

INSTITUTE OF CURRENT WORLD AFFAIRS

BFH-5

Agrargazdasagi Kutato
Intezet
Budapest, Hungary
March 30, 1984

The Role of Hungary's Agriculture in
Eastern Europe: An Overview of Production

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Dear Peter:

Agriculture has always had great social and political, as well as economic, significance in Hungary. During the 19th Century under the Hapsburgs, Hungarian farms supplied Austrian industries, and even well into the most difficult years of the Second World War, the food situation in Hungary was not as bad as in many other areas of Europe. Although Hungarians took pride that their country was able to feed itself, only in the late 1960's did it regain the position as a food exporter that it had once held.

Agriculture suffered heavily during the war, and the first phase of post-war history here began with land reform. Large landholdings were distributed to the peasants, from 1946 through 1948, both for political reasons and to get production going again. By 1949 the regime had changed course and it began collectivizing, that is consolidating rather than dividing up, the small farms. This went on until 1953 when signs of uncertainty began to emerge within the regime, and the peasants took their lands back out of the cooperatives again.

After the "events of 1956", as that period is commonly referred to here, collectivization began again, and from 1957 to 1961 essentially all of the small landholdings were consolidated into large cooperatives, that is, were collectivized. Since that time the basic structure of agriculture has not been changed, but there have been continuous modifications of the economic mechanisms.

By 1979 Hungary was the third largest producer of grain among the six East European members of the CMEA, a mutual trade association that includes the Soviet Union

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and eastern Europe, and the fourth largest producer of meat among the six East European members of the CMEA. But Hungary's significance as an agricultural producer in the region is due not so much to its volume of production, as to agriculture's rate of growth, efficiency, and importance in the economy. From 1960 to 1980 gross agricultural output increased faster in Hungary than in any other East European member of the CMEA except Romania (and Romania's output and growth rate data are almost certainly overstated, though by how much we do not know.) The fastest growth was over the last 10 or 15 years. Hungary's growth rate for agriculture was only average for this region from 1960 to 1970, but between 1970 and 1980 its growth rate for agricultural output surpassed all the other East European CMEA members, again excepting Romania.

The efficiency of Hungarian agriculture in producing as much as possible from the amount of land available is also high, especially for grain crops. Yields per hectare of wheat have been above the average for East European members of the CMEA since 1965, and corn yields were higher than any other country in the region in 1978 and 1979. Total profitability (that is, the value of production minus the cost of all the inputs used) of Hungarian agriculture, relative to other East European countries, is very difficult to assess, but most observers feel that it must be high. Profitability (often called "rentability" here) is a new and politically touchy concept in eastern Europe, so it's very difficult to find statistics on the profitability of agriculture in these countries.

Agriculture in Hungary is a bigger part of the economy than it is in many other East European countries in the CMEA. Although Romania, Poland and Bulgaria all have larger proportions of their populations working in agriculture, only Bulgaria gets a larger proportion of its foreign trade earnings from agricultural exports. Hungary earns nearly a quarter of its foreign exchange from its agricultural exports, one and a half times the share of agriculture in Romania's exports and more than double agriculture's share in Polish, East German or Czechoslovakian exports. This makes Hungary one of the success stories of socialist agriculture in eastern Europe.

Grain--especially wheat and corn-- is the basis of Hungarian agriculture. The corn and some of the wheat is fed to livestock, and the rest of the wheat is either exported or used directly for human consumption. Every street corner in Budapest bears evidence of the Hungarian appetite for grain, with one or more trucks out of which huge five-pound loaves of bread are sold at low (by world-market

standards) prices. These loaves are so enormous that each one is a shopping trip in itself, and reportedly a good deal of it goes stale and gets discarded, replaced by fresh loaves hefted home by muscular shoppers. Yields per hectare of grain by 1980 had increased to a little more than double the yields of 1961-65. Currently 60% of the cultivated area of Hungary is planted in cereals: wheat is grown on 1.2 million hectares of land, corn is grown on about the same area as wheat, and about 420,000 hectares are planted in barley, oats, rye and rice.

The principal use of these grains is in feeding animals. Indeed, since another 21% of Hungary's cultivated area is used for various kinds of fodder like corn silage and alfalfa, livestock products are crucial to the success of agriculture. Meat production almost doubled between 1960 and 1980, and production of eggs increased by nearly one and a half times over that period. Milk production increased by only 50% over the period from 1960 to 1980, partly because the results of the dairy cow breed improvement begun in 1974 did not begin to affect production immediately, and partly because the dairy business has not been that profitable.

Despite the fact that milk yields are now as high as anywhere in eastern Europe, the trend in the livestock sector is toward more pork and less milk. State subsidies for pig-raising facilities, as well as the low prices for milk, encourage farm managers to move away from dairy. One cooperative I recently visited plans to shut down its entire dairy operation this year, and move all the workers and capital equipment from the cooperative's dairy farm over to its pig farm.

If cooperatives and state farms were really completely free to make any adjustments they chose to the current relative prices and profits, however, they would probably cut way back on all types of livestock, not only cows but pigs as well. Crops are more profitable for them than animal products, but the majority of workers on these farms are employed in animal husbandry rather in cultivation of crops. In a typical cooperative eliminating livestock production would reduce the amount of labor needed by the cooperative by 70 or 80%. Such a drastic reduction in the farm labor force would be politically and legally impossible: politically, the State could not afford to have the majority of its rural labor force unemployed, and legally, since many members of cooperatives gave up ownership of their land to come into the cooperative, they can't be discharged. Economically, too, the effects of such a move would be disruptive, though in the long run adjustments would be made.

Industrial or "technical" crops, especially sugar beets and various oilseeds are also important in Hungary. These are crops that are used in various industrial applications, rather than for direct human or animal consumption. Industrial crops only amount to about 10% of the total plant production, but they have increased faster, in the gross value of their total production, than have the other sectors of agriculture. One cooperative I recently visited for example, 40 miles northwest of Budapest, has found linseed to be a profitable crop, even though the actual processing of the seeds for oil must be done in West Germany, as Hungary does not have processing facilities for linseed.

Currently there is a lively debate going on as to whether Hungary should seriously undertake soybean production-- a move that would eliminate one of their biggest agricultural import needs, imported soybeans. Growing soybeans would use scarce land that is now being used to produce a very profitable wheat crop, so the economic argument goes against soybeans. Eliminating soybean imports would increase agricultural self-sufficiency, though, and self-sufficiency in food always has considerable political appeal. When I visited a feed mill here recently, it was brought to my attention that nearly all the equipment and feedstuffs used in the mill were made or grown in Hungary-- at which point a truckload of soybeans rolled through the door, making the last stop in a long journey from America. There are also agronomic arguments for growing soybeans in rotation with other crops. But whether these considerations will outweigh the economic disadvantages of soybeans remains to be seen.

The vegetable and fruit sectors are also important parts of the agricultural picture in Hungary. Vegetable production hasn't grown as rapidly as grain or livestock production, but there has been a trend toward more of the more desirable vegetables like green peas rather than cabbages and onions. So the value of the vegetable crop has probably risen more than the quantity. But the biggest growth has been in fruit, especially apples and wine.

Hungary and Bulgaria are the two big fruit exporters of the CMEA, the mutual trade association that includes the Soviet Union and eastern Europe, and Hungary has the pre-eminent position in exporting apples. These apples go mostly to the Soviet Union, although East Germany and Czechoslovakia also take significant amounts. Apples have proved to be a very good crop here not only because the export market for them is good, but also because they do very well in the sandy soils of northeastern Hungary that aren't good for much else.

Wine is the other important fruit product of Hungary. Hungary was exporting wines to the Poles and Czechs in the Middle Ages, and Hungarians have well-established traditions both as producers and consumers of wine. In recent years the total area planted in wine grapes has declined, but because of increasing yields the total production has been fairly steady. In 1982, almost 60 liters of wine per capita were bottled. And it is excellent wine, too: no doubt it would be more well known in the U.S. were it not for the linguistic barriers presented by the uniquely isolated Hungarian language. I don't think Hungarians realize how difficult it is to build up name recognition for their distinctive and very fine varieties in the western markets. How can one expect the American consumer, who is still struggling with French labels, to look for something with a name like "Egri Bikaver", much less to look for a bottle produced by a particular winery with a name like for example, the "Eger-Matravideki Borgazdasagi Kombinat"? But a fuller discussion of the export markets must wait for another newsletter.

Sincerely,



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Received in Hanover 4/9/84