

THE HUNGARIAN VINE SECTOR ON THRESHOLD OF EUROPEAN UNION

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Unlike the rest of the national economy during the transition to the market economy Hungarian grape production and vine making industry achieved some important, profound results towards market-economy (e.g. importance of household farming, vine making firms owned by agricultural producers) from the middle of the sixties, long before such reforms were seriously considered in the food economy of other so-called socialist countries, or in other branches of Hungarian economy.

After the change of the social and economic paradigms (change from a centrally planned and regulated economy to a market economy) Hungarian vine sector is facing numerous new problems and challenges. At the same time drastic changes took place in the environment of Hungarian national economy, too. The rush and unpredictable collapse of COMECON, the emergence of the European Single Market and the increasing need of import liberalisation (as a consequence of Hungary approaching the EU and the formation of WTO) sharpen the competition not only on export markets , but also on the home market. These processes necessitate an up-to-date analysis of competitiveness of Hungarian vine sector. The aim of this article is to analyse the interrelation of economic transition and competitiveness in the case of wine sector. Porter's model was used as tool for analysing the factors, determining the competitiveness of Hungarian vine industry.

In his *The Competitive Advantage of Nations* (1990) the famous Harvard economist Michael Porter outlined a new approach to the socio-economic system of competitive sectors of countries, and the influence on international competitiveness. In Porter's` model four interrelated sets of factors determine the competitive strength of branches. The four determinants are:

- ? factor conditions
- ? demand conditions
- ? firm strategy, structure and rivalry
- ? related and supporting industries

Using this framework the paper analyses the main features of Hungarian wine sector, and outlines the possible development strategies.

The data, used for the analysis, whenever not indicated otherwise has been based on the database of Hungarian Central Statistical Bureau (H.C.S.B.).

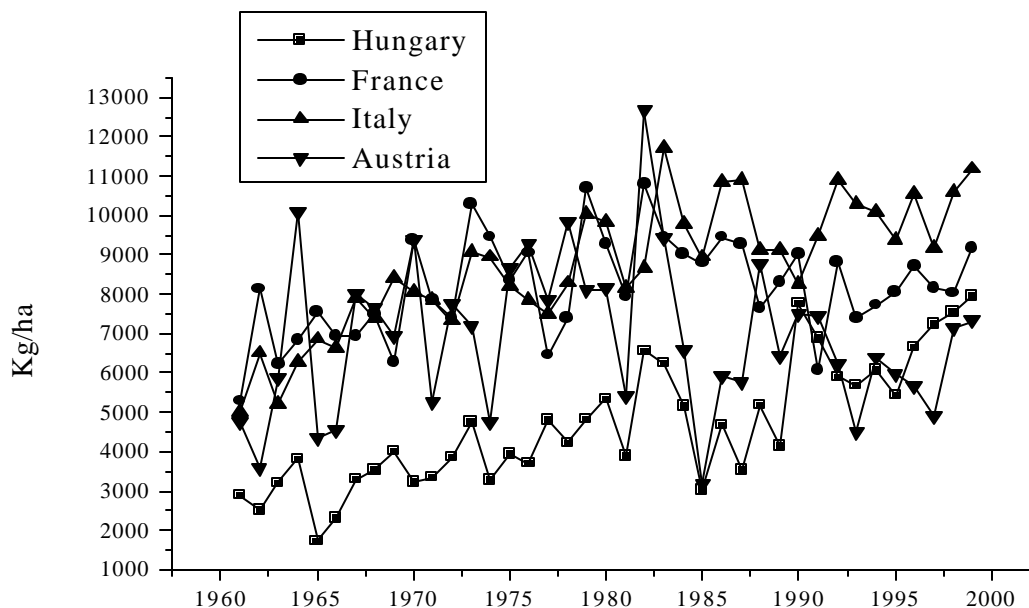
The factor conditions of vine industry

Agroecological potential and its utilisation

In the cost-structure of vine -industrial production the costs of raw materials play a considerable role (20-70% of the whole production-cost depending on the grade of processing). The agro-ecological potential is determining the quality of the vine, that's why the agro -ecological potential and the level of grape production are the main factors of vine-industrial competitiveness. The agro-ecological potential of Hungary is rather high. The natural resources are especially favourable for vine growing, because the Hungarian vineyards are on the northern border of vine growing. This offers a good possibility for high quality raw material production for wine making, but this competitive advantage is steadily decreasing because of environmental pollution. The obsolescent technology used in industry and transport, the low social and economic culture of waste disposal and the intensive pressure of the Western-European governments on their firms, to relocate their environmentally risky plants into less developed (e.g. Central-and Eastern-European) countries, have a harmful effect on the natural environment of grape production, though

agriculture in itself is an important agent of pollution, too. In the race for high yields Hungarian co-operatives and state farms often used so large amount of fertilisers, that the chemical balance suffered a drastical change, the soil 0.6 pH - value increased by between 1980 and 1988 (SÁRKÖZI, 1992) . From the beginning of agricultural transition numerous new farmers have begun grape production with hardly any experience in using agrochemicals, but with a strong determination to get as much yield from their little land, as possible. This situation underlines the importance of building up-to-date extension service networks.

The yield of Hungarian vineyards -a european comparison



The decrease agriculturally utilisable land is an important, and unfavourable phenomenon of the last decades. After World War II in Hungary no land market existed, the basis of land evaluation was an estimation of land productivity from 19th century. This confused situation resulted in artificially low land prices. According to expert estimations the land price in Hungary is about one tenth of the price of the same quality land in Austria. The cheap land prices have not been effective economic means to save the land against urbanisation and industrialisation.

The efficient use of natural resources is determined by the structure of economic activities, but the geographical location and product-portfolio of agricultural production , reformed after the Second World War, was often determined by political priorities, and not by principles of rational resource utilisation. Some examples are (Hajdu Iné,1980,1988,1997):

- ? Inadequate geographical distribution of various agricultural activities, not taking into consideration the agroecological conditions (e.g. due to voluntaristic political decisions numerous wine plantations established in regions with a high level of belated frost-hazard).
- ? The choise of one-sided and/or obsolete varieties and variety-structures. Often low quality and high quantity varieties plaid an important role in variety structure.
- ? Low utilisation of special agroecological possibilities in marketing (e.g. low utilisation of southern or south-eastern hillsides for wine production).

Labour

The grape production and vine making are labour (and knowledge, production culture)- intensive, that's why the human factor quality and productivity is much more important, than in sectors, with less expressed manpower components. The labour force is relatively cheap and is not too difficult to motivate, but this competitive advantage is diminishing by high personal income tax-rate as well as high social - security rates (The average personal tax burden in 2000 was 28 %). The activity of joint ventures in vine industry offers a

good possibility to draw comparisons with the quality of labour in developed countries. Most Joint Ventures, established in Hungary are satisfied with the quality of labour, and there is more need for training Hungarian employees to adapt to the requirements of a modern firm than to upgrade their level of skills or knowledge. The only exception is the lack of foreign languages and marketing skills. The foundation for the high quality of human resource is the traditionally rigorous Hungarian education system. Basic education and vocational training are still on an acceptable level. The development of the Hungarian schooling system is seriously jeopardised by increasingly dramatic financial constraints. Regarding the results of food science several research institutes and departments for basic and applied research operate on an international level, which increasingly orientate their activities towards practical applications. The drastical decline of expenditures on scientific research mean a considerable threat for the high level of education and research.

The infrastructure, as a part of environment for vine sector, is unevenly developed. The telecommunications system rapidly develops, but the quality and price of transport facilities leave much to be desired. Secondary roads and railroads are of a relatively poor quality, and there are only five highways in the country. There is a lack of know-how in financial infrastructure.

Hungarian economy suffers from a severe lack of capital, as a whole. The causes and macro-economic aspects of this question are analysed in details in literature (). It is well known, that the aging is a necessary precondition for high quality vine production. From this point of view this means a great problem, because there are great difficulties in obtaining bank-credit, and the interest rates of enterprise credits are rather high (in 2000 weighted average of interest rates of credits of less than 1 year maturity was 16.1 %) Due to the technological processes, there is only a limited possibility to applying just-in-time logistical systems in vine industry, and the enterprises do not have enough capital to finance the stocks, therefore serious liquidity problems occur.

Negative earnings before taxes for both agriculture and the wine sector are a reflection of the impact of financing charges on sector profitability. Neither agriculture nor the wine sector has been able to sustain profitability at current high nominal interest rates. However, the range of loss/ profit estimates shown in Table suggests that some segments of pommary agriculture and wine sector have remained profitable. These data suggests that a dualism is emerging in the agricultural sector where some segments are quite profitable and are able to make investments while others enenrate sizable losses.

Demand conditions for vine

It is generally accepted, that the level and sophistication of home - demand plays a decisive role in the international competitiveness of a given industry.

Contrary to the situation in most Central and Eastern European countries the vine shortage in Hungary was eliminated from the beginning of the sixties. The Hungarian food consumption is too quantity-oriented, the energy-intake is relatively high, the life expectancy in Hungary is one of the lowest in Europe, and this tendency- contrary to the general European development-is a negative one. The unfavourable changes in average lifetime can be partly explained by unhealthy food consumption patterns.(ANON.:Food and Agriculture in Hungary,1991)

After the continuous increase of living standards, from the beginning of the nineties - due to serious economic problems - the real income sharply declined.

The most important characteristic features of current vine market situation in Hungary :

- ? Parallel with the decrease in the aggregate purchasing power there is an increasing diversification of demand. After the long decades when personal revenues were equalised, the diversification of purchasing power increases, and an increasing pauperisation parallel with an increase in primitive capital accumulation can be observed, while the lack of a middle class is strongly felt. While incomes at the upper end of distribution increase, social policy at the lower end does not develop sufficiently. This segmentation is reflected in considerable differences in consumption.

- ? The considerable grey and black economy means a long-felt problem for vine industry. There has been an increase in smuggling and illegal turnover for the goods subject to governmental inland revenue.

- ? There is a low standard of consumption culture for a wide variety of products, which is an effective barrier for market and image building. E.g. the wine consumption is extremely quantity oriented.

Firms strategy, structure, rivalry

Until the end of the so-called socialist system the economic environment of firms did not promote the efficient work of wine making enterprises. The enterprises had to adjust to distorted prices. This was an extraordinary important problem, because the wine producer firms exported mainly in COMECON countries, and the prices of their products were determined politically. This system gave a wide freedom for Hungarian governmental organs to “compensate” these distortions by subsidies. Under these conditions the incentive to innovate in terms of new products and product quality was extensively weak. Thus the Hungarian firms followed a mixed strategy, according to various conditions of different market segments.

Strategies of Hungarian food industrial firms in eighties

Market segment	Strategy
Former Soviet member states	quantity oriented production
Developed market economies	gross income maximalisation
Home market	net income maximalisation

The collapse of COMECON and the privatisation of the predominantly state-owned firms caused a drastical change in firms` structure and strategy.

The main objective when privatising firms is to increase their productivity. There is an intense debate about the appropriate mechanism for privatisation, and the consequences of alternative approaches for economic performance. Many different mechanisms are under discussion. The standard approach used in past privatisations elsewhere in the world has been to sell shares of firms to the public (foreigners may or may not have been allowed to participate). This approach is inevitably very slow. The existing financial assets of domestic residents are tiny relative to the value of the firms to be privatised, based on rates of return in Western financial markets.

Comparative analysis of various techniques of wine industrial privatisation

Governing principle and method of privatisation	Advantage	Disadvantage	Remark
Re-privatisation "back to original owners"	morally acceptable	? hard to identify the original owners ? considerable changes in property from taking into public ownership, numerous new plants ? no additional capital - inflow	supported by populist parties and politicians
privatisation by selling the shares of the company on stock exchange	? transparent ? easy, ? fast	most of enterprises are in a very bad financial situation, they are not fit for realisation on exchange	At present only 8 food industrial enterprises are on Budapest stock exchange
privatisation by selling	? possibility of capital	lesser transparency	

the company to investors through State Property Agency	? inflow possibility of governmental control		
? management buy-out	? creation of real owners, who are interested in increasing profitability ? in numerous cases high professional quality	workers of former state-owned companies had no possibility to accumulate enough capital to buy the plant-use of preferential credit systems : no capital inflow , no new technologies	utilised only at privatisation of small-scale enterprises in milling, distillery and grain milling industry in numerous enterprises strong emotions against members of former "communist establishment"
? employee share co - ownership program	morally supportable, convenient for political parties, targeting the working class	? workers of former state-owned companies had no possibility to accumulate enough capital to buy the plant- use of preferential credit systems : no capital inflow , no new technologies ? too many owners - the material interest is too weak	only at small-or medium size companies has been used this method, in first place to "camouflage" , that in practice this was an MBO transaction
? foreign investors	possibility of ? capital inflow ? new management and management techniques ? new technologies and know-how ? obtaining new market possibilities	danger of ? speculation (only short-run profit maximisation , extravagant exploitation) ? elimination of former competitors by production decreasing	main technique of privatisation.
grape producers	possibility of homogenous interest system along the food chain	? no capital inflow, ? transition in agricultural production sphere- no real owners	

? The increasing loss of balance of the budget and the severe management, marketing and financial problems of vine industrial enterprises underlined the importance of role of foreign capital in Hungarian privatisation.

The structure of sectors

It has been generally held that the concentration of Hungarian FI is excessive; the Hungarian food industrial companies are "overweight" (SZABÓ T. 1993) and privatisation and concentration go hand in hand .Relying on Hungarian and international experience neither of these statement proves to be true. A closer

examination of the rate of concentration of food industrial firms shows that the degree of concentration in Hungarian wine sector is not much higher than in developed European states, and the concentration shows considerable variation according to sectors. The comparative analysis of concentration ratios for the five largest food companies in the UK, Germany and Hungary, shows, that the statements concerning the "extremely high" rate of concentration in the Hungarian wine sector is not true.

Since market forces, and not central planning have led to a highly concentrated wine sector in the UK and Germany, the current prevailing wisdom in every former COMECON state, that 'small is beautiful' and economically efficient is not borne out by experience. It can be stated, that some classes of wine sector products are more prone to be produced by concentrated producers. This is the case, for example, in industries which

- ? are easily mechanised and automated (e.g. sugar beet processing, vegetable oil industry, brewing industry)

- ? innovation- and research - intensive (e.g. biotechnology, yeast and starch processing)

- ? need intensive marketing activity (e.g. tobacco industry)

Industries oriented to satisfying local demands (e.g. baking industry) or to producing specialities (e.g. wine making) seem to be less concentrated.

If a market is a more effective mechanism than central planning for the efficient allocation of resources, then conceivably the Hungarian wine sector in its present state, has a structure of concentration which is ill - suited to the demands of a competitive international economy. For this reason the efforts to increase competition and competitiveness by establishing numerous small-scale plants in Hungarian wine sector may be misguided. The contradictory character of this policy will be obvious in the example of the Hungarian meat industry. Over the last four years more than 500 small-scale meat processing plants have been established, often with obsolete technology and poor hygienic conditions, while at the same time the capacity of large meat processing plants is only utilised at an average rate of 20 - 30 %.

Before the start of the privatisation process one of the main hopes of the producers was that, through privatisation, they would obtain ownership shares in food processing companies, thus reconciling the interests of agricultural producers and food processors. In practice this goal was not achieved for the following reasons

- ? the agricultural producers are not financially capable of improving the economic position of food industrial plants, so the buying of shares in food industrial plants for vouchers does not lead to any capital inflow into the wine sector. As mentioned above, the majority of Hungarian food processors are rather unfavourably placed, and so the ownership change has made the economic situation of agricultural producers even worse.

- ? It is worth underlining the fact that in the years of a planned economy the basic rules of the game in a share-company were not very well understood by Hungarian agricultural producers. In a share company the basic principle of the co-operatives 'one member-one vote' does not exist. So if the agricultural producers do not hold the majority of shares their economic interests cannot be protected effectively.

As a summary of this analysis of concentration in the wine sector it seems to be inadequate to believe that the small- and medium scale processors are capable of taking an active part in international economic competition in most sectors of the wine sector. The only way to create a balance of forces between agricultural producers and food processors is the establishment of a modern institutional environment (effective product councils), legal basis (enforcement of Competition Law) and economic conditions (the majority of subsidies -e.g. export subsidies - should be given for agricultural producers, not for food processors).

Integration of small producers

Western analysts often use the term "command economy" to describe the agribusiness (and vertical relations in food chain) of Eastern and Central European countries as a whole, but in practice the situation is much more complicated. One of the most important characteristic features of Hungarian agribusiness in the period 1965-1989 was the symbiosis and division of labour between large -scale agricultural producers (co-operatives and state farms) and small producers. The main elements of this symbiosis were as follows:

- ? the high proportion of small-scale producers (household plants and auxiliary farms) working in close connection with large cooperatives and state farms was one of the main resources of the rush

development of Hungarian agriculture (e.g. the share of small producers in vegetable production was 55 %, fruit production 58 %, pig production 60 % in 1980.).

- ? the state farms and cooperatives often integrated and organised the in-and output relations of small-scale producers so a special type of effective cooperation was achieved between the various forms of agricultural production. The way in which large-scale co-operatives and household farms complemented each other is particularly well manifested in animal husbandry. Household animal husbandry was mainly based on the fodder production of the collective farm. The members received the fodder either as additional income or bonus, or they purchased it from their cooperative. At the same time manure from the households was utilised by the collective farm. The cooperative members sold their animals collectively, on contracts arranged by the farming cooperatives. Within the framework of the contract, the collective farm had to purchase the necessary basic material and fodder and give expert advice;
- ? Horizontal integration of cooperatives and state farms. In the development of Hungarian agriculture the horizontal integration of agricultural producers into production systems played a decisive role (Dimény 1991), because these voluntary organisations accelerated innovations, contributed to the technical and technological development of Hungarian agriculture and often integrated the market activities of the producers.

The above forms of integration in the agricultural sphere contributed decisively to the stability of raw material management in the wine sector.

Relations between agriculture and food processors

During the period 1948-1956 farmers in Hungary were obliged to hand over their produce to the state collecting organisation, generally for prices lower than production cost, but by the late fifties the agricultural marketing contract became "a mean of planified guidance" (EÖRSI,1975), and the Civil Legal Code codified it as "an independent civil legal contract", so except for some peculiarities, derived from the special nature of agricultural production, the Hungarian business law over the last thirty-eight years considered the turnover of agricultural products in the same way as that of any other goods, with contracts formed on the basis of the independence and equality of the partners for equal benefit. This has been a very important specific feature of Hungarian agricultural policy in comparison with other planned economies. Although the vertical relations between agricultural producers and processors have been much debated, during the past three decades it was not possible to achieve a well-balanced relationship between agriculture and wine sector. This was one of the main reasons for the weaker performance of Hungarian food chain compared with other European countries. When the weather conditions were favourable for agricultural production, the food processors found themselves in a very good bargaining position, and when raw material became a scarce, the agricultural producers benefited against the processors. This imbalance of vertical relations was very characteristic for the Hungarian food chain, because there was not a coherent legislative background of agricultural market-regulation and a considerable share of subsidies has been given to food producers (e.g. as export promotion subsidies) rather than to agricultural producers, as is the case in most developed countries. This was a ground for debates, because both parties understood that the existing system is not in harmony with their economic interests. Analysing the problem over a long period, it can be seen, that the producer's prices for agricultural raw materials and output prices for the wine sector have changed practically parallel, so the price-disparity (if there was any) has not increased during the period 1980-1990

Another indirect proof against the idea of extra profit having been achieved by Hungarian agriculture or wine sector is, that if any party had accumulated extra income, its economic position should have improved, while the economic position of both agriculture and the wine sector drastically worsened during the past years.

New problems of vertical relations between agricultural producers and wine sector!

After the political changes in 1989-1990 the new Hungarian parliament began to establish the economic environment of the free market economy in agribusiness, too. This was based on the private ownership of land, and on allowing equal possibilities for family farms and co-operatives.

The new land - property relations induced considerable changes in vertical relations, too. The most important change has been the increasing imbalance of relations between agricultural producers and wine sector. From this point of view it is important to underline, that the quality and quantity of the output from large-scale horticultural producers was relative stable, because

- ? the production structure of cooperatives and state farms were relative rigid, not reacting quickly to market events,
- ? the integration of small-scale producers by co-operatives and state farms contributed to the stabilisation of the output-structure of small scale producers,
- ? most cooperatives and state farms had a diversified product-portfolio, so a change in the economic position of one single product did not cause a rapid and drastical change in the economic position of the agricultural producers as a whole,
- ? the large-scale producers employed a considerable number of highly qualified specialists, acquired the know-how required for standard quality production, and the minimum hardware for quality control, thus the co-operatives and state farms were capable of producing relatively even-quality products.

The behaviour of small-scale horticultural producers considerably differs from that of large scale producers, because

- ? the product-portfolio of small-scale farms is much narrower, than that of production co-operatives, so the change of the cost/benefit ratio for one or a few products drastically changes the economic position of the farm,
- ? the small farms respond to market changes more rapidly, because these farms have fairly limited financial means, so they do not have the resources for carrying out a long-range strategy.

The decline in income in the agriculture and wine sector hindered efficiency and rentability of production, because

- ? there are no funds for the modernisation and improvement of the biological basis of production. E.g. the area of new vine plantations was only 100 ha and the area of fruit plantations 300 ha in 1994.
- ? in recent years farmers have tried to improve the cost/benefit ratio by reducing the input-level. The area under irrigation and the use of fertilisers has radically decreased (The average fertiliser use was 37 kg/ha in 1994). This latter is not serious a problem at the moment, because over the last two decades there was an overuse of fertilisers, but in the medium or long-term this may cause serious problems.

The analysis of the dynamics of agricultural - and food industrial output prices shows that the difference between agricultural and food industrial prices has obviously increased. This phenomenon can be explained by the fact, that the bargain-position of agricultural producers has considerably worsened, because

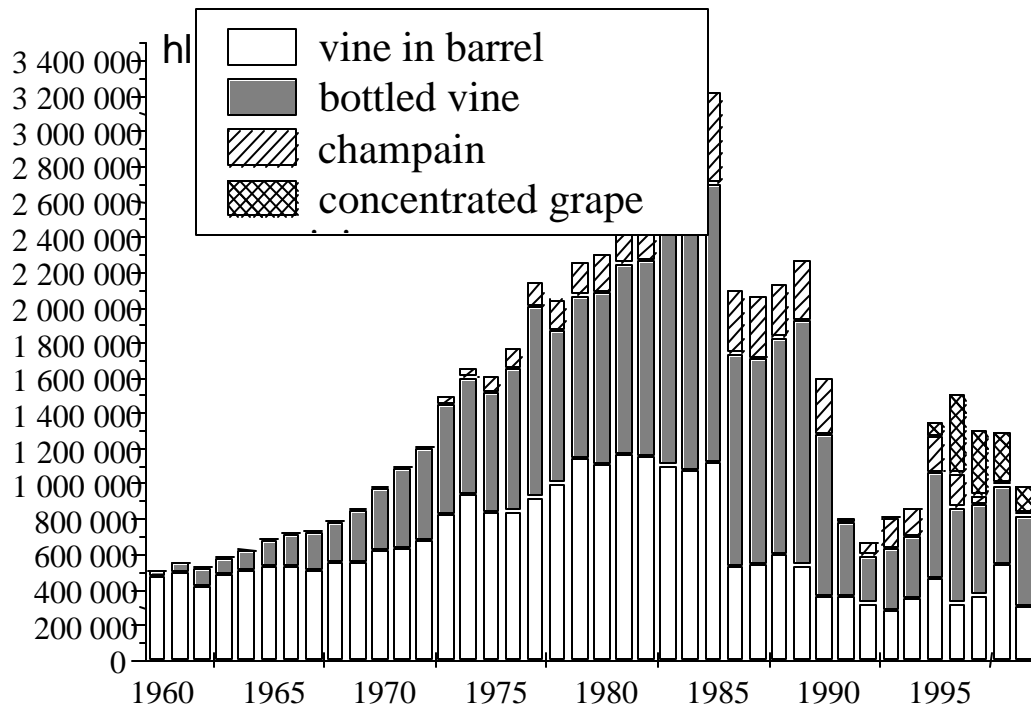
- ? the disintegration of the agricultural production sphere considerably increased, so the balance of power between large enterprises of wine sector and agricultural producers broke down.
- ? political representation of economic interests of horticultural producers has not been properly organised; numerous organisations have professed to represent the Hungarian rural population, but in practice these forces are fragmented.
- ? high interest rates served as incentives for agricultural producers to sell their products for processors as soon as possible.
- ? import liberalisation often meant a safe and (due to heavy subsidisation of agricultural products in EU-member states) cheap raw material resource.

Under these conditions the strategy of wine sector towards the agricultural producers was often reflected in unreasonable low prices paid for agricultural products.

Summarising the above facts it can be stated, that the decreasing net income of production means an increasing by severe problem, due to declining competitiveness. This underlines the importance of the economic reconstruction of the Hungarian food chain.

During the last decades the enterprises of wine sector had contacts only with a limited number of agricultural producers, but after the transition of agricultural co-operatives to private farms, the number of market participants has drastically increased. This emphasises the importance of advisory work and extension services.

Structural change of Hungarian wine export

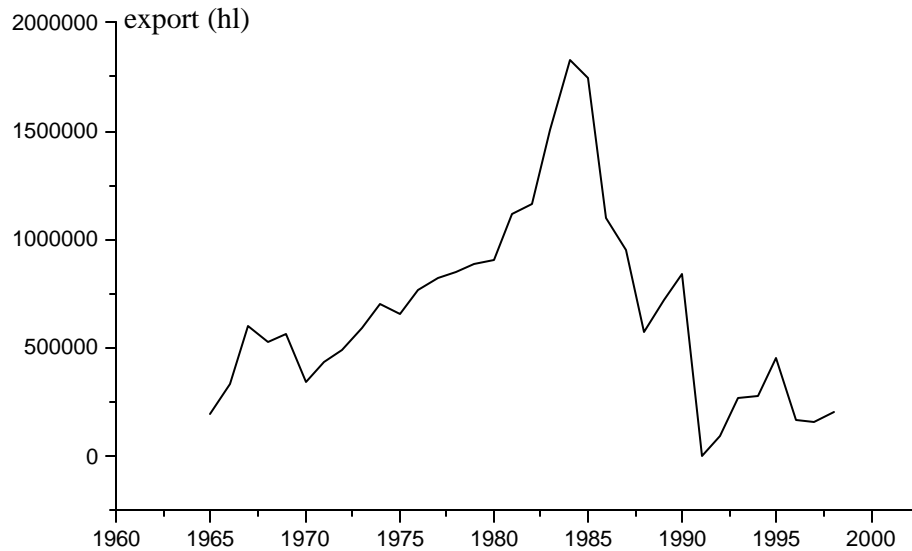


The industrial background

The supporting industries developed comparatively slowly and unevenly in years of the centrally-planned economy and the existence of COMECON. The industrial-input producers often achieved monopolistic positions (e.g. chemical or paper-industry), or they are obsolete and fragmented (e.g. in Hungary 11 firms produce an annual 350 million cans for the canning industry.. In a developed country a single firm is enough to produce such a quantities.)

In a few sectors privatisation offers new perspectives for technical development using foreign working capital (e.g. in paper industry), so from the viewpoint of international competitiveness Hungarian wine sector will have better background than in the past. The development of the small-industry sector is an effective tool for the satisfaction of small-scale producers who offer products for the niche market based on specific orders (e.g. small-capacity printing houses for label - printing).

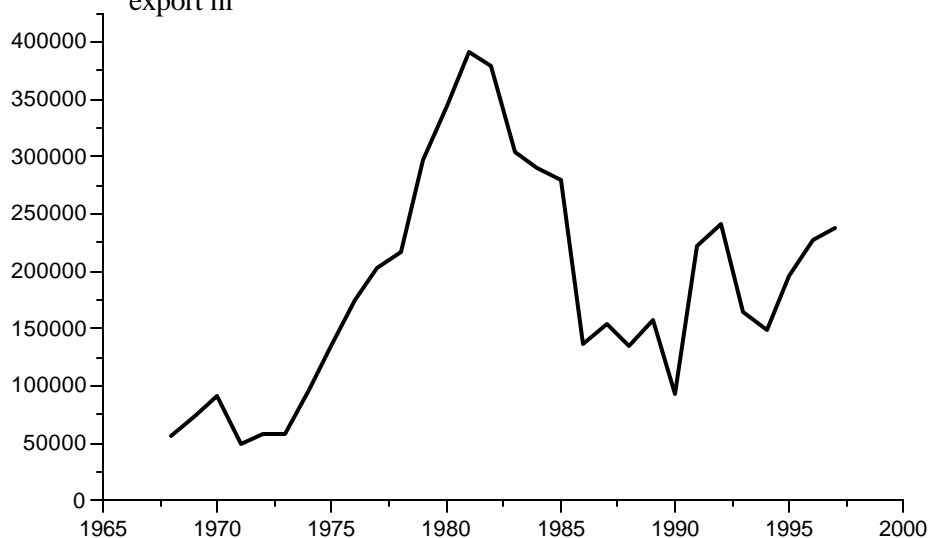
The rise and fall of Hungarian wine export into Sovietunion and later into Community of Independent States



Traditionally the Hungarian wine export was oriented to German markets. The former GDR had been the second largest market of Hungarian wine export. The collapse of this state ruined the Hungarian export positions, but in last years the Hungarian export gained new positions on this emerging market.

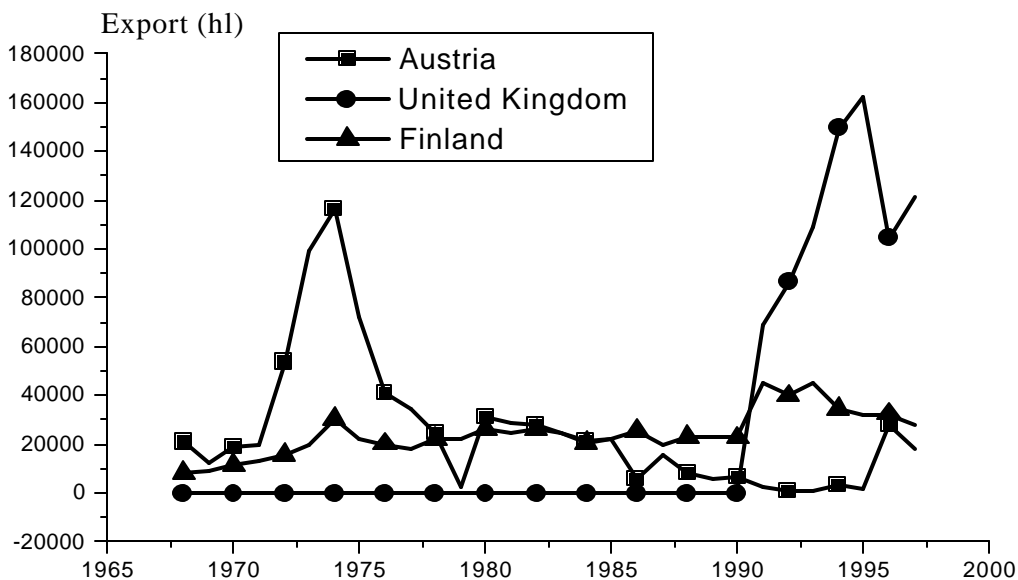
The Hungarian export structure on base of various markets have been changed considerably. In nineties the Hungarian export have been drastically fallen back in markets of Community of Independent States. This is an important segment of Hungarian wine export, but the purchasing power is rather low and the income distribution is uneven. Due to prestige considerations the higher level of society buys Western-European wines.

Re-gaining of former markets in socialist GDR: the Hungarian straggle for vine market of Germany
export hl



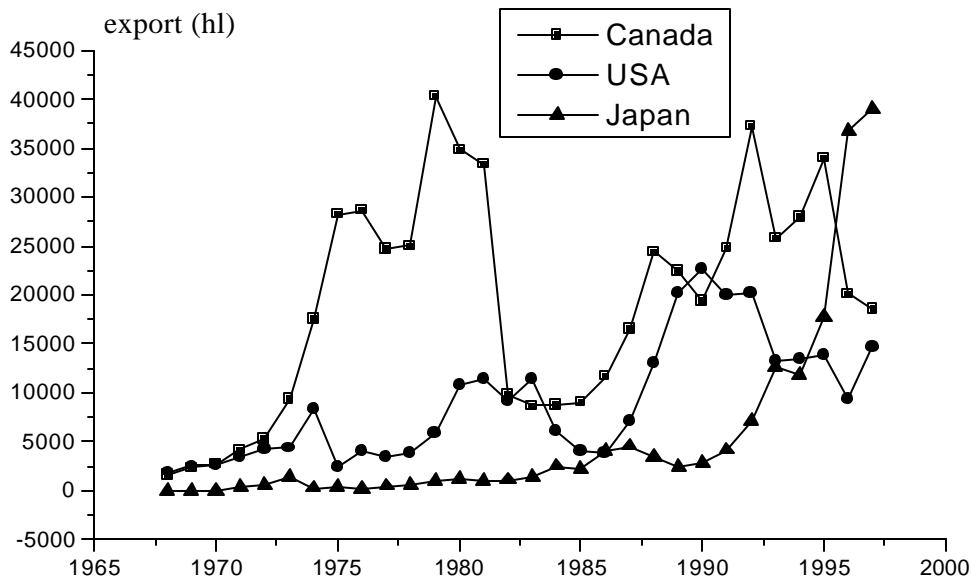
The Hungarian exporters could increase the export into northern European countries. In Wine market of United Kingdom the Hungarian wines have achieved considerable success.

Some new market of Hungarian wine export



There is an increasing overseas export in Hungarian wine economy. The most important markets are the USA, Japan and Canada. Due to high shipping prices only products with high value added content can be considered as perspective export articles to these markets.

Struggle for new markets: Hunagrian wine export in oversea



Summary

The strengths - weaknesses- opportunities - threats (SWOT) analysis of Hungarian wine sector offers a good possibility to evaluate the current position of this industry.

SWOT analysis of Hungarian wine sector

STRENGTHS	WEAKNESSES
Favorable agro-ecological potential	ineffective utilization of natural resources
Traditions of vine growing production	the economic position of vine growing is rather weak
technically and technologically highly qualified human resources	lack of economic knowledge
considerable experience and well established brand names in former Soviet member-states	intensive price and promotion competition on these markets

large production capacities with numerous relatively modern machines	Heterogeneous technical and technological level even within one line
POSSIBILITIES	THREATS
based on comparative advantages, increase the market share in developed states	increasing market defence
improvement of financial and market positions by privatisation	the investor buys brand name and market, and not interested in development of production
improvement of positions on home market	decreasing aggregate demand and increasing import competition
product and process innovation	increasing technical and technological gap between the Hungarian production and international level
better utilisation of the concept of up-to-date in-and output marketing	further financial bankrupts

It can be seen, that there is a possibility for Hungarian wine sector to remain an export-oriented, dynamic branch of economy.

Porter's theory of competitiveness determines four stages in the development of competitiveness: the factor-driven, investment - driven, innovation and welfare-driven stages.

The danger of this, of course, is that multinational enterprises regard Hungary as a temporary place of production, providing cheap basic factor conditions, which can be left quickly as better opportunities are provided elsewhere.

The state should support this process by market-conform actions, while the food industrial producers must be organized in a way, that they could build a counterweight against the activities of multinational firms, creating a more intensive market competition. The most important goals and means of Hungarian economic policy from the point of view of wine sector are summarised in the next table:

The goals and means of economic policy in strengthening of competitiveness of Hungarian vine sector

goal	applicable means of economic policy
Utilisation of resources	
	Abandonment of state subsidisation of intensive vine production on territories with adverse natural conditions
	Development of an integrated information system to determine the optimal geographic structure of agricultural production, taking into consideration the

optimal utilisation of natural resources	agro-ecological, economic and social aspects
	the agricultural support system should be reconsidered to promote not the export, but the development of biological-technical and technological background of wine production
	Better utilisation of specific agro-ecologic possibilities of production in image-building and application of certification system
	More rigorous environmental protection
development of human resource utilisation	Stabilisation of economic environment of vine production
	Upgrading of higher education system by increasing the number of students and efficiency of education
utilisation and upgrading of know-how and production culture in wine sector	Better concentration of funds for R+D activities, promotion of industrial parks
	Creation and strengthening of market institutions of grape and vine products (system of common warehouses , stock and produce exchange)
increasing financial resources of enterprises	Decreasing income taxes
	Abolition of import-duties, burdening the import of food –industrial inputs (e.g. machines)
Development of home – demand	
prevention of illegal food industrial production and trade	Sophistication of means of struggle against the “black economy”
increasing aggregate vine- demand	Modification of personal tax-revenue system, with a special emphasis on families with three or more children
increasing the knowledge of vine consumers concerning the healthy food consumption	Working out and implementation of an integrated collective marketing policy
Sector structure, corporate strategies and rivalry	
consolidation of the ownership –structure	Completion of the process of privatisation
	Where necessary , setting up holdings for assets (property) administration, and re-structuring
selective promotion of small- and medium -scale enterprises	Extension service and entrepreneur-education Subsidisation of introduction of TQM, ISO systems and environmental auditing
increasing the effective (working) competition	Import-liberalisation-where necessary, Effective merger control and law-enforcement in competition policy
Joining and supporting sectors	
development of logistical infrastructure	Modernisation and development of road and communication systems
export promotion	Increasing the efficiency of economic diplomacy Promotion of collective marketing activities Country-image development
promotion of tourism	Development of village tourism

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