

## GOLD-RESERVES OF THE HUNGARIAN AGRICULTURE

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### ABSTRACT

The performance of Hungarian agriculture got into a depressive condition regarding its potential opportunities. Despite the excellent natural conditions the significance of crop production and animal breeding declines, in certain branches it has reached critical levels. During the past years sugar beet yield was only 10% of the potential. Potato, vegetable, fruit and grape productions produced 24%, 51%, 19% and 28% of the potential yields, respectively. Hog production realized 38%, milk production gave 59%, while egg production provided 58% of the potential production levels. This agricultural depression has multiple reasons. The author does not deal with revealing the reasons of production decrease. He gives recommendations for getting out of the depression, which he calls as the gold-reserves of the Hungarian agriculture.

**Key words:** gold crown, land tax, land appraising system, crop production, animal breeding

### THE AGRICULTURE IS HUNGARY'S GOLD RESOURCE!

There is an old phase: „The one who has gold has always money.” (FOUR GATES)



Figure 1. The Change of the Price of Gold and the Value of Money  
(FOUR GATES, 2010)

## THE PERFORMANCE OF HUNGARIAN AGRICULTURE

The performance of Hungarian agriculture is based on its excellent natural conditions. Primarily land quality and climatic conditions determine its production. Besides the excellent natural values economic conditions have an influence on the potential of agriculture. In order to reach the upper limit of potential opportunities fortunate coincidence of ecological and economic possibilities and their utilization are necessary.

The upper limit of the performance of agriculture may be well quantified. The long-term time-series database of Central Statistical Office reflects the maximum and minimum of performance of certain branches. This database encompasses five decades at present, such as the period between 1960 and 2010. During this period natural conditions may be considered as unchanged; however, the economic conditions may be classified into four well-separated periods. The period between 1960 and 1967 is characterized by the formation of large agricultural concerns and central state control of farms. The period between 1968 and 1989 was suitable for the independent possibilities of large-scale farming. The period between 1990 and 2003 lasted from the change of regime till the EU accession. The period of EU regulation has started since 2004.

Let us review the upper limit and bottom of production in major agricultural branches. Potential (upper limit) is the production volume of years, which has been reached once since 1960. Bottom of production are the lowest elements in the time series. *Table 1* indicates the upper limit of potential and bottom of production in crop production.

**Table 1. Performance of Crop Production**

Denomination	Performance of crop production	
	Upper limit	Bottom of production
Cereals	16,841 million tons (2008)	6,210 million tons (1961)
Wheat	7,392 million tons (1984)	1,624 million tons (1963)
Corn	9,050 million tons (2005)	2,737 million tons (1961)
Sugar beet	5,867 million tons (1991)	0,573 million tons (2008)
Oil seeds	2,216 million tons (2008)	0,100 million tons (1960)
Potato	2,013 million tons (1969)	0,488 million tons (2010)
Vegetable	2,248 million tons (1988)	1,144 million tons (2010)
Fruit	1,935 million tons (1982)	0,360 million tons (2007)
Grape	1,047 million tons (1982)	0,295 million tons (2010)

The upper limit of potential performance as well as bottom values may be characterized by the number of animals and the quantity of animal products (*Table 2*).

**Table 2. Number of Animals and Performance of Animal Breeding**

Denomination	Performance of Animal Breeding			
	Upper limit		Bottom values	
Cattle	2,017	million cattle (1974)	0,682	million cattle (2010)
Pig	9,844	million pigs (1983)	3,169	million pigs (2010)
Sheep	3,180	million sheep (1982)	0,858	million sheep (1997)
Poultry	72,049	million poultry (1970)	31,244	million poultry (1999)
Slaughtered animals	2,418	million tons (1984)	1,070	million tons (1960)
Hog	1,460	million tons (1984)	0,553	million tons (2010)
Cow's milk	2,787	billion liters (1988)	1,641	billion liters (2010)
Hen egg	4,748	billion eggs (1978)	1,835	billion eggs (1962)
Wool	12,762	thousand tons (1982)	2,959	thousand tons (1997)



Regarding the recent results of crop production (relating to 2010) the products of intensive cultures are critical. **During the past years for example sugar beet production was only 10% of the potential. Potato, vegetable, fruit and grape productions produced 24%, 51%, 19% and 28% of the potential yields, respectively (Table 3).**

**Table 3. Recent Performances of Crop Production**

Denomination	Performance of crop production	
	2010	Bottom of production
Cereals	12,262 million tons	6,210 million tons (1961)
Wheat	3,745 million tons	1,624 million tons (1963)
Corn	6,985 million tons	2,737 million tons (1961)
<b>Sugar beet</b>	0,819 million tons	0,573 million tons (2008)
Oil seeds	1,604 million tons	0,100 million tons (1960)
<b>Potato</b>	0,488 million tons	0,488 million tons (2010)
<b>Vegetable</b>	1,144 million tons	1,144 million tons (2010)
<b>Fruit</b>	0,766 million tons	0,360 million tons (2007)
<b>Grape</b>	0,295 million tons	0,295 million tons (2010)

The main problem in animal breeding is caused by the decrease in animal number, thus **hog production realized 38%, milk production gave 59%, while egg production provided 58% of the potential production levels (Table 4).**

**Table 4. Recent Performances of Animal Breeding**

Denomination	Performance of Animal Breeding			
	2010		Bottom values	
Cattle	0,682	million cattle	0,682	million cattle (2010)
Pig	3,169	million pigs	3,169	million pigs (2010)
Sheep	1,181	million sheep	0,858	million sheep (1997)
Poultry	42,213	million poultry	31,244	million poultry (1999)
Slaughtered animals	1,329	million tons	1,070	million tons (1960)
Hog	0,553	million tons	0,553	million tons (2010)
Cow's milk	1,641	billion liters	1,641	billion liters (2010)
Hen egg	2,732	billion eggs	1,835	billion eggs (1962)
Wool	4,070	thousand tons	2,959	thousand tons (1997)

**This agricultural depression has multiple reasons. Revealing these reasons of production decrease is not a part of the study.** Data indicate that upper limit of the production of crop production branches share among the period of large-scale farming and periods after the change of regime and EU accession. The lower level of production and the low numbers concentrate on the period of state controlled farms as well as period after joining the EU. The animal number and the upper limit of production were realized in the period of independent large-scale farming, while bottom of production evolved after the change of regime and EU accession. During these periods the control of agriculture, and the regulation of production happened by altering tools. Prices, subsidies, credits, taxation approached to agriculture in different ways. Their correlations may be detected by results. **Within the presentation I suggest recommendations, mainly for changing the system of taxation, for getting out of the depression, which I call as the gold-reserves of the Hungarian agriculture.**



## **CHANGING THE TAXATION SYSTEM OF AGRICULTURAL PRODUCTION**

The taxation system of agriculture is attacked by many people in different ways. Quotes are highlighted from two media presses as examples.

„Today the black turn-over of food industry is estimated 1500 billion HUF. Its lost VAT-content is about 400 billion HUF. We live in a crisis; its moment would be a possibility for carrying out measures for the sake of the commonweal to aim at reaching order and approaching more moral version of profit and burden shares. Even saint cows may be considered as well, such as small and family farmers who do not want to confess their production, millers holding to ransom, or foxy bakers. Furthermore, even 600-700 thousand land-owners, who have nothing to do with farming but collect annually untaxed land rent fees of 120 to 150 billion HUF legally at present” (TAMÁS, 2011).

„One of the biggest problems of agriculture is the black market sharing 20 to 40% for years. This makes the situation of larger firms and honest small-scale producers more difficult, who are not capable of selling their goods without giving bills. Black goods are cheaper by 25% than legal products. It is impossible to catch up this price difference by improving the efficiency. It means that who works honestly, has to cope with such a disadvantage. Many gave up, every second sty has become empty for today.

Moreover, crop production even shows these signs: 30 to 40% of cereal trade belongs to the black market, by this taxes of 20 to 30 billion HUF in every year do not get into the state budget, strengthening the mafia specialized for VAT-fraud. Similar numbers are present in meat industry, poultry production and vegetable and fruit sector. Annually approximately 100 billion HUF is estimated staying away from the state budget.

It is a step for the change of fortune. Reverse VAT paying will be introduced in agriculture in the future. The black market may be reduced; tax revenue may be increased by 100 billion HUF. Now it is not worth cheating because there is no tool to do so. It is imaginable that fragmented production may be harmonized again, price advantages may be reached by common selling and purchasing, which means that the whole agriculture may be based on plans in a better way” (O. HORVÁTH, 2011).

Taxation of agricultural production is extremely difficult reflecting a bureaucratic way. Tax returns of producers are complicated; it is almost an insoluble task from small-scale farmers to large farms without tax advisors. The majority of farmers look for the possibilities to circumvent tax regulations or try to evade the tax, one hand because of Hungarian mentality, on the other hand for reducing costs. The profitability in majority of branches cannot cope with further increase of costs.

230 year before, our emperor, Joseph II had a land-register worked out, a taxation system relating to the increment of territories, which though he withdrew before his death further developed. Land tax, the taxation system based on the net income of each parcel of land registered in the land cadastre (later converted to gold crowns) was developed by 1875 (CompLex, 2012).

### **„Act VII of 1875 on Land Tax Regulation**

#### ***Chapter I. General Decisions***

1. § Net income of every land parcel in the territory of the Hungarian state should be investigated again and a general land tax register is made for the sake of proportional taxation of land.

## **Chapter II. The Calculation of Taxable Net Income of Land Parcel**

8. § The net income of a land parcel equals with the difference between the value of permanent middle yields and real costs regarding common farming.

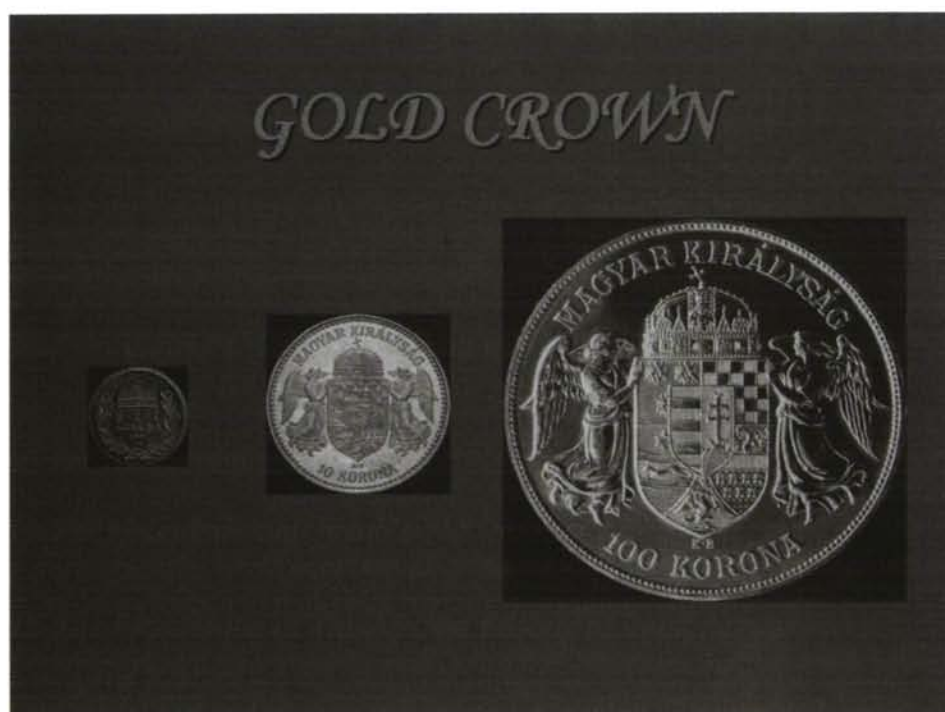
### **The Ratio of Land Tax**

2. § The land tax is imposed in same ratio after net income of every land parcel determined by a separate tax law.

7. § The land tax is determined for the parcel of land and is paid by the actual owner.”

**The ratio of land tax is a percentage determined in a separate tax law of yearly net income** (registered net income = production value – production cost) **of a parcel of land** (cadastral acre = 5755 m<sup>2</sup>). (Its ratio is 29.77% in Hungary, while in Transylvania it is 22%.)

The **gold crown-value** as the synonym of the registered net income evolved due to the conversion of the monetary system of Austro-Hungarian Monarchy after introducing the gold crown (*Figure 2*). Its name connects to coinage of gold money and to different denominations of gold crown coins (1892-1918).



**Figure 2. 10 and 100 Gold Crowns** (WIKIPÉDIA, 2012)

**Introduction of land tax again on the basis of gold crown-value is one of the gold-reserves of the Hungarian agriculture!**

I would mention in advance that I would not like to make the situations of land owners and farmers harder by recommending the introduction of another tax, but exchange all of the others by only one tax. This may decrease bureaucracy, help selling agricultural goods, enhance rural employment and improve the profit of branches.

Those paying land taxes might enjoy different privilege during selling their products. The obligation to give bills might be ceased, farmers should not pay for places in markets, might sell their goods freely in public places being not prohibited, might get selling



possibilities in supermarkets etc. They might hire seasonal workers without any limitations. In case of controllers, it would be enough to show a card justifying the fact that the tax was paid. The number of privileges could be enhanced in several ways.

The introduction of land tax would not be popular first. It would not be easy to accept the profit-based taxation based on land quality and location again. One of the first steps is to modernize the gold crown-value or to complete the already started 100-point-land appraising system. Then thorough, sound, well-considered and harmonized series of measures should have to be taken for the sake of success.

The „Hatted King” tried but failed. But He also knew the rational solution: „...the big plain is not for dancing mirages being bored but for pouring cereals. And no water fowls should prevail on the Danube but well loaded ships should be in a hurry between East and West.”

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