

**MULTILATERAL TRADE
NEGOTIATIONS
THE URUGUAY ROUND**

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COMPLIANCE REPORTS PURSUANT TO PARAGRAPH 16
OF THE MID-TERM REVIEW ON AGRICULTURE

Report by Hungary

1. Paragraph 16 of the Mid-Term Review Decision provides for participants to report on their compliance with the short-term freeze and cut back undertakings at six-month intervals. Accordingly Hungary submits the following report.

2. Hungary, as a net exporter of agricultural products attaches priority importance to the successful outcome of the Uruguay Round agricultural negotiations. The recent changes in Hungarian agricultural policies mean an important contribution to this objective, as apart from a freeze of agricultural support and protection levels, they also bring about a cut back in these levels during 1990.

Levels of support and protection

3. The budgetary support provided to the agricultural sector has been decreasing in recent years and this trend will continue, even accelerate in 1990. The total value of budgetary assistance provided as production and price support, income support, input subsidies, support to convertible currency exports and consumption subsidies has evolved as follows:

1988 - HUF 54.9 billion;

1989 - HUF 53.1 billion (provisional);

1990 - HUF 33.8 billion (preliminary).

4. In real terms the decrease of overall support is even higher than reflected in the nominal values considering an inflation rate of 16.5 per cent in 1988 and 18.0 per cent in 1989. For 1990 an inflation rate of at least 20 per cent is to be reckoned with.

5. Up to 1988, a wide range of support measures providing both direct and indirect assistance to agricultural producers had been in place. The substantial decrease in overall assistance included the phasing out in the last period of numerous forms of support and the freeze or cut of expenditure on other programmes. The support programmes phased out are as follows:

- milk price supplement;
- beef cattle price supplement;
- sheep and goat price supplement;
- support to soybean production;
- support to fish farms;
- input subsidy for protein feeds;
- subsidy on irrigation water use.

6. Budgetary expenditure on other major forms of support has evolved as follows (in billion Hungarian forints):

	<u>1988</u>	<u>1989</u>	<u>1990</u>
Subsidy on fertilizers	3.7	4.0	2.0
Agricultural investment subsidies	5.8	4.7	4.0
Sheep and goat breeding support	0.2	0.2	0.2
Bonus paid on beef calves	0.4	0.4	0.4
Soil amelioration support	0.4	0.4	0.2

7. Expenditure on income-related support programmes provided to agricultural producers in disadvantaged regions has been cut, too, not just in real but also in nominal terms from HUF 6.7 billion in 1989 to HUF 6.0 billion in 1990.

8. The Grains Trust, up to 1989 the sole purchasing agency of cereals at the domestic market was dissolved. From 1 January 1990, a number of smaller companies operate on the market. This means that there are no more purchasing agencies with monopoly privileges operating in the agricultural sector.

9. In the recent period it has been necessary to provide export subsidies to certain agricultural products with a view to offsetting the damaging effects of the international competition in subsidization on Hungarian trade interests. The level of such support varies over time and among product groups. As part of the short-term commitments undertaken in April 1989, the value of assistance to convertible currency exports envisaged for 1990 is substantially decreased, to HUF 20 billion from HUF 29.5 billion in 1989.

10. Under this programme, export subsidies provided to specific product groups are to be cut at differing rates. The assistance allocated for major product groups is as follows: pigs and pork - HUF 1.3 billion in 1990 against HUF 4.8 billion in 1989; cattle and beef - HUF 2.8 billion, down from HUF 3.4 billion; poultry - HUF 2.5 billion down from HUF 3.2 billion; dairy products - HUF 1.1 billion against HUF 1.2 billion in 1989. Products outside the programme so far, such as grains, maize, oilseeds, sugar, etc. continue to be exported without subsidies.

Market access barriers

11. For products falling under tariff headings 1-24, the average rate of tariffs is 21.1 per cent. There are no quantitative import restrictions for agricultural commodities. The import of most agricultural products continues to fall under licensing requirements but since 1989 a number of agricultural products were put on the list of goods which can be imported without licence. These products include animals for breeding purposes, seeds, protein feeds of animal and plant origin (including soybean and meal).

12. The market access barriers have not been intensified in any way since April 1989.

Support prices to producers

13. As part of the programme aimed at limiting government interference in the agricultural sector, the scope of application of administered prices has been progressively decreased in recent years. Administered prices have been abolished for a large number of products since 1988, including those applicable for sugar beet, rice, sunflower and rapeseed, soyabeans, tobacco, hops, malting barley, red pepper (paprika), apples and seeds. From 1 January 1990, administered prices for the remaining two kinds of feed cereals - wheat and barley - were also abolished.

14. The levels of administered prices in and since April 1989 were as follows:

	<u>1.4.1989</u>	<u>1.12.1989</u>	<u>1.1.1990</u>
Milk (HUF/l.)	11.10+0.90	11.10+0.90 ^x	14.10
Wheat (HUF/t.)	4,240.-(+10%)	4,240.-(+10%)	(a)5,700.- (b)5,100.-
Wheat for feed (HUF/t.)	3,710.-(+10%)	3,900.-(+10%)	-
Feed barley (HUF/t.)	3,710.-(+10%)	3,710.-(+10%)	-
Maize (HUF/t.)	4,100.-(+10%)	4,300.-(+10%)	5,800.- ^{xx}
Cattle (HUF/kg.)	61.60(+10%)	61.60(+10%)	72.- ^{xx}
Pigs (HUF/kg.)	50.80(+5%)	50.80(+5%)	62.- ^{xx}

^xUp to 1 January 1990 a price supplement of HUF 0.90 was paid

^{xx}Provisional

^aFirst class quality

^bSecond class quality

15. The price rises for most products were in line with the high rates of inflation indicated above, so their real prices did not increase. There were higher rises for cereals, especially for maize but these are products where there is no support in overall terms as shown by negative PSE figures. The price rises in these cases were undertaken to decrease the negative support, i.e. taxing of Hungarian producers, as part of the process of gradually establishing a domestic environment reflecting world market conditions.

16. Prices of the other agricultural products are liberalized, that is set by market conditions without administrative price controls.