

THE RE-TRANSFORMATION OF COOPERATIVE FARMING AND RURAL SOCIETY IN HUNGARY: DUAL LEADERSHIP OF INTEGRATION IN AGRICULTURAL PRODUCTION

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INTRODUCTION: FROM EGALITARIAN PRIVATIZATION TO HIERARCHICAL INTEGRATION

Since the emancipation of serfdom in the middle of the 19th century, Eastern Europe and Russia seem fated to undergo periodic transformations of their agricultural institutions and rural societies. The latest decade has seen the collapse of the communist regime and seems to mark the turning of another cycle in the region's historical destiny. Each cycle began with a clear concept and purpose as the foundation for the transformation, for example the creation of commercial farms and independent peasantry to replace a feudal system, or the support of peasant farms by restriction or abolition of large land-ownership, or the creation of collective farms through the destruction of peasant farms, or currently, the privatization of collective farms and the introduction of a market economy into agriculture. These primary goals were, however, not always achieved due to political, societal and/or economic reasons.

The latest cycle of transformation in post-communist countries has a uniform initial theme for its transformation, namely privatization, promising egalitarianism in agricultural ownership.¹ But there was no universal concept of farm organization

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¹ Lands and other assets of collective farms were distributed among mil-

to introduce, thus the transformation's contents and results are so diversified among countries and regions that the area has almost become a display-window of every kind of agriculture, from micro gardening agriculture for self-sufficiency to large-scale tenant farming as an enterprise.² Even the characteristic over-division of lands is now losing its prominence, for example: In recent years the number of landowners holding thousands of hectares in North Eastern Bulgaria have increased significantly.³ There are reports in Hungary that the inevitable integration of land was instigated by foreign initiatives.⁴

The post-communist transformation of agriculture seems to be entering into a second stage. This stage is characterized by the restructuring or downsizing of corporate farms.⁵ Many case

lions of entitled persons on the basis of labor contribution, compensation, and/or restitution. These criteria were based on the legal, political, and economic relations, which were brought by the land reforms after WWII and the communist regimes. Consequently, the first stage of the post-communist agricultural transformation was not free from the fundamental ideology of the post-war and communist socio-political developments at all. See the author's case study: O. Ieda, "Folytonosság és változás a magyar mezőgazdasági termelészvezetők átalakulásában, különös tekintettel a Veszprem megyei esetekre," in M. Olah, ed., *Az Átmenet, avagy Veszprem Megye a Rendszerváltás Időszakában* (Veszprem, 1995), pp. 217-229. The dominance of egalitarianism in the post-communist reforms of agricultural ownership doesn't exclude minor exceptions like the Czech modifications of upper restriction in the compensation laws or the Hungarian way of auctions in the land privatization.

2 Csaba Csaki & Zvi Lerman, "Land Reform and Farm Sector Restructuring in the Former Socialist Countries in Europe," *European Review of Agricultural Economics (ERAE)* 21 (1994); Johan F.M. Swinnen, "The Political Economy of Land Reform Choices in Central and Eastern Europe," *Economics of Transition* 7:3 (1999); O. Ieda, ed., *The New Structure of the Rural Economy of Post-communist Countries* (Slavic Research Center, Hokkaido University, 2001).

3 Hrabrin Bachev, "Bulgarian experience in transition of farm structure," presented at Slavic Research Center, Sapporo, on April 14, 2000. Tsuboi, Noriaki, *Hangari no nojo soshiki [Agricultural Farms in Hungary]* (Japanese Institute for Agricultural Studies, 1997).

4 Interview with the chairman of Petofi cooperative, G. Kertes in Lajosmizse (August 2000, Hungary).

5 Alexander H. Sarris, T. Doucha & E. Mathjis, "Agricultural Restructuring in Central and Eastern Europe: Implications for Competitiveness

studies have examined the restructuring processes of cooperative farms and their transformation into commercial companies.⁶ Thus the second stage of the agricultural transformation seems to compensate for the over-concentration of production into mammoth agrarian enterprises which occurred in the last decades of the communist era.

In Hungary, however there is a contradictory aspect to the on-going second stage of the agricultural transformation. It could be called “the integration of production” or “the hierarchical transformation of a rural society”. Its quantitative aspect is a new concentration of agricultural production into large-scale farms, and its qualitative aspect concerns a “new” leadership in the integration process. These aspects will be examined in this paper, under the term “re-transformation”, since these aspects of the second stage are drastically altering the egalitarian relationships within the membership of cooperative farms. Theoretically, these changes are assumed to take place chronologically, but in reality they can occur simultaneously. Besides not every region has experienced these processes in the same way. There follows a statistical overview from a national perspective, and then case studies, which offer qualitative interpretations for the re-transformation of agricultural corporate farming in Hungary.

The restructuring process provides opportunities for new integration and the reconstruction of rural economies and societies; it could be said that restructure and integration are two sides of the same coin. This viewpoint would give an alternative perspective for understanding the on-going rural transformation in the area.

and Rural Development,” *ERAE* 26:3 (1999); This article concerns the second stage of the transformation from a viewpoint of efficiency: Csaba Csaki & Zvi Lerman, “Land Reform and Farm Restructuring in East Central Europe and CIS in the 1990s,” *ERAE* 24 (1997).

⁶ Katalin Kovacs, ed., “Restructuring Post-Socialist Agriculture,” *Replika*, special issue (Budapest, 1998), including recent changes of corporate farms in Estonia, Bulgaria, Hungary and Slovakia. Relating more Hungarian cases, K. Kovacs, ed., “Bomlas es sarjadas a mezogazdasagban,” *Replika* 33-34 (1998).

A STATISTICAL OVERVIEW OF CURRENT HUNGARIAN AGRICULTURE

Definition

Defining the categories of farm is a difficult task in post-communist agriculture, although no analysis would be possible without definition. For the purposes of this paper a peasant farm⁷ means simply a farming household, or a farm managed on an independent basis for a family household. Ordinarily a peasant farm does not have any legal status, but this is not always the case. For the purposes of statistical analysis however, the author accepts the definition of “peasant farm” provided by the Hungarian statistical criterion, which describes a peasant farm as a farming unit *with no legal status*, using at least 1500 hectares of productive land or 500 hectares of orchard including vineyard, or keeping at least one unit of livestock (equivalent to 500 kg of animals), 50 units of poultry or 5 bee hives.⁸

Corporate farms are predominantly former socialist collective farms and ex-state farms, which have been transformed into a new legal form of cooperative, a joint stock company, a limited (Ltd.) company or other kinds of legal entities. But a corporate farm may also be a totally new company, evolved from a peasant farm or other origins such as a foreign initiative. More-

7 The author recognizes that Hungarian colleagues are not used to applying the term, “peasant farm” – *parasztgazdasag* or simply *paraszt* in Hungarian –, for the post-communist individual agricultural producers because the term is historical and even cultural as well. Therefore it cannot refer to the current individual farmers, since they are rather “modern producers” in agriculture. However the term can still be a useful definition; for one thing, individual farmers cannot be individual, because their families are usually involved in working the farm. Many individual farmers are also simultaneously members of cooperative farms or their successor companies, and thus they are not at all independent. The term is eventually a *comprehensive* one in the Hungarian historiography, describing various types of peasant farming over centuries, at least in its socio-economical definition. An evaluation of farmers from a cultural viewpoint may merit further consideration. Many working peasants, however identify themselves as peasant in their daily life.

8 *Magyarország Mezőgazdasága 2000, területi adatok*, CD-ROM version (*MM2000*), pp. 543-544. This is the results of the grand survey of agriculture, conducted in 2000 after 10 years interval.

over, the Hungarian statistical definition of a corporate farm includes not only these legal categories, but also informal partnerships without legal status.⁹

The following statistical analyses assume that these marginal cases, i.e. a peasant farm with legal entity or a small peasant partnership without legal entity, would be very few and thus negligible for statistical analyses.

Agricultural Output

Chart 1 (Agricultural Production and GDP)¹⁰ shows the drastic decline in Hungary's gross agricultural production over the last decade, although a slight recovery can be seen in the second half of this period. In contrast to the GDP changes which are now shifting upward, there is significant stagnation in agricultural production. So we can see that there has been a considerable decline in the agricultural sector's contribution to the national economy, falling from 7.8% in 1991 to 5.2% in 1997 according to GDP accounts. The decline in exports is more serious, falling from 10% in 1992 to 4.7% in 1997. This dramatic decline is also evident in the food industry. The combined contribution of both economic sectors has diminished from 12.4% to 8.5% in GDP and from 26% to 15.5% in exports over the last decade.¹¹

The trend toward decline in food production in Hungary is irrefutable in relative or monetary terms, but should be qualified, because the figures used in the statistics are based on relative prices, and the relative prices of the agricultural and food industry's products are generally underestimated when compared to those of the other economic sectors.¹² This underestimation can result in an under-valuing of agricultural products of be-

9 "Agricultural enterprise means any agricultural business with or without a legal entity excluding private farms." *MM2000*, p. 567.

10 *Magyar Statisztikai Evkonyv (MSE) 1999* (Budapest, 2000), pp. 12-16.

11 *2000 Statistical Yearbook of Agriculture* (CD-ROM version) (Budapest, 1998) (*SYA 1998*), p.18.

12 Z. Lakner & J. Kocsondi, "Az agrarollorol: nemzetkozi tapasztalatok – hazai tanulsagok," in T. Kovacs, ed., *Mezogazdasagtól a vidékfejlesztésig, III. Falukonferencia* (Pecs, 1995), pp. 83-88.

tween 30-40%.¹³ Thus the relatively low prices of the agricultural products could be the main cause of the observed decline on GDP accounts. In fact, data in absolute terms reveal fairly consistent numbers for the total harvested production of main crops, of their harvested area, and of their yield per hectare throughout the 1990s.¹⁴ Nevertheless, an absolute degeneration has happened in livestock; heads of animals fell down to 50-80% of their 1990 level in every kind of main livestock.¹⁵ In addition, a serious fall in output can be seen in some intensive sectors such as gardening and orchard-cultivation.¹⁶ On the whole, it would be fair to say that a considerable decline has occurred in Hungarian agriculture, especially in animal husbandry in the 1990s, but that the decline was caused mainly by the trade terms in operation with other sectors of the national economy, not by falling production. Consequently, upward adjustments might be needed in a “net” term evaluation of agricultural production.

***Structural Change in Agricultural Production (1):
Composition and Concentration***

Significant changes were carried out in the structure of agricultural production in Hungary. First of all, peasant farms have increased their share of the land use so extensively that peasant farms occupied 54% of productive land, 57% of arable land, and 50% of the country’s total land area in 1999 (see Chare 2 and 3: Land Use by Type of Farm – grassland, gardening and orchard¹⁷: Use of Productive Land by Type of Farm¹⁸). Thus peasant farms now create 46% of all agricultural output.¹⁹

Cooperative farms, on the contrary, which had a decisive role in land utilization until the 1980s, have lost their dominant position, and their land use fell from 58% in 1990 to 16% in

13 SYA 1998, pp. 28-29.

14 SYA 1998, p.19.

15 SYA 1998, p. 38.

16 MSE 1990-1999.

17 MSE 1990-1999.

18 MSE 1990-1999.

19 MM2000, pp.184, 333.

1999. As a result cooperative farms and peasant farms exchanged positions with one another.²⁰ Another legal form of farming, the commercial company, seems to maintain a stable position between peasant and cooperative farming, in reality, however, they are constantly expanding. This type of statistical category includes state farms, which now make an almost negligible contribution in comparison with their initial domination in 1990 both in terms of the number of farms and in land use.²¹ Therefore, corporate farms are, as a whole, still keeping a significant role in agricultural production in post-communist Hungary, along with expansion of peasant farming.

Another structural change in the agriculture, closely related to the second stage of the transformation is the concentration of production in large-scale farms both in the peasant and corporate farm categories.²² Chart 4 and 5 (Number of Peasant Farms by Size of Land Use in 1990 and in 2000²³) show that the ma-

20 Production of home benefit plots was already very significant in 1980s' Hungary. See O. Ieda, "Individual Farming and Socialist Agricultural Co-operative – Based on a Case Study of Individual Farming in 1970s Hungary," *Japanese Slavic and East European Studies* 12 (1991), pp. 1-4.

21 The state farms' number was 19 in 1999 from 139 in 1989. Most of them were transformed to joint-stock companies. *MSE* 1989-1999.

22 This process of concentration may go on over the statistical categories. Namely, a corporate farm integrates lands and other assets from peasant farms as well as from among corporate farms, and *vice versa*. In this paper, however, the two ways of integration will be treated independently, due to the lack of available statistics. But this limitation doesn't hinder analysis of the reality of the concentration, because Chart 3 shows that an equilibrium has been kept between peasant and corporate farms in sharing productive lands since the introduction of the new agricultural institutions was completed in the middle of the 1990s. (It is not clear in reality, which one exceeds the other between the two categories, because the latest national surveys in 2000 show that corporate farms use more productive lands than peasant farms; 3,572 thousands ha contra 2,897 thousands ha.: *MM2000*, pp. 184-185.) This means that one unit of integration in land use over the farm categories must have met one unit of integration in the opposite direction. No integration happened in recent years that would make the other farm category's total land use diminish. Consequently, the scale of concentration can be calculated separately within each farm category.

23 *MSE* 1990, p. 119; *MM2000*, pp. 62-65.

majority of peasant farms, numbering 1,394 thousand in 1990 and 959 thousand in 2000, are petty peasant farms with less than one ha of land. In the communist era, agricultural cooperative members and even the employed could hold a so-called home benefit plot (*haztaji*) – which was usually 0,5 ha per family – on which they produced food for themselves and even for sale.²⁴ Huge numbers of the current petty peasant farms originated in this way, getting tiny amounts of additional land in the egalitarian land privatization in the first half of the 1990s. However, these peasant farms are not very important in terms of the nation's agricultural production. Their contribution to the total agricultural output of the peasant farm category was less than 5% in 2000, although they play an indispensable role in supporting a significant part of the rural and local population, whose income opportunities would otherwise be very limited.²⁵ In contrast, the number of peasant farms which use more than 1 hectare of land has increased to 270 thousand in 2000 from 140 thousand in 1990, in particular the number of farms larger than 10 ha reached 50 thousand, from only 2 thousand in 1990. This notable increase in larger peasant farms is another important result of privatization.

However, the more significant change apparent in the second stage of agricultural transformation, concerns not the quantitative increase in peasant farms but their qualitative aspects. A small number of expanding peasant farms currently dominate agricultural output. Chart 6 and 7 (Number of Peasant Farms by Size of Output in 2000 and Share in Output by Size of Peasant Farm in 2000²⁶) show that 1.3 % or 11 thousand of the largest peasant farms (the peasant farm cluster of more than 5 million

24 Pal Juhasz, "Agrarpiac, kisuzem, nagyuzem," *Medvetanc* (Budapest, 1988), pp. 24-50; Imre Kovach, *Termelök és vállalkozók, Retegzodesmodell vizsgalat IX.* (Budapest, 1988).

25 Consider that another 836 thousand people keep less than 1500 hectares of land or 500 kg of animals. These do not qualify as peasant farms. *MM2000*, pp. 16, 553-554. On field researches, see A. Csanady, ed., *Hagyományos tersegek megelhetesi szerkezete* (Budapest, 1998).

26 *MM2000*, pp. 298-301, 314-317: The criterion in this chart is output, not size of land use. It is much better to categorize farms according to their total activity, but this option is only available for 2000.

Ft of annual output²⁷) provide 30.9% of the total output (504 billion Ft) created by the entire peasant farm category, and this contribution grows to 63.8% when the second largest cluster, whose annual output ranges from 1 million Ft to 5 million Ft and which comprises 73 thousand farms is added to the largest cluster.

Comparing this data with that of 1990 (Chart 8: Share in Land Use by Size of Peasant Farm in 1990), the concentration of production has progressed remarkably since several thousand large peasant farms accounted for only 6% of the total peasant land use ten years ago. Though no chronological figures are available for peasant farm production by farm size, it is clear that peasant agriculture in Hungary became highly concentrated into large farms during the last decade. In particular into the largest 10-20 thousand farms, whose share in output can account for as much as 30-50% of the total output of peasant agricultural production.

Remarkable changes can also be observed in the structure of the corporate farm category. As mentioned before, commercial companies are expanding, and cooperative farms, in contrast, have lost their leading role. Charts 9 and 10 (Number of Corporate Farm and Informal Partnership; Number and Land Use of Cooperative and Commercial Company²⁸) show that new forms of agricultural farm are growing in number – 11,072 or 4.6 times as many as cooperative farms –, and that in 1999 they cultivated almost twice as much land as cooperative farms. Thus it is clear that a comprehensive change happened within corporate farming. Nevertheless, cooperative farms didn't decrease in number. In fact the number of cooperative farms increased by 80% or by more than one thousand (from 1333 in 1989 to 2415 in 1999). This is partly due to the division of the huge cooperative farms which were established in the 1960s and the 1970s which have been divided into several medium-sized or

27 Compared with the average net monthly salary of a worker in Hungarian agriculture; 31-32 thousands Ft for a physical worker and 42-59 thousands Ft for a mental worker. *SYA* 1998, p. 511.

28 *MSE* 1990-1999.

village-sized farms, and partly due to cooperatives receiving new roles in the re-transformation process of corporate farms.

Among the rapidly increasing corporate farms, however, there are many which may be dormant or exist only nominally. First of all, petty corporate farms (those of less than 10 million Ft of annual output), account for as much as 51% of corporate farms, yet yield only 1.8% of the total agricultural output produced by the entire corporate farm category in 2000 – 617.8 billion Ft²⁹ – (see Chart 11 and 12: Number of Corporate Farm by Size of Output in 2000; Share in Output by Size of Corporate Farm in 2000³⁰). Secondly, the nation-wide survey of agriculture in 2000 shows that there are only 8,382 active corporate farms.³¹ Thus almost five thousand or 38% of corporate farms are actually dormant. Therefore, agricultural production per corporate farm has not diminished as much as the rapid increase in the number of corporate farms would suggest.

In fact Chart 11 and 12 indicate the opposite, that is that the largest two corporate farm clusters, which are of 2.4% or, 201 in number, produce as much as 33.9% of the total output produced by this farm category. Therefore, concentration of output into large corporate farms is evident, though its extent is not so apparent as in the peasant farm category. But this degree of integration is still significant, compared to that of 1990; Chart 13 and 14 (Number of Corporate Farm by Size of Land Use in 1990; Share in Land Use by Size of Corporate Farm in 1990³²) show that the three largest clusters of corporate farm (5.4% or 64 in number) concentrated 15.1% of the total land use in 1990. Though the comparison is not based on exactly the same criterion, due to a lack of data, concentration of production by the largest farms did not diminish in spite of the restructuring and downsizing of the corporate farms, because (1) the ratio of concentration rose by five times – from 15.1% / 5.4% in 1990 to 33.9% / 2.4% in 2000 -; (2) the average contribution of the largest farms decreased by only 28.4% (15.1% / 64 farms in 1990 to

29 *MM2000*, pp. 184, 457.

30 *MM2000*, pp. 422-425, 438-441.

31 *MM2000*, p. 184.

32 *MSE 1990*, p. 119.

33.9% / 201 farms in 2000), meanwhile agricultural production had not declined in the “net” term as we have already observed.

Another characteristic element of output structure in the corporate farm category is that middle-sized farms (those of 100-500 million Ft of annual output, numbering 1,300 or 15.9% of the total corporate farms) still retain a significant role, creating almost half of the total agricultural output of this farm category.

As a whole, the statistical data indicates; 1) a very high level of concentration into a small number (10-20 thousands) of large peasant farms, compared with a million tiny peasant farms; 2) a high concentration into large corporate farms (two hundred) in contrast to the rapid increase in their total number; 3) stability of middle-sized corporate farms (which number 1.5 thousand)

Structural Change in Agricultural Production (2): Duality in Concentration

More attention should be paid to the interrelation between the two types of integration. Chart 15 (Concentration of Production into Large Farms) gives the number of districts³³ that are classified by two criteria:

1. Peasant leadership in integration (P) which actually means those peasant farms which have an annual output of more than one million Forint –Ft – (the largest two clusters of peasant farm on Chart 6 and 7).

2. Collective leadership in integration (C) which means those corporate farms which have an annual output of more than 500 million Ft (the largest two clusters on Chart 11 and 12).

³³ Hungarian *districts (kis terseg)* are not administrative units for national or local governments, but they are functioning as if they were those in local development policies and statistics. A district identifies itself with a local territory of life with one or two central cities. A district combines several local governments with several tens of thousands of inhabitants. “*Regions (regio)*” are quite new units in Hungary. Traditionally the country has a county system for regional governments above the local governments – cities, towns and villages –. The seven regions were introduced mainly to dovetail with the EU region policies. On Hungarian local governments and institutions, see O. Ieda, “Local Government in Hungary,” O. Ieda, ed., *The Emerging Local Governments in Eastern Europe and Russia: Historical and Post-communist Developments* (Hiroshima, 2000), pp. 85-129.

According to these criteria, four types of districts can be identified:

(1) P&C district, where both P and C farms make a larger contribution to the total agricultural output of each farm category in the district than the national average (63.3% for the peasant farm category and 33.9% for the corporate farm category) – this type of district is called “a district of dual leadership in integration” in this paper –;

(2) P&c district, where P farms make a larger contribution to the total agricultural output of the peasant farm category in the district than the national average, and C farms contribute less than the national average – called “a district of peasant leadership in integration”–;

(3) p&C district, where C farms make a larger contribution to the total agricultural output of the corporate farm category in the district than the national average, and P farms contribute less than the national average – called “a district of collective leadership in integration”–;

(4) p&c district, where both P and C farms have contribute less to the total agricultural output of each farm category in the district than the national average – called “a district of no leadership to integration”–.

Thus the 150 districts in Hungary can be categorized in four groups according to the form of leadership in integration; 1) districts of dual leadership, 2) districts of peasant leadership, 3) districts of collective leadership, 4) districts of no leadership. (Chart 16 and 17 – Number of Districts by Output of Large Corporate Farm and Large Peasant Farm – give distributions of districts by detailed scales of concentration.)

Secondly, the seven Hungarian regions are characterized by their composition of the four types of districts within each region (see Chart 18: Regional Uniqueness by District Type). The upward ordinate on the chart (P&C.) is P&C district’s share (%) in a region; the downward ordinate (Non) is p&c districts’ share (%) in a region; the leftward abscissa (Peasant) is P&c and P&C districts’ share (%) in a region – thus the total share of all districts where P farms conduct more output in the ratio than that of the national average –; the rightward abscissa (Corporate) is

p&C and P&C districts' share (%) in a region – thus the total share of all districts where C farms conduct more output in the ratio than that of the national average –.

Chart 18 shows that, firstly, no significant difference exists among the regions in the rightward dimension; the degree of integration by large corporate farms is almost the same everywhere in the country, the only exception being the Middle East region. Secondly, more districts of the leftward dimension in a region correlate to fewer districts in the region to the downward direction (a negative correlation between the leftward and downward directions). This negative correlation is easily understood, as more districts of peasant leadership inevitably cause less districts of no leadership, given the share of districts with collective leadership uniform. Thirdly, in contrast, there can be a positive correlation between the leftward and upward dimensions – the more districts of peasant leadership, the more of dual leadership. This positive correlation, however, cannot be generalized due to two significant exceptions. Namely, the Middle East and the Central regions have most (6 districts) or least (no district) districts of dual leadership, in spite of their medium position in the leftward dimension.

Consequently, the chart gives four patterns of regional uniqueness (see Chart 19: Four Patterns of Regional Uniqueness). One of these is the pattern modeled by the South Eastern region where peasant leadership and dual leaderships are both very strong. The second pattern, the inverse of the South Eastern region's pattern is that of the Northern region where both peasant and dual leaderships are very weak. The third pattern is that of the Middle Eastern region where peasant and collective leaderships are equally developed and dual leadership is also significant. The last pattern is almost the inverse of the third pattern. This is the Central region where dual leadership has not developed at all, even though peasant and collective leadership is moderately widespread (see the map: District and Region by Four Types of Leadership to Integration).

Although no chronological data is available for farm outputs by region in earlier years, it may be possible to extrapolate from these statistical analyses a district-regional dynamic of re-

transformation from a national perspective. Firstly, the egalitarian privatization of agricultural assets continues to have wide-ranging effects, especially in the p&c districts, which number as many as 64 out of 150. Here smaller peasant farms and middle-sized corporate farms predominate more or less preserving the “socialist origin” of the relationship between them, symbolized by the double and complementary income structure of peasant households; a salary from a corporate farm and sales income from a peasant farm.³⁴ In contrast, a high level of integration can be seen in 86 districts, and the statistics show two methods of integration in each district; peasant leadership and collective leadership. This district typology classifies the 150 districts into four groups, and this classification forms the basis for the four patterns of regional typology.

When one considers that the extent of collective leadership is almost the same in each region, it becomes clear that the most influential factor in the integration dynamic is peasant leadership, and it is this factor which distinguishes region from region. In this context, the expansion of peasant farming would seem to be the key element of agricultural re-transformation even in Hungary, which was formerly believed to be one of the post-communist countries most dominated by corporate farming. But the district-region statistical analyses offer another interpretation of the integration; that is, an integration by dual leadership.

34 Kovach, *Termelok es vallalkozok, Retegzodes-modell vizsgalat IX*. The book gives detail analyses of small production at home benefit plots in the communist era, though the book’s author does not emphasize the complementary interrelation between the corporate farms and the peasant farms. The complementary relationship was not always based on a “goodwill for mutual benefit.” The paper’s author rather concerns its objective function between the two categories of farms. Relating to this aspect of the privatization period, see: J. Kocsondi et al., “A mezogazdasagi kis – es kozepvallalkozasok fejlesztési torekveseinek nehany tanulsaga,” T. Kovacs, ed., *Termelok es vallalkozok, Retegzodes-modell vizsgalat IX*, p. 156; O. Ieda, *Folytonosság es Valtozas*, pp. 217-229; Bali Janos, “Megtorpanas? A mezogazdasai arutermelés fejlődésének korlátai egy malnatermelo településen”; Varadi Monika Maria, “Keskeny az osveny: Esettanulmány a Harmonia Mgtasz atalakulásáról,” *Replika*, 33-34 (1998), p. 115, 124.

This phenomenon is not widely understood and has yet to be evaluated. It is this phenomenon which I wish to examine in the remainder of this paper.

DUAL LEADERSHIP OF INTEGRATION IN THE RE-TRANSFORMATION PROCESS³⁵

Peasant farms and corporate farms are in competition with one another:³⁶ this thesis may be true from a historical perspective, indeed this has been the main impetus in the periodic agricultural transformations. Thus the post-communist agricultural reforms were also designed according to a belief in this orthodoxy: nothing is more legitimate in political, economical, social, legal, and historical perspectives; peasant farming versus corporate farming? This hypothesis is also particularly useful, in understanding the reasoning and motivations behind agricultural policy-making in the transition period.³⁷ Nevertheless, competitiveness is one of many aspects in the relationship between the two farm categories. History and field research shows that the interrelation between them can be symbiotic or mutually complementary. For example, peasant farms could not have expanded their operation sufficiently without the lands made available for rent by large landowners in Hungary before WWII, and the latest evidence of this relationship can be seen in collective farms and their members' home benefit plots.³⁸ The com-

35 A.H. Sarris, T. Doucha and E. Mathjis, "Agricultural restructuring." The author uses an expression "dual production structure" (p. 305). But this duality means a contradiction between ownership and management, that was brought by the egalitarian privatization policies in the area.

36 Erik Mathijs & J.F.M. Swinnen, "The Economics of Agricultural De-Collectivization in Central and Eastern Europe," Policy Research Group Working Paper 1 (Katholieke Universiteit Leuven, 1996) (<http://agr.kuleuven.ac.be>).

37 Pal Juhasz, "The End of the "Agricultural Miracle" and the Property-Reform in Hungary"; Tadayuki Hayashi, "Politics of the Agricultural Transformation in Czechoslovakia: 1990-1991," in O. Ieda, ed., *The New Structure of the Rural Economy of Post-communist Countries*.

38 Another complementary relation can be seen in animal husbandry. See Chart 23 (Livestock by Type of Farm): *MSE 1990*, p. 129; *MM2000*, pp. 184-185. Corporate farms and peasant farms compensate each other in

petitiveness aspect tends to be emphasized when transformation is high on the political agenda.

Dual leadership is more than just the physical co-existence of large peasant farms and large corporate farms within one district. It also describes a district in which the two forms of farming overlap with one another. A corporate farm director is also simultaneously a large peasant farmer. There are many different ways in which the two forms of farming overlap. The following case studies highlight two types of overlapping, or two types of dual leadership. The typology is mainly concerned with the internal structure of the re-transformed corporate farms; one is a competitive leadership, or a managing-owner style of leadership and the other is an authoritarian leadership, or a bureaucrat style of leadership. The first example comes from the case of the Petofi³⁹ cooperative farm in Lajosmizse in the South Eastern region, one of the two regions where dual leadership is most prominent, and the second example comes from the Cattleman cooperative in the other region which is particularly notable in this respect – the Middle East region. The cases are presumed to be representative of each region. This comparative model is, however, still an empirical hypothesis, although supported by the statistical analyses. However more research and data could bring greater depth and sophistication to his hypothesis and could even extend the range of models.⁴⁰

pig (including mother pig) and sheep breeding in the long run. This means that the agricultural transformation in Hungary was not a simple process where the corporate farms would be violated one-sidedly by expanding peasant farms. Moreover, the chart reveals one more interesting fact; namely, every phenomena including the general decline of animal husbandry and the mutually complementary relationship between the corporate farms and the peasant farms had already begun in the 1980s, and the institutional changes in the 1990s rather advanced this process.

39 Fictitious names are used for individuals and companies in the paper.

40 A P&C district, Jaszvereny, for example, might be another model – or sub-model – of dual leadership: a large peasant farm as an investor into agro-business; Laszlo Petho, *Egy mikroregio az ezredfordulon* (Budapest, 1999), pp. 228-234.

***A Competitive Form of Dual Leadership of Integration:
The Lajosmizse Model of Re-transformation of Corporate
Agricultural Farming***

The Petofi cooperative farm in Lajosmizse was established in 1961. Surrounding the county-center and district-center city, Kecskemet,⁴¹ the area was renowned for its unique approach to the collectivization of agriculture in the communist era; “Specialized Cooperative of Agriculture (SCA)” (mezogazdasági szakszövetkezet). SCA eventually became a trading cooperative of individual farmers, in contrast to the dominant form (kolkhoz type) of cooperative, Agricultural Produces’ Cooperative, in Hungary. The majority of agricultural production in the SCAs was done by member farmers, and other operations like selling products and buying materials were organized collectively.⁴² Put simply, for the most part farmers were allowed to farm for themselves. This is mainly due to the farmers’ staunch resistance, and their special residential farm allocation, called a *tanya*⁴³ – an independent farmstead – which provided a solid foundation for this spirit of resistance. In fact the difficult natural environment (e.g. poor quality – very sandy – soils) gave the political leaders a legitimate excuse to abandon the kolkhozination of the area.⁴⁴ The area is not suited to extensive cultivation. Peasants in the district have been forced to develop labor-intensive cultures, such as vegetables, fruit trees, animal husbandry and so on.

The Petofi SCA expanded its operation into food-processing and other manufacturing activities – a fodder mill and plastic works – in accordance with the national policy of “New Economic Mechanism” since 1968, and the cooperative farm integrated even basic agricultural activities into collective operations, such as orchard-keeping and cattle breeding. Thus the

41 The district’s ratio of concentration is 70.7% for large peasant farms and 54.4% for large corporate farms. *MM2000*, pp. 317, 441.

42 *A Lajosmizsei Kossuth Mezogazdasági Termelőszövetkezet 1961-1986* (1986), pp. 7-8.

43 A *tanya* means initially a (temporal) farmstead out of a village, but used to include its farming spaces, like arable lands surrounding the farmstead. The South East region is unique for its *tanya* system.

44 Ieda, “Individual farming,” pp. 4-11.

cooperative farm finally changed its legal form and became an Agricultural Producers' Cooperative,⁴⁵ while still retaining the initial character of the cooperative; in that the members' "home benefit plots" were still large enough to function as peasant farms. This was an important precondition for the developments of the early 1990s, particularly in terms of the privatization of lands, because the members were secure enough to launch themselves into "independent farming."

The Petofi cooperative farm operated 3,049 ha of land in 1986 – of this 1,246 ha was arable land; 636 ha was forest; 462 ha was meadowland; 226 ha was orchard and gardening land; 360 ha were family benefit plots;⁴⁶ and the rest was mainly used for non-agricultural purposes–; its total assets and output was 300 million Ft and 240 million Ft respectively.⁴⁷ Then in 1992, when the agricultural cooperative privatization laws were enforced, the farm estimated its assets at 560 million Ft to be divided among 650 members.⁴⁸ 5% of the amount was paid according to the farm founders' initial contributions. The second portion of 50% was to be divided on the basis of membership duration. The third and last portion of 45% was to be distributed on a ratio proportional to the members' total earnings due to employment at the cooperative farm.⁴⁹ It was a natural conse-

45 15 million Ft of state aid motivated the SCA to change its legal form, according to the cooperative's chairman, G. Kertes; interview with G. Kertes in November, 2000 in Lajosmizse.

46 SCA members used to have their own lands besides home benefit plots, and they even borrowed lands from cooperatives or others; Ieda, "Individual farming," pp. 19-20.

47 *A Lajosmizsei Kossuth*, pp. 14-15.

48 Official documents of the Petofi Agricultural Producers' Cooperative in Lajosmizse, at the commercial court in Bacs-Kiskun county office of legal affairs bureau, Kecskemet. All reference to the cooperative's accounts is given by these records and documents.

49 Another criterion was duration of working membership in other cases: Kozponti Statisztikai Hivatal veszpremmegyei igazgatóság, *A mezogazdaság atalakulása és az atalakulás varható társadalmi következménye* (Veszprem, 1993) (manuscript). According to this the ratios were 11.7% for initial contribution, 25.1% for duration of membership, 28.3% for duration of working membership, 29.9% for members' total earnings, and 5% for others in Veszprem county.

quence of this egalitarian privatization of the cooperative's assets, that the resulting deviation between the members' dividends was no more than two or three million Ft at most, and a large majority received a share with a value between half a million to 1,5 million Ft.

After the nominal distribution of the cooperative's assets among the members, the Petofi cooperative was, like anywhere else in rural Hungary at that time, thrown into the midst of a period of turmoil in the second half of 1992. Two big and four small separatist groups, comprising 277 members made a joint claim for 268 million Ft of assets by requesting the value of their shares be removed from the cooperative. Large groups were formed according to their workplaces – the plastic factory and the orchard branch – and the four small groups were mainly united on a basis of being relatives. This serious secessionism, however, ended unsuccessfully because, among other things it was necessary to achieve a two-thirds majority for group secession. The majority of the pensioner members didn't support any form of group secession,⁵⁰ since it seemed likely to bring about the liquidation of the cooperative farm.⁵¹ In addition, no consensus was reached on how the debts of the cooperative, mounting up to 137 million Ft, should be transferred among the secession groups and the rest of the members.⁵² In the end, only individual secessions of 40 members were accepted, whose total assets amounted to 32 million Ft.

Competitive leadership was also notable in the privatization process of the Lajosmizse case. One of the key pro-secessionist people addressed a speech to pensioner members at a meeting, saying "I will give up 90% of my share – 1,800,000 Ft –, if the group secessions are accepted. This is to prove that the

50 Minutes of the members meeting on November 27th, 1992

51 Another reason for the rejection was the secessionists' unreasonable requirement for assets to be taken from the most valuable things of the cooperative; interview with G. Kertes in November, 2000, in Lajosmizse.

52 Minutes of the members meeting on December 29th, 1992. 137 millions Ft was the total sum of the debts and at the meeting 35 million Ft of debt to the Commercial Bank (A Kereskedelmi Bank) was the concrete issue on this problem.

secessions are intended not for my own benefit. I'd rather serve interests of the community. My share to be given up – 1,700,000 Ft – could be paid out in cash to each of 300 pensioners by this Christmas.” This offer, according to the key spokesman, could offset the in-kind benefits that the pensioners were receiving from the farm's chairman, who was anti secessionist. The chairman of the cooperative, G. Kertes insisted on keeping the cooperative in order to preserve jobs and to respect the pensioner members' interests. These leaders were also aspiring entrepreneurs in peasant farming or in other economic ambitions, which they later achieved. It is worth noting that these members foresaw no problems with expanding their peasant farming in addition to supporting the corporate farm because their experiences during the communist era had already prepared them to see the two forms as non-competitive, even mutually beneficial.

General business conditions became progressively worse after the agricultural privatization. The market for Hungarian agricultural produce disappeared, particularly those in the former Soviet Union. The price of agricultural products went into decline and increasing competition with Western European producers had a serious impact. The Petofi cooperative was burdened with financial difficulties; its massive investments into agricultural infrastructure (60 million Ft) and fruit tree planting during the last years of the communist era led the farm into debt and left the farm in a critical condition. To make matters worse the infrastructure and trees that were the cause of these debts were handed over to the new owners of the land during privatization and the Petofi farm received no compensation for this loss. The interest rates on the loans were rising steeply, thus within only a few years the farm was on the brink of bankruptcy.

At the farm's 1995 member's meeting⁵³ the chairman informed the members of the year's huge deficit: “This deficit is not the members' fault. The annual account balance shows that of the deficit as a whole, 40 million Ft is interest on our bank loans.” In 1994 the bank credit available for the Petofi farm

53 Minutes of the members meeting in 1995.

required a 38% interest rate, while the consumers' inflation rate was 19% in the previous year.⁵⁴

The total debts had increased to 300 million Ft by the end of 1994, compared with 137 million Ft in 1992. The chairman of the cooperative farm offered the members two options. One was the final dissolution of the farm. The only other option was to transform the cooperative into commercial companies, significantly reducing the nominal value of the members' shares. According to the chairman the first option would be worse, since the creditors would drive a hard bargain and would get the cooperative farm's assets for a cheap price, and the members would receive nothing from the dissolution. The second option, in contrast, might bring some gains; some of the members could receive 10% of the nominal price for their shares, and the rest of the shares would be replaced with new stocks issued by the new companies under a condition that the old shares lose half of their nominal value. In this scenario, the 220 employees at the collective farming would keep their current jobs. According to the chairman, this was the essence of the transformation.

The offer of 10% payment was mainly of interest to the pensioner and passive members.⁵⁵ For this purpose 20 million Ft was made available. In other words, altogether as much as 200 million Ft of shares would be given up with this payment, and another 180 million Ft would also be renounced by the 50% reduction in the nominal price of the shares (180 million is half of 360 million and 360 million is the remainder of 560 million minus 200 million). Thus the initial price of the cooperative's total assets, 560 million Ft would decrease to 180 million Ft, (this was the current market value of the cooperative).⁵⁶ These

54 *MSE* 1995, p. 313.

55 A passive member (or outside owner in K. Kovacs's paper) is someone who was once a member or whose parent was once a member of the collective farm and thus received a share from the farm. See O. Ieda, "Folytonosság és változás"; "kivulallo" in Hungarian, see K. Kovacs, "Elfujja a szel? Esettanulmány a Homokvár szövetkezetrol," *Replika* 33-34 (1998), p. 141. Otherwise, this article gives a case study on a cooperative's transformation in a *tanya* district.

56 K. Kovacs & M.M. Varadi, "Uzemptipusok és agrargazdasági szereplők Nagykoroson," in T. Kovacs, ed., *Termelők és vállalkozók, Retegzodes-*

calculations and options were prepared for a restructuring agreement with the Petofi cooperative's creditors, which were mainly banks. The eventual drastic renunciation of the members' shares was the precondition for this consolidation of the cooperative farm. In the end, however, the consolidation agreement with the creditors foundered, and the members had no other option but to transform the cooperative into new companies by themselves, accepting a more serious estimate of the shares' value, which was probably the lowest offer the creditors would accept and not call in their loans.

Following these events, the cooperative was transformed into five commercial companies in the summer of 1995; Holstein Co. Ltd for cattle breeding, Lajos-Garden Co. Ltd for orchard farming, Lajos-Feed Co. Ltd for feed milling, Greenhouse Co. Ltd for plastic manufacturing, and Eagle Wing Co. Ltd for accountant handling. The Petofi cooperative had no external resources to call on when it came to paying the 10% remuneration on member's shares; e.g. internal trade of shares among the members or sales of the newly established companies' stock. These share transactions and stocks, however, provided an opportunity for aspiring leaders to concentrate shares and to become managing owners of the new corporate companies.⁵⁷

The five new companies, in the first step of the re-transformation process, received one million Ft of capital. This amount was the legal requirement necessary to establish a limited company. Any member of the Petofi cooperative, who wanted to invest their share of the cooperative into a new company, had to pay 10,000 Ft in cash for a founder stock of the new company, then the cooperative complemented them with the difference up to one million Ft altogether (see Chart 20: Investment and Exchange of Stock in Step 1-4).

The second step followed at the end of 1995, meanwhile the cooperative's assets were re-evaluated on a very strict esti-

modell vizsgalat IX., p. 188. It is noteworthy that the actual price of a cooperative was 10% of the share's nominal price also in Nagykoros.

⁵⁷ A new tax system could encourage individuals and the successor companies to buy cooperatives' shares, offering reduction of income tax or state subsidy.

mate, at almost 100 million Ft (102,710,000 Ft. See Charts 20-22). This price was nearly half as much as that in the creditor's original estimate. In practice, this meant that fewer members wanted to invest their shares into the newly established companies than had been expected. Instead, those who wished cash payment for their shares had increased. This could have been a reasonable choice given the gloomy prospects for the future at the time, but it led to a reduction in the payment for each share; the resulting payment was much less than 10% since the resources for the payment became more limited.

A case of the Holstein Co. Ltd gives a detailed picture of this process. The Holstein was founded on August 21st 1995 with one million Ft. The founders were the Petofi cooperative and 14 other individuals. The 14 stockholders were members of the Petofi cooperative and each of them invested 10 thousand Ft in cash to the Holstein (Step 1-1 at Chart 20). The Petofi cooperative invested 860,000 Ft to complement up to one million Ft altogether. Out of the 860 thousand, 500 thousand was in kind and 360 thousand was in cash (Step 1-2). Three months later the Petofi cooperative invested further 21,930,000 Ft in kind (mainly the assets of the cattle breeding) into this company (Step 2-1), while the additional seven members participated in founding the company each contributing 10 thousand Ft (Step 1-1). As a result, the total capital reached 23 million Ft (Step 2-2). Ten days later, December 1st, 1995, another stockholder's meeting was held and the 21 stockholders bought stocks from the Petofi cooperative in exchange for their shares in the cooperative. Thus the Petofi's stock decreased from 22.79 million Ft to 9.16 million Ft, and the 21 owners' total stock increased up to 13.84 million Ft from 0.21 million Ft (Step 3).

Contracts of stock sale (eventually renamed contracts of exchange) took this form;

“Contract of Sale:

- The Petofi Cooperative Society sells a stock of Holstein Co. Ltd with a nominal price of 90,000 Ft. and Mrs. A. Almas buys it at its nominal price.
- The buyer declares that she has a share with a nominal price of 180,000 Ft at the Petofi Cooperative Society and she trans-

fers it to the cooperative for the stock which the buyer then buys from the cooperative in the first phrase of this contract.”

All transactions were accomplished at a ratio of 1 to 2 in any contract.

The breakdown of new stockholders at the Holstein was as follows;

Ten people have a stock of 0.1 - 0.5 million Ft each,

Ten people have a stock of 0.5 - 1.01 million Ft each, and

One person has a stock of 4.16 million Ft.

The biggest stockholder was the director (G. Kertes) of the company and he was also the chairman of the cooperative. G. Kertes had his own share of 3,022,000 Ft in the Petofi cooperative, and this amount would have only been enough for a stock of 1,511,000 Ft in the new company. This means that G. Kertes had already collected additional shares of more than 5 million Ft from his relatives and other members of the cooperative. The director was chief of the cattle breeding section at the cooperative from its outset at the end of 1970s, and had dedicated himself to developing the cattle breeding business. Thus he was ready to continue in uninterrupted management of the business, even though it involved risking his private property. He had made preparations in order to get a majority of the total capital of the Holstein Company by the initial phase of the re-transformation.

Chart 20, which includes the Holstein Company, shows the five companies' re-transformation process from the aspect of capital composition. In the third stage on the chart, the majority (70%) of the Petofi cooperative's stocks at the five companies was transferred to individual owners. At this point one or two leading owners had become prominent like G. Kertes at the Holstein. B. Cherry, the director at the Greenhouse Company also bought 5.35 million Ft of stocks, against the other stockholders with 35.15 million Ft, though his initial share at the cooperative was 2,435,000 Ft. At the Lajos-Feed Company the director, D. Erdo was sole owner of 6.66 million Ft of stock, in contrast to the 14.3 million Ft of stock held by all the other stockholders in total. At the Eagle Wing company two directors, F.

Grain and H. Iris, acquired 1 million Ft and 1.3 million Ft respectively – the others' total stock holding was 5.49 million Ft –, though the two directors' initial shares in the cooperative were 1.43 million Ft and 0.42 million Ft respectively. The Lajos-Garden Company was, however, an exceptional case, because in that case there were no outstanding stockholders. Here the director was G. Kertes, the same man who was director of the Holstein, and his wife had one million Ft of stock in the Lajos-Garden Company, and was the second largest stockholder after J. Karpat with 1.02 million Ft. Later, in the fourth stage, G. Kertes and his wife obtained additional stocks to take the lead in the list of stockholders in the company.

In the fourth stage in the middle of 1996, a further concentration of stock holding went on among the members, and this process was also repeated in the following stage. At the Holstein Company, for example, the director increased his already significant share through the additional acquisition of stock (7.4 million Ft), reaching an absolute majority of the total sum of the company's capital. In addition to his dealings, four other stockholders obtained some more stocks, but these were more modest amounts such as 400, 100, 100 and 600 thousand Ft. The Lajos-Garden's director, G. Kertes and his wife acquired 690 thousands Ft of stock, thus their total stock amounted to 1.69 million Ft, which was largest holding of any of the stockholders. At the Greenhouse Company the director, B. Cherry obtained 2.05 million Ft of stock of a possible 9.54 million Ft sold by the Petofi cooperative during this stage, and some other stockholders also bought moderate amount of stocks. The Lajos-Feed Company's director, D. Erdo increased his stock to 8.84 million Ft from 6.66 million Ft, yet two other remarkable stockholders, one of whom was G. Kertes, also acquired considerable stocks, reaching 4.89 and 3.32 million Ft respectively.

The fourth stage had another special role in the re-transformation of the cooperative farm – the sales of stocks were conducted in cash during this phase. The sale price of a stock was 20% of its nominal price, or 10% of that of the Petofi cooperative's share. The cash revenue from the sales was intended to cover payments to those members who didn't want to invest

their shares into the new companies and thus required cash for their shares. These shares' total nominal price would be 360 million Ft approximately, since the transferred stocks from the cooperative to the companies were 101.15 million Ft altogether, this was equal to 202.3 million Ft at the nominal price of the Petofi cooperative's shares. The cash revenues, 20% of 30.75 million Ft, that is 6.15 million Ft were divided among the 360 million Ft of shares. In other words, 17 thousand Ft was the market price for shares of one million Ft. Its ratio to the nominal price was 1.7% compared with 10%, which was proposed in the consolidation agreement with the creditors, the cash refund decreased to one sixth.

The cash trade was, nevertheless, a crucial internal aspect of the re-transformation from cooperatives to companies. For one thing, the directors' investments allowed the cooperative to pay the majority of its members back in cash, although the amount per member was very small. Without this remuneration the transformation into commercial companies wouldn't have been accepted and the cooperative would have gone into bankruptcy because of the 50 million Ft deficit in the capital needed to offset the debts (See Chart 22) –, and the 220 employees would have lost their jobs. Cash trading however, allowed the directors to become the eventual owners of the companies as a result of their cash investments which amounted to 8.438 million Ft⁵⁸ altogether, including the investments made at the fifth stage. These investments made it possible for the directors to raise their stock share up to 60% altogether, which was more than 60 million Ft on their nominal price. Needless to say, the 60 million Ft remained purely a paper figure, since their investments and even their own private properties were mortgaged in order to provide revenue for these investments, and thus were at risk of loss due to bad management or an uncertain business environment in the

58 The precise amount of the cash investments may be more than 8.438 million Ft, because some sales were conducted according to the nominal price of the shares among the shareholders at the fifth step, for example the sales of 1.89 million Ft of shares at the Eagle Wing company in 1997 and 1998.

future, particularly when one realizes that the companies' huge debts⁵⁹ far exceeded the capital.

The process of capital integration progressed into a fifth stage at three of the companies; the Lajos-Feed, the Greenhouse and the Eagle Wing. Altogether 29.87 million Ft of stock was transacted (See Chart 21, Step 5). Consequently, the directors' capital share became 57.4% from 31.6% at the Lajos-Feed, 81.8% from 21.5% at the Greenhouse, and 56.6% from 31.1% at the Eagle Wing. At this stage, in contrast to the fourth stage, there seemed to be another motivation for stock sales; the transactions in the fifth stage took place between the individual stockholders, and the buyers paid the sellers directly, in cash. At the Greenhouse Company 34 stockholders sold their stock – altogether 20.74 million Ft – to the director. Thus the stockholders who sold their stocks in this transaction gained as much as 10% of the nominal price of the old shares, compared to the 1.7% of the nominal price received by the members in their transaction with the cooperative. We can conjecture that an internal deal was agreed between the directors and some specified members of the cooperative such as pensioners, director's relatives, and so on, so that these members would definitely get 10% of the nominal price for their shares as initially promised. This difference in treatment highlights the differing relationship between directors and passive members, and directors and active members.

However, internal bargaining had occurred in the initial phases. For example, the director of Greenhouse had committed himself to ruling the company from the beginning, and the director amassed over 10 million Ft in shares, with which he acquired 5.35 million Ft of stock at the Greenhouse Company during the third stage. It is likely that this kind of internal transaction between directors and other cooperative members was happening throughout the first, second and third stages. G. Kertes was another example of this at the Holstein Company. Because

59 The total debts amounted to 150 million Ft, because half of the earlier debts, mounting to 300 million Ft in 1994, were paid back by selling out the cooperative's assets in Budapest. Interview with G. Kertes in November 2000 in Lajosmizse.

of the nature of these deals, no documentation is available, although it is certain that the directors bought shares from specified members at a cost of 10% of the nominal value.⁶⁰ The total value of these shares is estimated at as much as 30 million Ft.⁶¹

In all, the directors bought approximately 30 million Ft of stocks at their nominal price during the stages from 1 to 4, and then a further 30 million Ft of stock in the fifth stage. Altogether 120 million Ft at the nominal price of the cooperative's share, thus one fifth of the cooperative's total share was transferred to the directors from the cooperative members or more specifically from the active members.

The Petofi cooperative was finally concluded in 1998 without a legal successor, despite leaving five companies under three directors' competitive leadership. The directors became not only the managers, but also the leading stockholders, and the eventual owners of the companies. At the same time, however, the directors had launched their own farm or other kinds of business.⁶² G. Kertes, for example, has 28 ha of lands, where he plants paprika (18 ha) and cherry trees (10 ha) with help of his daughter. G. Kertes's grandfather moved to Lajosmizse in the 19th century from a neighboring district and his parents were wealthy farmers, holding more than 40 ha of lands before WWII. His family was thus categorized as kulak in the 1950s, but his father became one of the leaders at the SCA, and G. Kertes was elected a chairman of the cooperative in 1987. Now he employs 8 workers at his peasant farm on an annual contract. In addition, 20-30 day laborers are hired in busy seasons. The farm's

60 The ratio to the nominal price could be more, even 40%, depending on the case. Interview with G. Kertes in August 2000 in Lajosmizse. D. Erdo bought some stocks of his company at its nominal price in 1998.

61 In this form of transaction G. Kertes might get 5 million Ft for the Holstein company and 3 million Ft for the Lajos-Feed company; D. Erdo might get 12 million Ft for the Lajos-Feed company; B. Cherry might get 8 million Ft for the Greenhouse company; and H. Iris might get 2 million Ft. The sum is altogether 30 million Ft and 20% or 6 million Ft, was paid in cash.

62 D. Erdo's family was also kulak in 1950s, and D. Erdo was the head of brigade at the cooperative farm in the communist era. Now he has a non-agricultural factory. B. Cherry was from a poor peasant family.

products are mainly exported to Germany through the Lajos-Garden Company, which coordinates local peasant farms in becoming involved in specified products for delivery to foreign food processing companies. G. Kertes's farm is well managed and equipped with new technologies, despite being subject to millions Ft mortgage, the result of his considerable "investments" into "his" corporate companies.

The five companies have developed since their establishment in 1995, and their output in 1999 was 57 million Ft at the Holstein, 176 million Ft at Lajos-Garden, 848 million Ft at the Lajos-Feed, 544 million Ft at Greenhouse, and 23 million Ft at the Eagle Wing.

An Authoritarian Form of Dual Leadership of Integration: The Hajduszovat Model of Re-transformation of Corporate Agricultural Farming

Hajduszovat is a village near by Debrecen, one of the central cities of the Middle Eastern region. The village and the district⁶³ are situated in the central part of the Hungarian Great Plain, which provides good geographical conditions for extensive agriculture. Since its foundation in 1967, the Red Star Agricultural Producers' Cooperative integrated the village's inhabitants both economically and socially. The cooperative's land area was 3,500 ha before privatization but now 1,000 hectares is cultivated by the Cattleman Company, the legal successor of the Red Star cooperative. The other lands are operated by peasant farmers.

The Red Star cooperative became known for its early transformation into commercial companies at the beginning of the 1990s. The chairman of the cooperative, M. Pastor is a successful agronomist in his professional and political life. He started his career at a cooperative farm in a neighboring village in 1960 after graduating from an agricultural college in Debrecen. In 1969 he was appointed as chairman of a mammoth agricultural

63 The district's center city is Hajduszoboszlo and the district's ratio of concentration is 66.6% for large peasant farms and 40.0% for large corporate farms. *MM2000*, pp. 316, 440.

cooperative, which was established as the result of a fusion of four cooperatives in 1967. Then he began his political career, becoming vice-chairman of the agricultural committee in the county council in 1977. He held this position until 1987, when he was elected chairman of the Red Star cooperative, during which time he was also appointed vice-president at the National Union of Agricultural Cooperatives.⁶⁴

M. Pastor is an outstanding organizer, and this ability has helped him to engineer a successful transformation for the cooperative. Thanks to his political career, the chairman became very well informed of likely changes in the law during the initial phase of the privatization process. Foreseeing that passive members and secessions would be the most problematic factors in farm management after the introduction of the new agricultural institutions, M. Pastor initiated a customized transformation program that he devised himself. For him, it was essential that passive members be prevented from intervening in actual farm management, and thus to preserve the active members' right to make the decisions. Moreover, he tried to discourage the active members from leaving collective farming.⁶⁵ This is the plan M. Pastor implemented;

1. Firstly, the cooperative established commercial companies before all else – Mechanical Equipment management Co. Ltd., Mechanical support and Service Co. Ltd., Dairy farm Management Co. Ltd., Hog Production and Sales Co. Ltd., Hog Farm Property Management Co. Ltd., Crop Drier, Storage and Feed Mixer Co. Ltd., and Plastic Factory Co. Ltd. –,⁶⁶ and then transferred 50% of the cooperative's assets into these companies before the cooperative's member meeting met to decide how the assets would be distributed among the members.⁶⁷ Thus the

64 Interview with the director of Cattleman Asset Management and Investment Company, M. Pastor in Hajduszovat in March 2000.

65 Ibid.

66 Istvan Juhasz, "Az atalakult szövetkezet mukodese," *Szamdas* (Feb. 16, 1995), p. 12.

67 This method of decision-making on assets distribution – to exclude the passive members from decision-making – was possible only before the establishment of the cooperative law, which would have prohibited it. Interview with M. Pastor in March 2000, in Hajduszovat.

cooperative's major assets became a form of invested capital, i.e. stocks in the commercial companies, and the passive members were given no option other than to receive their dividend not as a share of the cooperative but as a stock in the newly established companies. Besides, each passive member was given a tiny holding at each company so that the cooperative could retain a ruling majority of the capital share at each company.⁶⁸ Meanwhile, the cooperative itself was also transformed into another form of cooperative (Cattleman holding cooperative of entrepreneurs in Hajduszovat – Vallalkozok Szövetkezete, Holding).⁶⁹

2. Secondly, strict rules on the distribution of assets were imposed (excluding land), in order to discourage members from secession. These were as follows:

(1) A member can request removal of his assets from the cooperative to a maximum of 50% of the shares' value.

(2) A member gives up an additional 0.5% of the share for each 1% to be taken out, if the required assets exceed 10% of the share; for example, if a member had 1 million Ft of share and acquired a tractor from the cooperative priced at 300,000 Ft, or 30% of the share, the member would give up an extra 100,000 Ft from the share under the penalty rule; $100,000 \text{ Ft} = 1 \text{ million Ft} \cdot \sim (30\% - 10\%) \cdot \sim 0.5$.

68 The share of the Cattleman Cooperative's stock is 66% at Mechanical Equipment management Co. Ltd. in 1994, 66% at Mechanical support and Service Ltd., 51% at Dairy farm Management Ltd., 51% at Hog Production and Sales Ltd., 99% at Hog Farm Property Management Ltd., 28% at Crop Drier, Storage and Feed Mixer Ltd., and 66% at Plastic Factory Ltd. Besides, the cooperative has minor stocks at other companies and a credit union; Istvan Juhasz, "Az atalakult szövetkezet," p. 12.

69 The cooperative remains a legal entity despite the transformation into a company, because, according to the chairman, in the end the members never cared for the legal form of their corporation, since a legal form depends on the political preferences of the time. Thus they consider the legal forms from a pragmatic viewpoint. The reason why they keep the cooperative in its legal function is that a future government, for example, a socialist government might prefer cooperatives, and give more advantages to these than to commercial companies. Interview with M. Pastor in March 2000, in Hajduszovat.

3. Thirdly, the cooperative offered two alternatives to newly emerged landowners, in order that their land could be used, even if they could not cultivate the land by themselves:

(1) The tenant form; the cooperative borrows the land and pay a rent;

(2) The “contractor” form; the cooperative cultivates the land and receives the cost of the cultivation from the landowner.

The latter option means that the landowner remains legally responsible for farming the land taking a risk on the outcome himself, but in reality the cooperative does everything necessary, covering the total operative costs from the landowner. In practice, the former option offers a fixed land rent to landowners. The latter proposes, in contrast, a ‘profit’⁷⁰ depending on the eventual yield of the crops, which the landowners chose to plant on the land.

After a couple of months of conferences in 1992, the members reached an agreement, accepting the transformation program designed by the chairman (September 4). The majority of the active membership, some 622 out of 715 in total, left their whole shares in collective farming. The passive members, whose shares accounted for 26% of the total assets, also accepted the transfer of their shares to the new companies.⁷¹ Thus the transformed cooperative and the new companies had 427 million Ft of net assets at the end of 1993.

The cooperative’s chairman transformed the farm through strong leadership founded on his career experience and an intelligently-devised strategy. The transformation, in turn, allowed him a monopolistic power over decision-making at the cooperative and at the companies as well. This means that the director now personifies the cooperative both legally and practically as the majority stockholder at each company. He “supervises the management of the companies assets, co-ordinates their devel-

70 Istvan Juhasz, “Versenyben a kihivasokkal [In a competition with the missions],” *Gazdalkodas* 6 (1993), p. 14. A ‘profit’ can be a ‘deficit’ in a case of a bad harvest.

71 Ibid. and interview with M. Pastor in Hajduszovat in March 2000.

opment and investment, and plans their reorganizations.”⁷² At the cooperative, which is now a holding company with a small staff, he has no management competition. In 1997, when new legislation concerning cooperatives was established, M. Pastor transformed the cooperative to a joint stock company – Cattleman Asset Management and Investment Company (Cattleman Vagyonkezelo, Befekteto Rt) –, and became its managing director, able to make unilateral and independent decisions concerning the limited companies without consulting the cooperative members, to whom he now reports only annually.

Compared to the Lajosmizse model, M. Pastor reached his position with no personal investments in the companies. His leadership is based on a monopoly of non-economical resources, such as information, organization, and political influence. Thus his leadership can be called authoritarian or bureaucratic. On the other hand, M. Pastor has a similar socio-economic background as G. Kertes in the Lajosmizse case; son of a wealthy peasant, kulak. M. Pastor was born in Furta, a village in the southern part of the county, in 1937. His ancestors were successful peasant farmers, and operated 480 ha of lands as tenants in the beginning of the 20th century. Later the family bought the lands and M. Pastor’s father inherited half of them. Because of this significant landownership, his father was imprisoned for three years in the 1950s, being condemned as a kulak. But in Hungary kulaks were *de facto* rehabilitated in the 1960’s, and they were often elected as the chairmen of cooperatives, as has been seen in the Lajosmizse example. Coming from a former kulak family he was provided with, not only the professional and spiritual assets of the communist era, but also the capital assets – such as lands – in the post-communist era. M. Pastor retaining his executive position in the top management of the companies, has launched his own peasant farm with his son on 500 ha of land. Of this land, 400 ha is his own and 100 ha is borrowed. The two models, therefore, have a common family background as a socio-economic resource in the creation of dual leadership, even though the leaders took different routes in re-

72 Istvan Juhasz, “Az atalakult szövetkezet mukodese,” p. 15.

transforming their respective cooperatives and in integrating the newly established companies.

Now, these leaders are among the most successful peasant farmers in the villages, as well as the most prominent “entrepreneurs” in the districts. It seems as if they are in competition with themselves, since the economic activities of their peasant farms and companies overlap with one another, in terms of land use – as both a tenant and a contractor –, storage of grain, and trade of products, and particularly in the Hajduszovat example. In reality, however, their activities are rather complementary, as can be seen in the next part of the paper.

DUAL LEADERSHIP AND RURAL SOCIETY

The socio-economic conditions for dual leadership are wide-ranging. They may involve 1) capital resources, 2) labor resources, 3) land resources, 4) commodity markets, 5) rural communities, and 6) local leadership traditions. However some of them are not necessarily specific to the districts or regions concerned. Therefore, the effect of the locality on the dual leadership is open to debate.

The first condition which affects the evolution of dual leadership, is a shortage of capital in both forms of large farm. The Lajosmizse model illustrates how, at the crucial moment, when public financial solutions were unavailable, the corporate farm and its successor companies could only survive the crisis with the financial support of the directors, who were wealthy and enthusiastic enough to make the necessary commitments to the companies at their own personal cost, risking their landed property and their peasant farming income.

There is however, a social aspect to this capital overlapping, namely the local community is sustained through internal share transactions among the active members. In Hajduszovat’s case, the leader did not make a capital contribution, although there was a feeling of common purpose, as the members helped the chairman to obtain power, in order to achieve the collective aim of preventing the passive members from interfering with the active members’ management of the farm. On the other hand,

it is also true, that none of the leaders had enough capital by themselves to establish enterprises as large as the corporate farms. Consequently, the leaders consolidated every available capital resource in the rural community, and where necessary, they involved their own private assets.

Secondly, the cooperatives and their successor companies drastically reduced their workforce during the restructuring process; for example, the Red Star cooperative dismissed 40% of their employees in 1992. While this downsizing made the corporate farms profitable (or more profitable)⁷³ it also released a significant oversupply of labor into the rural labor market. From a historical perspective, this restructure compensated for the over-adaptation of the labor force into the corporate farms of the communist era, but sudden mass-unemployment became a serious issue for rural society. However the large peasant farms which continued to develop alongside the restructure of corporate farms, employed these workers for their seasonal or short term labor needs. At the height of the season, for example, G. Kertes employs twenty-thirty people at his peasant farm for daily wages. Expanding peasant farms demand an abundant flexible labor force. Consequently, large peasant farms and large corporate farms do not compete for labor at all, especially when the unemployment rate is very high as it is at present. Moreover, large peasant farms often integrate even the poorest social strata of the village⁷⁴ by cultivating labor-intensive plants, such as the

73 K. Macours and J.F.M. Swinnen, *Patterns of Agrarian Transition*, Working paper 19 (Policy research group, Department of agricultural and environmental economics, Katholieke Universiteit Leuven, 1999), p. 3 (<http://agr.kuleuven.ac.be>). The paper's authors make a comparative analysis from the viewpoint of labor productivity and economic performance (gross agricultural output), and Hungary is categorized into the countries where the productivity increased and the performance declines. But it is important to note the unpaid labors at peasant farms, and scissors-like difference in prices.

74 Romas' unemployment in the countryside is much higher than the average. In general, the countryside provides Romas' main living space. G. Kertesi & G. Kezdi, *A cigany nepesseg Magyarorszagon* (Budapest, 1998), p. 458. G. Kertes employs Romas actively. But no data is available to show an interrelation between the expanding peasant farms and the poorest groups in villages.

paprika grown at G. Kertes's farm. Thus both types of large farm work in unison to integrate the available human resources of the rural community.

The third issue is that of land markets, which is rather complicated. In Hajduszovat the corporate farm integrates the land of absentee or elderly landowners by offering two forms of land-use and of which the contractor type is more popular. These landowners are predominantly those who did not require the lands to withdraw from the collective farming. Generally, the cooperative makes a contract with the landowners when they are able to consolidate their land to one strip of more than 10 ha. Otherwise, the contract would not be profitable for the cooperative, according to M. Pastor. So very small-scale landowners have little chance of seceding from collective farming, if they do not want to cultivate the land themselves. In any event, hundreds of minute-scale landowners receive an annual contract offer sign-up sheet from the cooperative, along with all the cooperative programs for land-use according to thousands of the landowners' requests, i.e. – what plants, how much for each plant, etc –. These seemingly unending procedures are overwhelming and discourage peasant farms from entering into such a contract, which would not even be efficient for small-scale farming. The number of small-scale and absentee landowners, however, could increase in the future, and the contract system would integrate even smaller plots, motivating *petty* landowners to consolidate their scattered lands in order to become large enough for a contract, which, in turn, would provide them with an in-kind or cash return on request. A small number of large peasant farms in the village, however, consolidate the majority (1,500 ha or 60%) of the village lands that were eventually divided among the people, and 60-70 small or middle-sized peasant farms cultivate their own land, altogether 1,000 ha. Thus the two types of large farm have their own land “markets,” having been designed as a result of privatization and matching the individual needs of landowners. Consequently, the two large farms are not necessarily in competition with one another for land.

In Lajosmizse, the director of the Holstein cattle breeding company tries to find land for pasturing his cattle in areas on the

borders, which are not good for cultivation and too far away for peasant farmers but good enough for the company's hundreds of animals. For example, the company borrowed 450 ha of meadows from a national park in the county on a cheap annual rent (600 Ft/ha). The meadows are poor in grass and far from the villages, but profitable enough for the company's breeding program. The director, G. Kertes recently introduced paprika and fruit tree plantations in order to utilize the company's lands as efficiently as possible, which, at the same time, enabled the company to make better use of the employees' potential labor ability than before. In other words, the director improved the company's substantial land use by intensifying the utilization of the company's available lands. This is how G. Kertes manages his own peasant farm. Thus dual leadership itself can create a mutually complementary relationship between a large corporate farm and a large peasant farm in expanding the available land resources extensively and intensively.

The fourth factor is the market for agricultural produce. In this respect the two models of dual leadership are poles apart. The Lajosmizse farms became focused on specific products; G. Kertes's peasant farm grows special breeds of paprika for a German food-processing company on an annual contract, and the cattle breeding company keeps a special breed of cattle for specific foreign markets. G. Kertes is ready to travel anywhere beyond the country's borders, where the necessary breeds are available. He is a discerning producer in a commodity market where demand controls supply. The market is not uncertain for him. Therefore the products of the two farms will never compete for the same market, even though the corporate farm may also be engaged in gardening. The Hajduszovat farms, in contrast, produce for "the market," not for "a specific market." Thus their products may be competitive in "the market."

Fifthly, the community factor is crucial to understanding dual leadership, because the local community's trust is an indispensable foundation for dual leadership in the corporate farm, especially in the Hajduszovat case. The director, M. Pastor is practically a "dictator" in the companies' daily management, but he can behave in this way only so long as he respects the

active members' interests as a whole. Otherwise, the local community would exercise their right to dismiss him from the post at a stockholders meeting. M. Pastor's personal authority, comes from his professional and political careers, which were strengthened by the success of his peasant farm. Therefore, the community's respect for the leader is founded on his management both of the corporate farm and the peasant farm, just like two sides of the same coin. In contrast, the Lajosmizse' companies are governed by directors who have this power because they have a majority stockholding, thus the community has no legal way to control them. The only exception to this pattern is the Lajos-Garden Co. Ltd, where no director holds a ruling share. G. Kertes's share is only 17% of the total capital. This company is engaged in the most popular field of agriculture in the district, vegetable and fruit cultivation and trading. Thus non-executive management members also bought several thousand Ft of stocks in cash during the fourth stage. G. Kertes's leadership at the Lajos-Garden Company has a similar relationship with the community as in Hajduszovat. However, G. Kertes's commitment to the corporate farms was much deeper than M. Pastor's in terms of risking his own private capital in the companies. Hence, a rural community is a basic requirement of dual leadership, although the two models are not identical in the way in which the leader and community interact.

The last prerequisite for dual leadership concerns local leadership traditions. Both G. Kertes and M. Pastor are of kulak family origin and they have been in executive leadership since the last decades of the communist era. In general, continuity of leadership is often specified as a necessity in successfully guiding both corporate and peasant farms through systemic changes.⁷⁵ Peasant farms were beginning to specialize in the second

75 Nigel Swain, "Kuzdelmes eletutak egy valto vilagban: Nemesfalu es az Aranyszolo Rt.," *Replika* 33-34 (1998), pp. 152-153; J. Kocsondi et al., *A mezogazdasagi kis – es kozepvallalkozasok fejlesztési torekveseinek nehany tanulsaga*, in T. Kovacs, ed., *A Mezogazdasagtól a vidékfejlesztésig*, p. 157; I. Szuli-Zakar & B. Baranya, "A vállalkozáselenkites szerepe az Alföld mezogazdaságban, különös tekintettel a falus vállalkozók jövőjére," in T. Kovacs, ed., *A Mezogazdasagtól a vidékfejlesztésig*, p. 166.

half of the 1970s.⁷⁶ As for the reorganization of marketing and food-processing, those fore-sighted leaders, “who once worked toward a linking or bridging of the two systems – corporate and peasant farming –, those organizers of agricultural production, or public contractors of agricultural products, or coordinators of transactions of agricultural products” in the communist era, are taking the initiative in creating a “symbiosis” between corporate and peasant farming.⁷⁷ Considering these continuities of rural leadership, it seems dual leadership occurs in localities which enjoyed, for the most part, successful experiences of reorganization in corporate and peasant farming during the reform era of late communism in Hungary. Moreover, the roots of local leadership seem to come from the strong family tradition of the wealthy peasant farms and their traditional leadership of local agrarian society from the 19th century, surviving the land reforms, the collectivization, and the privatization.⁷⁸ If even the communist regime accepted their leadership in local rural society,⁷⁹ then why shouldn’t post-communist rural society also accept it?

* * * *

Post-communist rural societies are still undergoing the transformation process, varying widely even within one country, partly as a result of the variety of routes taken to achieve the goal of agricultural transformation. Hungary may provide some blueprints for rural transformation based on district-regional criteria, although these patterns are still empirical hypotheses, needing further case studies and comparison with other regions in Eastern Europe and CIS countries.

76 P. Juhasz, “Agrarpiac,” p. 46

77 P. Juhasz, *Mezogazdasag*, manuscript for a book, 2000.

78 O. Ieda, “The Rural Cooperatives and Members’ Liability in a Historical Perspective: The Hungarian Case,” in O. Ieda, ed., *The New Structure of the Rural Economy*.

79 A peasant farmer, who was a kulak but later elected a leader of a SCA in the Kecskemet district, was prized by a minister of agriculture personally in 1987 for his outstanding individual farm. O. Ieda, “Individual Farming.”

Chart 1. Agricultural Production and GDP (1960=100)

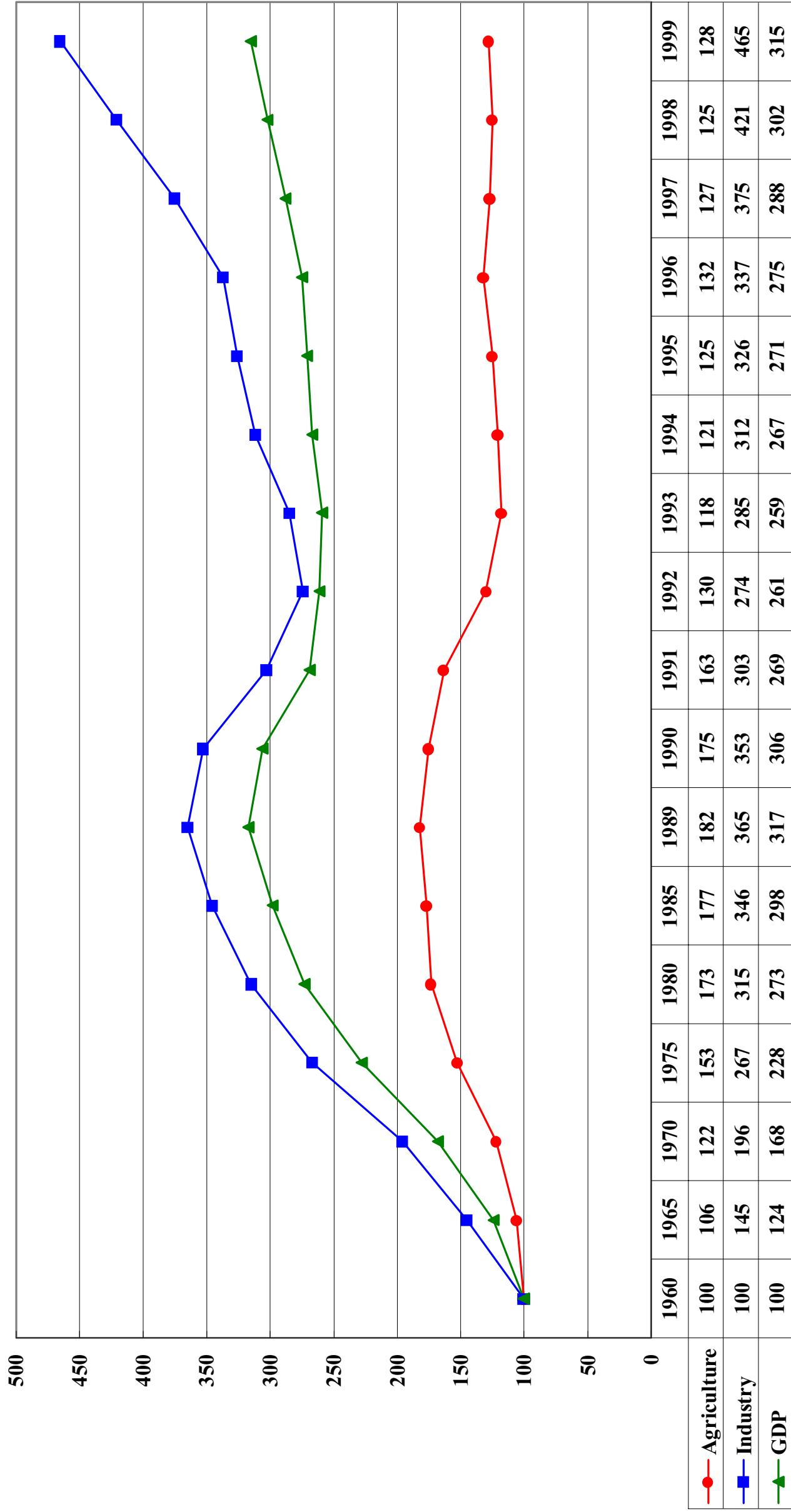


Chart 2. Land Use by Type of Farm

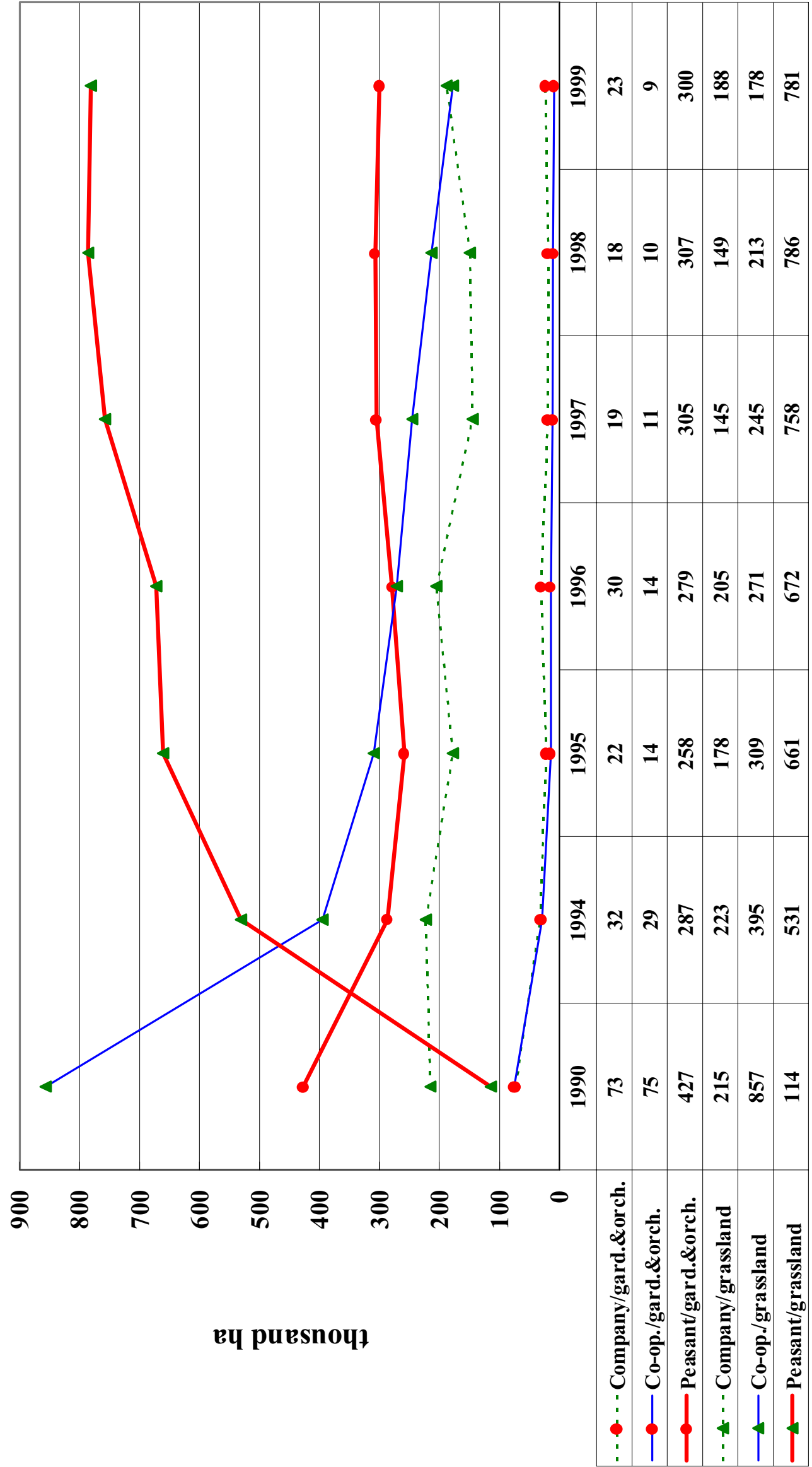


Chart 3. Use of Productive Land by Type of Farm

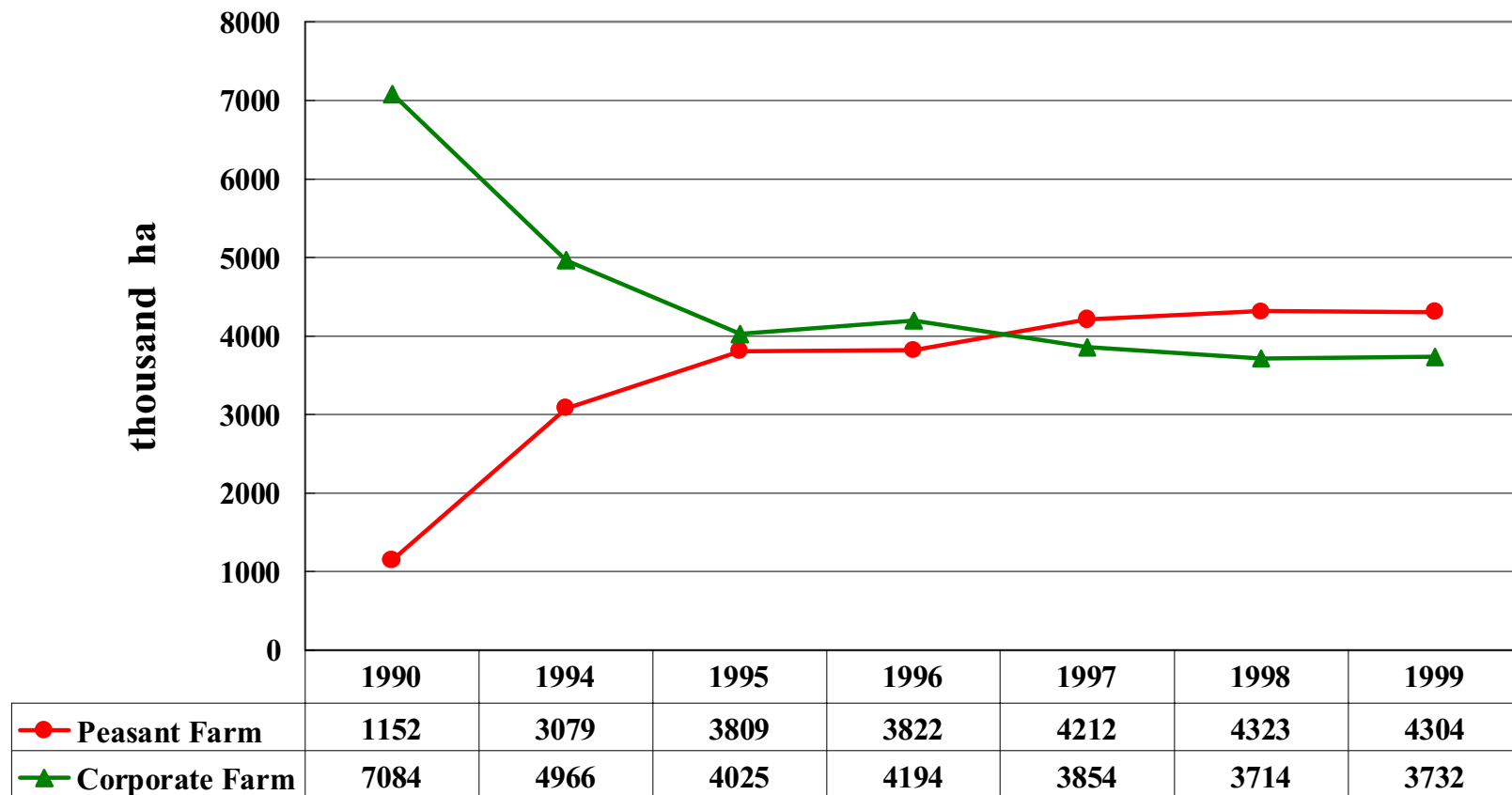


Chart 4.

Number of Peasant Farm by Size of Land Use in 1990

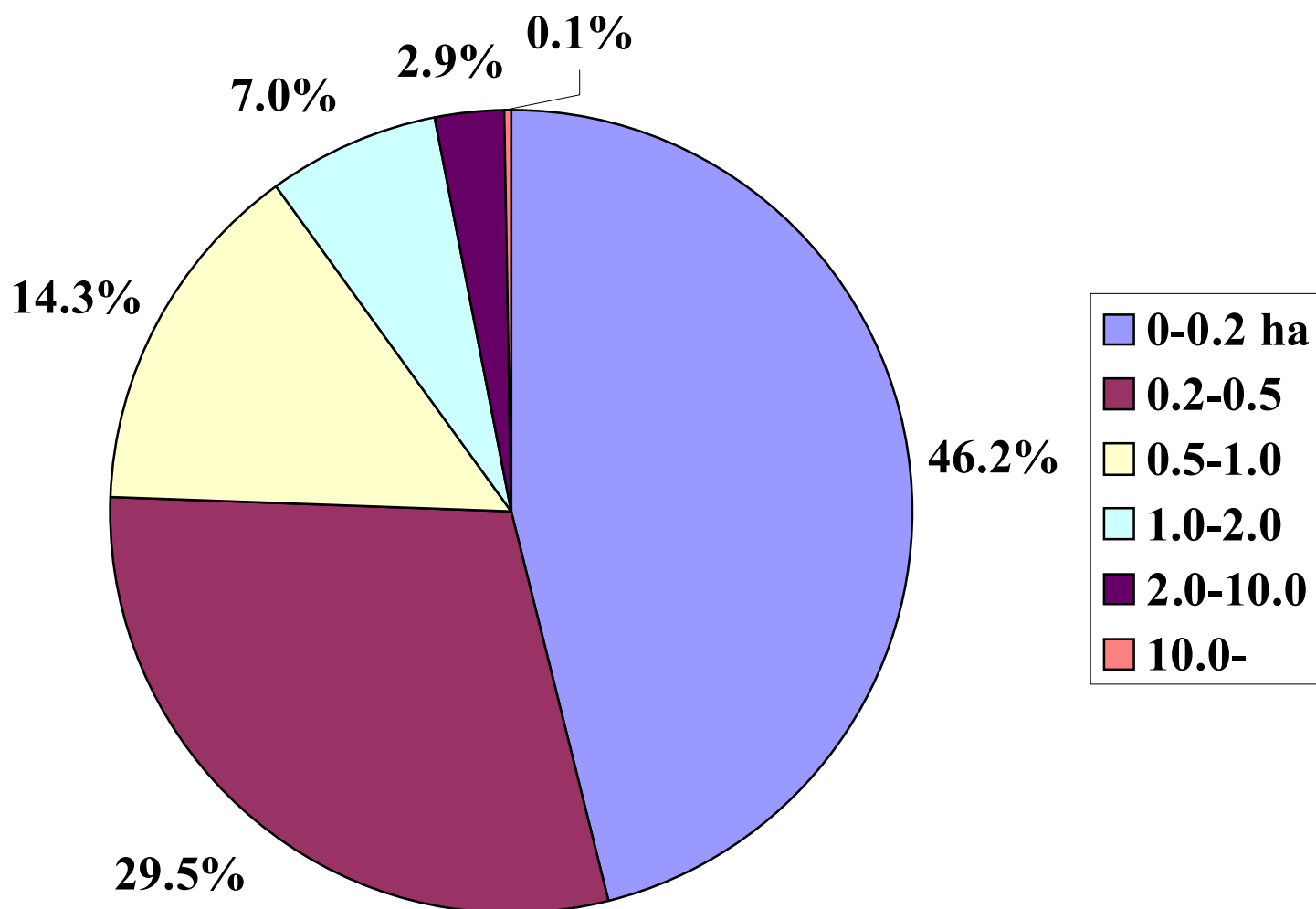


Chart 5.
Number of Peasant Farm by Size of Land Use in 2000

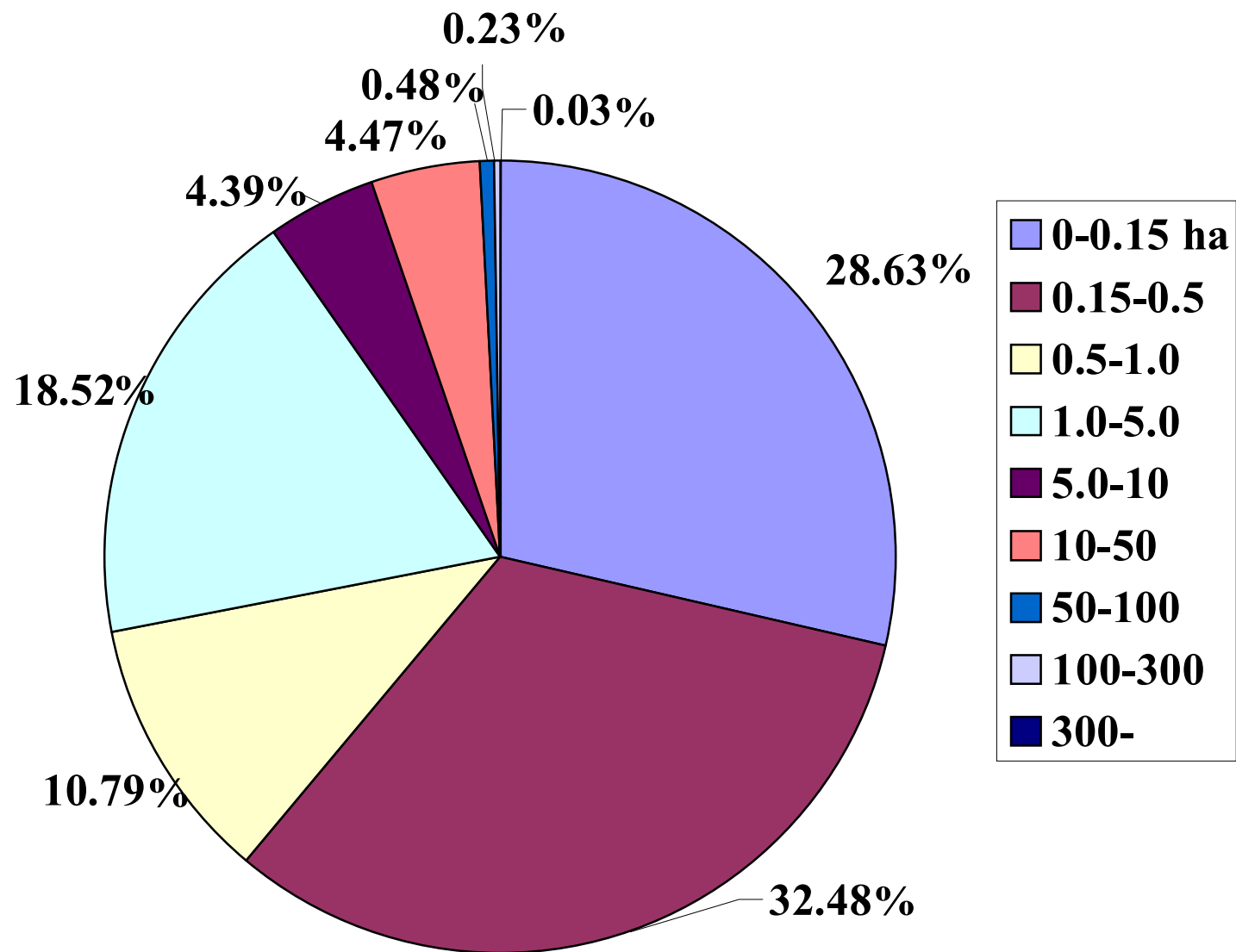


Chart 6. Number of Peasant Farm by Size of Output in 2000

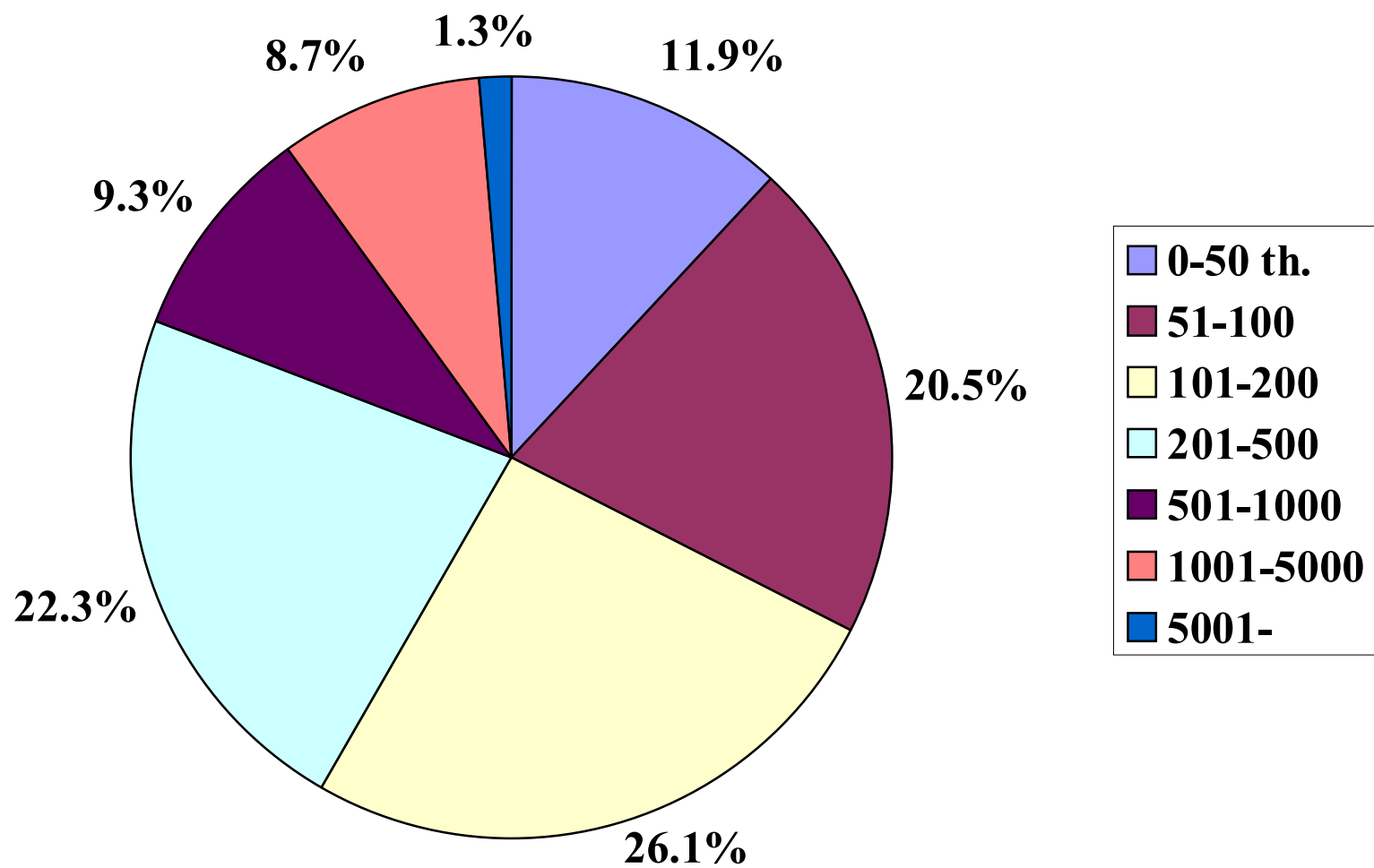


Chart 7. Share in Output by Size of Peasant Farm in 2000

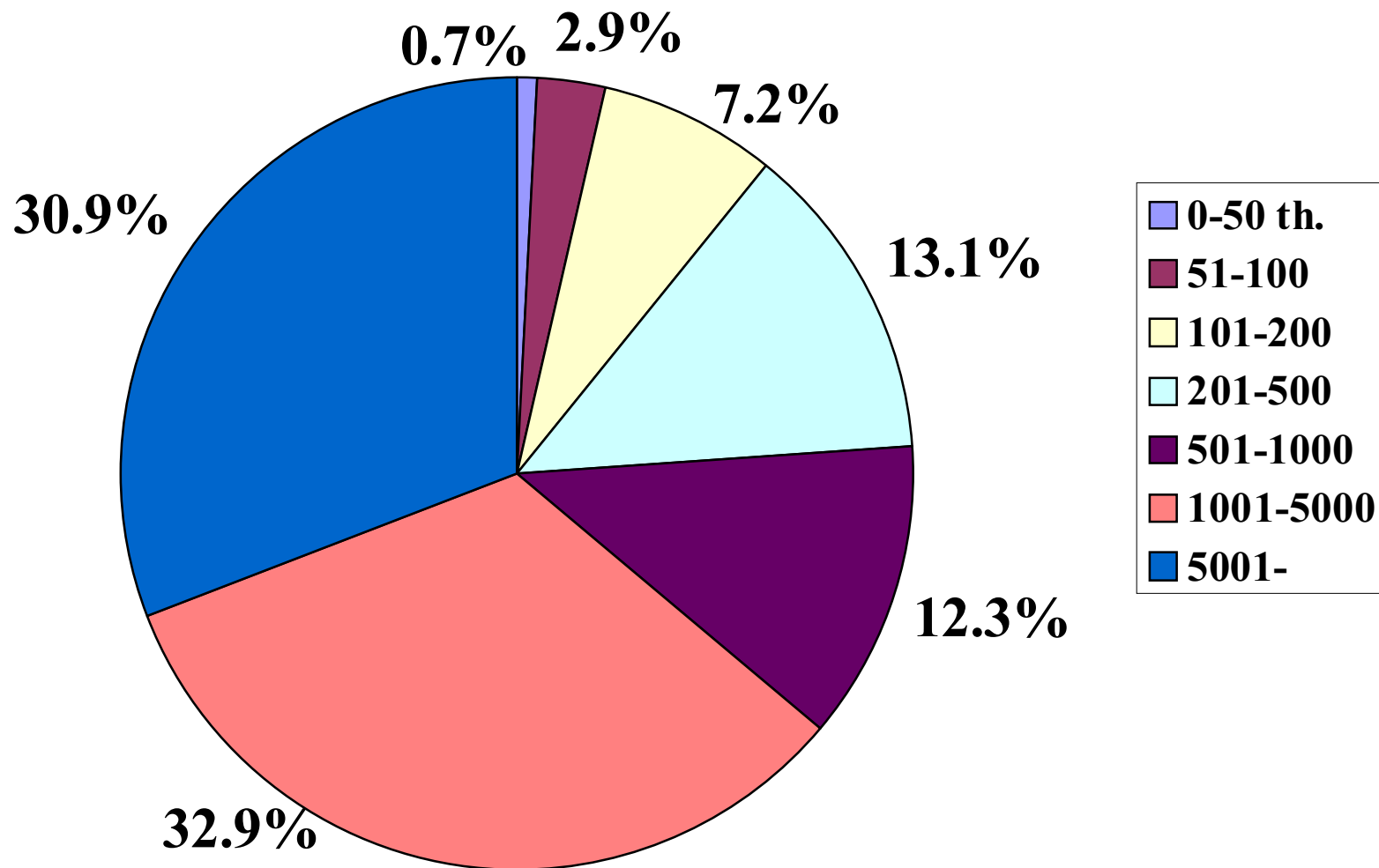


Chart 8. Share in Land Use by Size of Peasant Farm in 1990

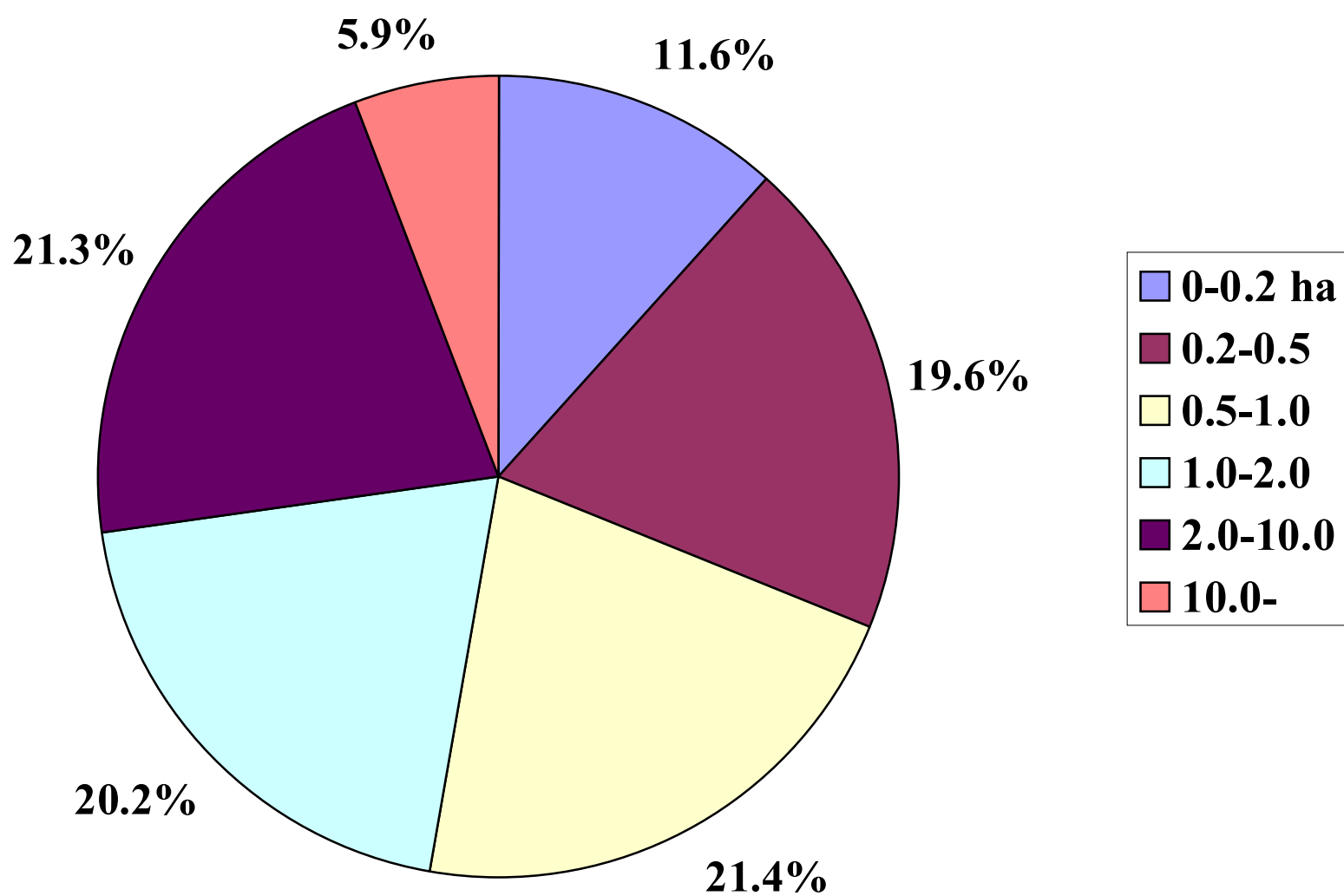


Chart 9. Number of Corporate Farm and Informal Partnership

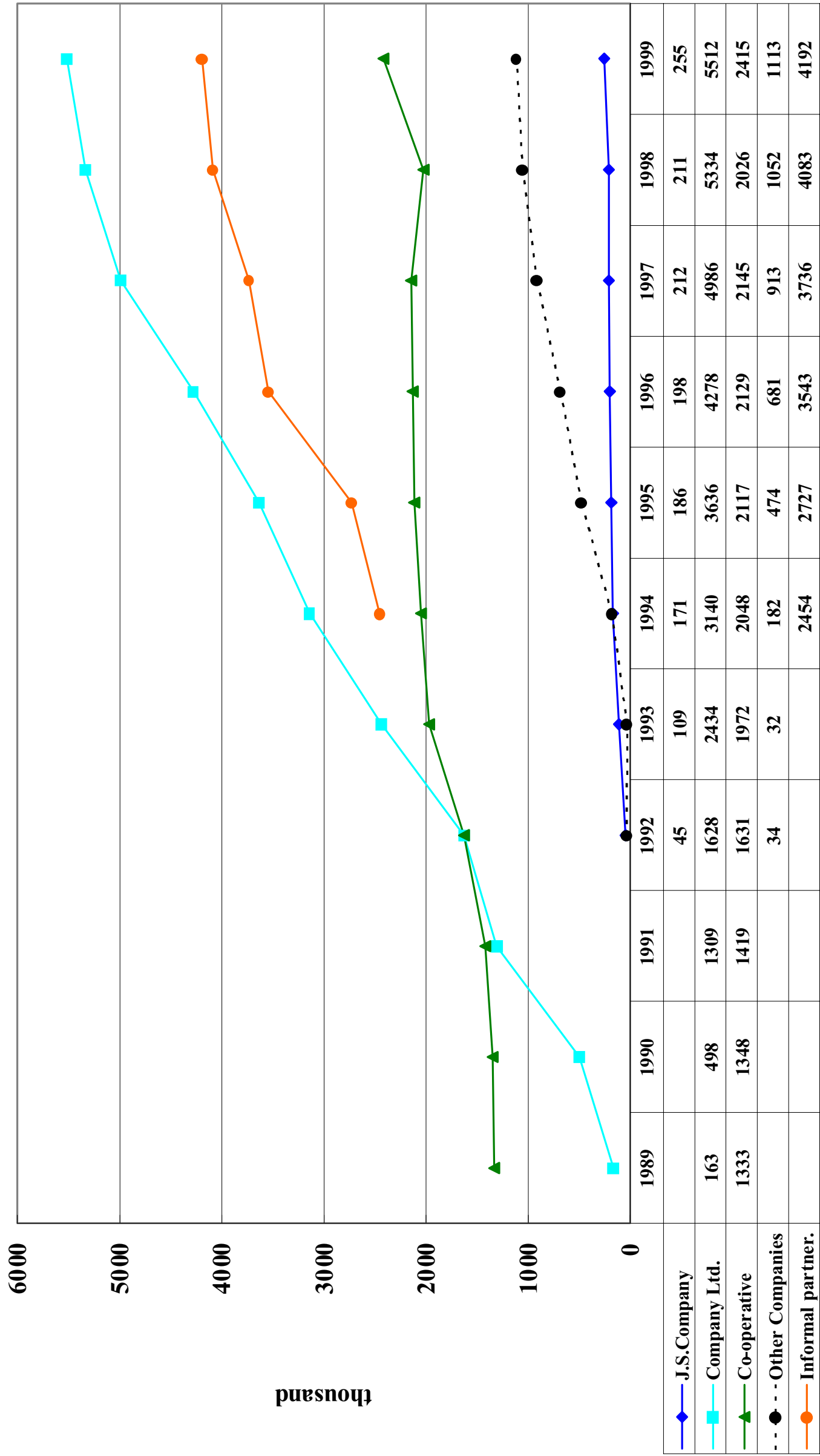


Chart 10. Number and Land Use of Co-operative and Commercial Company

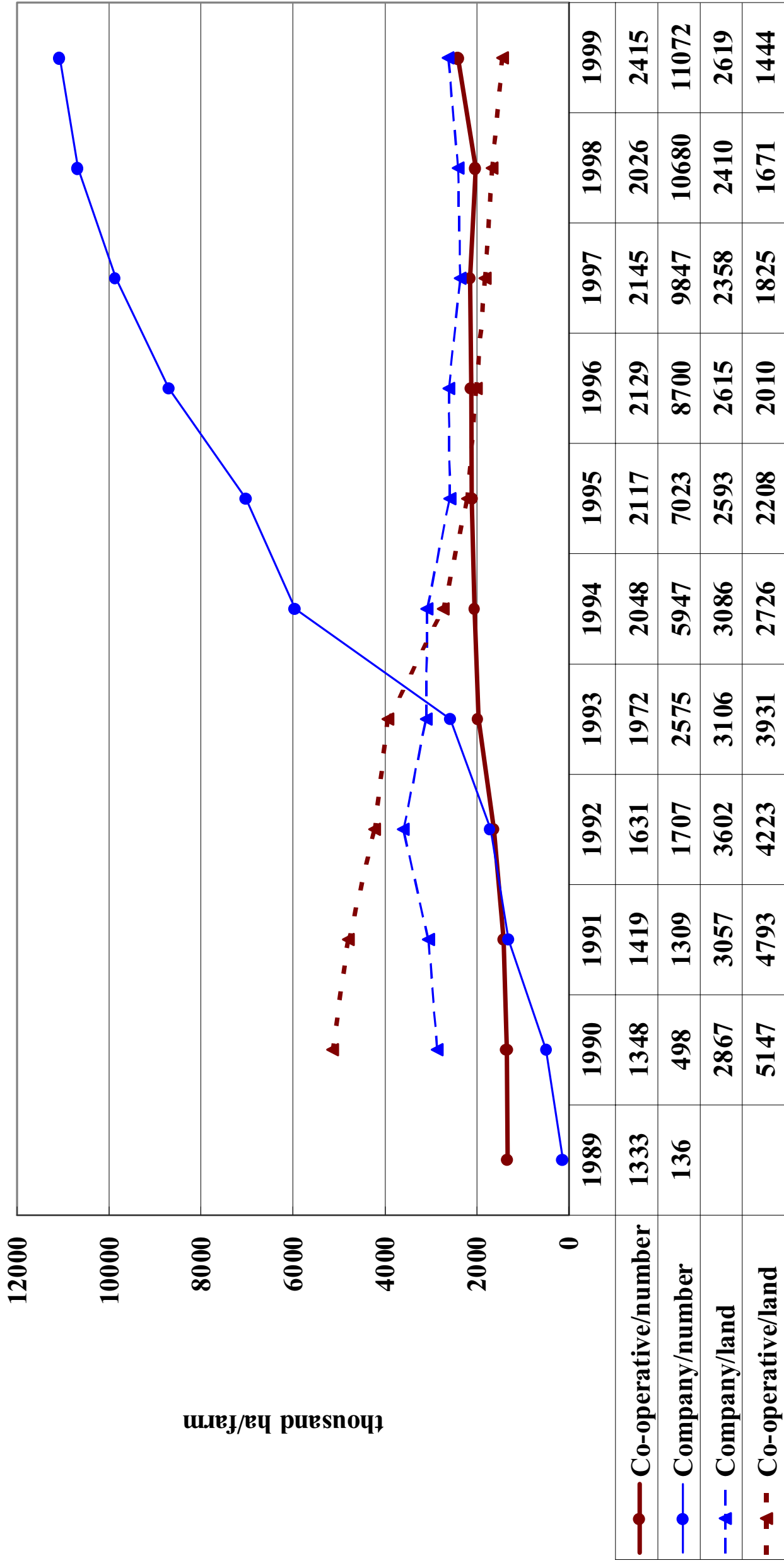


Chart 11.
Number of Corporate Farm by Size of Output in 2000

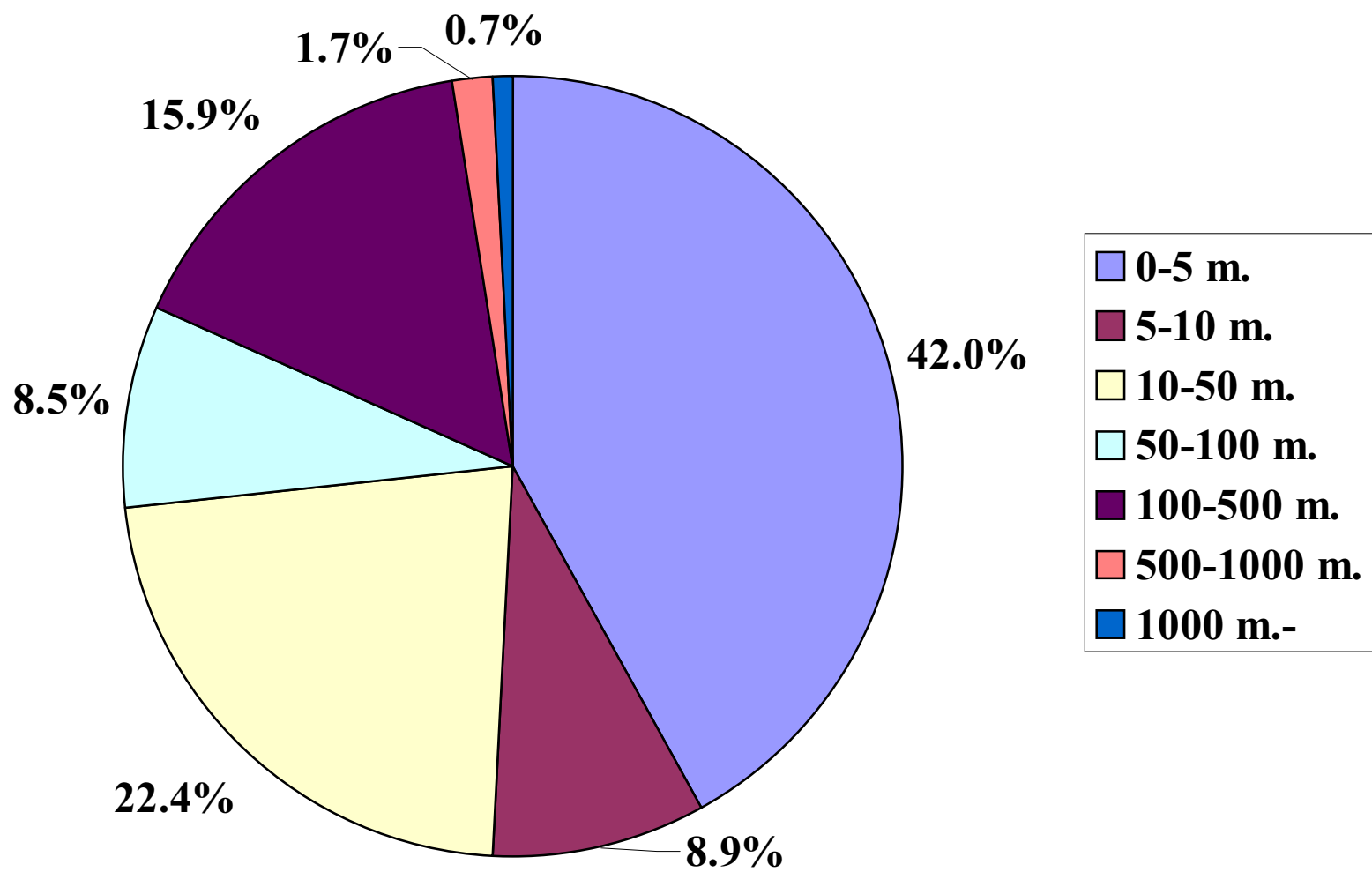


Chart 12.
Share in Output by Size of Corporate Farm in 2000

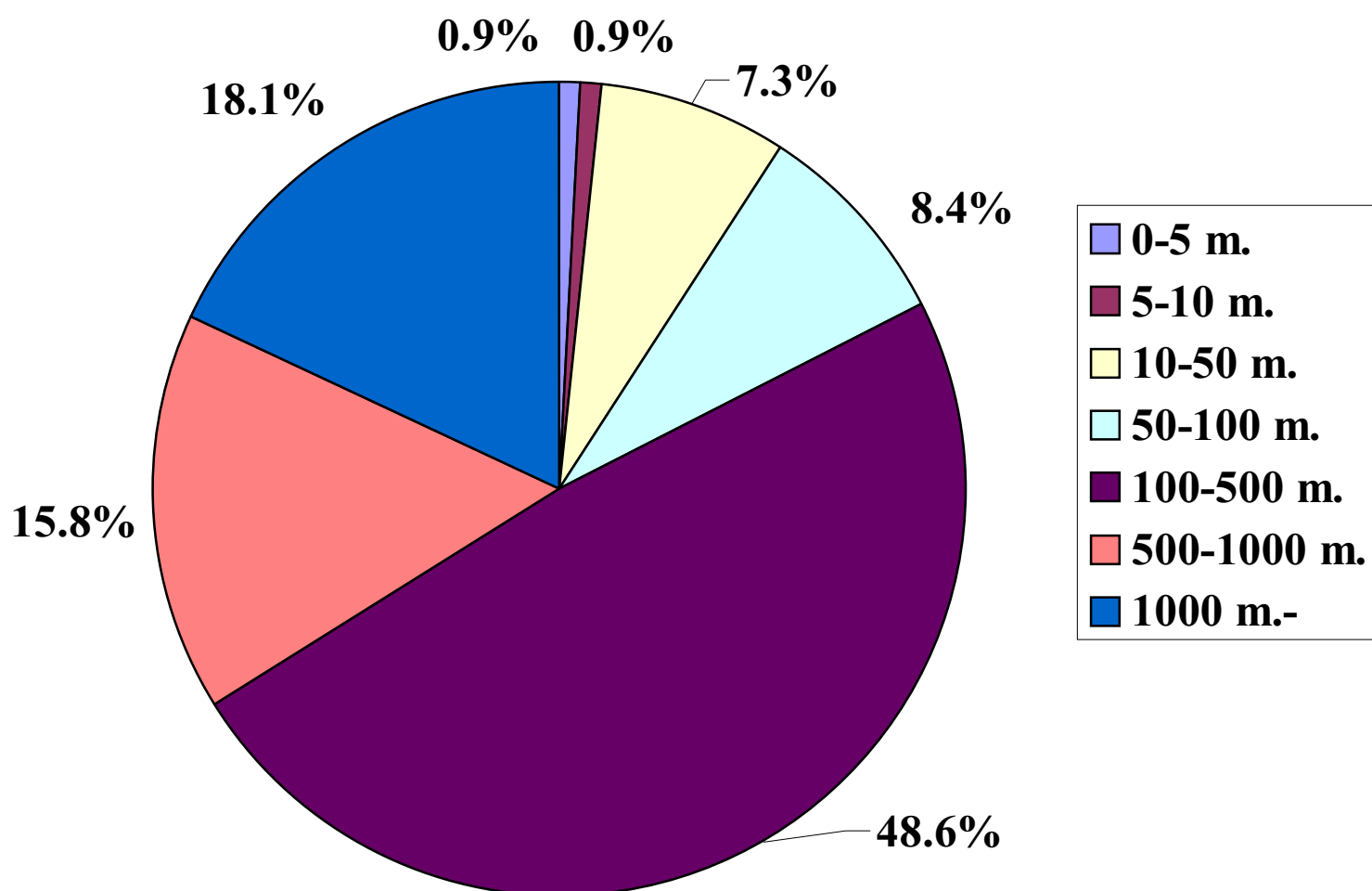


Chart 13.
Number of Corporate Farm by Size of Land Use in 1990

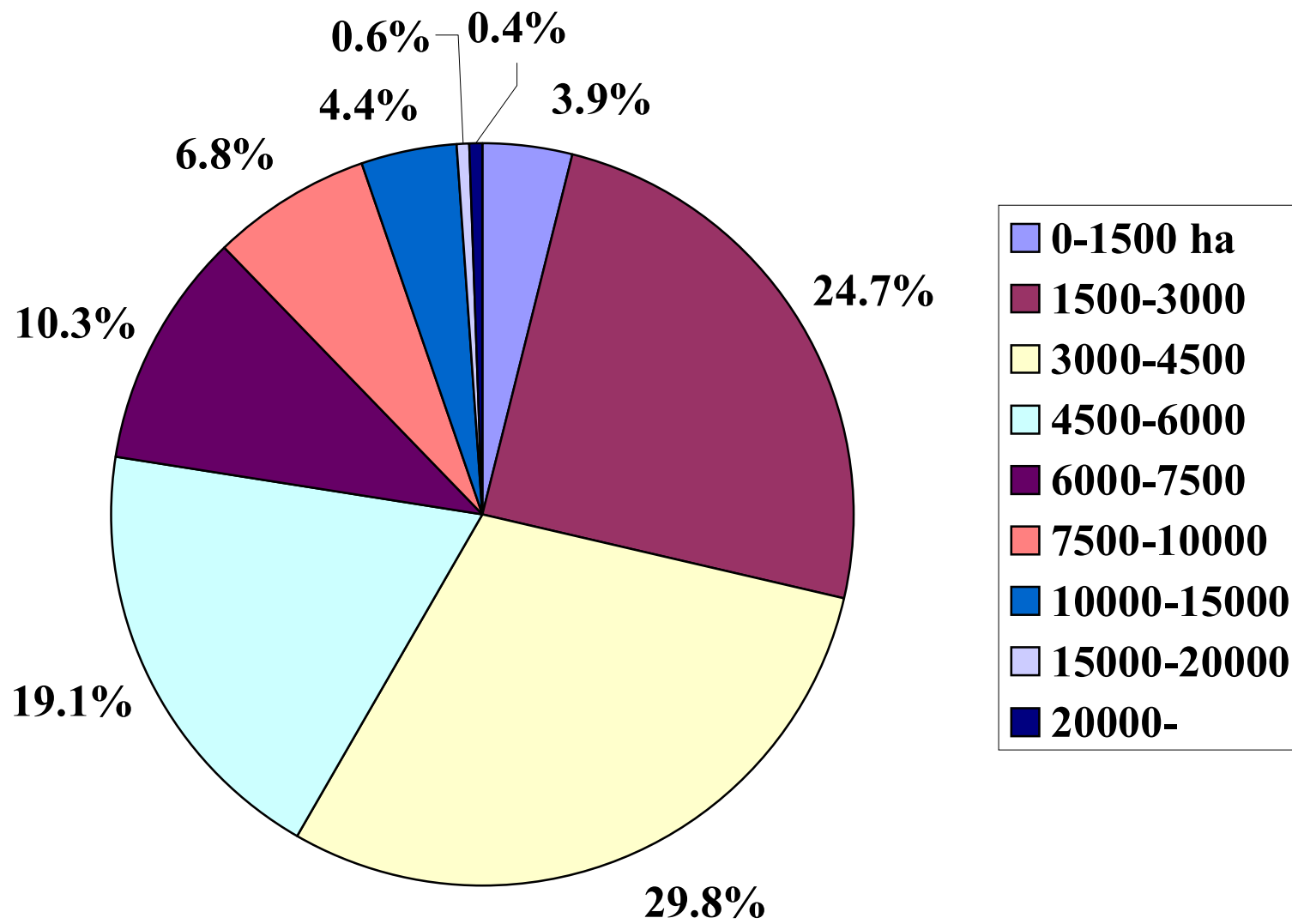


Chart 14.
Share in Land Use by Size of Corporate Farm in 1990

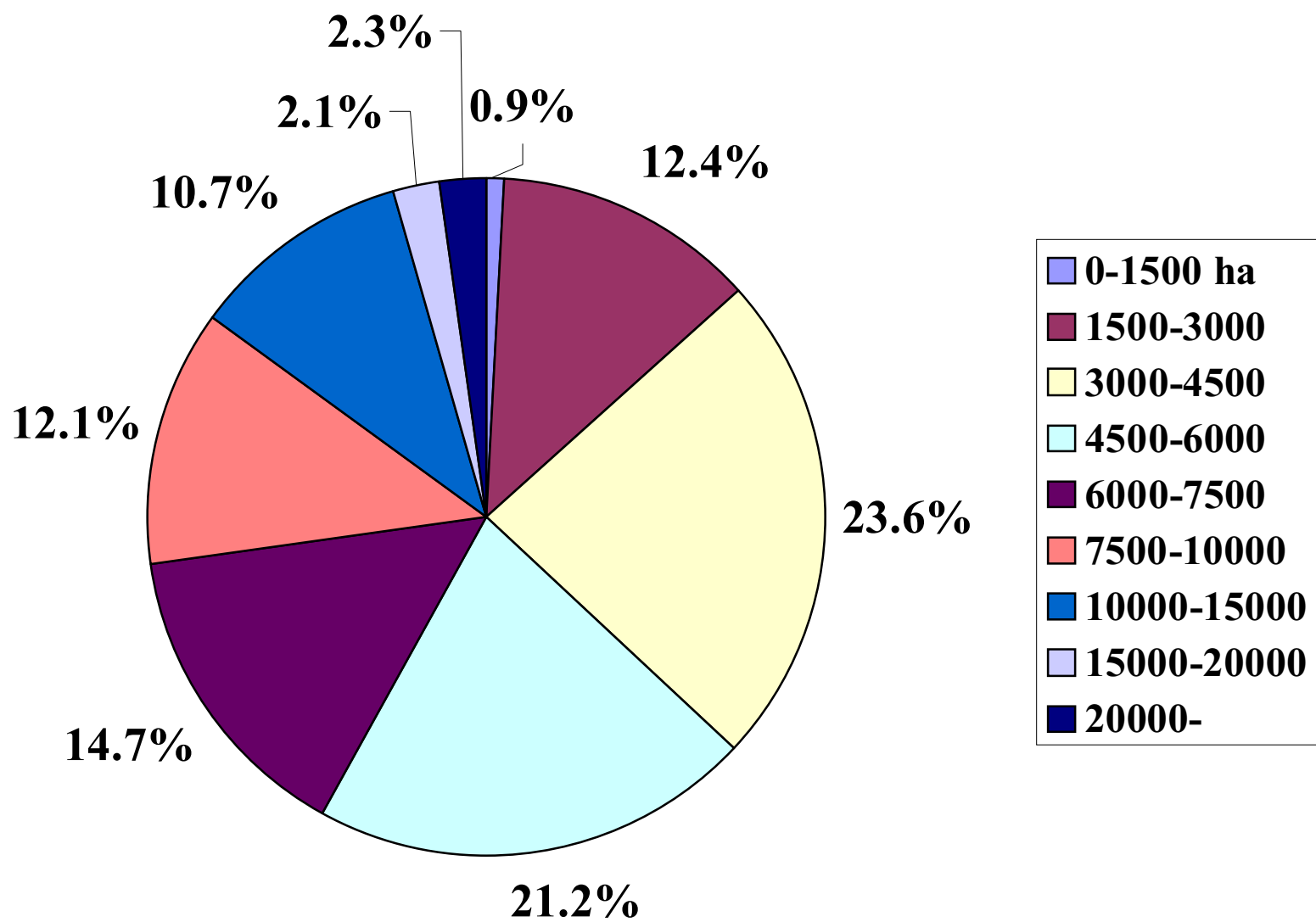


Chart 15. Concentration of Production into Large Farms

Region	P&C district	P&c district	p&C district	p&c district
Central	0	6	3	6
Middle West	3	4	4	12
North West	4	8	2	7
South West	2	4	3	13
North	0	1	7	15
Middle East	6	3	5	9
South East	5	14	2	2
Total	20	40	26	64

Source: *Magyarország Mezőgazdasága 2000, területi adatok*, Budapest, pp. 314-317, 438-441.

Note: **P**: peasant farms whose annual output is more than one million Ft.

C: corporate farms whose annual output is more than 500 millions Ft.

P&C district: where both P and C farms have a larger share of the total agricultural output of each farm category in the district than the national average.

P&c district: where P farms have a larger share of the total agricultural output of the farm category in the district than the national average, and C farms have a lesser share than the national average.

p&C district: where C farms have a larger share of the total agricultural output of the farm category in the district than the national average, and P farms have a lesser share than the national average

p&c district: where both P and C farms have a lesser share of the total agricultural output in the district than the national average.

Chart 16. Number of District by Output Share of Large Corporate Farm in a District

Share of output	0%	0-20%	20-33.9%	33.9-50%	50%-
Central (15 districts)	11	0	1	2	1
Middle West (23 districts)	11	1	4	3	4
North West (21 districts)	12	0	3	4	2
South West (22 districts)	10	1	6	1	4
North (22 districts)	16	0	0	2	5
Middle East (23 districts)	9	2	1	7	4
South East (23 districts)	10	2	4	1	6
Total (150 districts)	79	6	19	20	26

Chart 17. Number of District by Output Share of Large Peasant Farm in a District

Share of output	0-35%	35-50%	50-63.8%	63.8-75%	75%-
Central	1	2	6	4	2
Middle West	0	3	13	6	1
North West	1	0	8	11	1
South West	2	8	6	6	0
North	4	12	6	1	0
Middle East	0	0	14	9	0
South East	0	0	4	13	6
Total	8	25	57	50	10

Source: *Magyarország Mezőgazdasága 2000*, Budapest, pp. 314-317, 438-441.

Chart 18. Regional Uniqueness by District Type (%)

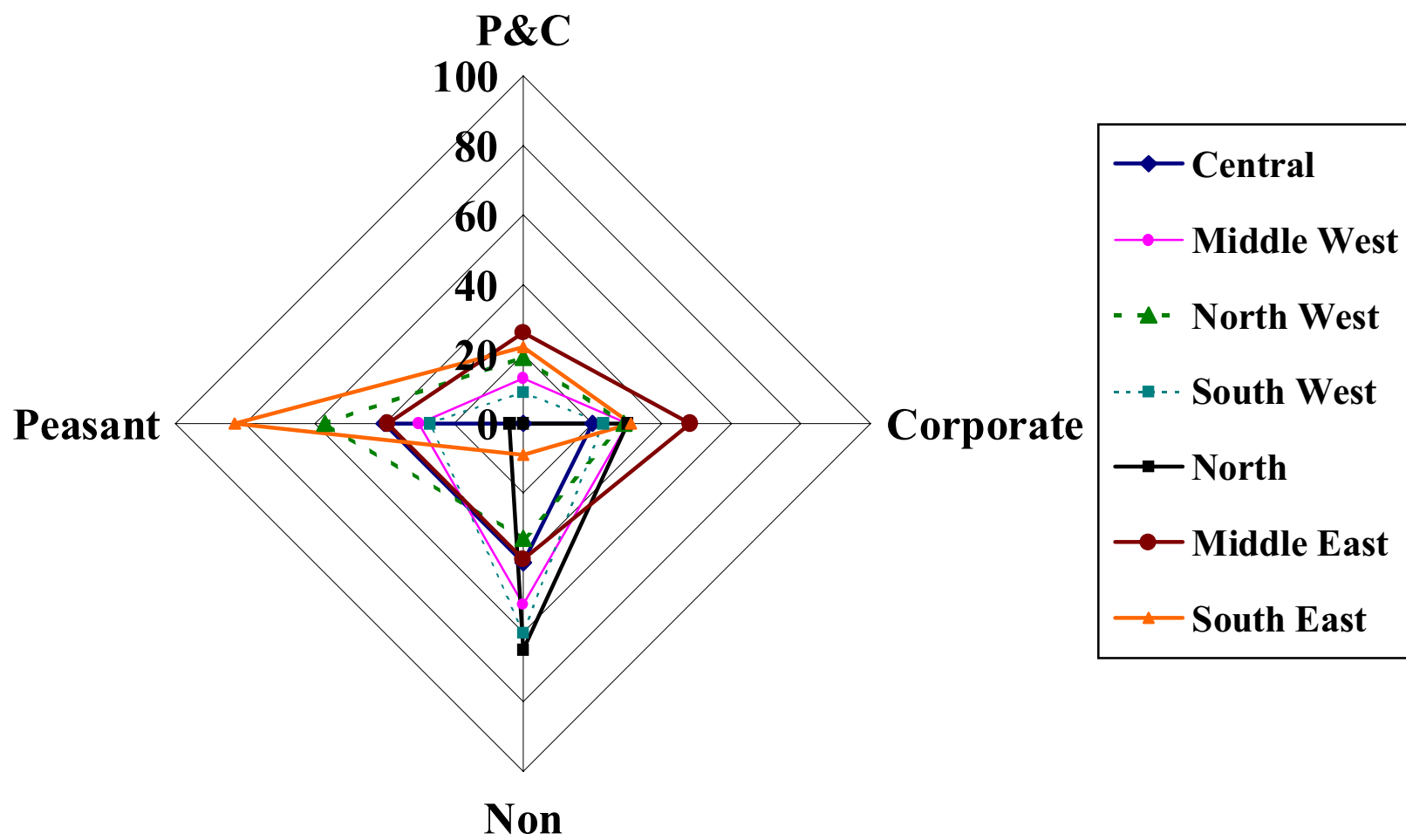


Chart 19. Four Patterns of Regional Uniqueness (%)

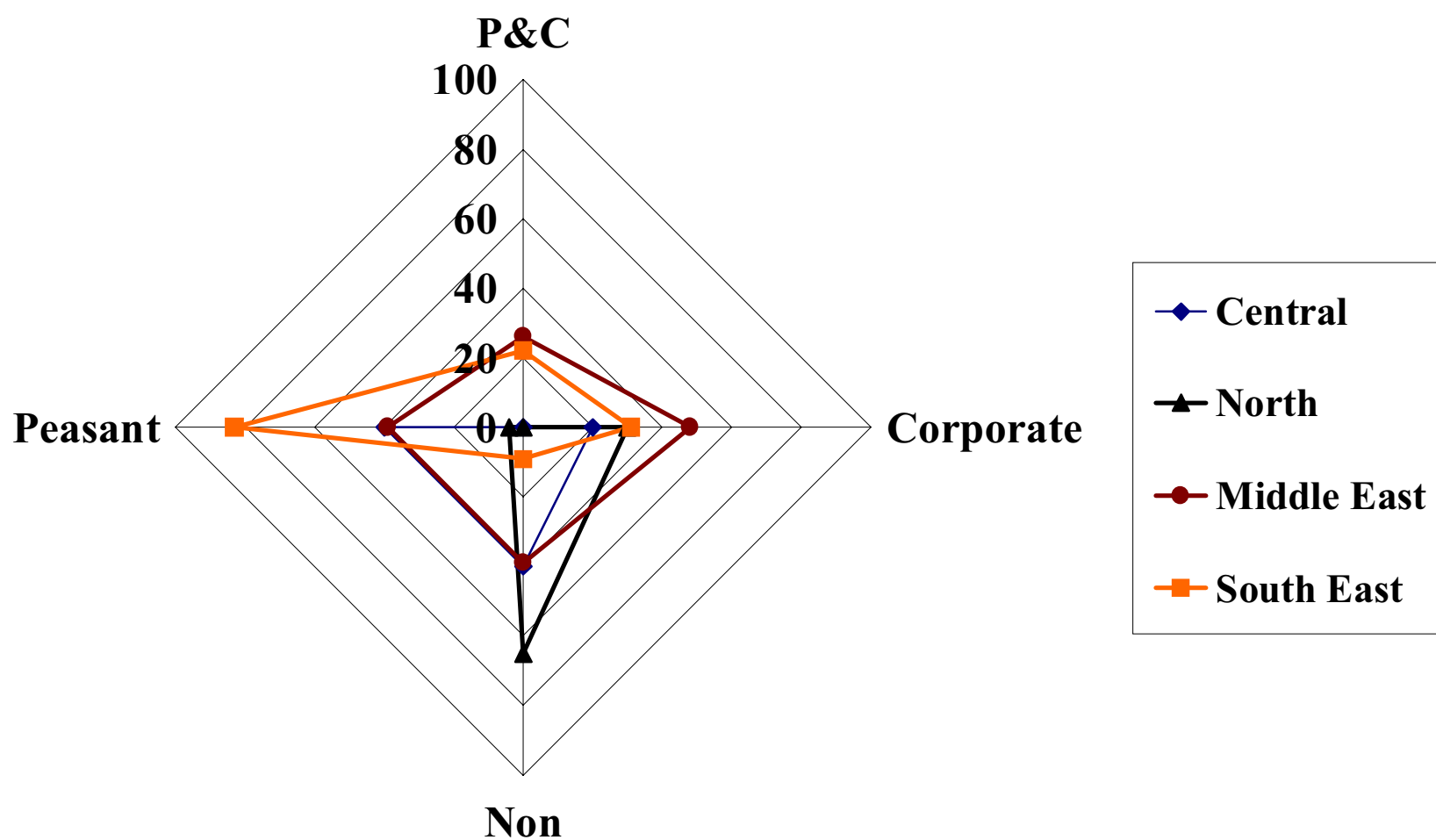


Chart 20. Investment and Exchange of Stock in Step 1-4 (1,000 Ft)

Investor	Step 1-1 Member	Step 1-2 Petofi	Step 2-1 Petofi	Step 2-2 Total	Step 3 P. to M.	Step 4 P. to M.	Total (3-4)
1.Holstein	21(210)	860	21,930	23,000	13,630	9,100	22,730
2.Lajos-Garden	9(100)	900	8,900	9,900	7,190	2,570	9,760
3.Lajos-Feed	22(200)	820	26,980	28,000	20,140	7,640	27,780
4.Greenhouse	50(740)	260	33,410	34,410	24,070	9,540	33,610
5.Eagle Wing	12(120)	880	6,400	7,400	5,370	1,900	7,270
Total (1-5)	114	3,720	97,620	102,710	70,400	30,750	101,150
Sale in Cash	1,370	1,720		3,090		6,150	6,150
Nomial Price	13,700	7,440	195,240	216,380	140,800	61,500	202,300

Source: Business reports and Minutes of members meetings of the five commercial companies from 1995-1996, the commercial court in Bacs-Kiskun county office of legal affairs bureau, Kecskemet.

Note: The total amount of stocks at the first step (that is, Member + Petofi Co-operative) is to be one million Ft, but it can be more than one million in cases of having additional participation of members' investment. Specifically this happened at the Holstein and Lajos-Feed companies.

Note: **P.:** Petofi co-operative; **M.:** the co-operative's member

Chart 21. Investment and Integration of Capital in Step 5 (1,000 Ft)

Investor	Step 2 Total	Step 3 P. to M.	Step 4 P. to M.	Step 5 M. to M.	The Biggest Owner (Nom. Price) (%)	
1.Holstein	23,000	13,630	9,100	0	11,560	50.3
2.Lajos-Garden	9,900	7,190	2,570	0	1,690	17.1
3.Lajos-Feed	28,000	20,140	7,640	7,240	16,080	57.4
4.Greenhouse	34,410	24,070	9,540	20,740	28,140	81.8
5.Eagle Wing	7,400	5,370	1,900	1,890	4,190	56.6
total (1-5)	102,710	70,400	30,750	29,870	61,650	60.0
Sale in Cash			6,150	5,974	8,438	

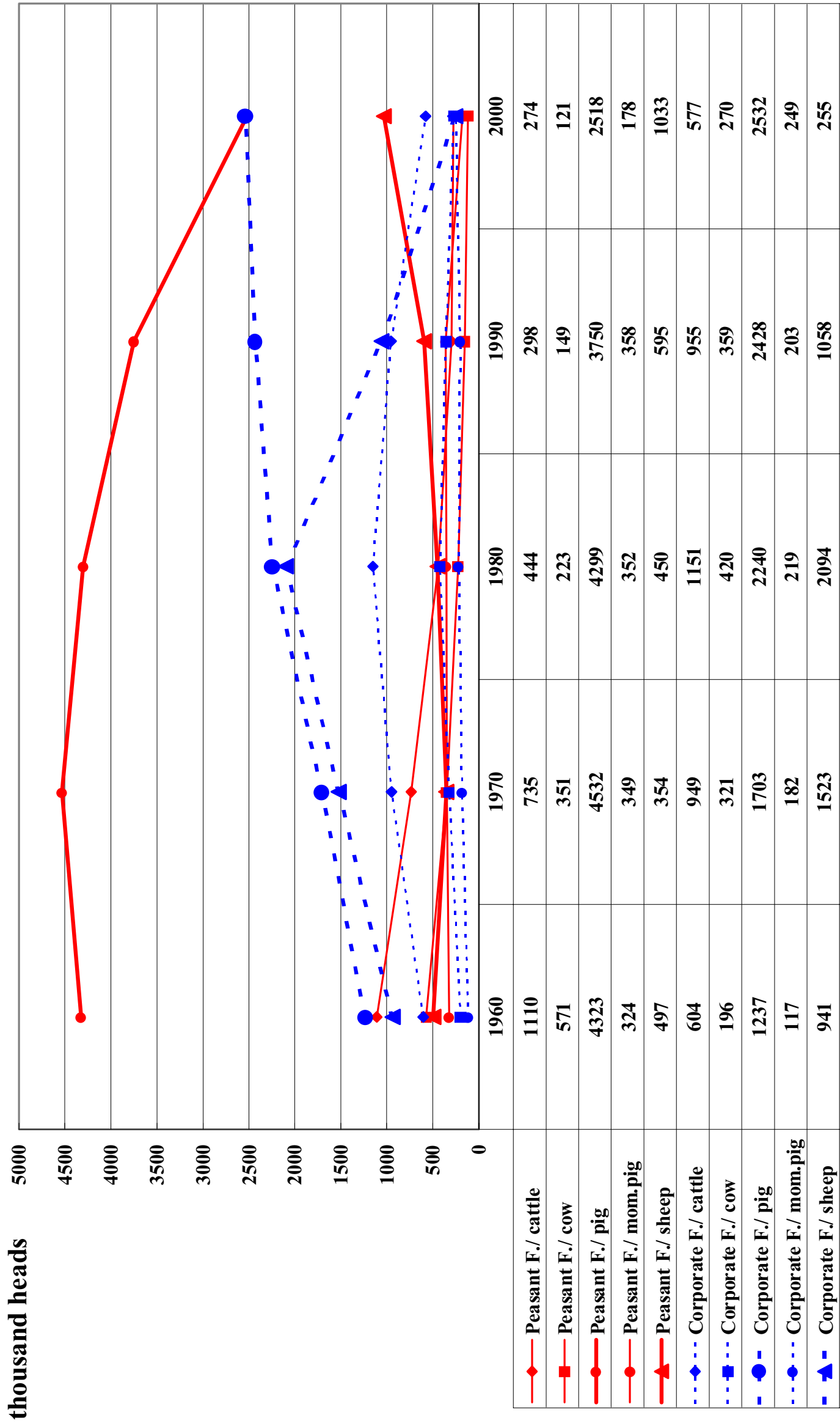
Source: Business reports and Minutes of members meetings of the five commercial companies from 1995-1996, the commercial court in Bacs-Kiskun county office of legal affairs bureau, Kecskemet.

Chart 22. Business Data of the Cooperative and the Companies (1,000 Ft)

	Asset	Capital	Debt	Sale	Proceed	Employee
1.Holstein	67,341	23,000	42,639	30,070	3,334	7
2.Lajos-Garden	22,834	9,900	9,408	73,837	4,496	14
3.Lajos-Feed	117,840	28,000	80,327	288,002	13,303	34
4.Greenhouse	59,766	34,410	22,500	307,553	3,542	50
5.Eagle Wing	7,477	7,400	14	3,452	121	13
Total (1-5)	275,258	102,710	154,888	702,914	24,796	120

Source: Business reports and Minutes of members meetings of the Petofi co-operative and the five commercial companies from 1992-1996, the commercial court in Bacs-Kiskun county office of legal affairs bureau, Kecskemet

Chart 23. Livestock by Type of Farm, 1960-2000



MAP. District and Region by Four Types of Leadership to Integration

