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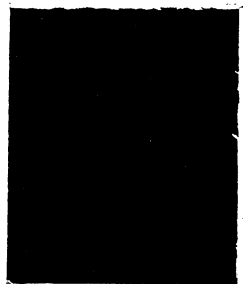
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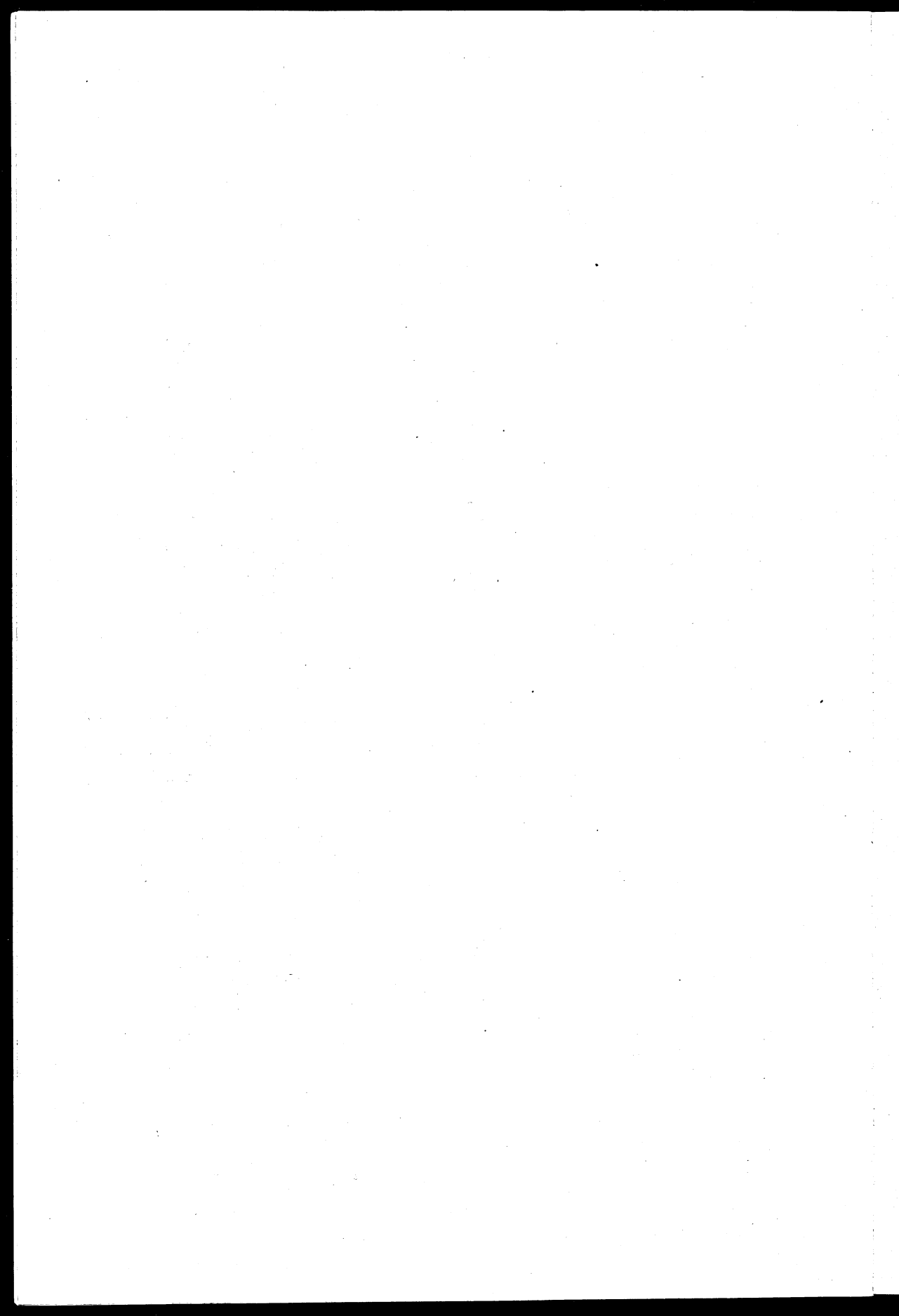


## C O N T E N T S

	Page
INTRODUCTION	9
I. INTEGRATION PROCESS IN EUROPE	13
1. Experience in respect of the expansion of the EC	13
a/ Consequences of joining the EC, in Greece	14
b/ Long process in the Spanish agriculture	15
c/ Austrian preparations	17
d/ Dropping in of East-German lands	18
2. The Community's contractual relations	20
3. Rapprochement by Hungary	21
a/ Negotiations, agreements	21
b/ Foreign trade of agricultural products	23
4. Agricultural markets of the neighbouring countries	25
a/ Our partners, competitors	25
b/ Agricultural imports by the Soviet Union	26
II. OUR INTEGRATION IN THE EUROPEAN COMMUNITY	29
1. Framework of a joint agrarian policy	29
a/ Objectives and basic principles	30
b/ Instruments of enforcement	31
c/ Results, tensions	32
d/ Trends of further development	34
2. Competitiveness of the Hungarian agriculture	36
a/ Comparative advantages and disadvantages	37
b/ Differences in efficiency	39

	Page
3. Agricultural price relations in the Community	42
a/ Regulation of producer's prices	42
b/ The agromonetary scheme	45
c/ Skimming of imports - export grants	46
d/ Price level of production means	48
4. Financial grants and rates and taxes	49
a/ Structural grants	49
b/ Financial liabilities	52
5. Employment- and corporate structure	56
a/ Employment in agriculture	56
b/ Agricultural structure	58
c/ Companies in the food industry	60
6. Infrastructural conditions	61
7. Prescriptions for environment protection, health protection and quality	63
a/ Environment protection	63
b/ Health protection	64
c/ Quality and packing of products	66
8. Institutional framework	67
a/ Organization for market regulation	67
b/ Business federation organs	68
c/ Information system	69
 III. MARKET POSITION OF MAJOR AGRICULTURAL PRODUCTS IN THE EEC COUNTRIES AND HUNGARIAN PRSPECTS	 71
1. Agrarian trade between Hungary and the EEC	73
2. Sectoral characteristics of EEC's agricul- tural trade	75
a/ Foreign trade	76
b/ Domestic trade	77

	Page
3. Recent situation in main branches of crop production	79
a/ Grain production	80
b/ Sugar production	82
c/ Vegetable oil production	83
d/ Other arable crops	84
4. Horticultural branches	85
a/ Market regulation of fresh products	87
b/ Market regulation for processed products	89
c/ Wine market	90
5. Animal husbandry branches	91
a/ Slaughter beef cattle market	94
b/ Piguemeat market	96
c/ Sheep meat market	97
d/ Market of poultry meats	98
e/ Milk production	99
f/ Small animal keeping	100
6. Forestry and wood industry	101
7. Rural (village) tourism	103
8. Efficiency and competitiveness	104
IV. CONCLUSIONS	109
COLLECTION OF SOURCES	125
LIST OF TABLES	131



## INTRODUCTION

Hungary is making efforts to become a full member of the European Community as early as possible, however, in addition to this, to lay her economic relations with the neighbouring countries on new foundations and to preserve same, respectively. The requirements for and anticipated consequences of belonging to the Community have an influence on the whole economy and society of the country and its advantages and disadvantages can be appraised in their whole complexity only. The preparation and implementation of joining the EC constitute a comparatively long process; it makes provision for the gradual adaptation to the EC. This - to the experience gained so far - is of particular significance in the agriculture. Namely, the agricultural production has developed in all European countries more or less isolated from the international competition. The Hungarian agriculture is not an exception to this either.

By assignment of the Ministry of Agriculture, the Research Institute for Agricultural Economics undertook to assess the situation and prospects of the Hungarian food economy if embedded in the EC and to outline the tasks to be solved in the coming years on the way of preparing our joining to the Community. Our analysis is limited to the conditions of full membership: as regards the preparations under way, related to the contract of association, only the information published in the newspapers is known to us.

Our research work involved a wide range of correlations in terms of nature, economy and society; 34 part-studies were prepared in a total volume of about 1500 pages. The summary appraisal cannot reflect all substantial facts identified by these part-studies; it does not make the perusal of part-studies dispensable. We include the list of the studies in the list of source-books.

In our research work, we relied mostly on data available in the official publications of the European Community, on the reports made by international organizations and on sources of the special literature. May be, it is worthy of note that the publications issued by the Community emphasize the positive results of the joint agrarian policy, whereas in the national analyses, one may encounter criticism and often discontent. The statistical data, literary sources could not replace the lack of local consultations.

Our work has been made difficult by changes, of great importance, taking place in the EC: since 1985, the gradual reform of the joint agrarian policy is being implemented; after 1992, the integration will enter into a new stage in terms of quality. The expansion of the Community will be likely to involve the re-thinking of the agrarian strategy, the hardening of the conditions of agricultural production.

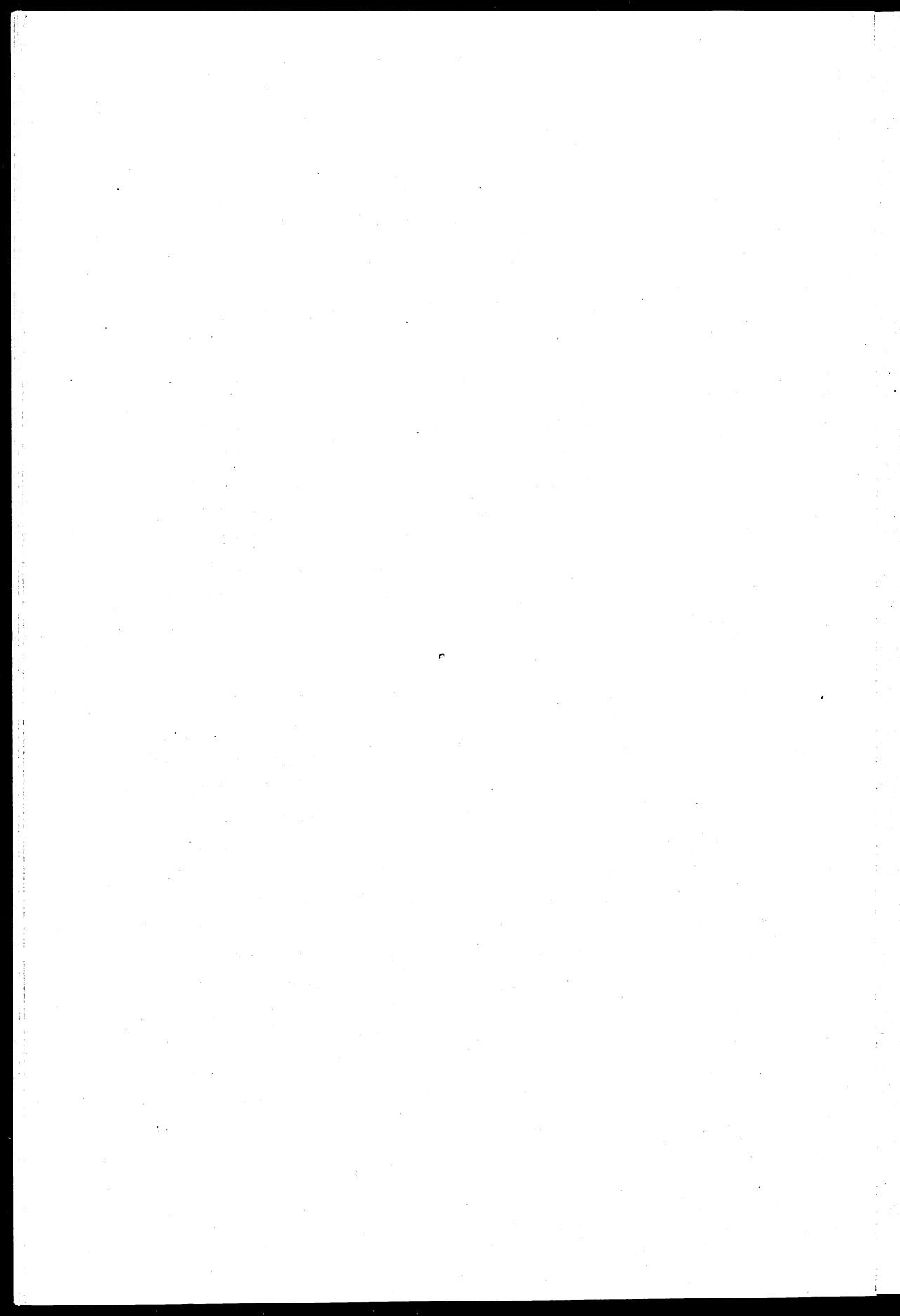
Also the transformation of Hungarian agriculture is under way. Prices, costs could be duly compared by us based upon the data of the year 1988 which cannot be considered as applicable even now and none the less as a reference at the date of our joining the EC. The restructuring of the Hungarian agriculture which is about to commence promises radical changes, too. It is to be hoped that the analyses will also assist in influencing these changes in the appropriate direction.

The study consist three main parts. In the first part, we have reviewed the correlations in respect of the expansion and of the system of external relations of the European Communities' organization, of course from the point of view of agriculture. The second part details the problems of our integration in the Community. It discusses our comparative advantages, disadvantages and the factors of our competitiveness. It tries to compare the financial conditions of agricultural production, to outline the corporate structure, the institutional framework, the infrastructure and the quality requirements. The third part

appraises the market position, prospects of agrarian products by industrial branches and the tasks related to domestic development. Finally, at the end of the study, the most important conclusions are summarized.

The comparatively short time available for us has not enabled us to thoroughly reveal all correlations, to elaborate concrete quantified projections. We think that further analysing, appraising, forecasting work will be needed during the preparation of our joining the EC.





## I. INTEGRATION PROCESSES IN EUROPE

Recently, in the European region, the development of integration ties has become intensive. The Pentagonale, eventually Hexagonale, the Alps-Adriatic, the Czech-Polish-Hungarian approach and the establishment of an integrated European economic region with the involvement of the EC and of the EFTA have been placed on the agenda. One of the incentives of the accelerated movement is the growth of the European Community's attractive force. After 1992, an integrated, borderless market numbering over 300 million consumers will come into existence; countries not included in this market will get into a subordinate position. Another important factor is the termination of the COMECON, the labile economic situation of its erstwhile member-countries, the initial stage of their transformation and last, but not least, the Pan-European interest in the earliest establishment of their market economies.

### 1. Experience in respect of the expansion of the EC

Since its foundation in 1958, the Community has expanded several times: in 1973 the United Kingdom, Denmark and Ireland joined it, whereas, in 1981, Greece and, in 1986, Spain and Portugal. The number of its member-countries has been increased by the East-German lands that have been unified with the GFR. The integration of the agriculture of new member-countries in particular that of the southern countries, is implemented in a longer transitory period, at the cost of compromises which also affect the reformation of the joint agrarian policy. It can be imputed also to this that the protectionism applied in the joint pricing system in respect of "northern" products (corn, meat) decreases in favour of the "southern" agricultural products and in relation to its share of the expenditure related to price guarantee in the financial support of the agriculture which is granted as a compensation of unfavourable conditions.

The application of Hungary, Poland and Czechoslovakia for membership raises still more problems, among others, particularly in terms of agricultural production. The population of these "potential" member-countries amounts to about 63 million, around one-fifth of the EC-12's present population; the mobilizable resources of these three countries are available almost exclusively in branches where, in the EC, an excessive supply exists. The joining of Eastern European countries requires a longer alignment process not only from the countries concerned but it also makes the re-thinking of the EC' strategy necessary. (For more details, please refer to Study No.5.)

Nevertheless, let us be based upon the presently known conditions. We have examined the circumstances of several countries of different level of agriculture in respect of joining the EC. Of the Studies No.1, 2, 3 and 4 we stress the following:

a/ Consequences of joining the EC, in Greece

Whereas Spain's joining the EC was not preceded by any associated membership, Greece was in such status for nearly two decades. Greece was the first the Community concluded an association contract with, in 1962, then this country was admitted by the Community as a member. They set out a transitory period of 5 to 7 years.

It would be difficult to distinctly separate the part which in the socio-economic development of the recent decade was owing to the Community membership and which to other factors.

The Greek agrarian trade was granted more advantage by the former association contract than the full membership as the country could export her traditional export products free of duty even according to the conditions of associated membership; at the same time, Greece could buy imported products at a much lower price than that of the EC's internal price level. The agrarian imports deriving from the Community are covered by

the agrarian exports to an extent of 72 per cent only, compared with the former level of 120 per cent, mainly due to the fact that - whereas the prices of Greece's traditional export items increased by 20 to 30 per cent - a growing part of her imports is bought from member-countries at a Community price being 80 to 100 per cent higher than the world market price.

In the capital inflow in the food industry, the multinational firms play a dominant role. These firms are making efforts for utilizing the comparative advantages and for conquering the domestic market of Greece.

Upon the effect of joining the EC, the income of agricultural producers grew more than previously and approximated to the income of other earning strata. The results are still less than expected; the fragmented farm structure and the one-sided product range, the capital expenditures - despite the growing rate of supports - considerably declined and the competitiveness is becoming worse and worse, gradually.

Greece is given a considerable share in the regional programmes of the Community. Her whole territory is considered to be of unfavourable condition. Greece, between 1981 and 1989 was given back, from the EC's budget, an amount by about 7 billion ECUs higher than her contribution paid to the EC.

#### b/ Long process in the Spanish agriculture

Spain's (and Portugal's) agriculture is, to a certain extent, of complementary nature in relation to the countries having been Community-members for a longer time; both countries produce excessive amounts of vegetables, fruits, citruses, wine, rice, olive-oil, whereas they are not self-sufficient in respect of corn and meat, and the low level of consumption suggests the possibility of further expansion of the market.

The preparation of approaches, satisfactory for both parties, of the admission that became effective in 1986 took a pe-

riod of 6 years; for its gradual implementation, a further period of 7 to 10 years will be required.

The Spanish fresh fruit and vegetables organization was in fact so peculiar that the market regulation of the EC could not be introduced at the time of joining the EC, even in part. The conditions and infrastructure necessary for the operation of the EC's market organization are being established in a transitory period of 10 years. Also, the supports being not in conformity with the EC's regulations will be gradually ceased in 10 years. The former national regulation concerning the exports and imports will remain in force for 4 years. As for the "sensible products", the trade inside the Community may as well be subjected to quantitative limitation.

In the transitory period, the agrarian foreign trade of the Community has prospered in both directions as early as in this stage; in 1989, 63 per cent of Spain's agrarian exports was supplied to the member-countries whereas these member-countries had a share of 46 per cent in Spain's imports.

The restrictive mechanisms of the EC's production - based upon the production level of the period preceding the admission to the EC - are valid from the date of admission onward. Also, the agreements the Community concluded with third countries came into force.

The structure policy of the EC is applied from the date of admission. Thus, the regional grants may be made use of. In addition, the integrated Mediterranean programme extending to certain regions of Spain, Italy, France and the whole territory of Greece was launched.

The initial results of the admission is considered to be positive. The income of agricultural producers increased, the adaptation of the production structure and the inflow of foreign capital in the food industry.

## c/ Austrian preparations

Austria applied for admission to the European Community in 1989. Appraising the advantages and disadvantages of such an admission in respect of the whole economy and society, the Austrians drew the conclusion whereas the advantages of their admission weighs more than the disadvantages thereof, with special regard to the position Austria would get into, after 1992, as a non-member. The admission, however, causes serious problems in the branches isolated from the world market competition, particularly in the agriculture. Upon the effect of the business federations initially opposing the integration and that of the majority opinion supporting the admission, the emphasis is placed more and more on the agriculture's receiving the "price" of the consent in form of grants and set-offs.

The objectives set by the Austrian agrarian policy are similar to those of the Community but, during the implementation in practice, the emphasis is laid, in Austria, more and more on ecological and social targets. The expected effects of the admission can be summarized as follows:

- the level of agricultural producer's prices decreases drastically;
- a significant advantage is constituted by Austria's free access, when being a member-country, to the neighbouring Southern Italian and Southern German markets;
- also considering the change in the prices of production means, a decrease of 8 to 10 per cent is expected in the income of peasants and the domestic production may fall into the background in terms of the domestic market, too. This can be set off by the general boom in the economy, by the increase in employment and by the decreasing rate of inflation in part only;

- the admission throws a new light upon the enforcement of ecological, regional and social aspects in the agrarian policy. An essential objective of the national agrarian policy is to retain the peasants in viable rural regions. Therefore, the handicap of areas with unfavourable conditions is mitigated, in about two-third of the farms, by state and provincial grants. When joining the EC, the upkeep of grants will need to be approved by the Community which fact will be likely to re-arrange the present proportions. At the same time, a part of the regional grants is hoped to be financed by the Community;
- the winners of admission are the consumers and the state budget. The consumer's prices of food-stuffs will be lower than now, the expenditures of the budget spent for supporting the agriculture will decrease, though Austria will be a net payer-in in relation to the joint budget.

#### d/ Dropping in of East-German lands

In 1990, based upon a political decision, the East-German lands joined the German Federal Republic and, thereby, the European Community, without any appropriate background movements.

The problems of the economic environment's rapid transformation are variegated. With the introduction of the economic, financial and social union as well as with that of the free pricing system, a great confusion emerged in the agrarian problems. The enforcement of the West-German agricultural prices involved catastrophic consequences especially in the livestock farming. The German Mark's conversion of 1 to 1 triggered an explosion in prices. The demand in the processing

industry abruptly decreased and the western competition appeared quickly.

The corn prices were compensated by an interinventory purchase of 2 million tons of corn, whereas the market prices of milk and porker are considerably lower than that in the Western provinces.

The change that took place in the foreign trading of foodstuffs cannot be judged as these data were previously kept secret. The chances of the so-called "German internal trade" deteriorated to a great extent, its favoured position ceased. The sales of products of low processing rate and poor quality are without prospects; they could sell 100 thousand tons of pork and 140 thousand tons of beef to the Soviet Union backed by a considerable subsidy.

They commenced the introduction of production quotas. They reduced the milk production by 20 per cent (between 1 July 1990 and 31 March 1991, by 7.8 per cent compared to that of the preceding year). Also, a reduction by 20 per cent is envisaged in the production of sugar beet and potato. A bonus of 500 to 750 DEM/ha is paid, in 1991, for a one-year-long ley-farming of certain fields.

To the transformation of cooperatives, to the establishment of viable individual farms, efficient financial support is granted out of national resources. In the agriculture, the uncertainty of ownership, the transformation of the legal framework and financial difficulties prevail. In certain branches, despite the fragmentizing of ownership, an advantage in the competition is expected from the upkeeping of large-scale production based upon cheap leasehold.



## 2. The Community's contractual relations

The Community concluded cooperation and trade agreements as well as contracts with 120 countries all over the world.

The Community has a cooperation agreement with the member-countries of the EFTA (European Free Trade Association: Austria, Finland, Iceland, Norway, Sweden, Switzerland). This agreement does not concern the products involved in the joint agrarian market regulation.

The Community concluded cooperation agreements with 12 countries in the region of the Mediterranean (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia, Turkey, Yugoslavia), with the developing countries (with 66 countries in the framework of the contract of Lomé) and with oversea territories (with the former colonial territories of the member-countries). These contracts - among others - enables the tropical agricultural products to get in the markets of the EC-countries, free of duty.

The Community established an association contract with Greece (1962), with Turkey (1964), with Malta (1971) and Cyprus (1973). The preparation of association contracts with Hungary, Poland and Czechoslovakia is under way.

The association contract is an agreement promising mutual advantages, enabling both parties to obtain more information on one another and to reveal the problems of admission. An associating country may review the EC's operation, regulations, law and order, trading practice and make preparations for the alignment. Greece is the only country that became full member out of an associated member.

Of course, the contracts concluded by the Community with any third country are binding on a country joining the Community.

### 3. Rapprochement by Hungary

Of the present 12 member-states of the Community, several countries are traditional markets for our agricultural and food products. E.g. the Hungarian cattle has been much in demand in the Italian and German markets for centuries. In the recent two decades, the EC's share in the Hungarian agrarian exports has decreased and the share of Hungarian goods has diminished, too, in the agrarian imports of the Community. A change of favourable trend commenced as late as in 1989. Our review is based upon the Study No.6.

#### a/ Negotiations, agreements

Hungary, due to political reasons, did not acknowledged the European Community as an integration, till 1988. At the outset, we had bilateral, five-year agreements with the individual member-countries but, later on, no such agreements have been made.

Our position was improved by the fact that Hungary was admitted to the GATT prohibiting any discrimination against its member-countries. However, this admission had no significant effect; the Community continued to grade Hungary into the category of "countries of state-owned trade" which enabled a special regulation in terms of protection against dumping. Yet, we could made some technical agreements: in 1980 for sheep and mutton, in 1985 for poultry. We were granted cream-off allowances in return for the quantitative quotas and fixing of prices.

In 1986, the preparation of normalizing the relations commenced, then in 1988, we were the first among the Eastern European countries to sign a cooperation agreement on trade and economy. The Community assumed the liability to completely cut down discrimination till 1995, with the exception of agrarian products. In the successive year, in 1989, the contract concluded between the EC and Poland already included an agricultural chapter, however, as for the sensible products, the quantitative limitation continued to exist.

In 1989, negotiations were carried out on the preparation of three agreements: protection of the wine's origin and its exemption from duty, mutual duty concession on a certain volume of cheese, cream-off allowance related to Hungarian slaughter-cattle and beef. The agreements have not been concluded. In July 1989 at the Paris summit, they decided to grant monetary aid and allowances for getting into the market, for Hungary and Poland. By 1990, in the framework of the PHARE-programme, Hungary was allotted 100 million ECU; of this amount, 20 million ECU were meant to foster the agriculture (guarantee fund for enterprises, financing the education, consulting and studies).

At the end of the year 1989, the allowances of the General System of Preferences (GSP) were extended to Hungary and Poland. The allowances of duty and cream-off are valid for the commodities of the developing countries, in a limited range. The list of goods comprises, in general, products not or hardly produced in Europe. At our request, this list was extended to poultry, salami and goose liver.

Preparations have been under way since July 1990 for the conclusion of the association contract that, as planned, would come into force in 1992, for a period of 10 years. The objective of the contract is to liberalize the trade and to prepare Community membership. The liberalization is asymmetrical: the EC cuts down the restrictions faster than Hungary does. The contract relates mainly to industrial products. Negotiations on agrarian products are under way; as for certain products, an agreement can be made by way of reciprocity.

The association contract does not affect the agriculture's national system of regulation. Yet, it is in our interest to gradually adjust ourselves to the prescriptions, standards, quality grading, information system, commercial organization of the Community. This is the only way we can make use of the opportunities granted by the association contract and prepare for our full membership.

## b/ Foreign trade of agricultural products

The Community's rate of self-sufficiency exceeds, in respect to most of the agrarian products, 100 per cent. Despite this fact, the Community is the largest agrarian importer of the world. In 1988, it imported agrarian products in a value of 132 billion ECU including an amount of 78 billion ECU representing imports from the member-countries and 54 billion ECU from third countries. The balance of the agrarian trade carried out with countries outside the Community was passive; the imports exceeded the exports by 23 billion ECU (Table 17). Of the Eastern European countries, the supplies from Poland represented 799 million, those from Yugoslavia - 765 million, those from Hungary - 665 million and those from Roumania - 135 million ECU.

We can consider our sales opportunities not on the basis of the Community's imports imposed by the present quantitative and financial sanctions but by allowing for the free flow of goods implied by full membership, not disregarding the effects of shipment distances and that of the existing trade relations.

Among the member-countries, huge volumes of commodities change hands; in 1988, 30 million tons of corn, 12 million tons of fresh fruits and vegetables<sup>x/</sup>, 4 million tons of potato and 23 million hectolitres of wine. Also, the trade among the member-countries in respect of livestock-farming was by a great deal larger than the imports deriving from third countries; in slaughtered weight 1.6 million tons of beef, 1.9 million tons of pork, 0.6 million tons of poultry, 0.2 million tons of mutton and they also surpasses half a million tons of egg. It offers a really great opportunity to get into this market, with competitive commodities.

The Community buys, mainly from third countries, 22 to 24 million tons of soybean and soya grit, however its imports are considerable in every respect.

<sup>x/</sup> Figure from 1987.

We can project our sales opportunities not on the basis of the foreign trade data of the Community as a whole but based upon the assumable possibility of market expansion in the individual member-countries.

In 1989, 80 per cent of our agrarian exports to the Community was supplied to three countries (GFR, Italy, France). The trade volume to these countries is likely to be expanded based upon the already existing relations than in the other countries. The size of these countries' total agrarian imports informs on the fields of this trade in which the Hungarian share was as little as 1 to 2 per cent only (Table 18). It is not of minor importance that we also have a similar share in the agrarian import of Greece. The increase in our share will depend on the competitiveness of our agricultural products. Yet, we cannot reckon with a considerable increase in the exports of mass products. Nevertheless, we can appear with our special, processed products expressing favourable Hungarian conditions not only in the countries in question but also in the market of each member-country.

The opening up of borders means the mutual liberalization of trade. At present, we export six times as much agricultural products to the Community as we import therefrom. Two-third of the imports comes from the GFR, France and Italy; the share of the two latter countries approximates to that of the Netherlands. In the case of our Community membership, the competition among the member-countries may be free. The Western European foodstuffs of better quality and of more pleasing appearance may conquer mainly the domestic consumers having a greater purchasing power and requiring products of higher standard. The agrarian import, while it compels the domestic processing industry to compete, threatens the foreign exchange balance of agricultural products. There is a slight chance for keeping the present active balance constant.

#### 4. Agricultural markets of the neighbouring countries

The market radius of agricultural products is largely influenced by the transport costs and by the traditional relations. In this regard, the food economy of the erstwhile COMECON-countries and that of the neighbouring Austria and Yugoslavia is worthy of thorough investigations (Study No.7).

##### a/ Our partners, competitors

The traditional market for our agricultural products is Austria where we can sell a small volume of products because of the protectionist isolation. As soon as both countries become Community-members, we may gain a significant space as our production costs will be competitive for a longer period.

Of the Eastern Central European countries that are expected to become Community-members along with us, Poland seems to be a competitor and - in medium term at least - a partner. Poland's agrarian export to the Community exceeds that of Hungary even today. We have to face a strong competition in the long run; the low yields in the Polish agriculture may be overcome by the improvement of the supply of production means, by the technical development and by the peasant farms' intention to survive.

Yugoslavia concluded a commercial contract with the Community in 1980; her agrarian exports are granted allowances and their volume also surpasses that of Hungary's exports. At the same time, this country imports more and more agricultural products from us; her share in our agrarian exports increased from 1.8 per cent in 1982 to 7.3 per cent in 1989. Undoubtedly, factors of transitory nature also played a role in this, however, it is worth maintaining the cooperation in the long run as well.

Our agrarian exports to Czechoslovakia is declining; Czechoslovakia's share in our agrarian exports decreased from

the former 6.0 per cent to 3.4 per cent. With the admission to the Community, we may expect the intensification of trade in both directions. The production of forced vegetables in the Csallóköz (territory crossed by the Danube, at the border of North-Western Hungary and Czechoslovakia) may be a serious competitor in Trans-Danubia and in the northern part of Hungary.

In respect of the future of our food economy, it is of determinant significance if we can keep our exports to the Soviet Union at the present level.

b/ Agricultural imports by the Soviet Union

We are expected to become EC-members as late as in 8 to 10 years. Till that time, we can preserve our agricultural productive capacity only if we can establish an appropriate cooperation with the erstwhile COMECON-countries, mainly with the Soviet Union, for the sale of our agrarian products, in addition to the opportunities that might be granted for us in the framework of the association contract.

The poor productivity of the Soviet food economy, the growing purchasing power and demand of the population, the tensions in the supplies make the increase in the exports necessary. The Soviet Union, in the second half of the 1980s, became one of the world's most dynamically developing foodstuff markets. The importers are the USA, Great Britain, GFR and Japan. Between 1987 and 1990, the Soviet foodstuff imports were around 20 billion USD annually. Despite this fact, the food supply was catastrophic; for the basic foodstuffs rationing was introduced, however, the honouring of rations is not assured either. In 1990, 32 million tons of corn, 940 thousand tons of meat, 880 thousand tons of vegetable oil, 270 thousand tons of butter and about 100 thousand tons of milk powder were imported.

In the early 1980s, the Soviet market had a share of 46 per cent in the exports of our agrarian products; this ra-

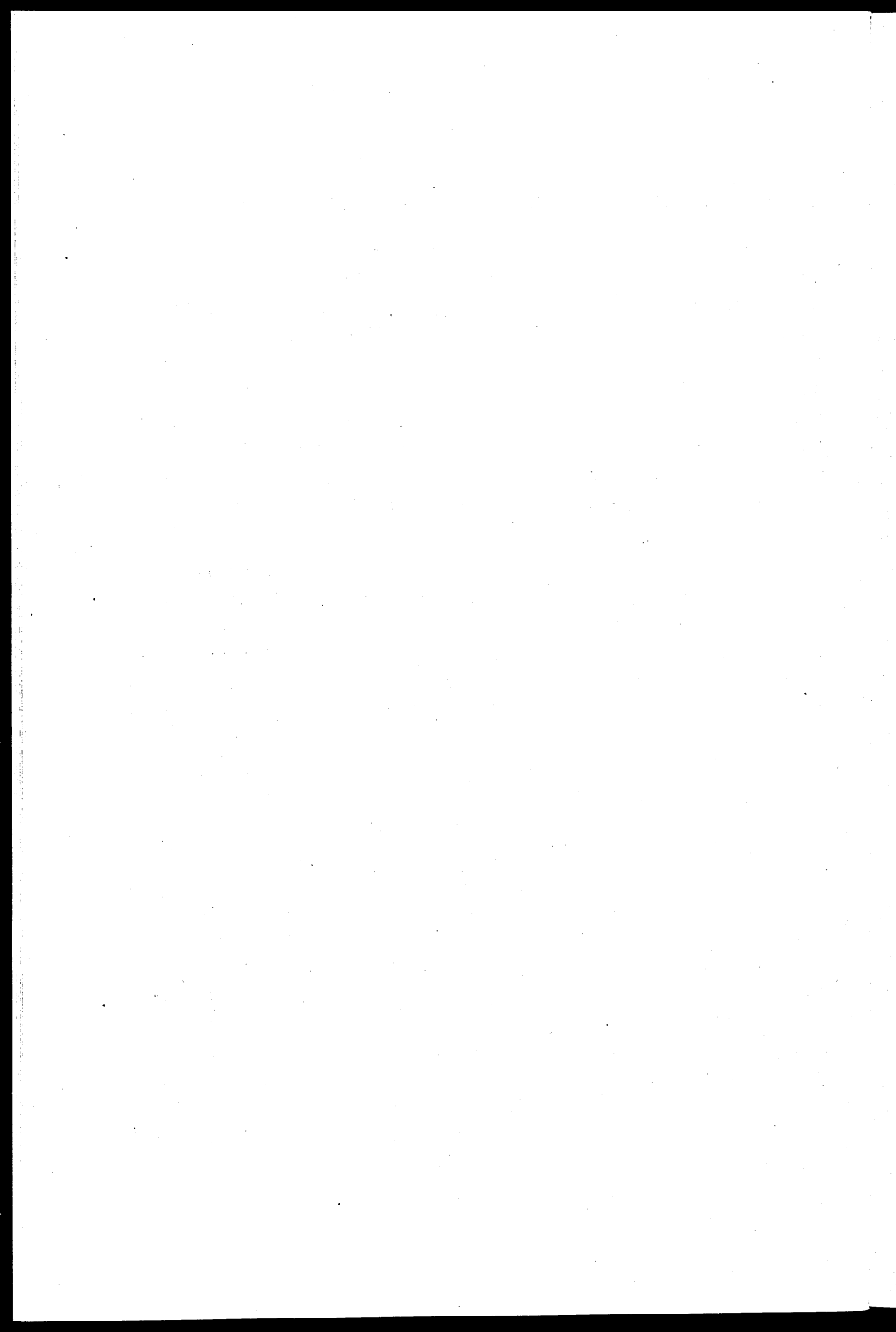
tio decreased in 1990 below 20 per cent, according to preliminary data. With the switching over to accounting in dollars, not only the lack of foreign exchange but also the more and more intensive competition among other exporting countries make the sales more difficult. In the bilateral inter-state agreements, only the supply of certain major fuels and raw materials and the quota for the products serving as set-off are agreed. In the indicative list, no agricultural products and foodstuffs are included (only 10 thousand tons of baby food). Namely, the procurement of such products was assigned to the republics and companies which has no foreign currency necessary for this. At the beginning of 1991, the conclusion of barter transactions was prohibited; it is to be hoped that this action is of transitory nature.

In the Soviet Union, the establishment of market economy will assumably take a longer period. Perspectively, the stake is great: it is about a promising market in the long run. The preservation of this market is not indifferent from the point of view of our Community-membership either: it is in our national and in the Community's agricultural commodities but its market opportunities, too.

In the present transitory situation, transitory solutions are required: despite the existing economic and political uncertainty, it is necessary to establish a payment union and, maybe for a shorter, definite period, to restore clearing-accounting, transitorily.

The republics striving for self-determination are seeking for relations with international organizations, with countries of more developed economy than theirs. We have to promote the earliest establishment of a new model of cooperation by using all possible instruments of economic diplomacy, by incenting the companies.





## II. OUR INTEGRATION IN THE EUROPEAN COMMUNITY

The new member-countries of the Community adjust themselves to the agrarian market regulation during a shorter or longer transitory period. To sum up the tasks to be completed in connection with the preparation of our admission, we have reviewed the present conditions in the Community. We know that these conditions will change in the agriculture from year to year gradually, whereas, in terms of the whole of the economy, these conditions will significantly change from 1993 onwards. The increase in the number of member-countries will be likely to exert further pressure on the reform of agrarian policy and on its instruments.

Stormy changes are taking place in the Hungarian agriculture, too. We only can analyse mainly the data of the years 1988 and 1989 but, in many cases, even earlier data credibly. Still, the price and cost relations in the Hungarian agriculture have changed considerably since that time as well. And, in the 1990s, we may expect a radical socio-economic transformation.

However, as an outset, we outline the present situation, based upon the Study No.8.

### 1/ Framework of a joint agrarian policy

In establishing the European Economic Community, the agriculture played a pioneering role all along. In addition to its strategic importance of food production, the high priority given to agricultural products was justified by the recognition of the agricultural production's natural, economic and social peculiarities, and by the producer's and consumer's interest attached to the stabilization of markets. Looking at the issue from a more practical point of view, the countries having good agricultural conditions and facilities, mainly

France, achieved that they involved industrialized countries in backing their agriculture by financing, in return for opening up their markets of industrial articles. This problem emerges whenever a new member is admitted to the Community and it is solved by way of compromises.

a/ Objectives and basic principles

The economic conditions and facilities of the member-countries are different (Tables 1 and 2). Although, in respect of the targets of a joint agrarian policy, they agreed as early as in the Rome Contract (1957), its practical implementation, just because of the different national interests, was often disputed.

The main objectives are as follows:

- to guarantee the security of food supply so that the member-countries produce the basic agricultural products required by the Community and they are relieved from the fluctuations in the world market;
- they protect the agricultural producers and consumers against external effects by stabilizing the agrarian markets;
- they balance the price level of agricultural producers and food consumers by stabilizing the markets;
- the joint agrarian policy lays the foundation for the fair and economically acceptable income and living standards of agricultural producers;
- finally, they incorporated the formulation referring to the participation in the world trade in the circle of objectives later, in the early 1960s.

## b/ Instruments of enforcement

Three basic principles were laid down:

- The principle of market integrity means the entire liberalization of the trade of agrarian products among the member-countries and the uniform regulation of the conditions of competition, mostly that of the producer's prices.
- Based upon the principle of Community preference, the markets in the member-countries are reserved for the producers in the member-countries: these markets are isolated from the foreign markets by way of a uniform customs duty, cream-off and export grant scheme.
- In accordance with the principle of financial solidarity, the financial burdens of the joint agrarian policy are financed out a joint fund generated from the contributions by the member-countries.

The overwhelming majority of the Community support finances the price guarantee determined in the agrarian market regulation; a smaller part of it is attached to various structural development projects (Table 3). The sales conditions of agricultural products are controlled centrally; the national governments gave up their self-determination in this field. The regional, structural development projects are implemented with the consent and by way of partial financing by the Community. The national budgets grant supports, not easy to identify, to the agriculture, under various titles. In 1988, an amount of about 3000 ECU<sup>x/</sup> (round 180 thousand Ft) fell on each agricultural earner of the 12 member-countries. This was extended by a per-capita amounts ranging from 1100 to 2100 ECU

<sup>x/</sup> Here and later on, the data related to the year 1988 are computed to forint at a rate of exchange of 59.80 Ft/ECU. We point out that the rates of exchange of national currencies do not reflect their domestic purchasing power.

provided from grants deriving from the national budgets in the 9 member-countries existing that time, according to a former (1980) survey.

Nevertheless, an internal price level higher than the world market price is largely paid by the consumers. In 1988, in the case of 13 priority products, 33 per cent of the grant identified in relation to world market price was financed out of the joint budget, 20 per cent of it out of national budgets, however, 47 per cent was to be paid by the consumers (calculation by Éva Borszéki).

#### c/ Results, tensions

If we want to draw up a balance of the several decades of implementing the joint targets, we obtain a rather variegated picture. It is difficult to identify, of the many factors influencing the development of the agriculture, how great effect we should attribute to the joint agrarian policy. And, in addition, the results are not equally considered even by the agricultural producers, experts of agricultural economics themselves.

The most spectacular change can be experienced in respect of the increase in the productivity of agricultural labour. Between 1965 and 1985, the productivity of agricultural labour increased by an annual 5 per cent, on the average of the 10 member-countries. In the 1980s, the decrease in the number of agricultural earners slowed down at the effect of increased and permanent unemployment. The agricultural production becomes more and more a part-time job.

The joint agrarian policy, in order to improve profitability, supported the increase in the size of farms, in the framework of family farming. The number of farms decreased significantly, their average area - in 9 countries - was 12 ha in the early 1960s and 18 ha in the mid-1980s. In the late

1980s 80 per cent of the Community's agricultural production was rendered by 20 per cent of the farms.

Results can also be reported in respect of the increase in the income of agricultural producers. In the 1960s and in the first half of the 1970s, the agricultural income increased by an annual 3 per cent, it approximated to the income in other employment categories. Since 1978, however, the real income has showed a declining trend. The income of agricultural producers is very much differentiated by regions, by the direction and size of the farms' production (Table 15).

The production standard increased gradually in every member-country. While the Community's level of self-sufficiency was about 85 per cent at the time of foundation, now it exceeds 100 per cent: 102 per cent for meat, 111 per cent for corn, about 120 per cent for milk and 127 per cent of sugar; an exception to this is constituted by a few product groups, such as oily seeds, protein feeds, fresh fruits. Nevertheless, the rate of self-sufficiency is very different (Table 19).

The stabilization of the markets and the preference of domestic markets were successful. The agrarian trade among the member-countries has quadrupled since 1973; the agrarian trade had a share of 72 per cent in the member-countries' agrarian exports and 60 per cent in their agrarian imports in 1988. The volume of the Community in the world trade has grown (from 9.5 per cent in 1973 to 12 to 13 per cent), it has become the second largest agricultural exporter, after the USA. The main method of disposing the excess quantities was the high-rate support of the exports, being 48 per cent in 1988 on an average, which has contributed to the decrease in world market prices.

The agrarian market regulation providing an unlimited guarantee in terms of sales and the consequently growing amount of excessive products, the growth of costs related to agrarian subsidy, the upset of the balance between demand and

supply in the world market and the international tension deriving from this placed in the 1980s the gradual modification of the joint agrarian policy's instruments, then, in the mid-1980s, the reforming of its scheme on the agenda.

d/ Trends of further development

The cost of the Community's agrarian support increased, between 1975 and 1988 to 2 to 2.5-times in real terms, whereas to 6-times - 29 billion ECU - in nominal terms (Table 3). This happened despite the fact that they have taken more and more steps, since the early 1980s, to limit the price guarantee to definite volumes of commodity and to partially impose the costs of disposing the excess on the agricultural producers.

The reform programme related to the joint agrarian policy was summarized in the Green Book in 1985. A further challenge is constituted for the agrarian sector by the White Book that envisages, from 1993 onwards, the opening of a borderless market, the free flow of commodities, services, capitals, persons inside the Community.

The reform under way is of gradual nature; it does not deny the joint agrarian policy's objectives and basic principles followed so far. However, the emphases are shifted, the instruments of implementation change. The development model applied so far will not become doubtful; they expect the prevalence of family farms and the upkeeping of multi-branch production. The development of rural zones is granted a higher importance as well as the preservation of the socio-economic composition of regions as they have existed for centuries.

In the sales and pricing policy, the Community is connected more closely to the market conditions. The Green Book investigates two alternatives in this regard: the further drastic reduction of agricultural producer's prices or the extension of production quotas. It rejects both extreme solutions.

In the pricing policy, the gradual reduction of real prices will continue; from 1992 onwards, the elimination of production quotas is foreseen. To stabilize the Community costs of price guarantee, new methods will be introduced. The price guarantee relates to a pre-determined global volume of commodity; in case it is exceeded, an automatic price reduction enters into force. The costs of disposing excessive product quantities are partly assigned to the producers, by imposing burden distribution duties. The interinventory purchases are limited, the interinventory prices are identified during tender negotiations, the quality prescriptions are made stricter.

They intend to support the agriculture so that such support does not cause any increase in the production. The structural supports are highlighted, on account of the price guarantee: one-third of the joint expenditure is meant for this purpose. This - along with the instruments of the regional development fund and social fund, both of them increasing to a considerable extent - serves the global, integral development of rural regions so as to open up new perspectives for the rural population. Such supports are attached to national, regional projects and assume their partial financing. Thus, the enforcement of national peculiarities become more intensive, under the control of the Community.

For the development of forestry, the Community prepared a joint programme for the years 1986 to 1990 but it was not implemented. For the coming years, instead of the introduction of the uniform market regulation, an action programme was adopted, pressing for a joint activity on the basis of which the measures concerning the forestry will not be implemented at Community level but at the level of the individual member-countries. The action programme sets out not only the tasks but also creates the legal, financial and organizatory conditions of their implementation. (Study No.34.)



After 1992, the elimination of internal borders poses problems difficult to solve: the giving up of the green rate of exchange applied when developing agricultural prices, the standardization of product taxes or at least their approximation to one another, the harmonizing of quality-, sanitary, environmental etc. regulations.

The expansion of the Community has and will have effect on the modification of the joint agrarian policy, on the admission of southern countries and on that of the Central and Eastern European countries. The consequences of this cannot be assessed yet, as being challenges the agriculture has to face in the "borderless Europe".

## 2. Competitiveness of the Hungarian agriculture

The European Community, as early as at the time of its foundation, agglomerated countries of different economic conditions and facilities. The palette became more coloured each time a new member was admitted to the Community. Significant deviations can be found in the agricultural production structures, costs and in the rate of self-sufficiency by products, in the individual member-countries. Thus, we have to compare the competitiveness of the Hungarian agrarian economy not with the average standard of the 12 countries but with that of the individual countries.

The difference in the level of support convinces one of the Hungarian agriculture's competitiveness. In 1988, the balance of subsidies and deductions in respect of the agriculture, in terms of the Community's average, also considering the difference in world market prices, made out, in 1988, 50 per cent of the consumer's price, whereas 10 per cent of it in Hungary. In 1989, this balance turned into a deduction of 15 per cent (Tables 12 and 13).

## a/ Comparative advantages and disadvantages

In the agricultural production, a part of the comparative advantages can be explained by natural factors. In this respect, the conditions and facilities of the 12 countries are extraordinarily variegated as their territories extend from the High Alps to the Netherlands, from the Scotch cliffs to the Mediterranean region. The natural conditions and facilities of our country is featured - as detailed in the Study No.13 - by the following:

- two-third of the country's territory is plain, not surpassing a height of 200 m above sea-level. Similar plain areas are available in the Netherlands and in Denmark;
- our provision with land is favourable. Only Ireland, Greece and Spain are the countries where a larger agricultural area falls on 1000 inhabitants than in Hungary;
- the share of arable land is great and its two-third is situated in good- and medium-quality habitat;
- our climate is under continental, oceanic and Mediterranean influences, allowing a variegated production.

However, the examinations concerning the comparison with the countries of the Community show that, in the agricultural production, the comparative advantages deriving from natural conditions and facilities may only be realized if it is coupled with other, advantageous factors. Such a factor is, in certain countries (Greece, Ireland, Portugal) the low wage. In the Western European countries, except for the United Kingdom, the agricultural wage-work is of subordinate importance. A more characteristic figure is the farming income falling on one family labour unit which, in 1988, based upon representative data, 466,000 Ft on the average of 12 countries (1,210,000 Ft in the Netherlands, 185,000 Ft in Portugal). To our estimate, this income has not reached in the Hungarian large-scale farms the Portuguese standard either.

Our Community-membership will exert its effect in the direction of harmonizing the foodstuff price level, the raise in the Hungarian wage level and the raise in the agricultural income level. The rapprochement is a longer process; the Hungarian agriculture will presumably be ahead in the competition in this field.

The agricultural production costs of the individual countries are influenced by the price and rent of land. While in the Netherlands, one hectare of land could be bought in 1988 for an amount equalling to 800,000 to 1,000,000 Ft, in France it could be purchased for an average amount equalling to 150,000 to 200,000 Ft. In Hungary, the market value of land will presumably be lower, calculated at a real price level valid in 1988. Yet, we do not expect any comparative advantage if the rents would not considerably decrease even after the process of indemnification and privatization. Namely, in the western countries, the rent is only 1.2 to 2.3 per cent of land's market value; in France, e.g. it amounts to an average value equalling to 4,300 Ft/ha. In Hungary, the agricultural cooperatives paid a fraction of this amount as a land rent, nevertheless, the rent is now much higher than that.

With the so called large-scale growing of plants where the wages costs are low, the farm size is of determinant importance. A case in point is the wheat production in England and France, the cost of which was in 1983-84 by 18 and 11 per cent lower, respectively, than the average computed on the basis of data deriving from 10 countries.

The farm size is a critical point of the viability of family farms. For keeping a family, a greater and greater productive capacity is required. Depending on the direction of production, it is the family farms over 50 hectares that, in general, comply with this requirement. Three quarters of the Community's agricultural lands are included in farms over 20 hectares and, in about the half of this farms more than 50 hectares are available. The correlation between farm size and efficiency is illustrated by the Table 16.

In Hungary, the farm sizes are polarized; extremely large-scale farms and dwarf farms. The appearance and growth of 20- to 50-hectare family farms encounter a lot of difficulties. During the establishment of the scheme of individual and joint enterprises based upon private property, it would be good to preserve our advantage in the competition over others, existing in the field of large-scale growing of plants (corn, oil seeds).

In respect of comparative advantages, the constructed, established factors play an important role. For instance, the advantage of the Netherlands and Denmark is attributed to such factors the source of which is constituted by the well-organized production, the developed foodstuff processing chain, the high productivity of labour and, in the case of the Netherlands, the cheap feed procured by transport on sea.

The weakest point of the Hungarian foodstuffs' competitiveness is the standard of food industry and trade, being lower than in the competitor countries. We may only expect an expansion of market inside the Community if the privatization, the involvement of foreign capital and the far-seeing economic policy bring about a rapid change in this field. (Study No.15.)

b/ Differences in efficiency

To revert to the efficiency of agricultural production, we investigate some partial indicators of it which can simply be compared.

The Hungarian agriculture, in relation to the countries of the Community, takes a good place in terms of produce quantity per one hectare of agricultural land; only Denmark, the GFR and Belgium are before us in this regard. It is true that the share of more extensive meadow-land/pasture land in the agricultural area is much higher than in our country. Our production of animal-derived products per standard animal is also among the leading countries (after the Netherlands and the GFR)

in which the differing structure of our livestock farming plays a part as well. The specific yield indicators are less favourable. For instance, the per-hectare average yield of wheat was only in the southern countries (Italy, Greece, Spain, Portugal) lower than in our country, in terms of the average of the years 1976 to 1980. Our lag in utilizing the feed of livestock is marked.

We are a long way behind the countries giving the most part of the Community's agricultural production in the field of technical equippedness of the agriculture but particularly in the field of the productivity of live labour.

The lag in the standard of technical equippedness is featured by the fact that we take the last place in terms of both cropland unit and tractor capacity; only 540 kW of tractor capacity fell on an agricultural area of 1000 ha in 1985 in Hungary and this has not changed till now either, whereas the member-countries of the EC have a specific capacity being 4- to 7-times larger than this. (E.g. GFR 3970 kW, Italy 2690 kW, France 2040 kW.) Similar to this, there is an unfavourable situation in respect of the number of tractors per 1000 ha. While in the GFR 124 pcs, in Italy 71 pcs, in France 49 pcs and even in Greece 19 pcs tractors fall on 1000 ha, only 8 pcs of tractors fall on an area of identical size in Hungary. This handicap is only partly offset by the available special machines and transport means. The composition of our tractor fleet numbering about 50 thousand pieces is unfavourable; it is suitable for serving large-scale production explicitly; at the same time 50 per cent of the tractor fleet is worn out and outdated, as for its technical condition.

For the restructuring of the agriculture's farming and production, the renewal of the mechanization scheme and technical background of the agriculture is indispensable. (Study No.27.)

The low productivity of live labour in the Hungarian agriculture gives cause for serious alarm. The produce quantity per earner, expressed in corn unit was only one quarter, in terms of the average value of the years 1983-85, of that of Belgium playing a leading role in this field; it was a half of that of France having the largest share in the Community's agricultural production. It is to be feared that the transformation process under way in Hungary may lead to a further decrease in the relatively low level.

Based upon the work performed by a research team, we may obtain a view on the scattering of production costs by countries. According to the representative data of the agricultural year 1983-84, the costs of agricultural production were, in Ireland and Greece, by 16 to 17 per cent lower than the average of 10 countries, whereas in the GFR and in Italy, they were by 8 to 16 per cent higher. The scattering by produces was much greater; for instance the production cost of wheat by countries is around 80 to 153 per cent of the Community's average.

We cannot incorporate the Hungarian production costs in this scope of data as the structure of costs differs from that of the Western European one. By comparing the efficiency examined in relation to the world market prices we may come to the conclusion that in 1988 the Hungarian large-scale farms produced corn, milk, slaughter cattle and slaughter sheep much cheaper than the Community, however, in the production of slaughter pigs, the production cost was higher in Hungary than in the Community. The proportions of production costs will considerably change in the coming years. (The situation and prospects are analysed by the Study No.14.)

Inside the Community, based upon the production costs, the advantage of Mediterranean countries is shown in the production of vegetables, fruits and maize whereas the advantage of the northern countries (United Kingdom, Ireland) is indi-

cated in terms of producing slaughter cattle and wheat. The comparative advantage of France is marked in respect of large-scale growing of plants (wheat, oily seed, maize), furthermore that of the Netherlands and Denmark in the live-stock farming branches consuming fodder. The situation of the German Federal Republic is heterogenous: in respect of main produces it has a handicap in relation the average of the Community.

It is presumable that, after the approximation of the prices of production factors and after the transformation of the farming structure, Hungary will not have characteristic advantages in none of the produce groups, however, Hungary will be likely to have the chance to preserve her ability to export by stabilizing her position in midfield, and to improve her position inside the Community. Hungary may not renounce the utilization of this chance.

### 3. Agricultural price relations in the Community

The agrarian market regulation being the most important instrument of the joint agrarian policy, serves for keeping the agricultural producer's prices at the jointly pre-determined level, by way of market operations inside the individual countries and strict protectionism at the border of the Community. This scheme seems to be strong, lasting - though its implementation in practice poses more and more problems. Our several studies - Nos 16, 12 and 11 - examine the features of this.

#### a/ Regulation of producer's prices

The uniform regulation of producer's prices was introduced first in 1962 for cereals then it was gradually extended to a wide range of agricultural produces. In the early 1980's, 70 per cent of the produces was granted a full sales price guarantee, their 21 per cent was protected against lower

prices of imported items only, 2.5 per cent was given subsidy also in the domestic market and, finally, some special producer - 0.5 per cent of the produces - was granted a production subsidy.

Upon mutual agreement, the

- guiding price, as indicator price,
- the interinventory price, as minimum price launching purchases financed by the Community,
- the reference or threshold price of produces are set; this latter one can be considered to be a maximum price in respect of import regulation.

The internal agricultural price level of the Community surpassed the world market price level by 54 per cent in the early 1980's; in the most recent years, a slow decrease in the difference could be experienced. The internal prices of certain produces exceed the international prices to different extent: examined in the average of the years 1985-89, by 20 to 40 per cent for porker, egg and sugar, by 60 to 80 per cent for cereals, by 100 to 150 per cent for milk, mutton and rice (Table 6).

In the long run, the world market prices and internal prices are expected to approximate to one another. The price set in ECU have not been raised for years, they decrease same in the case of certain produces. This is partly offset by the agromonetary scheme, as we shall see later. Yet, a definite trend can be seen in the decrease in the real value of agricultural producer's prices.

Between 1985 and 1988, in terms of the average of 12 countries, the real price of agricultural produces decreased by 13 per cent and that of the agricultural production means decreased by 15 per cent.<sup>x/</sup> Accordingly, the former trend of

<sup>x/</sup> The real price is calculated by deflating the prices expressed in national currency by the inflation rate featured by the GDP price index of the respective country.



the "agrarian scissors" changed its direction; slightly industrial "scissors" came into being.

A main feature of the price level of the Community's agriculture is that it is higher than that of the world market; another feature of it is that, despite the joint regulation, the price level is very different, from country to country. For instance, the average producer's price of wheat scattered between 8,800 and 12m600 Ft in 1988, if we disregard the extreme Portuguese figure (17,500 Ft/ton). At the same time, in Hungary, it was 3,900 Ft/ton (Table 10).

Compared with the Hungarian prices, we obtain a variegated picture. The price difference is undoubtedly the greatest in the case of cereals, sugar beet and milk. With our major competitor, the prices of these were by about two and a half times higher than ours. In the livestock farming branches, the excess is about 30 to 40 per cent on an average. (The prices of slaughter cattle and milk are more than twice as high as those of our competitors, whereas that of the poultry is by 40 to 50 per cent, that of pigs is by 10 to 20 per cent higher than that of our competitors). The smallest difference is found in respect of the prices of vegetables, fruits and wines, the comparison of which is made very much difficult by the non-identifiable, differing conditions. It is striking, for instance, that in Spain tomato changed hands at a price being only 39 per cent of the Hungarian average price. This forewarns us in judging the competitiveness of our horticultural produces.

We dare estimate that the agricultural price level in the Community, related to the domestic production structure, was by about 55 to 60 per cent higher than that in Hungary. The higher agricultural price level was paid mostly by the consumers.

The producer's price level of the major produces is compared by the Table 7 based upon average data of several years.

The foodstuff consumer's prices of the Community - Table 8 - exceed the domestic consumer's prices to a greater extent than the agricultural producer's prices do. In 1987, the beef was six times, pork and poultry meat and butter - three times, while sugar was twice as expensive on the average of 12 countries than in our country. The harmonizing of the Hungarian foodstuff consumer's price level - despite the approximation that has taken place since 1987 - can be imagined if compensated by a significant raise in the level of wages. The raise in the wage level, of course, reacts upon the international competitiveness of both our agrarian produces and industrial products.

b/ The agromonetary scheme

The agricultural prices of a country admitted to Community can be adjusted - without any greater shock - only in the course of longer process to the uniform scheme. The agromonetary scheme is suitable for adjusting the differences.

In 1969, following the devaluation of the French franc and the revaluation of the German mark, the green rate of exchange of the ECU was introduced, thereby avoiding that the change in the commercial rate of exchange of national currency has an immediate effect on the agricultural producer's prices. In order that the difference in the national agricultural price levels owing to this does not deform the trade among the countries, the differences in the rates of exchange were offset by the compensation of the rate of exchange in the trade among the countries and with third countries.

In 1984, they decided to gradually eliminate the differentiation of the green rate of exchange in countries having a stable rate of exchange, namely so that the internal agricultural price level of the concerned countries does not suffer any loss due to this. Therefore, the green rate of exchange of the ECU was separated from the ECU's commercial

guiding rate of exchange. In 1990/91, the green rate of exchange of the ECU has in each country been by 14.3 per cent higher than the commercial rate of exchange. If after 1992, a uniform financial scheme would be introduced, this difference will not be maintainable. Accordingly, either the price set in ECU have to be raised to such extent or the prices paid in national currency have to be reduced to such extent.

In certain countries (United Kingdom, Italy, Greece, Spain, Portugal), the green rate of exchange is lower than the green guiding rate of exchange to an extent differentiated by produces. These countries pay 3 to 27 per cent of the producer's price into the joint budget in relation to their exports to the member-countries or to third countries, however, after their imports, they are given a compensation of same extent. This scheme exerts its effect mostly in the transitory period of the integration of newly admitted countries but, for instance in the United Kingdom, this scheme dates back to nearly two decades.

By way of the green rate of exchange, the approximation of producer's prices to one another may take place gradually. This will be certainly necessary in the case of Hungary's admission, too.

c/ Skimming of imports - export grants

In countries being admitted to the Community, the rules of foreign trade conducted with countries outside the Community apply, filtered by the correcting mechanism of the green rate of exchange.

One of them is the customs and skimming scheme applied at the border of the Community which raises the prices of imported agricultural produces to the Community's price level. For the imported processed products a fix-amount skimming rate corresponding to the share of the value of agricultural raw material contained by respective product and, in addition, a per-

centual customs duty are imposed on the products as to protect their processing industry.

In our competitive agrarian imports, the Community's regulation does not mean any significant change since its main product, the importation of concentrated protein feed is free of duty also inside the Community. Nevertheless, the Community's commercial contracts will come into force which grant a duty-free status or considerable customs allowances mainly to the tropical and Mediterranean products.

Imports deriving from third countries are limited by quotas. However, inside the Community, the food industrial products that are being granted a 20 to 30 per cent customs protection flow freely and free of duty. The duty-free status may raise a very keen competition to the domestic food industry as we can have machines, components and other production means free of duty.

The agrarian exports of a member-country is supported by the Community's budget; the national budget is relieved from this expenditure. In the case of exports to third countries, there is no need for subsidy (the might-be offset of the green rate of exchange is compensated automatically).

The level of subsidy for exports to third countries depends on the structure of exports. In 1989, the price levelling financed by the Community was concentrated upon four product groups; 84 per cent of it was allotted to corn, dairy products and beef. The subsidy was, on an average, 48 per cent of the revenue from exports; 76 per cent for corn, 130 per cent for beef. However, products (pork, poultry, horticultural products) representing an overwhelming part in the present Hungarian export structure were granted hardly any considerable subsidy. Still, the application of Community prices (fodder price, wage level) by us would increase our production costs just in these branches.

## d/ Price level of production means

Our admission would accelerate the technical, technological development of the agriculture and we may as well expect positive results from the transformation under way. Yet, it is not of minor importance to review what effect would be exerted by the international equalization of production means prices.

About three quarters of the Hungarian corn yield is utilized in livestock farming. The overwhelming part of the raise in corn price would appear in the production costs of livestock farming. In 1988, the chemicals costed in the member-countries of the Community - varying from country to country - about two and a half or three times as much as in Hungary. Since that time, the prices of artificial fertilizers have doubled in Hungary as well. Despite this fact, fuel was - as early as in the given year - much cheaper than in our country. This difference must have been increased since that time. We have no opportunity to make a more detailed comparison of machine and component prices, construction costs but the duty-free status inside the Community as well as the scheme of returning the value added tax suggests that the cost level of these in the Western European countries is not higher than in Hungary either.

Finally, we may come to the conclusion that the excess of producer's prices would considerably exceed the excess of production costs; the added value realizable in the agriculture would even grow by 50 to 60 per cent, with a gradual transition, assuming an identical production standard. The chance of it is less if the agricultural production would decline till the date of admission or if, on the date of admission, we would not succeed in getting the Community to accept the given production level as a basis for production limiting measures.

The result may as well be more favourable if the structure of the agricultural production is adjusted to the conditions of the Community and if the production would be more efficient. The expected result will not be achieved if we cannot radically change the competitiveness of our food industry.

It is, by all means, to be hoped that Hungary will receive back - similar to Ireland, Greece, Holland and Denmark (Table 4) - more from the joint budget than she pays into it. (In 1988 the 1 per cent of the Hungarian GDP to paid in would have been 14 billion Ft, the export surplus price would be about 30 to 40 billion Ft which would be supplemented by further subsidies for interventory purchase, stockpiling and by various structural grants.) The conditions, however, become stricter and stricter, the difference between internal and world market prices is of decreasing trend, a greater and greater part of export subsidies is allotted by way of competition. Accordingly, in the second half of the 1990's. we may not expect the ratios of 1988 to continue existing.

#### 4. Financial grants and rates and taxes

In the Community, the sales and the market regulation are centralized, nevertheless, several other conditions determining the income position of producers vary from country to country. The Community take part in financing the forms of subsidies other than that of prices and, for establishing a borderless market, it has to urge the approximation of credit interest rates, social security rates and taxes to one another.

##### a/ Structural grants

At the time the European Community was established, one third of the Community's expenditure related to agriculture was meant to foster the restructuring of agricultural farms. In consequence of the increase in the expenses attached to market regulation, this share was as little as 17 per cent in 1989.

Nevertheless, after 1992, again a share of one third is set as a target.

The objective of structure policy is to set up viable farms providing a socially acceptable income for a family, by way of increasing the productivity. The scheme of objectives has become richer over time and now it is attached to the integrated development of rural regions.

Since the beginning of the 1970's, subsidies have been granted for capital expenditure based upon individual development projects, for the modernization of farms. In order to accelerate the exchange of generations, contributions are paid to finance the pre-pensions of farmers retiring from production and the settling down of young farmers to start production. For promoting the technical development, the vocational training and consulting are given grants.

In the second half of the 1970's, the subsidizing activity was concentrated upon regions of unfavourable conditions and facilities and upon highlands. Later on, subsidizing was, in addition to agriculture, extended to the spheres of processing and sales.

From 1979 onwards, the integrated development of regions of most handicapped situation, comprising the whole economy, was highlighted. Such projects were launched in the region of the Mediterranean, to improve the competitiveness of Italian, French and Greek producers and to modernize the Portuguese agriculture.

The structural projects concern 55 per cent of the Community's agricultural area and 26 per cent of its population. The whole territory of Greece, Ireland and Portugal is considered as being of unfavourable conditions and facilities.

The financial support granted by the Community complements the local resources of national and regional projects to an extent of 25 to 50 per cent and, in most exceptional

cases, by 75 per cent. The obtainment of such grants is subject to detailed and collectively approved national programmes.

It is not only the subsidy for agriculture that renders more money for this purpose but, in the budget of Community the resources of regional development fund and social fund are raised too. For the years 1989 to 1993, an amount of 36.2 billion ECU is envisaged to be utilized, under the enforcement of following priorities:

- support for underdeveloped regions,
- restructuring of districts facing industrial decline,
- overcoming lasting unemployment,
- employment of the youth.

All priorities concern the agriculture. Of the amount, Spain is given 10 billion, Greece and Portugal are given 7 billion ECU each.

The regional development is, in addition to subsidies from the budget, fostered by the credits granted by the European Investment Bank. In 1991, a separate bank has been set up for financing the capital expenditures by Central and Eastern European countries.

The Green Book approved in 1985 also foresaw the freezing of a part of production capacities, among the main trends of reforming the joint agrarian policy, to slow down the increase in production, in addition to increasing the market sensibility, gradually reducing the production of excessive volumes, stabilizing the joint budget, more intensively supporting the structural targets.

From the agricultural year of 1988/89 onwards, those producers withdrawing at least 20 per cent of their agricultural area from cultivation for a period of five years receive a bonus identified for each country and depending upon the quality of land. Up to 300 ECU/ha, 60 per cent, between 300 and 600 ECU/ha, 25 per cent of this is paid by the joint bud-



get. The highest bonus is allotted for the Netherlands (600 ECU/ha, equalling to 36,000 Ft/ha); in the Greek areas of most unfavourable conditions and facilities it amounts to 100 to 200 ECU/ha, equal to 6,000 to 12,000 Ft/ha. The initial results of this action are modest: in the first year, 0.9 per cent of the arable land was withdrawn from production. For the elimination of excessive volumes, 11 to 13 million hectares should be frozen.

In 1987, more than one million farmers were given direct subsidy complementing their income. In France, for instance, out of Community and national resources, those agricultural producers receive an amount of about 900 ECU, equal to 54,000 Ft, whose agricultural and non-agricultural income is lower than 70 per cent of the national average or lower than 90 per cent of the regional average.

If admitted to the Community, Hungary might as well make use of these opportunities. The amounts presently included in the state budget for subsidizing the agrarian exports should be regrouped for financing the improvement of structure, attached to integrated regional development projects.

The Community's and Hungary's subsidizing schemes are compared in Study No.17.

#### b/ Financial liabilities

The taxation schemes of member-countries are, in general perhaps even more differentiated than the average. Yet, they are similar in that taxes imposed on the agriculture everywhere include allowances and consider conditions complying with the given peculiarities. In addition to traditions, social correlations and to the family farming trait, the fact also plays a role whereas the individual countries - at least theoretically - can improve the competitiveness of their agriculture by imposing as little burden on the production costs as possible, with a uniform producer's price level. In France,

for instance, in the early 1980's, the rates paid in by the agricultural producers covered as little as 9 per cent of the pensions, 23 per cent of family allowances and 37 per cent of health insurance; the rest was financed out of the taxes paid in after tobacco and alcohol.

The direct and indirect taxes as well as the social insurance rates centralize 30 to 49 per cent of the GDP (in 1986 in Spain: 30 to 32 per cent, in Holland and Denmark: 47 to 49 per cent). We cannot compare rates of taxation of the agriculture as they are very much differentiated even inside the individual countries, since a great part of the tax imposed on the agriculture is local tax (Study No.18). The standardization of direct taxes and social insurance rates is not envisaged by the programme for establishing a borderless market either.

The situation is different in respect of taxes imposed on products. From 1993 onwards, if the internal border checking would be eliminated, the different rate of taxes imposed on products would deform the trade among the countries and it would move one to commit frauds. Therefore, the approximation of rates of value added taxes to one another is indispensable. Now, in January 1991 - a total of 28 kinds of rates of tax are applied in the individual countries. The lowest "normal" rate of tax is applied in Spain: 12 per cent; the highest one is applied in Denmark: 22 per cent. Whereas in Denmark, this rate of tax is also valid for agrarian produces, in the United Kingdom no excise tax is imposed on foodstuff and feed articles. In the other countries, the rate of value added tax imposed on the basic foodstuffs is around 6 per cent; from this, the tax paid after the procured production means may, of course, be deducted. In certain countries, e.g. in France, a rate being less than that (2.6 to 3.6 per cent) is paid as tax by the producers who do not claim to deducting the taxes imposed on them during their purchases.

In general, a reduced rate of tax is valid for agricultural production means. The purchase of land is exempt from taxation everywhere, as well as the services rendered to agriculture in certain countries.

The harmonizing of taxes imposed on produces does not seem to be a problem easy to solve. Concerning this issue, the Community organs may make a decision by full consent only. To the present prospects, the approximation of rates of taxes to one another may be foreseen by 1997. Till that time, the normal rate of value added tax should be changed by the member-countries to 14 to 20 per cent, whereas the reduced rate - related to a comparatively small range of products - could be between 4 and 9 per cent. The switch-over in the individual countries causes more difficulties, in other countries - less. By all means, a transitory period and flexible solutions allowing for the peculiar political and economic problems will be needed.

Hungary's adaptation would mean in respect of the basic foodstuffs, the introduction of a slight rate of value added tax, whereas in terms of the industrial-derived production means of the agriculture, it would mean a very considerable reduction of this rate. As the value added tax is always realized by the user-country, this will not influence the export-import relations, if - after the border checking is eliminated - an adequate procedure would be found for accounting same among the countries.

The Community obliges the sugar-, milk and corn producers to take part in the cost of sales related to excessive volumes. They pay a burden distribution duty after the sugar beet, to an extent depending on the respective quota, after the milk produced in excess of the quota if the country surpasses the quota and after all corns at a percentual rate depending on the total corn yield of the Community. In 1988, an amount of almost 3 billion ECU was collected.

Though it is not a kind of tax, still we have to mention here the bank rate occupying more and more place in the financial expenditure of agricultural producers. The tax burdens of agricultural producers are rather varying from country to country, from region to region and from farm to farm. No doubt that the price of loan capital influences the possibilities of development to a great extent.

The special agricultural, cooperative credit institutes operated by way of reciprocity were established a long time ago, for meeting the credit demand of the agriculture. However, also other banking organizations take part in financing the agriculture. Though it would be logical to think that the agricultural production of low profitability does not attract the creditors, the facts do not verify this assumption. The agricultural crediting is a rather safe business.

The provision of the agriculture with capital is promoted by the governments of the individual countries by granting allowances. The interest rate of agricultural investment credits, in some cases, did not reach, in the 1980's, even the inflation rate.

The financing of the agriculture is facilitated by the fact that the producers, in general, receive the price for their produces without any problem as these produces are purchased by companies, semi-state-owned organizations having a sufficient working capital. At the same time, the commercial credit granted for the purchase of production means is one of the instruments of the competition among the manufacturers of production means.

If we try to recapitulate the expected effect of Hungary's admission to the Community on the subsidy for the Hungarian agriculture other than included in the price and on its financial burdens, we may make the following statements:

- foreseeably, the support granted for the adjusting the regional differences other than in terms of price, for the setting up of family farms of viable size, for promoting the retiring of old farmers, for vocational training and consulting. To obtain this, however, the resources of the national budget will also be needed, in addition to those of the Community's budget;

- the harmonizing of taxes imposed on produces may, in the long run, reduce the production cost of agricultural produces;

- in developing the direct taxes and other financial burdens related to the agriculture, attention has to be paid to the conditions of competitors. This applies to the burdens imposed by social insurance, the reduction of which is a condition to our competitiveness;

- in financing the agriculture and food industry, the main point is the involvement of capital, the growth of the own business capital. The economic policy conducted in the recent decades has granted no opportunity for the accumulation of capital either in the agriculture or in the food industry. The lack of own capital cannot be replaced by credit; as a matter of fact, in the case of a two-digit rate of inflation, the agriculture is not able to bear even its reduced interest changes.

## 5. Employment- and corporate structure

### a/ Employment in agriculture

The agriculture and, in this context, the employment in agriculture occupy different places in the economic lives of the Community's member-countries.

In Hungary, 12 per cent of the earners work in the agriculture, whereas this share in the Western European countries is 2.2 to 6.8 per cent, while it exceeds even 20 per cent in the southern countries (Study No.20).

The several decades' trend of the development of agricultural production is the continuous decrease in the number of agricultural earners which could not be reversed even by the appearance of mass unemployment. The number of agricultural earners diminishes by 2 to 3 per cent, whereas by 4 per cent in certain countries, while the number of the unemployed in the 12 countries amounts to 15 million. With regard to this, we cannot assume that in our agriculture new opportunities would be provided which would result in the efficient agricultural employment of more labour than presently. However, a big pressure will be imposed on the agriculture whereas to sustain a considerable share of the population, transitorily at least. This speaks for that the economic policy should treat the development of productive branches very circumspectly in respect of the utilization of the agricultural live labour.

In countries where the farms are small (Portugal, Greece, Italy, Spain) the majority of farmers cannot live on their lands' yield, 71 to 88 per cent of them work no more as full-time agricultural producers. In countries with medium-scale farms, half of the number of farmers are in part-time employment the share of those being in full-time employment exceeds 60 per cent in the United Kingdom and in France only. The spreading of this phenomenon is to be reckoned with in our country as well.

The review of agricultural employment in the Community's member-countries calls the attention also to the fact that 75 to 95 per cent of those employed in the agriculture in the member-countries is family labour (an exception to this is the United Kingdom with a ratio of 60 per cent), thus the role of wage work is sub-ordinate. No doubt that the direct interest of farmers is an important efficiency factor. Our "lag" in this regard has to be reduced as well.

To raise the quality standard of agricultural labour, re-training programmes adjusted to the regional peculiarities, the renewal of farmer training courses in terms of organization

and content, central education concerning economic management at secondary vocational training level and exercising the expertise will be needed, as required by family farming. In the university education, branch trends for contracting, consulting marketing, rural development, landscape management and alternative agricultural production are to be adopted (Study No.21).

An efficient, responsible consulting network is also indispensable in which, in addition to state institutions, the private enterprises should be included as well.

We have to align to economically more developed countries also in the field of corporate standard and management skill (Study No.22).

#### b/ Agricultural structure

The farm structure of the agriculture of Community-countries is variegated, however, the joint feature of it is that it has developed by way of integrated improvement and that the family farms constitute the majority (Study No.23).

The decrease in the number of farms and the increase in their average size represent a general trend. The number of farms, between 1960 and 1987, decreased in 10 countries of the Community from 8 million to 5 million, whereas the average area of farms increased by about 50 per cent. The size of farms is differentiated from country to country and by production trends. The largest average area of farms can be found in the United Kingdom: it approximates to 70 hectares. In France and Denmark, this figure is around 30 hectares, in Belgium, Holland, in the GFR and Spain it is 16 to 17 hectares, whereas in Portugal, Italy and Greece occupying the last places it is between 5 and 8 hectares.

The farmers increase the size of their farms by landlease. In 10 countries of the Community, in 1985, 62 per cent of the agricultural land was in the ownership of farmers. The legis-

lation regulates the conditions of landlease, it protects the rights of lessees.

A farm keeps 30 milking cows in Denmark, 38 in Holland, 63 in England on an average and 70 per cent of the 12 countries' livestock in terms of cattle is in farms keeping over 20 cows. In the pig farms 246 pigs can be found in Denmark, 406 in the Netherlands and 383 in the United Kingdom, on an average. 32 per cent of the Community's livestock in respect of pigs is owned by farms keeping over 1000 pigs (data from the year 1987).

From the representative cost-yield data collected in 51,000 farms, it can clearly be seen that it is the larger farms that grant opportunity for increasing the productivity of labour, for better utilization and modernization of farming equipment. Therefore, the national agrarian policies promote the increase in the farm size. At the same time, the concentration of lands is limited: the maximum allowed extent of procuring landed property is limited, for instance, to 125 ha in Denmark and to 100 ha in France.

In the farming structure of the Hungarian agriculture, the family farms corresponding to the present possibilities of agricultural production technique are missing. Based upon the Indemnification Act, mostly farms of considerably smaller size may come into existence. It is not reasonable to cut the large fields in respect of large-scale growing of plants or to give up the technical-technological production standard already achieved. After the private ownership will have been restored, the spreading of joint ventures and that of the landlease may develop the framework of this. And, it will not be advisable to support the concentration in respect of small-scale and dwarf farms about to launch, from the point of view of our international competitiveness.

The concentratedness of Hungarian forestry constitutes an advantage over others as the most significant problem of the



Community's forestry is that about 60 per cent of the forests is in the hands of about 6 million (!) owners. The small sizes hinder mechanization, they set limits to the possibility of utilization.

c/ Companies in the food industry

The development of corporate structure in the member-countries of the Community is featured by rapid concentration, while the wide range of small- and medium-scale companies continues to exist permanently. The small-scale sector is strong especially in the southern member-countries: in Italy, half of the production is performed by companies employing less than a hundred worker; the number of French cheese plants and German breweries is high, too. With the spreading of the various forms of cooperation, a structure comes into existence which is difficult to survey, while the corporate self-determination is maintained (Study No.24).

The concentration is agitated by multinational firms including subsidiary companies of American involvement, too. In the continent, the number of multinational companies is comparatively low; only the half of the 46 largest European foodstuff producers is present to a considerable extent in the market of other countries, whereas the number of those present in every member-country of the Community is insignificant. With the integrated market coming nearer, the international move of capital, the merger of companies have accelerated.

The European foodstuff markets are featured by a very wide competition with many participants. The company concentration is stronger in the case of products processed at a higher degree, accordingly being more capital-intensive while it is much less in the primary processing of agrarian produces. In the processing industry, particularly in Denmark and France, the share of cooperative is high.

The plant structure of Hungarian food industry is, based upon international comparison, polarized and deficient. The

number of privately owned dwarf plants is low, the medium-scale plant are, in fact, missing and the number of plant units considered to be large on international scale is low as well. In the market structure, despite the decentralization already implemented, the intensity of competition is at a low rate.

The activity structure of companies does not resemble the company-level model of diversification of the plant-level specialization enforced in the developed countries at all.

In the export market supply, the concentration of turnover is still excessive, though the institutionalized monopolistic positions have ceased to exist and the exceptional lists have been reduced.

In respect of improving the efficiency, the ownership structure seems to be determinant. Therefore, the privatization is the most urgent task, creating ownership concern, mitigating the lingering shortage of capital, improving the standard of company management and that of adjustment to the market, launching technological development. These tasks cannot be completed out of domestic resources, in fact, a great role may be played in this by the foreign capital. In the food industry of developed countries, the foreign capital has a share of 30 to 40 per cent.

An opportunity for decentralizing the state-owned companies is available mainly in the corn, baking, milk and vegetable oil industries.

#### 6. Infrastructural conditions

The development of the infrastructure is a key issue of the alignment of our whole economy. Here, our lag is much greater than in terms of the technical standard of agricultural production. In rural regions, the situation is worse than the average (Study No.28).

It is difficult to find an objective method for making an international comparison between the infrastructure of our country and that of the EC-countries. If we apply either the method of evaluation by points which was elaborated in the 1960's or the method of comparing various specific indices, our situation is rather poor in relation to the western countries. Our transport infrastructure takes the 23rd place among 26 European countries (figure from the year 1978). It is well-known that we are a very long way behind the Western European countries but we are also under a handicap in relation to southern countries admitted to the Community.

In the development of certain infrastructural branches, the market mechanism, the private enterprises have a share, too. However, in the expensive investment projects related to the expansion of network, the involvement of the state is a determinant factor in the Western European countries as well. In the coming years, the preservation of the infrastructure's functionality will be a task not to be underestimated; we may expect radical changes in certain segments at most. Such a change could be brought about in the telecommunication, for the modernization of which a large-scale project has been launched.

It is the technical preparedness of goods transport that correlates with the competitiveness of our agrarian produces most directly. It is not only about the fact that our agricultural produces have to be competitive while they include a transport cost of 50 to 150 ECU/ton but also about the fact that the lack of appropriate technical means may even hinder the establishment, expansion of business relations.

Inside the Community, the transport of passengers and goods has been modernized to a great extent. The international express freight trains travel at 100 km/h in the Eurail Cargo system established in 1989 and, in the 1990's, this speed is foreseen to be increased to 120 to 150 km/h. The container-

ized transportation is spreading, as well as the different combined forms of transport on road and rail. The combined transportation comprising interchangeable bodywork or extra trailers, the transport method called "rolling highway" require special railway and road vehicles, reloading stations which our country does not have. In the long run, we have to adjust ourselves to these trends.

Although, our road network is also a long way behind the requirements in terms of quality and quantity, we are more competitive in road transport.

We may expect an improvement in the transport conditions from the development projects connected with the organization of the Vienna-Budapest World Expo and from the opening of the Danube-Main Channel that will make the Western European water way Danube-Main-Rhine navigable.

7. Prescriptions for environment protection,  
health protection and quality

a/ Environment protection

The protection of human environment is becoming more and more importance in the countries of Europe. A greater and greater pressure is exerted also on the reduction of the environment-damaging effect of intensive agricultural production. In Hungary, only one large-scale action has been taken so far, to protect the water quality of Lake Balaton, to limit the environment-polluting effect of concentrated livestock farms and the application of artificial fertilizers (Study No.29).

In certain countries of the Community, actions have been taken to slow down the use of chemicals in the agriculture and to control livestock density. In order to prevent the increase in production, the extensification of production is fostered by granting financial support.

An element of environment and health protection is the bio-farming, the return to the internal resources of the agriculture. The consumption of produces deriving from bio-farms is dynamically growing, though its share in the total consumption is still insignificant; about half per cent of foodstuffs. For the bio-produces, the consumers are willing to pay by 20 to 30 per cent more. The condition to it is the authentic certification of chemical-free cultivation. Such certificates are issued in Hungary by the internationally acknowledged "Biokultura" Club.

In the Community, in the late of the 1980's, organic cultivation was conducted in about 0.09 per cent of the cultivated area; this rate is about 0.02 to 0.03 per cent in Hungary. Of our bio-produces - in excess of meeting the domestic demand - a volume equalling to half a million ECU could be exported. There is possibility for multiplying the volume of exports.

b/ Health protection

In producing, processing foodstuffs, it is a basic requirement in respect of the protection of consumers' health that no substances detrimental to health get into them. In this field, a number of policies dating back to a shorter or longer time are in force. Those included in the policies are binding on the foodstuff trade among the member-countries and on foodstuffs deriving from third countries.

The Hungarian regulation complies with the Community's requirements for permitting the use of plant protectives and for the extent of their remainders. Nevertheless, the laboratory network for plant protectives needs to be modernized in order that the technical standard of our checking and measuring system and that of its provision with specialists be guaranteed.

A guiding principle restricting the heavy metal content of foodstuffs is being prepared. Foreseeably, we shall be able to meet the prescriptions the preparation of which is under way.

Very detailed rules were formulated long ago for the additives of feeds, for the exclusion and limitation, respectively, of non-desirable substances, for labelling the feeds, for their bio-protein content and for the control of their quality. The application of growth hormones in livestock breeding was prohibited. The distribution of animal medicines is subject to licence and a waiting period is set. The strict requirements of the Hungarian medicine licensing prescriptions are in fact identical with those of the EC-countries. However, in the field of the appropriate use, several irregularities occur. The equippedness of our laboratory network is outdated which endangers the granting of the required guarantees.

Strict hygienic prescriptions are in force in the processing of animal-derived foodstuffs. Our country belongs to the group of countries from which fresh meat and livestock may be supplied to the countries of the Community. Namely, the experience gained by the in-situ controls conducted by the EC so far are favourable.

The regulation of producing and distributing foodstuffs, as in force in Hungary, meet the EC's expectations.

In the functionality of the borderless European market, the standardization of national standards, normatives, quality-, health-, environment- and origin protection prescriptions related to commodities play a key role. Its objective is not only to protect the consumers but also to prevent national protectionism that might be exercised under the pretext of this (Study No.19).

We have to continue to have updated information on the new joint regulations as they are issued, so that we can adjust ourselves to them as soon as possible. However, it is not sufficient just to observe the regulations, their observation need as well be verified authentically. The tasks in connection with control will presumably made difficult by the fragmented domestic production. If we once cannot provide the

required control comprehensively for the time being, it should be modernized at least in plants producing for exports, in the districts appointed for this purpose.

c/ Quality and packing of products

It is normal that if there is an oversupply in a market, so the product of better quality is more marketable. The Hungarian food economy has to prepare itself for a very keen competition. This imposes difficult tasks also on the individual branches of the agriculture, but it especially makes the requirements for food industrial processing pointed. The processed foodstuffs have to compete not only in the exports but more and more in the domestic supply, too, with the large food industrial firms of world-wide reputation. This concerns not only the products' degree of processing, nutrition parameters, forms of appearance but assumes changes, innovation in the applied processing techniques as well (Study No.15).

Our resources do not enable us to stand the competition in a wide range of the processed products. It is worthy of concentrating the export-oriented product development on some reasonable chosen fields, also harmonizing this with the opportunities available in the domestic market. As we can hardly meet, for the time being, the requirements laid by the EC's consumers' having a larger purchasing power, in every respect, given our existing conditions and facilities, we may as well be competitive with our products of lower price level and lower degree of processing.

A qualitative trait of food industrial products is the packing. The Hungarian food industry has been facing unsolvable difficulties in this field for a long time. The lag of the standard of packing material production is a significant obstacle of the expansion of our processed foodstuffs' market, the elimination of which is indispensable.

## 8. Institutional framework

Our agriculture may be integrated in the Community's economic system partly by adjusting itself to the agricultural, food industrial and commercial organizations, partly by establishing appropriate state and corporate institutions.

### a/ Organization for market regulation

The decisions concerning market regulations are made by the council of ministers of agriculture, based upon the proposal made by the Committee, usually after an intense dispute. In the elaboration of and discussion on proposals, the national organizations have a highly responsible task. These organizations collect and possibly discuss the opinions of the respective countries' economic and social participants and furnish their minister of agriculture with arguments, calculations laying the foundation of the standpoint reflecting national interests (Study No.9).

After making the decision by way of compromise, the enforcement of the centralized regulation is also the responsibility of national organizations. The Centre in Brussels disposes of the amounts made available out of the guarantee fund of the FEOGA but the payments are effectuated by national centres operating by product groups which participate in the preparation of measures and also check their implementation.

The market institution system is featured in most countries by the operation of the so called Product Councils (or Product Offices). At the beginning of their establishment they were set up by the state or it assisted their establishing by way of state financing and regulation of legal level. By now, the Governments have withdrawn from these organizations in whole or in part, in several countries, and they assigned the management of these organizations to the producers and distributors and, also, the legal regulation has ceased or decreased.



The Product Concils (Offices) are of vertical organization, they actively participate in the market regulation of the given product sphere, including the managing of interventory purchases, export-import prefixation licences, grants and skimmings. They complete tasks of accounting and recording, and the national actuation of the quota scheme.

Irrespective of the Product Councils, organizations of horizontal organization, mostly of interest safeguarding nature, operate in every member-country as well which cooperate in the preparation of market regulation, in informing the producers and distributors after the Community decisions have been made, and in the utilization of opportunities not only with their own members but also with the Product Councils. The Product Councils also have members who represent farmer federations.

In Hungary, the main trends of preparations are as follows:

- establishing the Hungarian agrarian market regulation and possibly approximating same to the Community gradually;
- establishing interdisciplinary (vertical) branch organizations based upon self-organizing which can be stimulated by a state initiative and financial support;
- training of experts having a good grasp of international conditions, learning empirical experience in the Community's organizations.

b/ Business federation organs

In the Western European countries, the business federations of producers play a significant role in the demonstration of partial interests, in the canalization of various claims, in having the compromises mutually accepted, in informing and training their members (Study No.25).

The business federations conduct their activity first of all in a national framework but they also seek to establish international cooperation. They participate in the Economic and Social Committee of the EC too, which expresses its opinion, gives advices to the Committee and to the Council of Ministers.

Of the organizational forms differing from country to country, we mention that of the German Federal Republic. Here we can encounter chambers and federations of producers. The agricultural chambers conduct their information-giving and consulting activity by using state subsidy, in most Lands of the Federal Republic. The German Farmers' Federation serves the interests of the whole peasantry, whereas the Federation of Landowners serves those of landowners of large lands. The producers of major product groups are agglomerated in producer's federations by trades.

The domestic business federations need to become duly organized and professionally prepared in the period of preparing the admission to the Community. Their influence on market conditions will presumably be limited in the framework of the Community's regulation, whereas their responsibility in orienting the producers and in the strengthening of production discipline.

#### c/ Information system

For developing the joint agrarian policy, comparable, authentic and reliable data are required in respect of the agriculture of member-countries. It is also a condition to the functioning of the agrarian market regulation that the data complying with the prescriptions regularly flow to the decision-makers and to the direction centres of regulating automatism. The correct operation of the information system is strictly controlled by the Community's organizations and by the competitors (Study No.10).

In the national agrarian statistics, in addition to the traditional collecting of agricultural data, further observa-

tions are conducted. An important information basis is the accounting network processing the expenditures, yields, cost and income relations of 51,000 farms chosen in a representative manner, by countries, regions, by the production trends and sizes of farms. By adopting the concept and index system of this as soon as possible, we could compare the conditions of the Hungarian agriculture with those of the other countries.

Further requirements exist in respect of the detailed price statistics, of the monitoring of processes taking place in areas of unfavourable conditions and facilities, of measuring the agrarian aspects of the foreign trade and economic regulating factors. The further development of our statistical system should allow for this.

To enforcing the joint agrarian market regulation, a market information network of very high standard belongs. The regulating measures are taken on the basis of price fluctuations (interventory purchase, import restriction etc.) and the rate of regulating factors (export subsidy, import skimming etc.) is identified on this basis, too. In the representative markets appointed in the individual countries, the prices are quoted and transferred daily, in a determined manner. The comparability of products and markets assumes the solution of many technical problems.

The continuous monitoring of the agricultural producer's prices and that of the prices of production means is indispensable for the Hungarian national economic policy, too. Its functioning would promote, in the period of preparing our admission to the Community, the elaboration of the conditions of the transitory period following our becoming a Community-member.

### III. MARKET POSITION OF MAJOR AGRICULTURAL PRODUCTS IN THE EEC COUNTRIES AND HUNGARIAN PROSPECTS

In this part of our study we analyze the major sector-groups in proper succession and survey their production export-import relation systems and the market regulations connected thereto. By doing this, our intention is to introduce the conditions and opportunities which - when approaching to the EEC, or in case of our membership in the EEC - might be determinant for us.

The EEC has scarcely such manifestation which would not emphasize the most important role of market economy or the social market economy, the prime importance of the free market and free competition. But, they make some exception with the agriculture, emphasizing that here the market, even in general, cannot prevail unlimitedly and that in the agricultural sector there is a need for special governmental intervention, supporting and limiting measures, for making and maintaining the market equilibrium, applying these by branches and products as well.

The fact is that even in spite of several initiations, official declarations, at the beginning of the decade of 1990s, in the agricultural sector, an entirely market strange, complicated, bureaucratic, several times expressively market strange regulation prevailed differing greatly from the genuine market economy. One most characteristic indicator of this is the fact that despite the generally also preferential agricultural price risen far above the world price level, still a series of budgetary subsidies support the agriculture. The main peculiarity of this subsidy is that it is bound to a definite branch or product and within this the part ratio of subsidies serving comprehensive economic policy objectives (e.g. regional development) and the share proportion of subsidies serving comprehensive economic policy objectives are still of slight importance. Amounting to around 30 million ECO, the FEOGA (European Agricultural Orientation and Guaranty Fund). Of which, 28.4 billion ECU will be

spent to the guarantee fund, i.e. for subsidizing the major crops. See in detail in Table 5. The relationship between the EEC's inner prices and the actually reached export prices justify unambiguously the pushed up level of the inner prices as a consequence of the reducing trend of the world prices. It would be a defective concept from us to suppose that this expressively high price level could remain at the time when we are admitted as a member state. This latter is denied by the steps taken by the EEC's agricultural policy and also by the latest concepts alike. At products of determining importance even for us, especially large-scale real price reduction took place in the applied protective prices, thus it would be a serious mistake to underestimate the efficiency improving tasks to be fulfilled by us - due to the current favourable price level.

Finally, - with certain exaggeration, we can say that the Common Market means almost as many market as many products are in question, and each of these markets has its individual characteristics. Thus, fitting to them also needs specific knowledges, individual preparation, which is further engraved by the extra special approaches raised in certain cases by the member countries. The Chapter analyses by the most important products, the questions of production and matters of regulation thereof and compares them with the main characteristics of the Hungarian production. On the basis of this, it tries to draw consequences on chance of the connection, conditions, requirements, resting greatly on the results of analysis prepared by the Research Institute for Agricultural Economics with participation of several researchers. Where utilizing concrete data and cited part of text I refer to their activity. As regards their work it should be emphasized the independent studies under serial number of 14-17, 26 and 30-34, which contain several important information. It is stressed the importance of the fact that nowadays even the problem of a partnership is clarified, and the member countries of EEC will exercise no option in winning the full right membership. This latter can be regarded as a natural one, chiefly, if we take into consideration the unclear position of agrarian re-

forms. However, we may predict with high security that apart from the aforementioned price tendencies -, the recent sectoral subsidies, protectedness from foreign markets, or smaller and greater part of export subventions demolished, whereas, in opposition to these, the third world countries, from part of GATT, the USA etc. the attack will be stronger and partly the member countries themselves also tend to reduce the undisputably large burdens. This fact.- in period of forming partnership means some easiness for them, but after winning the membership position, it will cause the moderation of advantages those seem recently attractive ones and the increase of competition.

#### 1. Agricultural trade between Hungary and the EEC

Recently the EEC is the greatest agricultural trading unit of the world. Not taking into consideration the turnover within the EEC, in 1987 it was USD 59 billion - in 1988 year 62 billion worth that mass of products which had been exported. By this volume the EEC's share from the world import amounts 22 % and it ranks in the first position (followed by Japan by 10 %, then comes the USA and the USSR). while among the exporting countries following the USA (16 %) the runner up is the EEC with a share of 12 % (Source: 45 and 46). Turnover inside the EEC is even greater than this, as it represents 33-35 % of import originating from the foreign countries, whereas the export towards the foreign ones is only 28-30 % of the gross (outer-inner) goods turnover of the EEC (Spurce: 55, 1988). This fact calls the attention to the importance on the inner division of labour and in case of future membership in the EEC, to the great significance of possible internal export and the internal import.

Naturally, a durable, close commercial connection to the EEC is not a new task for the agricultural production in Hungary. It is not especially when it follows the collapse of Soviet market: in 1985 the agricultural export had still been 2.7 times of export towards the EEC, in 1990, however, it became 1.4 times of the goods sold in the COMECON countries. This

fact shows as a witness the unambiguous change of market and by suffering even great hardships (sometimes serious sacrifices), we succeeded in alignment to the changed conditions. However, we cannot count with a full and quick market change even due to the limitation of our processing technologies. For this reason our effort in maintaining the solvent Eastern market will remain, of vital importance in the future too.

Of course, we import agricultural products from the EEC as well, but as in general the import of agricultural goods and the importance thereof - with its partial ratio of less than 0.5 % - is insignificant.

All in all, considering it from the side of EEC, then the share of Hungary out of the whole import is 1.3 % which latter is a very slight share. From among the former COMECON countries our country has been preceded by Poland only whose share is about 1.5 %. Pattern on the agricultural export of Hungary, or about the changes in export of most important products to EEC are specified in Table 29 and 30, respectively.

It is obvious that there is a significant difference among the EEC countries as well in the quantity of import from the East-European region. In this field, in 1989, the first place was occupied by the FRG with the share of more than 41 %, she was followed by Italy with her 22 % and then came France with 13 %. Analysing this from the side of Hungary's export, we receive very similar picture: on the first place is FRG with 37 %, on the second Italy 22 % and on the third France reaching 15 % (Source: 7).

Surveying the market figures, in the products of determinant importance on the Hungarian export, say the first 10 products, thus e.g. pig meat, broiler chicken, and the beef whose main purchaser are the FRG and Italy; in case of slaughter sheep Italy, Greece, FRG and France are in succession, in fruit can food the FRG is followed by the UK, from sunflower oil the main EEC purchaser is Netherland and France. Out of the first

5 purchaser countries of the above 10 products half of them are member of the EEC.

After all, the EEC has been our determinant foreign trade partner so far too, and will remain the same in the future as well. From the chance survey written in detail below, preliminary it is worth only to emphasize that recently our is to carry out such a restructuring of serious consistency in whose centre - from one hand is the EEC's degree of supply (its import possibility), and the competitiveness level of the Hungarian production (at least with minimal subsidization), on the other hand. We possess such product at present as well, and to such level several products of ours can be developed too. As regards a concrete market - after due consideration on increasing the cost charge of transport - it is worth to survey the market in the southern provinces of the FRG and northern provinces of Italy as determinant import regions, but other areas as well, mainly farther regions of these two countries, in addition, Greece and France can be analyzed from this respect. During the period of partnership, this export depends considerably on the general preference system, then in the presumed time of partnership, it loses its importance, and even new markets may become in EEC ones, first of all the neighbour Austria and Czechoslovakia or Poland.

## 2. Sectoral characteristics of EEC's agricultural trade

Before dealing one by one with main products, we deem it reasonable to make a summarized survey on system of the trade, thereby unnecessary repetitions, those to be sometimes unavoidable, can be spared. Commencing partly from our present exporter's position, and partly from potential membership position of ours, we are going to introduce in brief the system and institutions of the foreign trade and domestic trade of Hungary, complying mainly with the Study No.26.



## a/ Foreign trade

"Foreign trade organization of the EEC's member countries shows greater similarity among the individual countries than the foreign trading organization of various products within a given country."<sup>+/</sup> Or in other words, sectoral characteristics prevail in the trading too, although in certain respect e.g. as regards the number and participators in the distribution chain or role of state - remarkable national discrepancies might also be found. It is an important peculiarity in general that even if there is distribution of work between the two profile, the foreign trade and the domestic trade legally should not differ from each other. Since, goods appearing in the trade foreign trade and that in home trade do not differ from each other either. thus we have to be prepared that we also can only sell products of "export quality" in the home market.

In the EEC only a few of firms deal in grain crops and fodders, as most important stock market items, and the foreign trade of these is concentrated in the hand of a few multinational firms. Due to high grade state regulatedness of these products, the governmental intervention is very strong which latter may be attributed to the permitting and creaming off the import and what is more due to the substantial subvention granted to the export. It is peculiar here the high level intertwinedness between with the banks that is reasoned by the risk of stock market deals and extendedness of loans, e.g. existing frequency of export in the credit deals. Grain products are being dealt, in general, by specialized foreign trade firms, whereas the domestic trade in this respect functions separately.

Foreign trade activity in connection with horticultural products shows already a diversified and varying picture. At fresh products the foreign producers meet the companies of

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<sup>+/</sup> Source: (26).

foreign exporter or importer of receiving country, or whole sellers dealing with import, too, whose activity partly extends to storing of goods as well. They forward the goods either to business chains, or/and sell the goods mostly on wholesale markets to retail traders, or utilizers in large-scale. Apart from the discrepancies by countries, it can be said unambiguously that in trading of fresh vegetable and fruit (in addition in case of flower and sometimes meats too) the whole seller markets are of determining importance. Role of various shop networks, and in increasing ratio, that of the large department store chains - is determinant. At this place, mostly products already as consumer packaged goods are sold.

Foreign trade of wine is highly concentrated with strong governmental inspection control. These companies are engaged retail in retail trade activity too, first of all, the super-market chains with their increasing importance are also on the market.

Depending on characteristics of the goods sold, foreign trade on the products of animal origin ranges in a very wide scale. Foreign trade turnover of processed meats is similar to the preserved horticultural products and several firms take part therein, among them the department store chain plays an important role. Trade of livestock and meats is kept in hand by a few large monopolistic firms possessing adequate storage facilities, special transport vehicles as well. A peculiar and a specialized trade is the importers dealing in poultry and poultry products, who are centred especially to the above products (those e.g. in France sell further their products, but in the FRG they sell to the chain of department stores).

#### b/ Domestic trade

In comparison with the entirely scattered agricultural production, in the domestic trade a great centralizedness and capital concentration prevail. This applies equally to the re-

tail and - wholesale trade, to the market forms and dimensions as well. Generally, the role of wholesale markets is significant everywhere, in sales of livestock and meats, various fresh vegetable products alike. Several wholesale markets are of national extent and importance as well, e.g. the Paris's market as a transition place of more people than the population of our country. These markets are not the places for conducting a physical turnover (inside with storage and sometimes packaging capacity), but they play important orienting role too in between the producers and dealers. Their controlling role extend to the prices and qualities alike, and nowadays means a partial public undertaking too. A high technique helps their activity, which is a preliminary condition for their vitality and extended sphere of operation. If we wish to set up a well functioning bulk selling market, the above experiences are indispensable, even in this connection the necessary steps should be taken immediately.

Similarly, the institution of stockmarket is of example value for us too, which plays an important role in trade of cereal grains, soybean, vegetable oils, sugar, with consideration of its considerable specializedness by regions and products.

Characteristics of food trade, inside the Common Market - besides several local peculiarities - is quite uniform basically (and the other non EEC member Western-European countries as well). Determinant characteristics of the latter is that the supermarkets play a ruling role and it functions in "integrated" or "partnership" form in the retail trade as well. Considerable role is played by the cooperatives too, in the retail trade of the EEC, and the process of concentration has been accelerating nowadays as well. By other words, it even represents an opposition tendency against the concept on a proper solution of problems in the near future, after completing the privatization of Hungarian retail trade. From viewpoint of a near future unavoidable market opening, taking place probably slowly and gradually - this circumstance is

unfavourable, thus it would be useful to initiate and support various form of cooperations. In addition to the increase of export in the near future, various multinational networks offer us cooperation opportunity in rising the standard of domestic supply too!

### 3. Recent situation in main branches of crop production

Taking its whole, the EEC shows several similarities towards the Hungarian crop production, but there are significant differences hiding behind the average rates.

Main similarities or identities are as follows:

- intensity grade, yield levels and fertilizer input stands near to each other in the EEC and in Hungary;
- importance of grain production is remarkable and the fact of grain overproduction is unambiguous here, there too;
- of soybean, extent of self-sufficiency is slight, thereby there is a great import from this kind of important feed component;
- sugar (sugar-beet) production indicates a full supply, with a higher intensity and crop yield level of EEC than the same in Hungary.

The following discrepancies may be deemed as important ones:

- Inside the grain sector, the EEC is net importer of oil-seeds, vegetable oils, legumes and pulses playing an important role from protein production point of view. Therefore, in case of the products mentioned above, may we have little or greater chance to increase our market. It is tone, however, that of most majority of crops the self-sufficiency is going to increase in the EEC, too, e.g., and a remarkable quantity of

special tropical oils and concentrated feeds are imported from the developing countries. Having a good quality oil supplying sunflower production, Hungary is in significant export position and thereby we have got such a natural potential and technical-economic capacity as well, that is required to formulate a grain production pattern with more favourable export opportunities than the recently available (more durum wheat and maize) in Hungary.

Detail survey on quantity of production and consumption, extent of domestic supply is given by the Tables Nos.19 and 24, first about the EEC, then the Tables Nos.25-28 about Hungary. Data of this latter chapter are mostly originated from the Sources in No. 31 and 12.

#### a/ Grain production

Market of grain thereby indirectly the production too, similarly in the EEC as well, is strictly regulated. On one hand they grant price guarantees to producers, on the other hand they protect them against a cheaper supply and in spite of the strict measures too, the export of surplus grain is subsidized. The control of grain prices by frequently administrative means as well, exerts a remarkable impact to the livestock production too. Based on economic concepts, nowadays "more and more cheap fodder of tropical origin is applied, and these are not subject of "creaming off". At the same time animal husbandry in the EEC countries is thereby exempted from consumption of "domestic" expensive provender fodder.

Most important element of grain price influencing directly the grain market are as follows:

- the guiding price (a price appearing at the markets of largest supply like; a price of Duisburg and Düsseldorf, which the freight cost from New Orleans is added to);
- the threshold price (i.e. the stock market price in Rotterdam including the freight incurred from the

transport from here to Duisburg and so called market outlays) this serve as starting point of the creaming off at the import;

- the interventional basic price (announced for a period of one year on the basis of the largest supply market of New Orleans) at which, due to the severity increasing measures, nowadays the supplied products are purchased between 1st November and 21th May only;
- the export supplement (it is the difference between the summarized amount including the freight from New Orleans to Ruen - and the actual world market quotation);
- creaming off (that increases the import price to the level of threshold price).

On the amounts of various prices and their ratio to each other a survey can be seen in Table 11. It can found from the last - comparison column of the table the circumstance too, that the present level of producer prices is not only lack behind the EEC's price but implies only a fraction thereof. It should not be forgotten that the years 1990 and 1991 have modified a great thereon, and that earlier, out of the domestic input prices, the prices of several important products (mostly the price of fertilizers and machinery of determinant importance) lagged behind EEC's ones. Finally, at the cereal grain crops as the most land demanding branch the land price plays an important role, on which we ourselves should count with too in the future from now on.

An important partly a new element of the entire regulation the method where the guarantee threshold has been determined in total crop of 160 tons. If this latter quantity is exceeded by the EEC, then the intervention price will be reduced by 3 %, with the so called partner responsible tax, during the following year. The partner responsible tax will also

be added to it from 1990/91 on, since the EEC can get rid of the cereal grain surplus very slowly only.

Beside the aforementioned time restrictions, the interventional purchase can take place when there is a producer's offer for a minimal quantity of 500 tons (at a rising price partially compensating the storage expenses incurred for the delay of storing). The governments entrusted cooperatives or private companies with carrying out the intervention purchase and pay the expense thereof out of the EEC's benefit. In the FRG 20-25 % of the whole grain crop, in France 4-5 % of the grain crop has been purchased by using this method. On the basis of different approach modes and unambiguously the Hungarian grain production proves its competitive against the production in most of the EEC countries. Attributed partly to natural endowment partly to large-scale production sizes and to the leading technology, in this field we have got comparative advantages. Yields of our grain crops have increased in more rapid pace than that of the EEC countries and even exceeded their absolute level. It is important for us to exert the entrance not from a low quantitative level (therefore, from a bargain position being disadvantageous for us). At the same time, it is obvious that the production of a poor quality wheat (i.e. with non-improving affect) involves disadvantageous consequences recently and result in impairing the export opportunities for the future, too.

For this reason, in the field of our wheat production, it should be emphasized that crop of quality improving affect should be produced (by applying qualifying and incentive systems, market regulations etc. corresponding thereto), besides, the barley and maize production well be beneficial for improving the domestic foodstuff reserve and for export as well.

b/ Sugar production

Due to EEC's sugar surplus of 3 million tons a quota system and strict price regulation as well as duty paying obliga-

tion are in force. In addition to the quotas assigned by countries and inside them distributed by plants, there is a price, slightly differentiated by country as well. Inside the basic quota (quota "A" fixed in 105 % of EEC requirement), this is the valid price, while inside the quota "B" being greater by 20 % this price is considered, and there is a sugar duty to be paid by the sugar beet producers, while the rest 60 % by the factories.

Guaranteed price is not paid for the surplus yield above the quota A+B, but certain share of the non-subsidized export price only. The domestic producer is protected by a strict creaming off, and he is granted export subsidy from the sugar duty upto a quantity of quota A+B. Should the amount of duty be not enough, then the quantity between the quota A and B is charged by an additional price reduction. The system of sugar regulation is self sufficient, the duty is the most important agricultural assets of the FEOGA. Attributed to its self sufficient characteristics, probably, this system will work continuously in the future.

Although production price of the sugar is higher by 50 % than in our country, but this difference is still less than it was seen at the cereal grains or at the oil crops. Mostly, attributed mainly to climatic conditions, and due to the less crop yields in Hungary we have no comparative advantages similar to the aforesaid crops, what we possess it has come from the lower wages and smaller input prices. Nevertheless, significant interest shown by the foreign capital against our sugar-factories arose meditation, i.e. by counting with the so called third markets, assumedly, this branch of production also has possibilities for renewal and development.

c/ Vegetable oil production

Since the EEC is not self-sufficient, in this field the import is less controlled, and producers are not protected by administrative limits, but incited by an inner price level ex-



ceeding remarkably the import price - to turn out more product (e.g. at soybean the inner price is higher by 80 %), than the price of good to be imported. Guiding prices on the intervention purchase implies not only security, but a favoured economic position too. The Hungarian price level is only 30-35 % of the EEC, taking into consideration either the guiding price or the intervention basic price, less by about 10 % than the latter. In this sphere - except the rapeseed - our competitive opportunities are better than at the cereal grains or sugar. This is why it differs at the rapeseed, because at this place the EEC processors are enjoy an extra support as well, or the users too, returning to them the difference between the world market price and the inner guiding price, effecting the payment from the EEC's budget.

During the past decades the sunflower production has been in a strong upswing. Its crop-yield level is on higher level than the Hungarian yield but with less and less difference. Even on the basis of a price and cost analysis of approximate accuracy, unambiguously remarkable comparative advantages have been found for the favour of Hungarian producers. This matters - due to the world prices' reduced in the past years - recently can be exerted with great difficulty and in less part only. However, getting into a position inside the EEC, this might be the very crop being produced on a large area surface and by utilizing its cost saving advantages too, offered by large-scale production, could be produced by Hungary in a larger volume in the future. For this reason, in the next period, special attention is to be paid to the development of vegetable oil industry, first of all to technical modernization, increasing the production of the marketable end-products. (Of course, with an up-to-date packaging technology attached thereto.)

d/ Other arable crops

It is obvious that besides the aforementioned three crop groups, although these occupy about 3/4 part of the arable

land - we are able to get in competition position, or compelled to enter into, during the period of realization of EEC's membership, or when the latter is being realized. There are crops where e.g. potatoes, or rice where due to our natural endowment (and other reasons, too) we are not competitive, and in this position of ours probably, a change cannot take place either. Notwithstanding there are crops, where the production is also significant recently, and the export too and which is more essential - the EEC constitutes an important market as well. Of which the production of pulses, legums (at first the dry peas) and the famous backgrounded alfalfa meal production having an adequate capacity recently (that has been made doubtful by the energy prices) - should be emphasized. In addition, primary importance is to be given to the production seeds of various crops which is our traditional export item, too. As regards the question, what boom is envisaged, at this market sensitive product, safe and reale estimation cannot be given. However, it is obvious, that our advantages, namely our climatic endowments and under large-scale conditions easily and effectively realizable isolation requirements, as well as favours attributed to our highly qualified private venture minded intellectual capacity engaged in seed production, which, on the basis of constant international connection (contract) have favourably realized - are of great importance. This is the very branch of the crop production in Huhgary that can prosper especially in the family farms.

#### 4. Horticultural branches

A field inside the EEC's agriculture whose area is most diversified by countries, even regions not bearing any generalization, approach by average rates (see in detail the study No.31). It is certain that the EEC's whole represents a very strong competitor toward the Hungarian vegetable, fruit and wine vertical integration, especially the EEC's Mediterranean

countries and the membership relation with Hungary would bring about spectacular and radical changes not only in the market of horticultural products, but inside the production background and trade as well. In the above succession, our product output implies 5, 7 and 2 % of the EEC, where mainly, Italy and France play determinant role. However, it should be seen that besides the production, there is a significant differentiation in the consumption too, taste and quality demand differ greatly and this may offer favourable opportunities for us, as well. Comparing the extend of the EEC countries' self sufficiency with the Hungarian data, we found that the extent of our self-sufficiency or say our overproduction is the largest, particularly in longer term basin in all the three product vertical integrations. Taken out of the tables indicating the level of consumption the data also show remarkable, but gradually diminishing differences.

The export of Hungarian horticultural products to the EEC has although a considerable tradition, but this essentially is limited to the FRG. Of the whole fresh vegetable and fruit export sales to the EEC, almost 80 % pertains to this single country only; and from the value of processed product (that is 2 and 3 fold of those exported as fresh goods) also the FRG shares by 50 %. Therefore, we are an unimarket EEC supplier, even inside the FRG Bayerland and Baden-Würtemberg are our genuine customers. All in all, the Hungarian export is a fraction in the EEC's turnover and compared to the outside purchase of EEC, it means - out of fresh fruit and wine - 2-3 %; while from fresh vegetable our country's export shares by 9 %. Unambiguously we utilize market gaps but sometimes only in certain regions. The possible reserve may be attained not mainly in expanding the gaps, but rather in extending the market on regional basis. For this reason - despite every uncertain phenomenon - hereby we cannot avoid the reference to the neighbouring Austria's entering into the EEC, if any, before that of ours, even the assumption that the expected.

membership of the neighbouring Czechoslovakia might modify considerably our market opportunities. In addition to our favourable climatic conditions, Hungary's comparative advantages are embodied in her relatively cheap labour power, and constantly on-family base organized, combined operational conditions utilizing the larger production scales as well, simultaneously.

a/ Market regulation of fresh products

Central element of market regulation system is the price regulation. For 14 relevant products the annually fixed basic price is set on the basis of the last 3-year average of main (growing) habitat and commencing of which - with intention of avoiding overproduction - the far lower interventional price is fixed in certain per cent ratio. This is entered into force when the actual market prices reach this level over a period of time defined previously.

Besides the prices sometimes even decisive role are played by the quality conditions which by the strict standardization, exerting the homogenization, origin marking obligation, hygienic requirements - protect the producer too, who meet best the above terms. They play a great role in limiting the import as well (of this arises the especially severe export requirement), where it is more liberal the exertion of economic regulators than in cereal grain and meat sectors. Here the customs is the main regulator and this latter is supplemented by the quantitative limitations and the taxes. Supplementary taxes are imposed to a country when a supplier of the given country goes to a certain extent and frequency below the reference price that serve the import protection and indirectly the price protection of the EEC's producers.

Although the general opinion in our circles says that the Hungarian export is hindered firstly by the EEC-import regime being unfavourable for us, the greater part of the true picture shows that the highest hindering factor is the inadequate competitiveness of our products. In vain our products possess

good tastes flavours, but due to their poor forms, appearance, inadequate physical purity and primitive packaging cannot be sold on the markets become extremely demanding recently. Until there is no favourable change in this field, we have not only possibility for increasing the export, but we shall have to be prepared that our products are partly lose their market domestically too. For preparation of being admitted as member of EED, the introduction of producer's standards, severe quality control and setting up and functioning of such trading institutions (wholesale market, transit storage) without which there is no any chance to eliminate the recent - expressedly anarchic conditions existing in this field. For solving this problem the organization of producers and trading bodies should be strengthened and where needed new ones are to be set up. "Moving out" of fresh vegetable and fruit production from the large-scale sector, although it increased the interestedness of producers and the chance that the quality of crop be improved, but to the existence of the more and more evident unorganizedness, they has not implemented the introduction of a very acutely needed uniform requirement system either. Failing the government's intervening, market order making role, the problem in this field cannot be solved. But at the same time, it should be mentioned that we have got several such products or we ought to have possess, which would take part with chance in the competition for the membership of EEC. Such products are the products taken as special Hungarian goods, like green paprika, onion, apricot, sour cherry etc.

A part of our comparative advantage derives from the peculiar natural endowments, from transport viewpoint - the favourable location and from the probably constant labour power supply and its relative cheapness. But the seasonal characteristics of our production is constant and thus it is only a partly (e.g. by under foil production) mitigable factor.

b/ Market regulation of processed products

There is no common price policy and no interventional system either. Processor are granted subsidy to production of certain products, against outsider first of all, the customs duties protect. Depending on sugar-content, at fruit based products the creaming off is applied. As an indirect regulation, the import certificate system is applied allowing a control on the quantity and price of the imported goods.

Our opportunities for a successful competition, even in the period of EEC's membership and during preliminary stage preceding the admittance thereto, are explicitly good at the refrigerating industrial products. In function of capital and technological supply, in greater part the conditions can be made available by traditional preservation, or by other methods (drying, dessicating, liophylization, etc.) applied at the vegetable and fruits.

Presumably, this is the very area, where the comparative advantages mentioned at the fresh products are more unambiguous and where the sphere of products we can count with are remarkably greater, whereas the seasonality of production exerts less impact, and finally, the production in large-scale units may serve our favour in the group of these products. In case of preserved vegetable and fruit species the success mostly depends on the flexibility in conforming to the market, but as obvious preconditions we should count the absolutely reliable transportation, excellent, chemical residue free product quality and up-to-date packaging.

Of our products - in case of adequate quality and price - excellent opportunity is offered to: Hungarian spice paprika, various kind of deep frozen vegetables, berry fruits, tomato-puree, as well as the aseptic vegetable and fruit drinks. By means of appropriate marketing activity an entire series of special preparations could be sold in a position inside the EEC, if the adjustment to the most demanding qualitative needs

can be ensured during the agricultural production stage and in the canning industrial phase as well, and in addition, if the so called organic production techniques and environmental friendly methods are obeyed completely. To this latter, the private based smaller scale production offers us several advantages.

c/ Wine market

Complying with the special conditions of the product, the regulation of market and the production itself also includes several specific elements. Viticulture is a controlled sector, beginning from the plantation development through the oecological processes, price fixing, determining of the quantities to be marketed, entirely up to its trade both in domestic and foreign markets - everything is confined and inspected.

Classifying the vine-growing areas the EEC try to set back the production of wine of weaker, so called "table" quality, but giving free scope for the extra quality wines, limiting less the production of good quality wines. As regards the table wines even compulsory distillation is prescribed by the EEC (reaching once the 30 million hectolitre per annum quantity), and it incites separately too, the reduction of growing areas, since the demand is less for the table wines. In fact a direct market regulation is exerted too at the table wines, as the good quality wines are self-supporting ones whose market is equalized. It should not be forgotten that here, a very strict origin and quality controlling system operates and that the producers themselves - by means of their respective organizations too - are active determinant factors of the market order.

Guiding price of wines (desired price) on which an intervention commences on, are the orientation price and the so called starting up price fixed in 82 % thereof. The intervention implies not a procurement but supported storage or dis-

tillation extended only to such producers who undertakes voluntarily to keep back their production. In case of overproduction the distillation might be compulsory as well, namely when a limit of 12.5 million hl has been reached, at 50 % - orientation price, above this quantity the wine is purchased at a price less than 50 %.

The import is under a strict control. Customs duties and supplementary taxed are imposed, similarly with the processed vegetable and fruits, here a caution charged import licence shall be applied as well. In addition to this severe quality certificates are required and there are several special prescriptions for the packaging, labelling, advertising etc. of wines. There is an opportunity in the EEC for us only with good quality wines, if we make new and serious regime in the wine industry. For this, however, a radical change is required both in areal location of production, and improvement in operational and technical equippedness (in storage capacity and in settling the financial condition of stock storing as well as in adjusting the products, marketing etc.) in addition in shaping up of a trading system capable to justify and exert the excellent and specialized quality as well. The Hungarian wine sector is in possession of such opportunities that can compete successfully with the EEC's wine industry representing world's vanguard in this respect. It depends on us that whether or not we can get rid of our so far existing idea favourizing the mass production, and can we change over to a quality centred production and trade system, capable to follow up a very capricious market!

##### 5. Animal husbandry branches

When closing up to the EEC, the truly critical agricultural problems derive from the share of livestock husbandry branches. Namely, this is the very area whether the interest contrasts are especially sharp and where our cost efficiency



problems are weak. At the same time the overwhelming part of agricultural export, i.e. slaughter animals, fresh and processed meats export sales, therefore, where is determinant for us which market position can be maintained, not only at negotiation table but in actual market competition too. At the same time this sector is about to be renewed, thus, presumably restructuring of its operational pattern will given an upswing to the improvement of its economic efficiency. In detail see the text of Study No.32.

During the past decades, influenced by various factors, but mostly attributed to the increase of domestic supply, the Hungarian customers - from foodstuff of animal origin - has reached a customer level approaching the European average rate. This inner consumption increment has been accompanied by expansion of export, thereby the self-sufficiency rate of Hungary reached by the threshold of the 1990's, the 160 % level of the domestic meat consumption. This ratio brought about in the 1986-90's can be estimated for the current year and for the near future, too, since the domestic demand is reducing similarly to the production, although the decline at the latter - in lack of appropriate measures - in one-two years, well probably more spectacular than it is nowadays.

For comparison between the home level of supply and that of the EEC's information can be found in Tables Nos.19-28. As regards the meats, the situation is unambiguous: taken as a whole, compelled to make a subsidized export the EEC would scarcely full capacity receiver "digester" of our surplus meat, but certain positions - first of all, the well established, run-in FRG market, and to keep up the least supplied Italian market - is our primary interest. However, to do so, we have opportunity in possession of adequate competitiveness only.

As regards the competitiveness in particular, we will deal under Item No.8.

Less substantial informative basis is available about the other items of animal origin. It is sure that the recent milk crisis is first of all the crisis of consumers' demand, the serious conflict between the living standard and the milk price (milk product price). Level of consumption, namely, is undisputably low and, in case of paying supply prices complying with the incomes (e.g. when EEC's products relative cheap to that of ours get into market) the demand and purchase would increase again. But, we may predict with quite a great safety that the Hungarian milk industry will never be a key important sector of Hungarian agriculture when the latter operates as member of EEC.

The EEC is an important market for the so called smaller items. Such one is e.g. the rabbit meat the position of which is of primary interest of ours. Our opportunities for this are relatively better than for others, whereas at this the wage level is lower, there are a great number of small farms the existing large number of labour force, the available experiences, all the mentioned elements offer comparative advantages for us in this field.

Summing up and comparing the economic conditions of the Hungarian and EEC's animal husbandry and successfullness thereof, we can found that

- yields of livestock production in countries with largest volume of production slightly exceed ours. Concentration of their flock (herd) is less, or free from such an extremity that developed in this country (extrem concentration on one side and flock (herd) on the other). Shaping up of a domestic "middle-field" would improve our position considerably;

- inside the EEC the price of feedstuff is incomparably higher than in Hungary, however, against this they fight successfully with an outstandingly high rate of efficiency. Notwithstanding, regulation of cereal grain market started up a price reduction tendency, which is advantageous from every

respect for the EEC's animal farmers, while in Hungary there is a radically different tendency by which the grain and fodder prices are going to rise. As regards long term competitive conditions and preparation for the competition, we may declare: this process is an absolutely necessary process of restructuring;

- price level of products of animal origin and that of the slaughtering animals exceeds considerably the Hungarian level, although here the differences for the EEC's favour are far less than at the products given by the overwhelming majority of crops originating from the crop production, and there are remarkable differences in the price ratios as well (e.g. in this country the price of pigmeat - mainly if we consider the quality too, is perhaps overestimated!);

- general reduction - in reale value - of the price level needs special attention, it is all the more necessary that the consumer prices do not always follow this tendency. In the EEC countries, since a strong price rise in 1980-1989, namely, a constant tendency of reverse omen has prevailed that is indicated well by the data of previously cited Tables Nos 6 and 9, respectively.

#### a/ Slaughter beef cattle market

Despite the remarkable beef consumption (24 kg per capita/annum) the EEC's beef market is oversupplied, and recently, it is peculiar to the problem that besides the import of excellent and good quality product, the volume of exported products in weak or medium quality charged with a very big subvention frequently on credit or even in form of free of charge aid, is far more. About 10 % of the Hungarian slaughter beef cattle production (some 20-25 thousand tons) is in such a quality that correspond to the strict requirements imposed to the EEC's outer suppliers. Nowadays, however, due to import limitations and creaming off measures the Hungarian export is even less than the above mentioned figures.

At the beginning of the 1990's, inside the EEC the price of slaughter cattle of standard wuality ranged between some 1.5 - 2.0 USD/kg and price of the young steer was about 3 USD/kg. It was 2.3 - 3 times of the producer's price in Hungary, and if we wish to export it to the EEC it will be charged by a considerable "creaming off". The extent of latter in 1981 - at slaughter beef had been 1.8 - 1.9 USD/kg, in four quartered beef 3.3 - 3.4 USD/kg. At the young steers there is a creaming off preference, thereby their net prices to be paid us - might reach the 1.1 - 1.2 USD/kg.

Regulation of the EEC's domestic market - as shown by the text so far is as follows: Applying creaming off they limit the external competition considerably, the size of which depends on reference prices of the home market. The cheaper the domestic supply the more is the creaming off, and vice-versa. The more and more severe, so far several times modified intervention system also serves the protection of domestic market.

It is obvious that the final agrarian policy objective of the Hungarian association (to the EEC) is to eliminate the unfavourable discrimination and during the period of transition, to do a release in extent exceeding the recent one, or mitigating thereof. In case of full right membership - commencing from our present situation, our sales revenues would increase by USD 80-90 million, and it would be against the above sum, the excessive expenses of input. How much is the above? It is even difficult to estimate, since, besides the growing cereal grain prices the production technology should also be changed by us, otherways the increment of fodder prices itself would "halve" this surplus revenue -, not talking here about price increase at other inputs - under unchanged cost efficiency conditions. Therefore, at this place, we should refer to the fact that investigation of the Research Institute for Agricultural Economics in 1991 mean initial and situation surveying steps, that should, in any case be continued, namely by a deeper analysis on the input and out-

put prices serving the estimation of cost and income of production.

b/ Pignite market

It might be taken as one of most important product of the Hungarian agricultural production, playing key role in domestic meat supply, and sharing by 35-40 %-ratio in the meat export from Hungary. Previously, the USSR was our largest export market in this respect and recently became the EEC. Inside the EEC our most important client is the FRG and our main item thereto are the meat cuts and dry meat products. As a whole, the EEC's countries produce 2-4 % surplus products with big differences by member countries. A significant importer is Italy, one of the world's largest exporters are Denmark and Netherlands (by 340 or 290 kg self-sufficiency rate). It might be a warning phenomenon for us the fact that there is no such (essential) agricultural product at which the price favour of EEC is as low as the pigmeat is. This is connected partially to the fact that the market rules are in this field the most liberal, and the protectionism shows the less extent.

Therefore, our task in essence will be further on to increase our competitiveness, on which we have a lot to do. As first item, we have to reach a radical reduction in the specific feed input that is urged separately too by increase in cereal grain prices.

Quality of the slaughtering pig should be improved. The quality of pigs lags behind the desired level especially with the private farmers. By fulfilling the requirements prescribed by these two conditions may we compete - by better utilization of our existing, relatively adequate slaughter capacities on the EEC's market. Therefore, the main objectives are the good quality and the cheapness!

On the other hand the EEC's market is protected at first, by the creaming off. In addition to this, the producers' interest are supplemented by seldom applied intervention or export subsidy as well.

c/ Sheep meat market

From the part of EEC, the smallest resistance is applied at this product among the meats, and our natural economic endowments reason best the development of this branch of livestock husbandry.

Despite of this, for a period of almost 10 years now, the skeep husbandry has got into a critical position. Stock of herds decreases constantly and in the near future even keeping of our position bargained in the EEC, might get into dangerous situation. Our main market is Italy.

Today, the EEC is not fully self-sufficient from sheep meat, thus regulation of the market is quite liberal. Its essence is that it conclude contract with external countries on the basis of self-restriction, and for compensating this the imported goods are charged by 10 % customs duty (half of the possible one). In the interest of a stable market an import licence can be obtained quarter yearly and for 25 % of the annual quota only. Besides, they still limit separately the import to the two main producer countries, i.e. France and Ireland.

As regards our future in this respect, the key question is whether can we manage the improvement of economic efficiency of sheep meat production and keeping up simultaneously and even increase the level of product quality. For fulfilling this the disorder in its trading has to be eliminated and the anarchy in the operational conditions should be ceased, but firstly bringing about the private interest is needed, further, and again arises the demand that we shall follow consistently the requirements of specialization towards the meat production.

#### d/ Market of poultry meats

Until the mid of the 1980's, being the most rapidly growing this branch of the Hungarian livestock production produced the largest export revenue annually. Earlier, in the other part of the world, thus inside the EEC too - its production expansion was dynamical, but, due to saturatedness of market it had stopped there earlier than it took place in this country.

Nowadays, failing of the export to USSR, is the greatest source of worries in this connection. Although, even the Hungarian product pattern has been restructured favourably the production of broiler chicken decreased and instead, the supply of large-bodied poultries, mainly the turkey - has expanded. Our basic worries is the weak competitiveness of this branch and that the feed consumption is more than 20-30 % compared with the competitors' rate, finally, we possess an uncomparably higher ratio of bird mortality.

The EEC, in addition to its some 104 % self sufficiency and with import in annual quantity of 55-60 thousand tons is our regular customer, regarding Hungary as its most important exporter. In our shipments the ratio of mass product chicken meat is low, but we sell at this place almost whole of the goose-liver and duck-liver, in 3/4 part the cut-, meats and meats of high quality. Main buyers of ours are: FRG (47 %), Italy (27 %).

Applying creaming off, supplementary creaming off, other solutions differentiated also by products, the EEC protect very vigorously its market at this product too. As an initiating element, behind the above measures, a cereal grain market regulation as an endeavour for market protection against the cheap foreign cereal grain - is hidden. As regards the future, the reale question is that in compliance with the currently valid agreements - during the period preceding the full right membership - can we receive any further preference out of the

amount ranging from 12 to 77 %. and if so then whether or not it will involve quantity limit and in what quantity? Since a creaming off amounting to USD 44 million was associated to the export in 1989, therefore, by mitigating thereon a considerable position improvement might take place. On the other hand, in improvement of efficiency, however, there are large and urgent tasks for us, whereas without this - simply due to the increase of provender feeds, we have to count with a cost increment of at least of 20-25 % rate.

e/ Milk production

Milk economy is the constantly a most problematic field of the EEC. Regulated to a less extent by free market methods it is a field requiring considerable subsidy (in 1988 6.2 billion ECE) and despite the strict measures it has had constant overproduction problems. It should be appreciated, however, that although in expensive way but they more and less stabilize the domestic market and the producers' income state.

In Hungary, recently there is a suddenly exploded a milk overproduction crisis, which cannot be handled by those present in the market, namely the producer, and the trading share and the government and the interest-safeguarding organization either.

A quote system functioning in the EEC, also indicates discrepancy around the two solution principles. In certain countries e.g. (FRG, Netherlands, Belgium) the quote is imposed by individual producers, while at other places by processing units. This latter - inside the average - allows greater marketing space for the milk producers.

The example of the EEC indicates, only work of longer period and result of several arrangements as a whole might be realized in improvement of the situation - if the market situations are more and less consolidated. When closing up to the system prevailing in the EEC, we have to be prepared to an



increasing competition in the field of milk market. Similarly to Great Britain, the task of Hungarian milk production will also be the supply of liquid milk and daily fresh milk product for the population only. The situation would be essentially better, if we could supply milk to the market of neighbouring recently very poorly supplied countries. However, the extent and form of our joining to the EEC has not yet settled either, thus an adequately thought decision cannot be taken to important problems, e.g. radical reduction of the country's cow herd. Even, it cannot be done, because several essential relevant questions (future solution of regions with unfavourable natural conditions, use of grasslands, decentralization of milk processing etc.) should be clarified previously. Meanwhile, it is not doubtful either that the consumption dropped suddenly to a very low level - according to the previous' years experiences - might gradually grow again, even, first of all on such regions where - due to an inadequate marketing activity - the milk supply of several settlements is not solved.

f/ Small animal keeping

Having tradition and quite remarkable export there are products which are grouped in collective noun. Of these, the importance of rabbit should be emphasized, from which even recently the EEC and inside this first of all Italy provides market for us. As regards its prospect, thanks to our comparative advantages, first of all, the producers' readiness for small animal keeping can be maintained still for a long run, thereby, it is important for us at least to preserve our good position under the transition period until our joining. Owing to the currently uncertain position of large-scale farms and rural cooperatives that had played integrating role previously, in several places serious trouble occurred (from trading etc.) point of views - that needs urgent intervention.

Similarly, there are several products the production of which is carried out in by occupation, such as: honey, pigeon meat, angora rabbit etc. The volume of sales might increase at these if a well organized marketing organization is set up and function. Due to environmental protection reasons for collection of edible snail and frog - no expansion can be envisaged. However, if their breeding problems are settled, it will be possible to find adequate market for this product. There is similar problem in selling the large games' meat as well. The production of these may be, and can be developed after successful marketing survey only.

#### 6. Forestry and wood industry

As regards the wood (timber) the EEC's markets are unsatisfied from food and forestal products, in spite of the increasing inner cutting greater and greater quantity arrive from import. This provide favourable opportunity for us in increasing our export (especially from saw-log of timber), but there is a hindering factor: slight ratio forest compared the whole area, and the fact that since 1945 forest area of this country has increased more than 50 % and in them the rapid growing early cutable tree species prevail. Thanks to this, the supply from wood exceeds by 5-7 % the internal consumption. One part of the food industrial needs import (up to 40 % of use), but the export is capable not only to cover, but exceed by 2 billion HUF the above (in detail, see resource work No.8). It is presumed that within the EEC the production will grow rapidly, about 8-9 % per annum in the coming years, but at least the same quantity can be forecasted as consumption in the future as well. Thus, it is presumed, the extent of supply will reduce somewhat too. Thereby, our export opportunities will also be better and thanks to our lower wage level than other's we may maintain our advantages. In the interest of utilizing the opportunities, first of all the

level of the marketing work - for expanding the production of slab and sheet industrial products, as well as fiber-semi product - should be improved.

After all, therefore, in Hungary there is a developed forest economy, which - regarding its output and health' condition of the forests and as belonging already to the vanguard of Europe, may attain favourable market in the EEC. Our opportunities in this field might be improved by the further increase of forestal area, which although is hindered by the scarce financial sources, but its implementation would be urgent as the so called marginal areas where cropping due to lack of efficiency is dropped, afforestation should be carried out. Growth in the forest wealth is unambiguously reasonable (to which - in addition to economic factors the more and more important environment protecting objectives are associated too) and justifies the necessity and reasonableness of drawing-in foreign - capital -, first of all, of EEC's origin for this purpose. We deem the latter possible in the period preceding the full EEC membership too, even - this might be an absolutely favourable concept for utilization of the agricultural area for other purpose than cropping - when dispute and bargain will take place during the negotiations on the restructuring and restriction of agricultural export. For this reason it seems to be expedient if Hungary would attempt to request her participation in the EEC's forest development projects and utilizing the opportunities available therein.

It is an important question to deal with the development of game management and hunting connected entirely closely to the forest farming, and increased utilization the considerable opportunities available in this field. It might be an important constituent of the rural (village) tourism, the forestal and hunting activity. These two in combined form may produce not only a considerable earning for Hungary, but they would offer employment opportunities as well serving

well our endeavour on rescuing our peripheric regions and protecting the environment (on the above problem the Resource Study 34 given further information).

#### 7. Rural (village) tourism

This branch of foreign tourism has been swung up by three factors during the three past decades: inextensiveness of village recreation, attraction to closeness of nature and urbanization -, in best sense of the village settlements, dwellings, i.e. their closing up to the urban or the the comfort level of the existing holiday resort places. With us, majority of villages is lagged behind the desired level, only a slight and modest attempt can be seen towards the closing up (Resource Study No.30). Rapid changes in the past decades have differentiated the villages and their inhabitants as well. Those who preserved the traditional peasant environment are not in a position to meet even the nowadays elementary requirements, and where otherways, the financial basis is available, at that places, however, the traditional peasant court and rural form of life have anished as well. After all, therefore the point is, if we wish to be prepared to meet such an existing external and domestic demand, then we do this in organized, programmed way and in framework of a prudent action. Thus, in the settlements wishing to participate in the tourism, strict hygienic, infrastructural and cultural (possessing relevant knowledge) preconditions - connected to a general regional economic development program too - should be made available.

As regards Hungary, there would be demand from the EEC countries for recreation arranged in close contact with the so called "untouched nature", but that we can provide nowadays is not enough either quantitatively or quality point of view. Therefore, a concrete experiment, say - special development of an assigned settlement, extending not only to

a family but to an entire village (settlement) would be conducted. And, since without possession of running water, drainage canal network, telephone service, it would be difficult to commence anything, thus such a project on the basis of individual financial resources cannot be implemented. To such a venture, governmental aid or ventury type investment is needed, at the latter attention should be paid to avoid the undesired by impacts as well. A world exposition would provide an actual chance to such a venture, utilizing the international experiences and receiving the relevant norms applied there.

#### 8. Efficiency and competitiveness

In addition to the condition what is the ratio between the output of Hungary's agriculture to the whole products of EEC and its demand, in long term the criterium undoubtedly is what is the ratio between the output and efficiency of Hungarian agricultural sector to that of the EEC.

Investigations conducted by the Research Institute for Agricultural Economics mostly for World Bank indicates that the production growth achieved by Hungary in the field of agriculture in the past decades is far above that of had achieved by the EEC (2.6 % to 1.9 % over 20 years), but we achieved this by scarcely 1 % increase in efficiency per annum, against the 1.5 - 1.7 % increase of EEC's efficiency (in detail, see Resource Study No.14).

As regards the various main constituents, the main difference comprises: productivity of living labour increased everywhere better than in Hungary. The decrease in efficiency of fixed assets was less everywhere than that of ours. Presumably there was not such a big difference if the ratio between the input and output would not be so wrong than the same in this country, or/and if it would not be registered so

many people among the agricultural earners, who - actually work in third or other sector. (It is true that the agricultural output is improved largely by the "main occupationless" small producer's sector, as well.)

Several experiments were conducted on comparison of Hungarian data on production cost with a few data of foreign origin. All of them were put at disposal with a strong proviso, by those making the analysis. It happened similarly when we compared the Hungarian (large-scale) data with those collected in FRG, on the basis of Sándor MÉSZÁROS's analysis. In compliance with the above analysis the following has been found:

- in wheat production, besides almost the same crop yields - since the product per measuring unit had been achieved by essentially lower input, and what is more, here with us, the price is far less too. Similar situation had been found in case of maize as well;

- in the milk production the Hungarian yield with its 6-7 % higher level, seems to be more favourable, because neither the price level fodder costs nor that of the wages approach that in the FRG. However, a rise in the feeds can turn in reverse direction the cost difference or our milk production performed mainly on the basis of feeds of cereals origin;

- but in the pig fattening a contrary tendency was observed, where, despite the existing price level difference the first cost of production is almost identical, as the price advantage of ours is removed by our lagging behind in the field of feed conversion. We use 20-30 % more feed concentrate for per unit weight grain. The above can be seen in more extent in the chicken fattening, where the surplus rate of feed consumption reaches 30-35 %, that can be attributed to the higher rate of mortality. Our position might be greatly impaired by the rise of feed prices if there will not be a radical change in the rate of feed conversion.

After all, in the crop production rather comparative advantages - whereas in the animal husbandry a slight disadvantage can be observed. These can partly attributed to the actually existing natural endowments, but in remarkable part they are due to the price level advantages (cheaper wages and feedstuff), but which presumably, will be transient elements of the profitability. Thus, we must attain a strong natural increase of efficiency, firstly in our animal husbandry.

All the facts described above are certified by our investigations those have been performed by us - on order of the World Bank since 1983, on the main agricultural and food industrial sectors. The above investigations had been based on the relationship between the assets input from domestic resources and revenues measured on world market prices, of which the former had been counted on added value basis reckoned on domestic prices, whereas the latter on world market prices.

The results have been summarized in Tables Nos. 12, 13 and 14, respectively. Of which, firstly such a consequence can be drawn that the higher the domestic input increases (there will be an increase in conversion rate and will be meat from cereal grain, animal product becomes food industrial product), the more decreases' our competitiveness. It might also be said that during the past decade, at several products the domestic prices deviated essentially from the world market prices, in such a way that at the cereals downstairs and at the products of animal origin but mainly at processed ones - upstairs. This means a distorting incitement and induces endeavours running counter to the recently desired structure. Opposite to this, the EEC prices give favour mainly to the raw materials, and recently the Hungarian prices start to move away as well in this direction.

Sooner or later change should be taken in this field, even if sudden appearance of change reached preparedlessly

the Hungarian economy. Thus, however, we will be capable to prepare to the circumstances existing presumably in the EEC, first of all by improving the competitiveness of branches in livestock production.

Should we approach the factors for improving the competitiveness from side of resource assets, we can say, we will have to face the growing cost both in case of land and living labour, and no reduction is presumable in price of capital use (means of production) either. Therefore, improvement might be expected or take place, only where it applies to the income side.

On output side, start towards positive direction - at first, as regards the quality, and from improvement of material input (mainly from better feed conversion) attributable to improvement in interestedness and in cittedness, and growing output value per unit of productive resources. The main means of the latter itself is the positive change in the quality and composition, in this field, firstly on the basis of higher nutrient value and use of the required protein. In compliance with the data available, there is little difference between the EEC's export price and the Hungarian export prices, therefore in this connection we possess only a little reserve or we have nothing at all in this field.

Although, our yardstick system in this field has the least accuracy, yet it seems to be unambiguous that most tasks to be fulfilled by us - is in the food industry (Resource Study No.15). At this place, the troubles begin probably, in quality of raw materials - as the resource, assets, input of the production in this field indicates the greatest rate compared to the actual output achieved, which situation, presumably can be improved by radical renewal of the technology and consistent exertion of marketing policy.

Overwhelming majority of the food industry in Hungary possesses plants with a medium or less level technical equip-



ment and relatively large sizes, reacting less to the market impacts. Their products offer a narrow product pattern, un-flexible supply range, and practically you can scarcely find such a product that has a well known brand name and market acknowledgement. Especially, there is an oppressive lag in the field of packaging and appearance of goods forming up of this situation is due - in addition to uninterestedness generated by state form of ownership, the almost full lack of an up-to-date domestic-background industry, at the food industrial machines and the packaging raw materials alike. For this reason, under the period when approaching to the EEC, the development of background industry should be carried out in parallel with the reconstruction and privatization of food industrial companies.

At last, hereby we should to refer only to the importance of such activities, those which stay out of the marginally dealt economic analyses, like production of special crops, seeds, propagation materials, products of brood animals, keeping up of genbanks, boosting up of nationally important forestry, timber industry, game husbandry and/or the rural tourism. It is difficult to measure the lastly mentioned activity. However, it is less disputable that there are several possibilities therein, and to utilize these no large-scale governmental programs are needed, but supporting the private initiations and in many cases - stopping the so called thwartings is required.

#### IV. CONCLUSIONS

After an adequate preparation, Hungary may close up to the EEC's socio-economic development if she - through a gradual transition - will integrate into the European Economic Community.

Unfortunately, the investigations conducted by the Research Institute for Agricultural Economics could not extend to all the relationships and the expected consequences of the joining process. Naturally, impacts exerted on the whole of society and economy, cannot be surveyed on the basis of studying the challenges, requirements and opportunities of agrarian economy, but some lessons may be worded here.

Whole of the society and the economy will be transformed in its entirety by the more rational, economic management integrated into an international competition, cessation of disadvantageous separations and flowing-in of foreign knowledge, technics and capital.

As we expect, influenced by the latters, an improvement will take place in the country's economic balance, its economic growth accelerates, the employment problems can be lessened, and growing of the living standard may start up. All these may bring about more favourable inner and external preconditions for the development of agricultural economy.

Favourable consequences of our joining is that the EEC will partly shoulder the financing the subsidization of agriculture. At the same time, moving space of an independent national agricultural policy is narrowed.

Taking into consideration our countries' endowments - we should not give up the utilization of further potential possibilities. Compared to member countries of the EEC - in several fields - we are in disadvantageous position as follows: with us the operational structure had been developed without organic development; an owner's moving force is missing; ratio

of the agricultural earners is relatively high; low profitability in the agricultural production and food processing; lower economic efficiency; especially at productivity of live-labour; non adequate standard in processing and commercial work; lack of innovation capability; market rules, have not been elaborated, there are no interest exerting organizations for producers; we are ranked far behind among the European countries in infrastructural supply and in level of technical background. These handicaps can be lessened gradually by restructuring of the Hungarian economy, by applying rational economic policy and agrarian policy. On medium run the Hungarian food economy may become able to close up to the common agrarian policy's requirements. For achieving this still much has to be done. Of the tasks of a purposeful preparation as primary important, the following should be emphasized:

1. Only economic systems having identical types with that of the member countries can be fitted to the EEC. Liberal - although agriculturally wide field regulated - market economy is in question, which is functionable only where a direct owner's interest is ensured. As a primary precondition should take place the restitution of private ownership, as soon as possible; shaping up a diversified structure both in the individual and partnership ventures. At large cultures it would give a competition advance, the further existence of large-scale production in form of land rent or in grouplike ventures. A considerable support would be reasonable for forming and equipping farms that would be capable to sustain a family. Governmental measures should not impair the preconditions of agricultural production performed in parttime occupation, this is why the latter are sometimes seriously burdened by the detrimental impact of the market situations.

2. First primary means of the common agrarian policy are the agricultural market rules, which should guarantee - up to a more and more previously fixed quantity of goods - sales safety and prices to be kept between expedient limits.

Functioning mechanism of the Hungarian agricultural market rules should chose up to the EEC's system, in the field of governmental guarantees and interventional interfarmings, export subventioning and import limitation. This serves not only our preparation of joining, but it assists the upkeeping the level of agricultural production as well. Position of our agriculture inside the EEC weakens, if the level of production sets bacj until the entering time.

The EEC's Agricultural Market Rules perform their functions in compliance with the national institution systems. We suggest to establish the market institutional system in product group organs with participation of safeguard protective organizations pertaining to the traders and consumers. When shaping up, their self organization should be assisted by state initiation and when starting their functioning, by governmental subvention so that these organizations could be ready for trial run until the joining time.

A common agricultural policy is built, as a base, on the authentic comparison data of production and market. These informations are needed during the period of preparation for the joining as well. We should synchronize the Hungarian agricultural statistics, price statistic and market observations with that of the EEC's at an early date. Further on, it is indispensable to organize an accounting information network, and to follow up the relationship between the cost and benefit in the representative farms.

3. We have not got sources for make approximations on the agricultural price level of EEC, prior to the date of joining, because it can be based by the increase of output only. Besides the world market prices our agricultural prices can only be determined by the domestic purchasing power and budgetary allowance to be spent to the intervention. However, we should endeavour that - as it depends on the state administration - the price ratios should more towards the price ratios of world market. In long run, namely, tha ratios of the EEC's inner production prices will run in this direction as well.

Price level in the agriculture - after our joining - can also be increased gradually, because it involves the rise of consumer prices and accordingly the increase of wages, thus it relates back to the competitiveness of industrial productive branches as well.

Although the level of agricultural real prices of the EEC had decreased in during the last decade, the inner price level, in our estimation in 1988 was far higher altogether by 50-70 % than in Hungary. The value ratios are very deviating, the price of cereal grains are higher by 150-200 %. The agricultural prices can be approached in such an extent only to the prices of EEC, as they can be realized in the domestic market too. It is likely that after completion of the joining, likewise to other countries, with us a transitional period will be required, during which our prices with differentiating the ECU's green quotation fixed by product groups or with other solution, can be connected with the inner prices of the EEC.

A price attainable in the international exchange, but the saleability too, are connected closely with quality of goods. We have to be prepared to a very strong quality competition. An important step of the preparation is the as early as possible application of EEC's prescriptions stipulated to the specific products, namely: standards, normatives, quality, health, environment protectional rules, following quickly their changes. Consolidation of production discipline should be promoted by widespread dissemination of knowledges and strict inspection on observance of prescriptions.

4. Hungary's membership in the EEC will open a large market comprising 340 million consumers for the Hungarian agricultural products and exposes the domestic market as well to the other countries' competition as well. Therefore, there exists such a danger that the opening of the borders will increase better the import competition of the processed foods than the possibilities of our agricultural export. A greater

shock in this field can be avoided by a careful preparation of joining and by a gradual -, several years' transition only. The competition is not influenced only by natural endowments, production technologies, technical background, quality and production costs of agricultural raw materials, but effected heavily by the primary - and further processing of agricultural products, functioning in trading organization and the wide sense considered infrastructural background.

a/ Bakwardness of food industry may hinder the prevailing of comparative advantages of agriculture, even in further impair of the situation the marketing of agricultural products as well. Mostly, the Hungarian food industry is characterized by a weak technical level, indigenous marketing activity, non-flexible supply and lack of capital in great extent. A most urgent task is bringing about the owner's interestedness, improvement on standard of company management, accommodation to the market, technological improvement, mitigating the cronical lack of capital. A progress is offered by the privatization and participation of foreign capital.

The Hungarian food industry must face serious accommodating difficulties and probably in several branches of industry, it will have to reckon with domestic market loss as well.

b/ To solve the marketing worries of the Hungarian agriculture, the existence of a capital strong commercial organization operating on ownership interested basis - is indispensable.

Anomalies on trade of agricultural products can be eliminated by setting up bulk (whole sale) markets, introduction of auction method and functioning of the stock market. The trade of agricultural products can be raised to an European level, if there shape up a purchasing and distributing trade capable to undertake the capital charge of product marketing, and which can surmount of the difficulties existing between the stageness of production continuity of selling, capable

for storing products, organizing sales on foreign markets. By applying an offensive marketing strategy, the domestic and export sales may be expanded.

c/ Preliminary condition of modernizing the agriculture and food industry is to harmonize the infrastructure lagging behind especially in certain areas with the requirements of technical development. Communal equipping of the rural settlements makes efficient not only the agricultural production but improves the population retarding power of the districts as well. From viewpoint of domestic sales and especially from export standpoint, the up-to-date, product quality caring and cost effective transport is of utmost importance. Disadvantages those being the consequence of backwardness of information forwarding systems and telephone network, are well known. In development of infrastructure, the various business ventures, market mechanism will get roles, but the state's participation in the expensive network development investments is indispensable.

5. Since it should bear more heavy financial burdens than its partners and fellow-competitors, the Hungarian agriculture will get in a disadvantageous position. In the member countries, the agricultural producers enjoy preferences in taxation, at obtaining loans and their charges and in certain countries in public security as well. In addition the public supports, considerable aids are given from national budget too.

a/ The practice of EEC's countries in taxation of agricultural producers may be taken as an example for us. The taxation is moderated and is in conformity with peculiarities of the agriculture and the relatively low profitability thereof. They look for the simple solutions, thus frequently the lump sum taxation is in force.

There will probably be a preliminary condition of our joining that the extent of the general value added tax (VAT)

in its whole amount would not be lessened, but by applying a preferential key (between 4-9 %) it should be imposed to the staple foodstuff, too.

b/ Attributed to the more and more arising tension of the domestic public insurance system and social services, an urgent change should take place as soon as possible. Still now, the EEC has no insurance and social service system based upon an uniform principle, however, they - during the formation of borderless market endeavour to form national systems in the field of unemployment aid, pensioners' fee and of the sickness insurance. Free flow of labour force - besides the level of wages is influenced by these factors and the countries concerned try to avoid a greater move of labourers. A consolidated, social provision, free of striking tensions increases the opportunities of our integration with the EEC system.

c/ The privatization and lessening the extent of governmental reductions, stimulating the capital accumulation and granting of preferential credits, may improve the capital supply of the agriculture, the food industry and the trade. In the Western-European countries the credit system of agriculture, mortgage crediting, and preferential, state means supported credit system have been applied for long time so far. Especially, the beginners, young farmers are granted - in addition to governmental subsidies - long term credits of considerable amount with moderated interest rate. The Hungarian agriculture cannot miss this institution and means system either.

6. Besides, increasing the market sensitiveness carried out during the reforming of common agricultural policy since 1985, and in addition to reducing the production of surplus crops - the increased support of structural objectives has been earmarked. The programs envisaged for the above first of all are related to the regions of unfavourable natural endowment. Altogether 55 % of the 12 countries' agricultural area (Greece, Ireland, Portugal) is pertaining to this category.



Experiences on expansion of EEC show that the countries to be newly affiliated, draw the industrially more advanced countries into the financing - in framework of regional development programs - of the development of agriculture in their respective countries - against opening their own market for industrial goods. Twenty-five to thirty per cent of outlays of the national programs approved by the EEC - in exceptional case 75 %, is financed by the EEC.

When preparing the joining, we are interested in elaboration of such development programs, for implementation of which EEC's monetary fund can be received and applied. A part of financing to be paid by the EEC, can be covered by an amount spared from the intervention outlays undertaken by the EEC. These financial resources supplemented by EEC's subsidy can play an important role in lessening and releasing the economic and social tensions in the regions suffering in critical conditions.

7. The Hungarian food economy sold a considerable part of its whole products in the EEC countries. These countries - first of all FRG and Italy - are traditional customers in our export market, and recently when the Eastern-European recipient market had collapsed, we tried to sell - with partial success - more and more products in Western Europe, within this in the EEC's countries. Accordingly, in the period of joining and mainly when the full right membership is in force, the most important recipient market of the Hungarian agricultural products will be the EEC, with the essential difference compared to the former one and we have to cope with changed export conditions and an import competition differing radically from the recent practice. Nowadays, a task of the negotiations going on recently is that the prohibitions and restrictions hindering the Hungarian export to the EEC should be adequately limited and demolished gradually, but simultaneously restrict the subsidized export too, destined to our country, because currently the Hungarian economy is not prepared for management thereof.

a/ Our positions in the future greatly depend on the arrangement, what amount of production will be guaranteed or allowed by the quantitative agreements concluded within the EEC, or the prospects, whether or not remain valid - the today still very strict, and in the future demolishable - relevant regulations. It seems to be sure that our position will be strengthened, if we hold up our supply position out of the products of best market conditions, no matter whether or not will be quantitative limit in this connection. And more loss can we omit the structural integration, and assert the efficiency and qualitative requirements. Since, our future position inside the EEC, after entering - firstly will depend on the above. For this reason, it is very important that among our agricultural policy endeavours, as a primary point should be stressed to the efficiency oriented restructuring and then applying offensive marketing we strengthen our position inside the EEC.

b/ In the most important branches of crop production we possess good conditions for competition, at several products our advantages are especially comparative in nature (e.g. in cereals, and oil bearing crops). This circle seems to be expandable by pulses and seed production of various plant species and by the wide scope of smaller articles.

Maintaining our present position or strengthen thereof presumes a many sided effort. By all means the technical basis of production should be extended - parallel with transformation of the operational system and put forward the environmental friendly, material and energy saving technologies. Likewise, qualitative composition of products - fitted entirely to the market requirements mediated by the institutional and market systems. Thus, in grain production it seems to be reasonable to increase the share of maize in the cropping pattern, as the EEC is not self sufficient of this crop, but our position may become more beneficial in the surplus yield possessing wheat production, if we will stress to produce bread grains of

improving quality. In oil crop production - due to the recent and expected expansion of the EEC and, that after change of demands the EEC remains a net importer, thus, favourable market conditions may be prognosticated.

c/ As regards fresh horticultural products, the EEC's market is saturated. Thus, to increase the quality of Hungarian export is not possible even in case of free turnover of goods either and in the contrary, first of all from Mediterranean regions a considerable import might be envisaged. This results in a supply, partly free from seasonal fluctuations, but in several places it might press out of the market the present producers. However, there are opportunities to fill the gaps with Hungarian goods of extra quality or special sort (onion, spice paprika or berry fruits). An important condition for doing this, is the strict observance of UK's market regulations, failing this even the Hungarian products of high biological value cannot be competitive. Proper and maximally thrift application of chemicals is a determinant marketing condition, as well.

In preservation industry there is a really greater opportunity for us for increasing our market share and carrying out an export offensive. Based on our traditions existing in the raw material production, superfluous labour force available, diversified operational structure, and our developing and strengthening integration relationships, we are in need of a radical technical renewing especially in the canning industry compelled to do market extension. It is likely that the Hungarian raw material reserve and the cheap manpower will create an attraction for the EEC's investors, whose favour would be obtained by applying adequate preferences for the cause of industrial development.

Worries of the Hungarian wine integration (vertical industry) - attributed to the available excess stock here - will be grown by the joining to the EEC. Our actual objective for

us might be to increase the export of our good wines and wines of extra high quality. This is possible with selling a lot of bottled and origin protected goods only. Unfortunately, all these will scarcely lessen the marketing difficulties in overwhelming majority of Hungarian wine crop. If we are not able to regain our former recently lost Eastern wine markets, and we cannot attain the replacement thereof (outside the EC), then the total crop of the grape and wine verticum (vertical integration) should be cut by us drastically. This latter is reasoned by that new element as well that the domestic producer here, in the domestic market have to cope with the import competition appearing with very favourable opportunities.

d/ Products of animal origin constituting the overwhelming majority of agricultural export of Hungary, sold in EEC area coping also with an excess stock, will raise serious problems relating to the efficiency. Their weak competitiveness is attributable to the improper transformation of their inputs, firstly, from the inadequate rate of feed conversion which latter at the same time causes also loss, in animal mortality, but in the quality of products as well. Meanwhile, the lower dressing percentage of meats - due to the excessive fattening - is detrimental to the position of meat industry too.

Despite of this, a reale fact is our presence and familiarity and good or adequate competitive position with a few products (e.g. slaughter cattle, beef steer, feather, salami) on the market. Since overwhelming majority of our market position is worth to hold up and necessary as well, thus we have to bring about the preconditions of an efficient animal husbandry and meat industry. An outstanding opportunity is offered for this by the transformation of ownership relations and approaching of operational and enterprise concentration - from both direction - toward the optimal one. A key problem is the feedstuff management and consistent enforcement of the quality standards, together with the technical (zootechnical) knowledge required thereto.

Presumably, owing to the rise of the formerly artificially cut feed concentrate prices, the partial ratio of pig husbandry and poultry farming declines and the supply of ruminants (slaughter cattle and slaughter sheep) based on bulk forages, will be increased. In the EEC the best opportunity in the competition is given to the Hungarian small animal husbandry (rabbit, pigeon, keeping of large bodied poultry too), as well as to the so called "small items" honey, games (including the artificially bred games as well) etc.

e/ Modernization of food industry - in the same way as mentioned above - is the most important precondition for increasing our competitiveness. Implementing this from own resources - is surely impossible for us, for this reason, in this connection we have to make serious effort to draw in foreign capital including that originating from the EEC too, paying attention simultaneously to the arrangement so that no similar market limiting capital partnerships should replace the domestic monopol positions to be liquidated in the future. We have to reckon with the fact that the competition in this field will be more sharp and drastical and the cheaper advantages for the foreign investors will be represented by the cheaper raw materials and the lower wage level.

Expectedly, in consumer market there will be a big competition between the foreign goods of attractive supply. It is essential, to modernize the processing industry dealing with our mass produced products as soon as possible, since in this way the marketing possibility of our products will be increased. As regards the products individually representing smaller - but altogether bigger value and enjoying good marketing position, our most important objectives should be the proper organization of production, shaping up the procuring and storing trade, dissemination of organized professional training. Remodelling of ownership and operational-entrepreneur system will put to agenda the above problem.

f/ The forestal and timber industry offers conditions, favourable from several respects for the Hungarian agricultural sector and the same is offered by the relevant game husbandry, as well as the rural (village) tourism that recently is without possibilities but in the future it will possess potentials. Of timber and wood industrial products the EEC is, in long-run, a net importer thereby the position of export will be improved as well. When designing afforestation of areas unsuitable for cropping, this aspect - which may lessen our more and more serious anxiety of employment problems, should also be taken into consideration. Therefore, it is worth to be prepared (by means of technical development, ownership arrangements and joining the EEC's organizations etc.) to enter onto the would be market.

g/ Considering the presumably increasing interest, we must be prepared to the rural (village) development that has become an urgent task otherwise as well, first of all by bringing about the primary elements of infrastructure. Demand and inquire against the rural tourism is spreading that may give chance for the rural population to supplement their income and to lessen their employment problems. The increasing interest against the natural environment may make several regions of this country, attractive, if the environmental requirements of the EEC are enforced completely and the technical conditions of the tourism have also been implemented.

8. Objectives pertaining to the preparation of our joining: Getting thoroughly acquainted with the practice of common agricultural policy, following up the changes thereon.

At a definite place, namely in the Public Library of AGROINFORM - all the regulations, publications of the EEC in connection with the agricultural economy should be available in to date form for everybody interested in.

It is essential that more and more young experts should be allowed to study practically the work of EEC's agencies and getting acquainted with the relevant knowledge.

The requirements for closing up to the Western-European agriculture should be available, in writing, in every level of agricultural teaching and post graduate training, in the professional publicity, and disseminating of knowledge, in vocational press and that very view which asserts the aspects of market presence, emphasizing of product quality and cost management as a central task, which enforces the concepts of an environment friendly management.

9. Our investigations could take the first steps in exploring the conditions and requirements needed for joining the EEC. Further, more detailed analyses and evaluations have been recommended in the sphere of themes specified below:

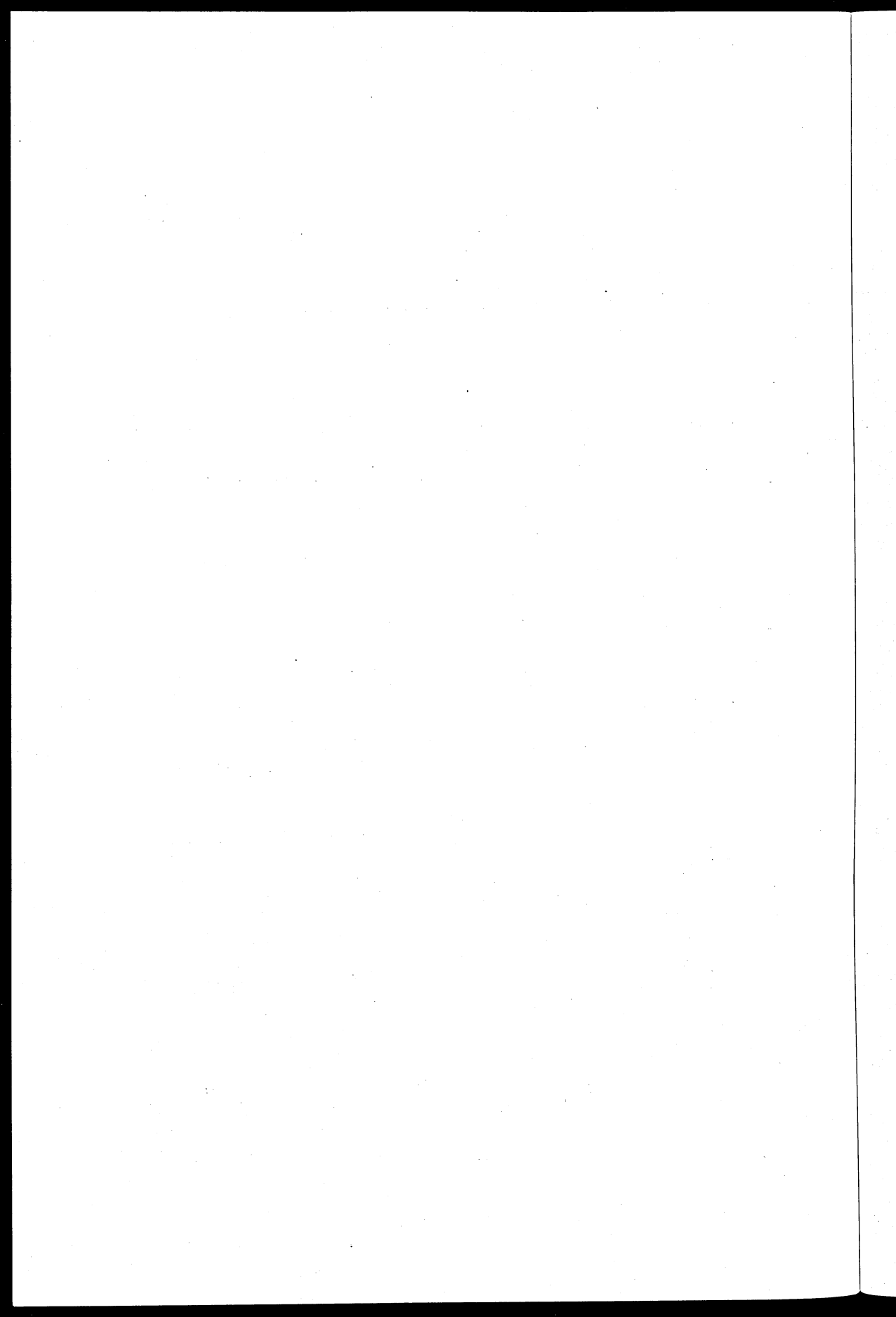
- a/ International comparison between the agricultural production and producer prices as well as consumer prices;
- b/ Domestic and EEC's agricultural price level, steps and consequences on the gradual approach of the price ratios;
- c/ Detailed program on approach of Hungary's and the EEC's agrarian market rules;
- d/ Conformity with the regulations relating to environment and health protection, quality and origin protection;
- e/ Improving the competitiveness of the main Hungarian export products, in comparison with the products of those EEC countries which we may count as a competitor with;
- f/ Elaboration of a marketing strategy.

In addition to these comprehensive analyses - embracing the whole society and economy are needed whose lessons react,

on one part to the evaluation of national economic correlations between the possibilities of agricultural economy and on other hand, to their utilization as well.

10. The EEC - in which probably we can enter in the second half of the decade of 1990s - is being transformed - due to the agriculturally unavoidable accommodation to markets and shaping out of a borderless domestic market. Joining of Austria, Hungary, Poland and Czechoslovakia may further modify the conditions connected with the agrarian economy. It is of great importance not only in the near future but on longer term too, by what conditions and in which extent can we maintain the former (first of all in USSR) markets of our agricultural products.





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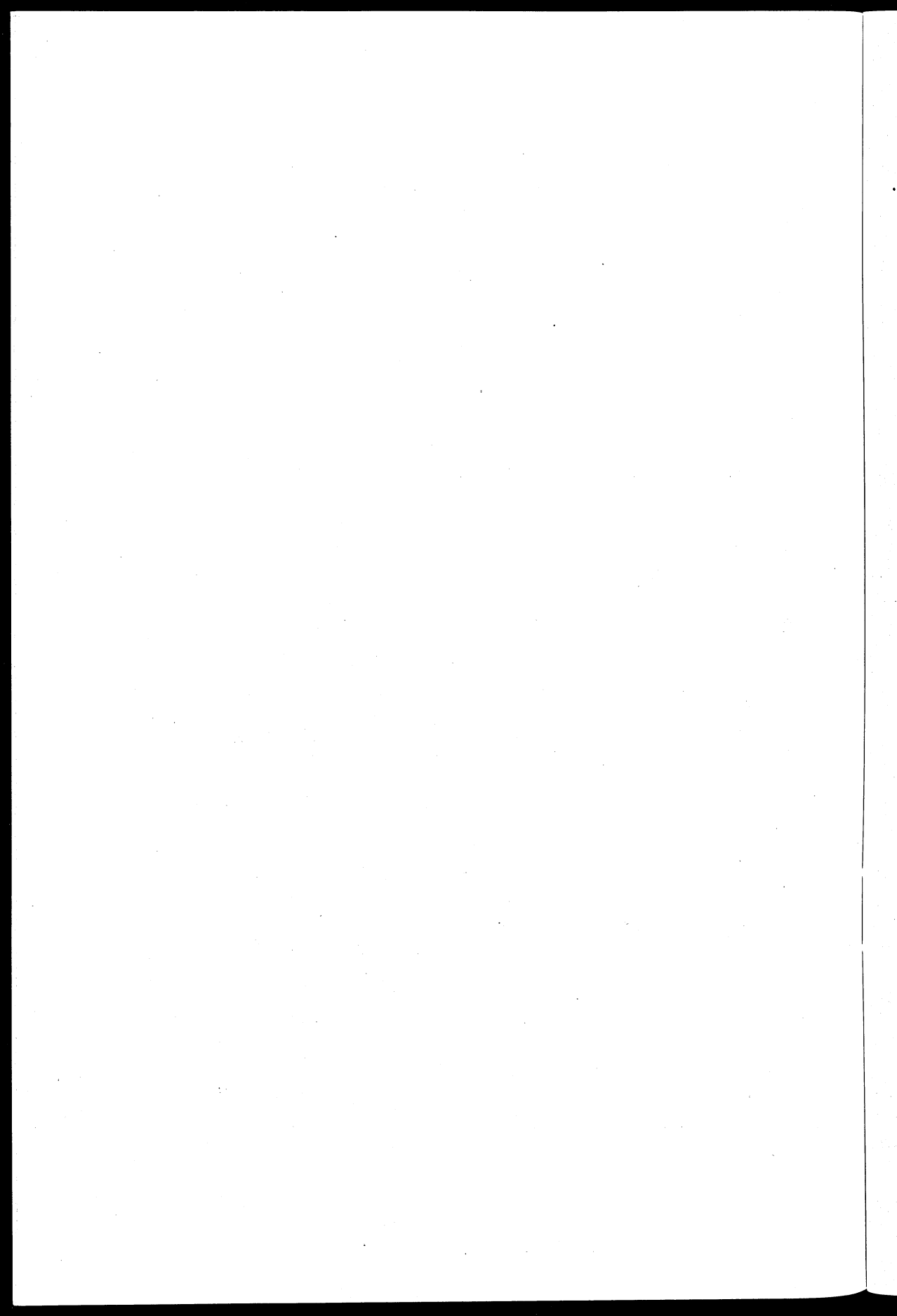
31. Association to the EEC, crop production aspects of joining. (Éva BORSZÉKI-Mrs.Z.SZÜCS)
32. Expected impacts of joining the EEC in the animal husbandry. (Ádám BALOGH-Zsuzsa CSÁNKY-Mária GUBA-Mrs.Gyöngyi LÁSZLÓ-Zoltán RÁKI: Editor: Zoltán RÁKI)

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## LIST OF TABLES

1. Ranking of agriculture in the national economy
2. Major data of agriculture
3. EEC's budget
4. Share of member countries in the common budget
5. Expenditures paid by the Guarantee Fund by product groups
6. Comparison between the EEC's average producer and export prices
7. Comparison between the EEC prices and the Hungarian average producer prices
8. Consumer prices in the EEC and in Hungary
9. Change in EEC's market rule prices and protective price of some products, 1984-1989
10. Relationship between the quotation and the price
11. Prices of cereals and the different price form's ratios compared to one another
12. Producer's subsidies (PSE) in average of EEC, %
13. Producer's subsidies (PSE) in Hungary, %
14. International competitiveness (DRC)
15. Differentiation of agricultural incomes
16. Correlation between the farm size and the efficiency
17. Agricultural foreign trade of EEC in 1988
18. Hungarian share in the agricultural import of EEC
19. Differentiation of self sufficiency
20. Level of self-sufficiency from major foodstuffs in EEC in 1978/79



21. Level of self-sufficiency from major foodstuffs in EEC in 1987/1988
22. Self-sufficiency stage of some main products in Hungary in 1986-89
23. Average per capita foodstuff consumption in the EEC, in 1978/79
24. Average per capita foodstuff consumption in the EEC, in 1987/88
25. Per capita consumption of major foodstuffs and consumer articles in Hungary
26. Production of major agricultural products in the EEC, in 1980
27. Production of major agricultural products in the EEC, in 1988
28. Production of major agricultural products in Hungary
29. Formation in Hungary's agricultural export toward the EEC
30. Change in Hungary's agricultural export toward the EEC

Table 1 Ranking of agriculture in the national economy

	Per capita GDP 1000 SPA <sup>1/</sup> 1988	Share of agriculture in the GDP, in 1987	Share of agriculture in the em- ployment, in 1988	Ratio of food, beverages, to- bacco in the consumptions in 1988
			percentage	
FRG	17.9	1.5	5.2 <sup>2/</sup>	17.0
Denmark	17.3	4.0	6.3	22.7
France	17.2	3.5	6.8	20.5
United Kingdom	16.7	1.7	2.2	18.7
Italy	16.5	4.5	9.9	24.3
Netherlands	16.3	4.1	4.7	19.0
Belgium	16.0	2.2	2.7	21.3
Spain	11.8	16.2	21.4	27.2
Ireland	10.2	10.3	15.4	41.8
Greece	8.6	15.6	27.0	39.0
Portugal	8.5	6.4	20.7	37.1
Average of 12 countries	15.8	3.2	7.7 <sup>3/</sup>	21.6
Hungary	7.5 <sup>4/</sup>	9.7 <sup>5/</sup>	11.8	38.9

1/ In purchasing power equivalent (Standard Pouvoir d'Achat)

2/ Data of 1987 year

3/ Estimation of CEC

4/ 47.2 % of EEC's average in accordance with UNO's survey in 1985

5/ Output of agricultural products

Source of data: CEC 1990/a, Central Statistical Office 1986, 1990. In: Mrs. Irén Pálovics: Common agricultural policy. Partial studies, Research Institute for Agricultural Economics, Vol.2.

Table 2 Major data of agriculture

	Agricultural end-product in billion ECU, 1987	Agricultural area total, mill.ha 1988	Agricultural area for one farm, ha 1987	Numbers of agricultural earners, mill.persons 1988
France	42.5	31.4	28.6	1.4
Italy	35.4	17.4 <sup>1/</sup>	5.6	2.1
FRG	25.8	11.9	16.8	1.3 <sup>1/</sup>
Spain	21.1	27.1	13.8	1.7
United Kingdom	17.1	18.5	65.1 <sup>2/</sup>	0.6
Netherlands	14.0	2.0	14.9 <sup>2/</sup>	0.2
Greece	6.6	5.7	4.0	1.0
Denmark	6.2	2.8	32.2	0.2
Belgium	5.4	1.4	14.8	0.1
Ireland	3.7	5.7 <sup>1/</sup>	22.7	0.2
Portugal	3.3	4.5 <sup>1/</sup>	4.3 <sup>3/</sup>	0.9
12 countries	181.1	128.6 <sup>4/</sup>	13.23	9.6 <sup>4/</sup>
Hungary	4.7 <sup>5/</sup>	6.5	.	0.6

1/ Data of 1987

2/ Data of 1985

3/ Data of 1979

4/ Eurostat's estimate

5/ Estimate, 1 ECU = 59.80 HUF

Sources of data: CEC 1990/a Central Statistical Office, 1990.  
In: Mrs. Irén Pálovics: Common agricultural policy.  
Partial studies, Research Institute for Agricultural Economics,  
Vol.2.

Table 3 EEC's budget

	1988	1989	1992 estimated <sup>1/</sup>
	billion ECU <sup>2/</sup>		
<u>Revenue, total</u>	<u>41.8</u>	<u>44.8</u>	<u>54.2</u>
of which: custom duties	10.3	10.0	.
agricultural payments			
- after sugar	1.4	1.2	.
- others	1.5	1.3	.
Countries' contribution			
- in function of added value tax fund	24.5	26.2	.
- based on domestic gross product <sup>3/</sup>	4.4	3.9	.
- others	0.9	2.3	.
<u>Expenditures, total</u>	<u>41.2</u>	<u>44.8</u>	<u>54.2</u>
of which: agricultural subsidy	29.1	30.1	32.0
regional and social development	3.3	4.3	14.6
energy and industrial development	1.2	1.5	.
cooperation with developed and third countries	1.0	1.0	.
repayment to member countries	2.2	2.5	.
operational and other costs	1.9	2.2	.

<sup>1/</sup>At price of 1990

<sup>2/</sup>Rounded data

<sup>3/</sup>Obligation introduced in 1988

Source of data: Statistisches Jahrbuch (Statistical Yearbook), 1989, CEC 1990.

In: Mrs. Irén Pálovics: Financial conditions of goods exchange. Partial studies, Research Institute for Agricultural Economics, Vol.2.

Table 4 Share of member countries in the common budget

Based on data of 1988

	Total effected payment	Received agricultural price guarantee	subsidy structural	Total in percentage of effected payment
	million ECU <sup>1/</sup>			
Altogether	<u>40,880</u>	<u>27,640</u>	<u>1140</u>	<u>70</u>
of which:				
Ireland	330	1,080	80	351
Greece	430	1,320	130	337
Netherlands	2,800	3,830	10	137
Denmark	960	1,210	10	127
Italy	5,430	4,350	200	84
Spain	2,680	1,870	90	73
France	9,100	6,200	280	71
Portugal	400	160	100	65
FRG	11,530	4,900	130	44
Belgium	1,800	720	20	40
United Kingdom	5,300	1,990	80	39

<sup>1/</sup> Rounded data

Source of data: Statistisches Jahrbuch, 1990 (Statistical Yearbook, 1990)

In: Mrs. Irén Pálovics: Financial conditions of goods exchange. Partial studies, Research Institute for Agricultural Economics, Vol.2.

Table 5 Expenditures paid by the Guarantee Fund by product groups

Description	Measuring unit: %			
	1970	1980	1989	1990
Cereals and rice	36.6	15.3	15.0	16.2
Milk, milk products	38.1	42.0	17.4	15.8
Pigmeat and beef	2.9	13.1	10.0	8.4
Eggs and poultry	0.6	0.8	0.8	0.8
Oils and fats	10.8	5.6	16.6	17.7
Sugar	7.4	5.1	7.2	7.5
Fruit and vegetables	2.2	6.1	4.3	4.6
Wine	-	2.6	5.2	4.9
Tobacco	0.2	2.7	3.5	3.7
Total	100.0	100.0	100.0	100.0

Source: 1970: József Gulyás: Common Market's agricultural policy. Közgazdasági és Jogi Könyvkiadó, 1978.

1980 and 1988-89: Commission of the European Communities.

1989: Report

In: Sándor Mészáros-Márta Spítálszky: Impact of our joining the EEC to the price conditions of our food economy. Research Institute for Agricultural Economics, Manuscript, 1991.

Table 6 Comparison between the ECU's average producer and export prices

Products	Producer's price		Export price		Producer's price in percentage of export price	
	ECU/ton		ECU/ton		Average of years	
	Average of years 1979-89	1985-89	Average of years 1979-89	1985-89	1979-89	1985-89
Wheat	185	183				
Commercial	177	175	128	106	139	165
Durum	274	271	192	165	143	164
Barley	167	164	107	91	156	180
Maize	183	185	124	104	147	179
Rice	333	349	206	155	162	226
Soybean	251	235	251	235	100	100
Sugar	298	322	269	224	110	144
Milk	259	284	122	110	213	259
Veal and beef	2832	2960	1608	1547	176	191
Slaughter pig	1550	1558	1313	1258	118	124
Lamb meat	3655	3862	1848	1938	198	199
Egg	1038	1037	813	746	128	139

Source: Sándor Mészáros-Márta Spítálszky: Impact of our joining the EEC to the price conditions of our food economy. Research Institute for Agricultural Economics, Manuscript, 1991.

Table 7 Comparison between the EEC prices and the Hungarian average producer prices

Product	Producer prices, ECU/t				Hungary in percentage of Common Market	
	Common Market		Hungary		Common Market	
	1979-89 (average)	1989	1979-89 (average)	1989	1979-89 (average)	1989
Wheat	185	174	78	74	42	42
Maize	183	175	78	74	43	42
Barley	167	160	75	59	45	37
Rice	333	366	322	239	96	65
Beef	2832	3020	1504	1550	53	51
Pigmeat	1550	1673	1668	1577	108	94
Sheep meat	3655	3826	2550	3021	70	79
Milk	259	294	155	169	60	57
Egg	1038	1052	746	637	72	61

In: Sándor Mészáros-Márta Spítálszky: Impact of our joining the EEC to the price conditions of our food economy. Research Institute for Agricultural Economics, Partial studies, Vol.2.



Table 8 Consumer prices in the EEC and in Hungary

Product	Common Market		Hungary			Hungary in percentage of EEC	
	ECU/ton						
	1982-87	1987	1982-87	1987	1989	1982-87	1987
Beef	19732	9793	1682	1509	1804	15.7	15.4
Butter	4478	3890	1659	1401	1755	37.1	36.0
Cheese	6780	7975	1562	1438	2351	23.0	18.0
Milk	638	648	165	140	197	25.9	21.6
Pigmeat	5410	4801	1917	1701	1781	35.4	35.4
Poultry	2781	2856	1313	1069	1129	47.2	37.4
Rice	282	237	769	590	560	273.3	249.0
Sugar	863	896	564	468	427	65.4	52.3

In: Sándor Mészáros-Márta Spítálszky: Impact of our joining the EEC to the price conditions of our food economy. Research Institute for Agricultural Economics, Partial studies, Vol.3.

Table 9 Change in EEC's market rule prices and protective price of some products, 1984-1989

	1984	1985	1986	1987	1988	1989	In 1989, ha 1983=100
Change in EEC's market rule prices in ECU	-0.4	0.1	-0.3	-0.2	-0.1	.	99.1 <sup>x/</sup>
at current national price	3.3	1.8	2.2	3.3	0.6	.	111.7 <sup>x/</sup>
at national actual price	-3.5	-4.5	-0.7	-1.1	-3.2	.	87.6 <sup>x/</sup>
Change in actual value of agricultural protective prices							
cereals	-3.2	-5.6	-8.9	-9.6	-4.7	-5.3	67.9
oil seeds	-4.5	-5.8	-2.5	-13.6	-3.0	-2.1	72.0
sugar	-2.2	-2.5	-3.9	-2.7	-1.5	-4.2	84.1
beef	-3.3	-3.8	-2.0	-12.8	-2.9	-2.6	75.2
sheep meat	-5.1	-4.6	-4.8	+5.9	-1.1	-3.1	87.5

<sup>x/</sup> Due to the lack of data of 1989 the data of 1988 are listed.

Source: Eine gemeinsame Agrarpolitik (One common Agrarpolicy.)  
Europäische Dok. 5/1989.

Table 10 Relationship between the quotation and the price

	Producer price of edible wheat per 100 kg					
	USD		In national monetary unit			
	Denmark <sup>1/</sup>	Hungary	at nominal price		at actual <sup>2/</sup> price	
Denmark			Hungary	Denmark	Hungary	
1980	<u>21.7</u>	<u>14.0</u>	122	311	122	311
1981	17.9	10.7	128	332	114	318
1982	16.8	9.1	140	332	114	297
1983	17.2	7.9	158	338	120	282
1984	15.7	7.5	163	363	117	279
1985	15.5	7.2	165	361	112	260
1986	20.0	7.9	162	363	107	248
1987	23.1	7.7	158	360	100	226
1988	<u>21.6</u>	<u>7.7</u>	146	387	88	210

<sup>1/</sup>The data of Denmark are regarded as characteristic because they did not assert green-price quotation.

<sup>2/</sup>The actual price has been fixed by taking the price of 1980 as 100.

Source of data: FAO, 1990

In: Mrs. Irén Pálovics: Financial conditions of goods exchange. Partial studies. Research Institute for Agricultural Economics, Vol.2.

Table 11 Prices of cereals and the different price form's ratios compared to one another

	EEC, 1986/87		EEC, 1989/90		Hungary, 1989	
	ECU/ton	%	ECU/ton	%	producer price, ECU/ton	in per-cent of EEC
Durum wheat						
guiding price	358	100.0	315	100.0	90	28.5
intervention basic price	211	58.9	216	68.6		41.7
threshold price	353	98.3	308	97.8	.	29.2
Commercial wheat						
guiding price	256	100.0	248	100.0	73	29.3
intervention basic price	173	67.6	174	70.2		42.0
threshold price	251	98.0	237	95.6		30.8
Barley						
guiding price	234	100.0	225	100.0	64	28.2
intervention basic price	157	67.1	165	73.3		38.8
threshold price	229	97.9	215	95.3		29.8
Maize						
guiding price	234	100.0	225	100.0	74	32.6
intervention basic price	173	73.9	174	77.3		42.5
threshold price	246	105.1	215	95.6		34.4

Source: Éva Borszéki-Mrs.Z.Szücs: Crop production aspects on joining the EEC. Manuscript. Research Institute for Agricultural Economics, Budapest, March 1991

Table 12 Producer's subsidies (PSE) in average of EEC, %

Description of product	10 member countries						12 member countries		
	1980	1981	1982	1983	1984	1985	1986	1987	1988
Wheat	27	30	35	21	14	40	63	66	37
- soft wheat	28	28	34	19	12	39	64	68	35
- durum wheat	21	40	46	40	29	45	60	58	44
Maize	26	34	37	13	13	39	66	62	40
Barley	31	23	42	24	29	40	67	64	34
Rice	-14	33	40	34	52	70	79	61	42
Soybean	45	39	48	54	42	49	65	64	50
Rape	40	42	48	33	10	30	66	59	41
Sugar	5	34	63	59	70	76	76	80	71
- sugar beet	5	34	63	59	70	76	76	80	71
Milk gross	61	45	43	48	51	69	79	76	68
Milk net	59	43	41	47	49	66	75	72	66
Beef gross	41	47	50	50	51	55	54	50	59
Beef net	41	46	49	49	50	54	52	48	58
Pigmeat gross	19	16	21	15	14	21	35	42	25
Pigmeat net	8	6	6	6	6	6	6	7	7
Poultry gross	34	19	25	28	26	30	33	39	37
Poultry net	27	11	15	25	22	20	15	22	27
Sheep meat gross	57	48	62	66	63	62	68	64	67
Sheep meat net	55	46	59	65	62	60	65	61	66
Egg gross	22	13	1	14	6	7	23	22	24
Egg net	14	4	-13	9	1	-6	-2	2	11
Gross, total	38	34	38	36	35	48	59	59	50
Net, total	35	31	34	33	33	43	51	51	46

Source: PSE and CSE tables 1979-80, OECD, 1989, Paris.

Table 13 Producer's subsidies (PSE) in Hungary, %

Description of product	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Wheat	-108	-111	-90	-82	-99	-80	-38	-9	-53	-117
Maize	-67	-110	-34	-34	-94	-61	-5	0	-40	-78
Barley	-123	-121	-76	-66	-63	-79	-142	12	-81	-60
Rice	-20	-18	5	14	-3	-10	2	6	-11	-48
Sunflower	9	5	14	0	-54	-24	24	40	31	-7
Sugar	19	28	30	56	27	65	59	63	58	-1
Milk gross	11	4	-13	-29	-17	-7	2	16	4	-6
Milk net	19	15	-8	-24	-9	-1	4	17	11	3
Beef gross	5	-1	5	12	31	41	44	38	30	14
Beef net	23	25	16	22	50	57	49	41	42	32
Pigmeat gross	-1	-1	3	6	17	27	36	34	33	10
Pigmeat net	31	39	21	24	47	49	42	37	49	37
Poultry gross	42	29	18	33	30	27	34	51	47	46
Poultry net	50	42	25	40	44	37	37	52	55	55
Sheep meat gross	16	16	13	18	11	21	27	31	19	-9
Sheep meat net	31	40	25	30	41	39	33	34	34	14
Egg gross	18	16	20	43	18	26	-2	11	9	43
Egg net	32	38	29	54	37	39	2	13	20	59
Gross, total	-16	-15	-11	-7	-16	-1	15	25	10	-15
Net, total	-3	3	-3	2	-1	10	18	27	18	-3

Source: Éva Borszéki: Subsidy of Hungarian food economy in international comparison. Budapest, 1990.

**Table 14** International competitiveness (DRC)  
(Cost of primary resources per 1 \$ net currency revenue)

Description	1968	1970	1980	1985	1989
Wheat	85.3	121.4	16.9	31.0	28.0
Maize	73.8	64.4	23.7	31.9	40.2
Sunflower seed	68.6	58.1	32.7	41.3	42.8
Milk	45.1	139.1	42.6	61.4	73.6
Slaughter cattle	60.3	39.0	44.2	-527.8	278.0
Slaughter pig	80.2	52.3	53.5	-553.8	3391.0
Slaughter sheep	76.8	56.3	27.3	57.6	58.6
Granulated sugar	254.6	89.6	42.9	-1526.6	100.0
Sunflower oil	153.2	67.3	66.4	60.8	179.9
White cream cheese	-	-	37.9	56.1	40.8
Beef	49.2	32.8	55.8	-138.1	-634.1
Halved pig carcass	28.7	15.3	164.3	503.3	-180.7
Sheep meat	56.4	44.9	32.4	1070.7	52.4
Broiler chicken	182.5	142.2	51.0	131.8	339.1
Weighted average in terms of production volume					
- agricultural products	67.5	74.4	26.5	51.3	54.1
- food industrial products	71.3	41.1	58.6	343.3	277.8
- together	68.1	65.0	30.2	69.1	70.7
Weighted average in terms of non-rouble exports					
- agricultural products	66.1	51.2	26.7	54.0	57.7
- food industrial products	70.5	43.6	59.8	201.4	251.5
- together	67.9	48.2	41.1	94.4	110.0

Remark: Minus sign means that the export price didn't cover the material-like costs for the product's manufacture, foreign exchange loss arised.

Source: Éva Borszénke-Sándor Mészáros: Prospects on efficiency and competitiveness. Manuscript. Research Institute for Agricultural Economics, Budapest, March, 1991.

Table 15 Differentiation of agricultural incomes

	Farm income per family workpower unit based on representative data, 1987/88	
	ECU/person average	
<u>1. By countries</u>		
Netherlands	20,200	
Belgium	16,500	
United Kingdom	12,700	
France	10,100	
Ireland	8,400	
Italy	7,900	7,800
Spain	7,400	
FRG	7,300	
Greece	4,200	
Portugal	3,100	
<u>2. By production trend of the farms</u>		
General crop producer	6,000	
Miscellaneous	6,200	
Fruit producer	6,800	
Forage based animal husbandry without production	7,500	7,800
Cereal crop producer	8,400	
Vine grower	10,000	
Cereal based livestock farmer	10,300	
Milk producer	11,300	
Horticultural producer	13,000	

Source of data: CEC, 1990

In: Mrs. Irén Pálovics: The common agricultural policy.  
Partial study, Research Institute for Agricultural Economics,  
Vol.2.



Table 16 Correlation between the farm size and the efficiency

Based on representative data

In 10 countries of EEC, 1983/84

Size of farms <sup>1/</sup>	Distribu- tion of farms, %	Aver- age area, ha	Net added value		
			in percent- age of gross production	per a work power unit	per ha
Minimal	17	7	54.5	3,100	640
Very little	17	9	54,2	4,300	780
Little	18	18	43.5	6,200	550
Medium	24	29	37.5	9,500	560
Large	20	48	44.8	14,900	630
Very large	4	96	36.8	23,300	940 <sup>2/</sup>
Total	100	26	37.7	9,800	660

<sup>1/</sup> Expressed in "European dimensional unit"; with different content by countries.

<sup>2/</sup> Presumably due to the landless animal husbandry and intensive horticulture registered here.

Source of data: CEC 1986.

In: Mrs. Irén Pálovics: The common agricultural policy.  
Research Institute for Agricultural Economics,  
Partial studies, Vol.2.

Table 17 Agricultural foreign trade of EEC in 1988

Countries	Balance of agricultural foreign trade outside the EEC in billion ECU	Share ratio of agricultural pro- ducts in total	
		export percentage	import
Denmark	+ 1.1	25.1	17.9
Ireland	+ 0.6	5.7 <sup>1/</sup>	22.7
France	- 0.4	12.0	13.0
Greece	- 0.4	21.1 <sup>2/</sup>	17.4 <sup>2/</sup>
Portugal	- 1.3	11.4	33.2
Netherlands	- 1.4	22.1	18.4
Belgium	-22.0	4.1	11.8
Spain	- 2.2	16.2	21.4
United Kingdom	- 5.3	6.0	10.8
Italy	- 5.6	5.7	16.6
France	- 6.6	3.6	11.3
12 countries	-23.4	8.3 <sup>2/</sup>	13.8 <sup>2/</sup>
Hungary	+ 1.1 <sup>3/</sup>	20.8	7.3

<sup>1/</sup>Data of 1987

<sup>2/</sup>EEC's estimation

<sup>3/</sup>1 ECU = 59.80 Ft

Source of data: CEE, 1990. Central Statistical Office, 1990.

In Mrs. Irén Pálovics: The common agricultural policy.  
Research Institute for Agricultural Economics,  
Partial studies, Vol.2.

Table 18 Hungarian share in the agricultural import of EEC

(Value: million USD)

Description	Total import <sup>1/</sup>	Extern import <sup>1/</sup>	of which: Hungary <sup>2/</sup>	Share of Hungary in extern import, %
Common Market				
12	124,701	41,247	899	2.0
Benelux	9,688	2,285	45	1.9
Denmark	3,300	1,715	8	0.5
Germany	26,734	8,873	334	3.8
Greece	2,537	567	26	4.6
Spain	6,591	3,594	26	0.7
France	19,306	6,022	139	2.3
Ireland	1,896	335	-	-
Italy	19,277	5,176	247	4.8
Netherlands	14,088	4,575	42	0.9
Portugal	1,965	1,051	1	0.1
United Kingdom	19,313	7,053	31	0.4

1/ 0 = Foodstuff + 1 = Beverages and tobacco + 4 = Oils and fats

2/ Grouping of Hungarian data deviates from the former, thus the comparison is of approximate accuracy

Source of data: Eurostat, 1990.

In: András Eliás-Mrs.L.Mogyorós: Agricultural trade of Hungary with the EEC countries. Research Institute for Agricultural Economics, Partial studies, Vol.2.

Table 19 Differentiation of self sufficiency

	Level of self-sufficiency in 1987/88 in member countries of entirety of EEC	Level of self-sufficiency in 1987/88 in member countries of			
		highest level	lowest level	per cent	
Cereals	111	France	190	Netherlands	31
- wheat	119	France	214	Portugal	44
- barley	117	France	179	Netherlands	32
- maize	91	France	182	Netherlands	0
Vegetable oil	63	Greece	119	Belgium	3
Sugar	127	Belgium	240	Portugal	2
Fresh vegetable	106	Netherlands	191	FRG	38
Fresh fruit	85	Greece	130	Ireland	12
Citrus species	74	Spain	321	more countries	0
Wine	107	France	122	Netherlands	0
Butter-fat	.	Denmark	428	Greece	57
Milk-protein	.	Denmark	706	Greece	58
Meat	102	Denmark	295	Italy	42
- beef	106	Ireland	657	Greece	40
- veal	112	Netherlands	594	Greece	29
- pig-meat	103	Denmark	338	Olaszország	67
- poultry	106	Netherlands	209	FRG	61
- sheep, goat	81	Ireland	204	Belgium	22
Egg	.	Netherlands	327	FRG	73

Source of data: CEC 1990/a.

In: Mrs. Irén Pálovics: The common agricultural policy.  
Research Institute for Agricultural Economics, Partial  
studies. Vol.2.

Table 20 Level of self-sufficiency from major foodstuffs in EEC, in 1978/79  
(9 member countries)

(quantity of production in percentage of consumption)

	FRG	France	Italy	Nether- lands	Belgium, Luxemburg	Denmark	Great Britain	Ireland	9 countries total
Wheat	105	203	85	66	69	136	76	61	116
Other grain crops	85	150	59	17	35	112	79	103	91
Grain crops total	91	170	71	30	46	114	78	94	100
Potatoes	89	104	100	130	96	100	96	102	100
Sugar <sup>1/</sup>	127	210	85	165	245	180	44	128	124
Vegetable <sup>2/</sup>	33	93	118	195	115	70	79	94	94
Fresh fruit	50	97	125	55	55	48	34	25	77
Beef and veal <sup>3/</sup>	102	111	62	133	98	346	77	545	100
Pig meat <sup>3/</sup>	89	85	75	225	162	368	63	144	101
Poultry meat <sup>3/</sup>	61	119	99	283	90	222	100	100	105
Meat total <sup>3/</sup>	88	96	76	196	119	323	73	248	98
Egg <sup>3/</sup>	74	98	96	270	142	105	101	90	101
Cheese <sup>3/</sup>	91	116	79	234	39	359	68	644	105
Butter <sup>3/</sup>	132	114	70	492	115	241	42	344	119

1/ In white sugar equivalent.

2/ Together with processed products.

3/ 1979

Source: Agrimente '82

Table 21 Level of self-sufficiency from major foodstuffs in EEC, in 1987/88

(quantity of production in percentage of consumption)

	FRG	France	Italy	Nether-lands	Belgium-Luxem-burg	U.K.	Ire-land	Den-mark	Greece	Spain	Portu-gal	Together 10 member countries	12 countries
Wheat	104	214 <sup>x</sup>	85	53 <sup>x</sup>	67	99	53	126 <sup>x</sup>	136 <sup>x</sup>	191	44 <sup>x</sup>	125 <sup>x</sup>	119 <sup>x</sup>
Other grain crops	89	169 <sup>x</sup>	75	15 <sup>x</sup>	38	112	120	126 <sup>x</sup>	93 <sup>x</sup>	99	50 <sup>x</sup>	111 <sup>x</sup>	104 <sup>x</sup>
Grain crops total	95	190 <sup>x</sup>	80	31 <sup>x</sup>	50	105	96	126 <sup>x</sup>	109 <sup>x</sup>	99	48 <sup>x</sup>	117 <sup>x</sup>	111 <sup>x</sup>
Potatoes	91	104	94	152	116	93	88	98	92	96	86	105	103
Sugar <sup>1/</sup>	122	186	112	176	202	59	140 <sup>x</sup>	243 <sup>x</sup>	102 <sup>x</sup>	101	2 <sup>x</sup>	133	127
Vegetable <sup>2/</sup>	33	88 <sup>x</sup>	124	207	116	78	77 <sup>x</sup>	55	156 <sup>x</sup>	125	136 <sup>x</sup>	99 <sup>x</sup>	106 <sup>x</sup>
Fresh fruit <sup>2/</sup>	40	92 <sup>x</sup>	133	55	63	19	12 <sup>x</sup>	20	130 <sup>x</sup>	107	98 <sup>x</sup>	82 <sup>x</sup>	85 <sup>x</sup>
Beef and veal <sup>3/ 4/</sup>	118	121	59	182	135	84	627	290	27	99	80	107	106
Pig meat <sup>3/ 4/</sup>	87	81	67	288	162	71	118	338	67	96	100	104	103
Poultry meat <sup>3/ 4/</sup>	61	137	99	209	84	98	94	188	95	98	100	108	106
Meat total <sup>3/ 4/</sup>	91	101	72	240	130	82	266	295	64	97	95	103	102
Egg <sup>3/</sup>	71	98 <sup>x</sup>	90	378	115	97	226	95	96	..	..	102 <sup>x</sup>	..
Cheese <sup>3/</sup>	95	113	78	263	39	69	450	425	90	88	84	107	106
Butter	92	111	61	128	105	64	571	185	69	153	100	114	112
Vegetable oils and fats <sup>3/</sup>	21	61	67	1	3	27	..	35	119	103	27	58	63

1/ In white sugar equivalent.

3/ 1987

x WJ. 86/87  
• 1986

2/ Together with processed products.

4/ Slaughtered weight with fat and bone.

Source: Agrimente '90

Table 22 Self-sufficiency stage of some major products  
in Hungary in 1986-89<sup>x/</sup>

Product	Self-sufficiency in per cent
Grain crops	110 - 120
of which: wheat	127 - 132
maize	102 - 104
Sunflower seed	109 - 110
Sunflower oil	366 - 376
Granulated sugar	120 - 122
Vegetables <sup>xx/</sup>	227 - 266
Fruits <sup>xx/</sup>	181 - 215
Wine	144 - 215
Beef	195
Pigmeat	140
Poultry meat	190
Sheep meat	500

<sup>x/</sup> Indicating the intervals of fluctuation between the years in crop production, at animal products average rates are given.

<sup>xx/</sup> Counted in fresh quantity.

Source: Calculations of Éva Borszéki, Zoltán Ráki and  
Mrs. Z. Szücs.

Table 23 Average per capita foodstuff consumption in the EEC, in 1978/79  
(in 9 member countries)

	(kg)								
	FRG	France	Italy	Nether- lands	Belgium, Luxemburg	Denmark	Great Britain	Ireland	9 countries total
Wheat <sup>1/</sup>	51	73	122	54	69	44	65	79	75
Grain crop total <sup>1/</sup>	69	75	126	61	71	66	71	84	83
Potatoes	91	84	36	80	98	65	100	107	79
Sugar <sup>2/</sup>	35	35	30	40	33	43	42	44	36
Vegetable <sup>3/</sup>	77	119	155	84	83	54	74	83	102
Fresh fruit <sup>3/</sup>	93	52	67	80	63	39	32	28	62
Wine (litre)	24	94	86	12	18	13	8	3	47
Beef and veal <sup>4/</sup>	24	33	25	22	28	15	25	23	26
Pigmeat <sup>4/</sup>	57	38	23	41	41	48	27	32	37
Poultry meat <sup>4/</sup>	10	16	17	9	11	9	13	14	14
Meat total <sup>4/</sup>	98	111	75	79	96	80	76	90	89
Egg <sup>4/</sup>	17	14	12	12	14	13	15	11	14
Milk <sup>4/ 5/</sup>	84	90	80	135	83	156	138	192	102
Cheese <sup>4/</sup>	12	17	13	12	10	9	6	3	12
Butter <sup>4/ 5/</sup>	7	10	2	3	10	11	7	12	7
Vegetable fats and oils	6	12	22	4	5	7	8	8	11

1/ In flour equivalent.

2/ In white sugar equivalent.

2/ Together with processed products.

4/ 1979.

5/ Without milk cream.

Source: Agrimente '82



Table 24 Average per capita foodstuff consumption in the EEC in 1987/88  
(in 12 member countries)

	FRG	France	Italy	Nether- lands	Belgium Luxem- burg	U.K.	Ire- land	Den- mark	Greece	Spain	Portu- gal	Together 10 12 member countries	(kg)
Wheat <sup>1/</sup>	53.3	69.6 <sup>x</sup>	107.8	49.7 <sup>x</sup>	68.7	67.3	85.6	45.9 <sup>x</sup>	96.7 <sup>x</sup>	69.7	74.8 <sup>x</sup>	72.6 <sup>x</sup>	72.3 <sup>x</sup>
Grain crops total <sup>1/</sup>	74.9	79.0 <sup>x</sup>	114.5	54.7 <sup>x</sup>	72.0	82.9	100.3	68.1 <sup>x</sup>	97.6 <sup>x</sup>	72.1	91.1 <sup>x</sup>	85.0 <sup>x</sup>	83.5 <sup>x</sup>
Potatoes	71.5	74.4	38.3	87.3	97.0	108.0	141.3	64.5	86.4	105.8	107.1	75.8	80.4
Sugar <sup>2/</sup>	35.9	36.0 <sup>x</sup>	26.7	36.6	38.2	36.5	37.5 <sup>x</sup>	38.8 <sup>x</sup>	27.8 <sup>x</sup>	24.3	27.2 <sup>x</sup>	35.5 <sup>x</sup>	34.0 <sup>x</sup>
Vegetable <sup>3/</sup>	76.9	118.8 <sup>x</sup>	171.2	97.1	91.1	69.5	94.9 <sup>x</sup>	79.7	195.4 <sup>x</sup>	162.5	122.9	114.1 <sup>x</sup>	118.5
Fresh fruit <sup>3/</sup>	81.4	54.8 <sup>x</sup>	74.2	63.1	55.5	37.8	32.5 <sup>x</sup>	48.7	76.5 <sup>x</sup>	54.8	29.8 <sup>x</sup>	64.2 <sup>x</sup>	62.3 <sup>x</sup>
Wine (litre) <sup>4/ 5/</sup>	25.9	74.9	72.1	13.8	20.5	10.0	3.6	18.5	29.9	47.4	62.8	41.0	42.5
Beef and veal <sup>4/ 5/</sup>	23.7	31.6	26.9	19.7	24.3	23.0	22.6	15.8	25.9	11.4	12.1	25.5	23.4
Pig meat <sup>4/ 5/</sup>	62.0	36.5	29.1	43.7	45.5	25.2	32.7	66.3	24.6	39.1	25.4	39.1	38.8
Poultry meat <sup>4/ 5/</sup>	10.5	18.5	18.5	15.8	16.3	18.4	20.0	11.7	15.6	20.7	16.7	16.3	16.8
Meat total	103.6	108.2	84.9	85.6	101.3	77.9	90.6	104.0	87.4	86.0	64.3	93.5	91.7
Egg <sup>4/</sup>	16.2	15.5 <sup>x</sup>	11.5	9.3	14.5	13.6	11.3	14.4	12.5	..	..	13.6 <sup>x</sup>	..
Milk <sup>4/ 6/</sup>	89.3	99.4	73.9	131.3	84.5	129.6	189.1	147.6	53.9	102.3 <sup>x</sup>	43.2 <sup>x</sup>	99.6	..
Cheese <sup>4/</sup>	15.3	21.7	15.6	13.2	12.0	6.7	4.0	12.5	22.9	4.8	3.5	14.9	13.3
Butter <sup>4/</sup>	8.1	9.3	2.4	4.0	8.0	4.8	7.9	7.2	1.6	0.4	0.9	6.0	5.1
Vegetable oils and fats	6.9	12.6	22.9	6.6	5.3	10.6	14.1	24.6	23.6	20.4	15.6	13.1	14.1

1/ In flour equivalent.

3/ Together with processed products.

5/ Dressed meat with fat and bone.

2/ In white sugar equivalent

4/ 1987

6/ Without milk cream

Source: Agrimente '90

**Table 25** Per capita consumption of major foodstuffs and consumer articles in Hungary (kg)

Products	1960	1970	1980	1989
Meat and meat preparations	49.1	59.9	73.8	78.0
of which: boned meat	35.9	40.8	50.3	49.5 <sup>x/</sup>
beef and veal	8.7	10.1	9.6	7.6 <sup>x/</sup>
pig meat	24.7	29.8	40.2	41.5 <sup>x/</sup>
poultry meat	9.3	14.2	18.0	21.4 <sup>x/</sup>
fish	1.5	2.3	2.1	2.2 <sup>x/</sup>
Milk and milk products (without butter)	114.0	109.6	166.1	190.0
Fats, total	23.5	27.7	30.5	37.0
of which: butter	1.4	2.1	2.0	2.3
lard	19.8	22.0	21.2	23.9 <sup>x/</sup>
edible oil and margarine	1.3	2.8	6.6	10.0
Egg, pc	160	247	317	350
Flour and rice	136.2	128.2	115.1	109.0
Potatoes	97.6	75.1	61.2	53.0
Sugar	26.6	33.5	37.9	39.0
Vegetables	84.1	83.2	79.6	86.8 <sup>x/</sup>
Fruits	55.3	72.5	74.9	73.1 <sup>x/</sup>
of which: home grown	53.5	66.5	65.9	64.4 <sup>x/</sup>
Wine, litre	29.9	37.7	34.8	20.5
Beer, litre	36.8	59.4	86.0	103.0
Distilled spirits, litre	2.8	5.4	9.3	9.0
Coffee	0.1	1.6	2.9	2.1
Tobacco	1.8	2.2	2.4	2.0

<sup>x/</sup> 1988.

Source: Central Statistical Office: Agricultural Statistical Yearbooks and Agricultural Statistical Pocketbooks, Budapest, 1960-1989.

Table 26 Production of major agricultural products in the EEC, in 1980  
(9 member countries)

	(1000 tons)								
	FRG	France	Italy	Nether- lands	Belgium, Luxemburg	Denmark	Great Britain	Ireland	9 countries total
Wheat and rye	10340	24095	9185	921	949	851	8228	215	54784
Fodder grain <sup>1/</sup>	12747	23759	7857	354	1066	6219	10990	1386	64378
Potatoes	6694	7197	2940	6267	1450	842	7080	981	33451
Sugar beet	19122	26206	13521	5931	5316	3010	7380	1365	81851
Fresh fruit <sup>2/</sup>	3250	3330	6562	643	456	80	567	14	14902
Vegetable	1650	6950	13119	2385	876	193	3449	315	28937
Wine (1000 hl) <sup>3/</sup>	8662	84105	84337	-	66	-	1	-	177171
Beef and veal <sup>3/ 4/</sup>	1516	1957	880	411	283	256	1060	426	6789
Pigmeat <sup>3/ 4/</sup>	3089	1733	969	1292	676	902	940	155	9756
Poultry meat <sup>3/ 4/</sup>	365	1036	980	359	102	100	750	47	3739
Cow's milk	24779	27720	10335	11775	4033	5117	15945	4700	104404
Hen's egg (million pcs)	13272	14460	11267	8896	3315	1270	13922	500	66902

1/ Barley, oats, maize

2/ Fruits, edible grape and olive

3/ 1979

4/ Slaughtered weight together with fat and bone.

Source: Agrimento ,82

Table 27 Production of major agricultural products in the EEC, in 1988  
(12 member countries)

	(1000 tons)											
	FRG	France	Italy	Nether- lands	Belgium Luxem- burg	U.K.	Ire- land	Den- mark	Greece	Spain	Portu- gal	12 coun- tries total
Wheat <sup>1/</sup>	11922	29677	7945	827	1320	11750	475	2080	2183	6514	404	75097
Rye and other winter cereals	1634	290	18	28	17	33	-	366	35	375	73	2869
Barley	9587	10086	1561	302	803	8765	1606	5419	550	12070	48	50797
Cereals total	23770	56219	16330	1220	2339	21121	2194	8067	4586	23316	1326	160488
Potatoes	7434	5707	2330	6742	1823	6899	694	1246	960	4578	835	39248
Sugar beet	18590	28606	13428	6737	6108	8500	1334	3379	2000	9084	19	97785
Fruit <sup>2/</sup>	3829	3514	10890	483	413	420	15	72	3469	7858	510	31473
Vegetable	2271	6871	12991	3157	1250	3761	300	16	3616	9812	1800	45845
Wine (1000 hl)	9877	59300	63900	-	147	6	-	-	4731	24200	4000	166161
Meat total <sup>4/ 5/</sup>	5661	6150	3517	3011	1384	3535	890	1576	563	3226	612	30125
Beef and veal <sup>4/</sup>	1614	2003	908	483	328	927	520	217	70	428	112	7610
Pigmeat <sup>4/</sup>	3250	1779	1154	1908	797	1021	141	1169	164	1703	226	13312
Poultry meat <sup>4/</sup>	411	1449	1046	484	152	1085	76	117	149	786	175	5930
Cow's milk <sup>3/</sup>	23974	26700	10850	11397	3958	14979	5242	4739	648	5801	1360	109648
Hen's egg <sup>6/</sup>	12024	14980	10804	11055	2883	13635	687	1275	2567	..	..	69910

1/ Edible and fodder.

3/ Preliminary data.

5/ Together with other meats and offals.

2/ Total, including citrus species, table grape, olive.

4/ Slaughtered weight together with fat and bone.

6/ 1987.

Source: Agrimenta '90.

Table 28 Production of major agricultural products  
in Hungary

Product	(1000 tons)			
	1961- 1965	1971- 1975	1981- 1985	1986- 1989
Cereals	6755	11362	14195	14362
of which: wheat	2020	4299	6066	6264
maize	3350	5934	6977	6878
barley	970	813	1011	1040
Sunflower seed	115	143	615	589
Sugarbeet	3093	3097	4461	4458
Potatoes	1997	1570	1446	1158
Vegetable	1470	1784	1832	2095
Fruit	955	1379	1731	1675
Wine (million litres)	377	495	499	402
Beef	138	184	182	164
Pigmeat	292	446	634	628
Poultry meat	139	179	391	443
Sheep meat	13	17	23	20
Milk (million litres)	1499	1692	2666	2767
Egg	2046	3521	4351	4424

Source: Central Statistical Office: Agricultural Statistical Yearbook and Agricultural Statistical Pocketbook, Budapest, 1961-1989.

Table 29 Formation in Hungary's agricultural export  
toward the EEC

Description	(billion HUF)					
	1980	1985	1986	1987	1988	1989
Food industrial materials, live-animals, foodstuffs	15.5	22.0	21.7	25.4	32.3	41.4
Agricultural products, live-animals	5.1	6.8	6.7	8.1	9.3	11.9
Grain crops	0.2	0.5	0.7	0.7	0.6	0.8
Fresh fruit and vegetable, potatoes	0.8	0.7	0.7	1.3	1.3	2.0
Oil seeds	0.5	1.2	1.0	0.8	1.2	1.4
Raw coffee, cocoabean	0.2	0.4	0.2		0.2	-
Pulses and other vegetable crop	0.3	0.7	0.9	1.0	0.9	1.4
Live-animal and animal product	3.1	3.3	3.2	4.3	5.1	6.3
Food industrial product	10.4	15.2	15.0	17.3	23.0	29.5
Milling-, bakery and paste industrial products	0.7	0.5	0.6	0.8	0.9	1.0
Canned fruit and vegetable, spices	1.4	2.3	2.8	3.8	4.9	6.4
Vegetable oil products	0.2	0.5	0.4	0.2	0.2	
Sugar and confectionery products	0.2	0.1	0.3	0.6	0.8	0.5
Beverages, tobacco and other food industrial products	1.0	1.2	1.0	1.3	1.3	1.5
Meat-, poultry- and dairy industrial products	6.9	10.6	9.9	10.6	14.9	20.1
Share of agricultural export in the total export sales (%)	28.2	32.8	29.7	28.4	28.4	29.2

Source: Foreign Trade Statistical Yearbook, 1980, 1985, 1986, 1987, 1988, 1989.

Table 30 Change in Hungary's agricultural export  
toward the EEC

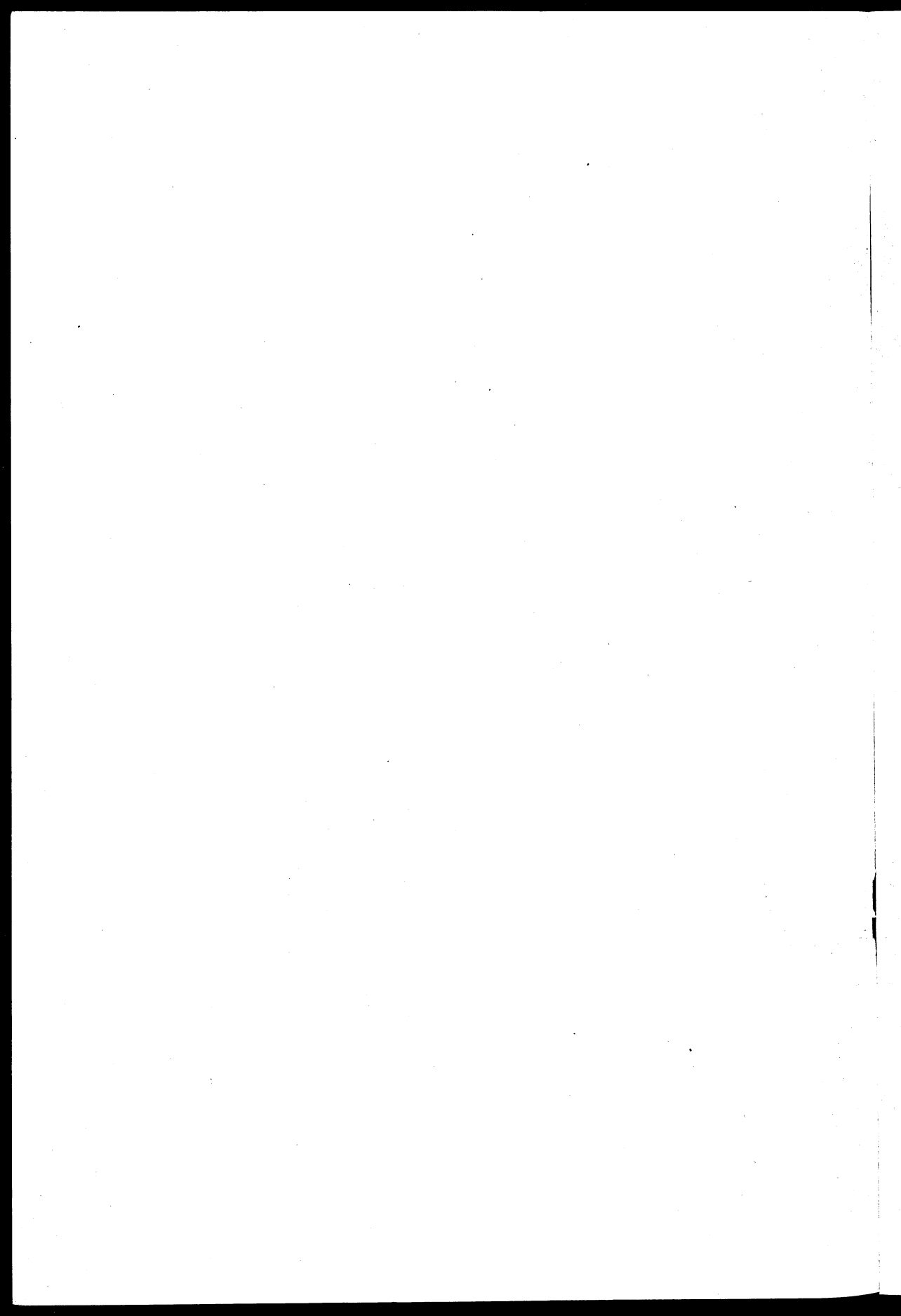
Description	Quantity, 1000 tons			Value, billion HUF		
	1985	1988	1990	1985	1988	1990
Slaughter cattle, calf	29.5	20.1	16.4	1.1	1.0	1.6
Slaughter sheep	22.0	25.6	24.6	1.7	2.7	3.9
Fresh beef and veal	3.1	2.7	13.2	0.2	0.2	1.3
Fresh pigmeat	33.4	22.3	56.8	2.1	2.0	7.6
Fresh rabbit meat	10.5	16.4	16.3	0.9	2.1	3.2
Dry sausage and salami	3.6	3.1	5.0	0.7	0.9	2.4
Canned meat	5.2	2.5	5.8	0.3	0.2	0.6
Slaughtered chicken	17.2	26.1	36.3	1.0	1.5	3.6
Slaughtered turkey	4.1	3.6	9.5	0.3	0.4	1.3
Slaughtered goose	7.8	9.3	9.1	0.7	1.4	1.8
Slaughtered duck	3.1	4.6	4.4	0.2	0.3	0.6
Goose liver	0.9	1.3	1.3	0.7	1.9	2.2
Processed feather	1.2	2.5	1.8	0.8	1.8	1.4
Wheat	-	-	53.6	-	-	0.6
Peas	13.2	29.3	57.6	0.1	0.3	0.7
Sunflower oil	24.9	87.9	94.6	0.7	1.8	2.6
Canned fruit	21.4	44.2	34.4	0.5	1.0	1.5
Canned vegetable	7.0	16.7	19.5	0.4	0.9	1.4
Quick frozen fresh and processed vegetable	22.4	24.9	28.1	0.5	0.6	1.0
Quick frozen fruit	8.1	9.8	17.9	0.2	0.6	0.7
Tomato purée	1.5	6.5	11.0	0.04	0.3	0.5
Pickled vegetable	7.9	22.4	23.4	0.04	0.4	0.6
Fresh vegetable and culinary plant	55.6	75.9	60.3	0.4	1.0	1.4
Fresh fruit	22.4	10.6	34.3	0.3	0.3	1.0
Honey	6.7	7.9	8.0	0.3	0.5	0.7

Source: MÉM STAGEK.

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