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# AGRÁRGAZDASÁGI KUTATÓ INTÉZET

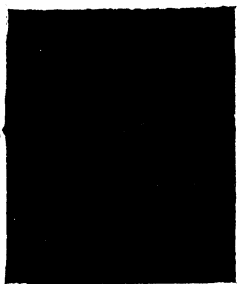
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No. 73.

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1990

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## PREFACE

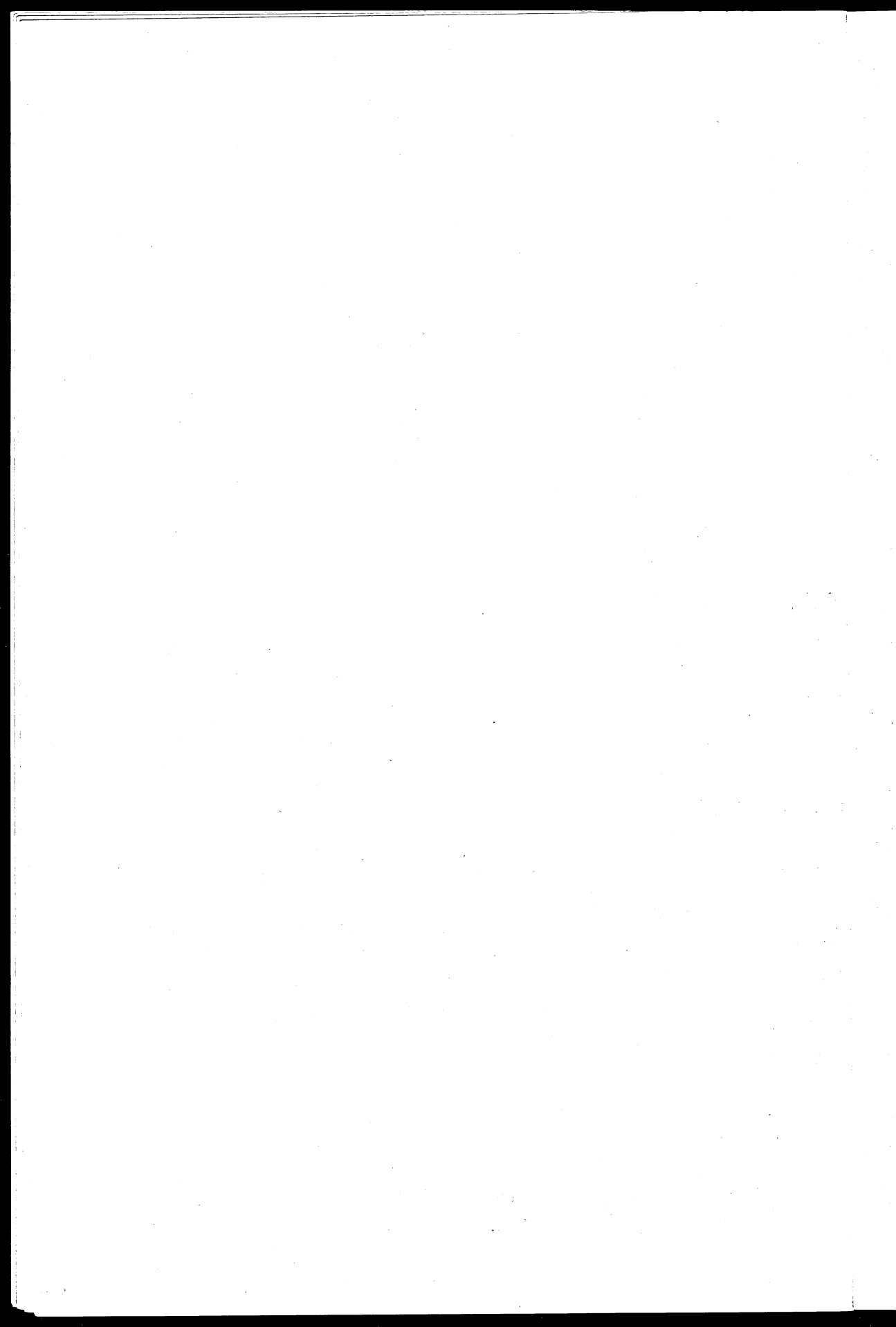
In a way somewhat different from the traditional form this 73<sup>rd</sup> Volume of our Bulletin Series contains not only summaries of contents but publishes also articles and papers in full extent. It can be considered also as a change that - mainly of technical reasons - only one single paper of each author is included which was considered to be the most important one as far as the weight of its subject matter was concerned. The field where selection was made embraced books, part of books, articles published in periodical journals written by the members of our Institute in 1989 as well as publications of the Institute in the same year indicating always, of course, the domestic sources.

The change of the political-economic regime which takes place in this country inclined the editors to build to a greater extent on the interest of our partners abroad, of the international professional circles. The problems of the landed property and of the structural changes, the organizational and economic context of the transformations affecting Hungarian food economy as a whole as well as the tendencies of renewal in the agricultural export and marketing can be regarded as subject matters emphasized this way.

The bibliographical data of the Bulletins as well as the publications issued abroad or in sources of foreign languages in course of the past three years are included in the Appendix.

Budapest, April 1990.

The Editor



BALOGH, Ádám: A gabona áremelés gazdasági indoka és várható hatása. (The economic motive and the expectable impact of the raising of grain prices.)  
Gazdálkodás, No.12. 1989

The dynamism which prevailed for more than 10 years in the progress of grain production discontinued since the beginning of the 1980-es. This activity lost its international position of rank and the symptoms of depression became increasingly distinct. The stagnation of the yields was accompanied by the simultaneous structural distortion of the harvested area. Corn which represents the determinative feeding base of meat production gradually lost of its importance and unsatisfied corn demand as well as the poor assortment of grains evolved. As the share of corn reduced in addition to the protein shortage all while characteristic for feeding also the relative shortage of energy occurred.

The problems of the producers' interestedness were determinative in the background of the unfavourable changes. The two most important grain crops - corn and wheat namely - gradually abandoned their former role in the stabilization of the farms' incomes and the produceable per hectare profit sank to a critical standard particularly in the case of corn but in 1986-1987 also in the case of wheat. Neither development from the own activity could be implemented at a reasonable level from the profit produced since about 5 years. Compared to the average losses of the years 1981-1985 which was suffered by the producers in respect with their real incomes in course of the past three years came near to 65-70 per cent and it represented 6.6 - 6.8 thousand million Ft at the present current prices.

The reason why these conditions cause an unpreventable problem for agriculture is on the one hand that the point is here the complex of activities of the most massive scales whose losses even theoretically cannot be neutralized by the "residuary" group of activities and on the other hand that

the sudden reduction of the grain incomes coincided in time with the also worsening income production of the other branches of agriculture.

The basic situation related with the pressed producers' prices afflicts not only the producers but also the whole national economy. The universal losses derive from two sources:

1. In consequence of uninterestedness we do not produce the quantity and assortment of grains which would be made possible by our natural conditions and by the international price relations.

2. The produced "cheap" grains are used badly and with enormous losses since the low wheat and corn prices make evident in animal husbandry the compensation of almost all the technological deficiencies with surplus grain.

Great possibility of error is hiding in the quantitative evaluation of certain elements among the deficit causing factors but their majority can be assessed with sufficient exactness. At a final end the grain prices kept at an artificially low level reduce the national income of the country by about 28-35 thousand million Ft and this is particularly prejudicial against the interest of foreign currency management.

In order to change this situation determinatively governmental decisions would be needed. Nearly half of the above mentioned amount could cover the annual interest to be paid after all our debts or it could alone be sufficient to compensate the deficit of sources in the domestic budget. So the problem of the prices affects the responsibility of those who are entitled to make decisions at an extent like this.

It is a fact that public feeling is unfavourable in respect with the raising of grain prices. And yet we cannot agree with the negative attitude of the technical literature and of several well known economists since they could be expected to regard a more distant future and to consider the at least partial remedying of the producers' grievances as prevention against an even greater trouble which may come about soon. The

fact is worthy of attention that the satisfaction of claims for improved prices is not encouraged unambiguously even by those parties and organizations which assume more markedly the representation of the agricultural problems in the present economic policy. The explanation of this is that the adjustment of the grain prices would consolidate the financial situation of the large-scale farms and the position of several agricultural cadres who are unworthy of protection. This possibility exists but we are at the decided opinion that the safety of food production should not be endangered in favour of any political struggle. We consider the claims for the raising of grain prices to be well grounded and rightful simply because we do not see any other way for the changing of those deformed and unjust ratios which can be assessed from the survey of cost and income relations. The prices of wheat and corn are to be raised even in the case if future production will be implemented partly in small- and medium-scale farms since otherwise even the conditions for the operating of these latter cannot be established.

We are convinced at the same time that grain prices should be raised only at the absolutely justified extent. The "world market" price is but a poor footing for this judgement. It does not express, namely, the real national inputs just at the smallest extent and even less the realities in this country.

From the aspect of the producers in Europe the assertion of the world market prices would result in immediate bankruptcy and it would create in the Hungarian practice such extra incomes which could by no means be retained as solvent demand at the producers in the greater part. The agricultural regulation system based theoretically on the principle that the incomes should be withdrawn fundamentally through the prices of the industrial inputs already is practically unsuitable for the curtailment of the extra profit. The world market price whose level is almost twice as high as the present domestic producers' prices of grain exerts an unnecessarily great pressure on the domestic consumers' prices and besides it



would have an irreparable impact on animal husbandry, particularly on the small-scale animal husbandry farms. Within a short period the production of animal would reduce to the standard of domestic supply and this would hurt not only the interests of foreign currency management but also of important social-political and environmental protectional interests.

An even more important aspect of pricing is that it should express in broad lines the value of capital operated in favour or production by taking at the same time also the mobility and structure of capital into consideration.

Considering the opportunities of interest policy and of the alternative use of capital producers' prices of about 4600 Ft/t in the case of wheat and of about 5000 Ft/t in the case of corn could prevent within a year in Hungary the massive withdrawal of mobile productive capital and prevent the further structural deformation. As far as, however, a longer term is concerned the producers' income which would express the value of not only the mobile but also of the full functioning capital without land could appear at a price level of 5300 Ft/t in the case of wheat and of 5600 Ft/t in the case of corn.

Starting out of practical considerations, however, grain prices should not be inflexible assessed based only on the incomes proportionate with capital. The prices should be deflected since e.g. in the sphere of grain use an undesired behaviour would be the result of a corn price by 300 Ft higher than that of wheat.

The matter of our recommendation about the price is the following: the prices should be assessed so that under average circumstances equal interestedness of the producers should adhere to the growing of both wheat and corn. This condition is satisfied or income parity exists between the two crops in the case when the income produced on 1 ha corn acreage exceeds that of wheat with the amount of alternative costs (lost profit) calculated on the basis of surplus means and surplus time. According to the results of our calculations

performed with econometric methods this happens at a uniform price level of 5700 Ft/ha.

It is self-evident that the raising of grain prices cannot be implemented alone but only connected with several complementary measures so that simultaneously also other spontaneous and hardly calculable market effects will play a role as expected. Other demands for the adjustment of the prices manifest themselves mainly in the case of other crops and of fodder grain feeding livestock but the conclusion can be drawn already at the present that price raising efforts will called forth also in the horticultural production and in the plantation cultures as well as in the breeding of ruminant livestock. It is important that we should be able to globally estimate the expectable effects in respect at least with its major relationships.

Through the higher grain prices the producers could obtain surplus returns of about 10.5 thousand million Ft and other surplus returns of 15.7 thousand million Ft can be reckoned with from the commodity fund of animal husbandry and of industrial crops mainly as well as in a smaller part from that of surplus grains originated through more reasonable feeding. The expectable surplus costs amount to about 2.5 thousand million Ft.

The budget can centralize nearly 8.5 thousand million Ft from the increased profit of agriculture and other 2.6 thousand million Ft incomes can be realized from the exports.

If all other conditions would remain unchanged then the consumers' price raisings would impose 1 Ft/kg burden in the case of bread, 0.40 Ft/l in the case of milk, 3.00 Ft/kg in the case of slaughtered poultry and 8.00 Ft/kg in the case of carcase meat on the population.

It can rightfully be expected that national economy could obtain 3.8 thousand million Ft surplus incomes calculated in foreign currencies already after one year which could grow within 3-5 years to its manifold and may realistically achieve the above mentioned amount of 28-35 thousand million Ft.

Mrs. BOTOS, Katalin - ROTT, Nándor: Agrárszektor és monetáris politika. (Agricultural sector and monetary policy.) Bankszemle, No. 5, 1989, p.11-21.

Almost throughout the whole world agriculture is in a special situation which is the consequence of the particular nature of land as a factor of production. The presence of subsidization by the state is also a general symptom but - in a way different from the Hungarian standard - combined with very high productivity. In many cases the subsidization of agriculture is in Hungary an indispensable condition even for the mere maintenance of production and wages kept at a low level as well as their unpaid part figure among its sources. Thereby also low prices are postulated since in the reverse case the products could not be realized. Therefore the problems of subsidization, of the prices and wages can but jointly be settled. Moreover also new financial institutions, banks specialized for agriculture are needed: agricultural credit societies, mortgage credit institutes, investment companies. The authors are at the opinion that the financing problems of agriculture can be solved through the joint survey of the above described context.

The particular situation of the agricultural sector within the whole economy of the respective country is determined by the fact that it depends most directly from land, from one of the three factors of production as well as from its fundamentally biological-natural production processes.

This is the reason of its several production technological particularities (dependence on the weather, long production period needed, abrupt peaks of labour and performance, relatively slow possibility of structural changes, etc.) which exerted always an effect on the way how of financing.

Since the establishment of the modern state another agricultural particularity is the general intervention of the state mainly in the form of protectionalism. The state considered, namely, agriculture to be outstandingly important

because it represents prime necessities for the survival of society. Therefore it is in the interest of the state that the farmer should remain capable to operate and realize an income sufficient for continuous activity. So long as this could be implemented by the price development in the free market through the particular price centre of the agricultural prices then the task of the state was rather protection; it protected the producers against the eventual - and really occasional - foreign market impacts. Autarchy as a guarantee of independence represented an important task of the state at the low standard of the productive forces.

#### Prices, subsidization, financing

As production became international and the productive forces progressed so were the aspects of autarchy pushed somewhat into the background. As a consequence of increasing productivity supply compared to the solvent demand became copious throughout the world. The crux of agricultural policy removed. On behalf of the state the task was no more the increase of production in quantity but the establishment of an adjusting, efficient and innovative agricultural economy as well as the promoting of its capability to operate and moreover the asserting of employment and oecological aspects. It is well known that an agricultural crisis introduced the Big Crisis and the "birth" of the intervention of the monopol-capitalist state is dated at that time. In the United States the bases for this were the vast supply which exceeded the solvent demand and consequently the decaying agricultural standard. The New Deal offered a solution satisfying two aspects at the same time: the solvent demand was increased on the one hand through the boosting of economy and through certain equalization of the income level and efforts were made on the other hand also to reduce the supply to a suitable standard in the regulation of agriculture.

Although the direct task of the supply regulating (pro-

duction contingent) policy was really the stabilization of the prices nevertheless the ecological aspect played already at that time a direct role in the decisions made by the state. It is true that the so called "Soil Conservation Act" was passed in 1936 because this method was in concert with the Constitution. (The direct production restricting measures but even the less direct methods of sanctioning were rejected by the Supreme Court as ones being against the Constitution.) For the end, however, that this should be accepted by the supreme legislative body also convincing natural scientific arguments were needed. And there were such arguments! The catastrophic deterioration of soil quality brought about the desperate rivalry at the market was, namely, demonstrated.

So the sudden increase of productivity was implemented in the American economy fifty years ago already in part at the account of nature. Though the presence of individual landownership obviously prevents the agriculturists to be fatally shortsighted nevertheless the market problem, the pressure of cost saving are still incentive for the exploitation of nature. Therefore the prudence of the public opinion should correct this spontaneous market effect not waiting until the warning of merely market elements arrives about the error. (About that, namely, that the redressment of the spoiled lands will be so expensive that the farmer will become bankrupt thereby in a "market-like" way...)

In consequence of the relatively greater density of the population and of the smaller productivity the problem of employment comes into prominence in the European economies. This means that the motivation of prevention is strengthening again. The intensive international rivalry, namely, would obviously knock down the prices and thereby a significant part of the agricultural population would become bankrupt. We do not recall here those facts which are well known about the agricultural policy of the EEC. It is sufficient to refer here to the aspect that the governments must take the interests of their agricultural voters into consideration. The agrarian protec-



tionism guarantees such prices to the agricultural producers at which they may safely carry out profitable activities. Though the civilisatory oecological role of agriculture is outstandingly important in Western Europe just because of the great density of the population nevertheless the main problem is still to concert efficiency with employment policy.

A "straining" of only such an extent can be introduced to the regulation of agriculture at which the other sectors are able to receive the migration of manpower. (Obviously, however, one should reckon here also with the costs of infrastructure. The rural dwellings will become unexploited and the demand for the construction of urban infrastructure will grow; etc.) So the problems of property, of the prices, of subsidization and financing are forming an interrelated system. If the agricultural prices warrant the safe subsistence of the farmers then - we may word this way too - the population of the respective country, i.e. the consumers themselves will finance the production. But if at the given standard of productivity the international rivalry menaces broad layers of the domestic producers then this price level can be maintained only with the intervention of the state.

The policy of financing is inseparable from the prices. Both in the former and in the latter the intentions of the state should appear and at any case in a concerted way.

#### North America, Western and Eastern Europe in the present

The Middle European Hungarian agricultural economy which is enclosed by the Eastern European region should measure itself in relation with three very different bases of comparison: with that of North America which is determinative for the world market prices; with that of Western and Eastern Europe which represent our major export markets; and with that of the CMEA.

The agricultural system of the United States of America is characterized by the survival of the techniques invented

in the New Deal and by the exceptionally high productivity. After all it is a fact that a significant part of the farmers' incomes is represented by the dotation of the state allocated for the restriction of production and this subsidization policy is of price decreasing effect. This is a drole paradox since the task for which it was established was that the prices should not decrease. And yet we cannot consider this to be else than a complementary income without which the prices would have a greater income content for the end that the farmers should be able to maintain their actual living standard and to enforce at the same time also the oecological aspects.

The subsidization of agriculture is paid in this system by the population but not in their quality of consumers but in that of tax payers.

The Western European model on the contrary charges the consumers with the higher prices and protects against the rivalry of import.

Efforts made for the sake of autarchy are characteristic for the practice of Eastern Europe. The increase of production - in consequence of the commodity cash relations restricting model - is encouraged at the same time not through the prices but through the market. In the whole economy low agricultural prices are ad-ordered to low wages. This brings the agricultural sector to a schisophrenic situation. The produce is needed but its prices are not paid. This is a fully contradictory situation against the market mechanism and makes subsidization necessary quite from the outset. The nature of the subsidization is in fact of a price decreasing effect just as in the case of the USA: but not at the high standard of productivity! This just as any other subsidization, of course, must be financed from incomes withdrawn from somewhere i.e. from the tax revenues of the budget. What really happens is that the citizen performs financing not as consumer through the prices but as an earner through the unreceived part of his wage. The sources of the budgetary subsidization are the

wages not paid to the earners or the taxes collected also from them as well as the taxes on the companies' profits. A price system like this is, of course, combined with a credit system which grants several favours. These "favours" are not real benefits but serve as a compensation against the artificially created disadvantages.

In the case of the socialist countries which want to implement the self-sufficiency of agriculture the point is not that the system of subsidization restricts the imports. Import of the needed quantity is, namely, impossible since there is no commodity supply well realizable in the world market sufficient to serve as the export counterpart in the other sectors neither. If the exchange rate of the foreign currencies would be realistic then it could become obvious that agricultural autarchy is reasonable therefore because the basis of the prices could be the marginal cost of foreign currency production in the exports which counterbalances the imports and not the marginal costs of domestic production under the steady agricultural surplus supply which is present in the world economy of today. Unfortunately neither this can be measured in a simple way since the exchange rates of the foreign currencies are quite unrealistic. It is only a matter of probability that the realistic exchange rates of the socialist countries which are lagging far behind the technological standard of the world economy, did not joint to the international labour division and most of them are highly indebted would be many times as much as the official ones are and for this reason the agricultural development aiming at the replacement of import presumably could be regarded as justifiable.

Another question is, of course, whether the whole region or each country should or should not have this endeavour. A disappointing fact is that they do not dispose of a commodity fund sufficient for the counterbalancing of their import and this not only in respect with the region of convertible accounting but also in the CMEA turnover. This fact is the un-

success of the leading principles of the co-operation since theoretically the countries of disadvantageous agricultural conditions had a possibility in course of the past decades to establish a production structure well adjusted to the demands of each other. No objective natural conditions were behind the endeavours of the CMEA to implement national agricultural autarchy but the failure of the operative mechanism is hidden there. The Hungarian foreign trading policy must take cognizance of this on which it could hardly exert any influence.

#### Prices, subsidization and financing in Hungary

The particular "semi market" mechanism of this country - with an interesting combination of means - released the problem of agricultural supply and moreover it developed the agricultural sector to an exporter activity. This all, however, were carried out so that the price relations are in fact not diverging from those characteristic for the socialist countries! We mean thereby the significant opening of the agrarian scissor and the conception of "low food prices adjusted to the low wages".

Therefore the particularities of financing should be adjusted in this country to the fact that in consequence of our system specific and exporter situation the system of price subsidization is determined. At present in 1989 this should be completed with the fact of our international indebtedness which fundamentally influences the sphere of our economic activity and the consequence of this is that the marginal cost of foreign currency production is continuously increasing and we have no alternative choice. If then we should like to outline within the scope of the reform the type of our agricultural financing system then we cannot do anything else than to esteem from where to where should we like to arrive. And the "from where" is the present situation which is characterized by the above mentioned "semi market" nature. The answer on the "to where" question is an approach to the international

practice in the system of financing and certain transition to a more reasonable operation. The essential changing of the price system is inevitable from both aspects. It is fully clear that the modification of the price system would represent a wanton policy without the reform of wages. And yet we cannot do anything else than under the headline "agricultural particularities" not to accept the agrarian scissor as a restricting factor. If we would do that then we would not act as a reform commission but only as a regulating modifying work group which is well known from the past practice.

If the system of domestic agricultural pricing does not change then our proposal has but a very small sphere of action. We call into being, namely, special financial institutions or organizations in vain since these will be able to finance only profitable undertakings! If this would be impossible upon the basis of the price relations then the suitable incomes should be provided by the system of subsidization; so just by that "indirect direct" mechanism the general changing of which is - as we hope - the intention of the reform! It cannot be the particularity of the agricultural sector that the market development of the prices is generally implemented but not in the agricultural sector! We cannot copy or adapt the "particularities" of agricultural financing under advanced industrial conditions without solving the price problem at the same time in this country. Howsoever unwillingly proceeds the economic management to carry out the reform of prices and wages this is anyway inevitable. We are fully aware of the fact that this would mean the partial re-structuring of the subsidies in those sectors of the production and of the services where the high wages would cause rentability problems. But this is the only way for the satisfactory encouraging of the improvement of productivity and of the increase of the technical standard. Modernization can never be expected if labour is not sufficiently expensive. So long as we steepen it by extras proportionate with the wages we continue to follow but the "netting" method which was resultless so far.



Neither the Parliament nor any other social supervisory organs are able to eliminate the irrational purports of utilization in the re-distribution.

There is no financing trick with which the fact deriving from the present state of Hungarian economy could be eliminated that a significant part of the agricultural sector is able to perform even the simple reproduction only if subsidies are granted for this. If we fit these subsidies into the institution system of financing - should it though work better than the present one - only by changing their type then we cannot produce any definitive effect. Such scales, such measures are here concerned, namely, at which the principles of bank-like financing must anyway be "outraged". The only "profit" of the sector would be in this case that the banking sphere would present itself as one demanding subsidies.

#### The system of financial institutions

In the time when the modern banking system came in the countries of advanced economy into being then banking institutes specialized for agriculture were established - frequently on the initiative of the state - as a branch of the many-sided specialization in order to ride out the agricultural crisis. A basis of this specialization was represented by the agricultural credit societies (co-operatives!) built up on the co-operative movement of the farmers and the other basis was represented by the mortgage credit institutes resting upon the institution of the real estate mortgage, this latter bearing the form of a co-operative in certain cases. So to say also certain "own central bank" of the specialized agricultural banking system is working in several countries.

It is to be stressed that the specialized agricultural banks are financing the activities also of other economic branches and grant credits also to the population and this is reciprocal; non specialized banks are financing also the agricultural sphere representing there about a 50 per cent

share. The commercial banks of the West-European countries which dispose of a large network of branch establishments also developed their agencies or departments specialized for agriculture. Beside the above mentioned neither the credits mutually granted by individuals (relatives, friends) to each other can be neglected.

In Hungary 1130 co-operative credit associations existed in 1929 with a business share capital of 36.9 million P and with 38.6 million P stock of savings deposits, the majority of them being rural (municipal) ones. 1010 of them belonged to the bonds of the National Central Credit Associations. They were very poorly provided with capital, their business share capital was 35-36 thousand P and their stock of savings deposits represented approximately the same amount in the average. (The total stock of the savings deposits in the country amounted to 1 thousand million P at that time.)

Before the second World War the joint stock banking companies and the savings banks as well as the mortgage institute and the co-operative credit associations (entitled to this and) operating on the basis of a particular Act equally dealt with landed property and land mortgage credit business in Hungary.

In 1929 the institutes of issue were sharing in the stock of mortgage debentures at the following ratios:

Joint stock banking companies and savings banks with

39.1 per cent

Land mortgage institutes with 23.9 per cent

Co-operative credit associations (operating on the basis of a particular Act) with

37.0 per cent.

Theoretically the land mortgage institutes (the Hungarian Land Mortgage Institute was founded in 1892) were banking institutes specialized for mortgage loans granted to agricultural landed properties. In fact they acted but as middlemen in the credit business: the amounts of the loans are acquired by the investors in the form of mortgage debentures.

tures. The mortgage debentures are negotiable securities of fixed interest their coverage being the landed property which contracted the loan. Generally the loaner returns the debt in annuities in course of a very long period (lasting for 32-64 years). Proportionate with the influencing repayments the mortgage debentures were drawn and their original value was reimbursed to the proprietor.

Distinction should be made between the land mortgage institutes and the mortgage banks which latter usually granted principally credits (mainly building credits) for urban plots with an expiration of 10 years. The needed amounts were acquired at the outset through the issue of securities but later on they switched over to the issue of mortgage debentures. Also the savings banks and the co-operative credit associations could not dispense with the mortgage debenture business and therefore they played an important role in that field.

With the establishment of the one level banking system in Hungary the former specialized agricultural credit institutes ceased to exist. In course of the 1960-es the specialized agricultural personnel of the Hungarian National Bank and of the Hungarian Bank of Investments gradually decreased (mainly after the reform on the "ideological ground" that "no differentiation is needed between the national economic branches"). No commercial bank specialized for the food economy came into being during the reform of the banking system.

This way the further development of the Hungarian banking system postulates the liquidation of the still existing monopolistic positions and the filling of the functional gaps.

#### The agricultural credit societies

The original capital was "clubbed together" mainly by the farmer founders of the credit societies and generally even later on they placed their savings as deposits regularly in their own co-operatives. As the "owners" of the co-operatives on the other hand - under equal conditions of

creditability, etc. - they took priority in the granting of credits and received certain allowances in respect with the interest payments. They could assert their interestedness as proprietors as well as those linked with the management of the undertaking through their participation (representation) in the decision making and controlling bodies of the co-operatives. The credit societies safeguarded at the same time their financial stability by means of the extra-agricultural investment of a part of their capitals to which activity they were incidentally obligated by the legal rules (by the Acts on banking). This all is true also for the present.

We have to mention here that when we were speaking above about the credit societies then the same facts are characteristic for the small North-American rural banks functioning in the form mainly of joint stock companies whose shareholders are mostly the local farmers.

In order to avoid misunderstandings it must be stressed that the interest allowances offered by the credit societies to their members should not be confused with the dotation of interest granted by the state. This allowance means the renouncement of the members as owners a part of the profit or more exactly the fact that they distribute a part of the profit among each other in the form of allowance in respect with the interest payments whereby the mutual assisting character of the co-operative becomes expressed. In those countries where and when it is applied the state dotation of the interest is granted by the budget as a subsidy in most cases on the contrary for agricultural credits of fixed tasks to the creditor co-operative through the banks. This way the dotation enables the farmers to resort to credits at more favourable interest than the normal market interest but this dotation is recompensed to the creditor banking institute and this burdens the budget of the state. It is to be stressed that regarding its conditions agricultural crediting can differ from crediting in the other sectors only in the case when an institution based on the principle of mutual assistance is

affected i.e. the founders, the members of the co-operative are generous at their own accounts.

Through the creation of their own credit societies (which could be developed perhaps from the savings deposit co-operatives) e.g. the farmers' co-operatives could dissolve on the one hand the territorial monopolies and to achieve on the other hand certain autonomous position within the financial system.

#### Mortgage credit institutes

In the countries of advanced agriculture land mortgage credit which makes an advance of the rent-like income output of land represents an important element in their established system of institutions. This type of credit mortgages land itself as a final coverage of the loan and so it can be regarded as extraordinarily safe. (Particularly in the periods of inflation when the land prices are constantly raising.) In the modern economy the mortgage debenture is in a way similar to the bonds a negotiable security and like such it represents a means of the movement of capital.

Behind the bonds not guaranteed by the state there is only the faith in the good business management as a coverage; here the possessor of the security disposes of a coverage which in the case if the debtor is insolvent means proprietary right over a limited resource. Land mortgage is advantageous also if compared with other mortgage credits since depreciation is irrelevant in the case of land. It is a general practice, namely, that the credit institutes seriously control the preservation of the soil quality as well as the real value of land at the time of the crediting.

The banking institutes specialized for land mortgage credits play an important role mainly in the long term credit supply of agriculture. We must emphasize the particular nature of the land mortgage because mortgage is applied in the countries of advanced economy for many kinds of objects (ships, whole factories, their total machine pool or individual machines, etc.) and in very variegated forms (based on the dif-

ferent obligations of notification, registration, publication, etc.). The agricultural lands require particular expert knowledge, evaluation and realization process and this is also a reason why the specialized organization of their mortgage crediting came into being.

The functioning of the land mortgage credit institutes is regulated by particular laws what is justified by the special nature of the securities issued by them. These institutes "collect", namely, the credit basis of the mortgage loans granted by them through the issue of land mortgage debentures. The land mortgage debentures issued by the institutes are negotiable securities (just like the bonds) in which the conditions of interest and repayment as well as the landed property serving as a final coverage are fixed and this represents the current mortgage stock of the credit institute/s/. The issuer institutes are obliged by the law to maintain always a stock of mortgage whose value surpasses that of the mortgage debentures. The evaluation of the mortgaged lands is also regulated in details and - by keeping the interest of the creditors in view - this value should usually be lower than the market prices are (serving as a basis of the mortgage). These all mean a great safety of the creditor and this is the reason why the interest conditions of the mortgage credits can be advantageous. Also economic publicity belongs here.

To be controlled by the public makes a precondition for the evolving of the capital market. In the case of the co-operatives this is implemented in fact at the level of the members in the final accounts. A broader publicity, however, would represent a qualitative change and it could serve the improved orientation of the creditors (banks, subscribers of bonds).

#### Credit centres

Agricultural credit centres like the Farm Credit Board in the United States or the Credit Agricole (Caisse National de Credit Agricole) in France and their regional subcentres

came into being - usually established by the legislation - in diverse countries of advanced economy. These agricultural credit centres, however, are organizations not being similar with our central agencies. Practically the credit societies which belong to their scope and were "constructed from below" through self-organizing - the rural banks in the United States which are at the same time also shareholders of the credit centre - are operating in full independence and the aforesaid credit centres are playing a role mainly in the "collection" of their credit sources, in the transitional re-grouping among each other, in the representation of the collective interests and in the intermediation of subsidies granted by the state. The above facts are to be stressed since there is a tendency in Hungary that the established system of organization should be called into being from above by means of administrative measures. And it belongs to the essentials of the agricultural credit societies that they are founded voluntarily by the directly interested farmers, by the rural population who are taking active part in their management of self-governing nature and, of course, within the legal scope of bank-like functioning. (The emphasized voluntary nature of the founding does not exclude that this should be initiated and organized by the business federations of the farmers or by the already operating co-operatives.)

Generally the banking institutes specialized for agriculture - except the case of land mortgage crediting - invest a significant part (about the half or one third) of their sources into branches of the non agricultural sectors. The explanation for this is that in the modern financial system the general business political principle of the credit institutes is "to stand on several feet" in order to devide the risk which is hiding in concentration for one single branch or activity. It would be a mistake to consider this so as if capital collected in agriculture would be "pumped over" to other branches of economy. According to the correct interpretation this is nothing else than the careful and fruit-bring-

ing utilization of the savings of the agricultural producers which endeavours to prevent the dangerous risks. This aspect is also reciprocally true since about half of all the credits to the agricultural sector is granted by banking institutes non specialized for agriculture under similar considerations of portfolio diversification and reduction of the risks. This way also certain "re-pumping" is in course approximately at an equal extent. So we do not make a great mistake perhaps if we take the modern (post 1<sup>st</sup> January, 1988) form of the French "green bank", of the Credit Agricole as a basis.

#### Investment companies

In course of the further development of the banking system the calling into being of investment companies (of so called "investment funds") becomes conceivable. Though this is an institution for the acquisition of capital which can generally be applied nevertheless the accumulation of separate investment funds with particular agrarian or agricultural economic profile is justifiable because of the special expertise required for agricultural developments. Upon a basis like this they could contribute also to the integration of agriculture and food industry. The funds are investment companies disposing of independent legal personality which undertake the profitable utilization of the free capital of private persons and companies being in rivalry with each other and with the banks regarding the achievable rate of profit and the safety. So their capital investments are characterized by the combined optimization of the profit and of safety and therefore they represent the ideal type of "capital allocation" their personnel being small in number and consisting only of a few well trained experts.

Presumably the modernization of economy and particularly the modernization of the financial system will lead to the coming into being of investment companies in Hungary. So "conceptual preparatories" for these new financial-organizational opportunities would in no case be without reason. In the coun-



tries of advanced economy the activities of the investment funds tend mostly toward the maximization of the dividends and interest deriving from their share-portfolios which they bought mostly from the pecuniary deposits of their depositors and they distribute this profit among their depositors. There is, however, another type of the investment funds which takes part with direct investments in the undertakings (mostly by means of original capital subscription). The investment fund is in both cases a risk capital undertaking (even if it serves the reduction of the portfolio-risk) where the risk is counter-balanced or made attractive through the high dividends.

Also such companies (funds) can be conceived which purchase agricultural lands and give them into tenancy to the entrepreneurs who offer the most advantageous contract; later on perhaps even sell them. This leasing-like solution can be a form of assistance rendered to agricultural enterprises which ran temporarily into trouble if e.g. the option of repurchase is stipulated to the one who originally sold the land. At the first approach it seems like illusory to form an investment company based on a high yielding - though risky - agricultural undertaking. After more careful consideration, however, one may presume that - as a result of the evolving of the market relations - opportunities above the average will be offered for undertakings promising advantageous investment either in the agricultural trade, in the further processing of the produce or in the sphere of the non basic activities. We may also conceive that the leasing out can be implemented on the basis of a decision made by a farmers' co-operative itself. Consequently the surveying of the organization, functioning and market conditions of the investment companies as well as of their particular nature prevailing in the agricultural sphere seems to be reasonable.

In respect with the aforesaid aspects two remarks can be presented. One is that those private savings whose placing out happens still after the coming into force of the Bill on Companies by the means of personal decision could be utilized in

the investment companies on the basis of professional - theoretically safer and more reasonable - considerations. The other remark is that the investment companies could represent - though within the presumably narrow limits of the Act of Banks which will sooner or later become indispensable nevertheless at a certain extent - an opportunity at the same time for the credit societies and commercial banks to place out their capital which can be assigned to this end. This latter possibility can be realized, of course, in the case only if high profit yielding investments can be found.

#### New types of undertaking and of institutions

The Act on Undertaking which came into force in 1989 introduced new modern types of the undertakings and regulated them with a general validity. In the agricultural sphere the new types of undertaking offer broad opportunities for new versions of the capital structure and financing of the enterprises. The way how the Co-operative Act will be modified in order to concert organically the agricultural sphere with economy as a whole by asserting the general principle of competition and sector neutrality is not yet elucidated so far. The considerations hereinafter described may provide footings for this concerting.

The principle of joining personal property and labour in the agricultural (farmers') co-operatives and the principle of the mutual financial assistance of the credit societies are mostly separated from each other within the present organizational system of the institutions and within that evolving in the future. The institution of the co-operative share or property bond somewhat bridges already the undertaking of personal labour and financial participation and its further development may represent an important part in the modernization of the institutional system of agriculture. Other starting points can be in this respect the spreading of the general types of undertaking in the agricultural sphere on the one hand and the fitting of certain elements of them into the traditional agricultural co-operatives on the other hand.

The general types of undertaking (deposit companies, limited liability companies, joint stock companies, etc.) make possible the participation of the agricultural (farmers') co-operatives in them whose result is the coming into being of new capital and financing types. The large scale of the possibilities allows but an illustration through examples. An obvious and broadly applicable solution could be that the agricultural (farmers') co-operatives should pursue some of their activities or utilize some of their assets by participating in the general formations of undertaking. The co-operatives e.g. could create a deposit company of limited liabilities for the operating of some of their activities or real estates where private persons or other undertakings could equally take part as members of the company. These types might result in the introduction of significant private capital.

Certain elements of the new general types of undertaking can be fitted into the co-operative structure. First of all the opportunity of exclusively pecuniary participation should be created which would serve the joining of the credit society and farmers' co-operative types and might become a way of the drawing in of capital. On the analogy of the full and associate members' status of the deposit companies those people who are participating either in the production or exclusively with their capital though distinguished from each other could nevertheless become equally co-operative members.

Another opportunity is offered for the active participation of the agricultural sector in the financial system under modernization in course of the modernization and development of the system of insurance.

CSENDES, Béla: A mezőgazdaság megújulása és az új agrárpolitika. (The renewal of agriculture and the new agricultural policy.) Tervgazdasági Fórum, No.4. 1989. pp. 17-23.

The renewal of the Hungarian agriculture is necessary in the interest of the whole society. In the future, namely, agriculture will be able to play its social-economic stabilizing or occasionally stimulating role only in the case if the resuscitation of the affection to land, of the farmer's care and readiness to initiate and of the traditional peasant values will succeed. The new agricultural policy is equally urged by the coequality, certainty of existence and local community forming activity of the agricultural producers, villages, of people living in rural settlements and by the enrichment of the moral values. The conception of the new agricultural policy breaks in several respects away from the past and its content becomes richer.

In the present, however, the necessity of the new agricultural policy cannot be justified by the argument only that the elimination of the deficiencies of the former agricultural policy should consequently be implemented now but also by the endeavour that such production relations and enterprise types should be created which accept the quality requirements, make rapid and flexible adjustment possible to the market relations since they offer a large scope to the human initiative, entrepreneurial spirit and assuming of risks and they build upon them.

In order to improve the competitiveness of Hungarian agriculture this all is necessary for the calling into being of the market economy. And the propriety reform represents an indispensable precondition for this latter. Real proprietors are needed since without them the market is unable to function.

Under the diverse types of the central control - should we call them control of Stalinian type, one Party state or

direct control - the real proprietors would have been impeding the assertion of the central will. Therefore the implementation of the central political and economic conceptions is necessarily accompanied by the abolishment of certain propriety types and by the creation of such collective property types where these types of collective property can unconditionally be subordinated to the central will. This way the direct producers did not become in fact proprietors, a type of property came into being which was unconceivable, unknown and uncontrollable for them. Under conditions like this the labourers fell also within the collective property into a hierarchical dependence from the central decision makers and from those regional ones which attend on them whilst the traditional peasant values and with them also the direct producers' initiative and assumption of risks were ousted. Their interest-edness became even in the co-operatives an interestedness of typical wage-worker character. This process continued to exist also under the conditions of the agricultural policy changed after 1956.

#### Property reform

The real market economy cannot function without real proprietors. Therefore the new agricultural policy should endeavour to create real property relations and real interest-edness based upon the former. The establishment of real property relations means that the existing property relations of the state farms and of the farmers' co-operatives should be transformed and opportunity should be offered for the agricultural labourers and for those who wish to work there that they should be entitled to act as undertakers. Their undertaking can be based on land tenure or on property. Free play should be given also in the agriculture for the evolving and competition of the diverse types of property and the calling into being of variegated enterprise scales should be encouraged upon this basis.

I think that it is not correct to raise the question whether the new agricultural policy stands by or against the large-scale enterprises. Without variegated types of property and of the enterprises the competitiveness, adjusting capability and efficiency of agriculture cannot be improved at the present. Combined property and variegated enterprise types cannot be established without changing at the same time also the way of operation of the present large-scale enterprises.

Some of the large-scale enterprises became already earlier aware of the necessity that the relations of the inner interest-ness should be transformed. Numbersome internal undertakings, production units based on tenure or lump-sum accounting were established. The managers of the large-scale enterprises, however, pushed these types of farming within a narrow compass and followed this way only until the point where they considered it still to be correct within the present system of regulation and the scope of the present ideological conception. In order to let this process better evolve and the diverse types of undertakings should achieve sound proportions - in addition to the changes taking place in the ideological conception and in the regulators - also the co-operative inclination and competitive situation should better prevail since only this can move the large-scale enterprises to apply the most efficient types of production organization. This is also a reason why the all embracing scale and the monopolistic position of the large-scale enterprises should be broken.

At the present the large-scale enterprises dispose in fact of monopolistic rights in respect with the propriety and use of land. Without changing this no significant propriety reform can be conceived.

It is at least as important as this to point out also that the reform of propriety cannot be implemented if the co-operative or the state farm is a one-way road: one can though found it or join to it nevertheless one cannot leave it or dissolve the co-operative i.e. one cannot withdraw property or land from the large-scale enterprise. The transformation

of the large-scale enterprise to a "one-way road" is a characteristic element of the Stalinian agricultural policy.

The making possible of dissolution or withdrawal, the breaking of the monopolistic positions means that the labourers working in the large-scale enterprises are enabled to change their existing situation or relationships and to press of needed the management of the co-operative to alter the co-operative activity, its way of functioning in compliance with the intentions of the members. If the possibility of withdrawal or dissolution are excluded then the co-operative members are deprived of the most important guarantees of the free choice, real decision and intervention.

The property reform in agriculture is inseparable from the rearrangement of the landed property relations. This rearrangement means first of all the evaluation of land. Without that this fundamental factor of production cannot be fitted organically and reasonably into farm management. It means moreover the buying and selling, the free use, leasing and tenure of land as commodity and capital. If we do not indulge people in buying and selling land then we impede the coming into being of variegated types of farming and render impossible the agricultural activity of those producers who are willing to take part in the production as owners.

Land is at the same time particular capital and particular commodity having especially numbersome particular characteristics under conditions which prevail in this country at the present. Without realizing and adequately treating them the sound functioning of the turnover and use of land cannot be conceived. I should like to allude here to some of them.

The private landed property of the co-operative members is still of a significant scale while the land is in collective co-operative use. This private landed property should be maintained for the future and in the case of buying and selling only the owner should have the disposal of it. For the co-operative use of these lands the payment of a land rent corresponding to the real conditions should be allowed.

The significant part of the co-operative lands is in co-operative property. The members do not feel it to be their effective property. This situation must be changed. As far as this changing is concerned the idea arises that if the co-operative previously redeemed the land of a co-operative member or of the member's parents then after the payment of a countervalue corresponding to the amount of the redemption the redeemed land should be returned to the co-operative member's property. The pros and cons are to be weighed also in respect with the conception that based on the decision of the co-operative collective the lands owned by the co-operative should nominally be distributed among the members of the co-operative. This distribution does not mean the transfer of ownership and therefore if e.g. the co-operative would be dissolved or the member would leave it then the nominal landed property could be transformed to private landed property only through the payment of the redemption price. The nominalization of the landed property grants the right that the co-operative member should get a land rent after this land from the co-operative incomes. It is namely inconceivable that without this rent the co-operative members could be made really interested in the possible best utilization of the co-operative landed property.

Another task is to impede that the large-scale enterprises could bargain away at any price the land or use it up as personal income.

It is frequently characteristic for the present that a co-operative embraces 5-6 villages and therefore also the danger exists that the managers of the large-scale enterprise may sell out all the lands of one of the respective villages. Therefore light should be thrown on the competence of intervention, preemption and decision making of which the co-operative members of the affected village or the affected municipal bodies are disposing in such cases.

At the present it is already generally accepted that a part of the indivisible assets of the co-operative should be rendered distributable and in the case of withdrawal or of the



dissolution of the co-operative the assets should be distributed to the members. This all makes really indispensable elements of the consolidation of the proprietor's existence and consciousness. The essential requirement is here, however, that the assessment of the divisible part and the principles of the distribution should belong to the competence of the co-operative community.

The above described changes create a new situation in the co-operatives, offer new opportunities for the members and may open a way before the reorganization of the way of functioning of the co-operatives. The concrete way and pace of the reorganization should depend on the affected participants, as they consider it to be necessary. Nobody can be made, of course, proprietor against his own will but nobody can be either debarred from the right of property. Based on the affected people the reform of property can be implemented in course of an organical progress and locally in the most variegated forms. The only task of the government can be to brush aside those obstacles in the ideological, legal and regulatory systems which impede at the present this organical development started from below.

The property reform does not make the large-scale enterprises unnecessary but transforms them to real co-operatives serving the interest of its members where the management of the property, the organization of the undertaking, the services, the integration, advisory functions, the democratic operation of the members' fora are coming into prominence among the activities of the co-operative centre.

An organical development started from below and liberated from the impeding factors certainly puts at the outset to the fore the evolving of the inner undertakings at a larger scale, the system of tenancy. It is to be hoped that this will start also farming based on family and private property but their broader gaining ground can be expected only later on. Their coming into being highly depends on the progress and realistic functioning of the political pluralism, on the

steady and lasting legal security and on the conditions related with the reform of the price and regulating systems' operation, with the supply of the production means, etc.

#### Regulations, the conditions of farming

Since it eliminated the realistic property relations therefore the control which asserts the central will when consequently carrying out the process created necessarily such a system of the prices and regulators which did not even provide an income allowing the exercise of ownership in this respect. The Stalinian agricultural policy was necessarily accompanied with a system of the producers' prices which did not cover even the costs of production and with a pressed system of the food consumers' prices based on an ideology referring to the socialism.

The implementing of the property reform postulates also the changing of the agricultural price and income relations. Those opinions cannot be maintained according to which no radical reform is needed in agriculture but only more money should be provided. This would mean the procrastination of the reform! Non less can be maintained the opinion that only the property relations are to be reformed while the improvement of the price, taxing and income relations is unnecessary. In the case if this opinion would prevail then the property reform would be made impossible.

In course of the past three decades the Hungarian agricultural policy broke with the most serious mistakes of the Stalinian agricultural policy even in respect with the prices, abolished the compulsory produce delivery to the state, several times improved the price relations of agriculture, etc. The reckoning with the past, however, could be consequently implemented in this respect neither. The system of the producers' and consumers' prices in food economy demonstrated significant differences even in the most recent years if compared with the price system of the other spheres of national economy. Serious compulsions imposed by the authori-

ties were included in the agricultural consumers' prices and in those of the foodstuffs while the transfer of the infiltrating costs was allowed in other sectors of the national economy. This was necessarily accompanied by the opening of the gap between the agricultural and industrial prices and this restricted seriously the income production in agriculture.

In the forthcoming years the minimum requirement will be to stop the already one decade long lasting decrease of the agricultural real prices which coupled with the inflation endangers the anyway low profitability of agricultural production, keeps the transformation of the property and interestedness relations in check and may sooner or later lead to troubles affecting an important prop of the steadiness of the inner policy: the domestic food supply. An inevitable requirement is that in order to maintain our international competitiveness our foreseeable production cost increase (land rent, capital costs) should be counterbalanced by the improvement of efficiency which can be expected from the prevalence of the tendencies of the economic reform. The implementation of the property reform and the establishment of market economy render indispensable the organical integration of the agricultural producers' prices and the consumers' prices of the foodstuffs within the price system of the national economy. Here again it is necessary that the prices should develop in the bargaining between the producers and the buyers upon the basis of market relations. This postulates the construction of efficient interest protecting and business federation activities. It is necessary to stress that activities of regulation and intervention are needed with a supplementary character deriving from the situation and particularities of agriculture both in markets at home and abroad. In agriculture the conditions of the farm management differ from the sphere of movement existing in other branches of production. Agriculture is more vulnerable since a sellers' market exists there already, the monopolistic organization of the

producers is failing and the pressure of subsistence is more direct. Until the time when these conditions will become general in the economy an uniform regulation would increase the defencelessness of agricultural economy. Besides agriculture disposes of such particularities which derive from the character of its metabolism with nature. These characteristics lastingly subsist and economic regulation is compelled to adjust to them.

The establishment of market economy postulates the prevalence of competition neutrality. This refers also to the requirement that the system of the prices and regulation should be sector neutral as far as the diverse types of property and enterprises within agriculture are concerned and also in the respect that compared to other activities agriculture should not be in a handicapped position as far as the systems of prices, taxation and subsidization are concerned.

The completion of the property reform, the operation of the new types of property postulate that in respect with its scale and applied methods the system of taxation should be adjusted to the particularities of agriculture and among them to the agricultural production relations. In the further development of the taxation system efforts should be made not only for the end that the principle of competition neutrality should prevail when assessing the amount of the withdrawals but also that the taxation system which will be applied should not check the spreading of the multifarious types of undertaking which came into being in agriculture. The separated taxation of the wages and of the profit is almost unsolvable in the diverse types of undertaking. The present sophisticated accounting system restrains the gaining ground of the undertakings.

High fixed and current assets intensity is characteristic for the agricultural production. The available own sources are poor and the present situation is not attractive for the introduction of capital. Experience gained in course of the recent years demonstrates that the fitting of agriculture into

the restrictive credit system is very difficult. Solution should be found for such urging problems of agriculture as the short term credit supply, the reduction of the present high interest, etc. The solving of the above described problems postulates that as soon as possible agriculture should dispose of specialized agricultural credit institutes and among them of a co-operative banking system and that land mortgage as well as the institution of crediting based on it should also be established for a longer term.

After the socialist reorganization of agriculture the most important income sources of the agricultural population became their income deriving from labour and the social allotments. In the decade of the 1970-es the average income of the peasant households - at the expense of surplus labour - reached that of the worker families but since then it is lagging behind that again and the gap is increasing. The rural inhabitants feel themselves to be subjects "of second grade". In several respects the costs of their subsistence surpass that of the urban people (they pay significantly higher prices for the public utilities), their infrastructural supply lags far behind the same of the cities. In order to create equal chances changes are needed urgently also in this field.

The living conditions of the old aged people as well as the success of the descendants in the peasant farms was based on the real proprietor's interestedness in growing richer. The problems of the wage-worker interestedness which replaced the former and of the superannuation allowance granted by the state which was related with it became strained when the possibility to increase the real wages ceased to exist.

The task is the establishment of a social insurance system which grants equal chances to people working in agriculture if compared even to other layers of society and is organically linked at the same time with the reform of property. The renewal of the proprietor's interestedness - prospectively - improves the income security of the old aged people.

The landed property, the land rent, the tenure of land, the divisibility of the collective assets, the payment of divisibility of the collective assets, the payment of dividends all exert an influence in this direction.

The gaining ground of the undertakings, and of family farming postulate the establishment of a modern insurance system able to compensate the fluctuations of the weather.

The task system of the agricultural policy is to be enlarged since also the development of the villages should be considered in it. The large-scale agricultural enterprises contributed also hitherto to the solving of the rural settlements' problems. Simultaneously with the increase of the enterprise scales, however, several villages were left by the co-operatives, the rural intellectuals decreased in number, the relationship between the farm centres and the household plots loosened. The renewal of the co-operatives, the revivification of the farmer's affection in the co-operative members, the reform of the property relations may provide a safe subsistence and financial basis for the development of the rural settlements. The villages can be refilled with life if the system of the public administration changes and the farm management of the agricultural producers may gain a new perspective.

In the agricultural policy we should reckon with the assertion of the aspects of environment protection too. The more efficient cost management and the saving of materials also deliver arguments for the environment sparing use of chemicals. This same is required by the interest of the population in this country and for the sake of the international competitiveness of our agricultural products.

As soon as possible we should establish and transform the business federation system of agriculture. The task of the business federation should be the efficient protection of the agricultural producers' interests by conflicting them with the conceptions of the government. Several business federation organizations are needed: the managers of the large-scale enter-

prises or the agricultural intellectuals may have their own business federations but solution should be found for the representation of the interest of the agricultural workers and co-operative members in a broad sphere for the evolving of the self-organized associations and federations in the diverse production branches. In the agriculture based on undertaking, namely, the interests become differentiated and they should find forms for their expression. In addition to the business federation organizations efficient assistance could be provided for the agricultural producers and food industrial enterprises by the Chamber of Agriculture which could deliver market and economic informations and perform an intermediating and relation creating function. Without it the fitting of the agricultural sphere into the market economy cannot be conceived.

In order to improve the concerting of the diverse chain links of the agrobusiness such types of property and interestedness gain already ground at the present which are suitable for the development of an integration organized upon the basis of the common interestedness in the manufacturing of the production means, the production, processing and realization processes linked with the final product. The creation of the interestedness of the trading agencies and of the producers at the markets both home and abroad is particularly important. Greater sphere should be provided in the food trade for the private businessmen than has been so far.

The reform of the agricultural economy is closely interlinked with the political and economic reform processes. It can be resultful only in the case if the reform will consequently and successfully implemented in the whole society and economy. —

CSETE, László - Mrs. BARCZA, Gabriella: A mezőgazdasági szövetkezés jövőjéről. (About the future of the agricultural co-operative movement.) Számadás, No. 43. 1989

Related with our agricultural political surveys and on the pages of the GAZDÁLKODÁS we dealt already several times with the necessary transformation and the future development of the farmers' co-operatives. For the sake of the future and at the occasion of the Congress of the Co-operatives by pondering the unity of the relationships and still picked out from the system certain important questions are worthy to be formulated which can be answered in an irregular but well grounded manner.

1. Why did the co-operatives come into being? Let us cast a glance on this problem because the future trends can also be indicated more safely thereby.

In fact the co-operatives were created for the end to counterbalance the disadvantages deriving from the small scales and the scattered settlement by making use of the collective procurement, realization, etc. and improving their unfavourable market position. Therefore it is not accidental that the co-operatives spread mainly among the artisans and the agricultural small producers.

The co-operatives based on the pecuniar and personal participation of the members never represented simply a type of undertaking only but beside safeguarding the interest of the members they meant solidarity and a social-cultural background at the same time.

If we survey the place occupied by the co-operatives in the present world and in the market competition then we can ascertain that no co-operative can be found among the 100 most successful undertakings of the world and the situation is very similar if we regard the 100 biggest undertakings. The consequence is that even at the present the co-operatives prevail unvariedly among the small proprietors.



It would be a mistake, however, to draw the conclusion that the co-operatives became unnecessary. In certain European countries which progressed in a way different from ours several decades ago agricultural small-scale producers allied for co-operation in the acquisition and realization and later on in the processing and foreign trading and they play a significant role even at the time being. But agricultural production continued to be performed in family farms. No co-operatives came into being at the same time in other countries even for the present. There the interests of the small-scale producers are protected by diverse agricultural organizations and groupings and also by a well considered policy of the state in course of the recent decades.

From the facts briefly described above certain conclusions can be drawn for the future:

- reasonably the classical fields of co-operation, i.e. supply and realization are to be aimed at;
- those things to be done are worthy of consideration which may strengthen - in addition to other types of undertaking - the advantageous aspects of co-operation;
- the rightfulness of co-operation was demonstrated by its risk reducing, protective and solidary nature and therefore it can be neglected neither in the forthcoming.

2. The consequence of the aforesaid considerations is that not relationships with the industrial or other co-operatives are to be sought in the first place but the inner transformation of the present farms co-operating in the production to supplying - realization - servicing or even consumers' co-operatives would be reasonable! This could be a way for the transformation of the present co-operative centres. The collective farms which exist at the time being could in this sense become real rural i.e. agricultural co-operatives. (It is more correct to speak about agricultural co-operatives since delimitation from the larger settlements would not be advisable.)

The above described consideration is not only an idea or day-dreaming at all since if even in an unsaid manner most of the specialized co-operatives operated in Hungary as similar formations. So there is already concrete and well proven example for the co-operative performance of the supplying-producing and realization functions. Though we emphasized already several times nevertheless it is worthy to repeat that the points is here, of course, not the painting over the present co-operative trade-sign but the essential inner transformation.

3. The above suggested agricultural co-operative for supply, production and realization could become the hotbed or frame of the family farms, farming and other diverse undertakings which are missing so much from the structure of enterprises and undertakings in Hungary! Time is pressing: a broad sphere would be offered for the association of the independent member's or family farms being partly or fully in private property and acting in labour division with the functions of supply and realization or production and processing which seem to bring more advantages if performed in the collective farms.

So it can be achieved that the owner of the member's or family farm should be interested in the collective operation not through his labour but through his proprietary share. This way the present member may very simply become interested also in the increase of the collective property and the problem of land which was not exempt from naiveties and several times from the raising of wilful illusions can be put to its right place too. The scale of the member's or family farm should not be limited. Once getting back the acreage the member may increase it - adapting to the present conditions - with tenure.

There are some other complements longing to the above considerations:

(1) The tenure cannot be restricted to the land only but it should include also the machines, buildings, equipment, breeding stock and useful animals.

(2) The consolidation of the member's and family farms should be the only way in the future neither but integrated small-scale production, tenures, specialized groups and the diverse types of undertaking may exist in one and the same co-operative side by side or having different proportions in compliance with the concrete conditions.

(3) The transformation of the traditional family farm to one of entrepreneurial nature and its completing with non agricultural activities became a well formulated task in Northern and Western Europe. The recommended combined co-operative and the member's or family farms together let successfully evolve the entrepreneurial character. For young people, women and girls the agricultural activity is not always attractive and the member's farm does neither provide a suitable living standard. The already existing or the newer complementary activities performed in part time or in the main job's work-time within the collective farm as outworkers or in a business like manner is easier.

(4) Family farming which tries its wings in the present days again never needed so much the protection of co-operation and the reduction of risks as now under the conditions of the well known anomalies of trading, of the processing industry having the benefits of the greater potential and in several respect even of its monopolistic character. To become aware of and to make publicity for this is very important.

It should not be stressed perhaps that the germs of the above suggestions or footings encouraging them can also be found in the farm management of the specialized co-operatives.

4. As far as the increase of the financial sources is concerned the co-operative is in a more disadvantageous situation than e.g. the joint stock company. The joint stock company may gain, namely, additional financial sources through

the issuing of shares or profitable exchange by decreasing or avoiding the interest burdens. In the co-operatives on the contrary capital shortage may restrict the undertaking or more audacious market oriented development etc. Few mention is made at present of the consideration that the introduction of asset shares or the issue of new ones engenders not only changes in relation with the property by abolishing the wage worker like behaviour and interestedness of the members but makes possible also the increase of the financial sources.

Development will serve the more efficient making use of the assets in the future co-operative. This is the measure of the investment of the collective assets in the member's or family farm or elsewhere in other activities. Correspondingly the members make independent decisions in correspondence with their interest about the development, about their regular or occasional investments from the profit produced and distributed in proportion with the asset sharing. (E.g. joint grape and wine processing investment, the purchase of deposit slips or shares, etc.)

The increase of the sources with asset shares and investment efforts aiming at the augmenting of the assets strengthen the competitiveness of the co-operatives in the market.

In the future also the position of the co-operative member may become advantageous and competitive since the member may gain incomes on the score of several claims: according to the labour performed in the collective farm, of the dividend after the asset sharing, on the basis of other capital investments in the collective activities, the entrepreneurial risks and the direct returns of the member's or family farm.

5. Corresponding to the unusually differentiated interests and to the intentions to augment the assets among them neither the changes of the co-operative management can be avoided. Ferenc Erdei, László Enese and their co-authors turned their attention already in the 1960-es to the fact that the controlling body which consisted of the members who

entered i.e. of the owners and served the common interest of the village, of the community and the body of the experts which consisted of agricultural engineers segregated within the co-operative management at that time in a reasonable manner.

In order to strengthen those points of the co-operative which are weaker at the present with regard to the future the leading body consisting of the owners and subordinated to the general or depute's assembly (called presidency or body having another name) and the board of the experts or a more new-fashioned expression the board of managers can deliberately be established. The tasks of the body which represents the owners are the augmentation of the assets, control over the management of the assets and the protection of the common interest and of the members. Within the scope of the decision made by the owners for the augmenting of the assets the managers are dealing with professional duties, technologies, with the introduction of certain new activity, etc. In given cases the chairman of the board of the owners can perform also the control of the managers.

The manager can be, of course, an employee and also an owner - member since his intellectual capital can be considered as an apport. (Unfortunately this latter has no due appreciation in this country.) And the employee who was active in the collective farm since a long time already can have a share in the assets in the function of time and utility. And finally the managers, the employees - just like the members - may purchase asset shares (the denomination being a question of consent).

CSETE, László: Mezőgazdaságunk ökológiai állapota.  
 (The oecological conditions of Hungarian agriculture.)  
 Magyar Mezőgazdaság, No. 51-52, 1989.

In the course of time one and a half decades passed since after the energy and raw material crisis the attention turned to the renewable natural resources. The case was the same also in this country when at about the end of the 1970-es initiated by the Hungarian Academy of Sciences and with the participation of a broad cercle of experts the exploration of the oecological potential of Hungary and the forecasting about its state in 2000 were put on the agenda.

The fundamental task of this undertaking was to assess those maximum yields and outputs whose attainment will be rendered possible for 2000 by the natural environment, the precipitation, the temperature, the vegetation, the hilled ground, the water supply as well as by the genetical attributes of the plants, of the crops.

The labour continued in 1981 as a next step with the complex exploration of the biomass or with other words of the organic matter produced and this under the control of the HAS and with inter-departmental teamwork again. The taking stock of the biomass quantity took place at the first time in this country within the scope of the above survey. The surveys embraced the present and possible future trends of its utilization.

We realized already at the beginning of the 1980-es that the scientific discovery of the adjustment is a necessity. This started as a joint research of the Ministry for Agriculture and Food and of the HAS in 1986 and is in course still at the present. We interpret the adjustment as deliberate preparedness for changes which cannot be expected with due certainty or as the rapid and flexible adapting to the changes which took already place. Adjustment is necessary first of

all to the market, to the environmental possibilities and restraints, to energy, to the stock of water, etc.

I did not mention this all, of course, simply for the sake of historical fidelity but therefore because the reasonable utilization of the oecological conditions in this country is closely correlated with the problems in question.

The knowledge of the agro-oecological potential is much more topical at the present than has been one decade ago!

The agro oecological potential is basically determined by the natural factors of lasting effect. Depending on the property relations, the organization structure, the technical conditions, the system of the organization and means of the economic control and the market mechanism they can be utilized within certain limits in diverse combinations.

The oecological potential and the market represent two fundamental factors of the future development of modern forestry, agriculture and food industry which are simultaneously and continuously determinative in interaction for the participation in the social labour division and market competition. But while market relations are relatively rapidly changing and even those tendencies which are considered to be lasting ones do not embrace more than a few years only several components of the agro oecological potential can be altered not at all or at the expense of great financial sacrifices only. Just therefore it is a great thing on the way toward market economy that at least one of the fundamental points in the changing environment of farming can be regarded as correctly assessed and well known.

The detailed knowledge about the agro oecological potential is important also therefore because without it the challenges of the present days which continue to strengthen in the future cannot be overcome.

The oecological conditions of this country can be regarded as favourable ones in their totality. The high ratio of arable utilization, the per capita acreage and the preparedness of the agricultural engineers and skilled workers are

particularly advantageous if compared with other countries.

The favourable natural conditions of Hungary render possible year by year the production of a vegetable output of variegated assortment and large quantities.

The more reasonable utilization of the favourable potential is impeded by several factors so by repeated droughts, by the acidification of the soils, by the impairing of the forests, by the shortage of stable dung, etc. This is rendered more serious by the shortage of the social-economic conditions, of modern industry and of the export, by the low profitability, the pooriness of capital, the stressing contradictions of the property relations, the undevelopped market relations, etc. To some of these I referred already in the precedings.

Beside the spectacular progress of agriculture, the rapid doubling of production, the export returns of 1.5-1.7 thousand million Ft annually, the active balance surmounting 700 million \$ or the export value of 1 thousand million Rouble there were, of course, also other factors like the quantitative aspect pressed on agriculture, the one sided mechanization, the use of chemicals and other veficiencies which caused damages. In consequence of these latter the acidification of the soils increased, representing 2.8 million hectares in the 1970-es and 4 million hectares in 1985. The organic matter content of the soils reduced. While the average humus content of the soil samples was greater than 6 per cent in 1947 now no similar results could be found in the case of meadow soils in 1985. Soil deterioration caused by the erosion increased and the biologic life of the soil reduced, aquosity, marshiness and sodification grew while the soil structure worsened; in spite of the weed control the weed cover reminds us to the bygone decades. The fresh waters became eutrophized and the stratum waters became polluted. Also the residues of chemicals became concentrated and can be found in the food: tuffs. The poverishment of the landscape and the destruction of non domesticated animals and plants belong here also.



I have to add right here that these negative outgrowths of agriculture did not occur, of course, only in this country but also in many places of the world. Just therefore mainly the countries of progressed industry became resigned to take serious measures. No doubt that these countries have enough to do so since compared to our country agriculture represents there but a small share within the total national product, the employed people and the exports. This does not mean, however, that nothing should or could be done in Hungary but I shall return to this point briefly still later.

I should like to stress that environmental damages occur in countries of different regimes as a consequence of the rapid growth of agriculture or quite independently from it. The conclusion can be drawn that a biased opinion would be to blame exclusively the agriculture of large-scale enterprises for this. It can be heard frequently that the established practice is condemned as "Stalinian large-scale agriculture" and since this is closely related with the utilization of the ecological potential therefore it is worthy to be briefly treated.

Without applying a historical approach we cannot get far in this case either. In Western and Northern Europe or in the USA and Canada, namely, the family or individual farms developed under quite different conditions and in several respects on different ways than in this country. We should not forget the century long historical antecedents and the fact that the Great Powers relegated Hungary to the Soviet sphere of interest at that time.

The re-allotment of land - this was the opinion also of Péter Veres - created an unsound structure of the landed properties. Diverse conceptions were formulated about co-operation but switching tended toward the colfarms of the Russian "artiel" type. Relieved of the compulsory delivery to the state and encouraged by the prices the agricultural producers - private farmers, co-operative and state farms - could not

enjoy the new situation for a long time since in compliance with the demands of Moscow a new wave of re-organization started. In spite of this, however, the villages i.e. agriculture was not left to the fate of the kolkhozes since the re-organization was implemented and developed so that the import of the basic agricultural products and foodstuffs discontinued and beside the rapidly increasing domestic consumption also the agricultural export augmented. The system of large-scale enterprises and small-producers which reckoned with the conditions prevailing in Hungary and with the limits of the possibilities and could progress in spite of all the committed faults and excesses won international appreciation.

The medium-scale enterprises and family farms are, of course, failing from the present agricultural structure. Their gaining ground is necessary but also the large-scale farms are capable to further progress and to be radically transformed with modernization. The administration, the bureaucracy could be reduced in the large-scale enterprises being not the particular attributes of these latter but they were hamstrunged by the state of the Party.

Wastefulness can be reduced too by means of restoring proprietorship through the general gaining ground of undertakings within the scope of the large-scale enterprises or being bound by contracts to them. Privately owned plants and activities being advantageous if performed in the collective can well be concerted within the scope of farms which take the form of supply-farmers'-realization co-operatives.

The large-scale enterprises should be allowed at last to operate in an autonomous manner since they proved to be resourceful even in the difficult years and found always certain solution - serving both the individuals and the rural communities.

Agricultural production and that of forestry may cause damages to the environment but may also be subjected to injuries caused by the settlement, by the industrial or other

establishments, by people taking part in the traffic, etc. The development of the environmental conditions, however, does not depend only on the self cleaning capacity of nature but also on the attitude and activities of living human beings and on the amount of money which can be spent for the improvement and maintenance of the environment's quality.

The most important pledge of the maintenance of the environment's quality is beside the identification of the danger prevention and not subsequent protection!

As larger are the investment projects in question as greater is the danger that the environment will suffer damages. The development of small-scale production and of family farming seems to be advantageous - in addition to other arguments - also in this sense.

The protection of the environment is not only a sacrifice made for the sake of the future but also a thread of competitiveness since the one who thinks and acts in due time can produce at a final and cheaper and with smaller costs of environment production while production should be stopped perhaps elsewhere for what many examples can be found already in the international practice.

The costs of environment protection do not occur only in the case of the non recurring inputs, of the investments but also in the case of the constant recurring ones in the fertilizers' use, plant protection, weed control, in the stockage and treating of chemicals, in the destruction of the packings, etc. The things to do in the protection of environment manifest themselves already at the present but still more in the future as organic parts of the production and labour processes!

The Hungarian experience gained in agriculture as well as the results achieved so far and the further possibilities of saving equally turn the attention to the energy inputs. This is as more particular as in contrast with the other branches of economy agriculture simultaneously consumes and issues energy.

The reduction of the energy inputs lets to decrease at the same time the losses suffered by the environment.

The reasonable management of energy requires that the inputs and outputs of production should be evaluated also as expressed in energy because this way the reserves of efficiency in energy consumption, the necessary changes in the structure of energy sources, their mutual replacement, the mobilization of opportunities not at all or not sufficiently exploited, the application of technical and technological solutions which facilitate the reduction of energy inputs may become obvious.

Adjustment to the biological cycle as well as the almost full utilization of the principal, twin and by-products and of the residues were characteristic for the traditional agriculture. The technical progress, the wrongly orienting price and financial systems, the decrease of the proprietor's disposition, the insufficiency of interestedness and several times fashion itself transformed the former system of farming even there where it was not justifiable.

In the forecasts which we prepared for the diverse countries we intensively dealt with two salient points of the future progress, with irrigation and amelioration namely. Now I should like to mention here one single consideration only. The struggle for water will continue to intensify. The one who makes a step earlier may earn a derivative rent. According to forecasts prepared in the meantime an average 1.0 maximum 4.5 °C raising of the temperature can be expected for 2050 in consequence of the hothouse effect, of the rapid increase of the carbon dioxide concentration in the air. The series of draughty years is also warning: the principal way of prevention and protection is the water saving farm management which should make always an organic part of the technology. We treated the problems of drought intensively in course of our research on adjustment. Consultations were held and summarizing publications were issued on this subject and therefore it would have no sense to deal with it now.

International experience demonstrated that the competitiveness of the future agriculture as well as the desired and reasonable utilization of this potential will be determined by electronics, biotechnology and mainly by informatics. If anywhere then in this respect - in consequence of the agricultural situation which is even more disadvantageous than the general lagging behind of the infrastructure in Hungary - the facts are unusually pressing. Agriculture can obtain informations but slowly and through several transmissions. There is a shortage in phones, wireless sets, telexes, teledata and telefax equipment, etc. The possession of informations was a way of exercising power in the recent past which is as difficult to overcome as to get accustomed to decentralisation, autonomy and democratism.

The getting of informations is accompanied also with sacrifices. At the present days everybody considers to be natural that the share of the feeding costs within the production costs of livestock breeding amount to 50-70 per cent. The agricultural enterprises spend at the same time scarcely and unwillingly something for the obtaining of informations.

The forest represents one of the determinative opportunities for the increase and profitable utilization of the agro oecological potential in the counties. The intensive increase of afforestation and the plantation of lines of trees are justified by several factors: the marginal arables, the grassplots, the river flats, deflation, the system of subsidization by the state, the improving of raw material value of timber through conversion, employment, the opportunity of earning and not least the chance of producing profit. The market situation which is promising to be of demand nature stresses the possible most rapid and broadest utilization of these opportunities.

Therefore we suggest that as soon as possible one or more regional associations should be established on a voluntary basis of mutual interestedness for the furthering thereof.

These associations would unite the proprietors, the diverse forests of the state, co-operative and private acreages. Within the scope of the forest owners' bodies established this way property and management or utilization would be separated from each other. This latter would be implemented - relying on the forest inspectorates - by employed managers in compliance with the demands of a reasonable long term silviculture.

The participants of the verticum integrated by the interests, the forest owners who produce the basic material as well as the processing and realizing organizations and undertakings namely, would meet within the scope of the regional associations. This way the frequent conflicts of interest which occur between forestry, processing and realization could be settled within the regional association.

Last but not least I should like to speak about the market where the potential is realized. I myself hold also the opinion that the system of the agricultural reform should be implemented with great responsibility through well considered steps taking the mutual effects and the conditions into account. I should like to emphasize that the well functioning prices are the consequences of the market, of supply and demand, of the market construction and not inversely.

In each country of advanced or less progressed industry the governments, the Chambers and diverse other organizations make efforts to counterbalance the oecological and other restraints of market adjustment in order to prevent the agricultural producers and the society from the excessive fluctuations.

The simplest condition of the market is failing, the commerce namely. The mechanism which functions as supply and realization can hardly be called commerce in Hungary. It is warning how rapidly the "market" introduced in the lack of the necessary conditions may lead to bankruptcy. It is enough to refer to the collapse of the Polish food market or to the

fact that in spite of the market efforts the food supply can be implemented only with rationing in several capitalist countries on the way of development (in Egypt e.g.).

More profitable and competitive agricultural production is inconceivable without the gradual construction of markets, the acceptable price and quality of the means of production, the gaining ground of the undertakings, the modification of the ratios in the enterprise and entrepreneurial structure, the radical renewal of the intellectual capital, etc.

Starting out from the present conditions this all can be implemented but gradually by breaking with the sad Hungarian tradition that short term enthusiasm is followed by the destruction of the still existing former circumstances, by disappointment, and by the construction of the new with a time lag or by languid progress.

ÉLIÁS, András - Mrs. MOGYORÓS, Katalin: A hústermelés és -értékesítés külkereskedelmi érdekeltsége (baromfi-hús nélkül). (The interestedness of meat production and realization in foreign trading. /Poultry meat non included./) Vágóállat és Hústermelés, No. 5, 1989.

A part of the production of pig, cattle and sheep breeding activities which cannot be neglected finds buyers beyond the frontiers of the country. So about half of the cattle realized for slaughter, 15 per cent of pork and 40 per cent of beef went for export. 90-95 per cent of mutton was produced for markets abroad and therefore these products are highly export oriented. The export turnover of meat (pork, beef, mutton) can be estimated to almost 150 million Roubles and more than 400 million \$ in 1988.

It can be rendered verisimilar that in spite of the troubles which manifest themselves at markets abroad and those of efficiency we should reckon with certain pressure

pressure to produce foreign currencies still for a longer period in the meat business.

We must consider the world market environment and the agricultural world market always as a complex of objective factors and in consequence of our role played in the market we cannot exert any influence on them. Therefore we are those who must adjust ourselves to the world market which requires foresight and serious efforts from people working in both the macro and micro spheres. The implementing of the tasks of adjustment to the requirements of markets abroad cannot be conceived without the continuous improvement of an acceptable concert of the mutual interestedness within the chain of production, processing and realization i.e. within the whole verticum.

Deficiencies of the contracting system of  
produce realization within the meat verticum

Good quality is - in any case and particularly in a bad market position - the basic precondition of competitiveness. One of the fundamental characteristics of the finished meat products is that their quality and marketability are essentially determined in the agricultural sphere. The practice demonstrated that the quality standard can but slightly be improved in course of processing.

So if production is not implemented in an export oriented and vertical manner then the export prospects and efficiency of the activity will become endangered.

In addition to the meat production systems also the meat processing companies could play an increasing role in the satisfaction of quality requirements and in the progress needed for agriculture. The finished products delivered to the markets are produced by the processing companies from the livestock for slaughter to be bought up. At all times the prevailing system of the buying-up contracts adjusted to the requirements of the markets and to the possibilities of raw



material production is devoted to encourage the agricultural partners to produce livestock for slaughter of the appropriate quality. With the present produce realization contracts and with the practice based upon them, however, meat industry is unable to implement the supply of raw materials demanded by food industry at the adequate standards of quantity, timing and quality.

The quality requirements which are going to become more rigorous as well as the changing of the alimentary habits increase the demand for meat of improved quality and therefore the expedient meat production should inevitably come into prominence. The quality of the raw-materials of agricultural origin, namely, did not develop in a favourable manner. So in the future for purchase prices preference should be given more consequently than so far to the producers who produce raw material of improved quality by means of the extension and then the full gained ground of more objective qualification.

In consequence of the joint effect of the external and inner factors influencing its income producing capacity meat industry became one of the most critical activities among the food businesses. The development of the world market prices as an external factor and the general processing costs of meat industry as well as the increasing cost inputs of the materials of industrial origin consumed as inner factors highly assisted in the unfavourable development of the meat industry's income producing capacity.

The factors influencing the economical export,  
the actual problems of interestedness and organization  
in foreign trading

The produce structure of the meat industry is relatively inflexible, voluminous products of unfavourable economicalness represent a significant weight therein. These products have on the one hand an important role in the domestic supply

and as export products they dispose of foreign currency producing capacity on the other hand. It is characteristic, however, for the economicalness of the export that one fourth of the exported products and more than half of them in the Rouble relations belong to the category of foreign currency output smaller than the average.

More significant structural changes would be necessary for the increase of the income production.

The profit position of the processing enterprises is the one which depends directly on the realized exports, on the foreign trading activity since the slaughter houses are those which receive the returns from sales calculated with the foreign currency multipliers in the system which prevails at the present and these enterprises may avail themselves of subsidies specified by the state.

The key indexes of the agricultural and food industrial exports not accounted in Rouble demonstrate that greater preference is given to the export of the mass products than to those of the processed ones though the difference was decreasing in the recent years.

It is a consequence, however, of the infiltrating increase of costs that in spite of the high key indexes the rentability of the respective branch will worsen.

The system of the subsidization of exports under Rouble accounting based on the groups of products which was introduced on the 1st January of 1989 reduced the possibility of manipulation. Efforts were made to assess the key indexes of subsidization so that they should provide the foregoing 2 per cent profit for each product of the meat industry and the realization of an even greater profit than that should be achieved in the case of processed products.

The main impediment of the progress of commodity relations also in this case is the lack of mutual interestedness. The motivation and the incentives of the mutual interestedness should be found by the agricultural and meat industrial enterprises themselves and so the modernization process of

the organizational system may call variegated types of co-operation into being.

In course of the past years, however, the meat industry did not dispose of means representing suitable incentive power for the end that raw material of improved quality should be produced in the agricultural enterprises.

Very frequent complaints of the agricultural producers are that they have but a few footings in respect with the problem how to develop their production structure, sphere of activities, interestedness relations and how to risk financial means deriving from internal and external sources because the value judgements of markets abroad (prices, quality, quantity, assortment, etc.) arrive to them through several transmissions only and not depending on the particular production cycle in many cases.

In this respect the coming into being of the Terimpex Meat Industrial Foreign Trade Company operating with a validity from the 1st January of 1987 on represents an organic part of the reorganization of meat industry, of the progress of the whole meat business. The founder companies dispose of own foreign trading right but they realize their products to be exported mostly through the Joint Company. The possible production and commodity funds of the enterprises are concerted with the requirements in markets abroad by the Terimpex.

At the beginning of 1988 a new era commenced in the legal regulation of the foreign trading rights. The departmental order No. 1/1987 (29th December) signed by the minister of Commerce (KeM) entitles all those economic organizations which entered into the official register administered by the Ministry to perform foreign trading activity at the title of individual right and the registration can be refused only in the case if the applicant does not meet the organizational and personal requirements specified in particular legal rules.

In spite of this the individual export right meant practically a "quasi" export right in the meat verticum until the 1st January of 1989 because all the products of meat industry figured on the list of the exceptions. The liberalization created an ambiguous situation.

Efforts are made in the departmental order No. 1/1989 (18th January) signed by the KeM to lessen the contradiction through the modification of the list of export exceptions in respect with the rights representing the financial value of commodities and services. In compliance with its terms the significant portion of pork was cancelled on the list with the exception of certain markets (UK, Switzerland, Austria, Sweden).

The revised list of the exceptions enlarges the individual rights of the producers and increases the freedom of the producer, processing and other economic organizations. This way freedom can be provided at the same time for the foreign trading activity so that the economic, producer, processing and foreign trading organizations should compete freely for the buyers abroad without restrictions or limitations.

Taking also all the aforesaid considerations into account the development trend of modifications and modernization in the foreign trading organization could at any case be that the increase of the efficiency of the foreign trading activity should be made possible in a way adjusted to the particularities of the products and of the markets. The solutions based on self organizing should obtain a broader sphere of predominance.

As far as the future is concerned we should reckon also in the meat business with the general gaining ground of foreign trading rights, with a realistic rate of exchange, with the encouragement of the export, with the gradual liberalization of the import, with the discontinuance of foreign currency monopoly, with the increased investment of foreign

capital. This kind of orientation toward the world economy may start a new growth of exports under convertible accounts in addition to the development of the domestic market relationships. Through the enlarged application of the market elements transition should be implemented also in foreign trading to market economy corresponding to the conditions prevailing in this country.

In this context the meat industrial firms are to make steps for the development of their relationships with the producers and realization companies by pondering their own potentialities. The same should be done for the further progress of the system of contracting which includes the delivery prices according to quality, the division of the risks as well as the problem of the sanctions, the further progress of mutual interestedness, also the modernization of the organization system of introduction to markets abroad with a special regard to the products of meat industry.

FEKETE, Ferenc: Földtulajdon-viszonyok és az államosítás tapasztalatai Magyarország mezőgazdaságában. (Ownership structures and nationalization experiences in the land economy of Hungary.<sup>+</sup>) Research Institute for Agricultural Economics (Manuscript), Budapest, 1989.

This paper tries to systemize the experience of the past with a historical approach, to analyze the present situation and to draft some of the possible ways of a economically more efficient and socially more justifiable management of land in Hungary. It concentrates to the property problems but takes into consideration also the characteristic features of land-use and of income relations connected with land at the same time.

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<sup>+</sup>This paper was written for the IAAE Intercongress Symposium on "Agricultural Restructuring in Southern Africa", Swakopmund, Namibia, July 24-28, 1990.

### 1. Signs of open and disguised land nationalization

It is appropriate to speak here by way of preliminary already about the sense in which the expression "nationalization of land" is applied in this paper.

1. In course of the past 40-50 years (practically since the end of the Second World War) organizations owned by the state were farming on a significant part of the agricultural land in Hungary. This is indicated by the fact that recently state farms and government owned firms hold 25.7 per cent of all the productive lands (including forests) and perform production on the 14.6 per cent of the cultivated farm acreage.

The state farms were reorganized after the model of the Soviet sovkhozes from the crown lands whose original function was to supply the army with horses. Their contribution to agricultural production has steadily been larger than their territorial proportion which fact can be attributed in a significant part to the economic reform which started already by about 2-2.5 decades earlier (mainly to the broadened decision making autonomy the farms, to the increased opportunities of motivation etc.). Preferences are given at the same time to the state farms in course of a longer period as far as their share was concerned in those government financed investments which had not to be reimbursed. An important part of their production was concentrated to products of export oriented excellent quality as well as to the breeding of pedigree-stocks and to the establishing and operating of plantations (Vineyards, orchards).

2. The significant part of the land-fund of the farmers' co-operatives forming the dominant sector of agriculture consisted of lands had been owned by the state for a long time. (In 1968 its share was 27.7 %, now it is less than 4 %). Their origin can be deduced mostly to the ousting of the richer peasantry with political and administrative forces, practically to the liquidation of their farming. Also the small-scale private family farming and other agricultural produc-

tion patterns (such as household plots and gardens of pensioners, state employees etc.) produce even at present a very significant part of the agricultural products based partly on lands owned by the state. They use about 8 per cent of the agriculturally cultivated land. Also the homestead acreage of the co-operative members (4.7 %) and that of state farm employees should be added to this which amounts to 14 per cent in total.

3. The private farms as well as numbersome small-scale land holding of the industrial workers, civil servants and mainly of old age pensioners perform production on lands taken on lease from the state generally for a long period. Lands needed for homestead farming are taken on lease from the farmers' co-operatives by those members who came from the public sector and entered at the outset as wage workers and later on as professionals or industrial workers and commercial clerks performing of non-agricultural labour.

4. The peculiar so called "depressed" Hungarian agricultural producers' prices did not warrant even a so called normal profit which can be interpreted as opportunity costs instead of providing in addition a land-rent-like surplus reflecting in the personal income. This way the dream of Henry George "about the one and single tax" became partly realized since the pumping out of the agricultural surplus products at low producers' prices resulted in a more significant redistribution of the primary incomes than the diverse taxes attached to the incomes did. Moreover the producers had to pay - though at a more modest scale and depending upon the fertility of the respective acreage - also a land tax in addition.

5. The excessively centralized regulation of economy by the state and the extensive direct regulation practically abolished the possibilities of autonomous decision making and the relevant rights related with property as far as the way how of the combination of the production factors the selection of the sphere of the investments and distribution of value pro-

ducts generated were concerned. This assumed shape first in the prescriptions concerning the compulsory produce delivery and the cropping structure, in the indexes of the production plans assessed in kind and later on in the instructions of the government concerning the price, taxation, subsidization, crediting policies and the rate of interest.

6. All the aforesaid facts were manifested obviously by the complete lack of the land market - except the ground plots and the acreage of the so called enclosed gardens - in the form of either the sale and purchase turnover or the farm rent market.

Regarding now the structure of its content this present paper outlines the about half a century long lasting historical antecedents, performs the analysis of the prevailing present situation which is burdened with problematic gaps from several aspects and by comparing diverse party programs and expert opinions suggesting alternative solutions of the various problems it tries to indicate the ways which may lead out from the recent critical situation.

## 2. The major lessons of historical changes

The Hungarian agricultural economists are searching those realities and professionally grounded alternatives which can be reckoned with in the further development of the property and farm enterprise structure.

The starting point is that such a multisectoral (mixed property) market economy is needed in which the small-scale farms of families, co-operation and government owned farms may simultaneously find their proper place. Market economy cannot function without real proprietors and land turnover. One of the most important problems of the general ownership reform is the renewal of the system of landed property and land use.

Undoubtedly the property and interestedness relations in Hungarian agriculture were more direct in course of the recent decades than in economy as a whole. Yet in the large-scale farms which gained preponderance the position of the



farmer was still increasingly replaced with that of the employee and the majority of the agricultural labourers adopted the position and attitude of the wagedworkers; therefore the optimum utilization of land and of the other means of production could not gain ground to the necessary and possible extent.

The rentability, efficiency and quality problems of agriculture intensified in course of the 1980-es and also the slump of the agricultural products in the world market drew the attention to the weak points of the international competitiveness of the agricultural production. Beside the economic reasons also social and political motives urge the radical reform. Seeking the way of de'nouement the alternative movements and later on the political parties critically analyzed the sources of the economic difficulties and emphasized the anomalies of the property relations and enterprise structures. This gave a new impetus to the reform process which was started in the second half of the decade of the 1960-es, slowed down at the beginning of the 1970-es, going on still slower than possible in the 1980-es and did not arrive yet to the real turn.

In order to explore the roots of the problems the past and present of the Hungarian landed estate relations is to be surveyed.

The first epoch making changes of social-political-economic motivation were brought by the land reform in 1945. 35 per cent of the country's acreage was affected by the reform and 650 thousand families received 3 ha land in average. A very sporadic farm structure came into being, 350-400 thousand new tiny farms were founded. Almost 80 per cent of the farms disposed of acreages smaller than 6 hectares and the share of farms larger than 30 hectares did not even amount to one per cent. In spite of the poor capital supply Hungarian agricultural production prospered.

Hardly three years after the repartition of lands in contrast with the policy of tolerance declared so far suddenly the pressing of the creation of co-operatives occurred from one day to the other in 1948. Serious administrative restrictions checked the gaining ground of the peasant property,

closed the well known and approved way of the enrichment and advance of the peasantry.

At the beginning of the 1950-es the full collectivization was set as a task. Through the systems of prices and taxation and through the compulsory produce delivery the significant part of incomes produced in agriculture was withdrawn for the financing of industrialization incompatible with the natural conditions prevailing in this country. The production safety of the private farms was impaired, the traditional relations between the peasant farmer and the land disintegrated. Discrimination fell at first only upon the peasants disposing of an acreage greater than 14 hectares who were considered to be rich but later on the consolidation of the holdings upset the whole order of ownership in the villages. Land did not provide material safety any more and 190 thousand families offered their acreages gratuitously to the state. A quarter of a million peasants able of work left the villages whose majority disposed of farming experience.

The forcing of the co-operative reorganization was put to an end only in the revolution of 1956. 78 per cent of the country's arable acreage was under private cultivation in 1957. The agricultural policy of that time encouraged the middle-class peasants to develop their farms at the expense of their own assets and rejected the former practice of the economic liquidation of the rich peasants. The agricultural production increased. Also the selling and purchase of land started to function.

Soon after the mass-scale collectivization of agriculture commenced and was rapidly carried out between 1959 and 1961. Second times already in a life-time the production and social relations of agriculture radically changed. Nearly one million peasants who were farming individually in the past entered into about 4000 farmers' co-operatives.

At the middle of the 1960-es 14 per cent of the country's arable acreage belonged to the public sector (after the land reform this share represented only 5 per cent); 67 per cent of it was collectively cultivated by the co-operative farms while

use was made of its 15 per cent individually in the homestead plots of the co-operative members and in some ten thousand dwarf farms. Since that time these ratios did not alter significantly but the landed property relations radically transformed.

In 1967 a Bill was enacted about the institution of the co-operative landed property. Those acreages which were used by the co-operatives were transformed to co-operative property except the private property of their members. The lands of members who left the co-operative or died were acquired against symbolic amounts. After the redemption of about 600 thousand landed properties at present already 60 per cent of the acreages used by the co-operatives represent co-operative property. In consequence of the repeated exchange of lands, consolidation of holdings and changes of the cultivation the origin of the acreages became confused.

As far as landed property is concerned the large-scale farms arrived to a monopolistic position. As a consequence the selling and purchase of land ceased to function. No market price of the cropland could be assessed or appeared among the assets of the co-operatives. No mortgage credits are granted on it by the banks and they are not realized in the costs of production. There are no adequate incentives to prevent, improve or exploit the productivity of lands. Efforts were made to achieve these tasks by means of legal regulations but the success was little.

The value of Hungary's cropland can be evaluated - accordingly to diverse approaches - to 300-1000 thousand million Ft which represents 6-18 per cent of the national wealth.

Since 1945 the agricultural production lost an acreage of 1 million hectares and half of the acreage is endamaged by erosion, sodification, internal waters, industrial and communal pollution. Since 1965 about 36 thousand million Ft was spent by the government and by the land users for melioration on an acreage of 1 million hectares. According to expert appraisals still twice as much investments would be needed than this. Be-

cause the financial sources for this are failing therefore the settling of property relations and the grounding of more efficient land use are urgent needs.

In course of the past 8 months the Hungarian Parliament dealt four times with the Land Act.

In the summer of 1989 the amendment of the Act on the Co-operatives rendered possible the distribution of half of the indivisible co-operative fund among the members. Dividend can be paid after the asset share, it can be inherited or sold within the co-operative.

Land if forming private property can be withdrawn from or sold to the co-operative. At the beginning of 1990 the Parliament abolished the institution of land redemption. The payment of land rent is replaced by a usufructuary system in the scope of which the charge for use can freely be stipulated. The co-operative member is allowed to lease land from the collective use. The acreage of the homestead plot can be assessed by the general assembly without any restriction.

In spite of the initial steps the tension becomes more intensive and the radical reorganization of the landed property relations raises a substantial political and economic problem. Hungarian agriculture arrived to a turn whose importance can be compared but to the land reform of 1945. Also the rehabilitation of those agricultural landowners is to be settled who suffered damages in course of the collectivization.

### 3. An indirectly nationalizing variation and its critique

It is not infrequent in Hungarian political life, in the professional or uninitiated public opinion that the demand of privatization in respect with land as a means of agricultural production is excessively exaggerated mainly because people underestimate the input requirements of the suggested family (private) farming which manifest themselves as non recurring capital investments and continuous costs. The large-scale farms which perform expensive production and are bureaucratically managed are sometimes judged by the same standard as those which operate mostly like modern undertakings.

Those also internationally respected results of the so called multisectoral domestic agriculture of mixed property pattern in many respects being rather rich in forms and varied in scales which are most obvious in the fields of the quality and relative price level of the Hungarian food supply, of the economical export of certain important specific agricultural products, of the co-operation of farms of diverse scales and of the adaptation of the most modern technologies are not objectively evaluated.

One of the most recently formulated conceptions: the transfer of lands into communal property - even after the future progress of radical democratization and the establishment of real autonomous (communal) municipalities - can be regarded as a version of the land nationalization. This suggested municipalization in fact would not transform the users of the land to proprietors but to tenants only and this way it would dispense just with that motivation of the landowners and their interestness in the enrichment which is characteristic for the viable family and private farming.

The suggested overall municipalization would vest at the same time such functions of the landowners on the local (communal) public administration and self governing organization which are marked out primarily not for the performance of farming functions but are the institutions of the legislative and executive power in the political sphere. In spite of the respective intentions a nation-wide municipalization would hardly facilitate

- the reduction of the costs and investments of farming;
- the increase of the output of marketable commodities and of the efficiency of production;
- the strengthening of the personal motivation and farm managerial responsibility of the users of land in a way similar as in the case of landowners of pecuniar interestness;
- the determinative furthering of the democratization of the public spirit and of the social order.

The transplantation of the conception of municipalization into the practice would significantly increase the demand for the subsidization of agricultural production with the means of the state and would render more difficult the keeping of the rate of inflation between suitable limits and the reasonable continuation of the economical agricultural export. It would not ease at the same time significantly the present and further difficulties of employment; it would rather strain than render normal the relations between the present and potential, partly new users of the land; it would deepen anyway the gap between the domestic means supplier industry and agriculture; it would rather worsen than improve the confidence of the rural population in respect with the new government.

The idea of country-scale communal landed property may remind us in an abstract way of the economic conceptions of the syndicalism where the farms as economic decision units would be transferred to the property of the collective of their labourers. Practically this would burden the public administrative and self governing organization of the village in such a way and would transform it to such a heterogeneous organization where the functions of the self governing administration and of the business would disadvantageously run into one another. One may refer here to the fact that the privatization of the communal works (of electricity, water supply, traffic and other services) known as public services of their reprivatization in the form of joint stock companies and/or private undertakings can be observed abroad just at the present.

The most important characteristics of an alternative conception about the re-allocation of the estates can be outlined as follows:

1. The establishment of farm estates of real landowners is needed and also possible at the same time in Hungary. Private entrepreneurial - mostly not arable crop growing but livestock breeding, horticultural and with transport and tourism connected - agriculture could mostly be organized. First of all the recent users of land could join to this but about a significant part of the cropland being under large-scale utilization is to be reclaimed in a well grounded manner.

2. The above mentioned establishing of the farm estates of the landowners can be furthered directly and by proper use through the reasonable utilization which are mainly of foreign origin and can be used pronouncedly for the task to support business-type farm operations. This postulates the distribution of the undertaking subsidization credits arriving mainly from abroad among the diverse activities and enterprise branches in a way reckoning with the opportunities of investment, with the expectable refunding and with the social tasks. The jurisdiction and guarantees are, however, problematic under which credits of this type could be assigned to the local (communal) institutions of the self government.

3. We believe that it would be more reasonable to trust the implementation of the establishment of the landowners' farm estates and of the non-recurring settling of landed property and land use to the representative committees working on own initiative of the interested parties. In several respects this is similar to the implementation of the land reform in 1945. These committees would be formed of the elected representatives of the claimants and present users of land having a business federation and supervisory nature with well defined sphere of authority for a fixed time span bearing this way a temporary character. Certain property managing rights and responsibilities would also belong to their sphere of authority. The elected representatives of the local self government could take part in these committees too.

The supervision of the communal (municipal) committees at the level of the counties does not seem to be purposeful but expectably the national control of the committees and the correction of the accidental infractions of the law will remain necessary.\*

\*At the occasion of the modification and completion of the Act of Land No.I. of 1987 the Parliament ordained the institution of property controlling committees of the counties (of the capital) for the authorization of the transfer or encumbrance (mortgage) of state owned landed estates or of their introduction to economic companies. (The chairman of the committee of seven members is the secretary of the Executive Committee of the County Council.) The power of disposition over the property owned by the state belongs, however, to the sphere of authority of the recently established Property Agency.

4. The control and direct assistance of the new owners and new tenants in farming would be the task of the Committee of Estate Re-allocation by means e.g. of initiating the diverse types of agricultural production and the co-operation with the non-agricultural undertakings. In course of their functioning the committees could responsibly participate in the organization of land turnover, of the land (real estate) market which results in changes of the ownership and of the tenement market which regulates the land-use.

Within a suitably broad legal range also the type of the property of those farmers who became new landowners from the former land users (its taking e.g. the form of co-operative shares) could directly be determined by the committee. In this respect well defined differences might occur in the landed property relations mainly of the state and co-operative farms in the territories (villages and towns) belonging respectively to the sphere of authority of the diverse committees.

All the considerations described above on the communal property do not mean that the communal type of property could not be maintained or restored in the case of the traditionally very well utilized communal pastures, forests and other objects (roads, irrigation network and farm buildings). Presumably the newly established market-oriented farms of entrepreneurial type will excellently be adapted for co-operation between each other and with other agricultural or non agricultural firms and also with those joint ventures among them which require a new organization. Also these latter may occupy at the initial stage an important place within the sphere of interest and authority of the Estate Re-allocating Committees.

The conception which is described above safeguards those layers of the efficient farmers (large-scale, middle-scale and small producers) which can be qualified as wealthy ones equitably also from social aspects and it may augment this middle layers with several ten thousands of those agricultural entrepreneurs who are well provided with capital and promise to be profitable. This increase of the rural middle layers does not impede, of course, that the "higher caste" of thousands of people created by the semi-feudal privileges



would not lose its pecuniary basis inherited from the past and that polarization characteristic for the market relations should not become prevalent in the future.

At any case the re-settling of the land relations could bring the agricultural sector in Hungary to the - being unfortunately not yet generally characteristic but rather - exceptional situation where the social basis of the political democracy, the commodity producer entrepreneurial layer namely, which is in a medium position in respect with its income and wealth may increase and become consolidated.

#### 4. Conclusions as generalizable experiences

1. The oversized scale of agricultural economy owned by the state as well as the restriction or even the practical abolishment of the rights and duties of the landowners by means of exceedingly centralized and wantonly enlarged state control is necessarily accompanied by serious damages and hardly redressable destruction in the sphere of moral and financial incentives, inclination to enlarge the assets and intensive farming which produces more products of greater value on unit acreage as well as of the strengthening of spontaneously active corporate spirit and democratic institutional structure. Mixed property pattern established with adequate inner proportions may serve at the same time as a general scope of renewed land relations.
2. The reform of the landed property is in the possible closest relationship with the interest and expectable farming decisions of the recent real users. These latter may form an important starting point to the reform of landed property though also the compensation of people whose land was misappropriated can and should be implemented within reasonable political frameworks. The reform itself of the landed property can be consistently planned and realized only as the part of a comprehensive property reform embracing the whole country.
3. The establishment of property types being efficient from the aspect of economy and justifiable from the viewpoint of

the social majority cannot be separated from the technological practices which exist or can be introduced and from the characteristics of the production functions which can be significantly different in the case of diverse products, activities and geographic regions, ethnic customs. Also the Hungarian experience demonstrates that the smaller and greater scales can be equally efficient in most branches of agricultural production and may result favourable input-output ratios first of all in the case if farm scale is expressed with the size of the acreage.

4. In the case of the various farm sizes, mainly of the smaller ones those advantages of the co-operation are to be stressed which are palpable because of the indivisible character of certain investments (e.g. irrigation or larger-scale machine purchase investments). Also the so called free rider problem which may create social injustice and unequal bearing of burdens can be settled with co-operation. The advantages of co-operation are undeniable in most spheres of the storage, transport, processing and marketing.

5. The real kernel of the property problem is the motivation of income earning and assets increasing which can be more direct and stronger at the basic levels of production and farming, inclusively in the smaller cells of farming (in the family farms, farmers' co-operatives and state farms of reasonable scale). As it was mentioned already afore the efficiency coefficients make here variegatedness, multifariousness feasible and viable.

6. In addition to the basic level types of farming mentioned in point 5 it may be required economic organizations of higher (secondary) level and the democratic control on the part of the basic level units over their activities in a way based upon thorough well-based information. This control is important but hardly realizable.

7. The survey of the Hungarian land problem and also the efforts made and are being taken for its settling unambiguously emphasize the importance of the balanced theoretical generalization of the practical experiences, of the interdisciplinary

approaches and of the international research co-operation too which create new knowledge as human resources replaceable with nothing and intellectual challenges mobilizing to proper action.

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Historically the grasslands continue to exist in general on those parts of the agricultural land where the conditions were unfavourable from certain aspect and where more intensive cultivation cannot be implemented with adequate safety. Compared to the arable land their share is greater in the regions of unfavourable conditions but - except certain acreages situated in the neighbourhood of the animal husbandry plants - also within the enterprises they can be found on

on plots of the worst soil quality. So the utilization problems of land of unfavourable condition manifest themselves in a concentrated manner in grassland husbandry.

### 1. Major characteristics of the production standard

A natural consequence of the functioning of the regulation system aiming at the intensive qualitative development of agricultural production that first of all the release of grasslands of better quality took place which were partly or fully "replaced" through the turfing of acreages of poor quality. These changes were made perceptible by the fact that the gold Crown value amounting to an average of 10.35 per hectare in 1935 reduced to 8.30 for the present. The source of the release of the arable lands was not grassland farming of increased intensity, the reduction of the grasslands was related with the increasing requirements in respect with the foodstuffs. The utilization of the grass output of the greenlands through pasturing or mowing was by 31 per cent smaller than has been in the period directly preceding the collectivization.

The material-technical and economic conditions of production did not allow on the one hand and did not enforce on the other the spectacular improvement of the production standard of forage growing and that of grassland husbandry therein. The grasslands which play a significant role in the forage basis increased the source of feeding - according to the average yields data - by  $1/4$ - $1/5$  starch value per hectare if compared to the arable forages. Obviously the fact has here a great role that the average gold Crown value of all the grasslands of the country amounts only to 40 per cent of that of the arable land. Besides - the large-scale use of about  $2/5$  of the grasslands can but difficulty be implemented since they are parcelled in small blocks and were grouped to the soil protecting category because of their very small yields or of other reasons.

In consequence of the climatic and soil conditions and in relation with the local problems of grassland husbandry the grass yields represent a very wide scale in the diverse farms. Two changes of opposed direction are hiding in the grassland farming: the farms significantly increased the intensity of production in certain fields while in others even the harvest of the produce was performed but partly or incidentally at the same time. Well grounded grassland development or real grassland farming takes place in connection with the increase of the feed demand generally there were under the effect of natural and economic factors the per unit starch output of the forages increased more rapidly than did in the national average and where greater yields are promised through more intensive grass growing or this was enforced by the arable-saving satisfaction of the feed demand of livestock consuming forages.

## 2. The development of the first costs and competitiveness of the grassland products

Grassland farming represents that sphere of the agricultural production which being localized more than in any other activity depends upon the profitability relations of the livestock i.e. of cattle and sheep breeding. The position of the grassland products in the competition can be characterized as follows:

1. In spite of their low yielding the fertile natural grasses are of the most advantageous costing conditions. According to the calculations we made the costs of standing grass under dry cultivation can be 2.8 times and on irrigated grasslands 3.6 times as high as that on original grassland of minimum tillage.

2. Among the feed sources the grass grown on the pasture is the least expensive. Even if produced with the highest costs it is a match for the arable forages.

3. The planting or reconstruction of grasses is reasonable only in the case if the higher first costs of the increasing yield can remain competitive for other forage bases which come into question.

4. One of the most important factors which influence production is the nutritive material supply. Beside the realistic possibilities for the increase of the yields also under the effect of the - raising - fertilizer prices the specific costs of the grassland products are growing in relation with the fertilizers' use. Irrigation increases the first costs of the utilizable grassland forages at a still greater extent.

5. The hay making method also affects the first costs of the grassland products. The diverse inputs are accompanied by the differentiated increase of the costs. In the case of more expensive hay making methods the greater costs per unit acreage can be counterbalanced with the higher yields. This way the dry forage may become less expensive.

6. The differences which exist in the nutritive value and in the costs as well as other effects of grassland products of different quality - if use is not made in pasturage - raise the quality preserving role of hay making, conserving and storage far over the increase of grass yields in the improvement of competitiveness.

7. The advantages of the grassland products can be increased if ways and opportunities are offered for the extension of pasturing, for the augmenting of the role of the cheapest grassland product, of the pastured grass within the feeding. This would improve the cost relations of the consumer branches and thorough its direct and indirect effects also the profitability relations.

8. In consequence of the localized production and consumption of the forages the limits of the competitiveness of grassland products are decisively influenced by the local conditions which manifest extraordinarily great differences in the diverse regions.

9. Through their effect which can be exerted on the income producing capacity and rentability of the assisted activity both the appearing of the cropland's price and the increase of the role of the land tax may improve the position of the grassland products.

### 3. The trends and chances of development in grassland husbandry

Significant role was played in the establishing of the present situation of grassland husbandry by the system of the regulators (prices, subventions and taxation) which were globally oriented on the basis of national indexes and did not encourage the possible exploitation of the local conditions as well as by the system of institutions related with the former.

When pondering the outlooks it should be taken into consideration that the increase of the intensity of the grasslands or the replacement of the way of cultivation can be justified only in the case if grassland use becomes thereby more competitive and more purposeful, if the rentability and income producing capacity of the assisted activity would improve or would not worsen at least or if animal husbandry also tends toward extensiveness. In the increase of grassland husbandry significant role may fall on the "small farms" in the near future and it is not at all certain that only in the case of smaller grass plots and of less yielding grasses. There are, however, important conditions for this as far as the entrepreneurial abilities are concerned. Among them the income position of animal husbandry i.e. the income producing capacity of live labour and of the invested capital are of fundamental significance.

Under the present conditions the grassland leaseholds can be taken into account as a possible way of the reduction of costs. This way cheaper forages are available with pasturing which may call forth entrepreneurial success through the

greater incomes and increase thereby also the entrepreneurial inclination. On the other hand pasturage can advantageously influence the productivity of the livestock also in the small-scale farms. Parallel with the consolidation of the entrepreneurial character of the small-scale farms the concentration of the stock increases also in this sector which, however, does not impede the gaining ground of grassland use but rather assists in that. The pasture feeding of the livestock in the small-scale farms on the other hand still more augments the regularity and duration of the attachment to the stock than in the case of feeding in the stables. The increase of employment problems, however, may ease - temporarily - this tension first of all in the regions of unfavourable conditions. In the diverse regions moreover the financial troubles and the difficulties of subsistence caused by the unemployment - if migration does not offer a realistic way for the easing - and the increase of the uncultivated acreages may provide an opportunity for the creation of competitive jobs where less expensive products are produced through more extensive small-scale cattle or sheep breeding. This demand is, of course, increased if the reduction of intensity which accompanies the improvement of the efficiency of production is set as a task in the regions of unfavourable conditions. So a part of the present agricultural population to which no subsistence will be provided by the large-scale agricultural enterprises may try to participate - under due interestedness - in food production through the less expensive way of production. It is very probable that in those regions where mostly acreages suitable for the breeding of sheep and cattle (mainly beef cattle for specific use among the latter), arable land which cannot be subjected to large-scale cultivation, plantations, unused, abandoned grasslands can be found there labour cannot find competitive jobs, opportunities of employment at such an extent which would raise a limit to the participation in agricultural production.



Therefore the question is put so whether employment i.e. jobs more productive than the agricultural activity can or cannot be provided - with suitable qualification or realistically acceptable re-education, with equal or smaller capital investment - for the available labour.

The future of grassland husbandry will highly be influenced by the role which in addition to the traditional concept of economicalness in a strict sense will be played by other factors or by the one they enforce on us. As a result of the process which commenced in the diverse regions would animal husbandry cease to function, would a great part of the agricultural land remain uncultivated, would employment troubles occur or not. Industry cannot be settled there efficiently. Consequently the exode of the population will (would) accelerate. If we intend to alter this process then a change of the conception is necessary where also these aspects should be expressed through the differentiation in a smaller part of the subsidization and mainly through that of the taxes and other withdrawal elements according to the respective regions. Obviously only little of this can be assumed by the grass alone. So much only as it can directly or indirectly realize in the enterprise incomes and at a final end in the personal incomes by means of making cattle and sheep breeding competitive through a cheaper feed supply in combination with the other forages preserving this way the branch of activity.

Among the numbersome tendencies of development which are rendered possible by the wide scale of the intensity grades of grassland husbandry and by the input versions related with the former we may attribute the greatest importance to the evolving of cattle and sheep breeding in small-scale plants and farms. Another significant condition is moreover that grassland husbandry should be completed with the use of arable acreage at some extent.

#### 4. Alternative versions in grassland husbandry

Under the effect of the regulation and of the interest-  
edness of the enterprises the feeding basis also of the  
livestock which consume forages shifted to the arable acre-  
age. The consequence is that in certain regions of the coun-  
try the unused grasslands overgrown with weeds increased by  
giving the environment the character of a lonesome landscape.  
The present regulation may result at the same time in the in-  
crease of grassland - at the expense of the arable acreage -  
continuing this way the augmentation of the acreages which  
remain unexploited in course of the forthcoming years.

An unambiguous requirement is, however, that by taking  
the demands and possibilities far reachingly into considera-  
tion we should reckon simultaneously with several ways in  
the development of grassland husbandry.

1. Intensive grasslands are necessary and justified in  
the neighbourhood of the animal husbandry plants basically  
for the reason that the conditions of intensive production  
should be provided through the regeneration of their con-  
stitution for certain age groups (young heifers, dry cows).  
In the case of favourably situated plantst under certain yield  
standard (specific milk production of about 5000 l per cow)  
also milk production based on summer grazing may represent  
a realistic option. Possibly evenly high yielding grasses  
and up-to-date grazing method are needed for this end. De-  
pending upon the local conditions also even irrigated grass-  
land may present a realistic option. This type of production  
may come into question also in sheep farms specialized to  
milk production.

2. Grassland husbandry of medium intensity (fertilizing  
combined with dry cultivation) can realistically be taken  
into account in the case if the position of the animal pro-  
ducts - in the sheep breeding e.g. - is changing so that they  
can economically bear the surplus costs of the increase of

intensity. In such cases the desired quantity of grass output and the doses of fertilizers belonging to it should be pondered by taking first of all the livestock keeping capacity of the available grassland into consideration.

3. Those grassland husbandry efforts are to be considered where minimum cultivation is applied and though the intensity is not improved nevertheless in order to increase the yields fertilizers are substituted with leguminous. Their application is regarded as justified by foreign researchers where the livestock keeping capacity of the grasses is exploited only in 80 per cent. Sensitivity in respect with overproduction and environment pollution caused by the outwash of nitrates will favour in the future probably smaller doses of fertilizers.

4. The possibility regarded to be the most realistic one is a grassland husbandry qualified as extensive use which producing relatively cheap output with minimum cultivation can be coupled with extensive animal husbandry. First of all animal husbandry performed by small-scale producers and undertakers can be reckoned with in this respect. (The opportunity for ploughland at a certain extent is also presumed in the implementation of this arrangement.)

5. Sparsely afforested pastures may also represent a development trend to be considered. This, however, induces that the present serious interdiction of grazing in the forests which is justified at such an extent neither by the requirement of game-reserving should be released.

6. Afforestation will be necessary on the contrary in those areas which because of their unfavourable conditions and low yields are not worthy to be cultivated. The planting of trees could prevent the running to weed and the falling into neglect of the respective areas. Afforestation would be at the same time determinative for land use in course of the future 20-120 years. For the long term we are not absolutely

interested in the afforestation of all those lands which cannot be economically cultivated under the present conditions.

GYENIS, János: A szövetkezeti vagyon oszthatóságának és oszthatatlanságának dilemmái. (The dilemma of the divisibility and indivisibility of the co-operative property.) Gazdálkodás, No.5, 1989.

The establishing of interestedness attached to the existence, increase and optimum use of the co-operative property represents a step of outstanding importance in the transformation process of the co-operative property since almost all the significant problems of the co-operative ownership and of the proprietary behaviour of the co-operative members are concentrated in it.

Here and now we can speak only about dilemmas because - though the solving of the problem does not brook any delay in the practice - a fully "equitable" starting situation can but very difficulty be called overnight into being as far as the divisibility of the already existing co-operative property is concerned.

At present the right proceeding is that the parties, the state organs, the organizations of the business federations, other social movements and the scientific workshops formulate and discuss principles in order to prepare the enactment of the new Bill on the Co-operatives. And the new Bill on the Co-operatives should create such a legal skeleton, such opportunities and safeguards for the co-operatives which enable them to make independently decisions about the development of their propriety structure, about the ratio between the divisible and indivisible parts of their property, about the mode of the divisibility as well as in the problems of interestedness and sharing related with the above questions.

We do not consider the renewed co-operative property as being a homogenous and monolitical phenomenon but as a multifarious sophisticated combination, as being an interrelated, integrated complex of the private, part or group (collective) properties which is realized at diverse levels of the co-operative organizations. Considering the co-operative character of the co-operative ownership as the aggregate of the exercise of power (of the right of disposal) over the belongings and of the expropriating activities just as moreover of the human relations which express all the above elements we are to stress the following fundamental criteria:

- The co-operative ownership is of democratic nature; such classical and lasting co-operative values should be realized within its scopes like autonomy, corporate direction, election of the officials, the one member one vote principle, the electing right and eligibility of everybody, etc.

- Within the scopes of this ownership the efforts made for the optimization of the realization of capital and for the maximization of the profit cannot be exclusive ones because the respect in which the co-operative differs from any other type of the joint undertakings is just that the principal task is there to serve the variegated economic and non economic (cultural, social, etc.) interests of the members.

- The co-operative is the voluntary association of an open group (the number of the participants being not specified) of people having equal interests in order to realize the advantages hidden in the co-operation, in the personal and pecuniar participation, in the co-operative movement (in the assertion of the interests), in the practical implementation of mutual assistance.

Therefore the co-operative is always more than merely an economic association; the co-operative is a union of individuals, a movement and a social organization at the same

time - whose tasks and efforts had always some significance beyond the exclusively economic tasks and efforts and will do properly the same in the future too.

We considered so far the so called "indivisible funds" of the basic co-operatives, of the co-operative associations and enterprises which appeared at one or two levels to be the subject of the co-operative property. At the present we are speaking already about the co-operative property as the aggregate of divisible and indivisible property parts functioning in the co-operative and we are at the opinion that the exercise of the proprietary functions related with these assets can be implemented in a structurized way: at the diverse levels of the co-operative system (the totality of the co-operative organizations) on the one hand and combined between these levels on the other.

The co-operative ownership manifests itself principally and basically at the level of the basis co-operatives. At this level of ownership alongside with the enlarged organizational and economic articulation and decentralization the structurization will increasingly be asserted.

a/ The ownership may take place, namely, at the level of the basis co-operative (of the whole co-operative aggregate). The basis co-operative itself (all the members of the respective co-operative together) can be the proprietor of the co-operative assets as a property managing centre, as an integrator putting out into contract or as a quasi "secondary co-operative" and may manage it or put it out into contract or enter into an association (joint stock company e.g.) with it.

b/ Also the autonomous undertakings (team, family or personal undertakings) or undertakers which exist and operate within the basis co-operative can be independent or part proprietors. Relations can be very articulated and multifarious at this level too: the undertakings can be realized, namely,

fully with the assets of the co-operative as a whole (in the form of bringing into the undertaking, of leasing, etc.); with combined assets (with the assets partly of the co-operative as a whole and partly with the assets and capital of people who take part in it); one or another actual undertaking can be implemented moreover so that the assets (the capital) makes fully the private property of people participating in the respective undertaking and the management (organization, institutions) of the co-operative is "but" the integrator of the undertaking. In all these types the exercise of the owner's function is divided between the co-operative as a whole and the respective team, family or personal undertakings.

c/ The personal pecuniar participation of the co-operative members can be considered as the organical part of ownership implemented at the level of the basis co-operative; this embraces on the one hand the property of the co-operative members operating in the co-operative and on the other hand shares, specialized stocks, loans for the members, bonds, etc. as well as those parts of the assets which are specified to the members ("nominalized") which the co-operative members "receive" from the divisible part of the co-operative property (in the form of securities e.g.) but which is "used" in course of the valid period of membership by the co-operative subjected to the payment of dividends, rents, commissions, etc.

Co-operative ownership may exist at the level of certain branch of activity, region or association. For example:

a/ Co-operative ownership may be implemented within the scope of a professional or regional business federation (of a co-operative centre perhaps in the future). Also the business federation may dispose of property, of a property managing organization and undertake or put out into contract.

b/ Co-operative property may exist and function at the level of the professional or regional associations, co-operative joint ventures, unions, societies, etc.

The co-operative ownership can be implemented also at the national level so e.g. among others that

a/ business federation of national scale (incidentally the national co-operative centre) may dispose of such assets (capital, social, cultural, training or recreation institutions, medical benefits or pensions office, etc.) in which all the co-operatives of the country or their majority are interested;

b/ the proprietor can be certain association or joint venture of all the agricultural co-operatives or of their majority at a national level, e.g. the central bank of the agricultural co-operatives, an insurance institute, a wholesale trade centre, a producer enterprise, a scientific institute, etc.

It is to be stressed that such a situation should be created by the law, by the economic management, by the internal regulations of the co-operatives and by the business federations where the equal rank and rights of the diverse levels of ownership, the mutuality of the interests and the balance of the forces prevail. The intercourse between the levels, elements and parts of the co-operative property is encompassed, connected by interestedness relations which form them a uniform whole.

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For the end that the above outlined structure of the co-operative property, the mechanism of ownership, and the proprietary - pecuniar interestedness related with them could be established significant changes are to be carried out in the domain of the subject of the co-operative property: of the co-operative assets. What was characteristic so far for the state of the co-operative assets? It was the indivisibility.



Moreover: except the obligatory introduction of assets (of land!) at the time when the co-operative was established we did not attribute due significance to the "pecuniar participation" deriving from the membership relation but - not considering it to be an income after the labour performed - we maintained the sharing after the assets (land rent, dividends paid after the stocks, interest paid after the loans granted to the members, etc.) at a low standard and we also limited the extent of the pecuniar contributions (we assessed an upper limit for the amount of the stocks, or loans granted to the members, etc.).

An anomaly was represented in the system of the property relations by the fact that when leaving the co-operative the member was not allowed to bring his land given to the use of the co-operative with and after the termination of the co-operative membership it was qualified to be the land of an "outsider" and through the so called "obligatory redemption" - against a "purchase price" of almost symbolic amount - it went to the property of the co-operative: it became a part of the indivisible co-operative funds.

This all - in addition to the existence of other reasons and factors - led to a situation where the financial interestedness of the co-operative members became almost to nothing; the behaviour and co-operative identity of the co-operative members was not motivated by an entrepreneurial interestedness aimed at the augmentation of the assets, the increase of the accumulation and the optimum utilization of the funds but almost exclusively by the interestedness of the wage workers, of the employees.

In course of the recent years we recognized that the interestedness related with the augmenting of the co-operative assets forms a fundamental problem in the further development of the co-operative property relations. When solving this problem first of all the term and interpretation of the indivisibility of the co-operative funds needs a theoretical elucidation. Based on the results of research and de-

bates achieved so far the opinion of the majority was formed that a significant part of the assets of the agricultural co-operative should be rendered divisible, and this part of the assets should be given concretely to the property of the individual co-operative members. But also the idea emerged that the full totality of the assets being in the co-operative are to be rendered divisible.

Without aiming at completeness we are going to outline the major motives of the different opinions.

Those people who do not support the full divisibility of the assets being in the co-operative are referring first of all to the historical and international experience. True enough that since the modern co-operative movement exists the existence and increase of the indivisible co-operative funds make the substantial organization principle of all the co-operatives and a characteristic of the co-operative property.

This is the case not only because a classical co-operative basic principle should be respected but also therefore since those people who co-operate are at the opinion that the indivisibility of a part of the co-operative funds represents the stability and perspective of the existence and development of the co-operatives; it is a precondition of the assistance rendered to the collective interest of the co-operative members at the level of the co-operative; it helps to implement the movement tasks of co-operation, to realize the collaboration of the co-operatives, their mutual assistance; in the case of the co-operative of production (labour) type it may represent the material basis for the employment of those co-operative members who need it in collective enterprises (for the creation of new jobs) etc.

So there are very considerable arguments in favour of the existence also of indivisible funds in the co-opera-

tives - and particularly in the agricultural co-operatives.\*

Also those arguments are, of course, weighty which are said for the divisibility of the co-operative funds. These arguments are grounded by the fact that the co-operative members fully lost their faith and confidence related with the indivisible co-operative funds in this country. The indivisible co-operative funds of the kolkhoz type which existed and functioned so far were one of the most important reason of the situation that the co-operative members became excluded from the ownership, they became estranged from the existence, increase and utilization of the funds, they did not and could not feel the co-operative to be their own. These indivisible funds act as if they would be property of the state but the truth is that this property has in fact no real owner - neither the state, nor the co-operative being the owner.

Because all these conditions and facts exist therefore if we really intend to establish proprietary and pecuniary interestedness, if we really want "to give back the co-operative to the members" then legal opportunity should be created in the new Bill on the Co-operatives for the end that the co-operative funds could become fully divisible. The limitation of the divisibility of the co-operative funds, namely, and the enforcing of the establishment of indivisible funds would represent but a half-measure in the modification of the co-operative property and in the renewal of the co-operatives.

We cannot undertake to have done with the debate. Certain compromises, however, can be conceived at any case:

Such a legal opportunity is also imaginable in which the members of the co-operative would decide whether all the

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\*In consequence of the natural, economic and sociological characteristics of the agricultural production the arguments presented in favour of the existence of the indivisible co-operative funds gain greater stress in the agricultural co-operatives.

funds or only part of them could be devolved to those who in their opinion are entitled to this. A solution like this hides also several contradictions and complications but all the consequences would be faced by those who made the respective decision....

If the co-operative ownership would be implemented really in a structural manner (as described above) then it could also be conceived that the divisible partage of assets should exist only at a certain level of ownership. Certain part of the assets could be made compulsorily divisible e.g. only at the levels "higher" than the basis co-operatives (in the professional or regional associations, undertakings; in the organizations, social, cultural etc. institutions which fundamentally affect the fate of the whole co-operative movement).

Also a compromise can be conceived where certain part of the already existing co-operative assets could be left as indivisible funds in the basis co-operatives while all the newly accumulated funds should be rendered divisible.

At any case the assertion of a basic principle should be made compulsory: the co-operatives themselves should be entrusted with making the majority of the pecuniary decisions and decisions related with the fundamental problems of the co-operative funds can by no means be made instead of them in a way excluding them and referring to the interested regarded to be their real interest or to some other interest.

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If the co-operatives will have indivisible funds then the application of such a system of interestedness which equally stimulates all the members of the respective co-operative organization or some of them to maintain and increase the indivisible funds represents a task which cannot be belittled.

Divisibility itself is, however, a more sophisticated problem than this: what are, namely, the methods and forms

with which the funds can be divided and how can the divided funds let function and utilized in the forthcoming at a co-operative manner.

First of all it is reasonable to distinguish between

- the part of assets (including also landed property) which came into being before the introduction of divisibility and being in collective co-operative property; and

- the part of the (newly accumulated) assets which came into being after the introduction of the divisibility.

To transfer a part or the whole of the already accumulated co-operative funds to the persons entitled to it according to certain criteria and in the given proportion means the accomplishment of a not easy task. Obviously the formulation of the herewith related basic principles is still to be discussed. Certain opinions became, however, crystallized. These are the following:

- unambiguously in the case of all the assets - except land - their divisibility may come into question not in kind but in a capitalized manner: in the form of either shares or stocks which act as negotiable securities and after which the co-operative organizations which use them should pay dividends;

- for the end that this should take place first of all a realistic evaluation of the assets is to be performed;

- the elaboration of the details (including also the assessment of the rate of dividends) should be entrusted to the co-operative self government (the details of the method of assets' division are differently influenced by the varied particular conditions in almost each co-operative) and reasonably only the very broad scopes of the possibilities and the inevitable prohibitive measures should be centrally prescribed in the legal rules.

Still disputable and not unambiguous problems are the following:

- who should be the subjects of the division of the assets: how should the pensioned co-operative members and the co-operative employees as well as incidentally the ex-members (who left the co-operative) share in them (their role in the creation of the assets being, namely, incontestable);

- what should be the basis on which the ratios of the assets' distribution can be assessed; (what should form a "unit" of the assets' division); can a division proportionate with the labour performance or with the wages be performed?; how the diverse foregoing pecuniar contributions and the number of years passed in the co-operative (the "lifetime performance") can be taken into account, etc.?

The land being in the property of the co-operative is the significant so to say most important part of the already existing co-operative funds even in the case if it is registered "without value" at the present. Opinions are very dissenting also about this problem and the conflicts of interests is becoming increasingly intensive in this respect.

According to the initial opinions generally the same principles would be applied reasonable to the "nominalization" of the landed estates being in co-operative property (the assessment of the property ratio, the issue of stocks, the payment of dividends and farm rents, etc.) which we exposed above in respect with the divisibility of the already existing co-operative funds.

At the present, however, those claims are intensively asserted according to which the former landowners - from whom the co-operative compulsorily "purchased" on a disputable legal ground these lands for symbolic amounts - should be indemnified even so perhaps that the property rights of these estates should be returned to them and then they could make decision about the utilization of their lands. At any case

this problem is still subjected to animated debates and the final solution will be based not so much on economic as rather on political considerations.

In relation with the landed estates also the problem of the "property sharing" after the lands owned by the co-operative members but used by the co-operative ("lands brought with by the members") arises which is implemented at the present in the institution of the land rent payment. As far as the treating of this problem is concerned the suggestion seems to be realistic now that - in the case of lands used by the co-operative but owned by the co-operative members - the right of property could be expressed also through the

- admittance of the unlimited freedom to bring out the land,
- paying of a farm rent significantly higher than the present standard of the land rent or
- issue of land shares accompanied with the payment of a particular dividend.

In spite of the fact that the problem of the divisibility of the newly accumulated co-operative funds has given rise to less controversy still the following aspects are to be elucidated:

Certain difference is made also here according to what is determinative for the "unit of assets sharing": how should the extent of pecuniar contribution, of labour remuneration or of other participation be taken into account when assessing the basis of sharing?

It can also be problematic that when a co-operative member participates (both as undertaker and as labourer) in an autonomous organization within the scope of a co-operative then his pecuniar interestedness (in the increase of the funds, in the accumulation or investments, etc.) should be attached to the respective undertaking only or in addition to this he should be rendered interested perhaps also in the

increase of the indivisible and divisible funds of the whole co-operative? (The problem of the identity of the co-operative member participating in an undertaking within the co-operative with the whole co-operative may also emerge. Is this necessary or not?)

Significant questions can be raised moreover also in respect with the taxation: e.g. how should the co-operative member pay taxes after the diverse types of sharing in the assets? Can certain tax benefits be granted after his pecuniar contribution? What taxes are paid by the co-operative in this new construction of the pecuniar interestedness?

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Hereinafter we are raising such questions still to be elucidated which affect the problem of divisibility related either with the already existing assets or with those which will be accumulated in the future. These are:

In the case of winding up the co-operative what will be the future destiny of the remaining indivisible co-operative funds; in what kind of organizational scope should its management and utilization take place? Who should dispose of these assets and their proceeds?

- One of the possible solutions is that these assets should be administered by an organization founded by the co-operatives which is entitled to exercise the right of a property manager and later on these assets or their proceeds should be used exclusively for co-operative purposes.

- Another possible solution is that these assets should become divisible in such cases; the members of the liquidated co-operative should receive them without any limitation but if - in this version - in the case of the winding up losses occur in the co-operative then corporate responsibility or that proportionate with the respective assets should be assumed by the members who share in those assets.



- The third possible solution is that the assets which remain at the liquidation of the co-operative should be transferred to the management of those co-operative members who use them for the founding of a new co-operative.

After the winding up of the co-operative also the problem may arise whether the ex-members of the liquidated co-operative should share or not in the profit deriving from the further operation of the indivisible assets. Which layer of the former members should be embraced by this sharing: all those who have been members of the co-operative or only those who spent certain time (e.g. 5-10 years) in the co-operative.

It crops up as a determinative problem also: what should happen with the lands which were in the collective use of the co-operative but owned by the co-operative members in the case if the co-operative is liquidated. The following versions are possible:

- the co-operative member who claims it will receive the land "in kind";

- based upon an agreement concluded with the manager of property the co-operative members who do not claim to receive the estate in kind (the pensionners) may demand the redemption of the land owned by them at a realistic value or by maintaining their property rights they may continue to demand the payment of land rent or of dividends.

The settling of the divisibility problems related with land are rendered more difficult because of the complications hiding in the property relations of cultivated land used by the agricultural co-operatives. Part of the acreage being in the use of the co-operative is, namely, co-operative property, another part is the property of the co-operative members and the third is owned by the state. The circumstance even of the origin of the co-operative landed property cannot be indifferent when implementing the "nominalization" of the landed estates; the co-operative landed property, namely,

came into being on the one hand from the compulsory redemption (arbitrary expropriation) of the land of "outsiders" at symbolic prices; on the other hand from redemptions carried out on the basis of compulsory offers; and thirdly from the transfer of lands owned by the state, by the villages and municipalities. Therefore it is not meaningless at all which lands are "divided", incidentally "re-distributed" or "nominalised", how and to whom...

Another question is: what should happen with the pecuniar share of those co-operative members who left the co-operative? In the case when the membership relation is ceased then unambiguously the accounts are to be settled with the former co-operative member. According to the option of the co-operative member the land should be delivered either in kind or in value, the same should be done moreover with the money value of the other sharings in the means and in the property or if the co-operative concludes an agreement with the member who withdraws that the latter leaves back the land and other part of assets due to him then he is entitled to get farm rent or dividends.

The problems related with the inheritability of the part property of the co-operative member are also to be settled. The problem, namely, that who and how can inherit in case if a co-operative member dies. In general: what are the opportunities of inheritance in the case if the heir is the member of the respective co-operative and what are these if he is not?

Also the co-operative employees take part in the increase of the co-operative funds: part of the new value created by them and exceeding the remuneration of their labour also enters into the co-operative accumulation process. It seems that there will always be employees in the agricultural co-operatives. When settling the pecuniar interestness of the co-operative members and establishing their po-

sition in respect with the property rights then the same should be proceeded for the particular case of the co-operative employees.

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In order to maintain or improve the competitiveness of the co-operatives opportunity should be offered to outsider citizens, for other enterprises, for the economic organizations of the state, for banking institutes etc. to join to the undertakings of the co-operatives by quoting shares or special bonds, by purchasing stocks - being interested this way only in the profits or in the dividends. The introduction of the capital of non co-operative members into certain undertakings of the co-operative or into the co-operative accumulation throws out the idea that the co-operatives should provide a particular participating position and a representation in the co-operative self government for those partners who join exclusively with their capital (shares, specialized shares, bonds, etc.).

HARZA, Lajos: Az adó- és elvonási rendszer továbbfejlesztésének kérdései a mezőgazdaságban.

(Problems related with the further development of the system of taxation and withdrawal in agriculture.) Agrárreform Vol.II., Research Institute for Agricultural Economics, 1989.

The fact that - throughout the world - the relations of agriculture with the budget are particular ones, can be attribute first of all to the particularities (the effects exerted by weather conditions on the production, the restricted impact of the market relations on the distribution of the factors of production, the low rentability and slow refunding of the capital investments, the decreasing mobility of the agricultural population, etc.) of agriculture. The pool of

the agricultural political means is very large in this respect: tax allowances, subsidies, credits of preferential interest, accelerated amortization, the opportunity to transfer the profits to the forthcoming years, etc. are included.

The financial subsidization of Hungarian food economy is of decreasing tendency, its standard not being high in the international comparison. According to the evaluation prepared by the experts of the World Bank the share of the agricultural and food consumption subsidies within the added value of agriculture in 1986 represented 129 per cent in Japan, 92 per cent in the EEC, 71 per cent in the USA, 64 per cent in Austria and 43 per cent in Hungary. Since that time the subsidization of the consumers' food prices reduced to the one third and also the subsidization of production significantly decreased.

From the aspect of the producers the balance of the budgetary relations of Hungarian food economy is negative. Between 1976 and 1987 the payments of the large-scale agricultural enterprises grew almost to the threefold and those of the food industrial enterprises to two-two and a half-fold. The total payments of food economy amounted to 105.7 thousand million Ft in 1987. Subsidization represented 99.5 thousand million Ft in the same year of 1987. The system of regulation could not maintain interestedness in production, it did not left behind, namely, the means needed for development at the farmers. The sophisticated, prohibitory and punishing system of taxation as well as the centralizing and then again and again re-distributory\* budget make the economic processes confused and unforeseeable.

Under conditions like these the farmers make preparations to survive (from one day to the other) the changes and prospective interestedness as well as structural adjustment are getting lost.

\*This "external" re-distribution is coupled with an "internal" re-distribution.

The budgetary relations of the small agricultural production which is of a significant scale, are much more modest than those of the large-scale enterprises. The taxes of the small producers hardly increased since 1980\*, the subsidies granted by the state decreasingly exceeded the payments: tax payments amounted to 0.8 thousand million Ft in 1987 and the subsidies amounted to 1.1. thousand million Ft at the same time. This way the restrained taxation of the small producers is interdependent with the reduced state subsidization.

#### 1. The basic principles of the further development

As far as further development is concerned it is reasonable to start out from the following basic principles:

The system of the prices, subsidizations and withdrawals are to be treated jointly. The income earning capability of agriculture is fundamental. Until the rentability of the agricultural production lags behind the same of the other economic branches then its taxation should also be more restrained - in addition to the tax allowances, the fiscal immunity and the opportunity of making profit reserves - also its subsidization by the state remains necessary at a certain extent. The subsidization should be, however, sector neutral and simpler and more reasonable than the present one.

- The system of taxation and subsidization should be adapted to the changing conditions, it should take into consideration the lasting interest of society and economy and still it should be as steady, as clearly arranged and preliminarily plannable as possible.

- The regulation system should be more normative than is

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\*A determinative share - almost of 90 per cent - is represented by taxes to be paid after the land use within the taxation structure of the small-producers. This is a fundamental difference if compared to the taxation structure of the large-scale enterprises.

at the present, should make possible the prevalence of the market relations and should be incentive for structural adjustment. A system like this can be introduced but gradually. Through the transformation of the structure we must prepare ourselves to meet the difficulties which accompany the period of transition and to get over them as rapidly as possible.

- An important precondition of the autonomy of the enterprises is that the farmers should be allowed to make independent decisions about the utilization of their incomes after taxation; detailed financial regulation should not interfere there.

## 2. The system of budgetary withdrawals

The system of taxation should be further developed so that

- it should not impede the establishment of internal systems of interestedness and generally of undertakings in the large-scale enterprises,
- no sophisticated accounting and registration obligations should burden the small-scale undertakers and
- the opportunity of option should be provided for the farmers and the undertakers.

### A/ The taxation of the personal incomes and of the enterprise profits\*

- Choice should be granted for the private or family undertakers: they should be allowed to select the type of taxation - PIT or EPT - which they desire to apply. It should also be allowed that after certain time the farmers could change over from one type of taxation to the other.

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\* PIT and EPT in the following..

- In a taxation system where no choice is granted to the farmers between the paying of PIT or EPT there preference could be provided for the agricultural economy so that the EPT could be deducted from the PIT either fully or in part. This way also double taxation could be avoided at the same time.

- If market relations will gain ground then we may reckon with an increase in number of the personal and family undertakings. It can also be made verisimilar that the undertakings will increase even within the scope of the large-scale enterprises and this will happen in variegated forms (specialized groups, other types of undertaking). In such cases troubles can be caused several times by the question: what should be qualified as an undertaking. On the one hand, however, we cannot expect that the small-scale undertakers will proceed with book keeping professionally or at all and on the other hand they cannot dispose of all the data needed for the book keeping (the wages e.g. cannot reliably be separated within the income). Therefore also such a solution seems to be reasonable where the EPT is assessed for the small-scale undertakers on the basis of the gross incomes (perhaps by combining PIT and EPT) in the form of a global sum. There are several ways of arriving to this global sum (based upon the data of those small-scale enterprises which are of any reason proceeding with book keeping, supplemented with the data of the previous years, on average data, on norms, dictated keys, coverage ratios, comparison of the assets, etc.). Even the organs of the local self-government could be entrusted with the assessment of this global sum - by granting them the opportunity to use the returns from taxes for public purpose.

- With the introduction of the lump sum taxation also the solution can be conceived when the small-scale undertaker may select one from three types of taxation (PIT, EPT, lump sum).

- The particularities of the agricultural economy can be acknowledged in the PIT and EPT systems also through

- a/ fiscal immunity or tax allowances after certain well defined returns,
- b/ the opportunity of accelerated amortization. This opportunity would embrace both the movable and real (economic) assets in the year of the acquisition or production and in some years which follow,
- c/ the opportunity to transfer the profit to the next year/s/ in order to balance the fluctuations of the yields and of production.

B/ The particularities of the general turnover taxation  
Fundamentally two solutions can be conceived:

- the "O" percentage rate (of food economy) continues to exist or
- we change over to a system of double rate by abolishing the "O" percentage key.

a/ In the first case the reduction of the commodity group of "O" percentage rate cannot be suggested. For the longer term the problem whether this group of commodities could be enlarged or not should be studied in dependence with the development of the living standard (and anti inflationary) policy.

Since the "O" percentage GTT\*rate is valid for the overwhelming majority of the products of food economy therefore this branch of economy is determinatively and continuously in a "re-claiming situation". According to estimations the enterprises which produce and put foodstuffs into circulation are paying in advance (credit in favour of the budget) a GTT which is connected with the purchase of production means in course of 1-1.5 months. This may create liquidity problems in a part of the enterprises. Just therefore it would be re-

\*GTT = General Turnover Taxation.



sonable if credits free of interest could be granted - in this context - to the enterprises.

b/ In the second case preferential (positive) rates of taxes would be assessed for the consumer goods so for the foodstuffs too. The price raising which would derive from the introduction of the positive rate of taxation would but partly be counterbalanced by the price reduction resulted by the decrease of the rate of taxation for the industrial products. The changing over to this system of double rates can be implemented only with the simultaneous increase of the wages and of the social benefits.

From the aspect of food economy, however, also other difficulties and particularities are to be taken into account:

- An almost unaccomplishable burden of book keeping would be showered upon the small producers;
- The taxes which burden the inputs and the outputs should be concerted;
- The basic foodstuffs would become more expensive creating thereby a disadvantageous situation for a larger layer of the consumers while some other non basic foodstuffs would become less expensive at the same time.
- The realization of extra incomes would be made possible for those people who succeeded in avoiding the channels of taxation.

The general turnover taxation of double rate would decisively alter the conditions in agriculture. Therefore the present solution is more satisfying for agriculture than the other would be. Neither the other solution can be rejected for good and all but investigations embracing very many details and all the circumstances are still needed here. This solution can come into question really as a very distant task only so much the more because for the long term we should reasonably adjust ourselves to the taxation system of the

EEC - and the unification of the added value taxing rates is planned in the EEC at the earliest for 1992.

#### C/ Considerations about the land tax

- The land tax - and land as a primary resource in general - should play a much greater role than it does at the present: it is reasonable to increase the weight of the land tax among all the taxes.\* By means of increasing the share of the land tax the reduction of the importance of other taxes could be made possible.

- Simultaneously with the modification of the land tax's role the system of fiscal immunity and of the tax allowances needs to be supervised and unified.

- Since the local conditions are best known by the communities (local municipalities) therefore they should be entrusted to decide about the extent at which they wish to depart from the general rate of the land tax. Opportunity should be provided for them to use the amount of the land tax to local purposes.

- If later on the property tax will be introduced then land could form a part of the ratable value of property.

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\*The increase of the turnover of land and of land tenement as well as the assessment of the value of the landed estates will provided a more realistic basis for this than the gold Crown value does.

KARTALI, János: Megújuló szerepben az élelmiszergazdasági marketing. (The marketing of food economy in a renewed role.) Marketing, No. 3-4. 1989, 141-143 pp.

Amidst the rapid social-economic changes of the present - which can be qualified as almost revolutionary ones - new light is thrown upon marketing and it receives a new and increasing role. Through the enlarging of relationships of market character, through the increase in number of the participants in the markets, through the establishing of connections and interestedness relations of a type having a new quality the marketing activities are not only upgraded but they become the worktools of such persons and organizations who did not attribute so far a particular importance to them and did not take them really seriously; but neither life pressed them to do so.

The marketing extension and acceleration of all the groups of products can be experienced but this becomes most perceptible in the sphere of the agricultural and food industrial products showing not only several particular characteristics in this quality but also the distance and path between the producers and consumers differ significantly from those in the case of other (industrial) products.

It is a particular symptom in the agrarian sphere that the producers feel themselves to be most distant from the market and most defenseless against the commerce (including also the public purchasers, the processing industry, wholesale, retail and foreign trade equally). Although subjective elements can be also found in this opinion nevertheless it is objectively true that the regulation, organization and marketing activities of the agricultural and food trades are inadequate or these latter are entirely failing.

It is also true that in several cases the agricultural producer finds himself confronted with monopolistic organiza-

tions as the public purchasers of his products but in fact he should not or not only cope with the particular interests of the monopolistic organizations but also with the system of economic regulation and with the prices fixed by the authorities which are acting as a coercive force also against these monopolistic organizations. Neither monopolization nor the inflexible regulation encourage the progress of the real market relations and raise this way demands in respect with the marketing activities.

The standard, organization and type of the trading activities of the farmers - should they be agricultural producers or food producers - depend at a significant extent on the fact in which market is the realization or purchase performed. Though even the part markets (regions, countries) differ from each other in this respect nevertheless pronounced differentiation can be perceived between the three principal markets, the domestic, the convertible and the CMEA markets. In these three markets, namely, the farmers experience different market conditions and therefore the diverse relations exert different effects on the participants of the economic processes.

There is not a single branch of economy which could take over the role played by agricultural economy in the equilibrium of the balance of the convertible payments; this role will remain undoubtedly important at the medium and even at the long term. Though it is debated whether the maintaining of the export of food economy to capitalist countries is reasonable or not nevertheless efforts should be made under conditions like these in order to facilitate the (partly involuntary) export implementing role of the economic branch and to suggest ideas and aspects for improving the adjusting capacity to the requirement of the market with the means of marketing.

The importance of the internal market increased

The domestic market became unambiguously upgraded in the present. Both the efforts aiming at the evolving of the general market processes and numbersome other factors are playing a part in this.

The importance of the domestic market is supported first of all by the fact that the continuous and uninterrupted supply at an adequate standard represents basically a problem of the internal politics.

This is particularly true if the foodstuffs are concerned where the checking of depression and the maintenance of the results achieved so far from the extraordinarily important elements of the general feeling. This conclusion does not refer only to the quantity of the supply and moreover it is not exclusively a question of quality and structure but there are also other aspects which may cause troubles also in the food supply of the population (producing in certain cases the feeling as if this supply would hobble) and impede on the other hand the evolving of the other functions of the domestic market. These factors are: the low level of food supply in certain respects, local or temporary shortages, lastingly closed shops and the almost general and national low standard of the infrastructure of trading.

The upgrading of the internal market in food economy is interdependent also with the decrease of the solvent demand of the population since as a result the market position of certain professional activities changed: instead of the preponderance of the demand a sellers' market came into being particularly in the case of certain products of higher prices. And this led to the establishment of a competitive market and to the occurrence of a market behaviour of new type which raises new requirements in respect with the marketing also at the domestic market.

The importance of the internal market is outstanding not only because of the supply of the population and of the inten-

sification of the internal and economic political tensions but also as representing a reference or testing market of our food exports and its upgrading is fundamental in this sense.

Taking this all into consideration and also the fact that the two thirds sharing of the domestic market within all the food realizations will continue to exist also for the longer term those problems are to be solved which impede the progress of an uninterrupted domestic food market. Marketing can be but one of the means used for the solution of the problem nevertheless its importance is incontestable.

#### Contradictions of the three markets

As I already referred to it the role of food economy in the balance of our convertible payments will continue to prevail and in consequence of the raw materials acting as counterpart of the socialist export it will remain important even in the case if the quota system and the way of accounting in the CMEA would change for the longer term and also the domestic market would become upgraded. Taken all this into consideration we are to reckon with the particular Hungarian relationships of the adjustment to the market also in the future which means that the "three market interestedness" will continue to prevail in the distant future too. The three spheres of outlet can be distinguished mainly according to the commodity structure, the packing, transportation and pre-tentions; they are related with diverse organizations of the realization within and outside the firms, the partnership with the companies is different and significant differences can be observed in the regulations and interestedness which affect the diverse markets. The co-existence of the three markets led to the coming into being of paradox situations in almost each specialized activity of the food economy. The most important ones of these paradoxes are the following: Convertibility between the capacities producing for the three markets respectively are limited from both the techni-

cal and/or economic aspects. Generally the finished product can be made serviceable for realization in the market groups else than originally intended only at the expense of extra cost inputs or losses in the prices. Frequent is the case that the primary interest of the producer firms is to increase their sharing within the realization of the export quotas to socialist countries which provide relatively great safety and secondarily in a greater participation in domestic realizations accompanied with smaller risks - particularly if products of higher prices are concerned; in the bonuses conditions of the managers, on the contrary, the increase of realization in the capitalist markets is of determinative importance at the same time. The fact can be regarded as fairly universal that in respect with the activity of the producer firms the most important elements of the motivation should not be sought in the field of adjustment to the market but in the avoiding of risks and in the moving toward the smaller resistance; or in constraints embodied in the expectances of the authorities.

In the case if the market relations evolve in a broader sphere then the significant modification of this misshaped system of motivations can be expected whereby also the marketing activity will be upgraded; the notion of marketing which was applied so far in most instances only as a slogan or as the name of a department will be filled with content or a corresponding requirement will be raised against the farmers. The three markets - of different behaviour - demand different marketing approach. At a final end, however, it does not matter - at least from the aspect of marketing - since this can be regarded as a particular Middle-European type of market segmentation the blemish of what being at the very most that it represents in the period of the marketing activity a segmentation directed by certain constraints (which do not occur elsewhere).

As I mentioned already by way of preliminary, the adequate marketing conception and activities are the inevitable means of the evolving of the market processes.

The reform process which started in Hungary makes the gradual propagation of the marketing considerations and the thorough transformation and significant extension of the marketing activities topical and necessary in agriculture and in the food industry.

Economic regulators or the construction of the market

The resolute intention to construct a market should be accompanied in the economic regulation and control by the easing of several former restrictions and by the liquidation of certain obligations (e.g. data supplying) or formal or informal "expectations" of the farmers in respect with the authorities.

In the rule making and controlling activities these should be replaced by the marketing conception, this will be (the future) role of the macro-marketing.

When the program of reprivatization will be implemented then the number of the participants of the market will increase and their role will become more direct both in the agricultural sector and trade. Also the entrepreneurial role demands quite another market behaviour than that of the wage worker transactors. The changing roles of the managers and undertakers and the motivation attached to them emphasize the increasing part of micro-marketing (marketing at the level of the enterprises) in the market research, in the extension and construction of the markets.

The regulating bargain on behalf of the undertakers and the market substituting prostheses on behalf of the control should equally be replaced with the means of marketing.

And because the organizations on the way of atomization will have even less money for the implementation of marketing programs than they have at the present therefore free



path will open before the mezo-marketing. Not in the sense, however, that some central brain should elaborate the marketing program instead of the farm managers, but through the calling into being of marketing communities (cf. collective or joint marketing) organized from below.

The marketing activity should be implemented, of course, in the form of initiatives coming from the firms and undertakers and not through the control of the authorities. Marketing should be treated as a part of the business life if only for the very reason that different market and marketing methods are needed for the diverse products or for commodities being at diverse grades of processing; the marketing strategy to be followed depends also on the composition of the possible buyers, on how near it stands to the consumer and on the fact whether the purchased produce should be further processed or not.

Also different methods are needed in the diverse markets or in the diverse market segments; no unified prescriptions can be presented for the diverse types of ventures; but not even the methods of marketing at home and abroad are coincident. (Though the direct questioning of the buyers cannot be excluded in the case of consumers abroad nevertheless the conditions of its implementation are quite different - significantly more difficult and expensive - than in the case of domestic commercialization.)

Reckoning even with the variegatedness of the marketing methods, the elaboration and application of a unified marketing strategy cannot be neglected. In the domestic market it should take into consideration first of all the particularities of the respective economic branches (the specificities of the produce in both the agricultural and food industrial sectors) and in markets abroad it should lead to the creation and application of a particular Hungarian image and this so that such methods are applied in respect with the products and markets which mutually supplement and consolidate each other.

### Unexploited image

As far as the Hungarian agricultural and particularly the food industrial products are concerned the opportunities hidden in the establishment and propagation of the national image should have much more be exploited in the future than are at the present.

When constructing their images the various countries and nations may develop their marketing politics by stressing diverse particularities and they apply this means very intensively for the securing of the food markets and of those of the consumers' goods. The Danish and Dutch traders emphasize the trustworthiness of their products, the nations of the North their cool purity, the French people the atmosphere and charme created by the combination of piquant flavours while the countries of the East stress their character being exotic for others.

Increased efforts should be made for the propagation of a Hungarian image in general but mainly for the improvement and propagation of the images of the diverse Hungarian food products (those of food economy), for the creation of "hungarica". In the export this is necessary because anybody may occupy our place in the markets of the characterless mass products if their offer is more advantageous in respect of only one and single factor (e.g. price, quality, appearance, conditions of delivery) but a well introduced brand cannot be ousted from the market this way.

In the calling into being of the Hungarian image mainly the good flavours, the Hungarian hospitality and thereby our "art of cooking" in a broad sense should be predominant in their complexity. The Hungarian image to be created this way would provide a steady and affectionate consumer layer convinced both in feeling and in comprehension for our food-stuffs.

The stressing of the Hungarian character is reasonable not only in the export but also in the domestic realization

by taking into consideration mainly the demands of foreign tourism but also these of certain layers of the Hungarian consumers.

The overstressing of the Hungarian character should, of course, to be avoided and as far as the flavouring or packing etc. of the diverse foodstuffs is concerned first of all the demands of the buyers are to be considered and the Hungarian character should not be forced.

The strategy is unified

Though the methods applied at the concrete markets are different nevertheless the uniformity of the marketing strategy is equally important in the markets at home and abroad and the domestic market can be the field of testing or reference of the export markets in this respect. The marketing activities embrace not only the market of the processed foodstuffs but also the markets of the agricultural raw and basic materials including as well the export realization as the domestic retail trading and public catering too.

Brand policy is also important within the marketing strategy; separate decision should be made in each case about the problem whether the branding of the respective product is worth while or not and if yes then the use of a Hungarian brand is justified or it is more reasonable to join to the brand of certain well known foreign firm and what is better payable in this latter case: the joining to the producer or to the trade mark. The application of the special Hungarian image is necessary also in the formulation of the brand policy. Beside the marketing methods also production concentrated for special purposes should be implemented and the problems of packing and labelling most directly related with marketing are to be settled. Considering the fact that the Hungarian national income falls short of the annual returns of certain big multinational companies we may find natural that we can expend but slender amounts to the purposes of market-

ing. Less than some of the large-scale capitalist firms can. Therefore it seems to be expedient that a part of the amounts which can be spent for marketing and propagative activities should be concentrated but on a strictly voluntary basis.

This way the evolving of the market processes raises numerous new tasks in respect with marketing in food economy. Therefore the further extension of marketing training and the elaboration, adaption and further development of methods adjusted to the present conditions in Hungary seem to be serviceable.

Mrs. LASZLÓ, Gyöngyi: A takarmánygazdálkodás és a takarmányhasznosítási színvonal összefüggései. (Interrelations between feed management and forage utilization.) Publication of the Research Institute for Agricultural Economics, No. 2, 1989.

As a result of our former survey performed in the Research Institute for Agricultural Economics it became clear that the raising of feed prices at the beginning of 1989 caused surplus costs of 20 per cent in the pig breeding and those of 25-28 per cent in the broiler production. On the other hand the public purchase of pigs for slaughter promises returns from sales greater only by 8-11 per cent and those of poultry breeding by 11-18 per cent. Large-scale table poultry was also heretofore deficitary. The price raising multiplied the losses.

70-80 per cent of the surplus costs caused by the raising of prices which affected the fodder grain consumers appeared in the fodder costs. This prompted us to survey those real or surmised opportunities in the sphere of feeding which could be the means of increasing the income producing capacity.

From the aspect of our present survey the factors improving the food utilization can be categorized into two large groups. One is the economic category to which prices, commercialization, interestedness or in one word the spheres of problems affecting the whole feeding management belong. The other category embraces the diverse techniques of fodder processing.

The major conclusion which can be drawn from our surveys related with the activities of feeding management can be summarized as follows:

Feeding management embraces several spheres (the phases of crop production, storage and commercialization) which are contradictory even at the present, are burdened with tensions and through the troubles of their functioning they check the supply of animal husbandry with less expensive fodder of improved quality.

It is well known for a long past that income relations prevailing in the crop production are unfavourable for the improvement of the composition (wheat, corn) and quality (contaminations) of the fodder. Their interestedness is attached to the quantity of production and the inner content which is important from the aspect of food utilization is not expressed in a price appreciating the quality. The chronic troubles of storage continue to worsen the utilizable content of the fodder.

Such a price system was brought into usage in the practice of our feeding management where grains were rated under and protein feed were rated over the world market prices. This policy did not prompt the livestock breeders to the economical use of the grain fodder.

Neither the free mechanism of the commercialization of fodder through several channels could function without troubles. Even the state itself impeded the establishment of conditions for the improved food utilization through restrictions (protein feed quotas).

The fodder traders did not enjoy equal chances. The Grain Trust - in contrast with the mixing plants of the enterprises - worked with the weakest basic material. The Trust had to buy up domestic fodder the prices of which were raised artificially with the intention of encouragement and to work them into the feeds. Because of the responsibility for the supply a network of shops had to be maintained in the small villages which in consequence of the small turnover was deficitary from the outset. In the meanwhile the production of the premixes which brought incomes was made inattainable for the biggest fodder commercializer - with peremptory decision - in course of several years.

The agricultural mixing plants worked with better basic material but they also were defenceless against the production of premixes kept in hands by Bábolna and Nádudvar. The composition of the premix was known but in a very narrow circle and therefore its prices could be raised almost unscrupulously.

Receipt management loosened in the meantime with the concurrence of the state and this offered the opportunity of making improper profit for all the feed producers. The gap between the nutritive content of the feeds and their prices increasingly enlarged. No guarantee was undertaken by the producers for their products. Neither the feed producers nor the commercializers were interested in the utilization of the feeds and in the accelerated development of the livestock. The quantitative way of looking - which caused many troubles also in other respects - gave the impulse of feeding management. The problem of the guarantees was not even raised in the shortsighted and prodigal attitude of the commercializers of the feeds which took the best part of the momentary advantages and pursued the possible greatest profit whilst they caused enormous damages with their behaviour to the livestock breeding which was in a defenceless situation.

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In the sophisticated mechanism of commercialization such a situation came into being where the feed producers and livestock breeders who did not enjoy monopolistic advantages impoverished while the elements of the public power which were inserted among them became - by using questionable means in several cases and drawing profit from the opportunities offered by the loose management and control of the receipts - always richer and richer. At a final end the extension of the sphere of the commercializers brought neither better nor less expensive feeds to the livestock breeders. Also the liberalization, the unregulated composition of the receipts exerted a reverse effect from the aspect of the production of animal products tending to be more efficient and more competitive in quality.

In 1990 a new situation was established in the feeding management whose effects cannot be yet assessed with full certainty. The greatest change is that hereupon the fodder will pass into the possession of the buyer at the free market price and at the same time the subsidization of protein feeds by the state ceased to work. As far as the production of fattening mash and granulated feed is concerned the foregoing restraints in respect with both the wholesale and retail prices are abolished too.

The feed prices, however, are not moved fully by the market because the state becomes - by means of the devalorization of the Forint, of the custom burdens, of the raising prices of energy and transport - involved in the pricing. This way the feeds will be more expensive also in the case if no advantage is coupled to this in respect with the improved use of the feeds. The opportunity of abuses related with the prices and with the quality continues to exist. Therefore animal husbandry is operating at certain extent on a forced path where in consequence of the feed prices the costs are developing in the same direction, upwards namely.

Expectably the recently taken measures will sooner or later improve the situation of feeding management. Animal husbandry, however, must produce also in course of the transition period and therefore the positive effect of the measures can but later be expected. At the moment only one thing seems to be certain and this is that feed prices are raising at such an extent which cannot be asserted by the producers in the free market prices of the animal products. The due (justified) raising of the producers' prices is, namely, seriously impeded by the significantly decreased solvent demand and by the effort that the possible smallest subsidization of the export should be allocated in the budget.

OSZOLI, Agnes: Tulajdonviszonyok az élelmiszerfeldolgozásban. (Property relations in food processing.) Gazdálkodás, XXXIII.vol. 1989/9. 33-45.p.

The problem of the property relations in food economy appears in a very sophisticated manner.

Legal regulation concerning the ownership of the most important production factor, of land namely, is ambiguous and contradictory and as a consequence neither its role in farming is clearly elucidated. Besides also the troubles of the operating of state owned properties and those of the co-operative ownership occur. In the present paper I should like to treat the problems of only one part of the food economy, of the processing industry. Publications and official statements affected this sphere so far mainly from the agricultural aspect. These propositions are proving for me that the problem of ownership was but slightly realized by the public opinion. According to some of the proposals the proprietary rights over the food industrial plants owned by the state should be shared with the producers of the basic materials.

In spite of their joint control by the Ministry the co-operation of the state owned food industry and agriculture is unsettled; so many people think in a particular way that the troubles of the vertical integration are the same as those of the ownership. Part of the management of the economic branch think that the possibility of easing the conflicts of interest which can be observed in the spheres of production, processing and realization are hiding in the vertical economic organizations based upon joint ownership where the role of the integrator would be played by the agricultural producers. Characteristically they are at the opinion that there is already no time enough for the establishment of such integrations upon the basis of spontaneous economic considerations and so they are convinced that central intervention, i.e. that of the public administration is inevitable. The formula of the Act on Transformation which refers to the state owned enterprises grouped into the food industry should be due to this fact. Consequently in the case if they become transformed to a joint stock company they must issue provisional stocks credited for 50 per cent of the original capital to the agricultural enterprises which will discharge this from their future dividends.

From the aspect of the transformation of the property relations food economy is in a peculiar situation because examples can be found already at the present for several solutions and by analyzing them we may have further outlook than in other branches of the national economy. One of the possible solutions is the association corresponding now already to those criteria in compliance with which a part of the state property should function in the future. Experience gained about the functioning of the associations were analyzed in several papers prepared in the Institute.\* Theoretically

\*Katalin SEBESTYÉN-NÓra VÁCI: A társulások tulajdonviszonyai és fejlesztési lehetőségei. (Property relations and possible development of the associations. Manuscript.) RIAE, January 1989. Mária ORBÁN NAGY: Piaci és versenyviszonyok a baromfiiparban. (Market and competition relations in the poultry industry. Manuscript.) RIAE, November 1989.

the opportunities of ownership are more favourable in the associations than in the state owned enterprise, here namely

- the real proprietors are taking part who pooled the capital of the association from their own sources,
- they are interested also in the efficient operation since they assume the risks themselves and the surplus incomes are also their own,
- the proprietor and the manager are separated from each other.

In spite of the conditions, however, the concrete experience refers to the conclusion that neither these associations solve the problems of ownership. Research just proves that even these "secondary" organizations follow the example of state ownership in their operation. Proprietary interestedness does not prevail more in these organizations than at the floaters and according to the amalgamated economic indexes their income relations are even worse. Finally the investigation confirms the assumption that if they are not the real proprietors who make decisions in an organization then they will neither be capable to perform proprietary functions in the organizations founded and controlled by them. So economy is to be regarded as a unified organization where strict rules assert themselves; the interestedness of the participants is determinative also for the nature of their activities. As far as their existence is concerned the enterprise managers are but hardly dependent on the market success of their own organization in a financial respect and so their situation is even less influenced by the resultfulness with which the association established by them operates.

Experience gained in the food economy warns us that in the operation of property we cannot evade the fundamental problem: who should become the "proprietors" of the means owned by the state. In most proposals the problem of organizational and individual interestedness is not yet elaborated and is degraded to a question of detail though in my opinion

it is fundamental and determinative. Neither the decisions made by the office holders or enterprise managers working in the public administration are not sufficiently effective because they do not feel that they are proprietors but therefore since no real efficiency requirements are raised against them, they do not assume moreover the pecuniar risks of their decisions and even the possible success has no adequate financial consequences.

The collective types of ownership established in the progressed market economies, the "crossed" ownership between the enterprises and all the other types came into being as the results of the organic development of private property and just until the present they are based upon individual property. We did not analyse so far the extent at which the system may function in an identical manner if its bases are formed by property types - public and private - which mutually exclude each other. Even in the case of collective ownership the aspects of private investors assert themselves in the market economy. Always the realization of the capital is regarded to be the task and as far as their efforts are concerned they do not allow to be restrained.

#### The structure of food industry

In the sphere of food processing we do not find any sectoral characteristic demanding such a particular type of the realization of ownership which cannot be applied in other fields of the industry. From the aspect of the transformation of property relations we may regard the scale of the respective unit to be a decisive and determinative factor because the diverse enterprise scales postulates also diverse motivations and methods of the ownership.

As far as its diverse branches are concerned the plant and enterprise structure of food industry is fairly differentiated. The scales of the production units are determined by the technological peculiarities, the scales and other characteristics of the market of realization as well as by the

agricultural background in varying order of importance. So the enterprise scale structure of the diverse industries is characteristic for the respective activity on the one hand and for the level of development on the other.\*

In consequence of the various scales different solutions or proprietors should be found for the diverse enterprises and all this cannot be settled with the same methods and in the same system in the case of all the state-owned enterprises. The method should be found where the diverse enterprises could be operated with the highest social and economic efficiency.

The simultaneous consideration of several kinds of data would be necessary for the correct analysis of the enterprise structure. In relation with the ownership, however, I think to be sufficient if - because it is the most important structure forming factor between the human beings - I take into account only the ratios of the personnel.

According to this most of the specialized food industrial activities are characterized by large-scale enterprises employing more than 500 labourers each and the determinative ratio - about 70-80 per cent - of the personnel can be found in them. We may observe concentrated large-scale enterprises first in those industries where this is justified by the requirements of the technology, like in the sugar industry and in the processing of vegetable oils and secondly in those industries which we built up with significant developments in course of the past decades like meat and poultry processing as well as canning industries. Smaller enterprise scales and a smaller scale of concentration are characteristic for the units of grain and wine processing or of the baking industries.

Neither the standard of the centralization of the organization is the same in the diverse industries. The "one factory - one firm" scale is characteristic exclusively for the

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\*Mrs. Anna ARGYELÁN-László ZACHER: A szervezeti rendszer fejlődési irányai az élelmiszeriparban. (The development trends of the organization system in food industry.) Research Institute for Food Industry, Budapest, 1980.

sugar industry. In the meat and poultry processing and canning industries several enterprise structures can be observed. In these industries some of the enterprises dispose only of one and single producing plant while the others are operating as large-scale enterprises with several company seats. Intensive enterprise centralization can be experienced in some industries - mainly in those which produce everyday foodstuffs - where large enterprise scales did not come into being yet first of all in the baker industry but at some extent also grain and dairy industries can be grouped into this category. Wine, distilling and confectionery industries are characterized also by an enterprise structure of several company seats inserted into the organization of the large-scale firm.

At some extent the scale structure of the food industrial enterprises is influenced by the specialization which took place according to the markets of realization. Those enterprises which perform production for export at a determinative ratio and which provide the supply of the bigger cities are generally of larger scale than those other enterprises which satisfy primarily domestic demands.

From the aspect of management the state owned food industry is divided. In several industries changing over took place already to the autonomous, self governing types of management. Here Enterprise Boards are functioning in an overwhelming majority. Also since the changing over to the new types of management also other changes took place in the economic branch; the national enterprise of cooling industry as well as the Meat Industrial and Grain Trust ceased to function while the Trust of Dairy Industry continued to exist. Even at the present these industries are operating under the control of the public administration. The efforts made for the transformation of state ownership should take into consideration also those types of the pluralist property relations which exist already at the present. Food production based on co-operative and private property disposes already of certain fundamentals but its order of magnitude is not decisive.

### The transformation of state property

In the sphere of food processing the dominance of state property prevails. In course of transforming the property relations state property should be realized on the one hand in favour of other owners and in the case of those enterprises which continue to be in the property of the state the exercise of the proprietary rights could be divided on the other hand and referred to the sphere of authority of other organizations being capable to exercise them.

The decentralization which was started in 1979 as the first step of the transformation of property relations in the state owned food industry should be continued by means of central measures and the enterprises of several company seats should be rendered independent till the level of the plants. This step would be needed therefore because the present conglomerate of the enterprises did not come into being as a result of an organic development but they were organized according to the needs of the system of control. The present organization structure conversely represents an economic and political background for certain groups of the managers which would presumably be able to impede resultfully the possible spontaneous efforts of decentralization with means being at their disposal. The resettling of the organization in compliance with the new demands of economy, however, can start only at the time when also the producer enterprises gain their freedom. Unfortunately the legislation and decrees issued so far do not act in this sense but they seem to preserve the present organization structure.

In the case of smaller enterprises employing not more than some dozens of people also other already more or less tested solutions may come into question. Here the realization of the property can already be interpreted whereby the capital of the population could be introduced to production. The suggested solution raises even several problems which should be settled not only in the case when smaller enterprises are



sold but they are of general validity. A problem like this is that of the evaluation of the assets. The assets of the enterprises were revalorized in 1968 and since then the fixed assets are registered at their prices of revalorization or at their current purchase prices. This value, of course, does not provide any indication about the income producing capacity of the assets though this would be the really determinative aspect for the potential purchasers. To find a reasonable solution which is acceptable for all the interested parties is difficult and therefore a compromise should be made about this problem. The task of the National Property Agency is to achieve that the assets should be realized at a realistic value. In the case of smaller production units, however, one cannot expect that certain central public organization - having personnel small in number - would be able to the transaction of affairs in the merit.

Therefore I think that in the case of these smaller units a solution is conceivable where institutions of property management organized on a regional basis are established. These institutions could take over the ownership of the enterprises - belonging to diverse branches of economy - situated in the respective region. Their task would be to operate the latter so that they should produce the highest possible dividends. These dividends should serve as the financial coverage of the operation of the diverse institutions of the budget in the respective region. Reasonable would be to place these institutions of property management under the control of the councils consisting of representants elected by the population.

These institutions of property management may make use of the enterprises they took over in several ways.

- They may sell the diverse enterprises in part or in full and the amount received can be invested in undertakings producing at least as much profit as the one did from where the money was withdrawn.

- They may operate them in a system of tenement by concluding contracts with one or with several persons about the

utilization of the respective establishment. They should receive capital proceeds assessed proportionate with the assets as a rent from the tenant.

In the case of larger enterprises and plants property cannot be attached to concrete natural persons as a first step but neither this opportunity should be excluded. Proposals which emerged in the professional discussions being in course at the present regard mainly the ownership models characteristic for the progressed market economies\* as the example through the adoption of which they think that the solution of the problem may become possible. Taken the present conditions prevailing in Hungary into consideration I am at the opinion that those organizations which being free from the constraints of the economic branch make decisions about their investments upon the basis of the expectable proceeds may come into being also in this country only as a result of organical development.

The proprietary competences of those larger enterprises which became independent after the decentralization to be centrally implemented could be provided in the first step for their management boards. Though the concrete experience refers to the conclusion that these boards are incapable for the final solution of the problems of ownership nevertheless they may provisionally function as proprietors.\*\* The proprietary rights should be separated and also the right of disposition over the incomes should also be divided. For the time being, namely, state property can be regarded also as social property and nothing can justify that either organizations, or collectives or persons should be the only beneficiaries of the incomes produced there. Consequently a rent of fixed scale should be paid to the budget after the state property put at the dispo-

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\*Informations concerning these organizations are presented by Mária MÓRA and Krisztina PENYIGEI in "Holding, trust, supervisory board", *Ipargazdasági Szemle*, No.1. 1983.

\*\*Ádám JUHÁSZ: Tulajdonosi szerep a teljesítménykényszer érvényesítésében. (The role of the owner in asserting the constraint of performance.) *Közgazdasági Szemle*, October, 1985.

sal of these enterprises. The state would have the benefit of this income as the owner of the means of production and the profit tax should be reduced with this value.\* (In an economy of mixed property also the sector neutrality demands that the diverse proprietors should share in the incomes according to the same principles.) The disposition of the profit rent accounted for the original proprietors as well as the income remaining after the paying in of the profit tax, however, will belong already to the competence of the "new" proprietor, of the management board. In consequence of the functioning of the market automatisms an even greater dispersion will occur in the amounts of these incomes than did so far and there will be enterprises which as a result of their successful economic management will achieve increased profits. These incomes can be used as capital, could be placed in banks, assigned to the purchase of stocks or to the redemption of property parts and eventually can be introduced to investment associations. The management board may redeem also the assets of the own enterprise from the budget where the countervalue of this should be accounted in a way separated from the current returns and could be versed to the financing of further undertakings.

Expectably the food industrial enterprises of larger scale in the major part will not be sufficiently attractive for the potential capital owners to invest their capital because compared to other sectors of the national economy the profitability of this branch was low.

In the case of free capital circulation the prices should provide in their tendency the average profit rate and so the transformation of the property relations results necessary changes also within the price system. Besides - under the effect of the differentiation of the demands - the number of those products will increase whose prices will contain greater profit ratio and extra profit too. Presumably there will be in

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\*Tibor ERDÖS: Tulajdoni reform és profitráta. (Property reform and profit rate.) Közgazdasági Szemle, November, 1989.

addition also deficitary enterprises. These will sooner or later be liquidated or the introduction of foreign capital will be necessary to finance the losses. We may suppose, however, that the new capital owner will carry out significant changes in the management, operation, product structure and other important fields of the organization. So this is the way how the desirable transformation of the structure could be implemented.

The differentiation of the enterprises brings forth also significant differences in the position of people working there and first of all in the income relations of the managers. So in certain cases the personal incomes may arrive to a scale where they can be accumulated as capital or saved. Of these savings could the employees also purchase - either in their own enterprises or at other firms - stocks.

The above described solution excludes the possibility that the transformation of the property relations should be implemented by means of central measures and scheduled in terms. The transformation can be conceived but continuously where the actors of economy - presumably following the economic reason - develop their activities and relationships at their own discretion and call into being the new organizational and economic structure which will be capable to operate much more efficiently than the present one does.

Mrs. PÁLOVICS, Irén: Esélyegyenlőséget, piacérzékenységet a mezőgazdasági árképzésben. (The equality of chances and market sensibility should prevail in the agricultural pricing.) Tervgazdasági Fórum, No.4. 1989.

The question of this era is how agriculture can fit into the economic mechanism coordinated by the market forces, into a market economy taking a shape after the example of industrial production. This problem profoundly affects the inner development of the agricultural producer organizations. It

becomes increasingly obvious that the improvement of the efficiency of agricultural production may receive a new impulse only by coupling the interestedness of the proprietors and employees, by the farmer's interestedness and assuming of risks attached to the success of the production.

The necessity of the inner renewal should not efface the memory of the importance of those changes which take place in the external environment which surrounds agriculture, first of all in the market and financial conditions. The question raises whether agricultural pricing has or has not such particularities which are to prevail even for the longer term in the economic policy and what are those tendencies which could consolidate the equality of changes and market sensibility in agriculture also for the shorter term. These are the two pivots of the agricultural price system. The agricultural producers rightfully expect equal chances, society and economy rightfully expect that agriculture should be adjusted to the market relations.

When forming a judgement about the agricultural prices we started out from three aspects: from the value theory, from the market and from the social approach.

a/ The conception of the "equitable prices" is based on the Marxist value theory which raises the requirement that the socially necessary costs of production and the average profit should be refunded in the agricultural producers' price. Numbersome calculations demonstrate that this requirement was not satisfied in Hungary. According to the opinion of the agricultural economic researchers of the CMEA member countries the agricultural price level should include net incomes at the same and equivalent scale as prices do in the other branches of national economy.

b/ The starting point of the other approach is that the most important function of the prices is to concert supply with demand, to distribute the productive forces and the production in compliance with the optimum of welfare. So we ar-

rive to the term of the "balance price" which may prevail under the conditions of perfect market competition. Here the starting point is represented by the conditions of realization and only that level of the social production costs (inputs + net income) proves to be socially necessary which is acknowledged by the solvent demand and paid by the buyers. The conditions of the perfect market competition are failing in agriculture but practice demonstrated also the fact that the transfer of incomes implemented through the agricultural prices deforms economy even in the case if the prices play either an income withdrawing or income completing role.

c/ Surveying the agricultural price policies in the most diverse countries we may experience that the agricultural producers' price level has everywhere a political or economic political charge. The agricultural producers' price is a political price in the practice representing a compromise between the "equitable" and the "balance" price. Equilibrium may come into being under several supply-demand conditions. From the social aspect, however, it is in no country indifferent that which is the price level and the price volume at which the market balance of the agricultural products, of the food-stuffs is implemented.

The agricultural price represents a political problem since it fundamentally influences equality, income distribution, consumption, production and economic development. The price policy of the state is necessary but it should open a broad path for the effect of the market forces.

The particularities of the market of the agricultural products are partly the consequences of the market structure. It is not a newly appointed perception that this market structure puts the agricultural producers into a defenceless position. The market mechanism i.e. the pricing based on the collision of supply and demand postulates certain conditions for its normal functioning several of which are failing at the present in Hungary:

- the demand i.e. the performance constraint, autonomy and competition of the public purchaser, processing and trading enterprises;
- the supply, the offer i.e. the organization and self regulating business federation of the agricultural producers;
- the advanced market infrastructure serviceable for the contrasting of supply and demand, the up-to-date forms of realization, stockpiling needed for the exploitation of the business cycles and the adequate streaming of the market informations.

The accomplishment of the market economy and the property reform will let feel their effect also in the market of the agricultural products. This will and cannot change however those particularities which are deriving from the nature of agricultural production. In consequence of the biological interrelations the supply of the agricultural products is inflexible for the short term and under the influence of the natural conditions and protracted market effects it fluctuates year by year. Under the conditions of market economy this fluctuation may increase in its scale if compared to the present. In the distribution of the production factors the market relations may assert themselves but at a limited scale: it is impeded by the monopoly of landed property, by the low profitability of capital investment and by its slow refunding, by the expectable reduction of the mobility of the agricultural population in the period of the occurrence and increase of the industrial unemployment.

For the short term these particularities would justify certain protection of the agricultural markets and the intervention of the state in certain cases. In order to prevent the market fluctuations reserves are needed: reserves of commodities and of cash namely. The coverage for these can be realized either at the agricultural producers (e.g. by the accumulation of tax-free profit reserves) or from central resources.

We are at the opinion that in the further development of the agricultural producers' price system efforts should be made to fit them into the general market price system of the national economy. The receding of the fixing of prices by the authorities and the establishment of the conditions needed for the functioning of the market mechanism will make possible that the market effects would prevail in a much broader sphere than they do at the present. This, however, will not release the government from the influencing of the agricultural price development even in the future by means of both the orienting of the agricultural price level and the regulation of the conditions of the price mechanism's functioning.

In the forthcoming years efforts should be made to maintain the parity and the real value of the agricultural price level. Measured with the inflation rate of the consumers' prices the real level of the agricultural producers' prices decreased by 4.7 per cent and measured by the inflation rate of the GDP it decreased by 1 per cent annually between 1978 and 1987. The further decrease of the agricultural real prices would endanger the agricultural incomes being anyway relatively small.

Depending on the relation between supply and demand the market mechanism may evolve the "price center" within the agricultural price level of parity influenced by the economic policy in a differentiated way for the diverse products, exert a control over the production costs and reacting, of course, on the quantity itself of commodity production.

The state control cannot be withdrawn from the orienting of the agricultural prices: by means of proclaiming warranted prices, orienting prices and protective prices, through interventive actions in the market and through the regulation of the competition it should exert an influence on the price development for the end that the financial encouraging of agricultural production should be in concert with the long-term social-economic interests. This is not only in favour of the producers, but also in favour of the consumers.



It represents an economic interest that the lasting tendencies of the price development in markets abroad should exert an influence on agricultural production and particularly in those activities which are export oriented. The intermediary of the impulses arriving from markets abroad could be the "green rate of exchange" to be applied in the case of the export of agricultural products. Unfortunately the protectionism prevailing at the international markets makes the financial support of the agricultural export indispensable. If this would assume the form that the foreign currencies gained with the export of agricultural products could be converted to Ft by using a quotient higher than the general exchange rate then the increase of the export more economic than the average would become more attractive and the changing of the export structure toward an advantageous direction would start.

Neither the agricultural producers can wait inactively for the improvement of their market position. For the end that they could be able to participate as partners of equal rank in the bargaining at the market they need organization. The bargaining position of agriculture can be based on the voluntary business federations of the agricultural producers and food industrial processors organized from below. Organization may contribute to the better concerting of demand and supply, to the more serious observance of the quality prescriptions and delivery conditions, to the introduction and extension of the up-to-date types of commercialization. For this end, however, the producers' trading business federation organs are needed which are capable to function. The intervention of the business federation organizations in the market can be resultful only in the case if they have the organized economic power of the represented producers behind them. This economic power may provide the hope that the agricultural branch of economy may obtain chances equal to those of the other production branches in the market competition.

Mrs. SEBESTYÉN, Katalin - SZOLLÁR, Györgyi -  
VÁCI, Nóra: A költségvetési újraelosztás hatása  
az állami gazdaságok jövedelmi helyzetére.

(The effect of budget redistribution on the income  
position of state farms.) Publication of the Research  
Institute for Agricultural Economics, 1989/4.

Agriculture belonged up to the end of the 70-ies to among the promising branches of national economy. By this can be explained the foreign interest towards our agrarian policy. However, to the end of the 80-ies even the agrarian branch came to a crisis. Income positions of the agricultural enterprises worsened and at present more than a third of them stands on the brink of economic collapse. In this process - among other reasons - a significant role has been played by the budgetarian connections. The budget centralizes an increasing proportion of the companies' returns through the intricate and nearly confused system of taxes and subsidies; redistributes a part of them and as a result of which the remaining with the companies income either stagnates or is reduced. In this paper the role and effect of the budgetary connections on the income position of the enterprises is illustrated in the circle of state farms. The investigation covers the characterization of the sphere of redistribution, the exploration of their differentiating resp. nivelling effects and the analysis of its role influencing the profit ratio.

At the investigation of the budget redistribution we started from the original income, and following up the process of redistribution reached the income remaining with the enterprise. The processes of income division have been reviewed in two phases. In the first phase the development of profit remaining with the enterprises is regulated by the budget through the system of indirect taxation and subsidies. In the second phase the returns available for the enterprise are de-

veloped as a result of the taxes burdening the profit resp. of the subsidies increasing it.

During the investigation of the development and distribution of returns the revenue indexes of national economy were transformed to enterprise (micro) level and composed by items from the balance data.\*

The effect of redistribution has been investigated by enterprise groups. In this way we wanted to get answers to how does the budgetary redistribution differentiate the enterprises whether they characteristically lead a positive activity or how does the change of tax system influence in which way their position of profitability and the development of the profit rates. The effect of the budget redistribution is illustrated partly in the proportion of the developing returns, partly through the development of profit rates. The analysis covers three years: 1986, 1987 and 1988. Within this we wanted to illustrate first of all the effects of the new tax system introduced in 1988 and therefore that of the 1986 plays the role of "control-year".

#### The groups of activity in the state farms

The grouping has been carried out by clusteranalysis the decision variables of which were determined on basis of proportion of the net price returns of main spheres of activity related to the gross price returns of the enterprise. The farms of the 1st group are mainly dealing with agricultural production, resp. market agricultural products and within

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\*The following returns indexes were investigated: Original receipts = net proceeds on market price + amortization. Direct receipts = net proceeds minus indirect subsidy. (Under indirect taxes on products and production deprivation, indirect subsidies the price allowances and the sum of the production subsidies are meant.) Proceeds not to be taxed = balance results + amortization accounted for by costs. Receipts remaining with the enterprise = proceeds not to be taxed minus taxes burdening the returns + subsidies following receipts accounting.

this the proportion of animal products is decisive. In the farms of the 2nd group a significant proportion of the net returns originate from auxiliary activity, i.e. from marketing of seeds, mixed feeds and of agricultural services. For the 3rd group the high proportion of food industrial activity is characteristic, and within this especially the grape and fruit processing, resp. the meat processing. The majority of the farms lead also a significant commercial activity; that is the reason for the relatively high proportion of other activities. In the farms of the 4th group - similarly to the first group - decisive is the agricultural activity, but the marketing of plant products essentially exceeds within the agricultural products the average of state farms. Farms belonging here are mainly with crop cultivation.

On average, more than 50 per cent of the net price returns in the enterprises belonging to the 5th group originate from activity beyond the basic activity, not counting food industry, called hereunder as other activities. Among the other activities most of the enterprises lead a significant home-trade activity, but they are also occupied with engineering, chemical and constructional production.

The main statements of the investigation can be summarized in the following:

1. The proportion of the net returns related to the gross production value decreased from 1986 to 1988 from 10.5 % to 9.1 %. The greater part of the decrease took place from 1987 to 1988. In this a significant role had the increase of income on account of the "gross up of wages". (The VAT ratio in this same period increased from 27.0 % to 28.2 %.) The net income content did not decrease only in farms dealing mainly with auxiliary activity, resp. with agricultural services.

2. The original income, in spite of the producer and consumer price adjustment increased in 1988 only by 2.3 %. The indirect taxes and the indirect subsidies have been increased by an even greater proportion (145.6 % and 124.9 %).

3. In the first phase of income distribution the sphere of budgetary redistribution increased in 1988. A much greater proportion of the original returns of the state farms has been deprived as before, and although the part returned as subsidy is also greater, the net budgetary deprivation developed as the balance of the two is four and a half times of that in 1987. As a result of this, after the first phase of income distribution, the farms had from 100 Ft returns 95-97 Ft in 1986-87, and only 88 Ft in 1988.

4. Not only the degree and proportion of the indirect taxes compared to the original income has changed, but its internal structure has also been transformed. The ratio of taxes on products greatly increased (from 14 % to 35 %), but at the same time the production deprivations have been reduced from 85 % to 65 %. (In 1988, more than half of the total indirect deprivation accounted for the social insurance contribution.)

A rearrangement took place also in the sphere of indirect subsidies. The ratio of earlier price subsidies (producer and consumer price benefit) has been significantly reduced, while as a new form of subsidy can the reclaimable VAT be considered on account of the multikey purchase tax system. Taking this into consideration, the ratio of price subsidies increased in the state farms, while that of the production subsidies, (export subsidy, dotation) slightly reduced.

6. The change of the degree of indirect taxes and subsidies not uniformly affected the enterprises of various activity. Farms marketing mostly agroproducts and leading substantial other activities were net subsidized in the three years of investigation, while the enterprises dealing with auxiliary or food industrial activity were net payers in the first phase of income distribution.

7. The net budgetary subsidy in the agrarian economic groups increased as a result of the 1988 regulatory changes, while among those leading other activities has been reduced to its half. The net budgetary payment of farms dealing mainly with auxiliary activity has been somewhat reduced, while that of the farms carrying out significant food processing increased to more than threefold.

8. The budgetary redistribution results already in its first phase a nivellation, and so reduces the differences in the original income by farmgroups.

9. The proportion of the enterprise's non-taxable income (profit + amortization) out of the direct returns became significantly less (from 82.1 % to 74.3 %), while greatly increased the part of banking costs (from 16.5 % to 28.6 %). The rate of high interest - on account of the higher demand on current assets - mainly afflict farms leading a food industrial activity.

10. In 1988, in the second phase of income distribution the deprivation out of the lesser non-taxable income by 16 % as of the previous year, the deprivation has been reduced to its half, beside the practically unchanged level of subsidies. As a result of this, the returns remaining with the enterprises became higher by 8.5 %. However, this increase in returns meant almost no change in real value, so the income position of the state farms did not better on the effect of the new tax system.

11. Regarding the two phases of the income distribution together, it can be stated that more than three-fourth of the original returns have been centralized by the budget. But while in 1987 it has been deprived from the two phases in nearly equal proportion, three-quarter of the deprivation in 1988 originated from the first phase and the result has been afflicted by a lesser tax as before. The share of the budget out of the original returns decreased by 10 per cent (from

24.4 % to 17.4 %), that of the state farms improved only by 3 per cent (from 56.1 % to 59.5 %) - as we have seen, this means in real value practically equal position - and the share of the banking sphere highly increased (from 16 % to 25 %). The changes of the regulatory system - in the first place the price increases - finally afflicted the consumers.

12. In the process of the "sharing" significant differences are displayed among the various groups of state farms leading various activities. The two groups of agrarian character practically does not contribute to the budget. The decisive proportion of the net budgetary payment originates mainly from enterprise groups leading auxiliary resp. food processing activity and among them the lastly mentioned is the decisive. In 1988 this group was "responsible" for 71 % of net deprivation from the state farms. So, regarding the proportion of budgetary deprivation the enterprise groups were polarized and the differences between them increased substantially.

13. The average profit rate of the state farms calculated on basis of the original returns developed in the years of investigation between 10 and 11 %. In 1988 slightly increased compared to the previous one. The profit rate calculated on basis of the returns remaining with the farms increased slightly more (from 5.71 % to 6.21 %), since in 1988 the budget deprived a smaller part of the returns developing in the enterprise sphere as in the previous year.

14. The deviation of profit rates among the enterprise groups, calculated on basis of the original returns in 1988 has been essentially greater (6.92-14.15), as in 1987 (8.53-12.55). Therefore the price adjustment resulted in the original returns a differentiation. The scattering of profit rates calculated on basis of returns available for the enterprises in 1988 was far less compared to that of the previous year and to the profit rates developed from the original returns (5.37-7.21). This proves that the budget redistribution had

not only an effect of "backsliding", but it nivelled also compared to the previous year.

15. The groupwise comparison of profit rates calculated on basis of the original returns and of the amount remaining with the enterprises proves that the income being realized in the prices within the present system of budgetary redistribution does not offer any basis for the enterprises in that respect whether a certain activity can really be continued or is it worth while to continue, since it will be completely changed by the budget - through the intricate chain of deprivations and subsidies. Thus, not the income content of the prices or the profit rate calculated on basis of the original returns are competent at the classification of a certain activity, but the profit rate developing after the budget redistribution. Consequently, the demand to change the returns realizing in the prices can be always raised together with the principle *ceteris paribus* and can be classified only in its light.

16. The level of profit rate developing at the effect of budget redistribution is very low both in the whole state farms or by groups, especially compared to the income rates of some alternative investment possibilities. Under such conditions the enterprises - understandingly - think it over twice to invest their eventual free capital in their own company. The decrease of investments can be explained by this, also the postponement of replacements, and last but not least the increasing rate of investments beyond the enterprises.



STAUDER, Márta: Élelmiszertermelés és kereskedelem az ázsiai NIC-országokban. (Foodstuff production and commerce in the Asiatic NIC-countries.) Publication of the Research Institute for Agricultural Economics, 1989.

### Summary

It is characteristic for the Asian NIC-countries the extremely quick and continuous economic growth. A further mutual feature in the development of the four countries is the successful industrialization, it deserves an especial attention the increase of the role of the processing industry. In the case of South-Korea and Taiwan a number of related features can be found similar to the Japanese industrial development.

In the economic development of the "four dragons" export orientedness is also a similar feature. Their further characteristic is the significant commercial assets against the USA and at the same time the liabilities against Japan.

Besides the dominant proportion of the USA and Japan, the commercial traffic of the four countries with China is ever increasing. In the majority of the traffic of commodities between China and Taiwan mainly Hong-kong is the intermediary. Mainly foodstuffs are delivered by China to these countries.

All the four countries - compared to their extension and number of inhabitants - occupy a distinguished place in world trade: in export Taiwan is on the 11th place, South-Korea on the 14th, Hong-kong the 15th (in 1986). (Singapore was not among the first twenty.) In import Hong-kong is placed on the 13th, South-Korea the 16th and Singapore the 20th.

Regarding the supply with natural resources the four countries have dissimilar features.

In South-Korea and Taiwan the development of agriculture has been the forcing motor of industrialization, since the required import has been financed from the returns of agroexport. For South-Korea it has been more characteristic that

agriculture was modernized after the development of the machine building industry.

It is partly characteristic for the food market the lingering on of the millennial traditions and the extreme openness and demand for the Western-type foodstuffs and food-consuming habits.

South-Korea, similarly to Japan is greatly bound to food-consuming traditions. The traditional food of the Korean kitchen is beef, but the consumption of pork increased three-fold between 1971 and 1983. In recent years the demand for convenience and snack type foodstuffs also increased.

In food trade beside the generally found traditional forms (markets, food vendors, grocery corner shops) the propagation of supermarkets can be observed. Some food processing companies have their own distribution network.

Import, in case of wheat and soya for milling, takes place directly through the users or big trading houses. Import of other agricultural products is regulated mainly by the government, commissioning their governmental purchase agencies, semi-governmental agencies and trade houses to transact the business under the supervision of the ministry. These organizations purchase mostly in tender system. It is essential that the exporter should be a Korean organization.

In contrast to South-Korea, the traditional meat on Taiwan is the pork. Within the group of cereals the basis is the rice, although the gradual propagation of wheat bread and noodles can be observed.

Similar to the phenomenon that the quick economic growth and the greater national income brought about structural changes also in the food industry, increased the demand for processed foodstuffs (instant noodles, quick frozen dishes, vegetables and juices, snacks).

The four main items of Taiwan's food export are the preserves, the quick frozen, dried foods and semi-conserves.

The overwhelming share of the agricultural import value is mass commodity (cereals and soya). Import of these pro-

ducts originates in 90 % from the USA. Taiwan is recent times tried to liberalize the import, reducing the taxes and non-taxable limitations.

For the food trade it is also characteristic the presence of small shops and the propagation of supermarkets, where a wide range of imported food can be found.

The number of fast-food restaurants is constantly growing. At these places local and Western dishes are equally served. Well-known USA chains can be found on Taiwan. This results in the import of frozen potato, beef, icecream and other food of high specific value.

Singapore is in the possession of lesser natural resources and the basic requirements, included foodstuffs, water and raw material, originate from external sources. A decisive part of the food import will be again re-exported.

In food retail trade exist at present three main chains: the Cold Storage Retail, the NTVC Fairprice and the Yaohan's. The role of the convenience store chains is increasing and they mean a strong competition for the traditional "grocery corner shops", of which more hundred are found in Singapore. The greatest fast food chains are also American.

In Hong-kong characteristic for the retail network are the modern supermarkets and the convenience food chains, and also the small local markets (at a free place or situated in buildings financed by the government).

The supermarket networks are mostly in English, Australian or Japanese hands.

Hong-kong approaches the self-supply level only with fishery products, from basic foodstuffs it requires importing. Hong-kong stands in the first place worldwide in the import of dried vegetables and live poultry, in the second place regarding the rice and eggs. She stands at the fourth place in the import of dried and salt fish, fifth in the following: shell, fresh, cooled or frozen poultry, walnut.

A mutual characteristic of all four, investigated country is a gradual propagation of "Western" type foods, but one

has to add also that certain products require a grandiose boosting campaign for which only the multinational enterprises and the rich exporter countries are able on account of their expensive nature.

Hungary's food export into the Asiatic NIC-countries at present is only minimal; it is not probable on account of the market features to gain space with volume containing products in the future the chance to export is only with products of specifically high value, however this can also be different regarding the single countries.

With respect to South-Korea the increase of our chances can be made probable by granting us the most favoured nation clause.

It seems that the four countries are typically the area where one has to join oneself to the local shop-network; this can most probably cause difficulties that we are less known, not like the USA or other developed capitalist countries. The increase is at present widespread and can be rendered probable in the future with the catering chains. Since they work with standard basic material, we could investigate the possibility to join them.

As it has been mentioned a few times, the basic characteristics of the "four little tigers" is the export orientedness. Hungary will have the opportunity to start an "export offensive" either on agrarian or other areas, if we are ready to import the products of these countries too.

SZABÓ, Márton: Az élelmiszeripar problémái és a megoldás lehetőségei. (The problems of the food industry and the possibility of their solution.) In: New agrarian policy; Ed. by Béla Csendes. Mezőgazdasági Kiadó, 1989. 171-197 pp.

In the 80-ies the constraints greatly existing earlier in Hungarian food industry, especially deepened on the following areas:

- market output,
- income efficiency, effectiveness,
- enterprise profitability and ability for self financing,
- budgetary connections.

Compared to the earlier domestic and to the most COMECON-countries relations no decisive change occurred in the adjustment of the market demand, in spite of the good food supply, the shifting of quantitative shortage and the significant and increasing export. To satisfy the demand is doubtful, the quality is varying, rarely develop trade marks and a company image. In convertible export dominate mass products of low and fluctuating price (meat, cereals, plant oil). Consumer prices are ever quickly increasing - on account of the decrease and later shifting of consumer price benefit, of the increase of purchase tax and of the increase of input-costs - although they are still depressed, and thus do not contain for the processors enough income.

The VAT and the net production value in food industry gradually and strongly decreased in the '80-ies. The main reason for this phenomenon is the administrative price system which since decades consequently devaluates the output of the food industry. The added value decreased between 1981 and 1986 from 22.3 mrd Ft to 10.3 mrd Ft. Especially striking is the worsening in the export oriented industrial branches on ac-

count of the export constraints at all cost (meat, poultry, preserving, plant oil and wine industries).

At the same time the profitability of the companies has been tried by the government by subsidies. With their determination the profitability sequence of the marketing trends has been formed already in the '70-ies: convertible export, rouble export, domestic sales. So the profitability of the food industry became dependent from the export - first of all from the export subsidies. The result reflected to the pledged means substantially lagged behind the industrial average (8.9 % resp. 13.7 %). Beside the low profitability the increase of tax burdens further decreased the self-financing ability.

The development of the budgetary connections in food industry is determined in the '80-ies by the increase of the subsidies. Corresponding to this the branch became in 1986 - like in the '70-ies - again a net subsidized one. The average content of subsidy in the enterprise profit has been in 1986 360 per cent.

From among the described constraints the following are regarded as most important:

1. Food industry played in the system of planned economy a quota delivering and goods distributing role, the marks of which it still holds in its organization, in the managerial solutions and in the tasks imposed by the centralized economy management on the food industry.

2. The agricultural purchase connections of the food industry are rendered doubtful by the frequent and mutual infringement of the contracts, the encroachments of the party and public administration up to recent times, and the calling to account of the obligation for buying up. The organization of the state owned food industry is unsuitable for the acceptance of the supply by small-scale producers. On the other hand, the food industry is generally unable to enforce the quality requirements to the suitable degree against agriculture on account of its resistance.

3. The improvement of market adaptability of the food industry, but generally its development is strongly limited by the bad refitting and uninterestedness of the commercial sphere. The market impulses, the demand is in most cases slowly and inaccurately transmitted by the commercial companies, who behave themselves instead of connecting link frequently as obstacle. A special problem indicate the difference between the three various markets, markedly differing from each other in their quality requirements (domestic, dollar, rouble market). The wide export subsidizing system of the export has a loss-financing character, and therefore the company getting in one of the markets into a competitive position generally has the possibility to balance the losses - with budgetary help.

4. In spite of the decentralizing decisions brought about the 80-ies, the enterprise structure of the food industry is in a number of branches still overconcentrated. Even more serious is the situation in the case of the home market structure, where the difficulties out of the company structure are increased by market imperfectnesses (the lack of import competition, the commodity extracting effect of the subsidized export, agreements between companies about the division of the market). In lack of capital market there is no possibility for the organic development of the company structure.

5. The input and output prices of the food industry have been mainly formed by administrative decisions up to 1988, so the companies had no possibilities for independent price policy. Purchase prices were pushed upwards by the income demand of agricultural producers, while on the other hand the central economic management tried to keep the consumer prices low; in this way the profit of the food industry became under pressure from both sides. The high-handed (administrative) determination of producer prices and price proportions had a significant role in the development of the unfavourable product structure, in the backwardness of rational specialization.

6. Food industry has been underestimated by the official Hungarian economic policy through decades, and therefore its economic role is low compared even with countries of lesser, unadvantageous character and having lesser traditions. The food industry could not get into even one prominent development programme and even the export requirement could not "break through" the ideological barrier of industrial branches. According to this the technical level of the Hungarian food industry is mediocre and heterogene. Only occasionally can be found a plant or workshop of world level.

7. The most basic problem is caused by the lack of owner interestedness. In the dominant within food industry enterprises the realization of capital is strikingly weak, but in the cooperatives there is no better the situation.

8. The rational development of the product structure in the companies was hindered by the deformed price system, the prescription of the responsibility for supply, the autarchy in the county and the profile constraints (there is practically no diversified enterprise).

In the future the domestic demand will stagnate in its fullness on account of the reduction of purchasing force and the differentiation of the incomes, in certain product groups it will fall back. One cannot count with significant increase in neither of the product groups. The demand will also be differentiated: the consumers will look for cheap, economic commodities on one hand, or for goods of special quality. One has to reckon with low prices and oversupply in the present product structure on convertible export markets. The consumers are more and more looking for special quality, they are less sensitive for the prices. However, the Hungarian foodstuffs cannot break into this attractive sector of the market on account of the production's capital demand, of the high cost of boosting and of the lack of deep market knowledge and product image.



The solution of the problems in the Hungarian food industry is naturally in a tight connection with the general progress of the economic reform. Within this the following have decisive importance:

- the reform of ownership (the company must belong to the real owners, included the foreign capital too),
- the development of the institutions of capital market,
- reducing the central interventions into the companies' economy to a minimal level (price regulations, subsidies),
- import liberalization,
- the creation of the Forint's convertability,
- antimonopolistic competition policy.

TANKA, Endre: A föld ármozgás történeti tendenciája. A nyolcvanas évtized új paradigmája. (Historical tendencies in property movement. New paradigm of the '80-ies.) Gazdaság, 1989/4. 52-62. pp.

The nodes of property quality as commodity constitute the external conditions of the economy and the sectoral and plant level conditions of land dispossession as means of production. Three factors will be selected from this overall system of inherence on which the chance of movement towards civil society, resp. the development depending from this modernization process of the land's commodity character can be best measured. Such determining factors are: (1) Policy and economy, in more detail land policy and its connection to land conditions, resp. their rearrangement in essence; (2) the relation of the state's ownership to the dispossessional position of land using subjects, in all forms of ownership the possibility for the development of owners' autonomy, for the successful emancipation against the bureaucratic-redistributive state dispossession; (3) the structure movement of the property-land use, and within this the development tendencies

of the capital profit interestedness, resp. land ownership law of the participants - individual and collective land users - in the mixed economy. The land policy having become in East-Europe predominant etatized the agroecconomy so that the economic aim-rationality of the land relations subjected mercilessly to its own prevailing value rationality. In the soviet and people's democratic model this is equally the reason for that the land ownership became a paramount "political problem". And on account of this the material and subjective side of the land ownership's dispossession (for inst. the farm dimension and the producer interestedness of the land user) could never develop according to the demand of economicalness, but their destiny depended from the ideological values of land policy, from the conditions of compromises to be concluded with this policy. By comparison with this, the original shortcomings of all socialist land policy up to now - borne out of the totalitarianism of the system - is that it is unable to integrate the economic rationality to its own value rationalism. On account of this disfunction, no opening could be created in land relations before the aim-rationality of economy, and thus the eventual reform trials ended in a failure from the first.

The land ownership can satisfy any market economic integration only, if the direct producers are afforded with a dispossessional-directional might for the most basic means of production of the social reproduction, the land. The land is an ever straitened natural resource, its food producing role at the same time increases. The rational association of the production factors with the social satisfaction of land requirements therefore requires that the economic rationality should succeed with the values of land policy as an equal value. To achieve this, the land policy must be first renewed, and during this process its value rationality must be purified from the ideological primary petrifications and from the depressing modern utopies. The modernization of the land-commodity character must thus face with such onerous inherit-

ance as for instance the doctrine of exclusiveness of the large-scale farm, the false apology of the dispossessional superiority of state land ownership, the domination of the dogma "the greater the dimension, the more socialist" etc. - further the present extremist reaction of overweight in the policy, recent dangers of mechanical copying of foreign patterns. Among the latter appear the demand of land relations for depolitizing, the claim for limitless land market and the full state deregulation of agriculture.

In State socialism the society is ruled by the oppressive overweight of "the almighty and everywhere present" state might. The dispossessional structure developed from above downwards crushes the proprietary autonomy of individuals and communities with the ideological argument that economy must be organized by the paternalist state. The economic participants unified with the capital and the means of production are divided on the surface into different forms of property. In reality, members of all sectors of the state ownership - generally standardizing the management schemes - into an undifferentiated, monolite planned economy in order to draw away their income and to direct their activity. With the bureaucratic-redistributive economy management the socialist modernization turn over into its own contrast, because its announced values - where the human being is in the centre and the supply of requirements - is given up so that the individual (as citizen and producer equally) is corrupted into a subject, who is uninterested both in his communal connections and in the result of the production, since he is more the object of the dispossession in the totalitarian state, than its subject.

The relation of the centralized state ownership - monopolizing the owners' decisions for itself by an irrational degree - to other forms of ownership can be illustrated in various cross sections. Since the degree of dispossession is put into the quality characteristic of ownership, the concept of general right to property can be also used for the above

investigation. According to this the right to property depending on the economic level of dispossession (macroeconomic, agro-economic and microeconomic) is of different quality, but is equally attached to functions satisfying demands, it is a legally organized and sanctioned dispossessive-dispositive might in the process of dispossession.

Confronting this formula with reality appears the material essence of state ownership. In other words: the state by right of its unlimited public might, not enduring the limitation, goes beyond the objects of its own property: partly legally, partly informally - "merging" its owner and public might mask - entwines also the proprietary spheres not owned by the state. The state holds up for itself in the macroeconomy the strategic jurisdiction of decisions in a manifest way, while on the macroeconomic level of dispossession promises a dispossessive-dispositional might for the tactical decisions for all sectors. However, this promise - reflected to the real processes of ownership - is slightly more than the mass of legal acts, of norms obtainable by force without sanctions. Neither of the economic participants can be owner against the state, because the public might and the property position of the state forms an informally built out monolite unit. On account of this, in the legal institutions operating the dispossessive mechanism the proprietary organism system, the sphere of authority, the responsibility, the sanctions, the guarantees for legal remedy, the executorial compulsory paths etc. will not be separated according to that the state practices its own proprietary right, or proceeds as economic manager, as repository of the people's sovereignty. Etatism is hidden in the state's such dispossessional-legal technique, like for inst. the "disguised nationalization" of the co-operatives in a number of stages.

The authoritative state cannot move towards the civil society without changing the hierarchic proprietary mechanism by horizontal proprietary relations, i.e. by the disposes-

sional institutions of spontaneous, social democratic self-organization. Since up to now the market proved itself as the most successful economy-organizing element in the history of mankind, the above mentioned condition is unambiguous with the demand for the liberalization of the relations in exchange of goods, for their expansion into more areas of social existence. The members of society have been totalitarized up to now by the political state, and the personality - deprived from its creating energies or paralysing them - subordinated them as mere objects under the "considered tribe" (Marx). Instead of this, the individuals should be integrated into a community with their own interest - by the enrichment of commodity production and of the social division of labour. In the constitutional state the key of the proprietary autonomy is not the promise of property protection any more, but the guarantee of the how of legal protection. Therefore, the constitutional guarantee of how does the state on basis of what basic principles, operating certain institutional types of legal system, on basis of what enforceable subjective rights, sanctions, legal remedies etc., with one word: by what content does the state equally guarantee for the subjects of various property forms the safety connected with the socially acknowledged scale of dispossession, finally at the expense of enforced self-limitation of its dispossessional-dispositive might through social pressure. The first step of such a turn can be, if the state consequently divides its proprietorial and public might functions, broken down into legal institutions. This will be the main guarantee for that the state should exclusively use its public might licences against the participants of economy on the field of ownership, and on the market should be only one of the equal proprietors, who are restrained by the constitutional prohibition of state intervention against the economic-property independence of the other proprietors. Compared to this, before the private ownership and the land quality can be opened a new dispossessional sphere of life, if their operation and protection becomes an

integral part of the overall system of constitutional guarantee, based on the full mechanism of influence in the legal superstructure.

The structure movement of the land ownership-land use is much more slow, clumsier and more hidden process, as the renewal of the economic forms and of the organizational renewal of economic management takes place. It is made clear among others also by the fact that within equal economic periods the sale-process of the land does not mechanically follow the dictate of the macroeconomy, resp. does not react or reacts late to the essential turns of the economic policy (like reform and readjustment).

If the trend of changes of our land relations will be measured to the real movement of the last two decades on basis of these facts, then three tendencies can be observed in the structure movement of the land ownership-land usage, influencing in a decisive way the commodity quality of the land. Among these the first is the gradual shifting of the monopoly in the state' land ownership to the advantage of the other large-scale sector: the co-operative. However, this crushing of the state's property supremacy is more of an ideological than practical importance: without agricultural land market, land value or calculated land price, bank mortgage and mobilizable financial capital no landbuying-selling could take place among the state and co-operative large-scale farms for a long time, where there is an urging rationality existing.

The other tendency, however, brings already a real breakthrough in the commodity character of land. This is the propagation of the private farm with radical reforms during which the economic normativity and the competition-neutrality realizing the sector equality opens the door widely before the small-scale land ownership. The fixed intention of the Hungarian embourgeoisement process intended for the attainment of all conditions of existence of the small-scale entrepreneurial existence is institutionalized also on this occasion by the law. The right of the citizens for associa-

tion has been recognized by the VI. Act of 1986 about the economic associations as subjective right which - indirectly - removed the earlier obstacles of private persons to obtain, purchase land property. The Act on land, in harmony with the Act on association, enabled that the state and co-operative land ownership should be transferable only between these two sectors, but it should become tradeable for private persons and their associations with a general validity. The knocking down of the obstacles of property obtaining based on the location of land, large-scale utilization, dimension and the family of the person obtaining the land brings about the quality revolution of land-trade, since in agriculture the independently undertaking small-scale farm - breaking away from the compulsory integration, conserving the monopoly superiority kept up until now with the large-scale farms - might operate against the other sectors as a new economic form getting more and more equal chances. On the other hand, the state and co-operative land ownership might react to the challenges of the land private ownership only by revolutionarily transforming their earlier content. Large-scale sectors - after losing their property owning monopoly - can compete with the small-scale private land property, if they will be able to transform their property structure so that the direct land user should become actual land owner resp. that he should be bound to a long-term property interest for the preservation and enlargement of the land capital

The third tendency is the cleaning of the demand-satisfying role of the land user's legal title. This brings about the gradual giving up of the illusions connected with the land use as simulated owner's position. As quickly as the exchange of land becomes a natural element of economy, resp. the proprietary autonomy of each sector will be firmly established with the regulators of the mixed economy enforcing competition neutrality, - the land policy will be forced to take into account that in Hungarian land-law the permanent land use and the various rental forms do not replace land ownership. They

are unsuitable for the ownership replacing role, because  
 - compared to the features of our historical development the dispossessive-dispositional might and the producer-investor safety for the producers only the land property can guarantee.

The rental system, therefore, will not become in this country the alternative negating the ownership of land. On the contrary, it can be supplemented (like the property of the small-scale producer by even renting 1-2 hectares of land) that it will be upkept the elasticity of the production structure, its market sensibility, quick reaction to changes. Beside this the land renting - although under land marketing relations - might create a transition for the development of the fit for life family small-scale farms into productional farms.

#### The development law

If the earlier and more recent mosaics of the land as commodity character will be fit together, we will get a development trend differing from the Hegelian formula. In the commodity quality of land indeed happened during the recent forty years the double negation, i.e. the tightening of good relation into the form of exchange of goods, and later its changing by an incomplete commodity content. But, if we consider the whole of the process, this two motifs will be joined in one, mutual element, in the dismissal of land as commodity. From the viewpoint of this relation and existence it is indifferent that it could not exist on account of the wipe out first of its commodity content, and later on account of the banishment of its commodity form (its function of property change). Essential is that the agro- and land policy of the state socialism denied the goods quality from the operation of the agricultural land as means of production, because the bureaucratic-redistributive agricultural management could not be built upon market economic integration, and thus the system elements of the latter had to be rejected.



The mixed economy, undertaking the construction of the civil society, resp. the modernizational value selection of the "bourgeoise socialism" turns against this historical negation in our days - not by ideal typical market means, but in the pressure of compromises limited by the burdensome inheritance and real processes of economy. The driving force of this revolutionary change is the private autonomy, the individual and group-associational existence, penetrating with its self-organizational forms into the agro-economy. The producer-dispossessional interest of this is manifested by the constitutionally guaranteed private property, therefore is the reprivatization harmonized with economic rationality launched as a political demand.

Market economy in the agrarian sector cannot endure the fetters of etatism being the main obstacles for satisfying the demands and of the economic growth, because the uninterestedness of the producer severed from his property curbs the modernization of food production. In land relations the dispossession taking place at more levels of the economic separation can escape the domination of the paternalistic state, if among the land owners having equal rights, co-ordinated to each other, belonging to various sectors will be realized the free movement of land capital fitting to market laws (subordinated to the equilibrium of supply-demand), on basis of economic normativity and competition neutrality. With other words: for the optimal utilization land must change into commodity displaying its real social utility and value.

So, the logical development law of the land as quality of commodity is the negation of negations: the affirmation of relation in the exchange of goods refused up to now. However, this chosing of value is peculiar in two respects, and therefore cannot be regarded as the mere turning of the previous sign to the opposite one. This is decisively excluded by the historical determination of a more recent negation. The movement of land as commodity for the last four decades cannot be

invalidated by any revolutionary turn or breakthrough. Development cannot be continued any more from that point where it has been broken, i.e. from the relation of land as commodity ruling the whole agriculture by small-scale farming - small producer conditions. The present and future territory of the goods theory and land policy can be - objectively - the industrializing agriculture, in the land relations of which the dispossessional competition of small-middle-large-scale land users belonging to different proprietorial sectors of the mixed economy takes place. On the other hand, the more recent negation does not fit into the "triade" development scheme: does not set for itself an "imagined" synthesis as evolutionary peak. It is satisfied with that historical experience that to satisfy the demands at the present day development level of the producing forces and production relations is the relation in the exchange of goods as an unignorable economy organizing element, and therefore this essential category of market economy must be utilized by the dispossession aimed at the agricultural land.

ZACHER, László: A vállalati sikerről. (About the success within the company.) Gazdálkodás, 1989/6.

Success is a special sort of social confirmation, social value judgement: the fact that my output is recognized by others. I can have more success, the more and better and quicker I fit in with the norms of the assessing agent. To what does the enterprise of market economy fit in? To the demands of the customer. To what does or did fit in the enterprise in the planned economy? To the instructions of higher organs. But what kind of measure does a Hungarian food enterprise fit nowadays to?

In a normally operating economy the monetary profit, the success of management expresses exactly the success.

Thus imagined it Schumpeter (1) more than 50 years ago. And we also imagined it at the 1968 reform of our economic mechanism, however we know already that in this country the effective economy is the necessary, but not sufficient conditions of success. According to the survey carried out in May 1987 in the Research Institute of Agroecconomy the managers of 62 state owned food-industrial companies have been asked about ten criteria of success, composed on basis of previous surveys and issued by us questionnaires. The answers - as it can be determined from the following table - illustrated the following sequence: first place has been afforded to the effectiveness of success. (At the time of the survey, resp. of the compilling of this paper - as it is known - one party has been ruling in Hungary.)

The criteria of success <sup>1</sup>	A n s w e r s	
	a	b
Economic indexes are good	4.35	1.
Produces goods in demand	3.90	2.
Recognized by higher authorities	3.43	3.
Recognized by party organs	3.32	4.
Recognized by creditors	3.30	5.
Has a good press	3.22	6.
Recognized by the company collective	3.17	7-8.
Recognized by companies of the trade	3.17	7-8.
Receives a decoration of "outstanding company" or other decoration	3.11	9.
The manager receives a State Prize or other decoration	2.40	10.

<sup>1</sup> The individual criteria of success have been classified by the company managers with scores from 1 to 5. For the most important they could score 6, for the less important 1.

a = score average

b = serial number of placing.

It can be seen from the answers that according to 1987 data the acknowledgement of party organs and of the higher authorities (ministries, councils) was a more important factor, as that of the creditors (banks). However, on basis of more recent experiences one has to say that up to now this sequence changed, i.e. the financial institutes were appraised.

At any rate, success even now has a number of constituents, a number of degree. And this is not good. In present Hungarian society and economy the clear and stable norm is lacking. More exactly: at the same time various, frequently contradictory scales subsist. According to our experiences, a part of the enterprises does not even want to be successful. Instead of maximal output they strive for a certain, just suitable output - according to some, certain scale. Naturally, I have to remark that the effort for satisfaction is by no means the peculiarity of the Hungarian economy. Namely - as it is written by H.S. Simon - in all situation where the decision situation is complicated and confused, resp. where people are uncertain about the ensuring of important external events, the manager does not strive for the maximalization of usefulness, but only to "satisfaction" (2).

Naturally, we have a very important for us supplement to Simon's theory of striving for satisfaction, of limited rationality. Namely he says that satisfaction could have various levels depending on the environment. A normally operating economy knows and acknowledges the outstanding results. But in Hungarian economy success, outstanding results "do not originate from the internal, structural logic of the economic system", but much more in spite of them - as it has been stated by Maria Petschnig and László Kéri (3). But, as Emilia Sebök writes: "The prosperousness of a country cannot be based only on the obsessed". (5)

Normally, in our economy - as stated by Éva Simka on basis of press analyses - the successful enterprise does not fulfil the role of pattern, of the ideal: "The economic orga-

nizations in this frequently changing economic environment might draw the conclusion that it is not worth while to follow such passable chaotic behaviour patterns transmitted by the ideological influencing and its tool - the press." (6) The practicing managers naturally know well that until "they can bring in more money for the company by three well operating telephones calls, than with the work of thousand workers", the so called effectiveness of management will not be a pattern to be followed. (7)

Finally, a few other remarks - not only to the problems raised, but better to find answers to further research. The traditional economic approach is not useful here, because:

- it observes partial areas with partial knowledge, and can't see the wood for the trees;
- from bad, false data will draw good, true conclusions; from data wants to draw conclusions at all, as if the methods of natural science could be applicable in social science;
- wants to optimalize, minimalize, maximalize etc., as if the economic rationality would operate society. A new approach is required, which
- does not strive first of all and exclusively for the increase of economic efficiency (which besides it cannot measure, see previously), but for the improvement of the quality of human life (which might be opposite to the increase of efficiency);
- looks for coherences, researches systems and the elements of the system in their coherence;
- does not want to explain, but to understand.

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