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12TH CONGRESS

OPPORTUNITIES IN THE AGRICULTURAL MARKET, WITH
SPECIAL CONSIDERATION OF ECONOMIC TRENDS BEING
DISPLAYED IN CENTRAL AND EASTERN EUROPE

In the last decade of the 20th century, the former socialist states of Central and Eastern Europe stand at the beginning of a new period, due to the fact that the political changes of the 1980's put an end to the decades-old economic fences around the COMECON countries. The countries of the region have found themselves confronted by the challenges of the new market economy, and adapting to this situation caused nationally but region-wide shake-ups in national economies. It can be determined, with respect to agriculture, that the change in political systems caused the most traumatic changes in this branch of regional national economies, in that the decades-old policy of deficit-spending and over-production was overturned. In concrete terms, this meant to Hungary that- as the region's most developed agricultural economy- the loss of its traditional domestic and foreign markets resulted in a series of economic hardship years in the 1990's and, concomitant to this, that the agricultural producer became a major loser in the income game (hereinafter, we will deal with the Hungarian situation exclusively).

It is the ambition of Hungary to become, in the shortest time possible, a member of the EU, in that the EU's regulatory and subsidisation systems can potentially provide help in ensuring the competitive position of farms.

To Hungary, accession to the EU means entering a market of some 350 million persons at present, which could expand to some 470 million persons through the accession of the countries presently undergoing the process. As applies to effects on Hungarian agricultural production and competitiveness, one cannot ignore that it is necessary to adjust to a market for the most part highly regulated, one that appears to be beginning a process of liberalisation, exemplified by the opening of WTO negotiations in 1999, and one that is exceptionally strict, when one considers its position in relation to expectations. Factors exerting a basic influence on ongoing CAP negotiations are the following:

- liberalisation of world commerce
- growing agri-production in conjunction with the accession of Central and Eastern Europe
- change in world market prices

At the same time, we can consider it as probable that supports that have up until now been tied to production will, in the future, be redirected toward income compensation and regional development, in order to help solve the expected political tensions sure to arise in connection with the problems in rural population incomes and liberalisation of markets (the poorly-controlled results of the effects of world market price levels). Each country wishes to continue to produce those goods it holds as most important, and each country's priorities are different. In conjunction with this, development is justified in the areas of Hungarian agricultural supports, as well as in alleviating social, employment, environmental and regional developmental problems touching on agricultural sectors of society. This does not mean that the major directions of the support system for agricultural production should not, at least in the short term, aid in the reconstruction of a capital-poor agricultural industry. It is necessary to improve basic quality, modernise equipment and employ developmental and price-cutting biological improvements in order to help agricultural markets. Equally important are the aiding of the construction and operation of supporting information systems in agriculture. Without these, we can count on being in a disadvantageous competitive position.

It is obvious that the 15 EU countries have based production supports on 100-150 years of a developed ownership and production structure, and that the income situation of family farmers will be taken into account when developing this support structure. It is not to be expected that the unique aspects of Hungarian agriculture will play a large role in the modification of this structure.

Hungarian land ownership has undergone four periods of change since 1945. After the Second World War, the large land ownership system in Hungary disappeared, to be replaced by much smaller-scale ownership. Following this, production collectivisation took place, strengthening "Socialist Land-ownership". The compensation reforms of the 1990's "succeeded" in creating a system of land ownership in Hungary which from the point of view of agricultural production- in terms of efficiency- made not only competition, but production itself untenable (luckily, the asynchronicity of land ownership and use is at present resolving this dilemma). Several years, or possible even

decades will be required before disparate profiles of land ownership and use are in sufficient harmony to produce a working farm-size system, one which may not conform to the EU's farm structural model, and which may prove disadvantageous to our harmonisation to the EU's support system. However, it is also a fact that in the EU, farm size is growing, and there exist many large-scale farm operations.

Along with this, EU agri-policy can create a good climate for production, one in which it is necessary to produce high-quality, environmentally-friendly goods. In the area of being environmentally friendly, we can say that we are not only in a competitive, but in an advantageous position, while in producing high-quality agricultural goods, there is a lot of work for us to do.

We feel that, despite the difficulties to be encountered in the present situation, Hungarian agriculture has and will continue to have a justified place on the world stage. Some of our products are close to EU levels now, we have exceptional agricultural characteristics and short transport distances also present a large advantage. Besides those results which we have arrived at to date, one of the areas in which we need to go further in developing is the enhancement of the competitiveness of some of our products. A key question is, in the future, "what", "how" and "for whom" we will be producing. Due to the fact that there remain many uncertainties connected with EU accession, it is incumbent on us now to enhance the number of production opportunities, as well as pushing the present production-level envelope and production structure, or the next years will prove difficult indeed.

Beside the role of employment, assurance of living standards for the nation and income, the assurance of a living wage to be gained from production for agricultural workers gives meaning to the agricultural vertice.

It is of note that food industry products maintained and even enhanced their levels in international commerce, but as regards the EU, besides these products, in the second part of the 1980's, this fell from 27.8% to 17.9%, while rising from 3.8 to 4.9 % of commercial income. In the first half of the 1990's, Hungary became a market for EU products, not only in the agri-sphere, but in the rest of the economy as well.

The unfavorable opportunities for the sale of our products indicates that on the basis of prices for export goods, income potential of products is in a general decline. For a large proportion of agricultural goods, a greater investment of gross income than the value of that income is necessary for

production. This is in part connected with the sector's capital shortage and low-efficiency, out of date and misused machinery at hand.

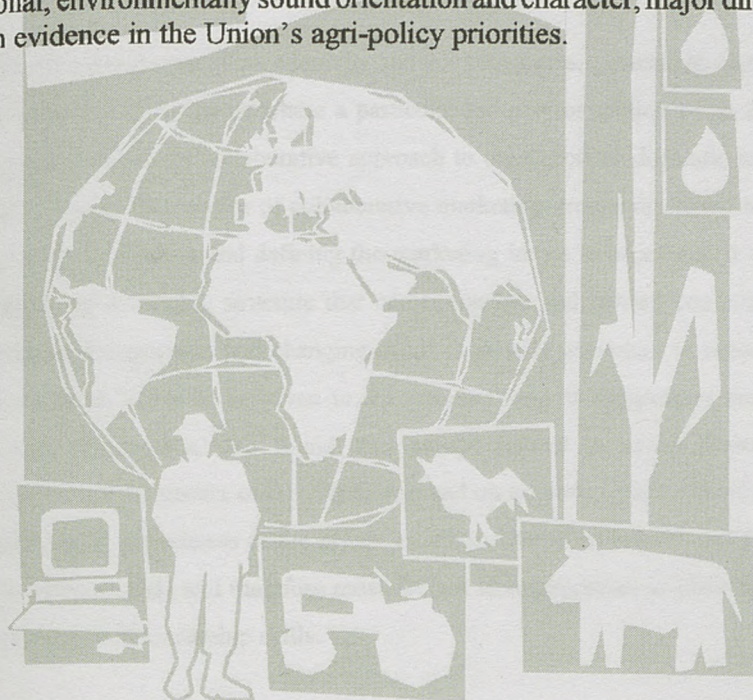
These losses in the international market have combined with a drop in real domestic income and living standards. Price rises, inflation and a drop in national wages have resulted in a continuous decline in consumption of milk and dairy products, meat, meat products and fish. Consumption structure has seen an increase in the role of cereals.

Accession to the Union and to the unified, democratic and developed economies which it entails would mean a large debt of thanks to Central and Eastern European countries in the form of an attainment of national unity and freedom, given the EU's eased- and in the daily lives of its citizens', virtually non-existent- border restrictions. This would mean a great deal to the smaller Hungarian ethnic nation, but also, to the Romanian, Slovene, Slovakian, Croat and Serb minorities, a real solution to many minority problems, since the more highly-developed EU economies would present opportunities to achieve goals that up until now have been unachievable even to those with the best of intentions. Thus, seen from a political point of view, the Union's guarantees of economic and legal well-being would allow the peoples of the Carpathian Basin to better their own lives, and also enable our cultural and democratic traditions, through the assumed broadened scope of a unified market economy, to enjoy greater achievement and strength. Oddly enough, accession would be a blessing if looked at from a food-industry and farm-economic point of view as well, since according to the terms of the goals of the Treaty of Rome, we would have access to market preference, financial solidarity and the advantages of an attained unified market structure.

The practical manifestation of these three doctrines would reach the agri-economy in the form of the EU's protective umbrella, in the yearly more than 3 billion ECU, or approximately 750 billion forints, of financial support and in the opportunities presented by the massive income and export potentials for consumers, producers and commercial businessmen of a unified market.

Accession could also mean a solution to some of the weighty problems facing our agricultural sector as well. Competing beside French, Italian, German or Austrian family farming economies, the best could be brought out of our businesses and cooperatives, allowing us to enjoy the advantages of the European standard of living and highly competitive economies of size. The population of the country, processing industry and export markets could attain to the intensive production operations of large farms- oriented toward reaching optimum energy transformation- in the area of those plant products

in great demand, such as wheat, oilseed, sugar-beet, and protein plants. Local producers, at the same time, oriented toward private and local demand in areas such as fruit and vegetable production and extensive animal husbandry, as well as in rural tourism and services related to environmental protection, could achieve honorable and lucrative- in relation to other sectors of the economy- incomes, in line with national and Union budgetary resources and supports. This could represent in part a modernised form of the Hungarian family farm, and would mean a movement in keeping with the Union's multi-functional, environmentally sound orientation and character, major directions now in evidence in the Union's agri-policy priorities.



IFMA '99

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