PRO DOMO

FORWARD TO THE PAST?

EDITORIAL BY
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As a manager of the local Chamber in the mid eighties, your editor often accompanied foreign dignitaries and delegations to official visits intended to demonstrate the "insuperable" achievements of real socialism. Our trips always included state farms in Bábolna or Agárd, or one of the many other successful agricultural co-operatives. In those days, the Hungarian agriculture and food industry was a genuine success story: unlike most in the Soviet bloc, Hungary was a net food exporter with many of the 1,500 large-scale farms boasting remarkably high crop yields. Hungarian cattle, poultry, ham, salami and sausages, goose liver, fruits and vegetables were highly sought after, not only in the Eastern bloc but in many Western markets.

The success of Hungarian agriculture was built on a mix of centuries of farming expertise, favourable soil and climate conditions and the Hungarian government's cautious but resolute flirtations with a market economy (in spite of occasional Soviet disapproval). This was backed by the availability of extremely cheap energy, fertilizers and other chemicals, generous state subsidies and almost unconditional bank loans. Sales were bolstered by relatively undemanding but inexhaustible markets both in Hungary and in Comecon, the Soviet bloc's economic alliance.

In the early nineties, political and financial mismanagement sent agricultural production into freefall. With the collapse of the Soviet empire, convenient Eastern European markets evaporated, while the costs of energy, chemicals and labour soared, state subsidies dried up and banks introduced strict conditions. Within a decade, agriculture's contribution to GDP sank from over ten percent to 4-5, and employment, formerly 18 pct of the total, dwindled to the same level. Foodstuffs once accounted for one-quarter of total exports; at the turn of the millennium, they made up just 5 pct.

Hungary's associated membership of the European Union in 1994, and its full membership ten years later, opened up huge CAP resources to Hungarian farmers, but also lifted all barriers to foreign producers on the Hungarian domestic market, forcing local producers to fight a battle they were doomed to lose. Before long, the shelves of foreign-owned supermarkets groaned under fresh produce and processed food imported cheaply thanks not only to the generous state subsidies suppliers received in their own countries but also to the favourable exchange rates generated by a consistently overvalued forint.

The abundance of foreign supplies keep market prices under constant pressure. People found it hard to explain why Greek apples were selling more cheaply than the emblematic Hungarian Jonathan; Italian broccoli was greener and fresher and Dutch eggs were much less expensive rhan those laid by Hungarian hens.

Hungarian farmers had several causes for complaint. Immediately after Hungary's admission to the EU, farmers protested against the government's slowness to pay direct payments. In recent years, they have frequently taken issue with subsidies that they believed were either too little or too late. They also demonstrated at the low price of wheat and demanded the state buy and store stocks at prices well above the market rate. One year, it was the apple growers that blocked the entrance of the Agricultural Ministry, the next, corn growers incinerated tons of produce outside Parliament. Last summer, watermelon growers dumped twenty trucks laden with their juicy fruit in the parking lots of large supermarkets that refused to meet their price demands.

The protests and demonstrations of poultry, meat and dairy producers are increasingly backed by a public that believes the best way to safeguard the country from the global crisis is to protect domestic markets from greedy foreign suppliers. Agriculture is one key area, but other industries will also need protection, commentators even in the respected media argue. They believe thar if local farmers are given more "space to live" and do not have to battle constantly with foreign competitors, and if the Hungarian public is not only encouraged but also pressured to buy Hungarian products, markets could gain a new lease on life, more families could make a living from farming and more people could be employed. In short, the country's floundering economy would find new momentum and all would be well.

Although apparently no serious politician would ever accept these arguments, the government, which must maintain stability amidst a worsening global recession, bowed to some of the demands of the protesters and stepped in to mediate dialogue between farmers and supermarkets. Although it has no direct instruments – and no intention – of interfering in market mechanisms, the government gently persuaded the largest supermarket chains to stock largely Hungarian products.

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It seems protectionists can claim a small victory. And in an uncertain political environment where the government has to fight for each additional day in office, these early steps can be easily followed by others in the same direction. Voices croak all over the world that the most important lesson the global crisis has taught us is that markets should not be left to their own devices. The State should intervene "if and when" the need arises.

The question then is, do we have an "if and when" situation? European Union leaders did not seem to think so when they issued a recent statement roundly rejecting protectionism as an appropriate response to the global crisis. Even if the words of European policy-makers do not always match their deeds, we must have trust in them. The future of Europe should not be sought in the past. Nor Hungary's. A country with small domestic markets and without substantial local supplies of energy and other raw materials cannot afford to resort to senseless economic autarchy. This would almost certainly close the stable door on the declining agriculture industry. And then no hope to have model farms to be shown to foreign delegations again. ■