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BUDAPEST



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PREFACE

This volume of our Bulletin can be regarded as a jubilee issue for two reasons. It is published on the 40th anniversary of our Institute, in 1994. Apart from this, our foreign colleagues and the scientific and informational institutes, professional organs being in relationship with our Institutes have been enabled by our periodically issued Bulletins to monitor the activity of the current author's team changing, of course, in composition as regards individual authors and to also follow up this team's achievements in the field of agricultural economics and policy as well as the problems and tasks of the Hungarian food economy, having been typical of a given period for twenty years now.

The basic objective of the Bulletin series has remained unchanged till the very date: to interpret the achievements and problems of the Hungarian agricultural economics in a world-wide language, partly by way of the international exchange of issues by our library and partly through the foreign contacts of our Institute and of our scientific researchers.

The list of author's summaries in this issue shows that in 1993, in the field of domestic publications (journal articles, studies issued by our Institute, conference materials), priority has been granted to subjects relating to the change in ownership, organisational structure, market economy, produce councils, import regulation and agricultural exports.

Budapest, April 1994

The Editor

ALVINCZ, József: AZ ÉLELMISZERIPAR PRIVATIZÁCIÓJÁRÓL (HÚSIPARI TAPASZTALATOK). (On the privatization of food industry). (Experience in meat industry) "Gazdálkodás" 1993 No. 9 and "Figyelő" 1993. VI. 10. and *Research and Informational Institute for Agricultural Economics, April, 1993*

The privatization associated with the change of regime which was enabled as a result of it may well be regarded as a basic issue of socio-economic life in Hungary, in respect of present and future alike.

Of the objectives intended to be achieved by way of the privatization of Hungarian economy, it is mainly the promotion of efficient management - increasing the revenues of the budget - (reducing the state debts) and the effort to establish a new owner's stratum that deserve to be mentioned. Apart from this, as regards food industry, another important aspect was to strengthen the vertical scheme in the food economy, in other words: to enable the agricultural producers to acquire the business shares in food industrial companies, in part or in whole.

To experience gained so far, it can be stated that only those of the objectives outlined hereabove were fully achieved as expected which had been set in order to reduce state debts. There is hardly any precedent for the improvement of efficiency. Improvements in this field could be achieved only by way of occasional staff reduction and separating the servicing sections of state-run companies (transforming them into companies of limited liability), in lack of capital involvement in excess of the purchase of production units and in excess of the utilization of credits on current assets, which could have been spent in modernizing the production structure and in innovation. The main problem in establishing a new owner's stratum is the lack of domestic investors well provided with capital. As a result, the foreign entrepreneurs are gaining the upper hand, in the privatization process, over the domestic ones. With the employee shares i.e. with the employers becoming owners, on the one hand, the budget revenues will not increase and, on the other hand, this is impeded by the demand for efficient employment.

The food industry's privatization destined to foster vertical integration has, till now, still remained rather an objective. Partly, because the domestic basic material producers could not offer an appropriate purchase price, partly, the less profitable or loss-making processing companies cannot be attractive, from the outset, to agricultural producers struggling with severe financial difficulties.

Based upon the aforesaid, it cannot be considered as a chance event that the food industrial privatization has, so far, involved almost only foreign investors, apart from the opportunities granted by the MRP (Employee Share Ownership Programme) and by the indemnification coupons.

Due to all this, it would have been necessary to formulate the objectives in a more differentiated manner, i.e. to work out sectoral privatization strategies.

Situation of the privatization of food industry

So far, 35 percent of the food industrial assets has been privatized. Within the privatization of the former state property, this represents a share of over 40 percent, as per the status of early April 1993.

The privatization statistics based upon the number of companies show a modest picture than that outlined hereabove (Table 1), according to which 25 percent of the state-run companies has been sold so far.

In 1990, the food industry represented 20.4 percent of the gross production of the industry.

Table 1

Situation of the transformation and privatization of state-owned food economy in 1992
 (Production-, servicing companies, research institutes)

Food industrial sector	Transformation	Privatization	
		pcs	%
Sweets industry	3 companies	3	100
Vegetable oil industry	1 company	1	100
Brewing industry	5 companies	5	100
Tobacco industry	7 companies	6	86
Refrigerating industry	9 companies	9	100
Wine making	7 companies	5	71
Sugar industry	13 companies	9	75
Distilling industry	8 companies	6	75
Preserves industry	14 companies	7	50
Poultry industry	10 companies	8	80
Meat industry	23 companies	14	56
Dairy industry	17 companies	1	6
Corn industry	21 companies	3	14
Total	138 companies	77	56
			34
			25

Source: Privatization of the food industry. PRIVINFO. 27 April 1993

And, the gross value of our capital equipment, as per Table 2, developed as follows (see later herein).

Over 40 percent of the privatization revenues derived from the food industry, despite the fact that this industry has a not too considerable share in the gross capital equipment value of the national economy. All this verifies the importance of this field in respect of privatization.

A regrettable peculiarity of the privatization of food industry is that the foreign investors having minority shares have, in several cases, contractually forced the State Property Agency to grant them the majority right to vote. (An example for this is constituted by the sugar industry).

The privatization of the food industry which have taken place so far is criticized by the domestic basic material producers mainly because of the omission of their chance to acquire property. Nevertheless, apart from acknowledging the justification of these critiques, some aspects have to be considered.

(1) The agrarian policy of the Government placed the agricultural (land) ownership and the privatization of food industry in the same time-horizon. Instead, the development of the new circle of agricultural owners should have been seen out and the selling of food industrial companies should have been put only on the subsequent period.

(2) Of the basic material producers, mainly the farmer's co-operatives may come into question. However, these companies are struggling with significant problems concerning liquidity and legitimacy. The lack of money sources seems to remain permanent.

The indemnification coupons do not represent much assistance in acquiring business shares in processing companies. No peculiar reasoning is required to verify why a farmer's co-operative is unable to buy a food industrial company by itself. For example a farmer's co-operative of 1263 hectares obtains indemnification coupons amounting to as less as 12

million HUF, when it utilizes the half of the land it is cultivating, for indemnification purposes, assuming one golden crown value to be 1000 HUF and presuming a total land value of 24 thousand golden crowns, which - taking the as-per-book value of the food industrial companies - is an inconsiderable sum. (Calculating one hectare of plough-land to be 19 golden crowns, as a national average.)

Table 2
Gross value of capital equipment
(1990)

	Gross value share (%)		
	in the industry	in the material branches	in the material and non-material branches altogether
Food industry	13.6	6.7	6.4

Source: Econo-Statistical Year-Book. Central Statistical Office 1991.

(3) The agricultural producers, in their present situation, are unable to buy not only food industrial companies but, in lack of money, to solve the liquidity problems of those companies either. A cause of the crisis covering almost the whole of the food industry is the lack of corporate working capital, in consequence of which they were compelled to utilize, from time to time, short-term credits at high interest rates. (The annual working capital demand of a well-functioning food industrial company being already in foreign majority ownership now was 600 million HUF*. This company achieved, under the burdens of these loans, a profit of 70 million HUF in the year 1991. The short-term debts of the company were settled by the foreign investor. Thus, the company in question could achieve, in 1992, a profit of 274 million HUF plus a provision for depreciation of 50 million HUF.)

Here, mention is to be made on the inadequate interest rate policy of the commercial banks, influenced by the State.

Issues of continuing the privatization

The food industry plays a role of key importance in the food economy in increasing the marketability of agricultural produce and the added value. The quality and quantity of the productivity features and the profit-making ability of the food industry have a decisive impact on agriculture. From the foregoing it can be concluded that it is not all the same into whose hands the individual food industrial companies or branches would pass.

In the case of the yet non-privatized sector of food industry, the following measures and considerations are appropriate:

*HUF= Hungarian forint

(1) It is absolutely necessary to elaborate sectoral privatization strategies, as detailed as possible, with the involvement of business federations of the concerned circle of basic material producers and to publish same.

(2) It is to be considered whether we should delay the privatization, in branches in which we intend to enable the domestic - mainly basic material - producers to acquire a greater share, till this circle of owners really develops and becomes consolidated, respectively. Of course there are arguments against this as well, mainly the question whereas who should keep alive the yet unsold companies, almost all of them being or tending to become bankrupt, till they are privatized. A further question is if we should restructure the branches having so far been hardly involved in privatization, such as meat industry, poultry industry, corn-and preserves industries, into so-called critical branches, on the basis of an adequate concept, and if we should terminate the processing capacities that seem to be superfluous perspective and if we should upgrade the remaining companies and sell them only subsequent to this.

(3) In formulating the sectoral privatization concepts, I deem reasonable to form the main groups in accordance with the following aspects in order to decide on the issue as to which branches and companies should pass into the ownership of domestic - mainly strategic - basic material producers and which can be sold to foreigners:

(a) The branches and companies, respectively, producing basic foodstuffs which use domestic basic materials in producing products almost exclusively for the domestic market should be sold to foreigners to a very small extent only. Here, the dairy industry and the corn industry are to be mentioned.

(b) A part of the companies of branches also producing basic foodstuffs but also exporting in a considerable amount is reasonable to sell to foreigners who, subsequent to privatization, will also be able to expand the market. These branches are the meat and poultry industries and, to some extent, the preserves industry, as well as the vegetable oil industry and the wine industry.

(c) In the case of the brewing and tobacco industries using domestic material in producing products mostly for the domestic market, it is not reasonable that foreign investors acquire a share of over the half of these branches.

(d) Some branches, in particular the sweets industry, use a considerable amount of imported basic material in their production. This branch, i.e. the sweets industry, is already owned by foreigners, to 100 percent, which situation cannot be regarded as favourable mostly from the consumers' point of view. (Let us just remember the significant increase in the price level of sweets products).

(e) As for the branches producing other consumer's articles - e.g. the distilling industry - it would not be reasonable either if all companies would pass into the hands of foreigners. Apart from the aspects preferring domestic basic material producers, one should continue to promote privatization deals improving the market positions and involving technological modernization. The opportunities for acquiring employee shares should not be disregarded either.

In the privatization transactions that have taken place so far, the provision of as large revenues as possible has been the main point. In a privatization based mostly on domestic investors - agricultural producers - this important aspect would necessarily be pushed more into the background. Nevertheless, in the long run, the omission of budget revenues would considerably be balanced by the stabilization of our whole food industrial economy.

Importance, results and problems of privatization in the food industry are outlined in the framework of the national economy and the agrarian sector. Methods applied are the main reason for the problems, impeding acquisition of property by employees and the whole producing sector that would promote vertical integration.

ALVINCZ, József: VÁGÓÁLLAT TERMÉKTANÁCSOK. KULCSSZEREP HELYETT EGYELŐRE HOLTPONT (Slaughter animal produce councils. Temporary deadlock instead of key role). *"Figyelő"* 1993, VII. 29. 21.p.

Pursuant to the Act VI of 1993 on the Agro-Market Regime, the Produce Councils agglomerate the basic material producers, processors and trade organisations of a given kind of foodstuffs (food product), i.e. their business federations. Hereinafter, we present the market regulation position of livestock production that has struggled with permanent market troubles and, in fact, is struggling with same even now, by way of demonstrating what difficulties we still have to get over, even after the coming into force of the Act on Agro-Market Regime in February in order to make this vertical scheme a more regulated one.

The new and hopefully functional Slaughter Animal Produce Council is being established now. The circle of participants in a vertically articulated business federation and co-ordinated organization is not entirely clarified as yet. To concepts and preliminary discussions, the basic material producers would be represented by the National Committee of Pig Producers the National Committee of Cattle Producers, the Peasant Association and the National Federation of Farmer's Workshops.

The sectoral business federations - the National Committee of Pig Producers and the National Committee of Cattle Producers - belonging to the MOSZ (National Federation of Agricultural Co-operators and Producers) struggling with difficulties in terms of legitimacy agglomerate the farmer's cooperatives only. The private producers have no such business federations but organizations serving for the general representation of interest of this circle of producers, such as the Farmer Association, are still being established. At the same time the number of full-time farmers who should be represented by the aforesaid Association is still very small.

In the Produce Council, the representation of processors is composed of the following: 4 representatives of the companies (comprising 65 percent of the circle of processors) belonging to the Meat Industrial Federation; one delegate from the Húscéh /Meat Trade/ (to which mostly regional meat plants and private processors belong) as well as one representative on behalf of "non-member" private meat processors. The producer's circle listed hereabove exceeds 80 percent of the domestic meat processors (a part of the companies belonging to the Meat Industrial Federation has a certain right of representation in the basic material production phase, too, holding shares in certain pig farms.)

In the Slaughter Animal Produce Council, the representation of interest of the trade is divided into two parts: into the domestic trade, of the two delegates of which the one will be the Joint Partnership for Meat Wholesale Trade, whereas on the other participant no decision has been made as yet (one of the retail trade organizations may come into question). The foreign trade branch will also have two delegates in the Produce Council. The one will be the Terimpex Co. Ltd. By Shares, whereas on the other delegate, no decision has yet been made either. Finally, the consumers will be represented by one of the members of the National Council of Consumers.

A favourable trait of the Agro-Market Regime is that the Ministry of Agriculture intends to incorporate both the slaughter cattle and slaughter pig production in the directly regulated circle of products, from 1994 onwards. This is very important, especially in respect of slaughter pigs; this is justified by the production and sales peculiarities of this animal kind, of which the most important is its less concentrated and rather extensive rearing.

The many producers isolated from one another would, on the one hand, require an increased protection with the help of the Agro-Market Regime, whereas on the other hand, it will presumably be difficult to involve these small-scale producers in the regulation mechanism, through the Produce Council. The future role and importance of the Slaughter

Animal Produce Council will, knowing the adopted Act, mostly depend on how many money will be available to the organization. The main point is that the operating mechanism of the Produce Council should be self-financing.

The "revised" and finally adopted version of the Bill is substantially better than that submitted to the Parliament for the first time; but it does not constitute a regulation being adequate in all respects as for the Produce Councils. Thus, e.g., it does not identify, within the vertical scheme, the interest-(voting) share of the individual phases. Therefore, we might be right to expect that the (formerly) state-owned meat industry will be the strongest party in the Produce Council in forcing its will on the others. As to the basic material producers, we may expect the two MOSZ-organizations to have a greater force in future. At the same time, the representation of the interest of private producers giving about half of the domestic slaughter pig production is still almost entirely unsolved yet.

The authority of the Produce Council in respect of decision-making and proposal-making should be regulated in the framework of a decree. The relationship-and information system of the participants of the product channel is not regulated and the financing of the Produce Council is not resolved either.

The Act on Agro-Market Regime is also of great significance in respect of the national and regional integration of slaughter animal production. The Act - by way of applying the guaranteed price and the quota - will in all probability encourage the producers to produce volumes corresponding to the annual demands. However, the guaranteed price and the quota are mainly meant to create protection for the producers for the case of overproduction; in the case of shortage of livestock, it has no practical significance.

The role of the quota and the attached guaranteed price will, to a great extent, depend on what amount of profit the guaranteed price will provide. Namely, if it is determined to be at a too low level, so the market price will strongly detach itself from the guaranteed price, i.e. the latter will, in practice, play no role in creating the equilibrium of demand and supply.

Further two questions concerning the quota: on the one hand, how much is it connected with the demands of the individual regions (slaughterhouses)? on the other hand, will it involve any distributedness over a year's term? (The latter remark is justified despite the fact that we know: the quotas are granted to the processors, based upon the basic figure of the past year.)

Sales of major animal husbandry products

(Purchase in tons)

Period	Slaughter cattle	Slaughter pig	Slaughter sheep	Slaughter poultry
Jan-Dec 1990	218 412	792 559	22 304	393 566
Jan-Dec 1991	199 226	739 487	20 829	259 882
Jan-Dec 1992	147 657	370 657	10 195	192 064
Jan-Apr 1993	38 045	135 162	4 127	63 183
Jan-Apr 1992/93 (100%)	70.7	74.7	36.1	64.7

Source: Central Statistical Office

The Act on Agro-Market Regime is likely to bring about some progress toward a more integrated commodity production, however it will by no means make the former integration activity of the individual companies superfluous.

What still is missing

The Slaughter Animal Produce Council established on the basis of the recommendation of the Agro-Market Regime Co-ordination Committee had only been existed formally, till the publication of the Act on Agro-Market Regime. The factors still impeding its operation are as follows:

- A major hindrance of the Produce Council's becoming an effective organization is the unsettled status of ownership, in particular that of the land.
- Not less is the problem of the lack of business federations being legitimate and suitable for covering the whole circle of basic material producers, and coming into existence on sectoral (professional) basis.
- The complete lack of communication ties can be experienced among the members of the Produce Councils.
- The lack of technical conditions: the Produce Council has no own staff, it has no managing director.
- A pre-condition to efficient operation would be the establishment of an adequate database which can only be done centrally.
- Finally, mention is to be made on the deficiencies in legal regulation, the consequences of which are the unclarified scope of authorities and the problems of financing in terms of upkeeping the organization of the Produce Council.

BALOGH, Ádám - Mrs MEMHÖLCZER, KAPITÁNY Gabriella - SZAJKÓ, Pál:A TULAJDONVÁLTÁSSAL KIALAKULÓ ÚJ BIRTOKSTRUKTÚRÁT MEGHATÁROZÓ FONTOSABB TÉNYEZŐK.* (Major factors determining the new land ownership mix developing with the change in ownership.)"Gazdálkodás"1993. No. 9

The authors discuss, in detail, the issues related to the privatization of state-owned and collectively owned property, the actual and practical problems delaying the enforcement of indemnification and, in some cases, impeding the privatization process. The authors analyze the volumes of potential "subdivision of land" the chances of survival of the large-scale farms and "dwarf holdings". They described the lack of "supporting institutional schemes" and policies without which the agriculture's reorganization in an actually ownership based manner cannot be implemented, although the necessity of it is indisputable.

During the socio-economic transformation that has been taking place for four years now, the longest term of planning is required by the "privatization" of agriculture. Namely, it is hard to judge what conditions, possibilities will be available to operate the agricultural property, as all this is influenced by the demand for being admitted to the EC, the requirements, obligations deriving therefrom (quality, customs tariffs, quotas, arrangement possibilities), the growing unemployment and, for sure, the commitment to repay the debts of the past 40 years in which the agriculture is the only national economy sector producing a considerable yield of foreign exchange.

In this article written by us, we have undertaken to survey, in this significant circle of problems, the various influencing factors, their proportions and expectable effects. Therefore, we only intend - by way of this article - to draw the attention of those engaged in this topic to cardinal issues, to the difficulties in the enforcement, in the interest of the agriculture, rural regions and the whole of the economy*.

Privatization issues relating to state property

The state farms (similar to the former "large estates") have always been the centres and beneficiaries of technical-technological progress. Thus, it is understandable that (even without the "wind of change in ownership") they were the first to implement forms increasing the economic output.

The opportunity for all this was provided by the decree No. 28/1981.(XI.9.)MT on the forming of Corporate Economic Work-Communities. That was, in fact, a possibility granted to form so called „self-accounting units” which, as a matter of fact, target one of the forms of operating the state property in a "more efficient" manner. Thus, the state farms are ahead of others in the "privatization technique".

This slow evolution of 2 to 3 decades was followed by the era of real changes which is still taking place now and which can be divided into three stages.

The first stage used to be called "wild privatization" and its commencement dates back to the publication of the Act on economic partnerships (Act VI of 1988). The length of this period was about 2.5 years and it lasted till about the autumn of 1991. The main point of the process can, in fact, be summarized in brief. The separable, well-functioning property shares (free of any encumbrances) passed into private hands (companies) where the Company Board gave its "blessing" on this (of course, the remaining property share continued to bear all encumbrances and liabilities in terms of the whole property).

*This article is intended by the authors to supplement the article by Gyula Varga which was published in "Gazdálkodás" 1993. No.6 and to publish the author's opinion in this subject

factors, the requirements for employment and living conditions and environmental aspects will be attached, obviously with a stronger and stronger impact.

To the registration in 1991, the number of private farmers was 36 thousand. They are also afflicted by the agricultural recession and only those are expected to "survive" who have previously conducted their farming activity without any considerable credits, and who have spent their revenues in development projects, in the reasonable transformation of the product mix (e.g. in processing). Apart from all this, a great number of small-scale farms were brought about under compulsion where both the lack of skill and capital predetermine the inviability. The future of these farms greatly depends on the activity of the agricultural ministry and on the efficient operation of the business federations, on the wisdom of the Government.

The enterprises are likely to be of mixed type as the specialization rendering more efficient forms implies extreme risks.

As a summary, it can be stated that the acts relating to indemnification, transformation tend toward the subdivision of landed property, of course, on a very wide scale. Similarly, the growing dominance of market conditions results in the separation of the operating units and in the winding up of the unviable ones. At the same time, the conflicts between those interested in the dividend, in the farm rent and in keeping the value of their job revenues appear. The management participating in the division of the earned revenue, inside the triangle of their moral commitment, of their interest in capital and job revenue, can scarcely make decisions under the present income conditions.

Also, a process acting against the division of landed property starts which involves a requirement for capital concentration thus it acts again in the direction of growing the sizes of landed property. The proportion of both processes acting opposite to one another need be determined by the economic policy so that the aspects of market economy and the socio-political principles prevail in that, too.

GUBA, Mária - RÁKI Zoltán: A TERMÉKTANÁCSOK FUNKCIÓI ÉS MŰKÖDÉSI RENDJE A MAGYAR AGRÁRRENDTARTÁSBAN.(Functions and functional order of produce councils in the Hungarian agro-market regime) 1.) Budapest, 1993. AK.II.

Pursuant to the Act VI of 1993 on the Agro-Market Regime, the **individual scopes of authority** associated with the direction, operation of the **Agro-Market Regime will be exercised by**

-the **Minister of Agriculture**,

-the **inter-departmental committee** (its members are delegates appointed by the Minister of Agriculture, the Minister of Industry and Trade, the Minister of International Economic Relations and the Minister of Finance, one delegate each; in the work of the committee, the producers the processors and the social organization representing the interests of the distributors - 2 delegates each; and one delegate from each organization representing the consumer's interests, participate as constantly invited members with voice but no vote furthermore,

-the Produce Councils (the representative of business federations concerned in the subject shall be invited to participate in the committee meetings, with voice but no vote.)

The basic principle of the Agro-Market Regime is its being market-friendly. Its aim is to mitigate the market consequences of extreme impact without restricting the competition. It is essential that provision be made for the representation of all substantial interest and for making them conflict, each other, in public.

Making the interests conflict and discussion are a function of **representing interests**, whereas the enforcement is a function of **public administration**.

The **Produce Councils** are the non-profit organs also completing public tasks, established on the basis of Act II of

1989, of producing, processing and distributing organizations

and persons in respect of identical or similar produce falling within the said Act. By virtue of the Agro-Market Regime Act, the Minister of Agriculture was assigned to determine, once the majority of a given product channel have become member of a given Produce Council, in a statutory provision, that the beneficiaries of the subsidy and assumption of commitment by the state may only be Produce Council members. This indicates the expected important role and the significance of membership of the Produce Council in the Hungarian agricultural economy.

1. The importance of setting up Produce Councils

The setting up of Produce Councils have taken place at the time when

- the restructuring of the agricultural ownership has though begun but the development of the new ownership mix is still to be awaited,

- at most, only the trends of change in the operational structure of the agriculture may be guessed; almost only that can be projected with certainty that the stabilization of the operational structure and ownership mix will still take years.

- the organization of the food industry is monopolized to a major extent, the companies are in the different stages of transformation,

1.) A Recapitulatory Study (3 August 1993) made on behalf of the Agro-Market Regime Office of the Ministry of Agriculture, by and in the Research and Informational Institute for Agricultural Economics. Authors of the Background Study serving as a basis for the Recapitulatory Study are: ALVINCZ, József; GUBA, Mária; Mrs. MÉMHOI CZER KAPITÁNY, G.; RÁKI, Zoltán; Mrs. SZÜCS, M.; Mrs. TUNYOGI NECHAI V.; Mrs. VISSY TAKÁCS, M.

-new private enterprises are being established in the field of food industry, -in the Hungarian agricultural economy the market imbalances have become permanent, the branch has got into a difficult position. Among the reasons, one can find the worsening of earnings, the decrease in production subsidies, the widening of the gap between prices of agricultural and industrial products, the decrease in domestic production, the restrictive measures taken by the Common Market, the loss of the most part of Eastern markets and the feeling of uncertainty. Apart from the growth of liquidity problems and the rise in working capital, the utilization of capacities have worsened, too.

The elimination of the conflict between the urgent need of setting up Produce Councils and the need of an organization building itself from below is extremely important. Actual tasks need be given to the Produce Councils which might even surpass their load-bearing ability at a given moment.

2. Expected responsibilities of the developing Produce Councils and the Hungarian agricultural production

The formulation of the responsibilities of Produce Councils can, to our view, not be comprehensive yet. With the time, it can still be modified, supplemented.

The aim of Produce Councils is to foster the co-ordination and regulatedness of agricultural market, to implement and maintain an efficient operation under the conditions of market economy, to create the co-ordination of the production, processing, trade and consumption of agricultural produce, prevent and eliminate extreme situations. To this end, the general responsibilities of Produce Councils are

- to monitor the economic environment of production, the market processes and to develop adaptability to them,
- to co-ordinate the interests and to jointly represent the product channel's participants,
- to make proposals, statements, to prepare and make decisions.

To complete these tasks, the Produce Councils have to take steps. Thus:

a.) In the field of market:

- to survey the market and the change in it, and knowing these, to co-ordinate the volume and quantity of production, in the product channel,

- to assess the quantitative and structural demands of the domestic and foreign markets, to identify the product mix complying with this, and, if required, to elaborate and enforce proposals on amendments,

- to monitor the quality requirements of the market, to make proposal on the adaptation to the market,

- to survey market attitude, protectionism, solvency.

b.) In the field of production:

- to make proposals on the volume of production per kind and produce, to influence the volume and quality of production, mainly by way of recommendations and pieces of information,

- to make recommendations on the quality parameters of production and produce, respectively, on the scheme and checking of grading, on the observance of quality-, plant-, animal health- and hygienic requirements.

- to support the maintenance of genetic bases in terms of professional aspects,

- to manage the regional issues of production,

- to analyze the economic relations of the sections and the whole of the product channel (cost-efficiency analyses, analysis of input price, elaboration of the required action plans.)

c.) In the field of distribution, regulation:

- to complete the tasks assigned to it by virtue of statutory provision, in respect of regulation, and to **make recommendations** to the competent authorities;

- **to comment** on governmental measures concerning the sector, in the stage of preparing decisions;

- **to elaborate** guiding price for information, as required.

In order to inform the farmers on the market conditions, when publishing the guiding price

= the Produce Council has the **right to concur** in respect of the produce of a directly regulated agricultural market,

= the Produce Council has the **right to comment on** in respect of the produce of an indirectly regulated agricultural market,

= and the Produce Council **announces** the guiding price for the produce belonging to the group of produce of an influenced agricultural market;

- in the case of the hazard of substantial overproduction, after the exploitation of all other options, the Produce Council makes proposals on the production quota and on the extent, method, operation of the guaranteed price system attached thereto.

In the implementation, the Produce Council

- concludes a contract with the Minister on completing the tasks associated with the instruments of agro-market regime,

- the Produce Council assumes liability for their members' compliance with the contract concluded with the Minister,

- it **elaborates self-restriction and undertakes to enforce it** for the purpose of a trouble-free operation of the market, if so required,

- it **makes proposals** on the issue of export-import operations

= if required, it co-ordinates the activities in foreign markets in order to eliminate phenomena disturbing the operation of the market,

= it elaborates recommendations for the scheme of export subsidies.

Based upon applications, subsidy for extra exports can be granted to introduce a specified volume of produce to the market. In announcing the call for applications, the Produce Council has the right to comment on;

- The Product Council elaborates proposals on other instruments serving the protection of domestic market,

- if required, it generates a fund that it can use in its own sphere of authority, to supplement the instruments of agro-market regime

- it elaborates norms of attitude so that the members of the Produce Council proceed by observing the domestic statutory provisions, export interests, prescriptions applicable in the individual countries, respecting each other's interests,

- it co-operates with Produce Councils the basic activity of which concerns the activity of the given Produce Council,

- it is responsible for managing the funds made available by the budget and/or by the members,

- it is responsible, based upon the publicity of the concluded contracts, for granting possibility for the admission of farmers to the Produce Council who do not belong to the given Produce Council, in a written statement,

- it prepares accurate records, on the activities of members, relating to the given sector.

d.) In the field of information:

- to establish a determined scheme of data supply,

- to obtain and service pieces of market information.

- to evaluate the processed data, to put same at disposal,
- to strictly enforce, observe data protection.

3. Recapitulation of the possible functions of Produce Councils

The Produce Councils have a twofold function: to complete tasks relating to representation and public administration.

The Agro-market Regime Act - in consideration of the available opportunities - graded the individual produce sorts into the following categories of markets regulated by different types of state involvement, to their importance:

- a.) directly regulated
- b.) indirectly regulated and
- c.) influenced agricultural market.

The power of the declared rights (to comment on, concur, make proposals etc.) of the Produce Council is in accordance with this, too.

A.) Function of interest representation

The issues, attached to the process of produce production and sales, result in the development of further syndicates, the so-called produce representations, in addition to the general interest representations. Their responsibility is to create the conditions providing the most efficient production for the given produce (range). There can be operational representation of interest, however, the efficient work of a general representation of interest greatly depends on the work of interest representation of a specific produce.

The Produce Council is an interest representation comprising a whole produce channel. Within this, the individual sections of the produce channel are self-supporting interest representations within which an internal sub-division comes (or may come) into existence, based upon the general interest representations.

B. Function of public administration

The Regime Act makes the Produce Councils be part of the regime's institutional scheme. This can be implemented by using the instruments, coming under the ruling of the Regime Act. In this function, the Produce Council acts as a link between the public administration and the producers.

With the anticipated strengthening of Produce Councils, a considerable share of the instruments scheme of market regulation will pass or may pass into their hands. Thus:

a.) Pursuant to the rules of the Act, in the case of any market trouble resulting from the peculiarities of production or in order to prevent such troubles, a regulation of production in terms of volume may be introduced. Its versions are as follows:

- regulation of production by the state:

in this case, the Minister agrees with the Produce Councils (in a separate contract) on its extent, method, on the allocation of his available funds to the participants of the produce channel, on the extent of compensation associated with subsidizing and on the legal consequences of violating the regulation; in practice he assigns the operation of the regulation scheme to the Produce Councils;

- assumption of self-restriction of production volume, when the given Produce Council orders the restriction, regulation of certain produce sorts.

b.) For the produce sorts (wheat fit for use as human food, fodder maize, slaughter pig and slaughter cattle) involved in the agricultural market sphere regulated directly, the Minister of Agriculture, in consent with the Minister of Finance, identifies the funds in consideration of the proposals made by the respective Produce Councils. On behalf of the state, the Minister undertakes, in a contract concluded with the Produce Councils, to cause to purchase the (quota) produce of determined volume and quality, from the member of the

Produce Council and from the producers who have joined the contract in a written statement, at the announced price.

c.) In order to inform the farmers on the market conditions, a guiding price may be published.

d.) The intervention should reasonably be a state responsibility till the Produce Councils become strong and till the state „withdraws” (subsidy) from the Produce Councils. An intervention is anticipated on the basis of an ad hoc decision. In the sphere of influenced market produce sorts and for perishable produce sorts, the transitory maintaining of the option of an intervention effectuated in the sphere of authority of the Produce Council, also supported by the state, is to be considered.

The efficiency of the Produce Councils' activity greatly depends on the decisions made by mutual consent. The participants of the produce channel and the representatives of the state have a joint interest in respect of efficiency, therefore it is essential that decisions be made by mutual compromises achieved in the course of negotiations. Same compromise and mutual consent are required in the internal decisions and proposals of Produce Councils, this, however, may only be realized if power relations develop in a balanced way. With regard to the more and more widening range of producers, the equality in proportion can be realized even if a proportionate representation is provided.

Apart from allowing the interest representing function of the Produce Councils to take effect, we deem essential to check the use of the instruments of the agro-market regime, even after being approved by the Minister, especially

= if it is about a produce in respect of which we base the domestic supply on domestic production (should this be the case, so the domestic guiding prices, the volume of production and the instruments scheme of export and import regulation should be identified in a very prudential manner);

= if the production and domestic market of the given produce are greatly monopolized.

MÉSZÁROS, Sándor - MARKÓ, Béla - SPITÁLSZKY, Márta: AZ
AGRÁREXPORT SZABÁLYOZÁSÁNAK ESZKÖZEI ÉS TANULSÁGAI
NÉHÁNY FEJLETT ORSZÁGBAN (Instruments and conclusions of regulating the
agricultural exports in some developed countries)
Budapest, 1993. p. 57. AKII.

The agricultural exports of the four developed countries under survey represented, altogether, a share of 21.7 percent in the world's exports of agricultural produce and food products. For certain products, the share of the individual countries in the world market is substantially greater as there are export-oriented branches in all four countries which represent the major export products of the given country (in Canada and in the USA this is meat, in Australia, this is the wool and in New Zealand - the dairy products). In this series situated in the temperate zone, two or three such major products represent about 3rd of the agricultural exports in terms of value, while the export mix is rather diversified as the balance of 1/3rd is composed of several minor articles (other than the agricultural exports of the developing countries which are typically specialized in 1 or 2 products.)

Considering the dynamics of the agricultural exports, examining the whole of the decade 1980 being critical, only New Zealand could increase her share in the world market, whereas this share decreased in respect of the other three countries (for the benefit of the EC and other countries seeking to develop). Yet, in the recent decades, these three countries could register significant successes in expanding the agricultural exports. E.g. in the USA, in the three decades between 1950 and 1980, the volume of agricultural exports grew almost continuously, by an annual rate of 5 percent and the exported share in agricultural production grew from 7 percent to 24 percent.

The primary aim of export regulation is to absorb the surplus produce resulting from the production potential substantially exceeding the domestic demands in these developed countries and, in order to achieve this, they seek to increase their share in the world exports or to preserve it, at least. Apart from this, the agricultural exports' foreign exchange earning function (New Zealand) or added value increasing function (Canada) appear as declared quotas in the individual countries. The export regulation serving the previously mentioned purposes is rather complex in all four countries, comprising components in respect of concepts, diplomacy, legislation, organization, finances and promotion alike. Hungary might draw conclusions from the following three traits of this complex regulation:

- due care is taken of elaborating the concept that will manifest itself in form of export strategy and Government programmes, respectively;
- the role of regulatory instruments of administrative trait (such as ban on export licensing) is extremely limited;
- the financial and promotion components of the regulation are variegated and generous.

In the export-oriented, high-volume agricultural branches, centralized sales co-operatives or state-run companies operate, being more or less in monopolistic position in the market of the specific branch to which foreign trade monopoly is usually assigned, in three countries in addition to the USA. As to their profile, these organizations correspond to the Hungarian Produce Councils, yet as to their function, their responsibilities are similar rather to those of the former food industrial trusts or state-owned foreign trade companies. The activity of these „marketing boards” and their compatibility with market economy are criticized over there, too (e.g. in Australia in connection with the reform of 1989), nevertheless, at most in a modified form, they have continued to exist till the very date. All this proves that the state is involved directly or indirectly in the organization of the foreign trade and this, obviously, implies several benefits in respect of the agricultural exports of the

individual nations (especially for countries and produce sorts where the given country is, at the same time, a price maker in the world market).

The main financial instruments of export regulation are constituted by the export subsidies and export crediting. The subsidizing of exports is applied in all countries under survey, except for New Zealand; its rate is considerable; as to their form, they appear in an explicit manner (like in the Export Enhancement Programme of the USA) or in an implicit way (like in the case of Australia, in the price-equalization mechanism.) The export crediting is also a generally applied regulatory instrument that is mainly bound to high-volume produce sorts and to sales in the markets of developing countries (or of the former COMECON countries). The export crediting usually comprises the assumption of guarantee by the state or the credit insurance in any other form whatever.

The export promotion represents a significant assistance to the agricultural exporters in each country under survey. It consists of a variegated activity comprising a great deal of operations ranging from market research through advertising, exhibition and fair organization through quality control, provision with trademark and furnishing information, and this activity is conducted by promotion or marketing organizations seated abroad or in Hungary. This activity is of special importance in the export-oriented, high-volume branches (e.g. wool in Australia) or to the new exporting enterprises or in respect of new produce sorts to be developed into sunrise industries (such as kiwi in New Zealand).

By comparing the Hungarian exports regulation with that of the developed countries, it can be stated that in Hungary the regulation's components in respect of diplomacy, administration and subsidization have prevailed so far (the latter ones can, of course, not be compared with those of the developed countries). We may regard mainly the export crediting, promotion activity and the organization of the foreign trade to be missing components or components to be developed. The cause of export crediting started toward its solution with the governmental decree No. 2038/1993. On the promotion activity, even this much cannot be told; and this situation also correlates with the organization of foreign trade which need be reformed. Especially those produce sorts would need support of this kind in the case of which the integration of an export-oriented production and the sales abroad cannot be assumed by either the food industrial companies having been privatized with the involvement of multinational firms or the Agro-Market Regime Office or Produce Councils. These are new produce sorts or produce sorts to be substantially developed into a sunrise industry by which the mix of Hungarian agricultural exports should be enhanced (e.g. asparagus and other fresh vegetables) and which could be improved to an adequate standard by way of a governmental produce programme or by promoting a new marketing organization. The reform of the foreign trade organization requires making decisions on three important issues:

- a.) to what extent should the state (Ministry) be involved in organizing the agricultural export?
- b.) what reasonable division of labour can be developed among the existing organizations (the Ministry of International Economic Relations, the Agro-market Regime Office and the Produce Councils)?
- c.) what type of new marketing or promotion organization(s) need be established?

MÉSZÁROS, Sándor - Mrs. **ORBÁN NAGY**, Mária: IMPORTSZABÁLYOZÁS ÉS PIACVÉDELEM AZ AGRÁR-ÁGAZATBAN (Import regulation and market protection in the agricultural sector) *Európa Fórum* 1993. No. 2.

The protectedness of agricultural production develops as a resultant of the (external) protection against importers on the one hand and that of subsidizing indigenous production on the other hand. In countries with developed economy, the agricultural production is protected intensely on both sides. At the same time, efforts for liberalization are also under way to facilitate world trade: partly under the framework of the Uruguay round of the GATT, partly via bilateral negotiations on free trade. It is a specific contradiction that the establishment of the external protection of Hungary's agricultural production becomes necessary when, at international level, the gradual elimination of the protective system is already on the agenda.

The Hungarian agricultural imports have not constituted competition for the domestic agriculture and food industry in the recent period, as it consisted mainly of protein feeds, tropical and forestry produce sorts. In the recent years, however, the imports have considerably grown in respect of other food articles as well which, on the one hand, is justified by quality and choice improvement and, on the other hand, it constitutes a serious competition for the domestic producers. The future imports regulation should control this process properly, partly by further opening up of the Hungarian food market (in respect of certain product ranges), partly by providing a protection of adequate level (in other product ranges) and, last but not least, by creating budgetary resources which may contribute mainly to the financing of export subsidies and intervention measures.

Over the recent years, Hungary's agricultural exports has had a share of 22 to 25 percent in the total exports while the imports of agricultural produce has had a share of 7 to 7.5 percent in the total imports of Hungary. The value of imports of agricultural produce sorts amounted in 1992, to 723 million USD. Over the past 3 to 4 years, the largest lots of imports were represented by the coarse soy meal, certain industrial plants (raw coffee, cocoa bean, industrial sunflower seed) and by tropical fruits.

From 1991 onwards, the change in the import mix has accelerated. The imports of plant fodders and animal-derived protein feeds, which represented a great value before, have declined due to the decrease in livestock, however the imports of tropical fruits and certain finished products have grown significantly. Several new imported food articles have appeared in the Hungarian market, generating serious competition for the domestic commodities. From 1991 onwards, the imports of certain flavoured, soured dairy products and cheese sorts have grown to their multiple. The imports of chocolate and chocolate products, cocoa and cocoa products, canned meat and fish, and from 1992 on, the imports of noodles have increased twofold and threefold, respectively.

Another tendency seems to develop, too. From 1992 on, the exports of several food and consumer's articles have diminished, in the domestic production of which the foreign capital is already involved to a considerable extent. Thus, the imports of beer, coffee extract and cigarettes have declined almost to their one-tenth. Similar development is anticipated in the case of sweets products, chocolates.

The procurement sources of imports have characteristically changed. The main trend of displacement shows toward the EC from where the imports have nearly doubled over the past two years.

The liberalization of agricultural and food products - similar to the other branches - began in 1989. Despite expectations, the imports of liberalized products have not expanded; as liberalization related mainly to production input (protein feeds, sowing-seeds, breeding animals etc.), their use has decreased due to the weakening output of agriculture.

In developing the future scheme of import regulation, we have to consider the fact that at least half of our agricultural foreign trade turnover is performed with the EC, with the EFTA and with the other countries of the Visegrád Three and this trade is regulated partly by free trade pacts (mainly by way of export and import quotas, customs reductions). At the same time, our Contract of Association concluded with the EC has left the possibility open for the Hungarian agrarian policy to establish an external protection. We should set up this protective system by considering its conformity with the GATT and EC alike, whereas we cannot pass by the liberalization process of international level either. To this end, we suggest to take steps being gradual, differentiated for product lines and internationally co-ordinated (mutual) in respect of timing.

To treat the products line in a differentiated manner, we propose to differentiate 6 product lines based upon the nature of products (production means, agricultural produce, imported food article) and upon its international competitiveness (DCR index): production means, exported products still being competitive, potentially competitive agricultural produce sorts, non-competitive exported products, products produced basically for domestic consumption, and finally, non-competitive imported products. As for a next step toward liberalization, it would be sufficient to relieve 3 product lines of the obligation of import licensing: our exported products being competitive at present and potentially, and the non-competitive imported products (tropical fruits and consumer's articles). Thus, the cattle-, pig- and poultry rearing belonging to the category of non-competitive and domestic production, as well as the horticultural main branch could enjoy the strongest protection granted by the administrative import regulation for the longest period which is really needed by these branches as their background consists partly of small-scale agricultural production, partly of the preserves industry and wine industry.

With the gradual termination of the licensing scheme, the main role can be taken over by the customs scheme in our import regulation. The average nominal customs duty level is around 22 percent which would rise to a level of around 48 percent with the entire elimination of non-customs restrictions. If this would be implemented at a time (to the GATT proposal: in 1996), it would have an unfavourable effect, in the short run, on the food consumer's price level and it might bring about a further decline in the domestic food demand. Therefore, gradual "customs-dutying" can be recommended in this regard, too. The principle of "customs-dutying" means at the same time that a raise in the customs duties may take place in return for the elimination of licensing procedures. Accordingly, it is not viable to raise the customs duties and, at the same time, to keep the licensing procedure in force.

While customs duties constitute a constant instrument in making the imports more expensive (as they are applicable to all imported items), the levies are only ad hoc instruments. Namely the latter ones become effective only in the case of those imported items where the import price remains below the domestic price substantially. In Hungarian practice, this regulatory instrument has not spread yet, though it is considered to be an EC-conform instrument.

The GATT-conform market protection measures introduced with the governmental decree No. 113/1990 can be regarded as perspective instruments in import regulation which represent an import quota and/or customs surcharge applied temporarily (for maximum 1 year) and in case of necessity only. Accordingly, this instrument already applied in a liberalized environment, with ad hoc trait (subsequently), means an intervention in the market processes, specifically upon request of the domestic producers. However, in order that this instrument be functioning well, the conditions of its operative (quick and correct) application should be created.

MÉSZÁROS, Sándor - SPITÁLSZKY, Márta: A MAGYAR MEZŐGAZDASÁG TÁMOGATOTTSÁGA NEMZETKÖZI ÖSSZEHASONLÍTÁSBAN(Subsidy rate of Hungarian agriculture compared to international standard) *Budapest, 1993, pp. 47+29 annexes, AKII**

The rate of subsidy granted for agricultural production, compared to international standard, is of interest to economic politicians in terms of two aspects: on the one hand, it gives aspects to judge the subsidy rate of domestic agriculture, and on the other hand, it may present a basis for our attitude in respect of international economic diplomacy (GATT negotiations, preparation for our admission to the EC). In the international field, it is reasonable to identify mainly the groups of economically developed and developing countries since the former ones, in general, subsidize the agricultural producers, while the latter ones rather impose taxes on them and accumulate funds resulting from the agricultural sector. Yet, there are huge differences in the rate of subsidies even among developed countries. In the international comparison we make, we compare the rate of subsidy granted to Hungarian agriculture to the rates of subsidy granted in these developed (OECD) countries to their agricultural sectors, and not only because we have comparative data from these countries only but also because we intend to belong to this developed group of countries.

The subsidy rate of producers is measured by the so-called PSE index summarizing the various subsidies from the state budget but also comprising indirect subsidies resulting from the differences in foreign and domestic prices. Subsidies used to be compared mainly to the price (or production value), indicating the rate in terms of its percentage. This field of subsidized agricultural sectors in the OECD countries ranged, in 1992, from 3 percent to 77 percent; the lowest PSE index was observed in New Zealand and the highest one in Norway. Then, the subsidy rate of Hungarian agriculture represented 5 percent. To the basic version computed by the Research and Informational Institute for Agricultural Economics (taking the official rate of exchange between USA and HUF), this rate of subsidy hardly surpassed that

Nevertheless, if we relate the PSE indices to the respective territory or number of population, this will result in a more extended field of „competitors”. The subsidy per 1 hectare of cultivated land reached, in 1992, an amount of 37 thousand HUF, while the field of countries extended from 2 thousand HUF to 884 thousand HUF (Switzerland). In Hungary, the subsidy rate of 2627 HUF per cultivated hectare surpassed that of Australia only (it reached only 1/10th of that in New Zealand). The PSE index related to 1 agricultural employee was 800 thousand HUF in the OECD countries on an average, however the field of countries under survey extended from 50 thousand HUF to 2.7 million HUF (Switzerland). The round 24 thousand HUF subsidy in Hungary did not even reach the half of the lowest rate recorded for New Zealand.

The rate of subsidy granted to food consumers is measured by the so-called CSE index summarizing the supplements to the consumer's prices from the state budget but it also includes the subsidies or levy subsidies resulting from the differences between foreign and domestic prices. The field of percentual PSE indices extended, in 1992, from - 2 percent to 67 percent in the OECD countries which means that also the consumers contributed (in addition to the budget) to the financing of agricultural subsidies in every OECD country, and, to an extent of 37 percent of the agricultural producer's prices, on an average. That time, the consolidated Hungarian index was minus 3 percent (to the basic version of calculation)

* Research and Informational Institute for Agricultural Economics observed in New Zealand and fell well behind that of Australia (12 percent) taking the next place.

which was closest to New Zealand's index and it indicated that, in 1992, the financing of agricultural subsidies burdened the Hungarian consumers only to an extent of 3 percent of the agricultural producer's prices.

Related to one inhabitant (one consumer), the levy subsidies due to agricultural subsidies ran to 13.5 thousand HUF in the OECD countries, on an average, yet the field of subsidies extended from 458 HUF (New Zealand) to round 41 thousand HUF (Finland). The levy subsidy of 590 HUF in Hungary is near the New Zealand figure being the lowest among all.

Apart from the present level of PSE and CSE indices, the pace of curtailing (or increasing) the subsidies is also an issue being of interest in respect of making a comparison with the international standard. The annual average pace of changes could be analyzed by us for the period ranging from 1987 to 1992.

Analyzing the OECD countries in the aggregate, the PSE index, i.e. the absolute amount (nominal value) of agricultural subsidies grew by 0.85 percent annually, however the percentual PSE index (indicating a real value of the subsidies) decreased by 2.13 percent per annum. The field of OECD countries is interesting in this regard: the absolute amount (normal value) of subsidies decreased only in 3 of the 10 countries, while the percentual PSE index (i.e. the real value) diminished in as many as 7 countries. The most drastical curtailing of subsidies was performed by New Zealand, in a pace of 23.8 percent per annum. This was exceeded only by the pace of subsidy curtailing in Hungary where the pace of decline reached, between 1987 and 1992, an annual rate of 34.1 percent.

We compared the rate of subsidies of the individual produce sorts based upon the figures of 1992. The subsidy rate of the various produce sorts varied then between 7 and 66 percent based upon percentual PSE indices in the OECD countries on an average, i.e. the field of subsidizing was almost as wide as the field of countries (mean value of 10 produce sorts.) On an average, in the OECD countries, the mostly subsidized (over 40 percent) branches are the maize and sugar production as well as the cattle and sheep branches, while the least (up to 16 percent) subsidized branches have been pig and poultry rearing. Whilst, in Hungary, negative subsidizing, i.e. the imposition of levy subsidies, was enforced in respect of corns, sunflower, beef and poultry meat; in the case of four products, our percentual PSE index was lower than the OECD mean value, while our percentual subsidy for egg exceeded the average PSE index of the OECD countries.

We can locate Hungary's place in the international field based partly upon the pace of subsidy curtailing, partly upon the current rate (1992) of subsidies. The pace of decline in the producer's subsidies between 1987 and 1992 considerably exceeded that of all OECD countries, though such a pace of curtailing was not justified either by the trend of subsidizing in the OECD countries or by the GATT negotiations under way. The level of consolidated subsidizing in 1992 is situated, in terms of percentage and related to one hectare, between the indices of Australia and New Zealand and - related to 1 agricultural employee - it reaches just the half of the New Zealand value being the lowest among the OECD countries.

To judge the justification of our place taken, as discussed hereabove, and the possibilities of our eventual displacement represent a more sophisticated task. No doubt that the current critical situation of our agriculture, its low profitability, the pressing necessity of launching the farming activity in the new farms would justify the increase of producers's subsidies (within this, the subsidies from the state budget). Also, the fact whereas it would be reasonable to conduct, in Hungary, a farming activity being more intensive than that in Australia and New Zealand speak for this (especially if we also consider the demand for employment.) Finally, our approach to the EC is not inconsistent with the required increase of the present level of subsidizing either.

At the same time, in Hungary, the importance of agriculture is still much too great and the developedness of the national economy is still much too low to finance subsidies being substantially more considerable than those applied at present. Therefore, in future (probably till we join the EC) only a compromise is conceivable in respect of increasing agricultural subsidies.

NAGY, Kálmán: MAGYARORSZÁG HATÁRMENTI TÉRSÉGEINEK FEJLESZTÉSE (Development of Hungary's border regions) (Irodalom: Az infrastruktura szerepe a határmenti falvak gazdasági-társadalmi folyamataiban) (Source: The role of infrastructure in the socio-economic processes of border region villages) *Budapest, AKII, 1993, 121. p.*

The border region status means a specific situation in geographical and political terms. It implies isolation but also the possibilities of co-operation, depending on what willingness is shown on both sides of the border to find contacts. In the circle of problems of border regions, the quality and tightness of inter-state relations play a primary role.

In Hungary, the border regions status is, in general, associated with backwardness. On the one hand because the border regions are integrated the least in the economic life of the country, while on the other hand, the border region settlements have hardly any economic relation with the neighbouring countries, with towns situated on the other side of the border.

In Central Europe, the borders have been changed, modified frequently in the course of history.

Every change in the borderline confused the regional ties that had been established or was about to develop and retarded their development for a long time.

The network of Hungarian settlements was separated, at the beginning of the 20th century by two typical areas in terms of function and structure. The one was the Great Hungarian Plain of agricultural profile, constituting the central part of the country and the other one was constituted by mining-industrial regions running along the borderline. The former one was featured by huge villages, market-towns of scattered location, having a big population while the latter one was featured by the great number of small villages, small towns. The backwardness of Hungary's network of settlements was in correlation with the backwardness of Hungary compared to the central regions of Europe, and with the country's peculiar historical development.

The Trianon Peace Pact that concluded the World War One basically re-arranged Hungary's structure in terms of territory, public administration, population, economy, transport and settlement network. By drawing new borders, the geographical units that had been integrated regions in respect of socio-economics before were split, the ethnographic units were disintegrated, transport networks were cut into two sections. The changed borders significantly reduced the country's domestic market, the heavy industry was deprived of the majority of its raw material occurrences.

The period between 1920 and 1947 was featured by the confrontation of Hungary and the successor states. On the Hungarian side, the revision of borders, whereas on behalf of the successor states, the effort for preserving the new borders were the determinant factors of foreign policy.

The military, political and economic separating function of the borders became stronger and stronger.

The changes of borders during the World War Two still added to the hostile relations between the neighbouring countries. The wartime was not suitable for developing border regions; uncertainty intensified in those regions. After the temporary reannexation of territories in 1939, an intensive migration of the population started, mainly toward Transsylvania, then, after the restoration of the border, the migration process was repeated however, in reverse direction. Such migration could as well be seen at the Slovakian-Hungarian border to a more intense extent where the exchange of population forced out by the Slovakian government took place.

After 1947, the economic and border policy relation to the individual regions developed in accordance with the political and alliance ties established with the individual

neighbouring countries. Their joint feature was the disregarding of national peculiarities and interest, the strictly regulated, closed order of maintaining relations. In 1947, the double ownership ceased; from that time on, the population could cross the borders and get to the neighbouring settlements situated on the other side of the border, being - in some instances - very near in geographical terms, strictly through the appointed border stations only, with a long way round. While the border region status has presented itself mainly as a socio-political issue till then, from that time on, it manifested itself as a result of political and regional policy decisions.

In the years of the „cold war”, i.e. in the 1950's, the atmosphere of suspicion and the tension of that time have affected the regional policy, the support of investment projects. No doubt that this concerned mainly the urban settlements of the border regions but its impact can be felt in the villages, too, via the restriction of granting private building permissions. The border region status having been in effect more or less for several decades, can be regarded as an enclosed location and this can still be felt.

In the period of forced industrialization, the manpower demand of industrial towns increased to a great extent. Due to the collectivization and mechanization of the agriculture, the manpower released from agricultural production - in lack of local employment - left its home and looked for job in the industrial regions. The starting of the migration led, on the one hand, to the decrease in village population and, on the other hand, to the unfavourable change in the age mix of the population. In consequence of the migration of the youth, the aging of the population accelerated.

The diminishing of the population of small villages in the border regions resulted in the socio-economic decline of the settlements. Migration from the declining regions, thus from the NE region having a settlement mix composed of small and dwarf villages was mainly of selective trait. As to the sex ratio of the population, this concerned mostly the men.

A joint feature of the backward settlements is that they were, after 1960, unable to keep their population. The lack of the ability to keep the population was caused by the joint effect of several factors. The components acting against keeping the population mutually strengthen one another. In the backward border regions the populations's biological regenerating ability was jeopardized. After the migration of youth of working age from the border region, the number and ratio of women, at an age suitable for giving birth to children, diminished. The number of rural population was also reduced by the moving of people from such regions. The selective migration from the region deformed the mix of local society, the share of qualified people decreased.

In Northern Hungary, the share of those having qualifications is smaller than in other regions of the country which is in correlation with the fact that here the share of population of Gipsy nationality is the greatest compared to other country regions.

In the 1980's, the extent of migration toward the towns situated in the country's NE and E parts diminished, due to the worsened receiving ability of towns. Yet, the population of villages, within this, the population of small settlements continued to diminish.

The basic concept of the rural development (the so-called alignment or closing-up) programme launched after 1985 was that the viability, population-keeping ability of the regions and their settlements mostly depends on whether they would succeed in establishing their economic base. With the utilization of central financial sources and with increasing their own economic base, complex regional development projects were implemented, including the development of services, public health and welfare services, infrastructure etc.

Following the change of regime in 1989, with the intensification of employment troubles and with the deepening of crisis in the regions, a parallel effort was made for the regeneration of the subsidy scheme of regional policy. Yet, a real breakthrough could not be achieved. The one reason for unsucess is that the local goverments being accustomed to

paternalism could not make use of the subsidy opportunities operated in a tendering scheme. To some critics, the Government - due to its short-term political interestedness - focussed only on the politically most sensitive, more severe crisis areas.

Those living now in a border region, and whose settlement is regarded as backward, think that the reason for their backwardness should be sought in employment and social tensions.

We may formulate the tasks relating to the development of the infrastructure of border region villages as follows:

1.) The most urgent task is to eliminate the differences, bottlenecks, in the local institutions of basic infrastructure. This is a pressing task in particular in the villages of backward border regions. At the same time, no substantial development is expected in the region of the isolated farms of the Great Hungarian Plain. As to priority, we consider the provision of basic supply to be the first and most important infrastructure development task to be solved usually at local level.

The basic supply of a settlement comprises the possibility of dwelling, access to sound drink-water, a telephone station operating round the clock, with provision to initiate and receive calls, a solid paved road interconnecting the given settlement and the neighbouring settlements, access to electric power supply, regular family doctor service, access to basic food articles, the institution of a social worker taking care of old people.

The listed institutions and services may as well be regarded as the "consolidated basic supply" of a settlement which is basically needed in every settlement. These supplies however do not wholly cover the basic supply of a settlement. The institutions representing the circle of basic supply are still expanded by the following services: primary school (at least the first four classes); possibility of medical care for children, dentist, food store, social home for old people.

2.) We deem desirable that as many flats be connected to the municipal water supply system already available in the settlements as possible. Yet, it is to be acknowledged that - due to the existing settlement mix and to the given hydrological conditions - in about 250 small villages of Hungary, good quality drink-water can only be produced by applying individual approach.

3.) The "public utility scissors" should, in order to prevent further contamination of the groundwater and to enlighten the burden of the environment, be reduced in a way that no other consumers are connected to the municipal water supply system till alignment in the provision with drainage system is achieved or, at least, an approaching rate is reached in respect of drainage.

4.) To promote connection to the national road network, to eliminate circumstantial accessibility and in order to provide access to settlements having one blind road only, connecting roads are to be constructed. The provision of low quality roads with solid pavement should be accelerated since the contradiction between the rapidly growing number of cars and the bad quality,

neglected road network has become hazardous even in respect of transport safety.

5.) The mobility of those impoverished by the decrease in the living standard, afflicting a significant part of the society, the old and young people, is impeded by the unsatisfactory local public transport (in particular the bus transport). The main problem is that, over the recent years, based upon considerations concerning the cost-efficiency of operation, the number of buses was reduced in several routes. More recently, the railway has also followed this tendency, by way of thinning its lines. Another problem is that the county seat cannot be reached from a great number of border region villages without changing transport vehicles and without the time-wasting waiting involved. Often, even smaller towns can be reached from more distant villages with a great deal of time expenditure and by changing vehicles, for the purpose of managing matters, going shopping or utilizing various services.

6.) The improvement of the provision with telephone lines should be regarded as a most pressing task, despite the actual development projects implemented in the recent years since the use of telephone is still at a standard today in Hungary as it was in the Western European countries in the 1930's. Efforts should be made for expanding the telefax service within a few years.

7.) The development and upkeep of the local infrastructure are the responsibility of local governments as provided by the law. The basic supply and the operation of facilities necessary for that are the internal matter of each viable settlement. In the case of certain small villages, the substantial completion of tasks relating to the development of infrastructure assigned to the scope of authority and activity of the local governments is impeded by the circumstance that they alone are unable to operate them. These settlements requires collaboration, for the completion of tasks relating to mutual small-regional co-operation.

The approach of small-regional infrastructure development by the co-operation of several local governments is required in particular for the cost-efficient, co-ordinated establishment and economical operation of network systems (low-grade road, telephone, small-regional gas pipeline etc.) and regional institutional supply systems (medium level health care, secondary level education.)

Mrs. **ORBÁN NAGY**, Mária: A MAGYAR ÉLELMISZERGAZDASÁGI EXPORT
PIACVÁLTÁSA A KILENCVENES ÉVTIZED ELSŐ HARMADÁBAN
(Switchover of export markets of the Hungarian food economy in the first third of the
1990's) *Budapest, 1993. AKII.*

The exports of the food economy had expanded at a very quick pace till 1991 which was then followed by just a very modest growth in 1992, resulting mainly from the boom of corn exports. In the first half of 1993, compared to the same period of the preceding year, the exports of agricultural produce sorts declined by 39 percent. While in 1991 and 1992 the foreign trade of agricultural produce sorts showed a credit balance of 2 billion USD, it amounted to as little as 430 million USD in the first half of 1993.

In our agricultural exports, the change in markets began as early as in the last third of the 1980's. The annual export surplus was sold by us almost exclusively in the markets of developed countries, till 1991.

The process of the change of markets accelerated in 1990 and 1991, then - after an abrupt temporary stop - approximately the regional division of 1991 was restored by the first half of 1993, for the already diminished volumes. The major trends of change between 1989 and the first half of 1993 are as follows:

- the narrowing of Eastern European markets (1989=36 percent; first half of 1993=26 percent)
- the increase in the importance of European industrial states, mainly in that of the EC (1989=47 percent; first half of 1993=59 percent), - a greater and greater share of exports is focussed on Europe (1989=81 percent; first half of 1993=90 percent)
- the demand of Trans-European states and that of the developing countries decline,
- in 1992, the high-volume corn supply sold to the CIS (Community of Independent States) re-arranged the shares represented by the regions, by increasing the importance of Eastern Europe in respect of our agricultural markets, temporarily.

The shares of the individual regions which have developed by now seem to be lasting, despite the conditions becoming more and more difficult. The agreements made with the EU and with the EFTA foster mainly the preservation of the market by allowing us not to become handicapped compared to our competitors.

The Community of the Twelve has become our greatest trading partner from 1990 onwards. The growth of our exports to them which lasted till 1991 was enabled, among others, by the exploitation of the prosperity and the political opening made by the Union (GSP/General System of Preferences/-preferences). In the stagnation of the turnover in 1992, then in its decrease in the first half of 1993, the increasing protectionism (meat embargo) due to the recession and to the high level of EC stocks played a certain role, apart from the lack of export commodity stocks experienced in several branches. The opportunities offered by the Agreement of Association with the EC could be made use of in part only, in respect of both the rate of exploitation of the quotas and the surplus revenue granted by the concessions.

Our exports to the member-states of the EFTA developed in a relatively balanced manner; compared to other regions, our supplies to these countries decreased to a less extent.

Despite the diminishing role of the former Soviet Union, it still remained a dominant absorbing market for several agricultural produce sorts of ours, even in 1990. This situation ceased to exist from 1991 on. In respect of the decline in the supplies to this region, the loss

of market of animal husbandry product seems to be a lasting trend. It is a positive change that there is a boom in the sales of produce sorts of the preserves industry and of distilling and wine industries to the countries of the CIS.

As to factors influencing the exports of the food economy in respect of supply, the following can be highlighted:

- the change in the volume and mix of the production followed the quick moves in the foreign and domestic markets with delay or, in some instances, not at all, therefore the trend of export commodity stock has been featured by great fluctuations, surplus volumes that were difficult to sell. Among the changes in the foreign markets, there were several events that could not be projected, e.g. the EU's bans on meat imports.
- The rapid decrease in domestic consumption, the loss of a part of Eastern European markets, the surplus capacities resulting therefrom, the curtailment of export subsidies, the pricing policy worsened the profitability of exports to a great extent. In the case of the majority of products, the production for foreign markets caused loss to the companies from as early as 1991 on which could be covered by using up the assets or from credits with high interest rates.
- In the autumn of 1993, the governmental measures taken to improve export financing, the raise of the export subsidy rate of some produce sorts and the announcement of an extra export subsidy were important steps to stop the further decline in the exports. It is, however, to be feared that the wide-spread application of extra export subsidy - as its existence is insecure; it applies to a given period and volume - add a new factor of uncertainty to the producer's decisions being uncertain anyway.
- The setting up of an export guarantee scheme may improve mainly the conditions of export to the former Soviet Union where the risk of supplies is over the average. The rate and frequency of the credit guarantee covered by the state budget requires, however, thorough consideration and due foresight. Namely, the case of the wheat exported to the CIS in 1991-1992, covered by government guarantee which has not been paid by the buyers warns against such transactions.
- An important step is to launch the advance export financing adjusted to the peculiarities of the agricultural sector, as it may launch a growth of exports volume based upon market feedbacks, set on a more secure track.
- It is an essential pre-condition to preserving the markets and to exploiting the market gaps that the collective marketing programmes be granted a budgetary subsidy being of a substantially higher rate than that at present, as in this field we are very much backward in time and expenditure compared to our Western competitors.

Among the factors influencing the agricultural exports in respect of demand, the following are to be highlighted:

- in our major agricultural markets, a relatively consolidated economic situation was characteristic only of OECD countries, till 1991; in the Central and Eastern European region, the economic decline has been lasting for several years. In most OECD countries, apart from the recession increasing since 1992, the rate of subsidizing of the agricultural sector has not diminished, the stocks in the agricultural markets do not decrease at all or they decrease to a slight extent only; the oversupply is high, the protectionism is strengthening. In the markets of the former Soviet Union, the former Eastern European suppliers have been replaced mostly by the exporters of the EU and of the USA, in the imports of corn, meat and poultry. The redemption arrears of the successor states of the Soviet Union

in respect of agricultural produce sold, in most instances, on credit, is growing extremely.

- Hungary is not able to enter the competition in subsidizing mass produce and it would not be reasonable either. In consideration of the experience gained so far, we might not attach particular hopes to our being integrated in the aid programmes either. It is anticipated that the barter will continue to be the main form of trading with the member-states of the former Soviet Union, even in the long run.

- In the developed Western European region, we may continue to compete in respect of processed food articles, certain vegetables and fruit sorts and the so-called minor articles having been exported under favourable conditions so far, being less exposed to the fluctuations of market trends and in respect of the products of the vertical scheme of vegetable oil industry, as projected; apart from keeping the meat and poultry supplies, having diminished by now, at constant level.

- Nowadays, the only rapidly developing region in the world is the Eastern Asian region, also in terms of foodstuffs imports. A concrete survey would be required to state if we have agricultural produce sorts that could be exported to this region cost-effectively, despite the huge freight costs and, if so, which these products are, where the competition is very keen, and if it is viable to assume the freight costs, in part, by the budget.

SZABÓ, Márton: FOREIGN DIRECT INVESTMENTS IN THE HUNGARIAN FOOD INDUSTRY. *A paper presented at the 33rd Seminar of the European Association of Agricultural Economists 24.-28. May 1993. Tartu, Estonia*

The Hungarian government is trying to attract foreign investments into the food industry in order to improve liquidity and technology with the companies, to obtain management and marketing skills, to penetrate into new markets and last but not least to raise state revenues.

By early 1992 a considerable part of the former state-owned Hungarian food industry was already controlled by foreign firms. Their estimated share is 30 percent in terms of equity and more than one third in terms of controlling majority. Half of all privatization revenues, about 1 bn US dollars, has come from the food industry alone.

Out of 138 former state-run food companies there are 23 with a foreign majority now. Foreign firms have in most cases invested into bigger Hungarian companies and acquired a majority stake - if not, they managed to get an option for the purchase of the majority stake.

There are several newly established and typically rather small processing enterprises as well (e.g. canning and frozen food factories) but the most frequent method of FDI was the acquisition of former state companies. Further ways of the influx have been foreign investments into processors owned by Hungarian agricultural co-operatives and joint ventures for processing and marketing.

Hungarian companies in most cases have been sold without changing their organizational structure and a decentralization was made only if the foreign investor decided to buy parts of the original company. This way is called "investor initiated privatization" while state-run food companies have been sold as a rule on a tender announced by the State Property Agency. Issuing shares on the Budapest Stock Exchange, as a third way of selling out, has only been practised once so far. There are striking differences in the share of FDI across individual food industries. Several branches have practically been sold out already - vegetable oil, tobacco, distilling and confectionary industries - while others partly - sugar and brewery industries. In contrast to that branches of major importance like meat and poultry processing, milling, canning, dairy and wine industries have hardly or not at all been involved in privatization yet.

The big foreign investment boom seems to be over - what could be sold had been sold already by mid-1992 - and only a few more companies may attract foreign attention. It is at least questionable whether foreigners would buy firms with severe liquidity problems even if they are offered at a very low price - as it has already happened in some cases. Potential foreign investors seem to wait until these firms go bankrupt hoping for still better deals.

As for the motivations of foreign investors they seem to be interested in two types of industries and activities: those being able to turn out high value added branded products like chocolate, beer, cigarettes, soft drinks, ice-cream and those producing commodity-like goods traded internationally like vegetable oil and sugar. In the first group, consumers seem to be willing to switch from the old Hungarian products for the new, high quality and widely advertised international brands like Nestlé, Eskimo-Iglo or Amstel. The main point here is the national market: the foreign firm buys *market share* by investing into a Hungarian company and is trying to strengthen its position by introducing new brands. The best price must have been paid for a monopoly position in the vegetable oil industry.

Market share is a dominant factor with commodity-like goods, too, but comparative advantages in primary agricultural production in Hungary and so low input costs do play a role as well.

Potential investors have shown only a *moderate interest in the biggest branches*: meat-, poultry-, milling-, dairy- and canning- and also in the frozen food and wine industries.

This lack of interest is obviously explained by severe liquidity problems with these companies, huge excess capacities coming from losing the Comecon market and the demand drop in the domestic market after the elimination of consumer subsidies. Another reason is that high value added branded products are playing only a secondary role in these industries compared to basic food items and so profit opportunities are less bright.

Most investors have been huge multinationals with high risk bearing capability - Unilever, Nestlé, Philip Morris, Raynold, B.A.T., Coca-Cola, Heineken, Tate and Lyle - that suggest that investing into Eastern Europe is still a rather risky business.

Effects of foreign investments on the companies involved

Due to the short history of FDIs in Hungary only tentative conclusions can be drawn on their effects. The new owners as expected have improved liquidity with the acquired companies, in numerous cases they invested heavily to expand capacities and to gain market share even in the shrinking domestic market, rationalized product mix and introduced new management methods like controlling. Special attention is given to marketing, products quality and packaging. Massive lay-offs, major changes in the management of the companies and organizational restructuring have been rare so far. Training programs have been launched for employees. A gradual transition is being strived for in most cases.

The new owners were occasionally willing to accept contractual obligations to maintain links with former suppliers (primary producers). Growth in sales figures can often be attributed to the takeovers.

FDIs have exerted the expected positive effects so far except for that new markets have not been opened up yet for the companies acquired.

Evaluation of the government's policy towards FDIs

The government has been criticized on the following issues:

- until late 1992 no sectoral privatization strategies had been established for the major branches; privatization happened spontaneously, on the initiative of foreign firms; at least two years have been wasted and a number of companies went bankrupt in the meantime (they could have been sold earlier at a fair price),
- the success of privatization was measured almost exclusively by the level of the privatization revenues while the interest of consumers and agricultural producers were not taken into account,
- branches with a strategic importance to the country, with high importance to both consumers and primary producers have been sold totally (vegetable oil processing, yeast and vinegar production) or partly (sugar) to foreigners,
- state monopolies were transformed into private ones (vegetable oil processing) or market concentration rose substantially after privatization (sugar industry),
- sales decisions were made often secretly, prices and other conditions were not published - the whole process was not transparent,
- sales transactions were implemented slowly

A change in the government's attitude towards FDIs?

Since mid-1992 a gradual change has been implemented in the privatization strategy in so far as Hungarian investors and especially agricultural producers received preferences: soft loans, leasing and ESOP-opportunities and for the meat, milling and dairy industries as a fundamental change a decentralized privatization was initiated i.e. companies were to be split up into smaller units prior to their sale. It has however been emphasized several times that foreign investors are expected to play a role in the coming phase, too.

SZABÓ, Márton: AGRÁRPIAC-POLITIKA AUSZTRIÁBAN
(Agro-market policy in Austria) *Külgazdaság* 1993, No.2.

Austria applies **strong protectionism** to the markets of all major agricultural produce sorts: in addition to imposing customs duties, she also imposes levies on imports and applies export subsidies of varying rate; the latter one is applied to corn, milk and dairy products, slaughter animals and meat, whereas the exportation of sugar is financed only from the contributions paid by the producers. They also apply, in a wide range, the quantitative restrictions on imports mostly deforming the international trade and therefore being fiercely attacked at the GATT negotiations: the exportation and importation of corn, sugar, cattle, pig, sheep and beef, pork and mutton, milk and dairy products are subject to licensing, as well as the importation of flour and wine.

For the vegetables and fruit, they apply a 3-phase regulation identified for each produce sorts but having time-limits that can be modified during the year: in relation to the period and volume of domestic production, periods of total ban on imports, imports regulated by quotas and free imports follow one another and all this takes place within one year.

Apart from the relatively uniform protection against external effects, **the extent and forms of central interventions are very different** in the individual branches.

Most branches producing surplus i.e. about 80 percent of the agricultural production are covered by **market regimes** - milk, beef, wheat and fodder corn to a slighter extent, while an exception therefrom is constituted by the sugar - which make the market mechanisms practically invalid, influence the prices and also the volume of production directly, by means of quotas and authority prices or by applying guiding prices, however with the imposition of heavy penalties that, in practice, make such guiding prices be regarded as fix prices.

As to articles the production volume of which approximately meet the domestic demand - e.g. pork - the production volume is not regulated at all, and prices are influenced by indirect means: import compensatory duties, export subsidy, intervention purchase, export and import licensing.

As for produce sorts needing to be imported in a small volume - poultry, egg -, prices are influenced by imposing levies on imports. In markets needing a considerable volume of imports - vegetables, fruit - import licensing is, theoretically, needed then and in so far domestic production is concerned.

Based upon the review of the regulation of the individual produce markets, it can be stated that a really tight correlation exists between the extension of interventions on the one hand and the level of producer's and consumer's prices, producer's subsidies and self-sufficiency. Yet, it is an important question if the rate of self-sufficiency determines the applied instrument, as the defenders of this scheme are reasoning. The Austrian agro-market regulation is likely to prove the contrary of this: in fact, the expensive surplus volumes were brought about by the rigid market regimes preserved in order to implement self-sufficiency. The institutional scheme that has consolidated over decades is unable to reform itself and it also resists external efforts, as it is in the basic interest of strong groups of power to maintain the status quo.

It is not sure that the severe lack of food after the World War II could not have managed more efficiently by using other instrument, but the Austrian version of market regime represented, undoubtedly, one of the reasonable options and it has safeguarded the interests of consumers and producers for a long time.

However, over the past two decades, the situation has changed basically and the considerable efficiency losses of the scheme have come to light, mainly its surplus financing expenses and the high consumer's price level. The expenses of market regimes reached, in

1990, a record level of 7.2 billion Austrian schillings and they did not decrease in 1991 either.

As for the developed countries, only Japan, Finland, Norway and Switzerland subsidize their producers more than Austria does. Compared with the EC, Austria subsidizes the production of corn, pig, poultry and egg substantially stronger, while the production of beef and sugar - somewhat stronger than the EC does, and the subsidy of milk production in Austria is identical with that in the EC. To a survey conducted by the OECD, the Austrian tax-payers bear only 10 percent of the burden of all subsidies and 90 percent of it is imposed on the consumers, through the high consumers' prices.

Analyzers consider the following to be the major faults of the Austrian agro-market policy:

- the peasants were deprived of individual initiative and they are subject to the agrarian bureaucracy of the Sozialpartnerschaft;
- the price support scheme is less and less able to provide an expectable minimum income to the peasantry, while it is mainly for the benefit of large farmers and it polarizes the differences in income; the major benefit-takers of the scheme are the (mostly co-operative) stock-keepers, processors, and exporters, while the burdens are imposed on the consumers and on the tax-payers and, apart from them, more and more on the smallholders and middle peasants; the support scheme is not able either to provide the income or to regulate the production in terms of volume;
- the tension mitigated in the regulated sector expensively and at the price of great difficulties is shifted to other markets (e.g. from corn to alternative plants);
- it is almost impossible for the new producers to come into the market;
- the efficient farms are unable to increase their production, while the inefficient ones have survived, too, instead of having become bankrupt.

The Austrian agrarian policy has, no doubt, achieved results; it has implemented a considerable share of its set objectives but this can in every case be acknowledged with reservations only; it has provided a high-standard food supply but at a much too high price; it has stabilized the markets but at the price of imposing heavy burdens on the consumers; the income of the peasants have grown only to an acceptable extent, yet the backwardness of the peasants compared to other social strata has grown, thus the peasantry continues to diminish.

The justification of the food economy's regulation at the given level is more and more queried by the professional and unprofessional public opinion, thus the followers and primary benefit-takers of the overregulation are in continuous retreat.

SZABÓ, Márton: A VOLT KGST-ORSZÁGOK AGRÁRKERESKEDELMI HELYZETE ÉS A JÖVÖBENI EGYÜTTMŰKÖDÉS LEHETŐSÉGEI - UKRAJNA (The agro-commercial position of the former COMECON-countries and the prospects of co-operation - The Ukraine)

Budapest, 1993, AKII.

The Ukraine that became independent at the end of 1991 is one of Europe's largest countries in terms of both territory and population. Of the country's given economic conditions, the ability of self-sufficiency in food, the relatively qualified labour, the favourable location in respect of transport, the orientation toward Europe and the availability of some raw materials can be regarded as advantageous. These favourable conditions, however, are overshadowed by the facts that they can only sell their agricultural articles under favourable terms and conditions if special (advantageous) rules continue to be

effective in the economic relations attached to them; this however depends, basically, on the general development of inter-state relations. The other successor states may choose among several procurement options and due to the internationally spread agrarian export subsidies, they may procure food at a low price level.

The Ukraine has an extremely extensive and painful restructuring before her and she is in a very severe economic situation even now, though she has hardly proceeded to implement the necessary reforms. In lack of the deliberateness of the political leadership, the hazard of further delays continues to exist.

The possibility of evolution is greatly influenced by the external factors. The Ukraine is one-sidedly dependent on the Russian energy supplies but an economically reasonable agreement may be impeded by political aspects.

The maintaining of economic relations with the former Soviet member-republics may result in an evener time-related distribution of the burdens of transition in the Ukraine.

The previous growth of the Ukrainian agricultural production stopped in the late 1980's and the decline started in 1990: in 1992 they reached only 73 percent of the level in the year 1989.

A major share of the Ukrainian food exports goes to the former member-republics and only 6 percent of it goes to countries other than the countries of the former Soviet Union. In 1991, the Ukraine was a major supplier to the other member-republics, first of all, of course, to Russia, in respect of the following food articles: sugar, milk, dairy product, edible oil, egg. The export revenues of the Ukrainian agricultural, coming from the former member-republics may be reduced by the switching over to world market prices, even by 50 percent.

For the Ukraine, the development of an efficient agriculture is an issue of key importance, as - in practice - the country may finance the imports being indispensable for her only from the revenues coming from the agricultural exports. The internal self-sufficiency is provided and it is likely to continue to be so. Large surplus volumes are expected to arise in respect of sugar and vegetable oil.

The difficulties in the change of the agricultural sector seem to be so severe that they might not become a serious competitor to the Hungarian food exports for at least ten years from now.

If they fail to arrange the conditions of the Russian-Ukrainian trade relations, the omission of the former Ukrainian supplies in respect of certain articles might give Hungary chances in the Russian market, though, of course, under conditions featured by a very keen Western competition.

Due to the circumstances (e.g. lack of foreign exchange) impeding, in general, the further development of Hungaro-Ukrainian trade and to the surplus volumes arising mostly in identical articles, the possibilities of the Hungarian agricultural exports to the Ukraine are limited in the short and medium run. In the event of a might-be total collapse of the Ukrainian agriculture, the Western aid programmes to be launched would, to experience gained in respect of other countries, not give us too many chances.

Somewhat more favourable opportunities may be offered for Hungary, than those offered by the trade relations, to be involved in improving the Ukrainian agriculture, in managing educational and training programmes and in the technology transfer.

TANKA, Endre: A FÖLDBIRTOKPOLITIKA ALAPKÉRDÉSEI AZ ÁTALAKULÓ MAGYAR MEZÖGAZDASÁGBAN (Basic issues of land policy in the Hungarian agriculture under restructuring) *Budapest, 1993. pp. 1-75, AKII.*

This study intends to provide a basis for the preparation of the new land act destined to regulate the issues relating to the transformation of the relations concerning the ownership and use of land into market economy relations. To the labour hypothesis, the gradual development of the dominance of private land ownership, the evolution of new forms of economic management and that of farm sizes based thereupon necessarily imply that the distribution of land passes - for a relatively extended period of time - into the state of transition. This situation objectively impedes the maturing of a target-rational land market regulation in the short run. A constitutional state coming into existence should first implement the re-allotment of the available land in a manner acceptable to the society and it should proceed only subsequently to regulate the land sales by applying state administrative norms of public interest. At the same time, from the outset of the process, the national land policy should also focus on that the monopolistic position of the private landed property cannot impede the coming into existence of a reasonable land ownership mix and of competitive farms types.

The economic-legal preparation of the land reform cannot see an authentic picture on the actual movement of the mix of private land ownership and use, on the shares of leasehold, due to the transitory trait of the distribution of land, but it also has to miss the practical experience concerning the mix and functions of an operating land market. Therefore, this study intends to develop some professional basis in the aforementioned topics on the one hand. On the other hand, it lists those basic issues in terms of land ownership policy, one by one, the development of a uniform standpoint on which is the pre-condition to creating a new land act.

The Chapter I discusses the dilemmas of sector-equality, competition- und size-neutrality which need legal settlement. The Chapter II summarizes the experience concerning the land market regulatory scheme of developed market economies in four aspects. Namely, it analyzes: a/ the instruments of land market regulation and the general traits of market intervention (e.g. being of public interest and state interventions in the land market, causes of operational troubles of the regulatory scheme etc.); b/ the regulation of agricultural market in a constitutional state (e.g. monopolized market, liberalism of Hayek spirit etc.); c./ state regulation of land market (target scheme, developing the land market by the state, price and tax regulation, land market regulatory and interventory instruments of the agricultural overproduction, judgement of the land speculations, the effects of state influence of leasehold right on the land market, balance of state intervention etc.); d/ the supranational regulatory role of the land market (land stoppage programmes, extensivity efforts, major effects of the reform of the agricultural scheme as planned by the European Community.)

The Chapter III tries to find an answer to how much the establishing of the domestic land market may utilize the experience on the regulatory scheme of developed land markets. In this circle, the negative and positive conclusions are essential alike. The historically given conditions of Hungary's agriculture, the compound farm mix, the lack of capital etc. are factors that exclude the copying of land market interventions such as the keeping back of the overproduction by the withdrawal of land and by way of extensive utilization of land, the state regulation of land price, the state financing of land supply aiming at changing the land ownership mix. Yet, regulatory elements also adaptable by us are e.g. the maximizing of land owned, the strengthening of protecting the leaseholder in the leasehold relationship, the development of the institutional scheme of land market as per the Civil Code, the

elimination of land speculation, the prevention of the evasion of law in the regulatory scheme.

The Chapter IV processes the 14 questions concerning the justified decision on what is necessary for the governmental development of land ownership policies. Of them, the most essential ones, grouped as per thematics, are as follows: a/ acquiring landed property by foreigners; b/ maximized landed property; c/ maximized leasehold; d/ summing up of landed property and leasehold; e/ ability of domestic private and legal entities to acquire arable land; f/ authority permission of leasehold; g/ the inheritance of landed property; h/ the period and inheritance of leasehold, the approach of land registration to restrict leasehold; i/ the state's right of pre-emption in the land market.

As it can also be seen from the topic of Chapter IV, most issues needing political decision are extensive in terms of their subjects and comprise a profound scheme of correlations, thus their analysis of scientific level needs further, multi-disciplinary basic research. Along with this, this study succeeded in finding proposals on the solution to several issues - e.g. property acquired by foreigners and the claim of domestic farmers in respect of their maximum landed property - which may reckon with the chance of a wider range of social consensus in terms of both profession and the priorities of the national land ownership policy. E.g. more and more people share the view - also expressed by this study - whereas the categorical exclusion of foreign private persons from the acquisition of landed property (arable land) is not realistic in the land relationships. It is reasonable to create exceptional types of state of affair which allow the acquirement of land on the basis that the foreign private persons already has an existing Hungarian landed property which is replaced by another landed property in natural way (due to expropriation, exchange of lands or termination of joint property). The might-be abuses or land speculation can be eliminated by the authorities proceeding in these matters. A quite different judgement is applicable to the ability of foreign legal entity to acquire arable land ownership in Hungary. The thorough consideration of economic benefits and handicaps associated therewith justifies that an indispensable self-protecting instrument of Hungary's land stock management, till Hungary's admission to the Common Market, is the categorical and strictly guaranteed exclusion of foreign legal entities from the acquisition of domestic landed capital.

The study's effect orientating the professional public opinion and the political decision-maker can be measured by the fact that - despite the conflict of opposite political and professional arguments scattered in an extremely wide range - the new land bill submitted by the Government to the Parliament at the end of 1993 included identical concept concerning several basic issues (property acquirement by foreigners, maximum landed property of indigenous people, leasehold) with that of the solutions discussed by the study.

TANKA, Endre: VERSENY- ÉS MÉRET-SEMLEGESSÉG A NEMZETI FÖLDBIRTOK-POLITIKÁBAN (Competition- and size-neutrality in the national land ownership policy) *Jogtudományi Közlöny*, vol. XLVIII, No. 11-12, Dec 1993 pp. 470-477

The article analyzes the restructuring in the land ownership from economic sociological aspect behind which there is a competition of the various concerns of the agricultural sector for the arable land, i.e. they struggle for acquiring the land as production means. The clarification of the typical participants, that of the power relations of the concerns and that of the development of the acquisition front is essential - *inter alia* - because the outcome of this struggle will definitely identify the basis upon which the economic ideology will develop the competition- and size-neutrality and the state's agricultural price support policy based upon that.

One of the concerns of the acquisition front is the privileged narrow power elite of the feudal hierarchy which was organized mainly of the party state sham co-operatives' managements. This stratum seeks to develop its uninterrupted superior strength in acquisition, still being the Kádárian inheritance of informalism, into a stable power position, into a constitutionally legitimated private ownership, by way of re-allocating the agricultural assets. The other amalgamation of common interest is constituted by the million-sized mass of producers ousted from the power who have so far been, in an unjust manner, deprived of the ownership of production factors by the party state. The leadership's power interest - till the term for the transformation of co-operatives, as provided by the law, was to expire - dictated that the assets of co-operatives should be kept integrated as they were, the one leaving the co-operative should not be given any part of it which could be operated independently. Yet, after the formal transformations have been completed, now the individual acquisition interest of the management requires that as less people share the frozen assets as possible, i.e. the business shares should be concentrated as their private properties. As the squeeze of agricultural crisis still strengthens the power position of the management, the members of farmer's co-operatives, living from hand to mouth, at wage-worker level, were not able to make use of the chance of breaking out of the labour co-operatives: the formal transformations are far from the scale of values of civil association.

In this situation - that substantially reduces the living-space of private farming due to the acquisition of the major part of co-operative assets by the managerial elite - the managements of the farmer's co-operatives lodge a claim to a new redistribution with the state, with reference to the Constitution. Accordingly, the co-operative member is a private owner just like any other citizen, therefore all those should be due to the co-operative which a private farmer might receive from the state. However, the opposing camp - without owning the basic production factors - may only refer to its claim concerning differentiated state subsidy or positive discrimination.

The conflicts emerging in the above-mentioned process can only be resolved by the correct interpretation of the economy-organizing functions of the constitutional state. During this, among others, dilemmas should be resolved like e.g. - Would it not violate the main principle of economic constitutionality which guarantees equal rights for the market participants if the state grants a differentiated subsidy to private farmers? (Judgement of positive discrimination); - Do the large-scale farming sectors have the same claim, by subjective right, as the other participants of the economy in respect of protectionism, for all conditions of farming? (Legal title of discrimination); - Is the state obliged to operate a uniform regulatory scheme - that cannot be differentiated in order to provide proper proportions of land stock control and land ownership mix either - in the case of any type of farm size? (E.g. Are uniform subsidizing and crediting conditions applicable to the unviable dwarf holdings, to the competitive medium-scale farms etc.? - The issue of size-neutrality.)

The article, with the help of history, market theory and economic sociology, making use of certain views of Károly POLÁNYI and based upon the categories set up by Max WEBER, makes an attempt to give an appropriate definition to the term competition-neutrality. Accordingly, this is a specific market regulation instrument, as a normative of economic policy. More precisely, this is a legal instrument of influencing the market by which the state - in its public power function, in order to provide a fair market competition and to compensate unequal chances as claimed by the society - LIMITS the possession, acquisition, or exchange of the power of disposal over the assets TO THE CIRCLE of definite persons.

This Weberian category implicitly contains, in addition to the legal barriers impeding the liberty of farming, a "legally guaranteed monopoly" as well. This definition, formal logically, is entirely opposite to the goal of legal normative, since it intends to grant equal

chances for all participants in the economy, and not a monopolistic position to certain privileged ones. This sham contradiction, however, is resolved partly by the refusal of equal chances as proven by the history of market regulation, partly by revealing the content and mix of competition-neutrality being an economic sociological category.

The sectoral participants of Hungary's present agriculture - with regard to their economic, social, interest-realizing etc. basic position - are inequal parties by virtue of their qualities. The immanence of agricultural ownership in the acquisition position of farming entities is the extreme lack of balanced power. Due to this, the basic dilemma of agricultural restructuring is not to find an operational and socially just normative to make the participants of equal right of an established market economy compete. Instead, decision should be made on a preceding historical phase, on the decollectivization being issues of vital importance, representing the pre-requisite of the historical accumulation of capital, on the efficient management of it in terms of agrarian policy. The interpretation of competition-neutrality, and the operation of the regulatory scheme based upon it, determines which concern of the agricultural sector may institutionalize its position of acquisition, with the benefits that can be gained by such right. Furthermore, in the case of its legalized and socially tolerated economic superior strength, it also determines which concern may thereby force out its economic-political power, by ousting those being weaker than the concern from the acquisition.

To remedy the state-socialist sectoral inequality, a twofold responsibility is assigned to the market-based decollectivization. Firstly, it should make the producer become owner, who has been deprived of the production means so far, and not only in legal terms but in the reality of acquisition. Secondly, it should regulate the market of actual owners by way of eliminating unfair competition. Yet, it is almost impossible, in terms of economics, that most agricultural producers become private owners, without an agrarian and land policy based upon the institutional scheme of positive discrimination. If the land policy is obliged to subsidize the unviable dwarf holding, the competitive small- and medium-scale farm and the outdated gigantic farm, it would give up the demand for size-economic efficiency from the beginning which is able to influence the development of a reasonable farm size, the concentration or decentralization of landed property by means of a regulatory scheme. The output compulsion of market may not tolerate that the narrow financial resources allocated to the agricultural sector would not strengthen the forming of a viable farm size.

Compared to the foregoing, the land policy should deny the competition- and size-neutrality, in a straightforward manner, in respect of those formations of land use (e.g. large estate based upon wage-work) and in respect of farm types (e.g. dwarf holding intending to conduct business activity) the financial, trade-political etc. agrarian financing of which is in contradiction with the adopted national policies aiming at the development of a land ownership mix. Whilst, it should grant differentiated, efficient subsidies to the viable self-organized forms of private farming, thus to the family holding, to the integrated small holding and to the farmer's co-operative enforcing a civil value pattern. The enforcement of positive discrimination in this manner cannot be regarded as illegal also pursuant to the legal interpretation of the Court of Constitution as anti-constitutional.

VARGA, Gyula: A MEZŐGAZDASÁG ÉS A SZÖVETKEZETEK
ÁTALAKULASA (Transformation of the agriculture and farmer's co-operatives)
Társadalmi Szemle, 1993. No. 4.

The ownership and corporate model of the agriculture - i.e. the farmer's co-operative - having been a most general form so far, is undergoing nowadays a termination or transformation under compulsion, due to the radical change and, to a great extent, to the legal provisions. This process, that could have been based, greatly upon the reform efforts of the 1980's, takes place in a much quicker and more contradictory manner than required. The situation is much more difficult than conceived by the political forces that had formulated and adopted the Co-operative Act and the attached Acts, early in 1992.

The velocity of the announced transformation is braked by a sales-, profitability- and financing crisis afflicting mainly the large-scale farms and the great number of private producers alike. Of course, business is not prospering in the period of recession and, it is also natural that the historically unprecedented gap between prices of agricultural and industrial products and the mass-like bankruptcies discourage the entrepreneurs, irrespective of their ownership and corporate status. Yet, the many contradictions between **several legal measures of the implementation and the reality** and the stepped-up pace of implementation set forth in the legal provision are not negligible. This applies first of all to the Indemnification Act but the Transformation Act is not exempt therefrom either. Finally, a role is played in it by the attitude of the co-operative's peasantry. And this is featured mostly by the abstaining from making decisions of insecure outcome, by the intention to keep their jobs and, as experienced, by the growing fear for economic and social safety, and in many instances, by the lack of informedness.

Extent and effect of changes anticipated in the landed property of farmer's co-operatives¹⁾ (see next page)

The farmer's co-operatives conducted farming activity, in 1992, on lands of private, state and collective ownership. The **collective landed property** composed of various sources and at very different dates - in some instances via several transmissions - is of decisive share; 61 percent. This is followed by the **privately owned land** of continuously diminishing share, still representing a share of over 36 percent as recently as in 1992. This privately owned land is featured by the fact that it is owned, in a considerable share, by those other than farmer's co-operative members and, if it is still so, then they are mainly pension-aged people (this applies to outsiders as well). Furthermore, it is also characteristic that there is a significant scattering behind the average, that though the average data are applicable to the majority but, at the same time, there are many exceptions and this is true in respect of almost all further facts and estimated data as well! From the data we summarize in Table No. 1, it can well be seen that the **state-owned landed property** has played an insignificant role (since 1967 when the most part of the then state-owned land passed into collective ownership).

¹⁾The data on indemnification and on the transformation of farmer's co-operatives are taken from the study bearing the title „Tulajdon- és szerkezetváltás a magyar mezőgazdaságban” („Change of ownership and structure in Hungary's agriculture”) issued by the Research and Informational Institute for Agricultural Economics (hereinafter referred to as ÁKII), 1992.

Table No.1.

	Area 1000 hectare	Distrib- ution in percentage
Total land in the trusteeship of farmer's co-operatives, as per 15 July 1992	5596	100,0
Including: privately owned	2028	36.3
state-owned	154	2.7
collectively owned	3414	61.0
Land claims lodged by the Idemnification Offices	2431	100.0
Total land actually appointed for indemnification purposes	1873	77.0
Land intended to be allotted to members and employees owning no land	814	23.8*
Collectively owned land remaining, in excess of indemnification, with the farmer's co-operatives	764	22.4*
Collectively owner co-operative's land appointed for indemnification purposes	1806	52.9*
Expected actual revenue from the land appointed for indemnification purposes	537	28.7**

* In the percentage of collectively owned co-operative's land (3414 thousand hectares). The amount makes out 100 percent with a difference of 0.9 percent as this land is, at the same time, the source of a purchase pursuant to lasting leasehold, too.

** In the percentage of the total appointed area (1873 thousand hectares).

Source: Ministry of Agriculture - AKII: A földtulajdon rendezés és a vagyonfelosztás helyzete a mezőgazdasági szövetkezetekben (Situation of land ownership arrangement and asset allotment in the farmer's co-operatives). Budapest, August 1992.

As to land ownership, the change of political regime set the objective of creating the dominance of private ownership and the Act on Indemnification and on the Transformation of Farmer's Co-operatives served this purpose. As to its extent, the **effect of the Indemnification Act is the most significant** in form of a limited indemnification due to the erstwhile owners and their successors, respectively, and in form of a free-of-charge allotment of land for those owning no land, redeeming the total dispossession by one or one and a half hectare of land, being - in fact - of symbolic worth only. Finally, the collective co-operative landed property will completely cease to exist by these two kinds of indemnification and by applying the asset allotment principles when distributing the remaining land to the members of the farmer's co-operative.

The land claim for indemnification which was communicated to the farmer's co-operatives by the competent local offices, in terms of the so-called gold crown value expressing the size and quality of land at a time, covered 71 percent of the total land available for allotment. This, however, could be acknowledged by the co-operatives to an extent equalling to three quarters of they were compelled to do so, respectively, as the allotment of land to members and employees owning no land (up to the previously mentioned extent of one or one and a half hectare of land per person, i.e. of thirty or twenty gold crowns) was acknowledged as a claim of equal force. Accordingly, the farmer's co-operatives have to put 63 percent of their collectively owned land at disposal, meant for literal indemnification and they may use 24 percent of it in allotting land to their members on a uniform and equal basis. As for the latter, the claim for utilization is almost absolutely there, while as for the part of the available land which is meant for indemnification we can make estimates only. Namely, the amendment to the Act made the situation incalculable and

the speculative intention has become dominant in acquiring landed property by right of indemnification. To a survey conducted previously, the utilization of the appointed land is expected to be of a share of 57 percent but there is a great uncertainty and delay in this regard.

The uncertainty concerns both parties, i.e. the farmer's co-operative and the prospective landowner. Namely the co-operative - to be more precise, the community of those working in the co-operative - is unable to prepare a realistic economic plan till the clarification of ownership is concluded in fact, it - in most instances - does not even know if it may or should cultivate the land appointed for indemnification or if it is worth doing so. The situation is worsened by the crisis developed in the agriculture and by the political tension, partly resulting therefrom and partly being generated. The co-operative leader's claim, whereas every decision made by them in the present situation is objectionable, is justified, as there is no realistic standard for judging their activity.

We have no detailed and reliable information on how many people may be concerned by the indemnification by way of allotting land to them; this may figure out up to 500 to 700 thousand persons. If we only consider those claiming major sizes of land, we may even expect at least 300 to 400 thousand new owners, with an average land size of three to five hectares. Of course, the average figure may also imply those acquiring land sizes of twenty to forty hectares, especially because of the fact that the sales crisis of agricultural produce sorts reduced the price of land to an unrealistically low level. The fact that one hectare of plough-land of average quality can be acquired by investing indemnification coupons in a value of 10 to 12 thousand HUF, implies incalculable hazards and consequences. It is enough to refer to the fact that there is no upper limit to the size of acquirable landed property, or to the fact that the market also devalues the land of the actual owners accordingly.

The large camp of those "indemnified" is increased by at least 400 thousand farmer's co-operative members owning no land but becoming "owners", with an average land of 1 to 1.2 hectare. Thus, even to the most moderate estimate, three-quarters million new and a quarter million old landowners will share five to six million hectares of land. Most of them are expected, by virtue of their social status (pensioner, working in town, not engaged in agriculture by occupation etc.) or by virtue of their economic position (having small land, having no means, capital necessary for private farming) to first leave their land in the co-operative or to find other leaseholders for themselves, then, after waiting till the prescribed term expires, to sell their recently acquired property, due to them, for a "great deal of money". For a smaller part of them, this land may be the source of supplementary earnings of vital importance since many of them lost their jobs and, with the termination of household farms, the pensioners are compelled to cultivate their land by themselves. By all means, it would be in the natural interest of most new landowners to strengthen the farmer's co-operatives, due to the small number of private enterprises thinned out by initial miscarriages. The fact that the rural population seeks to achieve an arrangement, wisely and being ready for compromise, indicates the recognition of this necessity.

Allotment of the co-operative asset

Pursuant to the acts passed in 1992, the co-operatives have to distribute, when being transformed, their whole asset to their members, employees and to those persons and successors of such persons who claim a part of the asset (erstwhile workers and their successors).

The distribution of the asset - the principles of which are laid down in an Act, also appointing a deadline for implementation - requires answer to at least four basic questions:

1. Who may lay claim to the asset?
2. Upon what principles did the entitlement emerge

and what principles are to be considered when performing the distribution of the asset?

3.What is the size of the asset to be distributed?

4.In what form do those entitled receive their own asset?

The first question is answered by the law but the second one is just partly determined by a supplementary legal provision. This sets two limitations as requirement:

- the extent of asset contribution is to be acknowledged in a volume of at least twenty percent in distributing the total asset;
- and the worker's co-operating performance should be regarded as a basis of asset distribution at least to an extent corresponding to forty percent.

The members of the farmer's co-operative could choose of three options to answer the third question:

- to accept the present, actual asset records being objectionable from rather many aspects;
- to apply an expert's estimate (property assessment);
- to intermingle both aforementioned options and, where necessary, to supplement the existing records by the expert's assessment.

Of these three options, the 146 co-operatives interviewed by the AKII's Informational Directorate as per the 25th of September 1992 chose the first option in 79 instances (54 percent), the second option in 21 instances (14 percent) and the third option in 46 instances (32 percent). Expert's estimates were made, in general, where the members decided on the actual restructuring of the corporate scheme, on a separation or demerger in a considerable number. It should by all means be mentioned here that, in lack of an actual market and consolidated economic conditions, even the best and most thorough valuer cannot declare the actual worth with certainty. The consequences of this, can still become very heavy burdens in respect of future separation, demergers or any other asset movement (foundation of a new company, internal organizational decentralization etc.), especially if the extent of these would be greater than experienced at present.

It is indicated mainly be the attempts made by state farms to sell their assets that a very great asset- and value loss is caused by oversupply and lack of demand. Since the population has limited own resources or none, and since the burdens and high risk of utilizing credits keep the investors away from the outset, it is natural that **the forced equipment and building sales result in the wasting of the asset**. This process may as well start if closure and winding-up would occur in large numbers.

Finally, pursuant to the law, the co-operative collective asset will be distributed to the owners in form of share certificates or business shares (extending the rights from the actual members to the circle of erstwhile members and their successors, too. These owners have strongly been limited in their ownership individually but, together, they have still been actual owners. In connection with the foregoing, we may encounter several interesting statements and arguments contradicting one another. Some would extend the circle of asset distribution still more and some draw a parallel between those working in the farmer's co-operatives and those working with state-owned companies and judge the final result as negatively discriminative to those still working in co-operatives.

In the framework of asset distribution, the future of an asset of 260 billion HUF had to be decided on. This amount includes 11.8 billion HUF being due to the current co-operative members in form of share certificates, both active workers and pensioners. This amount is payable by the co-operative upon the termination of membership, at least at face value. Its average value is 20.9 thousand HUF (Table No.2.)

Table No.2.

	Asset distribution		Distributed asset	
	those concerned (1000 persons)	asset value (million HUF)	per-capita value (1000 HUF)	percentual division among owners
Owners of co-operative share certificates altogether	561.7	11.8	20.9	100.0
Including:				
active co-operative members	257.0	6.2	24.2	53.0
pensioner co-operative members	304.7	5.6	18.1	17.0 ¹
Owners of co-operative business shares, altogether	1143.4	247.3	216.3	100.0
Including:				
active co-operative members	288.6	100.4	348.0	40.6
pensioner, co-operative members		95.7		
co-operative employees	350.7		272.8	37.7
outsiders (ex-members, their successors, other persons)	20.4	2.3	112.5	0.9
	483.7	48.9	101.1	19.8

Source: Ministry of Agriculture - AKII: A földtulajdon rendezés és vagyonfelosztás helyzete a mezőgazdasági szövetkezetekben (Situation of land ownership arrangement and asset allotment in the farmer's co-operatives). Budapest, August 1992.

The most difficult task in respect of asset distribution is to identify the size of business shares, as the differences in performance during the increase of the asset should be enforced here. We dare say that this task tested the force of co-operative members and the concrete final decisions resulted in severe conflicts of still inassessible effect and in **forced compromises**. The one group of difficulties was partly due to the deficiencies in records, the other group was due to the change of the equipment value in the meantime, the third one from the confrontation of legal, economic and moral considerations, while the fourth one was due to the severe, substantially unsolvable measuring of the actual performance in increasing the asset. Compromise-based decisions were fostered mainly by the patience of the peasants and by their recognizing the fact that they should come to an agreement in the various issues as soon as possible, for the sake of future co-existence, otherwise the economic management- and operating conditions, becoming more and more intransparent anyway, would become fully disintegrated. Yet, there are many instances for how much the atmosphere not having had been inobjectionable so far was still worsened by the principle "no more co-operation than is shown by pigs at a trough" which was adopted by people stirred up and cheated, and by the leaders and members counterposed to one another.

From Table No. 2. the following main conclusions can be drawn:

- the active aged members and employees have, from now on, as few as forty percent of the co-operative's asset, i.e. those who have so far been engaged in agriculture, more precisely: in the co-operative agricultural companies, by occupation. It is them from whom the proper and cost-efficient operation of the legally distributed total asset can be expected but who will be, from now on, employees of minority share and whose former, alleged wage-worker status was to be eliminated by the law.
- the pensioner co-operative members have got into an economic position being almost identical with that of the active workers, whose ownership status is also identical (in the old and new co-operative scheme alike) with that of the active workers but for

whom the asset share allotted to them does not mean an employment opportunity but only a supplementary source of income. The future of the new enterprise (co-operative or economic partnership) greatly depends on their decision (by virtue of their decisive share), including the business policy to be followed;

- those, already being outsiders today, have received twenty percent of the asset, as prescribed by the law among whom there are just a few who would undertake to operate (collectively or individually) the asset share allotted to them. Their voice in the future of the asset can still be decisive (they may be, in some instances, even the tongue of the balance), partly also depending on what position, status they might acquire in the remaining legal successor after the effected transformation. If they become members of the new co-operatives, they may acquire an influence exceeding their asset share even by several times, as their number is greater than that of either the active or pensioner co-operative members, in fact, their number is hardly less than that of both groups altogether (57 to 43)! We can only hope that those living on agriculture by occupation will realize their interests and exercise their rights and hinder the changes that would be so disadvantageous to their future.

It is evident that there is a conflict of interest between workers and non-workers, between those having been members of the co-operative and those emerging recently as owners having been outsiders so far, between those interested in the reasonable operation and increasing of the asset and those only wanting to gain profit abruptly and as much as possible etc. Now, no one knows how to resolve these conflicts.

If we consider the results of asset distribution and land allotment in form of indemnification and allotment etc., we may recognize the differences of interests as demonstrated schematically by Table No. 3. The justification of the schematic diagram could only be confirmed by a concrete data processing performed for this very purpose but, to a labour hypothesis, I deem this form of demonstration definitely useful.

It is worth referring, in brief, to the fact that, by interpreting the Act on asset distribution, how the members of the farmer's co-operatives decided, on the basis of aspects determining the asset shares.²

2)

Source: the AKII survey already referred to.

Schematic review of major concerns developed after the transformation of the land ownership scheme and after the distribution of the co-operative assets

Table No. 3.

Description				In a good co-operative		In a medium co-operative		In a bad or bankrupt co-operative		
				p o o r	a v e r e	w e a l t h y	p o o r	a v e r a g e	w e a l t h y	p o o r
co- op- era- tive mem- ber	active aged	young	w/o land	+	+		+	+		+
			a/w land							
		medium	w/o land			+		+		
			a/w land			+		+		
		old	w/o land							
			a/w land			+		+		
		pensi- oner	w/o land							
			a/w land			+		+		
		outsider	w/o land	+						
			a/w land							

Note: the „+” marks included in the Table No. 3 indicate the occurrence of great probability, to the author's estimate. The categories are not exact, thus those having one or two hectares of land are considered to be persons having no land and those having a small asset share are regarded to be poor; etc.

Distribution - on an average - takes place as follows (in percentage):

- to the size of contribution to the asset of the co-operative 10.4
- to time spent in membership 19.8
- to the number of years worked 37.6
- to personal labour performance 26.9
- to other aspects 5.3

It deserves attention that, as it can be seen from the foregoing, the dominance of spent and worked years resulted in the complete ousting of the asset distribution to labour performances, i.e. in the extreme enforcement of the levelling policy.

Situation report on the transformation of co-operatives

In the activity mix, employing ability and management scheme of co-operatives, substantial changes have been taking place for years, to which - upon the effect of intensified signs of crisis - a forced internal restructuring has added which also affected their corporate and organizational order basically. Its major features are as follows:

- the quick-pace decline of the so-called non-basic producing and servicing branches creating acceptable job opportunities to the co-operative members and to their family members, granting higher profitability than the average level before;
- after the narrowing of agricultural and non-agricultural activity, a reduction of manpower by 133 thousand people was performed in the year 1991 alone. Most people who left the co-operative have become unemployed;
- the profitability of agricultural activity has worsened rapidly which resulted in a decrease of the real income of those working in agriculture, being of an extent greater than that of any other social stratum; and - with the companies - it has led to using up the asset and to a quick-pace indebtedness process;
- finally, mention must be made on the evolvement process that, from 1987 on, first became accelerated then in the first phase of the change of political regime (in the framework of a political pact between the then power-exercising stratum and the opposition) it was, regrettably, frozen - granting excessively much time to an almost two years long preparatory debate, legislation. This stopped evolutionary process with a longer period of transition emerged with the demand for integrated development. No doubt that it left the issue of ownership in the haze, in several regards, it did not want to grant an indemnification from the co-operative asset in kind and adopted the existing co-operative as starting points which it basically considered to be reformed. The winning standpoint of those exercising the power prescribed a radical and prompt transformation in ownership and farm type alike, though - as to the latter - it granted the opportunity of choosing out of the appointed forms, for those concerned. Even this poor consolidation constitutes the target of constant attack, and in the first days of 1993, the most conservative forces wanted to restrict even this narrow scope.

Now we have rather uncertain pieces of information on the transformation. It is nevertheless sure that we have a more precise picture on a field of companies being more consolidated than the average, as the proportion of those expected to cease without having any successor is only 6 percent, with a share of 23 percent of co-operatives in it which declared bankruptcy. It is not disputable either that this difficult procedure was closed by those farms where the size of demergers and the transformation into potential economic partnerships were not significant either. Thus, as an appropriate solution, the co-operative and its new, official formation respectively, remained existing.

In fact, for specialists being aware of the situation, considering the realities of past and present objectively, the decision is not surprising whereas **more than 91 percent of those has - for the time being at least - remained members of the new co-operative** and less than one percent of them chose the way of individual separation, i.e. the private farming. A more tinged picture is gained from this decision if we compare the number of those separated with the land they took with themselves. The land of a few hectares insufficient for establishing and sustaining an independent existence indicates that the most frequent intention is to conduct supplementary, ancillary farming. Furthermore, it is also a fact that most of those intending to separate - to my experience and knowledge gained at interviews -

do not proceed to undertake mainly in private farming but in catering, trade or to simply buy their dwelling houses they have rented so far from the co-operative or to acquire other real estate they consider to be useful.

This picture is not changed by the formations of Table No. 4 and 5 somewhat differing from one another. The former shows the status as per larger number of announced intentions to separate, whereas the latter one shows the actual picture reflecting the status after completed transformation, for less companies. In fact it may as well be said that the observation applies to this as well whereas, in respect of final decisions, the (often forced) adherence to collective farming is stronger than the intention announced on the occasion of preliminary interviews. To my experience, many co-operative members realize, step by step, what full independence would mean to them at all, what the risk increasing thereby and what the loss of services, support having received so far from the co-operative would mean. As for the so loudly announced intrigues of co-operative leaders, if there is a precedent for that (and why it would not be), this is, in reality, not decisive; the disillusionment of co-operative peasants is decisive in this regard. Their realizing that **they have no land, equipment, money to undertake full time private farming being, even in optimum case, of absolutely insecure outcome.**

It is much more important than that whereas the part-time small-scale production of supplementary trait, formerly called ancillary, household farming seems to strengthen - at least in relative terms which paradoxically is mainly jeopardized by the weakening of the large-scale farms' economic servicing ability.

The number and significance of separation from the co-operative by groups are greater than that of the individual separation. Here, a real entrepreneurial intention can be observed already in several instances and it is frequent that a larger family, in some instances with their relatives not being co-operative members but having external land and business share, establish a partnership of legal or natural entity. These - irrespective of how they are called - preserve several co-operative traditions in most cases and, in fact, they are often operated in co-operative form.

Table No. 4.

Trait of changes	Concerned members and employees		Concerned area		Business share		Per-employee		
	num- ber	pct	ha	pct	worth in million HUF	pct	land ha	busi- ness share 1000 HUF	num- ber of co- ops. con- cern- ed
Intention for demerger	4028	2.0	13860	0.8	1133	1.5	3.4	281	14
Intention for indiv. separation	9579	4.7	18604	1.1	3752	4.9	1.9	392	320
Intention for separ. in group	11573	5.7	35238	2.1	4641	6.0	3.1	402	116
Land claim of outside owners	-	-	19181	1.2	-	-	-	-	261
No intention for change	-	-	-	-	-	-	-	-	39
Intention for change in the interviewed co-ops. altogether	25144	12.4	86883	5.2	9527	12.4	2.7	379	408
Corresponding data of all interviewed co-operatives	*	100.0	1646688	100.0	86013	100.0	8.1	422	408

* Number of all members and employees incl. pensioners. The number of active members is 91335; compared to this figure, the extent of all changes is 4.4, 10.5, 12.6 and 27.5 percent.

** Considering only the members and employees and their land claim.

Source: AKII Informational Directorate: A szövetkezeti átalakulási folyamat jellemzői a mezőgazdaságban (Features of the co-operative transformation process in the agriculture) Survey of 25 September 1992, Budapest, 12 October 1992.

The previously mentioned separation of groups, the demergers and the self-supporting private enterprises are often forced steps (mainly in the case of bankrupt or wound-up farms) but this can, in general, not be checked satisfactorily. Yet, it cannot be doubted that in the case of co-operatives that have become bankrupt, the members have in fact, no other choice than to attempt private farming, even those having no business share or production means acquirable for such a share laying the foundation of their existence either. The future of these people is still insecure and the small-scale farms each operating in an area of 2 to 3 having hardly any production equipment, not expecting any assistance from bankrupt large-scale farms, will have to face a difficult, often unmerciful future.

However, it is worth paying attention to the fact that in some of the newly established co-operatives a smaller, so-called internal enterprise will be launched which already indicates the revival of the decentralization process that strengthened in the late 1980's, and also the germs of the holding type operation of the co-operative. We also know about private enterprises of 300 to 500 hectares where two or three people cultivate the leasehold and conduct profitable farming activity of extensive trait.

The new co-operatives - apart from a few exceptions - are of productive type. This is also natural as their profile could not be modified from one day to another if they wanted so and everything indicates that the members have no basic intention to change. As it is natural too, that even if slowly but the dominance of servicing, trading activity, the integration, organization of the member's private production of ancillary trait, i.e. the building of a co-operative continues to be considered as ideal everywhere.

Table No. 5

Trend and extent of the changes that have taken place in the co-operatives under survey

Description	Concerned original co-operatives	Established new			Members and employees			Land			Business share	
		co-opera-tive	Co. Ltd. by Sha-res	Co. Ltd.	other part-ner-ship	pvt. corp.	number person	div. pct.	ha	pct	mn HUF	pct
Transformation into new co-operative	135	132	-	-	-	-	53.337	91,5	361	89,7	21.4409	94,0
Transformation into legal partnership or other organization	-	-	-	-	-	-	-	-	-	-	-	-
Expected to cease without legal successor	9	-	-	-	-	-	2.972	4,7	11.502	5,0	249	1,1
Occurred: demerger, individual separation	58	1	-	-	-	229	492	0,8	2506	0,0	231	1,0
group separation	14	9	-	5	2	-	1.097	2,9	7.865	2,0	764	3,4
Taking out of land and business share by/of outsiders	75	-	-	-	-	-	-	-	8.252	2,1	112	0,5
Total	146	142	-	5	2	229	58.325	100,0	402.329	100,0	22.771	100,0
Land appointed for indemnification	131	-	-	-	-	-	-	-	165.927	41,2	-	-

The continuance of the previously known good experience is expected by both parties from the animation of the market, from the overcoming of the agricultural crisis and in fact, the fruit of the household farming becoming more and more important from the 1960's on could grow ripe to the most extent. Now when the political barriers have ceased, the economic considerations may be determinant.

Anticipated future development of co-operatives

The future of farmer's co-operatives is determined by two factors. The first one is the crisis afflicting the whole of the agriculture which - we may well say so now - affects the large-scale and small-scale farms alike, i.e. the whole producer's circle. In the soonest possible resolving of the crisis, the improvement of market conditions, the cancellation of credits in part or in whole and their re-scheduling might play the main role. Yet, in the longer run, the task is to create the conditions of a profitable and competitive production. To achieve this, one of the indispensably first steps is to remedy the current impossibility. It is by all means in the interest of the state to help the producers out of their current hopeless position because without this they have to face severe troubles even in the domestic food supply. The first signs of this have already manifested themselves though the extreme weather of the year 1992 played an important role in this.

Another essential component of the future of co-operatives was the conclusion of indemnification matters becoming more and more contradictory, the quickest possible settlement of the land issue. This, in fact, does not so much concern the ownership of the co-operative as a community but that of the members becoming private owners and it keeps the co-operative - till the indemnification process is ended - in suspended position.

The contradiction wheras the cultivation of lands of uncertain future would though be in the interest of their current user and prospective owner has become especially sharp, however, without due guarantees, not every farm dares - or can - undertake this. The

prospective owner and its intention, too, are unknown and, even if the prospective owner would, after the land would pass into his ownership, only reimburse for the costs of cultivation, which would be an optimum case, it would cause several losses to the current companies struggling with liquidity problems. This could only be helped by governmental guarantee and by declaring the status of Hungary's being a constitutional state; however, instead, only the anti-co-operative voices become louder and louder.

Provided that the market and indemnification issues would be settled in one or two years, a new stage would be opened up for the co-operatives after their transformation. It is certain that the present transformation processes and those having taken place till now do not provide a due basis for making projections as the announced governmental, political efforts do not either sufficiently motivate those living on agriculture to make duly unambiguous decisions. Instead, we may rather project the former processes ahead, of course combining them with the prescribed changes in organizational framework and with the changed economic conditions. Based upon all this, we **may expect the following major processes of change:**

- a./ The non-productive profile, in particular the servicing activity continues to strengthen. The partners are mainly the members, mostly their ancillary farms, but, in fact private farms of growing number and constituting a source of self-supporting existence should also be reckoned with. It is essential that in principle there is no difference between both of them, in fact, the ancillary farms mean a less subdivided demand (in consequence of the anticipated consolidation of the so-called integrated production.)
- b./ It is anticipated that the decentralization processes inside the co-operatives will strengthen. The producing and servicing units become units conducting independent economic management activity, co-ordinating their whole activity by themselves and assuming total financial liability which is urged and stimulated mainly by the existence of concerns being much more differentiated than ever before. Yet, following the intensification of differences (conflicts) between them a process of re-arrangement will start and the articulation of interest might bring about groups not known before.
- c./ The self-supporting farming is extending at an accelerating pace corresponding to the pace of the consolidation of market conditions. It is to be clearly seen that the major part of the private sphere will comprise ancillary farms, i.e. the survival of the labour-intensive and land-saving farming activity conducted by non-full-time farmers and it will also comprise their differentiation in an even distincter manner than before. In other words, the commodity-producing profile will strengthen and the transitorily intensified self-supporting small-scale production will remain at the present level or it will diminish, in relation to the stagnation or improvement of living standard.

To allow larger private enterprises to extend, there will be need of settling the crediting problems and those relating to development projects, in addition to the improvement of prosperity conditions. In this field, we are still at the outset, not so much due to the lack of a rural banking network but rather in consequence of the unsettledness of credit guarantees and of the disadvantageous trait of the current crediting conditions.

d./ As a matter of fact it is expected that, in the near future, co-operatives in a number almost equal to their previous quantity (i.e. 1200 to 1400) however employing much less people and having smaller land sizes will operate in Hungary. During the transformation processes, 85 to 90 percent (1100 to 1150) of the co-operatives having existed so far will be transformed into a new type co-operative and, via demerger or by way of founding new co-operatives, a further amount of even 2 or 3 hundred new co-operatives, or so, will come into being. Economic partnerships will also be established, about one hundred and a few, in form of companies of limited liability and as companies limited by shares. Yet, one or two hundred co-operatives are likely to be terminated without legal successor, mainly due to the

bankruptcy of the enterprise and to the economic winding up and, to a smaller extent, by way of the voluntary decision made by the members. Either, the number of those co-operatives cannot be estimated which will though be transformed into new co-operatives or economic partnerships but, due to their debts and liquidity problems, they will not be able to bear the burdens to be imposed on them by the coming one or two years and they will necessarily be wound up. To avoid this and, more precisely, the existential impossibility of the several thousands of families behind them, appropriate state intervention would be required since the experience gained so far indicates that the impoverished co-operative peasants are unable to re-start production as private farmers on their own resources.

Mrs. VISSY TAKÁCS, Mara: A SZERVEZETI ÉS TULAJDONI ÁTALAKULÁS, VALAMINT A MEZŐGAZDASÁGI TERMELÉS MŰSZAKI HÁTTERÉNEK ÖSSZEFÜGGÉSEI (Correlations between the organizational and ownership restructuring and the technical background of agricultural production) *Budapest, AKII, March 1993.*

The socio-economic processes taking place in the agriculture radically change the equipment mix and ownership of the sector, however they cannot decisively change its developed, relatively homogenous, large-scale farm structure.

To restructure any sector of the national economy, in addition to the available legal background and intention, it is indispensable that the technical basis servicing the new structure and mobile capital be present.

The technical structure of the Hungarian agriculture reflects the development concept of the recent years, with an extremely bad technical condition. **The present equipment mix might become suitable for servicing a considerable change in the production mix and land sizes only by way of a considerable capital injection.** Yet, the lack of capital is a much greater obstacle to restructuring than is the disadvantageous structure of the capital equipment stock with its poor technical condition, respectively. **Therefore, the restructuring of production mix and land sizes can be expected to take place at a pace at which also the technical conditions can be created.**

The process of restructuring can be quicker in respect of machines and equipment, while in the case of buildings and complex plants a slow change is to be reckoned with, and the entire change is expected to be completed well after the millenary.

The sector has the chance now to have a new, independent, "tailor-made" image being already free from any external compulsion and to rise to European standard with state assistance only.

During the asset privatization, 20 to 30 percent of the land and no-land asset shares passed into the ownership of outside owners, and about 40 percent of it passed into the hands of pensioners and annuitants. Accordingly, the active members operating the equipment have only a less share in the collective asset. This new ownership situation generates conflicts of interest between the active members and outside members and pensioners, respectively. The opposite objectives lead to the further worsening of the worn-out capital equipment stock being of poor technical condition anyway, to the growth of fallow grounds and last but not least to the worsening of human relations in the rural communities.

The capital equipment stock of the sector was featured by a continuous decline from the early 1980's on, which has accelerated over the recent three years. **Now, an equipment asset of strongly deteriorated condition, also diminished in terms of volume, having an unfavourable mix in respect of the changing production mix, is available to the farmers.**

The present capital equipment stock complies, more or less, with the conditions of large-scale production of the restructured co-operatives and state farms, however, the technical conditions of medium-scale private production are not available even now.

The engine stock that numbered as many as 55.3 thousand units still in 1985, **decreased to 44.8 thousand units by 1991.** The volume of machine procurement drastically declined. While in 1990, the machine distributing companies sold as many as about 4700 tractors, in 1991 they sold 1400 units, and in 1992 they sold not more than 1500 units. This year, the total machine sales figure of the distribution companies was by 60 percent less than in the preceding year.

With the growth of the number of farms and with the decrease in the land sizes, a significant lack of machines and equipment presents itself, even today, which will still become more intensive in future.

The machinery background of the Hungarian agriculture does not even comply with the standard of the Western countries provided with machinery to the poorest extent, either in terms of volume or quality.

In the processes of transformation, the farmer's co-operatives started from a more handicapped position than the state farms. While in the state farms, the gross equipment value per 1 ha was 158 thousand forints, this amount was only 76 thousand forints in the farmer's co-operatives. In the farmer's co-operatives the engine output per 100 hectares hardly reaches 70 percent of that of state farms.

In the overwhelming majority of farmer's co-operatives, over the recent years, the debt portfolio has increased to a volume being hardly manageable for the repayment of which the major part of farms chose the most appropriate approach - under compulsion - i.e. the sell-out of livestock and capital equipment, respectively.

Nevertheless, it occurs in some instance that even the whole asset of a farm is not sufficient to cover the debt and, after asset distribution and debt repayment even the re-start and operating ability may be jeopardized due to lack of equipment.

The gross and net values of the agricultural sector's capital equipment have been decreasing continuously, unambiguously reflecting the using up of assets, since 1989. The gross worth of capital equipment never reaches that of the preceding year, the balance between wearing out and making up has ceased permanently.

Since 1988, investment projects have been tending downward continuously.

The investment projects omitted due to the financial difficulties in agricultural production, due to the lack of income and subsidy, threaten even the production bases. As to our integration in the European Community, we have no chance to be competitive under the current technical equippedness.

A great challenge will be constituted for the technical development by the environmental criteria becoming stricter all over the world, by energy-saving and by the wide-spread use of biomass. The present equipment stock hardly complies with these requirements but the gigantic farms brought about in the 1970's were not suitable to achieve this either.

For this very reason, it is not enough to survey the equipment stock alone or to identify the development goals, respectively, but the whole process of production, every section of the product channel need be reevaluated in accordance with the new requirements.

However, to allow up-to-date techniques and technical solutions to develop, sources of development and improvement of the accumulating ability of producers are required.

Mrs. VISSY TAKÁCS, Mara: A KÖRNYEZETKÍMÉLŐ AGRÁRTERMELÉS MŰSZAKI-TECHNIKAI FELTÉTELRENDSZERE (Technical conditions of an environment-saving agricultural production) *Lecture delivered at Gödöllő, Hungary, at an R & D Conference held by the Agro-technical Committee of the MTA (Hungarian Academy of Sciences, 18-19 Jan 1994)*

The extent of Hungary's general environmental pollution is of medium rate measured by European standard, however, it is unjustifiably high compared to the economic achievements. A reason for that is that the production mix and the technology remained

"seated" at the level of the 1960's. It has an impact on agriculture whereas the major part of the machinery is composed of Eastern European products that do not comply with the European norms of the past decade, either in respect of labour quality or technical composition.

The other side of the issue is that the state and economic preferences - till they existed - supported and preferred the procurement of almost only these makes till the change of regime. The purchase prices of machines, techniques were much lower than those of the advanced Western equipment.

Regrettably, the change of regime brought about the only change in this situation whereas now even the procurement of cheap machines and equipment implies severe financial difficulties.

In the developed industrial states, **the development of a radical environmental policy was started in the period of prosperity, at the time of a developed market- and welfare economy.** The need of such efforts hardly emerged in underdeveloped, economically backward regions.

In the countries of the European Community, an extremely variegated inventory of the environmental policy has developed. The selection of a currently suitable instrument depends on the circumstances, on the administrative framework provided by the law, on the environmental damage that need be overcome and on the nature of the problem. Inside the EC, the norms of environmental protection are becoming integrated in an extremely short period, nevertheless, two main schemes of instruments are applied most generally; the one is the principle "**the polluter pays**" while the other one is the principle "**prevention**". Yet, **their most important influencing instrument is constituted by the various subsidy schemes financed out of the joint European fund.**

In Hungary, environmental movements started to conduct their activity as late as in the 1970's, and an institutional scheme of environmental protection began to develop in those years, too. In the past few years, tendencies to eliminate environmental damages have strengthened parallel with the possibility of our admission to the European Community. At the same time, it has become evident that the protection of the environment is an extremely expensive investment hardly repaying in the short run, yet its long-term importance is decisive in terms of economy and quality of living alike.

The process of restructuring alone is not sufficient to terminate those production- and technical structures which acted and are still acting against the establishment of an efficient environmental protection. The illusion should be abandoned whereas **the restructuring and the ownership reform themselves, and the establishment of the market economy, respectively, tend automatically to develop an environment-saving economic management activity and technique.**

In fact, the opposite of it is anticipated.

The creation, renewal of the equipment base necessary for performing the jobs has continued to be a decisive aspect. Without an efficient subsidy, the financially accessible equipment group continues to be that product range being the cheapest, preserving the former underdeveloped, environment-destroying technique by using which we shall again become backward compared to the up-to-date technical-technological standard basically determining the product market.

The relation between agriculture and environmental protection is a manifold, very sophisticated correlation **a very essential element of which is the relation between the production mix and the technical conditions.**

Yet, in the current position of our economy, it is very difficult to authentically speak about the technical-technological conditions serving the cause of an efficient environmental protection. Now the main problem of the agricultural sector is how to survive and how to

remain standing with an equipment background comprising items deteriorated in respect of almost all their elements or being just about to deteriorate. These machines, equipment, plants did not meet the most essential environmental requirements even at the moment of their manufacture or setting up.

It is essential that the intention be there when creating the technical background of the conditions of environment-saving economic management activities, then the awareness of the solution is also essential but the most essential is that the funds and sources necessary for performing the change be available.

This is, however, the one side of the issue only. Also, a firm legal system improves the chances of the environmental economy. Yet, appropriate environmental laws can be formulated once all risks regarded to be substantial and severe will have been clarified.

Now the relation between the environmental damages caused by the agriculture and the correlations of the technical system and production mix are still uncertain and not objectively proven as yet and the damages have not been assessed yet, in terms of money. The judgement of environmental damages caused by the agriculture and, within this, by the technical background is subjective, unfounded and, in many instances, it is burdened with intense emotions. Decisions made under such circumstances do not promote the evolvement in every case.

Prior to developing the basic concepts of technical renewal, the following topics should be subjected to a profound examination and analysis:

- how, why and in what fields has the agricultural production, utilizing the environmental elements in the most direct way, become environment-polluter?
- what material-technical conditions does an environment-saving but economically appropriate technical development have?
- what are the viable ways that can create environment-saving, still effective and cost-efficient conditions of the equipment background and production?

The renewing ownership and production mix of the agricultural sector is able to bear the inherited technical scheme just for a very limited time. An equipment base also complying with the European norms and also considering the domestic peculiarities should urgently be established which helps the creation of harmony between the objectives of socio-economic development and ecological requirements.

To achieve this, scientific answers are to be given to the following questions:

- assess, group, identify environmental damages caused by the various technical solutions and identify the amount of indemnification,
- grade the various processes, technologies, mechanizations, based upon environmental aspects,
- survey the correlations between agricultural construction, mechanization, production, by using a sustainable scheme of requirements in terms of production and environmental protection,
- connection of the environment-saving agricultural technique to the issues of by-product recycling, energy management, ergonomics and efficiency, as well as to new production mix.
- material, technical, economic conditions, sources of environment-saving techniques, the pace of technical change based upon both technical and economic aspects.

It is essential to create the conditions of an environment-saving production also being appropriate in terms of economics, to develop its scheme of instruments. During the development of new techniques, it is to be considered that there is no final technology, but there are plans determining the activities in the long run.

Therefore, the development activity should not primarily be focussed on the details of establishing technical elements but on providing their permanence.

The greatest challenge of the next decade will be constituted by the modernization of the joint European agrarian policy and by our joining that, respectively, the determinant factor of which is the sustainable development and its primary aim is the long-term preservation of natural resources and the attached technical development.

The change of regime which took place in our region and Hungary's approach to the European Community made the environment-related technical development be a direct material-economic interest but its financial coverage and mentality-forming concept are not to be seen even in vaguest outlines.

Our approach and associated membership to the EC require the achievement and introduction of European norms in our country which has a direct impact on the marketability and competitiveness of our products and on the technical standard of our production equipment.

The farms, technical scheme of equipment of Hungary's agriculture comply with the European norms in exceptional cases only. Yet, to allow environment-saving techniques of European scale to develop, a relatively stable land ownership mix and an economic and legal system supporting technical development are required but mainly development sources and the improvement of the accumulating ability of producers are necessary.

WAGNER, Hartmut: AZ AGRÁRGAZDASÁG SZERKEZETÉBEN BEKÖVETKEZETT VÁLTOZÁSOK AZ EK-HOZ TÖRTÉNT CSATLAKOZÁS UTÁN A KELETNÉMET TARTOMÁNYOK PÉLDÁJA ALAPJÁN (Changes in the structure of the agricultural economy following the admission to the EC, after the example of East-German lands) AKII, Budapest, 1993.

The East-German agricultural economy ran an extreme course after the change that took place at the beginning of the 1990's. The agriculture that had been overregulated by the Honecker government and, at the same time, deformed in the interest of politics faced abruptly the technocratic lobby of not only West-Germany but that of the whole Common Market, too, as well as its self-existent bureaucracy, partial prejudices. While, according to the judgements made, the East-German agriculture considered to be incompetent needed a radical reform, they regarded it - despite its actual weaknesses - as a hazardous competitor.

Thus, the decline of the agricultural sector, following the inherited problems and the new measures, was inevitable. But the fact that it became such alarming, most East-German peasant would not have even thought of. The gross production of the sector declined by 30 percent in comparison with the average achieved in the last five years, the livestock dropped to the half to one third of its original level. One of the greatest problems is the unemployment showing very great differences from region to region, which reached even 50 percent in some regions, in particular in the Northern countries where most part of the population lived on agriculture by occupation.

In the agriculture of new lands, the transformed large-scale co-operative or partnership farms continue to play a dominant part even after the turning-point. The number of new farmers or of those re-arranging their old peasant farms amounted to as many as 14 thousand by 1992. Yet, the large-scale farms operating as civil partnerships or in form of legal entity and cultivating 400 to 1500 hectares represented, in the spring of 1992, four-fifth of the total agricultural land.

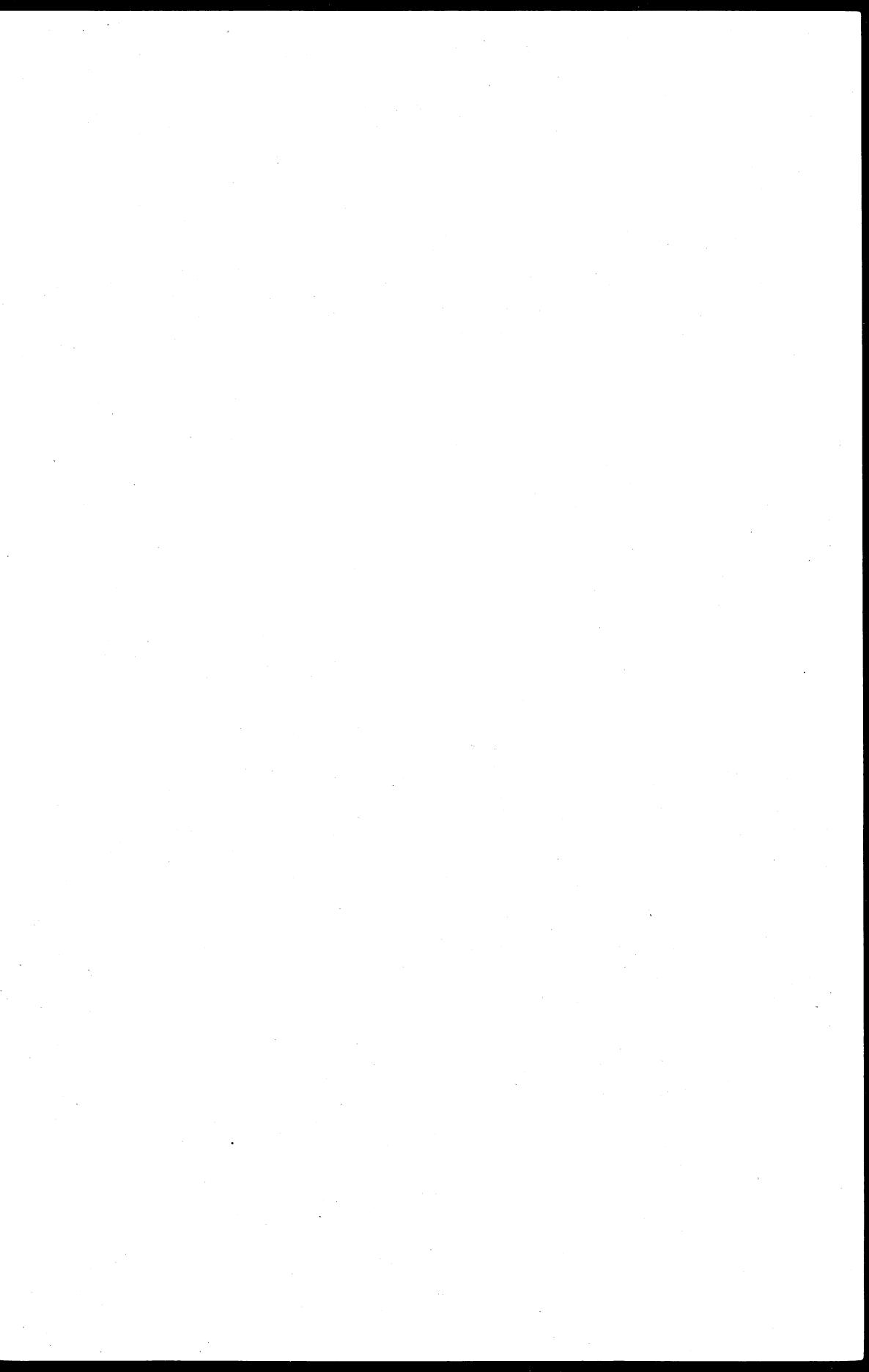
No answer has yet been given to the question whereas, in the East-German agriculture, the small-scale family farms will become the main farm model of the agriculture or the large-scale production will keep its positions. A part of the researches (and not only the East-German ones) expresses more and more the benefits of large-scale farming. However, in consideration of the current events in agricultural policy - except for some exceptional case - a greater chance could rather be given to family peasant farms cultivating a land size 50 to 200 hectares, mainly because it enjoys more support from the current regime.

These tendencies, the partiality of German and EC agrarian policy, deserve attention because it is an essential issue in respect of our admission to the EC how much the agricultural structures (e.g. the latifundial forms based on private ownership, and the wide-range wage-work performed on this base) different from those of Western countries could be integrated in the system of the EC.

The privatization process in the farmer's co-operatives has, in practice, been transformed into forms corresponding to the German law. Yet, in the other big sector of privatization, where the state-owned lands are privatized, more and more disputes have arisen.

The completion of the transformation process is, in fact, impeded, by two substantial problems. The one is the issue of discussing the ownership of real estate and building, because, due to the existing legal uncertainties, not only the necessary investments can be implemented but the sales of real properties or building are impossible as well.

The other substantial problem is to manage the old debt stock, and in connection with this, the provision of generating equity capital by the farms. The old debts assumed by the successor companies of farmer's co-operatives will be cancelled in part or in whole, with the help of the State Property Agency (Treuhand) and, another option is to relieve the co-operatives of their burdens in the balance-sheet, i.e. the rescheduling of credits granted by the banks. As, nevertheless, these measures are in tight correlation with the state's decisions in agrarian policy, the liberty of competition and the equal chance is jeopardized again.



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