FOOD PRODUCTION AND CONSUMPTION IN THE CENTRAL EUROPEAN COUNTRIES DURING THE TRANSITION PERIOD (FROM SOCIALISM TO EU MEMBERSHIP)

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ABSTRACT

The successful transformation process from the central planned economy to the market economy in the Central and Eastern European countries (CEECs) is the main condition of their future membership in European Union. It seems that the time of the joining of these countries is different by the development of transformation. The most developed pre-accession countries (PACs) from these are now Czech Republic, Estonia, Hungary, Poland and Slovenia (CEC5). Because of it is necessary to make distinguish between the two groups of all PACs from the point of view of specific economic and environmental problems.
One of the most nervous areas at the enlargement discussions is the agribusiness. The success of the joining depends on the compatibility and competitiveness of this sector to the EU and the world systems.
The authors investigate the transformation process in the agribusiness at the last 10 years particular the effects of the privatisation, the role of the foreign direct capital investments (effects of the global strategies of the multinational monopolies), the changes in the consumption and in the environmental circumstances.

There are some basic questions for the future development of the agribusiness:
- How we can define the sustainable and economic effective food consumption and production systems (FCPSs)?
- Are there specific characteristics of FCPSs in this group of the emerging countries?
- What is the possible role of the eco-efficient (sustainable and economic effective) FCPSs in the rural (local and/or regional) development?
- What are the measurement tools of the eco-efficient FCPSs?
- What alternative incentive structures (scenarios) can develop for the eco-efficient FCPSs?

- How could to form local/regional policies for the building of these scenarios? What is the driving forces at this level - the role of the frame circumstances: at country, EU and world level, by the multinationals, SMSs, local governments and NGOs?

The answers on the questions are possible by the mapping of the factors and variables, which determine the next possible ways; by the modelling their effects; by scenario building for the future stakeholders and actors; by experimental realisation and test of some scenarios in the practice.

Key words: transition countries, social-economic modernisation, CEEC, Hungary, agribusiness, sustainable agri-food-chain, economic efficiency, etc.

INTRODUCTION

This paper summarises the main characteristics of transition in Central European Countries (CEEC). It focuses the Food Production and Consumption System (FPCS) with connection impacts of privatisation and foreign capital investments. The authors investigate the social, economic and environmental problem of the transition in compare with EU-15 countries. The assessment of current situation shows there are a lot differences between the CEEC. The study presents a big change in the food consumption. and it's has a relatively high environment impact, what need eliminate or at least reduce. They try to find answer for solution of he current and the future problems after analysis the changing of production and consumption.

1. STATE OF GENERAL CONDITIONS IN CEEC

There are 27 countries, which declare themselves from 1996-1997 as transition countries. The content of this declaration is the change in the political and economic system. Nowadays we could see that these big masses of countries don't have many common characteristics, the situation and the future possibilities of the development are very different. The general meaning of the earlier study of these countries supposed, that the institutional factors are determining in the development process: there is a common way for the countries the planned economy to the market economy. If we know the starting and ending points, we could write the differences of the transition process of all countries by the speed of the transition, by the timing of the different reform steps and the technology of the property-reform. But the empirical analysis demonstrates that the starting point was different and the ending point could different also for the different groups of these countries. There is only one criterion, which determine generally the transition process: creating sustainable macro political and macro economic system. This means - as we know – long-term economic growth and social development, growing of the welfare and the maximisation of the assets with the democracy together. There are two explanations why these differences exist between the country groups. The European Bank of Reconstruction Development (EBRD) [1998] explains these differences by the general necessaries of the economic policy: there are general tendencies and necessities for the countries and governments. The appearance of failures will be inevitable if the governments leave these out of consideration. Therefore couldn't create a sustainable macro system or they should make corrections which need more time for the transition. One of the most dangerous

deviations is the over-stressing of the national characteristics the nationalism. The ECE [1999] stresses the importance of the historic and institutional heritage, the social power-ship of the countries of transition. All these two opinion is complemented by the differences in the learning potential and the living potential of the mixed forms of the institutions that originate from the transition process and are more/less lasting respectively momentary. Probably these explanations, reasons are completed. There are some examples to verify each interpretation e.g. Czech Republic, Slovakia or on the other extreme Estonia. There are four groups of transition countries according to the above mentioned interpretations. We don't want to deal in details with all groups in this paper only with the five (six) countries which are closest to join the EU. These are the Czech Republic, Estonia, Hungary, Poland, Slovenia (and Slovakia).

To understand the dimensions of the changes and to solve the tasks of the transition we should look back to the 1980's decade. We know that the order of the international division of labour became a crisis because of the beginning of the new technical "revolution" and the globalisation of world economy. The development of the former socialist countries in Central Europe came to a deadlock. Because of the immanent problems of the system and the changing international economic circumstances the economic achievement could decline without the changing in the political system. There was a pressure to get over three economic contradictions for the new governments after the sudden political turn:

- to get rid of the "legacy" of the old regime;
- to stop the technical and information step-loosing;
- to rebuild the market economy.

Under these - in itself also very hard - conditions the first governments had to develop a democratic system of social institutions and the mechanism of the treatment of conflicts. We could say in general that this was the task to begin the social-economic modernisation and to rebuild the bourgeois democracy.

In the first stage of the transition the task for the governments was to create basic circumstances for the functioning of a market economy. This task was difficult and different also. It is well known in the special literature by "SLIP" and it contains four detailed tasks: "Stabilisation", "Liberalisation", restructuring of "Institutions", restructuring of "Property rights".[1]

It is evident that the general accompanying phenomenon of this process was the "transformation declining" which could be comprehend like one specific version of Schumpeter's "creative destruction". The overdriving of the external trade from East to West sets back the production in a lot of sectors. This is not a "normal" crisis but more rather a sign or tool of the recovery of the economy. It signs the regaining of the development potential and means a "by-product" of the favourable long-term processes. This first, very hard stage of the transition finished approximately 1993-94 in the first group of the former socialist countries. The decreasing of the GDP stopped in this time.

The change of the tendency could be see in the Table 1

Table 1. Gross Domestic Product, real growth change %

Country	**1990**	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**
Poland	-11.6	-7.0	2.6	3.8	5.2	7.0	6.1	6.9
Hungary	-3.3	-11.9	-4.3	-2.3	2.9	1.5	1.3	4.4
Czech R.	-1.2	-11.5	-3.3	0.6	2.7	6.4	3.9	1.0
Slovenia		-8.1	-5.5	2.8	5.3	3.9	3.1	3.7
Estonia			-22.0	-8.5	-1.8	4.3	4.0	5.2
CEC-I			**-0.7**	**1.9**	**4.2**	**5.7**	**4.6**	**5.1**
Slovakia	-2.5	-14.4	-6.5	-3.7	5.0	7.0	5.9	5.9

Source: Agricultural Situation and Prospects in the Central and Eastern European Countries - Summary Report, European Commission DG VI, June 1998

We could see that these countries practically realised the changing in the system. They departed on a lasting growing way that demonstrate that this development is sustainable, the national economies became one organic part of the capitalist world market and the market economy is already enough stabile to hinder whatever turn back. But it is necessary to note three important things:

- the economic development level of these countries is lower than the most developed countries and the EU average; in order to manage harmonic economic relationships it is necessary to catch the more developed economies up mainly in the EU Single Market;
- the necessary structural changes in the economies of these countries couldn't finish at this moment; it needs more technical development and sector changes;
- the deregulation of the economy was a very important "homework" in the first stage of transition; now it also an important task to build a new regulation system which is conformable with the market economy; if these countries would like to become EU members they should build an EU-conform market regulation in the near future.

The measure of the future tasks is characterised by some data about the economic development of the applicant countries:

Table 2. Transformation decline in the CEEC (% in 1994 real GDP)

Country	**1997**	**1998**	**1999**
Czech Republic	98	95	95
Estonia	73	76	79
Hungary	90	95	99
Poland	112	117	121
Slovenia	99	103	107
Slovakia	95	100	101

Source: Eurostat, country reports

On the other hand the income per capita is also only a fragment of the most developed EU-countries. If we compare the income per capita of the CEC's and the EU average this difference is important:

Table 3. CEC - EU per capita GDP (income), 1996

Country	GDP per capita		In EU average	
	ECU	ECU PPP[1]	ECU %	ECU PPP %
Poland	2782	5500	15.3	30.3
Hungary	3466	6500	19.1	35.9
Czech Republic	3980	10500	21.9	58.0
Slovenia	7523	10400	41.4	57.5
Estonia	2274	4100	12.5	22.7
Slovakia	2759	7400	15.2	40.9
CEC-6	3193	5800	17.6	32.0
EU-15	18153	18100	100.0	100.0

Source: Eurostat, country reports

Now it is obvious that the first group of "transition countries" will become EU-members in the next few years. This is the common interest of the current and future member countries and nations. In the enlargement process there are some neuralgic points which should be solved with common effort.
One of them is the problem of food sector that has a significant important role in the economy of applicant countries. On the other hand independently of the enlargement the necessity of CAP reform connected with the WTO agreements. How could we help to solve the contradictions and manage the contrasted interests? This is the subject of the presentation.

2 . FIRST STAGE OF TRANSITION IN THE AGRIBUSINESS

The concrete solutions of the transformation in the agribusiness were different but there were three basic elements of the first stage of transition in all countries:

- privatisation and/or re-privatisation of the agricultural land
- privatisation of the state owned food processing enterprises
- to change the agricultural product and food market from East to West

Like in other sector it was also a transformation declining in the agriculture. But because of the specific character of the agriculture the transformation declining was more heavy and longer than in the other sectors and in the economy in general.
This special situation originated not only from the problem of transition but because of the effects of Common Agricultural Policy (CAP) of EU and of the world food problem.
It is well known that traditionally East Europe was in net exporter position of agricultural products to a lot of Western European countries from centuries. The Western countries sold mainly industrial goods to East. The basis of this division of labour was not only the peripheral position of the Eastern Europe. These countries had also comparative advantages in the agricultural production and relative plenty in the specific production factors of the agriculture (for example the share of agricultural land in total area).

[1] PPP: purchasing power parity

This statement can be verify by the continuing export of agricultural products to West after Second World War to the beginning-middle of ’70 years. The trend changed only in the second half of this decade because of two reasons. One of them was the self-sufficiency and/or surpluses of EU (because of the effect of the CAP) from some mass products, which have been imported earlier from East. The second reason was the socialist agricultural policy, which deformed and destroyed the agriculture in the Eastern countries (excluding in some respects in Hungary).
It is doubtless that for the beginning the 90’s the CEEC’s agriculture had a lot of problem in connection with the earlier situation:

- The food consumption per capita decreased in an important measure because of the decrease of the real income of population. With declining incomes and the shift to lower quality food, food insecurity, especially among the poor, increased. Preliminary data shows that the average number of calories consumed per capita declined in Bulgaria (from 3269 to 2665 Calories), in Hungary (from 3499 to 2618 Calories), Poland from (2891 to 2510 Calories) and Romania (from 3038 to 2603 Calories) between 1989/1993-94.
- The export possibilities to the western countries were limited because of the anomalies in the farm structure before and after of the privatisation (the size of farm are very different, size of the private farms less than 10 hectare excluding Poland, Czech Republic and Slovenia, Fig.1, 2);
- Efficiency and productivity of the agricultural production. Value added are very different in the CEEC and the sharing of the agriculture decreased in GDP (Fig.3).

The biggest part of export good is lightly processed products and raw materials, although the export rate of highly processed products increased.
According to FAO, probably marked the first year of positive growth for the aggregate agricultural output of CEEC. This was based on a good wheat harvest, but yields were still lagging well behind pre-reform years. For example, compared to 1987-89, wheat yields per hectare in 1995 were still 2 percent lower in Poland and 17 percent lower in Hungary. It has relation to low fertiliser usage. (It takes 0.02 kg fertiliser per 1 kg cereals in average in CEEC, while average 0.04 kg fertiliser per 1 kg cereals in EU-15, Fig.4.)

Table 4. EU Agricultural and Food Exports to the CEEC-6 by Product Group in 1994, per cent

Product Group	**Poland**	**Hungary**	**Czech&Slova k Republics**	**Total Six Countries**
Raw materials	28	25	34	28
Lightly processed products	52	44	40	45
Highly processed products	20	31	25	26
Total	100	100	100	100
Products without export subsidies	45	34	41	41
Products with export subsidies	55	66	59	59
Total	100	100	100	100

Source: Gorton, 1997

Table 5. EU Export Growth to the CEEC-6 between 1988-1990 and 1994 by Degree of Processing

Degree of processing	**Export growth** (%)
Agricultural raw materials	91
Lightly processed products	147
Highly processed products	273

Source: Josling et al., 1997

Table 6. Foreign Direct Capital Investment in Agro-Food Industry in the CEECs by sub-sectors, 1990-1996 (Million US$)

Sector	Czech	Hungary	Poland	Slovakia	Slovenia	Bulgaria	Romania	%
Meat			8			2		0.47
Ready meals	4	10	28	7				2.30
Dairy		152	90					11.36
Ice cream		10	38					2.25
Flour, bread & pasta		22	75					4.55
Biscuits & cakes	35		30					3.05
Potato products	3		35					1.78
Snacks		20						0.93
Sugar	23	91	30				21	7.75
Confectionery		82	186	6		8	21	14.23
Vegetable oil			25					1.17
Margarine	32							1.50
Fruit & vegetables		230	28					12.11
Tobacco		32	227					12.16
Soft drinks		22	60	4	10	25	31	7.14
Coffee		8	27				158	9.01
Beer	14	22	6			24		3.10
Wines & spirits		102						4.79
Total	110	802	892	16	10	59	231	
% in each country	5.60	37.65	41.88	0.75	0.47	2.77	10.85	100.00
Per capita food FDI	10.65	78.04	23.12	29.87	51.56	7.00	10.22	

Source: Agra-Europe (1960-1966) cited by Josling et al. 1997

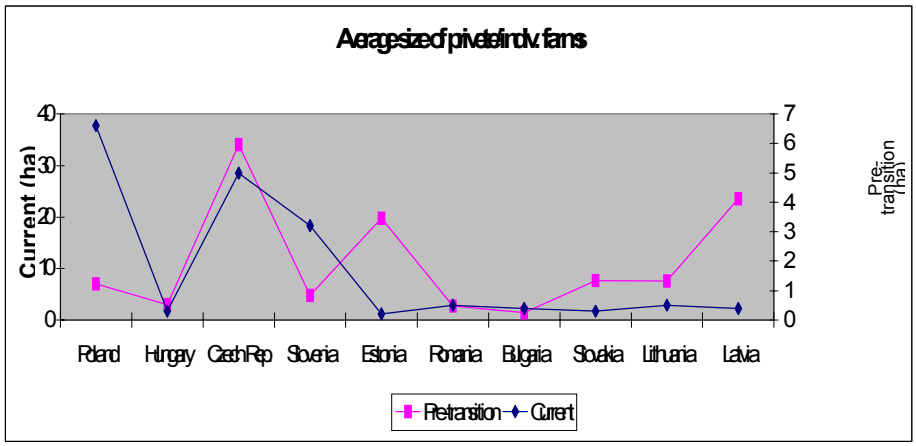


Figure 1. Average size (ha) of private/individuals farms pre-transition and current situation (Source: Agricultural Situation and Prospects in the Central and Eastern European Countries, EU Agriculture and Rural Development, 1998)

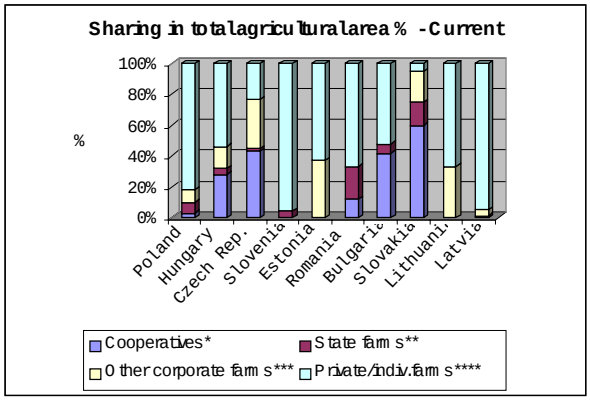


Figure 2. Sharing of total agricultural area in per cent - current situation

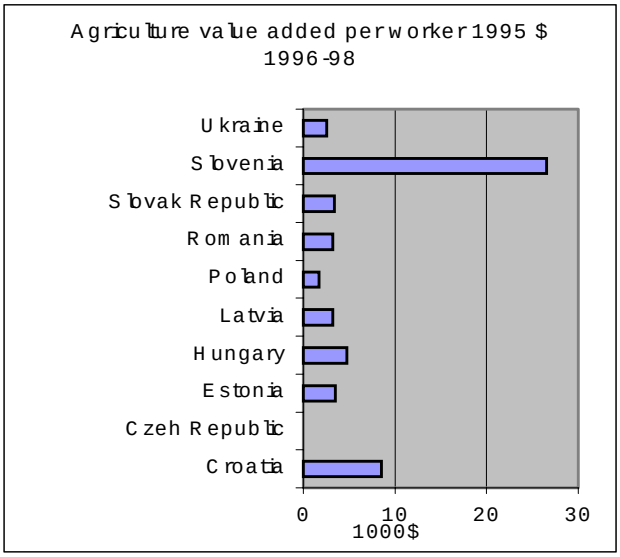


Figure 3. Agriculture value added per worker 1995 $, 1996-1998

The Figure 5, 6 and 7 show the environmental impact of the agrifood system. The food production and processing demand a lot of drinking water. Although the water demand and the organic water pollutants decreased in the most CEEC, the main problems in the water management are the high BOD, COD and Microbiological Hazardous. The proportion of organic water pollutants from food and beverages move 30-60 per cent, Fig.5. The most pollutant sector are meat,-poultry industry and dairies. They produce beside wastewater a lot of solid waste too. The food industry use energy generally in bad efficiency in the CEEC.

The packaging waste also increased because of the rate of highly processed food increased the consumption pattern and shopping changed. The trade sector (Super-, Hypermarkets) requires well-packaged foods. The technology development had been implement mainly in packaging by direct capital investment. The increase of packaging wastes results an important increase in account of municipal waste. While the EU-15 about 50 per cent of packaging reuse or recycle the CEEC country it deposits like to Hungary. The next figure shows the problem of the municipal waste (deposit 84 %).

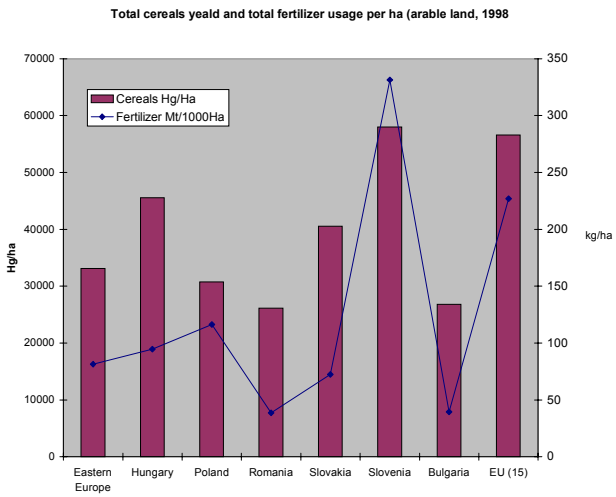


Figure 4. Total cereals yield and total fertiliser usage per ha (arable land), 1998

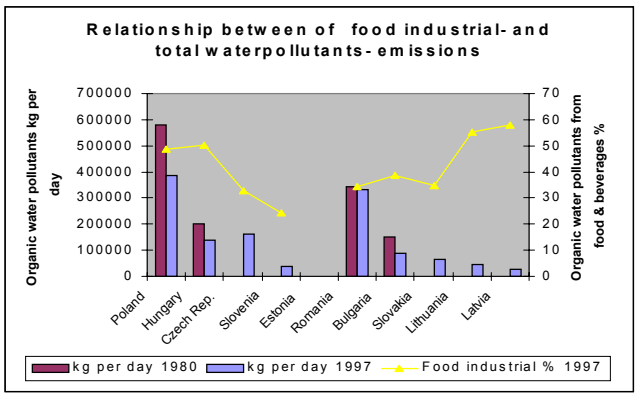


Figure 5. Emissions of Organic water pollutant kg per day, 1980, 1997

The packaging waste also increased because of the rate of highly processed food increased the consumption pattern and shopping changed. The trade sector (Super-, Hypermarkets) requires well-packaged foods. The technology development had been implement mainly in packaging by direct capital investment. The packaging wastes resulted an important increasing in account of municipal waste. While the EU-15 about 50 per cent of packaging reuses or recycles, the CEE countries deposit these like Hungary. The next figure shows the problem of the municipal waste (deposit 84 %).
The food industry adapted new technology for ensuring the quality, safety and availability of food in the CEEC. The area of biotechnology is very rapid development of the application of molecular biology to a range of agricultural production problems and issues of sustainability.

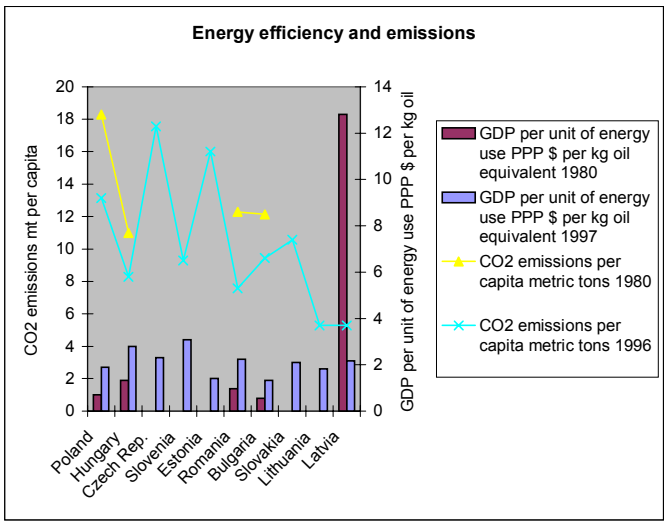


Figure 6. Energy efficiency and emissions (Source: World Development Index, 2000)

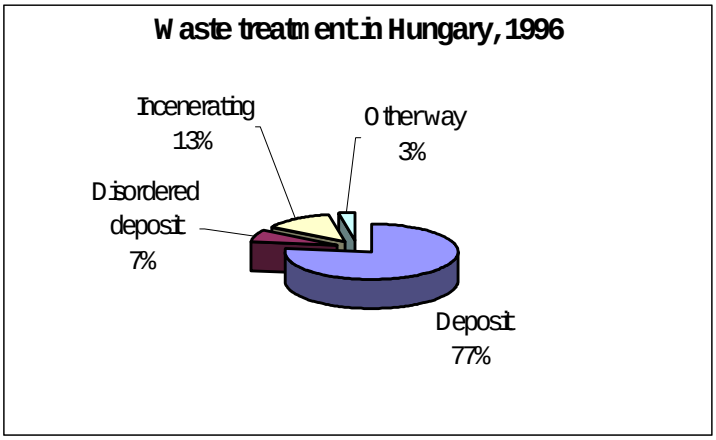


Figure 7. Waste treatment in Hungary, 1966, (Source: Tóth,K.Sz. et al.2000)

3. CHARACTERISTICS OF FOOD CONSUMPTION PATTERNS

Over the past three decades, world food production has grown faster than population. Per capita food production is today about 18 percent above that of 30 years ago. Food availability for direct human consumption are equivalent to some 2 700 Calories per person per day, up from 2 300 Calories 30 years ago. At the one extreme, in Western Europe per capita food availability stand at some 3 500 Calories and in North America at some 3 600. At the other extreme, average per capita food availability are only 2 300 Calories in Africa.
For most of the countries in transition (CIT) the first half of the current decade saw a decline in the food supply per person. Most of these countries could not maintain adequate food security safety nets during the transition. Moreover, relatively high unemployment and budgetary pressures in Western European countries have led to reviews of the social safety nets that have been maintained over the years.

Cross-country comparisons of consumption expenditures must be made in a common currency, international dollars, PPP. The PPP based expenditure shares also provide a consistent view of differences in the real structure of consumption between countries. The fig.8. shows the big difference between Germany and the CEEC.

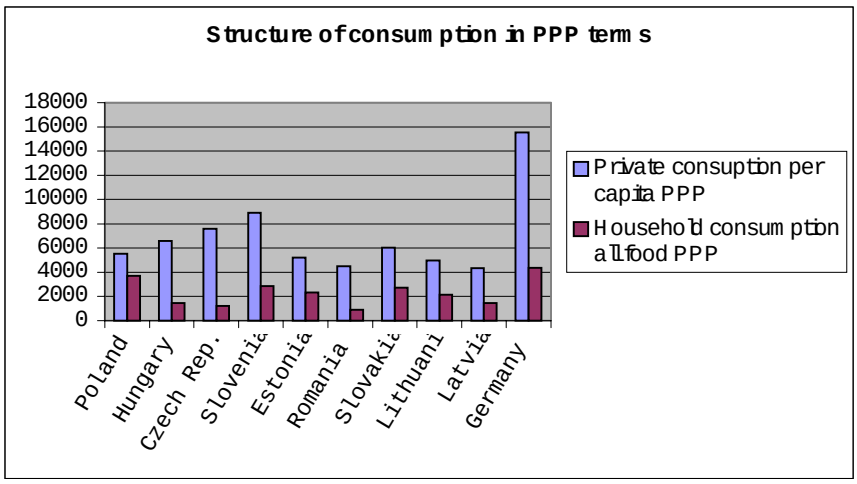


Figure 8. Structure of consumption in PPP terms, 1998 (Source:WDI, 2000)

Nevertheless a convergence of food consumption levels, as well as the structure of food consumption can be detected between Eastern and Western Europe since the beginning of transition, referred by ELSNER K. and HARTMANN, M. (1998). If convergence is a fact, changes in EU food consumption could be a useful indicator for future food consumption patterns in the CEECs.
With the end of the socialist era, prices and income have become major determinants of food consumption and the total per capita calorie consumption, as well as the calorie share of animal products, have declined in most CEEC. At the same time, many products that could not be purchased in the past have become available, trade has risen significantly, and foreign direct investment in the food industry and in the distribution sector of the CEECs has become increasingly relevant.

The economic crisis caused sharp reductions in disposable household incomes, and the quasi disappearance of social safety nets and the social protection and services provided by state and collective enterprises. Large-scale unemployment and income adjustments lagging behind inflation for many employees and pensioners have created sizeable vulnerable groups.
With few exceptions, headcount below the poverty line in transition countries range from 20 to 40 percent of the population. With declining incomes and despite the shift to lower quality foods, the national average share of food in household expenditures rose sharply, in many cases reaching above 70 percent and much more for the poorer strata. For ten countries for which data are available, average dietary energy supplies (DES) declined from a range of 2 500-3 600 Calories (1989) to 1 600-2 700 Calories (1993 or 1994), a decline of 6 to 37 percent in individual countries.

3.1. The Hungarian consumption patterns

The structure of food consumption is very different in the Hungarian household. The food consumption is depending on a lot of things, mainly family's income and size of family. The supply figures (per head) are show in the commodity balances therefore represent only the average supply available for the population as a whole and, do not necessarily indicate what is actually consumed by individuals.

The changes of the past years and the „nutrition revolution" in the countries with developed market-economy have effects on the Hungarian nutrition culture as well. In the West-European countries the people became more conscious consumers, the quality, healthiness and environmental friendliness of the purchased/consumed products become prime priorities. These trends can be observed in the Hungarian economy as well. However, the ongoing processes in Hungary on one hand accelerated the changes, the approach towards western countries on the other hand the relatively underdeveloped economy and the relatively low solvency of the population are the barriers of the fast development on this field. So the deep-freezing capacity at home utilises mainly the storage of home grown products, which are preserved by deep-freezing.

Compared with the average in 1990 *the nutrient consumption* in 1996 shows decrease but its value is close to the ones in developed countries which is 12405 KJ (3446 kcal) per day. Beside the change in quantity the composition of the consumed food has not changed significantly. The consumption of protein and carbohydrate has decreased by 18.5 % and 11.2 % respectively. The consumption of fat has also decreased by 11.9 %. However it has increased by 9 % compared with the average in 1990. The share of pig fat consumption from total fat consumption is more then 50 %. While in West-European countries the people respect the nutrition patterns which aim to keep healthiness, in Hungary the changes in the consumption ratio of the individual nutrients do not show towards this direction since the changes are only minor ones. The following figures show the *structure of nutrient consumption in Hungary:*

There is deep freezer in 66 % of the Hungarian households, which obviously has an effect on the consumption of frozen products. As a consequence of this in recent years the consumption of deep frozen unprocessed, semi-processed and ready to eat products have come to the front. It is true even in spite of the fact that due to their higher price the consumption of the last two categories is limited.

3.2. Income conditions - nutrition

Compared with the year of 1980 recent days the *real wage per capita* decreased by one quarter. The *real income per capita* is practically on the same level as it was in 1980. So while the net nominal average wage per active person multiplied by 6.5, the consumer's price index multiplied by more than 8.5 in the period between 1980 and 1997.

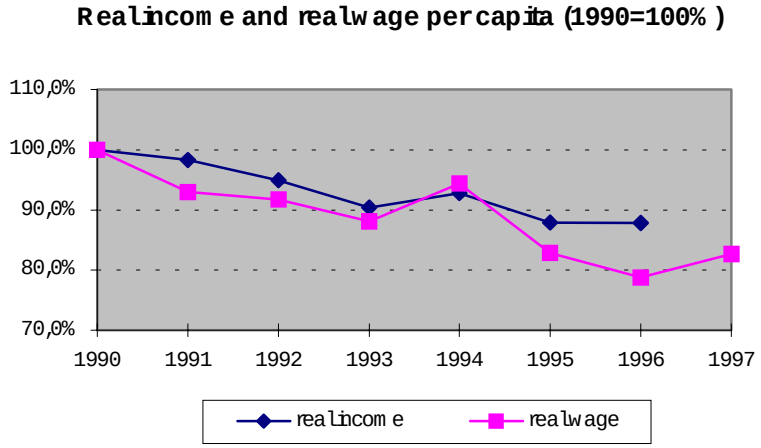


Figure 9. Real income and real wage in Hungary

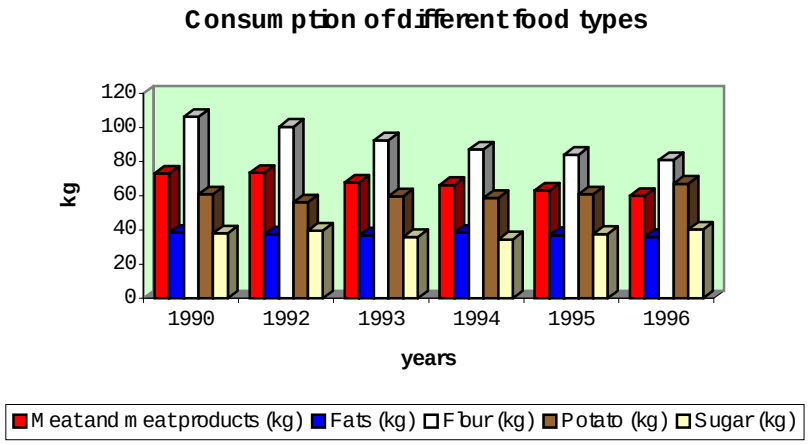


Figure 10. Consumption of different food types

The ratio between the amount of money spent on good and services changed significantly in the last decade (from 1980). The ratio of 1/4 services - 3/4 good modified to 3/5 vs. 2/5. This tendency became stronger in the beginning of 90's. Considering ratio of expenses spent on food from the total expenses of the households, that ratio of the income which been spend on foods decreased by 10 % (from 29.1% to 19.7%) in the last 15 years. Since the consumption itself also decreased the income spent on food decreased more significantly. Considering the amount of money spent on food a *strong polarisation* can be observed between the layers with lower and higher income. So while the households with the lowest income spent 37.7 % of their income on food, the same ratio in the case of households with the highest income was „only" 25.8 % in 1996.

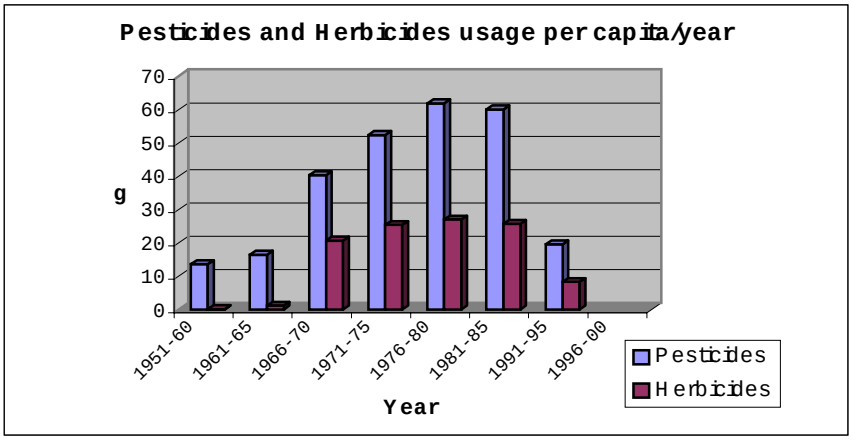
There is an increasing demand for healthier (chemical free, higher nutrition value, better quality etc.) foods among the households with higher income. On the other side those who have lower income - increasing portion of the population - can purchase only the food products with lower price and processing level. For these people the healthiness and ingredients are not the first criteria.

3.3. Environmental impacts

The environmental impact of FPCS depends on some characteristic issues. It depends on the consumer habit (cook and have meal regularly at home or dine out are changing); the components of the food (a lot of fruit, vegetables or fatty diet); the degree and technology of food processing (fresh, semi-finished, ready-to-cook food); It might investigate by environmental indicator.

Table 7. Environmental indicators and impacts

Indicator	Impacts	Answer
Amount of food	It has been 549-929 kg/capita/year in the past 10 years. The most significant decrease can be seen in the case of meat consumption, and owing to this the emission of environmentally polluting substances reduced.	Sustainable consumption patterns
Energy	Energy requirement high, bad efficiency; more than 80 % of the energy are not regenerated.	Increase the efficiency
Water needs;	The water requirement is the highest in private vegetable growing, high in the food processing 1-10 litres per kg food;	Degrease the water usage
Waste	Industrial waste are processed to animal feed; 30 % paper-based packing material, 20 % compound material and 20 % metal is deposited.	Reuse, recycle
Transport	The environmental impact of transportation is felt in energy consumption, air pollution and noise.	Reduce the distance
Sewage	High BOD, COD	Better, cleaner technology
Pesticides	The low level pesticide usage good for environment, not residuum, but fungi contamination might be in food.	Biological agriculture, Biological protection



Fertiliser	This amount is not enough to give back the nourishing value of the soil	Biological agriculture, Biological protection

Figure 11. Pesticides and Herbicides usage per capita per year (Source: CSO Agricultural Statistical Yearbooks ECOSTAT 1998)

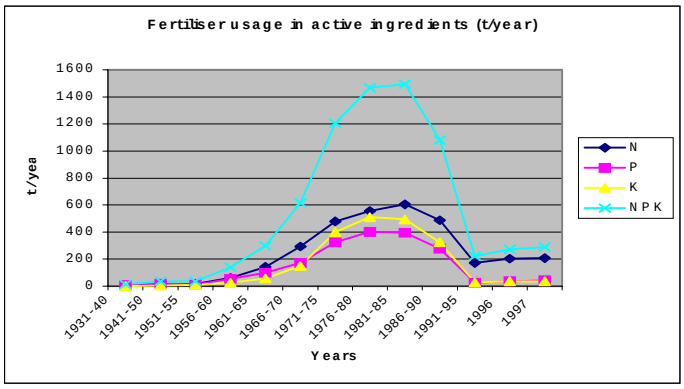


Figure 12. Fertiliser usage in active ingredients t/ha
(Source:www.ktg.gau/KTM/fmv/alapok/2.htm)

Beside the environmental impacts much more important the food safety, the hygiene. The General Food Law of EU which will embody the principles of food safety such as responsibility of feed manufacturers, farmers and food operators, As far as the *relationship between agriculture, the environment, consumer protection and public health* is concerned, the essential problems are:

- protection of natural resources, including the fight against soil erosion and compaction and water pollution;
- the general consumer protection situation, which in many cases fails seriously to meet European Union standards; inspection and monitoring systems are also extremely inadequate;
- the animal and plant health situation is worrying, the greatest danger being the importing of live animals and certain animal products from high- risk neighbouring countries, border checks being generally inadequate:

- traceability of feed, food and its ingredients,
- proper risk analysis through a) risk assessment (scientific advice and information analysis), b) risk management (regulation and control) and c) risk communication,
- and the application of the precautionary principle if appropriate.

The basic principles underlying the new hygiene rules are first the introduction of the *farm to the table* principle to hygiene policy. A second important the principle is the *primary responsibility of food producers* for the safety of food, third key principle is the *traceability* of all food and food ingredients. Producers must also put in place procedures for the withdrawal from the market of products presenting a serious risk to consumer health.

4. FIRST STAGE COMPLETED - EU MEMBERSHIP AHEAD?

It is obvious that the first stage of the transition is not completed in the agriculture an food processing industry. The production is stagnating, yields are lastingly low, the stock of animals is low, the use of fertiliser is low, too etc. The income therefore is low, there are no sources for the reconstruction, and for the capital investment in the agriculture. This is a long term agricultural crisis (structural, managerial crisis, with problems in overproduction, employment etc) – the solution could be achieved by implementing general changes not only in these countries but also in the EU agriculture policy, and in the world food markets, as well. Joining the EU could only help the new members in finding their way out of the crisis. The components of the crisis are different: some of them are rooted in the earlier socialist structures, some in the transition problems, mistakes and faults, some in the international circumstances.

Existing problems and the ones generated by the transition:

- Monopolist positions in the food industry after privatisation: mainly overseas capital in sectors like sweets industry, beverages, vegetable oil, tobacco, meat, milk for home market.
- Presence of portfolio investors instead of professionals – but the professionals can only invest in buying markets.
- Liberalisation of markets was nor equivalent in the first stage – consequences: a lot of import food from the West – not only on the market of final products, but also on the by-products market nowadays. Exporting for Eastern countries is difficult not only because of the quality etc problems, but also because of the well-known protectionism (taxes, quotas, prohibitions, various high level subsidies on own products etc) of CAP.
- Agricultural land is cheap the tenancy is disordered.
- No income.
- They keep producer prices supermarket chains as the driving force in agribusiness – low.

- Not enough sources for the reconstruction in the agriculture.
- Lack of clear agricultural policy and strategy – no consistency in some cases.
- The CAP is friendly for members, but hostile toward outsiders – difficult balancing on the knife-edge is required (Scylla and Charybdis).

Future problems of applicants:
- Decrease in agricultural population and cultivated land – problems that EU members were faced with not so long ago.
- Continuing concentration – long term task
- Technological reconstruction
- Solutions for the environmental problems – changes in technology – the level of pollution and energy use is lower than earlier because of lower production levels and not because of better eco-efficiency.

The harmonisation of the low in the pre-accession process could only be the legal frame of solving these problems.

Problems of current EU members and the CAP
- A lot of new land, farm, farmers and products – problems with growing surpluses (Table 8.).
- Not enough money for the subsidies and restructure.
- Competitiveness in the world food market.
- Rural areas – holding potentials.

Table 7. The Size of Agriculture in CEEC-6 Relative to EU 12, 1993

Indicator	**CEEC-6 as % of EU 12**
Arable land	37.6
Employment	37.2
Cereals production	37.2
Pork production	31.0
Milk production	23.0
Beef production	15.4
Overall GDP	3.5

Source: OECD 1994

4. 1. Future necessary steps

- The overall prospects are for economic recovery in the sub-region; the first signs of a sustainable recovery are present. Almost all of the CEEC reported positive growth in 1994 (3.7 percent on average) and were expected to grow by another 4 percent in 1995. Real GDP is projected to recuperate "transition losses" and return to its pre-reform level by 2010.
- An almost constant and ageing population will imply little need for further increases in per capita calorie intake over the already high pre-reform level. Nevertheless, FAO projects 3 400 Calories per capita per day in the year 2010, more than is necessary on nutritional grounds. Income growth and price reforms in the CEEC are expected to

cause shifts in the diets away from red meats and pork and towards poultry, more vegetable oils etc.

- Cereal consumption per capita is also expected to return to the same level as in the pre-reform period. Some of the recent declines in livestock production are expected to be permanent reflecting changes dictated by market forces rather than as a result of short-term shocks. More efficient use of feed in livestock production and seed, and lower post-harvest losses will moderate the demand for cereals.
- On the other hand, it is assumed that continuation of market reforms in the CEEC will bring about large changes in agricultural production and productivity. Under such a scenario the CEEC could become net exporters of cereals by the year 2010 of over five million tonnes compared to their net imports of 2.1 million tonnes in 1988-90. The value of net food exports could double during the same period with livestock products accounting for about half of net food exports in the year 2010. There are strong signs of recovery of the agricultural sector from the crisis in a number of those countries. Some of the CEEC have increased their cereals export surpluses, while the sub-region as a whole is expected to produce an exportable surplus in 1995-96.

From the above mentioned facts and prognoses we can summarise some necessary steps both of the applicant countries and the EU to develop a successful future agrifood sector in Europe.

The applicants have develop their agrifood sectors and to accommodate to the agricultural policy of EU. The time and the difficulties of this process are different for the different countries and groups of countries. Because of this the enlargement of EU could be a process step by step.

For the EU have to change the CAP. Further reforms are necessary for the growing competitiveness of this sector on the world market and for the creating a sustainable food production, processing, distribution etc. and food consumption.

CONCLUSIONS

The transition process of CEEC in the agriculture is a longer than in other sectors of the economy. It is not only a transition from the socialist regime to the market economy, but it also is a transition from the old-fashioned agribusiness to the new, more effective and eco-efficient one. Two major tasks are to be solved in the same time: restructuring the agri-food sector into the market economy, and conforming to the future sustainable world agribusiness. The process will prove to be a short one for some countries, a longer one for others.

To make the agri-food chain sustainable is a very contradictory issue: in the most developed CEEC is a long term and difficult task, and it must e realised parallel in three levels:

- the first level is the harmonisation and compliance into the EU agri-business.
- the second level is making the EU agri-business more sustainable.
- the third level is the world agribusiness, where sustainability could mean the solving of world food problem.

The timing and the schedule depend on a lot of factors mentioned above. The duration of the first level could be a minimum of 10 years, and making the world agribusiness sustainable may be the permanent task of the future 50 years.

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