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Agricultural Policies

Addendum

HUNGARY

HUNGARY'S AGRICULTURAL POLICY

Before the Second World War Hungary was a backward agricultural country. As natural conditions were favourable for agriculture, in the production of national income agriculture played a decisive rôle. Between the two world wars some industrialization took place, but it was one-sided and owing to the country's scarcity of raw materials it relied on imports of raw materials.

It can be attributed to historical as well as to natural reasons that in the commodity pattern of exports agricultural products were predominant. Between 1920 and 1939 agricultural goods accounted for 72 per cent of total exports.

In the past twenty-five years a radical transformation has taken place in the structure of Hungarian economy. The main features of the development are in line with the international trend: in production the share of agriculture has gradually decreased and the importance of industry and other branches has risen. As a result of the progress achieved, in the period from 1938 to 1972 national income rose to four and a half times of the previous value, industrial production increased to nine-fold, and gross agricultural production grew by 47 per cent. The share of agriculture and food industry in the production of national income amounts to approximately 20 per cent.

In the past years the development of Hungarian agriculture and food industry has been determined by the establishment of socialist large-scale production, by the replacement of the means of small-scale production by those suitable for large-scale production. This historical task has essentially been fulfilled.

Our country's specific situation and structure induces us to pay special attention to the problems of trade in agricultural products.

Today the distribution of land, the production pattern of agriculture are characterized by socialist big farms complemented by small farms among which household farms play a significant rôle. The big farms are capable of developing very dynamically and make efficient use of high capacity equipment, of qualified experts and concentrated financial means. Small farms, including the so-called household plots, individual family farms, gardens of holiday houses, etc. play a part not only in production for self-consumption but produce also certain commodities for the market.

Earlier the objective of the investment policy aiming at the development of agriculture was to establish the system of large farms, and later to consolidate their production and their supply.

The basic objectives of the agrarian policy continue to be the following:

- further strengthening of the socialist relations of production,
- maintaining and ensuring the unbroken pace of development of production,
- development of intensive production branches, spreading of the mechanized large-scale production systems, rational use of land, development of the technological supply of agriculture,
- the training of agricultural labour force,
- further raising of the income level and social welfare of agricultural workers,
- improvement of the food supply of the population in quantity terms, as well as by changing the structure of consumption (increased consumption of proteins, also of animal proteins, and of food rich in vitamins, without increasing the total calories consumed).

To achieve these objectives and to establish means for their accomplishment a system of regulators is used. The basic element of the regulation of agricultural incomes are the price policy, the system of taxation and state subsidy. Their proportion to each other may change in accordance with the prevailing economic policy. The present system of income regulation in Hungary reflects transition period; it is applied to eliminate the remnants of social and economic backwardness of many centuries, and to develop agriculture, within a historically relatively short period, into an up-to-date branch with a high

technical and technological standard. The price and financial policy, including the system of state subsidy, aims at developing agricultural production as a whole, and is not related to the marketing of individual products. The detailed description of the price, taxation and state subsidy policy is included in the GATT documents No. L/3301/1970 of 26 January 1970, and No. L/3426/1970 of 1 September 1970.

A predominant part of agricultural production, directly or after processing by the food industry, serves the supply of the population. Nevertheless, the export of agricultural and food industry products plays an important rôle, in view of several centuries of traditions of the Hungarian agricultural exports and the geographical closeness of big buyer's markets. Hungary intends to continue to sell its food products produced under favourable production conditions on markets which are both traditional and natural outlets, making thus advantage of the possibilities offered by the comparative advantages.

As agricultural and food products constitute a significant proportion of Hungarian exports to contracting parties, important Hungarian interest is involved in finding solutions in the course of the round of talks which ensure for our export articles fair terms of access, free of discrimination, to the markets of each agricultural importer country, especially to those of the EEC.

In the next ten to fifteen years our foreign trade policy with regard to agriculture will be characterized by the following aims:

- Hungary, as a traditionally structural agricultural exporter, will need agricultural and food exports more than before, in order to ensure her economic development.
- The objective of our import policy concerning agriculture is to ensure and extend the base of the means of production of agriculture and food industry, to import up-to-date equipment for large-scale production.

Our participation, the extent and manner of the commitment Hungary may assume, depend on how far it will be possible in the course of the negotiations to ensure economic conditions which facilitate the further economic development of Hungary.