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What is a Farm in Hungary?

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Dear Peter:

Hungary has three types of farming organizations-- private farms, cooperative farms, and state farms. This trichotomy is typical of countries that have adopted the Soviet model of agriculture. Poland and Yugoslavia have retained large private sectors and Czechoslovakia and East Germany have almost no private farms, but all three types of farms exist throughout eastern Europe. All these countries have a common ideology about land ownership. Under socialism the "highest" form of ownership in agriculture is state ownership. Cooperative farms are considered "lower" than state farms because they are (theoretically) owned and controlled by the cooperative members, rather than by the whole society. And of course private farms are the lowest of all.

In Hungary there are a few completely private farms, with about one percent of the agricultural land, and there is private activity on so-called "auxiliary farms" and "household plots of cooperative members"; in total just under ten percent of the land is used, though not necessarily owned, privately. State farms occupy about a quarter of the total land area, and the remaining 60 percent belongs to the agricultural producers' cooperatives, which are the most important type of farming organization in Hungary. They produce 55 percent of total agricultural output and employ 82 percent of the agricultural labor force.

In most rural towns and villages cooperatives dominate the economic life of the people. A typical Hungarian cooperative is a farm of about 4,000 hectares (10,000 acres) planted in corn, wheat, sugar beets, peas or beans, and alfalfa, with 10,000 to 20,000 pigs and 500 to 1,000 cows.

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Most likely it has some particular specialty as well, like geese or chickens, or perhaps a specialized technical or seed crop. Usually it's located in a village of 4,000 to 5,000 people, and the cooperative's land today is the land that was owned by the peasants in the village before collectivization. A cooperative this size normally results from the merger of several smaller cooperatives that were organized during the first period of collectivization between 1949 and 1952, or between 1959 and 1962 during the second period of collectivization.

These cooperatives don't look like farmsteads in the American midwest. Generally the central farm headquarters is a modern one-story office building in the village. The various farms and facilities of the cooperative are mostly outside the village. The machinery park, dairy farm, swine farm, grain storage and milling facility, etc., are in separate locations, and the manager of each unit has an office in that unit. It's especially important to keep livestock facilities isolated for purposes of disease control. The worker-members live in the village, tending their private livestock in their backyards and sheds. Almost everyone in the village depends on the cooperative farm to supply the family income, either directly or indirectly. In the village itself there is almost always a cooperative cultural center, and often a retail store owned by the cooperative.

These cooperatives are essentially the same as the collective farm, or kolkhoz, of the Soviet Union in their basic principles, but there are differences in the legal structure and organizational form. One of these differences is the legal ownership of the land. All land in the Soviet Union is the property of the state, but in Hungary the process of transferring land ownership from the peasants to the state was never completed. When cooperatives were organized, all the land was taken under joint cultivation, but the original owners retained formal title. They receive rent payments from the cooperative for the land they legally own, and they're free to leave the cooperative, but they don't have the option of taking their land with them when they go. Although these property rights can be transferred by inheritance, if the heirs of a landowner are not actively employed in agriculture, title to the land reverts to the cooperative automatically. In this way the proportion of land owned by the cooperatives, rather than by the members, is gradually rising over time.

The sense of ownership felt by individuals is probably diminishing over time as well. Several cooperative leaders have told me that even though people in the older generation may still feel that they own a particular plot of land, the

younger generation has forgotten where the family farm once lay. But recently I visited a cooperative that had carried out extensive levelling and land improvement; the president commented that these improvements had changed the land to such an extent that the peasants who had been in the habit of coming out on Sundays to look at their own farms were no longer able to find the old boundaries. The sense of individual ownership may not be buried as deeply as some cooperative leaders seem to think.

Hungarian cooperatives conform to a carefully specified set of democratic principles. The president is elected by a general meeting of the members and nominated by a committee selected by the members. A new president can come from within the cooperative or from outside, but most cooperative presidents are Party members, and it's clear that the Party often plays an important role in the nominating process. The voting power of the members may only be effective negatively rather than positively, that is to veto an unpopular candidate or to get rid of an unsatisfactory president. Cooperative democracy is probably more real in Hungary than in many other parts of eastern Europe, though. Hungary has avoided the problems experienced in some socialist countries, where loyal party cadres who knew nothing of agriculture were sent out to run cooperative farms after collectivization. (It's been suggested that one reason this didn't happen in Hungary was because the Party cadres were unwilling to leave Budapest and take up rural life.)

Cooperative farm managers generally have technical training in an agricultural specialty and practical experience in some branch of farm production; often they hold a university degree. But political connections and good contacts in the Party are still important, not only in rising to be a manager, but to get things done in that position. For example I recently visited a cooperative farm in Rakamaz, a small town in northeastern Hungary, where the cooperative had just put a new milk plant into operation, producing fresh milk and sour cream for local markets. It's a medium-sized plant, but it requires more milk than one cooperative farm can supply. Previously the cooperatives in this area had sold their milk to a state-owned enterprise, and I inquired whether that state enterprise had attempted to block the cooperative's plan to become a competitor in the milk processing business. The answer was that before investing any money, the cooperative president had oiled the wheels in the Party and the Ministry to insure that nobody created any friction for his new milk plant. Since he's a Member of Parliament, chairman of the county Cooperative Association, and a member of the county committee of the Party, he had the right connections to do so.

This cooperative in Rakamaz not only has a new milk plant, but also an updated cold storage and processing facility for apples, and a heating plant that runs on the orchard prunings. It's a good example of an important trend in cooperatives in Hungary, that is, expanding into industrial activities. In 1968 income from industrial activities in cooperatives was only 8 percent of their income from agriculture, but by 1978 that had increased to 23 percent. Most often these industrial activities have an agricultural base, bringing some phase of processing or input supply onto the farm rather than allowing some other enterprise to capture the profits. Mills to grind and mix feeds are among the most popular types of industrial plants, but canning vegetables, drying seeds, and processing milk are other examples of these kinds of activities.

In many cases cooperatives are also expanding into completely non-agricultural activities. The cooperative in Rakamaz has opened a small shop that makes shoes as a subcontractor for a large local shoe company. But this has direct benefits for the agricultural side of the cooperative as well. The cooperative farm's contract with the shoe company specifies that in September and October the workers in this shop will be picking apples rather than making shoes, because in that season there's always a need for more harvest labor.

These industrial activities will probably become more important in cooperative farms, because there will be few other ways to expand. An American farmer can expand by buying or renting his neighbor's land, but that's not possible for a Hungarian cooperative farm. The only possible way to expand as a farm is to merge with another cooperative, and as the scale of these cooperatives has increased, the scope for further mergers has become more limited. The major reason that the cooperative in Rakamaz has been industrializing is because it failed in an attempt five years ago to diversify agriculturally, by merging with a neighboring cooperative farm. Ambitious managers like this will no doubt continue looking toward industrial activities as a growth opportunity.

Sincerely,



Bruce F. Hall