



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

281.9  
B852B

11D

# AGRÁRGAZDASÁGI KUTATÓ INTÉZET

BULLETIN  
БЮЛЛЕТЕНЬ

U.S. DEPT. OF AGRICULTURE  
NAT'L. AGRIC. LIBRARY  
RECEIVED

FEB 5 '85

PROCUREMENT SPECIFICATION  
CURRENT SERIAL RECORDS

No 56  
1984

ИССЛЕДОВАТЕЛЬСКИЙ ИНСТИТУТ ЭКОНОМИКИ СЕЛЬСКОГО ХОЗЯЙСТВА  
RESEARCH INSTITUTE FOR AGRICULTURAL ECONOMICS  
FORSCHUNGSINSTITUT FÜR AGRARÖKONOMIK  
BUDAPEST

AGRÁRGAZDASÁGI KUTATÓ INTÉZET  
RESEARCH INSTITUTE FOR AGRICULTURAL ECONOMICS

Bulletin No. 56

PAPERS AND LECTURES ON AGRICULTURAL ECONOMICS

No **56**  

---

1984

BUDAPEST

1984

RESEARCH INSTITUTE FOR AGRICULTURAL ECONOMICS

Director general:

Dr. János MÁRTON

Edited by:

Ádám BISZTRAY

Authors:

Sándor BALOGH  
Gabriella BARCZA  
Éva BORSZÉKI  
András ÉLIÁS  
Margit JÁNKY  
Vilmos MARILLAI  
János MÁRTON  
Magda NÉMETI  
Nándor ROTT

Emília SEBŐK  
Mária SCHULZ  
László SZAKONYI  
Ervin SZEDERKÉNYI  
Béla TOMPA  
Tamás UJHELYI  
István VAIK  
Gyula VARGA

HU ISSN 0541 9417

Editorial office:

RESEARCH INSTITUTE FOR AGRICULTURAL ECONOMICS  
H-1355 Budapest, 55. Zsil u. 3/5. Hungary

Készült:

a Mezőgazdasági és Élelmezésügyi Minisztérium  
Információs Központja Házi Sokszorosító Üzemében

Felelős vezető: Budai János

Törzsszám: 323/84

CONTENTS

	Page
PREFACE	5
Sándor BALOGH: The particularities and present situation of the food industrial product-innovation process	6
Gabriella BARCZA-Mária SCHULZ: The present and future of Hungarian seasoning paprika	27
Éva BORSZÉKI-Margit JÁNKY-Ervin SZEDERKÉNYI-István VAIK: The economic effects and conditions of an improved regional allocation of the major grains under the aspect of national economy	43
András ÉLIÁS-Emilia SEBÓK: Problems of long range export- oriented development of Hungarian agricultural and food industry production	55
Vilmos MARILLAY: Certain economic problems of state control for the cooperatives in Hungary	66
János MÁRTON: The role of live-labour in horticultural production	79
Magda NÉMETI: The prospects of labour demand and of small production in agriculture	92
Nándor ROTT: The further development of the system of financial institutions /Proposal for the establishment of a Food Economy Bank/	103
Béla TOMPA-László SZAKONYI-Nándor ROTT: Innovation and agriculture	116
Tamás UJHELYI: The adjustment of Hungarian agriculture to external changes	129
Gyula VARGA: Certain income redistribution problems in Hungarian agricultural production and in the turnover of agricultural products at home and abroad between 1970 and 1982	142
APPENDIX /Bulletins issued in the last five years/	178

PREFACE

The international concern in respect with Hungarian food economy which could be observed in course of the past few years encourages us to further intensify the presence of our results achieved and our problems emerged in the informative - special literature. So - among other considerations - we accepted the idea to publish the present volume of papers offering thereby a selection of domestic publications recently printed - mostly in diverse Reviews. Publication of these papers in full extent is justified not only by directly scientific aspects and by those regarding the content but also by the fact that relatively few or only occasional publications are dealing with the interpretation of studies about Hungarian food economy in languages spoken all over the world. These sources<sup>+</sup> are serviceable rather for the satisfaction of professional information demands of general concern but they cannot undertake the demonstration of certain part domains, special subjects or the comprehensive spectrum of publications. We should like to remark here that the Series of the Bulletin of our Institute published since 1962 endeavours to eliminate this shortage of informations which can be observed in the domestic publishing of special literature and journals, to fill this "blank spot" with its volumes edited in English and Russian languages which - in compliance with the editorial principles applied so far - presented thematic /papers on agricultural economics, proceedings of conferences held at home or abroad/ and summarizing /recapitulative collections of publications made in course of one or two years/ copies.<sup>++</sup> The articles and papers come from the work of authors being the members of our Institute but we think that they represent from several aspects the topical problem groups of Hungarian food economy and also that tradition which is remarked by the three decades long activity of this Institute, by the continuity of research work in agricultural economics.

Budapest, January of 1984.

The Editor

---

<sup>+</sup> See: Hungarian Agricultural Review /Budapest, AGROINFORM, reference journal/, incidental publications like Agricultural production systems in Hungary /Budapest, AGROINFORM, 1983/, etc., Acta Oeconomica, periodical of the Hungarian Academy of Sciences /Budapest, Akadémiai Kiadó/, Statistical pocket book of Hungary /Budapest, Statisztikai Kiadó/.

<sup>++</sup> See the Appendix.

CERTAIN INCOME REDISTRIBUTION PROBLEMS IN  
HUNGARIAN AGRICULTURAL PRODUCTION AND IN THE TURNOVER OF  
AGRICULTURAL PRODUCTS AT HOME AND ABROAD BETWEEN 1970 AND 1982<sup>+</sup>

by

Gyula VARGA

In addition to the thematic accordance with the general report it is - corresponding to the usual and accepted expression - the subject of matter of "subsidize" which in my contribution unites the problems of production, consumption and foreign trade. I lose no time to point out that I interpret this "subsidize" as a part of redistribution and I rank myself among those who had great doubts since a long time already in respect with the efficiency of this type of stimulation. My major conclusion which will later on be justified also by respective data are the following:

- Within the sphere of agricultural production the scope of subsidies is at present already far smaller than the value of withdrawal and so we cannot speak at all about agrarian favouritism.

- The total sum of subventions granted for the consumers' prices of products of agricultural origin is smaller than that of turnover taxes remitted. In spite of the large-scale advance of foodstuffs prices and of those of consumers' goods the demand of the population is still important. Despite the shift of the consumers' prices there is no significant modification within the structure of food demand.

- Within the sphere of foreign trade subsidization represents an involuntary system which in the present practice of exchange policy can be considered as a type of reversed taxation giving in fact fully up withdrawal at the exports and so most of all brings about the type of net /counterpartless/ subventioning.

The redistribution system of incomes established in Hungary - practically from the economic reform of 1968 on - is unambiguously losing its importance. More exactly it becomes repressed to a field where the intervention of the state can be justified - in spite even of its disadvantages - by the directness of its effect but mainly by the endeavour of being protected against the undesired by-effects of the automatism applied.

<sup>+</sup>Contribution to the Conference about "Prices in socialism" organized in Giessen from 14<sup>th</sup> to 18<sup>th</sup> March, 1983.

All these induce vigorous discussions among the Hungarian economists. This way my paper represents a personal standpoint only and by no means some kind of "official" position.

1. The modifications of income redistribution in large-scale agriculture in course of the 1970-s<sup>+</sup>

According to a cardinal thesis of the new Hungarian agricultural policy which started in 1957 the establishment of large-scale agriculture should be assisted by particular subsidization of the types of large-scale enterprises, by preferential benefits granted for investments and production /operation/ instead of the impoverishment of the small peasants' sphere. The vitality of this principle has been proven in the practice by the fact that agricultural production increased even in the period of the 1960-s which brought radical transformations. For this end it was also necessary - in addition to such equally important factors like the independence of the enterprises, prices which cover the costs, steady market - that the accumulation of capital at the new large-scale enterprises should provisionally be paid in advance from external sources.

Following the New Economic Mechanism /after 1968/ the situation significantly changed both in conception and in respect with the scale of equippedness of the agricultural enterprises as well as, of course, in respect with the income content of the prices. The maintenance of subsidies granted by the state to the enterprises which became already consolidated and competitive can be justified - according to Hungarian economists - mainly by three reasons:

- the small income content of the producers' prices which related with the desirable scale of reproduction /at an increasing extent/ is deemed to be inadequate,

<sup>+</sup> In this chapter I confine my analysis to the examination only of the large-scale enterprises, the agricultural producers cooperatives and the state farms as well as of their joint enterprises for two reasons. On the one hand I dispose of reliable data which permit detailed analysis only within this sphere and on the other hand both subsidies and withdrawals affect at a decisive manner only the set of these enterprises. Small-scale producers enjoy small preferential benefits but they bear nonetheless small burdens in respect with their agricultural production.

The source of the data reported in Chapter 1. is - if I do not refer to other sources - the volume: "A mezőgazdasági nagyüzemek gazdálkodásának főbb adatai 1970-1981" /Major data concerning farm management of the large-scale agricultural enterprises between 1970 and 1981/ published by the MÉM STAGEK /Centre for Statistics and Economic Analysis of the Ministry for Agriculture and Food/ in September, 1982.



- the vigorous intention aiming at the transformation of production structure and with such a rapidity which cannot be expected from the response of the enterprises through their interests in the income mainly then when the credit market is less developed than necessary,

- the adjustment of the centre of prices to the average soil quality, to the average technical equipment /according to the opinion of several people to that better than the average/ which - intensified also by our targets of social policy - renders the vigorous subventioning of farms of disadvantageous natural conditions necessary.

Among the above mentioned three reasons the first may provoke the subsidization of investments and the so called operation subsidies<sup>+</sup> while the second one renders unambiguously the subsidization of investments necessary and the third makes the same with the so called operation subsidies. Subsidization, as I mentioned already at the beginning of my paper, functions together with the withdrawals and their balance is changing with the time:

- the sum of operation subsidies amounted to 3,7 thousand million Ft and that of investments' subsidization to 5,7 thousand million Ft in 1971 against 7,2 thousand million Ft payments for the budget so subsidies surpassed payments by 2,2 thousand million Ft,

- subsidies for operation represented 12,4 thousand million Ft and those for investments 4,4 thousand million Ft in 1981 while the sum of payments amounted to 22,3 thousand million Ft on the other hand. So the balance demonstrated 5,5 thousand million Ft surplus of the payments i.e. withdrawals quasi justifying thereby the economic policy of restrictions announced in advance,

- by summing up the 11 years between 1971 and 1981 the equilibrium is almost "perfect", the surplus of withdrawals being 0,3 thousand million Ft at annual average.

All these data refer to the budgetary subsidies and payment obligations which act under the conditions of the price system operating at present. Our investigations concerning other subject matters show that not even these types of withdrawal /those of taxation, diverse payments/ are determinative for the centralization of incomes pressing the sphere of agriculture but the effective level of the producers' prices itself

<sup>+</sup>This is an allotment complementing directly the income of the enterprises its purpose being to create adequate conditions for self-financing of enterprises and most recently also of economic branches /dairy production e.g./ which are of more disadvantageous conditions than the average.

i.e. the price level of the utilized means of production. The existence of price disparity between the means of production and the final product, verified by several authors<sup>+</sup> and the enlargement of the gap between the prices of agricultural and industrial products figures more and more frequently among the conclusions of agricultural economic papers and discussions.

The data of Table Nr.1 refer to the gap manifested from 1975 on between the prices of agricultural and industrial products. Even in the lack of exact measurement data we can prove that this process accelerated in 1982 and mainly in 1983. In contrast, namely, with the expectable 3,7 per cent increase of the price level of the agricultural products from 1982 to 1983:

- the prices of the plant protecting chemicals increase by 18 per cent /their price support decreasing at the same time from 21 to 10 per cent/,
- those of imported protein feeds increase by 12 per cent and those of the feed mixes by 6 per cent,
- the spare parts for machines become more expensive by 5-6 per cent,
- the price support for energy materials ceases to function and the price will continuously fluctuate in relation with the import prices as well as with the altering rate of exchange /which will probably involve the devaluation of the Forint/, and
- machine prices will raise by 18-20 per cent /with a dispersion between the values of 10 and 70 per cent since subsidisation will be stopped.

If we consider the structure of subsidies and payments for the recent period then we may conclude in certain interesting results which

<sup>+</sup>The result of an investigation - which is worth of attention also in respect with other aspects - quoted by Aladár SIPOS briefly summarized in a recently published paper refers indirectly also to this fact: "Based upon a complex index of efficiency the KSH /Central Statistical Office/ compared the domestic value production index numbers of certain national economic branches or of certain specialized industrial branches to the average of the national economy. Expressed in the domestic price system food industry represents 95 per cent, agriculture 71 per cent, machine industry 152 per cent, chemical industry 234 per cent of the national average efficiency. If, however, input-output relation is evaluated in the pricing structure of the capitalist countries then the picture would fundamentally change and machine industry would obtain an efficiency index of 67 per cent, chemical industry that of 99 per cent, food industry of 171 per cent and agriculture of 175 per cent i.e. the complex efficiency of food industry and agriculture would surpass the national economic average and the efficiency level of the processing branches would fall below the average level of national economy." Aladár SIPOS: Az élelmiszeripari vállalati gazdálkodás és a kutatás feladatai. /Enterprise management and the tasks of research in food industry./ Gazdálkodás, Nr. 8. 1981, pp 1-16.

have a significance also beyond the comprehensive data of Table Nr. 2. Starting out from the subsidies we must repeatedly refer to the growing prevalence of subventions for operation. In 1971 each Ft of subvention for investments was accompanied by hardly 0,6 Ft subsidization of the operation while this index increased already to 2,8 Ft for 1981. The bulk of operation subsidies represented a direct factor in the development of the income of enterprises but it is also true that the income was then charged by several taxes and payments and at the following extent:

	1971	1981	Index 1981/1971
communal contribution, thousand million Ft	0,33	0,59	178,9
taxation over the income of the enterprises, thousand million Ft	1,57	7,65	487,-
taxes over labour remuneration and income share <sup>+</sup> , thousand million Ft	0,07	0,84	1169,4
total	1,97	9,08	460,1

<sup>+</sup>In the case when the personal incomes disbursed increased in certain enterprises at an extent surpassing the prescribed tax free limit.

The rapid tapping of enterprise incomes in a way spectacular like this is disadvantageous in respect with the accumulation of funds for both development and personal incomes. But it corresponds fully to the short term task that demand and supply should remain in the state of equilibrium at the market of producers' and consumers' goods at the same time.

The taxes and other charges put to account among the costs of production and payable irrespectively of the rentability of production increased also vigorously between 1971 and 1981 to more than the two and a half-fold /by 251,6 per cent/. Land tax as a taxation related with land as the most important means of production being at the same time in the greatest shortage is of a relatively moderate financial extent. In 1981 it amounted to round 1,3 thousand million Ft representing less than 6 per cent of all payments to the budget. It is hardly disputable that this "cheapness" is not very incentive for the enterprises by encouraging them to manage land fund more reasonably.

The determinative factor of payments charged upon the costs is represented by the social insurance contribution to be paid after labour remuneration which amounted from 2,2 thousand million Ft in 1971 to

6,1 thousand million Ft for 1981. Related with the wages its ratio increased within 11 years from 9 per cent to 17 per cent which means that the employment of labour - held at a low level of wages also because of the subsidized consumers' goods - became significantly "more expensive". This contribution further increased in 1982 and from 1983 on the large-scale agricultural enterprises pay a social insurance contribution corresponding to 30 per cent of the wages paid.

The second important item is production tax which is to be paid after the nonagricultural activities the amount whereof increased by 309 per cent from 1,4 thousand million Ft to 4,4 thousand million Ft. It is advantageous for the extension of these activities that their rentability is better than that of agricultural production which is encouraged by the small rivalry and by the system of pricing which /in contrast with the mostly fixed agricultural prices/ belongs to the type of uncontrolled prices. Therefore it is not at all surprising that each 1 per cent increase of agricultural production in a closer sense /crop production plus animal husbandry/ is accompanied by a 2,5 per cent extension of nonagricultural production in the Hungarian large-scale farms.

Returning again to the subsidies it is moreover worth to remark that their central problem is represented by cattle breeding and by dairy production therein which demands almost the half of all subventions. Besides the greatest ratio, namely about 25 per cent is required from the budget for the supplement of prices for the large-scale enterprises of unfavourable conditions. This supplement to the prices is disbursed as a bonus after the products realized improving thereby the competitiveness of the enterprises which produce more expensively but making worse at the same time the level of efficiency in agriculture as a whole.

The effect of the preferences related with the interest of investment credits cannot directly be demonstrated within the amount of subsidies. The enterprises may benefit of smaller or greater remittals of interests<sup>+</sup> depending upon the branch for the development whereof they utilize the respective credit. Specific cases are represented by the reduction of interests of credits assigned for the increase of exports, the extent of which would increase from a repayment of 33 per cent in 1982 to 38 per cent for 1983 if the returns of convertible foreign exchange augment. In those food industrial enterprises, moreover, where 25 per cent of the returns derives from exports under § accounting the

<sup>+</sup> Here the fact is worth to be mentioned that the rate of interest very vigorously increased in course of the recent years, it raised from an amount of 4-7 per cent to 12-14 per cent.

extent of interest reduction amounts to 50 per cent. Preferential credits are granted also for investments aiming at the rationalization of the use of energy and - as a new element of Hungarian agricultural policy - in certain regions also those aiming at the establishment of new work posts.

2. Subventions and turnover taxes with the consumption sphere of agricultural products

In a way similar to the practice of the European socialist countries also in Hungary the consumers' prices of the majority of food-stuffs are preserved under the real level of costs by means of taking benefit from subventions of significant amount. We proceed this way in spite of the fact that we declared almost one and a half decade ago the program of rendering consumers' prices proportionate with the value. This meant the closer linking between the producers' and consumers' prices, their synchronic movement and the fact that in the optimum case the consumers' price should provide a source not only for the coverage of production costs but also for the endeavoured extension of production.<sup>+</sup>

In spite of the significant subventions it cannot be said at all that we did not make important steps for the achievement of our targets set, mainly in the years passed since 1976. But it is indisputable that particularly between 1974 and 1976 the declared process of the price reform sprang a serious leak. It is mainly a consequence thereof that the subvention of the consumers' prices which represented only 10 per cent in 1970 increased to already 24 per cent for 1976 while the agricultural producers' prices raised hardly by 15 per cent between 1970 and 1976.

In the first half of the 1970-es the producers were not charged with the increasing costs of production in spite of the fact that the real incomes of the population grew at an annual rate of about 4,5 per cent. This way we may consider why the turnover of foodstuffs augmented by 5-6 per cent annually from 1970 to 1976 and that of the consumers' goods at an extent surpassing 35 per cent in course of five years. /Table Nr. 3./ In spite of the fact that the turnover tax of consumers' goods developed around 36-39 per cent still the about 3 thousand mil-

<sup>+</sup> Starting out e.g. from the price of pork this "ideal" price would be about 135-140 Ft per kg in contrast with the present 80 Ft per kg price which is pressed by a 28 per cent subvention below the 105-110 Ft full costs.

lion Ft surplus budgetary returns of consumers' goods of agricultural origin reduced practically to zero for 1976 although significant advances took place already that year in the prices mainly in those of the foodstuffs of animal origin. /Tables Nr. 4. and Nr. 5. give informations through examples about the scale of subventions and turnover taxes and about the extent of their changes for the diverse commodities and groups of commodities./

In course of the five years period between 1976 and 1980 /period of the five years' plan/ an advance of prices by 5,3-5,4 per cent was planned in the consumption sphere of the population in order to significantly reduce subventions. The average increase rate of 6,3 per cent which considerably surpassed the planned extent was a result mainly of the price advances taken place in the years 1979 and 1980. A significant part of the surplus expenses of the population derived also from the price advance. The consumers' price increase of foodstuffs approximated /in 1976/ or surpassed in 1979 and 1980 the 10 per cent rate in 3 years of the 5 passed between 1976 and 1980. As a result of the increasing level of the producers' prices, however, radical changes could not be achieved again within the subventioning system of foodstuffs. Still compared to the year of 1976 the budgetary sources of about 15 thousand million Ft used for this end should not be augmented for 1983. This way the subvention of about 25 Ft for each 100 Ft turnover of foodstuffs in 1976 decreased to 14-15 Ft and the state budget acquires nearly 50 Ft turnover tax after consumers' goods of 100 Ft value. By the way the amount of budgetary returns deriving from the consumers' goods is two and a half time as much as that of benefits assigned for foodstuffs and so the payments to the budget after agricultural products will advance over 20 thousand million Ft in course of 1983.

It would be a one sided conclusion on my behalf if I would ascribe the increase of consumers' prices exclusively to the endeavour for the establishment of budgetary equilibrium. Also the intention to maintain the balance between solvent demand and the fund of commodities or to keep purchasing power within the planned scope got a role in these measures. It is a fact that in course of the past one and a half decade there was no continuous shortage of any commodity /except the offer of citrus goods which as a result of the import saving measures taken in the last one or two years decreased/ at the market of foodstuffs and consumers' goods in Hungary. The columns of figures indicating shifts of prices and purchasing in the annexed Tables No. 6 - No. 10. also demonstrate on the other hand that even the radical advances in prices di-

minished only but temporarily the demand. After the transitional stopping short of turnover the demand for each "superior" foodstuff increases while e.g. in the case of flour or bread almost quite independently from the trend and extent of price shifting it decreases. The prices of vegetables and fruits, on the other hand, which are hardly influenced by central measures fluctuate in accordance with the play of demand and supply.

The data of these tables remind us also to the fact that the population requires the well established standard of provision and is much less sensitive for the advance of prices than for an occasional shortage of commodities. This way the long-standing dispute whether low foodstuff prices should be set as a task of economic policy even when shouldering troubles of the provision at the same time or a full offer at advanced prices was decided by the Hungarian consumers in favour of the second alternative. And this can serve as an interesting experience also for other countries. /Tables Nr. 11. and Nr. 12. present a conspectus of the shift of prices for the diverse major foodstuffs. And Table Nr. 13. represents an experiment to compare the domestic producers' and consumers' prices and those realized at foreign markets in respect with certain commodities./

3. Certain problems of the encouragement of exports, of the relationship between domestic prices and those abroad as well as of the changes in the system of organization

Foreign trade represents a particular sphere of income redistribution. The separation of domestic and foreign agricultural markets is a wide-spread practice all over the world, namely through the system of price supplementing subsidies as well as of the duties and withdrawals. It is a generally accepted tendency that the domestic price level of the agricultural products is significantly lower in less developed countries and considerably higher in the developed countries than the world market prices. This means that the developed countries protect and support their agricultural producers while the less developed countries make efforts to strip the incomes of the agricultural sector in favour of the construction of their industry. Being a country of medium development we meet also in Hungary domestic agricultural prices lower than those at the world market.

Hungary, on the other hand, takes part in the international agricultural trade mainly as exporter: the share of domestic consumption within the final utilization of agricultural products is 2/3 while that of the

export represents 1/3 of it. It is envisaged in our plans that within the increase of production export should have a 2/3 share. This way the raising of exports is of a cardinal importance for us and the vigorous encouragement of production for exportation as well as the modification of the organization of foreign trade activities are needed for this end. In the following points a brief selected survey will be presented about these problems.

a/ The encouragement and subsidization of the exports

In contrast with our efforts and declared tasks a very significant part of the exported quality of the products of food economy proved to show a deficit. In spite of this the deficitary export cannot - to a fixed extent of losses - be considered as an unnecessary or disadvantageous economic affair. The losses of exportation, namely, are at a considerable extent deriving from the fact that the conversion of currency or exchange returns from abroad is performed at an average rate of exchange. In case of the application of the average rate of exchange it is regular that approximately the half of the export is showing deficit since at each frequency of normal distribution the number of items falling under the average and the same of those surpassing the average is nearly equal.

In food economy one of the key issues of the encouragement of exports is the protection against the negative effects of the average rate of exchange by means of diverse "subsidies" or repayments. According to my opinion the application of the average rate of exchange in contrast with the exchange rate policy based upon the marginal rate of exchange renders in fact unrealistic to speak about encouragement or subsidization in the original sense of these words. The matter is here practically the correction of the rate of exchange which is called encouraging support in the domestic practice.

The scale of export subsidization is different in export under the Rouble and the  $\text{₹}$  relation moreover their systems also differ from each other. The most important explication thereof is that we overtly declare as our intention and we also implement through our exchange rate policy the outstanding significance of the acquisition of convertible foreign currencies. Beside this another reason of the differences in the system of encouragement is that the value of the Rouble and of the  $\text{₹}$  in relation to the Ft changed in the recent period at an uneven extent.



This is well indicated by the following data of exchange rates:<sup>+</sup>

	1 Rbl	1 §
1971, Ft	40,0	60,0
1973, Ft	40,0	49,7
1975, Ft	40,0	43,5
1977, Ft	35,0	40,9
1978, Ft	33,2	37,6
1980, Ft	28,7	32,4
1981, Ft	26,8	34,4
January 1983, Ft <sup>x/</sup>		39,3

<sup>x/</sup> Information rendered by the newspaper press.

From the above data it is evident that from 1976 on we continuously and significantly overestimated the Forint in relation with the Rouble and we implemented a similar policy between 1978 and 1982 also in respect with the §. The obvious effect thereof became - simultaneously with the decrease of interestedness in the exports - that the scale of the products of food economy which had to be favoured with export subsidies increased and also the ratio of reimbursement itself had to be augmented.

/1/ Two types of export encouraging subsidization exist within the turnover realized in convertible foreign currencies. One of them is the so called reimbursement of differential producers' turnover tax and the other is the export subsidy of normative character fixed in percentage or the subsidization of the modernization of production. The basis of both of them is the net foreign currency return of the exporting enterprises and their scale is different for the diverse groups of commodities. In 1979 e.g. the maximum of 25 per cent was fixed for the total extent of the producers' turnover tax reimbursement and of export subsidies whereby our national currency was devaluated within the sphere of food economy from 35,6 Ft/§ to about 45 Ft/§. The totalled maximum of reimbursement from the differential turnover tax and of export subsidization aiming at the modernization of production decreased in 1982 related with the shifting of the exchange rates to 14 per cent. The financial source of reimbursements for the differential turnover tax of the producers is the cash-box of payments of the tax having the same denomination. A tax of this kind is imposed on the dealers of basic and energy materials imported from the socialist countries or partly produced in this country and

<sup>+</sup>László NÉMETHI: Magyarország élelmiszergazdasága a hetvenes években. /Hungarian food economy in the 1970-s/. Mezőgazdasági Kiadó, Budapest, 1981.

namely at such an extent that the domestic prices so established should reach the prices of respective products derived from capitalist import.

As a result of the weakness of our taxation system the export subsidization had to be withdrawn from those products which brought even at the average rate a significant profit to the exporter. Typical example for this group of products is represented by grains for which no export subsidy was made payable even in 1979 illustrating thereby again the equalizing tendencies which so frequently occur in the Hungarian practice of economic control.

From 1982 on in a way similar to other branches of national economy also in food industry a preferential waging was introduced which encourages the increase of export under non-Rouble account. Depending upon the extent at which they increased the export and upon the rentability level of the exports realized the enterprises may augment free of tax the wage fund i.e. the cash-box which is kept by the state with Draconian severity - by means of prohibitive taxes - between suitable limits for the present. The enterprises of food industry are allowed to increase after each 1000 Ft surplus export by 40 or 30 Ft their wage fund if they produce 1 % export value less costful than 36 Ft or not more expensively than 47 Ft. Such preferential wageing is not due to the agricultural enterprises. Moreover it could not be assessed whether their respective produce are realized at the domestic market or abroad.

Here it is repeatedly to refer to the investment credits which increase the export commodity fund of non-Rouble relation. Their source amounted between 1976 and 1980 to 45 thousand million Ft and will amount to 65 thousand million Ft between 1981 and 1985. /The extent of interest allowance was treated at the end of Point 1. of this paper./

/2/ To the exports accounted in Rouble relation subsidies for the modernization of production or production taxes /withdrawals/ are attached - at a very differentiated extent for the diverse products - so that the rentability of production for export should be rendered competitive by their means with the production for domestic market. The rentability of export accounted in Roubles can be the same as that of domestic realization if the exporter enterprise can obtain 1 Rbl return with a Ft cost equal to the value of the national average - so called first cost standard - index of Rouble production /output/. Exemption to this standard is represented by clothing industry and by food economy which latter in consequence of the depressed prices of the CMEA countries is unable "to find room" in the average output index. The standard of the agricultural sphere is almost two and a half times as high as the national average is.

The food producing enterprise which can obtain 1 Rbl with a cost equal to the starting i.e. "0" point of the standard may book the same profit also after the export transacted by them as they would earn through the domestic realization of their products. The one which decreases the costs of its Rouble output in export may increase the export profit over the profit rate of domestic sales. The one, on the contrary, which "produces" the Rouble with expenses surpassing the standard can book only the profit of the domestic realizations even at a reduced value after its export. Those enterprises which export with exceedingly high expenses fall under individual judgement. This is rendered necessary among others by the fact that certain part of the exports is fixed in long term contracts and so the exporter enterprise fulfils international obligations. The upkeep of these enterprises can therefore be interpreted - till the expiration of the contract - as the interest or even the duty of the national economy.

/3/ To finish with we are to speak about that type of export encouragement occurring - independently from the respective relation - within the field of producers which wins acceptance on the one hand like a particular case of the declared agricultural prices and on the other hand in dependence with the business type of the cooperation between producer and exporter enterprises.

The declared export prices in the case e.g. of live cattle and pig are linked mostly with particular qualitative criteria which are different from the domestic ones. Similar producers' prices and principles are prevalent e.g. also in the buying up of apple for export. We may consider this type of export encouragement also as stimulation to the fixed quality.

The export reimbursement which depends upon the type of cooperation between foreign trading and producer enterprises represents a particular case. But even this does not take place in the case of the so called realizations for own account when the exporting enterprise concludes the contract of sale and purchase at its own risk with the domestic producer. We speak about export of mutual interest when the cooperation takes the form of commission or is of the type "ameta" or "pool". Here the point is that the interest of the domestic producer is directly involved in being resultful at markets abroad. This type of export encouragement is usual since several years already in the export of mutton. These types gain, however, ground less rapidly than desirable and my experience shows that both producer and foreign trading enterprises play retardatory role in this respect although of very various reasons in the diverse cases but always protecting their own interests.

b/ The relationship between world market prices and the domestic prices of food economy

The nature of this relationship radically differs from each other in the spheres of production and consumption as well as in the positions of exporters and importers. Nevertheless the general trend of changes can be formulated so that mainly from the second half of the 1970-s on the linking of domestic prices with world market prices, i.e. their dependence upon the latter is confirmed.

In contrast with the industrial pricing system predominant in the so called competitive sphere the pricing principles based upon the costs of production are prevailing in agriculture and food industry. Sober economic considerations make the maintenance of this principle and practice probable for a longer term although from time to time also the recommendation of and the claim for the application of the so called competitive prices in the agrarian sphere too emerges. The concurrence of the opinions of Hungarian agricultural economists is fairly firm in the respect that the producers' prices should reflect at least partly the world market prices. But - in correspondence again with the opinion of the majority - the adaptation of price level and continuous price shiftings cannot be implemented. It is easy to comprehend that the import prices of the Common Market which are of determinative importance for this country with their system of protective tariffs and overcharges as a matter of course cannot be incentive for Hungarian agricultural production and for calling forth a production which can satisfy the desirable export.

A serious consequence of the exaggerated independence from world market prices is in agricultural production the great difference between low domestic grain prices and the prices of protein feeds which charge the consumers fully with the expenses of import. Compared to world market prices domestic consumers buy grains for half-price and they pay double price for protein materials. The other significant contradiction is represented by the lasting price disparity between grains and animal products in favour of the latter. These all impede the establishment of a more reasonable structure and sooner or later their correction will become necessary.

In the recent years prices of the industrial means of production and mainly of those deriving from import increased at a rate considerably higher than the level of agricultural producers' prices did at the same time. These products appear in domestic turnover at prices which fully cover the expenses of acquisition abroad and in addition they in-

clude also smaller or greater customs duties and charges. This way the prices of inputs are adjusted rather to the price level of world market while agricultural prices develop under the depressing impact of the domestic consumers' prices or of the prices of agricultural export which are as it is well known also depressed.

About half of the machines applied in agriculture derive from export. Price subsidies was abolished in 1982 for machines of capitalist origin and from 1983 on for all imported machines. Besides machine import is charged with an import duty of 4 per cent which grows to 20 per cent when spare and component parts are imported. Machines imported from the socialist countries are custom free but the price of those derived from capitalist import is raised also by diverse customs tariffs. So the rate of customs duty is 12,5 per cent for machine tolls, 15 per cent for combines, 36 per cent for tractors and varies from 12 to 50 per cent for the machines of animal husbandry. The duty on small machines imported for small-scale producers varies between 15 and 30 per cent. The duty on fertilizers is of 10 per cent while soya groats and protein materials of animal origin are charged by no duty. The import of breeding animals and seed is free of duty too.<sup>+</sup> It is worth of remark that in the case of certain countries - based upon extraordinary treatment - the amount of customs duties to be paid can be smaller than these tariffs or can even be zero.

In addition to the customs duties and import charges already mentioned the enterprises trading with means of production may add the following wholesale markups - expressed in percentage of the selling prices - to the account for both domestic means of production and those deriving from import:<sup>++</sup>

Agricultural power machines and machine tolls	8,0 %
Spare parts for agricultural machines	14,0 %
Potash fertilizers	13,2 %
Nitrogen fertilizers	9,2 %
Phosphate fertilizers	11,5 %
Combined and other fertilizers	7,5 %
Plant protecting chemicals	7,0

<sup>+</sup> Source: Commercial customs tariffs 1981-1984 /Kereskedelmi vámtarifa 1981-1984/ Közgazdasági és Jogi Könyvkiadó, Budapest, 1980.

<sup>++</sup> Source: Price regulation and commercialization of agricultural products /Árszabályozás és termékforgalmazás/ Nr. 53. 1983. pp 1244-1249.

Within the sphere of consumption the pricing of imported products takes place according to the price type to which the domestic price of the respective product belongs.<sup>†</sup> Correspondingly the domestic selling prices of products belonging to the category of official prices /I. fix prices/ are assessed directly by the competent price authority or indirectly by means of obligatory pricing decrees.

In the case of prices for which a maximum is prescribed by the authorities /II. price form/ - the only agricultural product belonging to this category is the beer imported from socialist countries - trading enterprises have though the competence to reduce the domestic customers' prices but as a result of the great demand they make only seldom use of it.

In the price forms III. and IV. /prices "from - to" limited by the authority, free prices/ the consumers' prices of imported foodstuffs are assessed in compliance with the respective rule of price calculation.

The items thereof are the following:

- The calculated cost price which consists of the real cost price, the customs duty, the charge of clearance, the turnover tax on imported products, incidentally the import price supplement, the import commission and the transport costs due till the border converted to Forint at the current rate of exchange.

- The profit margins of the importer foreign trade enterprise, of the domestic wholesaler and of the domestic retailer enterprise.

- The import and statistical charges which are not covered by the profit margin.

- Correction factors related with the domestic prices of food stuffs i.e. turnover tax or consumers' price subsidy since both of them is due also for the imported agricultural products.

The enterprises which import the respective product and which perform its domestic commercialization agree about the consumers' prices by pondering over the calculation costing elaborated with the above described method, the quality of the imported product and the demand-supply situation. Customs duties affect the imported consumers' goods at a very

---

<sup>†</sup>Decree Nr. 14/1979. (IX.1.) ÁH of the President of National Office for Materials and Prices. Magyar Közlöny, Nr. 77, 1979.

various extent.<sup>+</sup>

The worries of foreign exchange economy pressed the government in the recent one and a half - two years to introduce certain import restrictions and to raise simultaneously by increasing the turnover tax also the consumers' prices. First of all citrus goods were affected by the decrease of import accompanying the advance of prices while the import of the very widely popular coffee consumed in large quantities is tried to be reduced by means of raising its consumers' prices although at a much less result than expected so far.

c/ About the charges in the organization system of food industry and foreign trade

The majority of Hungarian agricultural economists agree that mainly the unchanged quality of the organization system impeded the full implementation of the economic reform of 1968 which induced the upswing of economic life. Within food economy first of all the existence of vast-scale food industrial and foreign trade enterprises of monopolistic position conflicted the inner and external economic transforming aiming at and requiring elastic adjustment.

The turbulent debates of the 1970-es about these problems were followed in the recent years by real changes. The majority of the trusts operating in food industry were dissolved on the one hand and several producer enterprises received the right of independent export i.e. new foreign trade enterprises of allotted mixed line and of simultaneous export right were established on the other hand.

In fact the trust type of organisation continued to exist in food industry for 1983 only in the state industries performing the processing of grains, meat and milk but even these trusts disposed of a smaller competence than so far. The member enterprises gained their "lost"

<sup>+</sup> Its scale for the major commodities in 1983 is - with some rounding off - the following:

Beef and pork	15 %	Fresh fruits	25 %
Slaughtered poultry	20 %	Coffee /raw/	30 %
Saussages	25 %	Coffee /roasted/	50 %
Tinned fish, caviar	24 %	Tea	40 %
Milk, cream	35 %	Beer	30 %
Butter	60 %	Commerce wine	15 %
Cheese	25 %	Champagne	30 %
Vegetables /fresh/	10-20 %	Vermouth	70 %
Vegetables /refrigerated/	30 %	Cider	80 %
Orange		Canned fruit	20-30 %
Lemon	23 %		

Source: Commercial Customs Tariffs 1981-1984 /Kereskedelmi Vámtarifa 1981-1984/ Közgazdasági és Jogi Könyvkiadó, Budapest, 1980.

rights what means that in these three industrial branches undoubtedly of crucial importance also decentralization took or takes place for the present. The type of trust ceased to function on the contrary in canning industry, poultry processing industry, in sugar industry, in making of wine and brewery and also in several other industries of relatively smaller importance. Instead of the trusts commercial agencies were established /with an insignificant staff when compared to the trusts/. For the present these offices are still dealing first of all with settling the consequences of these radical changes, but they better and better switch over to the coordination of the circulation of commodities and to direct participation in the foreign trading activity. The fact is also worth to mention that in addition to the large-scale industry of the state also the food industrial plants of the large-scale agricultural enterprises play a gradually increasing role. As a result, of their smaller scale, less capital engaged and larger liberty of action in enlarging or reducing labour they can very well and rapidly adapt themselves to the changing demands. Also the new foreign trading enterprises of smaller scale and combined lines of activity create relationships mostly with these more mercurial producers. This way a well perceptible competitive situation developed for the beginning of the 1980-s in respect with the whole of food industry.

The situation, on the contrary, changes very hardly in the sphere of foreign trade. This is in as much comprehensible as changing which is equal with decentralization does not only promise advantages but contains also certain risks. In the present situation when the equilibrium of the foreign trade balance and of payments can be maintained but by means of exceptionally great efforts then the government is afraid of making decisions the outcome whereof is uncertain. This feeling is but increased by those conceptions of enterprises being in monopolistic situation and protecting their own interests against the changes which giving exaggerate alarm signals about the harmful concurrence, about market competition disadvantageous for the economic life or even about price competition almost shock the public opinion of the trade.

Two trends of the changes can be distinguished so far. One is to accord independent export and import rights to some of the producer enterprises which right refers always to trading with certain fixed commodities. The second trend of changes is the according of simultaneous right bringing thereby a break fo conceptual importance through the principle "one commodity one foreign trade enterprise".



a) The independent export right is practiced already for a long time past by the Hungarian Refrigerating Industry which effectuates very significant export first of all with Western Europe and with Scandinavia in respect with deep frozen fruits and vegetables. Its presence at markets abroad also confirms its lasting relationships established with several firms of world-wide reputation /FINDUS, UNILEVER/.

Also the State Farm of Bábolna has export rights of several years and its affiliated firm "AGRARIA" transacts the export of complete poultry and pig breeding plants, hatching eggs, chickens, breeder sheep, horses used for breeding, sports, reaces and work. Its sphere of activity was increased at the 1<sup>st</sup> January of both 1980 and 1981.

The HUNGAROSEED Trading Company which was established at the 1<sup>st</sup> January of 1981 deals with the export and import of sowing-seeds and multyplying materials. Its members are 10 large-scale agricultural enterprises and 3 commercial enterprises and Ltd of horticultural line. Foreign trading rights can be exercised by the member enterprises jointly through the Company. On the other hand, however, the earlier competence of AGRIMPEX ceased to exist in respect with these commodities.

b) The simultaneous export right was accorded to 4 commercial enterprises in course of the last 2 and a half years.

At the 15<sup>th</sup> September of 1980 was /exceptionally by establishing a new enterprise/ the GENERALIMPEX to which rights were accorded to export in addition to several industrial products also canned vegetables, deep frozen fruits, fresh vegetables and fruits to capitalist countries.

The HUNGAROCOOP Cooperative Foreign Trade Enterprise is entitled from the 1<sup>st</sup> January of 1981 on to realize the export of hare, chin-chilla, flavours for meal, poppy-seed, mushroom, saplings, flowers etc.

The INTERCOOPERATION Co. for the Development of Commerce is allowed to export soft drinks, wine, champagne and hard drinks.

Export rights were accorded to the INTERAG Co. for all refrigerated products /except berry/ of a cooperative farm and the INTERCOOP Foreign Trade Enterprise for the fruit-products of a state farm.

All these measures do not affect the export rights of the firm HUNGAROFRICT in respect with horticultural products and those of the large-scale foreign trade enterprise MONIMPEX in respect with wines and this is the way how concurrence was created. To hold out in the competition - as shown by experience gained so far - does not raise great difficulties for the newly established enterprises or for those disposing of new export rights but their presence exerts unambiguously advantageous effect upon the domestic producers.

d/ Certain new symptoms and problems of  
lasting international cooperation

In addition to the system of the socialist countries' international relationships - integrated by the CMEA - also those types of cooperation gain ground which aim at the creation of lasting cooperation between Hungarian and capitalist enterprises. These cooperations take - beyond the usual transactions of purchase and sale - the following forms:

- cooperation in production and realization
- Hungarian work done for hire to capitalist enterprises
- leasing transactions
- lasting licence relationships
- agreements concerning the transfer of technologies
- common enterprises of mixed /Hungarian and capitalist/  
property having their headquarters in our country or abroad.

Capitalist cooperations in greater number are active in Hungary since about 15 years and particularly from the middle of the 1970-s on and the purpose of the Hungarian state in this respect is the import of modern technologies and the increase of export performance. The fact that the initial upswing in the sphere of cooperation declined can mainly be explained by the recession in world economy - and in Hungary therein. The Hungarian enterprises are interested namely in realization at the capitalist markets and the capitalist enterprises wish to transact business in the hope that their socialist market will increase and they are not interested to let their rivals enter to the markets already conquered by them where demand is just insufficient. The gaining ground of enterprises in mixed property was impeded in Hungary also by those economic and legal regulations which related to them and which tied the hands of the managers of such enterprises first of all in respect with the waging of the workers and the level of interest. Changes can be expected in this important sphere so that enterprises in common property may act from the present on as "duty free areas" in compliance with the foreign legal rules concerning customs and exchange but it is also true that this way they are deprived from several favours granted to Hungarian enterprises.

The number of capitalist cooperations is smaller in Hungary than the average.<sup>+</sup> In addition to the above mentioned facts this can be also

<sup>+</sup>GÁBOR, Judit-SUGÁR, Péterné: Hungarian cooperations with capitalist enterprises in the sphere of food production. /Tőkés vállalatokkal folytatott élelmiszer-termelési kooperációink./ Agrárgazdasági Kutató Intézet, Budapest, Nr. 7, 1981, 46 p.

explained so that the foreign trade enterprises inserted between the numerous agricultural producers and the buyers abroad which were in monopolistic situation did not encourage but rather slowed down the establishment of direct and lasting relationships. Among all cooperations acting in 1980 about 7 per cent operated in food economy and directly 5 per cent of the export turnover of the cooperations while taking account also with the supplementing exports 11 per cent of it attached to them.

In spite of this just a foreign trade enterprise, TERIMPEX /which commercializes animals and animal products/ disposes of the greatest experience and the richest relations so far within the sphere of capitalist cooperation.<sup>+</sup> The joint undertaking of the Hungarian BCR Works and the American Eli-Lilly Corp. which produces veterinary medicaments is of significant importance as well as the cooperation of the state farm of Monor, the MEDIMPEX and the Swedish firm Medipharm AD within the framework whereof feed additives are produced.

Several well known firms of world wide reputation like e.g. the UNILEVER, the Swiss NESTLÉ, the PEPSI-COLA and the COCA-COLA, the BSN-GERVAIS-DANONE, the OETKER food producer and several firms which produce agricultural machines or chemicals like the JOHN DEERE, the INTERNATIONAL HARVESTER, the MASSEY-FERGUSON, the FIAT, the HOECHST, the CIBA-GEIGY, etc.

Those mixed enterprises which are partly in Hungarian property but do not operate in Hungary are less known. Their company seats can be found all over the world but limited to the sphere where new export markets may also open for Hungary. The most important enterprises of this category are operating in Italy and in the GFR. Among these latter the NIEDERREUTHER et Co. GmbH. München, and the MONIMPEX Handelsgesellschaft GmbH. Bremen are worth of mention. The activity of Hungarian enterprises abroad and their expansion is rendered highly difficult by regulations which prohibit or impede by diverse means the import of foodstuffs and which are applied mainly by the Common Market against Hungary. Among others this is also a reason why consumers abroad cannot obtain such

<sup>+</sup>Among others it is - beside the large-scale agricultural enterprises introduced by it - partaker of a cooperation which undertakes eel production, the processing of butchery by products, acquisition of market informations, transfer of know-hows in animal husbandry, the production of special foodstuffs made from eggs, the realization of Hungarian hybrid pigs abroad /in the Netherlands and in the GFR/, the processing of goose quill and flue, the production of diverse dairy products /flavoured yogurt cream, puddings, etc./ in order to enlarge the Hungarian assortment of foodstuffs, the production of "Kukaval" chees made of dairy milk which can replace "Cashcaval" cheese, the construction of slaughter houses, their reconstruction, the introduction of techniques for the modernization of packing, etc./.

original and specific Hungarian products of excellent quality like original Hungarian paprika, wines, several vegetables and fruits as well as the great variety of meat products. I am at the opinion that essential changes can be expected in this sphere at a final end only from the cutting down of protectionism i.e. from the discontinuance of economic recession. On the other hand, however, it is undoubted that on Hungarian behalf there are no political or economic organizational obstacles to the increased cooperation.

#### LITERATURE

- /1/ NÉMETI László: Magyarország élelmiszergazdasága a hetvenes években. /The food economy of the 1970-s in Hungary./ Mezőgazdasági Kiadó, Budapest, 1981. /2/ ÉLIÁS András-KORONDY Tibor: A mezőgazdasági és az élelmiszeripari termelés exportorientált fejlesztése, a külkereskedelmi szervezet tevékenységének fejlesztése. /Export oriented agricultural and food industrial production, the development of the activity of foreign trade organization./ Gazdálkodás, Manuscript. /3/ JÁVORKA Edit: Árak és Jövedelmek. /Prices and incomes./ Kossuth Könyvkiadó, Budapest, 1973. /4/ SÁGHY Vilmos: Árak, jövedelmek és termékforgalmazás a mezőgazdaságban. /Prices, incomes and the commercialization of produce in agriculture./ Kossuth Könyvkiadó-Mezőgazdasági Kiadó, Budapest, 1979. /5/ TIMÁR Mátyás: Gazdaságpolitika Magyarországon 1967-1973. /Economic policy between 1967 and 1973 in Hungary./ Közgazdasági és Jogi Könyvkiadó, Budapest, 1973. /6/ JÁVORKA Edit: A fogyasztói árak és a dotációk. /Consumers' prices and dotations./ Kossuth Könyvkiadó, Budapest, 1967. /7/ KOMLÓ László: A mezőgazdaság iparosodásának újraértelmezése. /Re-interpretation of the industrialization of agriculture./ Közgazdasági Szemle, 1981, Nr.7-8, p. 913-926. /8/ TARAFÁS Imre: A gazdaságpolitikai koncepció és az árfolyampolitika. /The economic political conception and exchange policy./ Közgazdasági Szemle, 1981, Nr.7-8.p. 913-926. /9/ RÁCZ László: Az új árrendszer. /The new price-system./ Közgazdasági Szemle, 1980, Nr. 2. p. 129-141. /10/ SIPOS Aladár: Az élelmiszeripari vállalati gazdálkodás és a kutatás feladatai. /The management of food industrial enterprises and the tasks of research./ Gazdálkodás, 1981. Nr. 8, p.1-16. /11/ VARGA Gyula: A piacra termelő mezőgazdaság. /Agriculture producing for the market./ Közgazdasági Szemle, 1982. Nr. 6. p. 689-704. /12/ Árak és fogyasztás. /Prices and Consumption./ SZOT Kulturális, Agitációs és Propaganda Osztálya, Budapest, 1981. /13/ Utkeresés az innováció és a vállalkozások finanszírozásában. /Seeking ways and means in the financing of innovations and of undertaking./ Világgazdaság, Vol. XIV. Nr. 228. p. 3.

**Table Nr. 1.** Official producers' price indexes of the industrial products used for agricultural production and those of agriculture

Years	Industrial feeds	Fuels & electric energy	Fertilizers	Plant protecting chemicals	Veterinary materials	Semi-fixed assets	Materials for the maintenance	Maintenance of machines and transport means	Total of industrial products	State purchase price index of agricultural products
1970 = 100,0										
1975	106,5	126,0	100,5	97,6	86,9	193,0	127,7	117,3	113,2	115,3
1980	139,4	239,6	139,0	154,5	92,8	236,7	240,3	150,7	165,0	143,4
1981	145,9	276,8	147,4	157,6	141,2	237,1	262,2	154,0	177,2	153,5
Annual average rate of growth, %										
1970-1975	1,3	4,7	0,1	-0,5	-2,8	14,1	5,0	3,2	2,5	2,9
1975-1980	5,5	13,7	6,7	9,6	1,3	4,2	13,5	5,1	7,8	4,5
1980-1981	4,6	15,5	6,0	2,0	52,1	0,2	9,1	2,1	7,4	7,0

Source: Farm management of the agricultural cooperatives as reflected by figures.  
National Council of Farmers' Cooperatives, Budapest, 1982.

Table Nr. 2. Major indexes of the farm management of large-scale agricultural enterprises and their modifications between 1971 and 1981 /thousand million Ft/

	1971	1981	Index 1981/1971
Gross production value at current prices	93,3	248,8	266,5
Gross production value at constant prices	110,4	197,3	178,8
Funds of the enterprises for labour remuneration and sharing	22,4	38,9	173,5
Enterprise proceeds under taxation /which can be used for the accumulation of funds/	8,8	14,0	159,7
Own development funds of the enterprises	5,2	8,8	168,5
Subsidies for business operations	3,7	12,4	339,0
Subsidies for investments	5,7	4,4	77,0
Total of subsidies for business operations and investments	9,4	16,8	179,1
Payments for the budget	7,2	22,3	308,7
Balance of budget subsidies /+/ and payments for the budget /-/	+2,2	-5,5	-
The value of the investments of the enterprises	17,1	25,3	148,5
The value of fixed assets of the enterprises	105,2	241,6	229,7
The structure of the fixed assets of the enterprises in respect with their sources			
- credits %/	7,4	8,2	-
- subsidies %/	25,2	16,6	-
- own property %/	67,4	75,2	-
- total	100,0	100,0	-

**Table Nr. 3.** Modifications of the real incomes as well as of the price level and realized quantities in retail of foodstuffs and consumers goods /modification in percentage related to the previous year/

Year	Real incomes	Retail of foodstuffs		Retail of consumers goods	
		Price level	Quantity realized	Price level	Quantity realized
1971	4,2	1,7	5,4	1,4	9,0
1972	3,3	0,8	6,0	6,9	1,8
1973	4,7	3,5	5,7	7,9	0,5
1974	6,2	0,5	5,4	3,4	10,4
1976	0,8	9,4	-0,5	0,4	8,9
1977	4,9	6,1	2,0	5,0	5,0
1978	2,9	3,6	3,5	9,2	0,1
1979	0,1	10,5	-1,0	12,9	0,4
1980	0,4	12,7	-1,2	1,6	5,6
1981	2,2	3,5	2,7	2,5	1,4
1982	0,7 <sup>+</sup>	4,8 <sup>+</sup>	.	.	.

<sup>+</sup> from January to September /same period of the previous year = 100 %/.

Source: Statistical Yearbook 1981. Central Statistical Office, Budapest, 1982.

Home Trade Yearbook 1975, 1980, 1981. Central Statistical Office, Budapest,

Monthly Bulletin of the Statistical Office, 1982. Nr. 11. Central Statistical Office, Budapest, 1982.

Table Nr. 4. Modifications of the consumers' price supplement for dairy products

Denomination of the product	Decree of the Minister of Finances		
	38/1973. (XII.19.)	60/1979. (XII.24.)	100/1982. (XII.29.)
Price supplement in percentage			
Dairy products in general	.	33	40
Except: fluid milk	46	38 <sup>+</sup>	53 <sup>+</sup>
Packed milk with fat content lower than 3 %	47		
Packed milk with fat content more than 3 %	43		
Milk for children	54	65	85
Flavoured milk	14	-	-
Cocoa with milk	-	49	46
Soured dairy products	14	-	-
Except: sour cream	33	-	-
Cream	14	-	-
Butter	90	81	103
Cheese	54	60	83
Except: processed cheese in blocks	75	92	117
processed cheese in box	45	-	-
Cottage cheese	43	38	53
Except: cheese for table	63	81	103
Powdered dairy products and instant coffee	18	-	-
Therein: milk-powder	.	38	53
other powdered dairy products /except powdered feeds/	.	38	-
Milk for babies /ration/	383	474	533
Milk powder for babies /ration/	436	540	533

- is not excepted

<sup>+</sup> consumers' milk - except milk in glass or for ration card.



Table Nr. 3. Modifications of the producers' price supplement and turnover tax for certain major meat industrial products

Denomination of the product	Decree of the Minister of Finance							
	38/1973.	17/1976.	60/1979.	100/1982.				
	(XII.19.)	(VI.29.)	(XII.24.)	(XII.29.)				
	Turn- over tax	Price sup- plement	Turn- over tax	Price sup- plement	Turn- over tax	Price sup- plement	Turn- over tax	Price sup- plement
	in per cent							
Carcass of beef	90		46		48			40
Joint of beef	90		46		48			40
Carcass of pork	48		15		28			28
Except: bacon and skinned pork	40		-		24			23
Joints of pork	48		15		28			28
Except: bacon, skinned, carcass of pork	40		-		24			23
Lards	25		30		0			0
Stuffed products of meat pulp	35		11		26			27
Except: franfurter in case	60		-		-			-
Processed stuffed meat products	35		11		26			27
Saussages	35		11		26			27
Except: letcho and smoked saussages of 38 Ft/kg and 46 Ft/kg	55		33		-			-
Pasted products	35		11		26			27
Lard for table	35		38		11			13
Smoked and boiled meat products	57		24		34			38
Salami	0	18		5			9	
Except: winter salami	-	32		-			-	
delicate salami	15	-		-			-	
other salamis	15	-		-			-	
Bacon	0	18		0				13
Except: smoked, bread-, imperial and of Kolozsvar	15	-		-			-	
English bacon	95		46		34			38

- not excepted.

Table Nr. 6. Interrelation between the retail prices and quantities of cereals

Years	Flours		Rice		Bread		Baker's wares		Noodles		Floury sweets	
	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity
modification compared to the previous year, in per cent												
1971	0,0	3,5	0,1	5,3	0,0	1,1	0,0	8,2	0,8	5,8	2,4	-0,7
1972	0,0	5,1	-0,1	1,6	0,0	-2,9	0,1	6,6	1,8	16,7	2,2	4,4
1973	0,0	-1,8	0,0	2,4	0,0	-2,4	1,0	7,1	0,2	10,2	0,7	16,8
1974	0,0	-0,3	0,0	-1,8	0,0	1,3	0,4	9,9	0,2	10,4	0,5	4,2
1975	0,0	-2,3	0,0	4,4	0,0	-2,2	0,0	9,7	0,3	9,3	0,6	6,5
1976	0,0	-4,4	0,0	-11,1	0,0	0,2	0,1	8,4	1,3	7,7	1,3	4,2
1977	0,0	-10,8	0,0	3,6	0,0	-1,7	0,0	7,4	0,4	-2,4	0,3	9,4
1978	0,8	3,0	0,0	-0,6	0,0	-0,9	0,0	6,1	0,0	14,5	13,0	-11,3
1979	17,6	-2,6	50,0	0,7	23,4	0,2	11,1	-5,0	10,8	0,3	3,9	6,3
1980	17,8	-6,3	0,0	-6,0	23,3	0,8	12,8	-1,9	13,3	1,5	5,0	11,2
1981	5,8	-4,2	8,4	-6,1	0,0	3,7	1,3	3,8	2,3	2,2	8,3	3,2

Source: Home Trade Yearbook Volumes 1975, 1980 and 1981.  
Central Statistical Office, Budapest.

**Table Nr. 7. Interrelations between the retail prices and quantities of meat**

Years	Raw meat and haslet		Meat products		Poultry		Total	
	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity
modification compared to the previous year, in per cent								
1971	0,0	5,3	0,0	7,1	-1,3	3,4	-0,1	5,9
1972	0,0	11,8	0,0	7,5	-0,1	9,7	0,0	9,5
1973	0,0	5,0	0,0	11,0	1,8	21,3	0,2	9,6
1974	0,0	8,8	0,0	10,2	0,1	-7,4	0,0	7,4
1975	0,0	8,1	-0,1	7,1	1,5	9,2	0,1	7,8
1976	20,5	-11,0	13,1	0,1	10,0	14,1	15,8	-3,2
1977	19,8	-2,2	12,0	0,2	10,6	-12,5	15,0	-2,3
1978	0,0	7,1	0,0	5,9	0,0	14,9	0,0	7,4
1979	13,3	-5,9	9,4	0,3	5,1	11,0	10,5	-1,2
1980	15,6	-0,3	10,6	3,0	4,8	0,4	11,9	1,3
1981	7,2	3,5	4,5	4,1	3,4	7,8	5,5	4,3

**Source:** Home Trade Yearbook, Volumes 1975, 1980 and 1981. Central Statistical Office, Budapest.

**Table Nr. 8.** Interrelations between the retail prices and quantities of milk and dairy products

Years	Milk		Dairy products		Total	
	Price	Quantity	Price	Quantity	Price	Quantity
	modification compared to the previous year, in per cent					
1971	2,5	9,6	0,3	9,8	-1,4	9,7
1972	0,0	8,3	0,4	10,8	0,2	9,5
1973	39,5	-4,2	17,7	4,6	28,8	-0,2
1974	0,8	12,3	-0,6	17,6	0,1	14,8
1975	0,0	6,6	1,4	9,3	0,6	8,0
1976	0,0	9,9	0,3	9,5	0,1	9,7
1977	0,0	7,0	-0,1	15,2	-0,1	11,0
1978	0,0	6,7	0,6	10,6	0,3	8,7
1979	8,8	4,2	7,8	5,4	8,3	4,8
1980	10,5	-0,1	10,1	4,4	10,3	2,2
1981	0,0	5,3	0,1	10,1	0,1	7,8

Source: Home Trade Yearbook, Volumes 1975, 1980 and 1981.  
Central Statistical Office, Budapest.

Table Nr. 9. Interrelations between the retail prices and quantities of vegetables and fruits

Years	Fresh domestic fruits, vegetables and greens		Fruit and vegetable products		Citrus fruits	
	Price	Quantity	Price	Quantity	Price	Quantity
modification compared to the previous year, in per cent						
1971	16,5	-6,4	1,0	14,8	3,4	-2,7
1972	4,0	0,4	3,0	6,7	0,5	1,7
1973	6,0	-2,0	2,6	10,3	0,0	16,2
1974	0,2	4,5	-0,1	9,8	0,0	6,1
1975	12,2	-4,1	-0,8	15,3	0,0	2,2
1976	16,6	-2,7	1,7	15,2	0,0	6,3
1977	-9,6	24,8	19,6	-13,4	0,0	15,0
1978	20,7	-13,4	0,2	10,8	6,9	1,2
1979	3,2	13,9	6,8	1,7	6,9	-7,1
1980	17,1	-15,6	10,0	5,2	13,5	-19,1
1981	0,0	1,9	6,9	-6,6	0,1	6,6

Source: Home Trade Yearbook, Volumes 1975, 1980 and 1981.  
Central Statistical Office, Budapest.

**Table Nr. 10. Interrelations between the retail prices and quantities of consumers' goods**

Years	Alcoholic drinks		Soft drinks		Coffee, tea		Tobacconists' wares	
	Price	Quantity	Price	Quantity	Price	Quantity	Price	Quantity
modification compared to the previous year, in per cent								
1971	1,8	13,5	0,3	30,0	-0,8	13,2	0,0	7,2
1972	8,0	4,6	3,0	23,0	-1,1	7,4	0,0	7,4
1973	6,4	2,7	2,2	32,2	-2,0	6,7	24,4	-8,4
1974	1,0	16,3	1,0	17,0	15,2	4,8	0,4	9,0
1975	6,4	11,4	0,9	28,5	2,1	10,5	0,0	6,7
1976	0,7	16,5	0,7	12,4	-2,4	12,4	0,0	6,1
1977	3,2	3,6	1,5	19,4	28,7	2,5	0,0	6,5
1978	6,2	10,2	1,0	9,1	48,6	-10,3	0,0	8,7
1979	12,6	-0,7	0,7	17,0	1,2	4,2	29,4	-0,5
1980	0,7	14,2	1,1	13,3	-4,1	6,7	0,4	6,1
1981	3,4	1,4	2,5	9,9	-5,6	4,8	3,2	1,2

**Source:** Home Trade Yearbook, Volumes 1975, 1980 and 1981.  
Central Statistical Office, Budapest.

**Table Nr. 11.** The shifting of foodstuff retail prices  
/between 1970 and 1981/

Denomination of goods	1981	The extent of shifting in per cent 1981/1970	Annual average rate of increase between the years		
			1970- 1975	1975- 1980	1980- 1981
Pork chop	85	193	0,0	12,7	6,3
Leg of pork	84	215	0,0	14,9	7,7
Leg /round, sitch-bone steak/ of beef	84	221	0,0	15,5	7,7
Slaughtered chicken	43	130	2,8	2,1	2,4
Bologna cooked	58	161	0,0	9,2	3,6
Sausage of Gyula	131	164	0,0	9,5	4,0
Salami	187	187	0,0	12,5	3,9
Consumers' milk /litre/	6,00	185	9,1	3,7	0,0
Ementhal cheese	62	129	2,4	2,6	0,0
Portsalut cheese	53	133	2,8	2,9	0,0
Butter, 1st class	60	120	3,7	0,0	0,0
Hog-fat, lard	25	125	0,0	4,5	0,0
Cooking-oil /litre/	28,50	131	0,3	5,3	0,0
Margarine	47,00	158	1,1	5,2	-0,6
Flour	7,00	150	-0,2	6,8	6,1
White bread	4,60	153	0,0	8,9	0,0
Sugar	18,30	187	0,2	13,1	0,0
Lemon, 1st class	25,00	132	0,0	5,6	0,0
Orange /except that of Cuba/	30,00	120	0,0	3,7	0,0
Canned green peas 5/4 jar, 1st class	16,30	148	0,9	5,7	6,5
Canned string beans 5/4 jar, 1st class	15,60	181	2,2	8,1	6,8
Roast coffee "Karaván" 10 dkg package	24,00	218	4,3	13,5	-6,2
Georgian tea, 5 dkg packet	6,00	171	-0,6	14,9	-11,8
Commercial /table/ wines 1/1 litre bottles	27,40	189	8,9	3,6	3,4
Dessert wines 1/1 litre bottles	32,80	180	7,4	3,7	5,1
Quality wines 0,7 litre bottles	37,80	156	5,3	2,5	5,9
Lager beer, domestic 12 B <sup>o</sup> 1/2 litre	8,00	148	4,1	3,9	0,0
Cigarettes "Symphonia" non filtered, 25 pc/box	7,60	169	0,0	10,5	2,7

**Source:** Home Trade Statistical Yearbook, Central Statistical Office,  
Budapest, Volumes 1970-1981.

**Table Nr. 12.** The development of average prices for products having seasonal prices between 1970 and 1971

Denomination of the products	1981	The extent of shifting in per cent 1981/1970	Average annual rate of growth in per cent between			
			1970-1975	1975-1980	1980-1981	
Eggs, Ft/pc	retail	2,30	144	1,2	5,2	4,5
	market	2,00	143	1,4	4,8	5,3
Old potatoes, Ft/kg	retail	6,10	218	3,4	10,8	10,9
	market	6,60	200	4,4	9,3	3,1
Onion, Ft/kg	retail	8,70	181	2,8	10,3	-3,4
	market	10,20	189	5,7	7,8	-2,0
Tomato, Ft/kg	retail	20,30	303	10,8	7,9	23,8
	market	19,60	321	11,7	10,5	12,0
Green paprika, Ft/kg	retail	21,20	244	6,4	12,3	0,5
	market	23,40	225	7,2	10,3	-2,5
Cucumber, Ft/kg	retail	14,90	317	6,0	17,3	6,4
	market	15,00	263	5,3	14,5	2,7
Apple, Ft/kg	retail	8,10	219	9,0	9,8	-11,0
	market	11,00	239	12,0	7,8	-6,8
Sour-cherry, Ft/kg	retail	23,20	193	5,1	12,1	-15,0
	market	19,90	175	7,4	10,4	-25,7
Peaches, Ft/kg	retail	16,40	256	8,9	7,0	19,7
	market	17,90	232	7,2	8,6	8,5

**Source:** Home Trade Statistical Yearbook, Central Statistical Office, Budapest, Volumes 1970-1981.



Table Nr. 13. The development of the producers' prices, domestic consumers' prices and export prices of the major agricultural products in the 1970-s

Denomination of the goods	Measurement unit	1981	The extent of modification, percentage 1981/1971	Annual average growth rate in %, between	
				1971-1975	1975-1981
<u>Grains</u>					
<u>Wheat</u>					
official producers' price	Ft/t	3390	113	-0,5	2,5
export price: non Rouble	\$/t	213,4	246	20,1	2,8
	Ft/t	7357	141	11,1	-1,3
Rouble	Rbl/t	137,2	197	4,7	8,5
	Ft/t	3657	132	4,7	1,6
Consumers' price of					
- flour	Ft/kg	7,00	152	0,2	7,1
- fine white bread	Ft/kg	5,40	150	0,0	7,0
<u>Corn</u>					
official producers' price	Ft/t	3213	123	-0,6	3,9
export price: non Rouble	\$/t	318,7	238	3,3	13,1
	Ft/t	10966	137	-4,6	8,6
Rouble	Rbl/t	298,9	251	4,5	13,3
	Ft/t	8006	168	4,5	5,9
<u>Industrial plants</u>					
<u>Sugarbeet</u>					
official producers' price	Ft/t	994	199	7,2	7,0
<u>Sugar</u>					
export price: non Rouble	\$/t	.	466 <sup>+</sup>	-	.
	Ft/t	.	252 <sup>+</sup>	-	.
Rouble	Rbl/t	.	253 <sup>+</sup>	41,9	.
	Ft/t	.	175 <sup>+</sup>	41,9	.
retail price	Ft/kg	18,30	191	0,8	10,8
<u>Sunflower seeds</u>					
official producers' price	Ft/kg	9789	156	4,5	4,5
<u>Sunflower oil</u>					
export price: non Rouble	\$/t	631,0	193	23,8	3,2
	Ft/t	21710	111	14,5	-7,0
Rouble	Rbl/t	553,2	222	11,5	6,2
	Ft/t	14819	149	11,5	-0,6
retail price	Ft/l	28,50	132	0,5	4,4
<u>Horticultural products</u>					
<u>Green peas</u>					
official producers' price	Ft/t	2950	134	-0,1	5,1
<u>Canned green peas</u>					
export price: non Rouble	\$/t	348,6	302	17,1	8,0
	Ft/t	11994	173	8,3	3,9
Rouble	Rbl/t	336,2	216	9,3	7,1
	Ft/t	9006	144	9,3	0,2
retail price	Ft/5/4 jar	16,30	148	1,1	6,0

<sup>+</sup>till 1980.

Table Nr. 13. /Continuation/

Denomination of the goods	Measurement unit	1981	The extent of modification, percentage 1981/1971	Annual average growth rate in %, between	
				1971-1975	1975-1981
<u>Seasoning paprika</u>					
official producers' price	Ft/t	7310	156	2,4	6,0
<u>Milled</u>					
export price: non Rouble	\$/t	1233,8	174	13,7	0,6
	Ft/t	42449	99	5,2	-3,4
Rouble	Rbl/t	1665,0	290	14,3	9,3
	Ft/t	44603	194	14,3	2,2
retail price /delicacy/	Ft/kg	160,0	136	0,0	5,2
<u>Apple</u>					
producers' price	Ft/t	5460	128	-0,2	4,3
export price: non Rouble	\$/t	127,6	81	13,4	-11,2
	Ft/t	4391	46	4,9	-14,7
Rouble	Rbl/t	285,2	201	8,8	6,1
	Ft/t	7641	122	6,3	-0,7
retail price: shops	Ft/kg	8,10	147	0,9	6,0
market	Ft/kg	11,00	169	5,7	5,2
<u>Wines</u>					
official producers' price	Ft/l	22,89	176	8,8	3,9
export price: non Rouble /barrel/	S/hl	49,00	207	10,6	5,5
	Ft/hl	1686	119	2,3	1,3
Rouble	Rbl/hl	40,60	197	7,7	6,6
	Ft/hl	1086	132	7,7	-0,3
non-Rouble /bottled/	\$/hl	106,40	120	-5,4	6,9
	Ft/hl	3662	69	-12,5	2,7
Rouble	Rbl/hl	98,4	143	5,3	2,4
	Ft/hl	2637	95	5,3	-4,2
retail price: commerce	Ft/l	27,40	168	8,0	3,6
dessert	Ft/l	32,80	169	7,6	3,9
quality	Ft/l	54,00	155	6,7	3,0

Source: Agricultural Data Collection. IV. Central Statistical Office, Budapest, 1981.

The volumes of the Foreign Trade Statistical Yearbook, Central Statistical Office, Budapest.

Volumes of the Home Trade Statistical Yearbook, Central Statistical Office, Budapest.

Volumes of the Agricultural Statistical Yearbook, Central Statistical Office, Budapest.