utilization of our potentialities it is probable that we shall have to aim at an adequate combination of exports of raw materials and processed products for some time /e.g. live cattle, beef, half-pigs, pork products, etc./. This demands the flexible cooperation of producing and processing enterprises. A further requirement is a close integration of the aforesaid enterprises and the foreign trade, supported by organizational arrangements and money incentive. Also the regulating role of the state will have to be enforced in the interest of foreign trade, according to need in the form of price subsidies, etc.

5. The adaptation to the changing needs of the market requires greater flexibility, and assumes the satisfaction of the special needs of the small-scale buyer, in addition to meeting the demand of the great buyer. Without the adaptability of the state, cooperative, purchasing, and processing enterprises of different sizes, without their export incentive system, and finally without the perfection of the vertical relations, this will be hardly realizable.

6. It follows from the foregoing that it is necessary to develop the relations and settlement forms between foreign trade, the producing, purchasing, and processing companies. Occasionally it is advisable to draw into the arrangements the integrated organizations of the given production field, too /production systems, associations, research institutes etc./. After having created the appropriate conditions gradually, the establishment of the uniform organization of the entire verticum may become justified in certain places, too, including the performance of foreign trading activities.

We have to realize that the grant of the right of performing foreign trading activity to some additional foodstuff producing companies would affect but a small portion of the foreign trade turnover. The widening of the channels through which the larger part of the turnover is passing could take place by integrating the enterprises, engaged in production, processing, and marketing, within the bonds of simpler associations where all those interested could be informed about the requirements of the trade more thoroughly than heretofore, and could avail themselves of the opportunities without delay. Much more is at stake than the distribution of profits after realization; we urge the day-to-day cooperation that ensures a good grasp of the situation.

7. The classified prices, price proportions which properly express the value judgement of foreign markets will continue to be the most important factors affecting the export-oriented development of agricultural products. Also investment and credit policies will have an important role to play.

The price changes keep many uncertainties in store. We have to reckon with the fact that in certain cases even the production reaching the world quality level cannot ensure economical exports in the given year. Agricultural and food industry prices are changing as a result of the joint effect of different factors in the world market, and they are often administered prices. Not even the international commodity agreements, signed or about to be concluded, will change materially the situation /sugar, wheat, coffee, cocoa, etc./.

Whether the national economy can do without the foreign exchange earned by products produced with relatively higher domestic inputs, is a matter of the ability of the national economy to earn foreign exchange, mainly other than roubles. In other words, to what extent is it possible to limit the ability of the food industrial branches to earn foreign exchange, thereby decreasing the export of "uneconomical" products.

The decision regarding the volume of food exports and the judgement of economic efficiency should be definitely subordinated also in the future to the interests of the national economy and to the requirements of the proportionate development of the branches of the economy. All this should not preclude a more far-reaching and thorough appraisal of the branch effects than customary hitherto.

Finally, we should like to voice our belief that the only way to mitigate, and later eliminate, the contradictions is to strengthen the cooperation, based on mutual advantages, with the socialist countries, first of all with the Soviet Union.



