

# Practices of Creative Disobedience: A Key to Economic Success in Socialism? A Case Study of a Hungarian Agricultural Cooperative

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In this article, I examine the fate during the decades of socialism in Hungary of the agricultural company Árpád-Agrár Ltd. of Szentes, which which has flourished up to the present day. Its predecessor, the Árpád Mezőgazdasági Termelőszövetkezet (Agricultural Producer Cooperative), was established in 1960, during the last wave of collectivization. Most members were gardeners who specialized in a Bulgarian type of horticulture.

One of the central questions in my inquiry is how individual gardeners' best practices were preserved and further developed within the structure of a socialist cooperative. I also consider how the Árpád Cooperative used the economic reforms of 1968 to expand its market-share.

In my analysis of the successful transfer of knowledge and processes of adaptation, I devote particular attention to the human factor, taking into consideration both the changing relationship between the leadership and the membership of the cooperative and the formation of a class of managers who had had experiences in the West and had a more open-minded mentality. These factors offer a possible explanation as to why this agricultural community chose the organizational form of a cooperative at the time of the change of the political regime and was transformed into a public limited liability company only a decade later.

**Keywords:** Hungary, socialist cooperatives, horticulture, adaptation, bottom-up initiatives, agrarian lobby, market reforms, innovation

Árpád-Agrár Ltd. in Szentes is considered one of the national leaders in Hungary in the production of cocktail tomatoes and peppers as well as in the growing of seedlings. Vegetable cultivation is based on renewable energy and the utilization of thermal water and cutting-edge technology. For the purpose of protecting plants, the use of chemicals has been replaced with the use of organic materials.

Immediately after entering the company's office in Szentes, one notices the certificates, awards, and diplomas from every decade of the enterprise's existence decorating the walls. The earliest are from the 1960s, from the time of the Árpád

Mezőgazdasági Termelőszövetkezet (Agricultural Producer Cooperative).<sup>1</sup> The current company views the Cooperative as its predecessor both from the legal perspective and from the perspective of historical continuity. The commitment to this continuity is reflected in the way both the 50th and 60th anniversaries were celebrated.

In this paper, I focus on the socialist period of the company's history. I begin with a discussion of how "socialist" the Árpád Cooperative really was. How did individual farmers dealing with intensive horticulture and production for the market fit into a socialist-type large-scale organization which at the time was essentially unknown in the world of Hungarian agriculture? I also consider how the Cooperative used the economic reforms of 1968 to expand its market. I make use in my analysis of the official documents of the Árpád Cooperative as well as the press and oral sources.<sup>2</sup>

### *Historical Background*

The roots reach back to 1875, when Bulgarian gardeners moved to Hungary, or more specifically to the estate of the Count László Károlyi, where they founded a farm of roughly 15 hectares (ha).<sup>3</sup> The Bulgarians made sure to settle alongside natural waterways. The major elements of the Bulgarian-type of gardening were the following: careful choice and arrangement of plants, protection against frost, use of hot-beds for seedlings, raised beds for growing, continuous irrigation, and soil treatment. Using these methods, the settlers and their descendants were able to get their vegetables to market before other producers, which led to significant profits.<sup>4</sup>

Most of the labor was handled manually. For periods of planting, hoeing, picking, and preparation for market, the Bulgarian gardeners hired seasonal

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1 The academic literature on collectivized agriculture uses both the term collective farm and the term cooperative. In this paper, I use the term cooperative. The full translation of *termelőszövetkezet* is producer cooperative, emphasizing the difference from cooperatives for consuming or assessing credits. In this paper, the term cooperative should be understood as producer cooperative.

2 The archival materials of the Árpád Agricultural Cooperative are still in the company archives. Thanks to the excellent archivist work of Dr. Edit Takács, the files are arranged according to each predecessor: Szentes and its Region Fruit and Vegetable Production & Distribution Cooperative, Árpád Agricultural Cooperative, Árpád Cooperative, Árpád-Agrár Ltd. The archival references in this paper first give the predecessor's name, then the box number, and finally the title and date of the document cited.

3 Mód, "Bolgár kertészek Szentes környékén," 27–30.

4 Boross, "Bolgár és bolgár rendszerű bolgár kertészetek Magyarországon"; Bódi and Savova, "A bolgárkertészek Magyarországon."

laborers. More and more of these laborers learned these unique methods, and over time, vegetable growing in Szentes began to resemble Bulgarian horticulture more and more. Between the two World Wars, specialization became advanced. The production of green peppers and early cabbage varieties came to the fore, and the comparatively small gardens (1–1.5 ha) could produce significant incomes for various families. Before World War II, more than 700 families in Szentes produced vegetables for market distribution.<sup>5</sup>

In this region, the land reform of 1945 did not cause significant restructuring, as there were no large estates to divide.<sup>6</sup> The situation of the local society remained much as it had been between the two World Wars. On the one hand, there was a group of small-plot, market-oriented gardeners, while on the other there was also the continued presence of a large group of landless agricultural laborers.

In the second half of 1948, the forced organization of cooperatives began, based on the Soviet model.<sup>7</sup> In socialist agriculture, the place of individual farmers was taken by large-scale plants (*sovkehozes, kolkehozes*) which were based on collective production. As such, the planned economy, based on mandatory plan targets, was spread to agriculture. The compulsory delivery system and policy of price control ensured that the producer (the farmer) kept less and less of the profits made from the product. This was the antithesis of how the specialized gardeners of Szentes, who produced for the market, farmed. It is not surprising that they did not want to give up individual farming for a collective farming. The other significant section of local society, the landless agricultural laborers, took a different view. They saw the cooperatives as an employment opportunity and thus were the major social basis of the emerging world of socialist agriculture. The first cooperative in Szentes was founded in 1948, largely with the participation of prisoners of war returning from the Soviet Union, which is why it was named “Kalinin.”<sup>8</sup>

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5 Takács, “Adatok.”

6 Belényi, “Az alföldi agrárvárosok,” 126–32.

7 Ö. Kovács, “The Forced Collectivization,” 211–21.

8 Mikhail Ivanovich Kalinin was a Soviet revolutionary. The names of later agricultural cooperatives often bore the names of heroes of both the Soviet and Hungarian communist movement. The political radicalism of the poor peasant membership was also reflected in the names like Red Flag, Red Star, Red Dawn, Liberation, etc. The local press (*Viharsarok*) regularly reported on these cooperatives.

At the beginning of the process of forced collectivization, the leadership of the Hungarian Communist party<sup>9</sup> was of the view that three to four years would be enough to force the Hungarian peasantry into socialist agriculture. Due to the resistance of the peasantry, neither the first (1949–53) nor the second (1955–56) collectivization campaigns reached the target goals.<sup>10</sup> After the suppression of the 1956 revolution, in its efforts to consolidate its hold on power, the Kádár government abandoned compulsory deliveries and halted the second collectivization campaign. A large portion of the peasantry took advantage of the opportunity to leave the collective, and the number of cooperative members decreased from 343,000 to 119,000.<sup>11</sup>

While most of the peasantry was leaving the cooperatives at the turn of 1956–57, the gardeners of Szentes decided that they would form a genuine cooperative. On January 27, 1957, 68 gardeners in Szentes established a *szakszövetkezet* (a sort of cooperative).<sup>12</sup> This form of cooperation was quite different from the Stalinist model that was being promoted.<sup>13</sup> The new enterprise brought together its members mainly in the areas of sales and purchasing but allowed them to continue pursue their work in horticulture individually. The gardeners of Szentes quickly responded to the new situation, in which they were no longer obliged to make compulsory deliveries of their agricultural products. Thus, the market economy made a partial reappearance in one of the major branches of the Hungarian economy. The gardeners of Szentes hoped to profit directly from these widening market opportunities without having to rely on purchases by state bodies.

After three successful years, however, the members felt that the cooperative was enjoying less and less political support, especially after the third collectivization campaign was launched in early 1959. After lengthy debates, the best path forward seemed to be to transform the cooperative into an agricultural producer

9 The name of the communist party in Hungary changed several times. Between 1945 and 1948, it was the Hungarian Communist Party (MKP). Between 1948 and 1956, it was the Hungarian Workers' Party (MDP). After 1956 and until its fall in 1989, it was the Hungarian Socialist Workers' Party (MSZMP).

10 Varga, "Three waves of collectivization."

11 MNL OL M-KS-288. f. 28/1957/1. ő.e. (This abbreviation – ő.e. – refers to the so-called "őrzési egység," which was the smallest unit in the archival system of the party records.) Memo on the situation of the agricultural cooperatives and their problems, January 10, 1957.

12 ÁAI, Szentes and its Region Fruit and Vegetable Production & Distribution Cooperative. Box nr.1. Minute of the founders' meeting, January 27, 1957.

13 Chris Hann devoted his book to specific type of Hungarian cooperative model which emerged mostly in regions dominated by vineyards, orchards, or horticulture. In his book, which was written in English, he retained the use of the Hungarian term *szakszövetkezet*. Hann, *Táצלár*.

cooperative.<sup>14</sup> The decision was made at the general meeting of January 27, 1960.<sup>15</sup> Although they could have joined another existing cooperative, as more than ten had been established in Szentes by this point, they decided to establish their own. This made it possible for them to choose their own leadership and keep control over several other essential issues. The investments of the post-1957 period were not lost, as they were transferred to the collective property of the new cooperative. 78 percent of the members of the earlier cooperative joined the Árpád Agricultural Cooperative.

### *What was behind the Socialist Facade?*

When establishing the cooperative, one of the most important tasks was to prepare the charter laying out the ground rules, which were based on the Soviet kolkhoz legal form.<sup>16</sup> For example, the members were obliged to manage their production tools and livestock in a collective form. Another mandatory element was collective labor in the form of brigades and smaller work groups. The cooperative members were given “work units” in exchange for their labor. The “work unit” served as a means of quantifying labor and the foundation of remuneration.<sup>17</sup>

During the first two collectivization campaigns in the 1950s the Hungarian cooperatives were given a model legal framework (charter) all the points of which were mandatory. On the eve of the third collectivization campaign, the Ministry of Agriculture published a model charter which functioned only as a guideline for basic rules, so it provided a degree of flexibility.<sup>18</sup> For example, it recommended the Soviet “work unit” system as the most advanced form of

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14 These debates were reflected in the minutes of the general meetings. ÁAI Szentes and its Region Fruit and Vegetable Production & Distribution Cooperative. Box nr.1. Minutes of general assemblies, December 20, 1959, January 3, 1960.

15 ÁAI Árpád Agricultural Cooperative. Box nr.1. Minutes of the statutory meeting, January 27, 1960.

16 Davies, *The Soviet collective farm*, 131–70.

17 The brigade leaders kept written records in the “work unit” book of how many “work units” a member had earned for work done in the course of the year. At the end of the economic year, the member would be given a share of the cooperative’s income on the basis of this written record. To be more precise, wages were only divided among the members of the cooperative after the cooperative had met its obligations to the state. For a detailed discussion of the problems and failings of the “work unit” system, see Swain, *Collective Farms*, 42–44.

18 Varga, *The Hungarian Agricultural Miracle*, 127–29.

remuneration, but this could be combined with alternative forms of payment. There was also some flexibility concerning household plots.<sup>19</sup>

The membership of the Árpád Cooperative in Szentes took advantage of this opportunity and enacted 14 modifications when writing its own charter.<sup>20</sup> My interview subjects often repeated the words of the former cooperative president László Szabó: “When one can see he needs new clothes, it is best to go to the tailor and have some custom made rather than simply acquire one-size-fits-all, as whatever you get off the rack, it will either be too loose or too tight.”<sup>21</sup> László Szabó himself was a successful and respected gardener, and he thus knew that this branch, which required exceptional attention and expertise, could not be transformed overnight into a completely foreign and unknown labor organization.

What did this mean in practice? The Árpád Cooperative organized mandatory labor brigades, but the members continued to work individually in their own gardens and conducted sales collectively. There was thus no labor supply issue for the cooperative, as members could bring in family members who were not members of the cooperative. The so-called family-farmed horticultural brigade was directed by a respected local gardener, Imre Kotymán. The form in which labor was organized was not the only thing which was adjusted to local farming traditions. Remuneration was also revised, integrating the logic of sharecropping, which created clear incentives.<sup>22</sup>

As part of the efforts to adjust to the main profile of horticulture, an unusual set of regulations was worked out for household plots. Members could choose to request a maximum of 0.5 ha of arable land per household plot. A fraction or complete area of this could be used for gardening, and in these cases, the household plot was calculated based not on area but instead on the number of hot-beds. It is also worth mentioning that the cooperative established a bare minimum number of labor units per household when measuring eligibility.<sup>23</sup>

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19 A cooperative member was permitted to maintain ownership of a household plot not more than 0.57 ha in size. A household was also permitted to have a specified number of livestock.

20 ÁAI Árpád Agricultural Cooperative. Box nr. 1. The model charter of the Árpád Cooperative, 1960.

21 Author's interview with Miklós Csikai, March 12, 2019. Author's interview with Sándor Márton, August 23, 2019.

22 Ferenc Erdei, who was one of the defining personalities of the agrarian lobby, published an article on the incentive system of the Árpád Cooperative. Born in Makó, during his visits home, Erdei regularly stopped at the Árpád Cooperative. Erdei, “A Szentesi Árpád Tsz,” 41–42.

23 Ibid. 43.

In order for the cooperative to be able to adopt this outwardly socialist but inwardly (in terms of several of its elements) individual horticulture system, it had to have the approval of both the city and county party leadership. This was especially significant given that the cooperative president was not a member of the Communist party. The party secretary of Szentés, Sándor Labádi, had a key role. He was present at the cooperative's general meetings and took a proactive part in the debates.<sup>24</sup> With the knowledge he gleaned here, he was able to convince the higher authorities that these local initiatives were not concessions which would allow old-time peasant lifestyles to continue but rather were measures which would contribute to the transformation of the economy. Such local initiatives made continuity in labor-intensive vegetable production possible, and this served the interests of consumers in the cities.<sup>25</sup>

The reason this line of argument worked was that the same approach was being announced at the time at the national level of agricultural policy by the members of the agrarian lobby centered around Lajos Fehér (Ferenc Erdei, Imre Dimény, Ernő Csizmadia, etc.).<sup>26</sup> They supported grassroots initiatives that improved the individual incentives of cooperative members and in turn ensured growth in production. Erdei's research institute, the Research Institute of Agricultural Economics of the Hungarian Academy of Sciences (in Hungarian, Agrárgazdasági Kutató Intézet, or AKI), had been following and analyzing changes in the local practices of remuneration and work organization for years. Based on their studies, Fehér and his group convinced the political leadership to accept these local initiatives in spite of the fact that most of them deviated from the kolkhoz Model Charter. Thanks to the successful mediation between the party leadership and the peasantry, in the first half of the 1960s, more and more local initiatives were transferred from the category of "forbidden" to the category of "tolerated," and this significantly widened the scope of action for cooperatives.<sup>27</sup>

In this atmosphere, after the initial difficulties of the transformation, the leaders of the Árpád Cooperative began to consider the idea of large-scale horticulture. Initially, this was tested only on a restricted area, because they had

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24 ÁAI Árpád Agricultural Cooperative. Box nr. 7. Minutes of the management meeting, 1960–1965.

25 See the article written by the first secretary of the MSZMP in Szentés district. Márton Kurucz, "A zöldségtermesztés nagyüzemi fejlesztése," *Pártélet*, 8 (1963) 2: 72–79.

26 Lajos Fehér had joined the illegal communist movement as early as before 1945. It was at that time that he formed a close relationship with post-1956 party leader János Kádár. Between 1957–1962, Lajos Fehér was the head of the Agricultural Department of the MSZMP's Central Committee. After 1962, as Deputy Prime Minister, he oversaw agriculture. See more on his network: Papp, *Fehér Lajos*, 295–314.

27 Varga, "Agricultural Economics."

difficulty convincing twelve people to work on a trial basis for a year. However, the first year produced such impressive results that in the following year large-scale horticulture was implemented on a far bigger area. The expanding area provided ever more opportunities for the use of machinery. The seedling planting tractor and a modern irrigation system became cost-efficient when used on large territories.

As an effect of the improvements in production and higher earnings, large-scale horticulture became increasingly attractive over the course of the next several years. The 60-person brigade was formed into a well-integrated collective. The wisdom of the cooperative leadership is reflected in the fact that they did not try at the same time to eliminate the family-farmed horticultural brigade. In fact, they even offered support to expand it (more land, irrigation systems, etc.). This group also became more efficient and remained an independent labor organization unit within the cooperative. The two vegetable-producing units recorded their costs and production results separately (i.e. independently of each other), but they competed with each other in production and development. The minutes of the leadership meetings indicate a spirit of competition which motivated both units and led to increasingly impressive results.<sup>28</sup> In 1964, the Árpád Cooperative began regularly to win prestigious national awards. These awards included prizes won at the National Agricultural Fair for products like peppers, kohlrabi, tomatoes, etc. as well as recognition given by the Ministry of Agriculture.<sup>29</sup>

### *The Period of Market Reforms*

In the early years, when there was an actual disjuncture between legal norms and cooperative behavior, practices of “creative disobedience” played a key role. They led to visible results which made the Árpád Cooperative a unique phenomenon among Hungarian cooperatives.<sup>30</sup> In the mid-1960s, the overwhelming majority of producer cooperatives struggled with start-up difficulties, shortages of equipment and labor, and unwillingness to work. The abovementioned grassroots

28 ÁAI Árpád Agricultural Cooperative. Box nr. 8. Minutes of the management meeting, 1966–1973.

29 See the “Chronology,” in Bóth, *“A hagyomány kötelez.”* 265–69.

30 Márton Lovas, “Szövetkezet-vezetés közigazdaság szemlélettel. A szentesi Árpád Tsz eredményei az országos versenyben,” *Gazdasági Figyelő*, June 9, 1965, 8. István Kaczúr, “El lehet érni újabb rekordokat. A paprika- és hagymatermesztésről beszélt Apró Antal a szentesi Árpád Tsz-ben,” *Csongrád Megyei Hírlap*, May 24, 1966, 1–2.



initiatives facilitated the consolidation process of the cooperatives, but there were many villages and smaller communities where local leaders stuck with the Stalinist rules. In coping with the defiance of the provincial party-state, Lajos Fehér and his network tried to create a legal and administrative environment in which the authorization of local initiatives coming from below would be independent from the attitude of the local party-state apparatus. To this end, they initiated a comprehensive agricultural reform program.<sup>31</sup>

As preparations for the general economic reforms progressed in Hungary and the contours of the New Economic Mechanism emerged, the arguments of the agrarian lobby received increasing attention and acceptance. The leadership of the Hungarian Socialist Workers' Party sought a solution through a new system of economic management, one which combined planned and market economies. In an interview on precursors to the New Economic Mechanism, Economic Policy Secretary of the Central Committee Rezső Nyers indicated that the agricultural reform “had already addressed the questions of the economic mechanism from the agricultural perspective.”<sup>32</sup> This is largely explained by the fact that, since the abolition of the compulsory delivery system in November 1956, a significant amount of experience with market incentives had been gathered. Among the many reform steps in agriculture, I will mention here only those that affected the functioning of cooperatives. The cancellation of machine-tractor stations in 1965, the write-off of debt, and an adjustment of the pricing system in 1966 all meant that the dismantling of the Stalinist system of socialist agriculture had begun.<sup>33</sup>

In the fall of 1967, Parliament accepted two laws which defined the economic and social relations of agricultural cooperatives for the next twenty years.<sup>34</sup> The new legislation incorporated the fruits of successful collaboration between the politicians and high-level administrators in the agrarian lobby and the agrarian economists. Law III on agricultural producer cooperatives aimed to resolve the duality which had arisen from the discrepancy between producer cooperative practice and the legal regulations in force. The abovementioned “tolerated”

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31 Varga, *Az agrárlobbi*, 121–40.

32 Ferber and Rejtő, *Reform(ív)fordulón*, 20.

33 MNL OL, M-KS 288. f. 28/1966/8. ő.e. Submission on the guidelines of the new law on cooperatives. September 23, 1966.

34 Fóris, *Mezőgazdasági termelősövetkezeti törvény*.

local practices, especially in the areas of remuneration, work organization, and household plot farming, were finally “legalized” in 1967.<sup>35</sup>

What did this significant shift mean for the life of the Árpád Cooperative in Szentes? Cooperative president László Szabó summarized this for the members as follows:

In the period of direct control, the state dictated the resources that the cooperatives would receive, specified how much they could produce and what they could produce, and stipulated who they could produce for and what price they could sell at. Whatever income remained was distributed to the members after public debts had been settled. Development was precisely dictated and had to be financed through credit, as the farms lacked their own funds at the time.

Indirect control caused an enormous change, given that within a regulatory framework, the collective’s leadership itself defined what it would produce, and at the time could choose for whom and for what price. Income covered costs, and members were given shares based not only on the proportion of their contributed labor: members could define their development from funds collected from their own income.<sup>36</sup>

For the cooperative, 1967 was truly the beginning of a new era. This was apparent in modifications made to its production system. Earlier, it had been forced to produce certain products in the name of “the expectations of the peoples’ economy” or “supply responsibility,” regardless of economic common-sense. Had these decisions been left to the cooperative membership or leadership, they would have been made differently. The Árpád Cooperative, which was based on horticulture, had become something of a “variety shop” by the 1960s. The expectation that all agricultural cooperatives produce meat and bread applied to them and to all other cooperatives.

In addition to horticulture, the other two main branches of the cooperative were cropping and husbandry. As of 1968, both could be rationalized in accordance with local conditions. A few plant types that were produced just for “the interest of the peoples’ economy” were phased out of the plant sector. And as pig breeding and shepherding were de-emphasized, the development of turkey and goose husbandry was brought to the fore.<sup>37</sup> The guiding principles in the structuring of activities were profitability and increased efficiency. Taking

35 Varga, *The Hungarian Agricultural Miracle*, 190–95.

36 ÁAI Árpád Agricultural Cooperative. Box nr. 2. Minutes of the year-end assembly, January 19, 1970.

37 Csikai et al., *Ötven év tükrében*, 24.

advantages of opportunities in Law III of 1967, the Árpád Cooperative began expanding so-called supplementary activities falling outside its core agricultural activities (e.g., hiring out transportation and producing in-house animal compound feed). The most dynamically growing unit was the cooperative's construction brigade. While earlier the execution of investments required waiting for state construction firms to schedule, from this point on, the farm provided its own construction crew.<sup>38</sup> A 20-hectare greenhouse covered by polyethylene sheets was constructed between 1969 and 1971. In 1972 a 6.5-hectare glass greenhouse area was completed. (Today this is called the “old yard.”) The first modern turkey plant in the Árpád Cooperative was built between 1973 and 1976. In the last third of the 1970s, two large investment projects were carried out. One involved the construction of a 13.6-hectare glass greenhouse yard between 1977 and 1980 (the new yard), and the other was the creation of a new office center.<sup>39</sup>

Market reforms enabled the cooperative to manage the goods it produced, i.e., they gave the cooperative the opportunity to conduct sales. Corporate clients from this point on had a direct relationship with the cooperative, and the “tutelage” of local councils came to an end. Cooperatives could sell goods produced collectively or on household plots both to corporate purchasers and retailers, food industry companies, and foreign trade companies. This was called the multi-channel sales system. Furthermore, the cooperatives could open their own shops in which they could sell their goods.

In the new economic environment after 1967, the “creative disobedience” of the early years turned into a situation in which the cooperative was technically sticking to the new Cooperative Law but was pushing the regulations to their limits. Below, I will present examples which show why this was necessary.

### *The Human Factor*

The Law III of 1967 created an entirely new situation for the cooperative membership by cancelling the “remainder-principle” income distribution system inherited from the Stalinist *kolhoz*. While earlier, the cooperatives had only been able to pay their members after they had met their obligations to the state, beginning in 1968, they could count payment for labor during the season as a production expense. Payment, as such, thus took priority over state budget

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38 Ferenc Cserkúti, “Merész tervek Szentesen. A termálvízzel fűtött üvegházak nagy hasznot hajtanak,” *Népszabadság*, April 7, 1970, 9.

39 See the “Chronology” in Bóth, “*A hagyomány kötelező*,” 265–69.

receivables and the payout of material expenses. As a result, for the first time in their lives, cooperative members were paid a predetermined and guaranteed sum and, in proportion with the work performed, were regularly and continuously paid wages. The stabilization of incomes situation increased the attractiveness of the cooperative sector. While in the years of collectivization and even later migration from the agricultural sector was significant, by the late 1960s, the process had reversed and workers were beginning to return to agriculture.<sup>40</sup>

By the end of the decade, the increasing appeal of the Árpád Cooperative is shown in the fact the farm could hire people for a trial period.<sup>41</sup> After one or two years of employment, a decision was made on whether to offer a given employee membership. (The status of member had several advantages which were not available to employees.) The trial period thus served as a useful filter in the interests of creating a quality labor pool. For this reason, the fact that all cooperatives in the socialist period had employment duties throughout (meaning they were forced to employ all applicants) is worthy of attention.

In terms of the renewal of the labor pool, a new tendency emerged, whereby an increasing number of the children of cooperative members considered joining the cooperative. László Szabó proudly reported on this during one of the general meetings:

[T]he children of the cooperative members are knocking on the door. It is as if the ice has broken, as if they have tossed aside the old habit of the children of cooperative members becoming industrial workers only; they are coming and applying. We accept these young people as members, so that using the property their father gathered they may learn to farm. With the entry of young people, new needs will appear for culture, sports, kindergartens, but in the future we will spend on this from our income, which we earned together!<sup>42</sup>

Examining the social base of the cooperative, we see that scholarships were offered to those who continued their education in agricultural faculties on the condition that they work at the cooperative after graduating. Young married couples received support to build homes (interest-free loans), and later a separate financial fund was created for this purpose. This all helped ensure that experts with higher education would gladly settle in Szentés. In the 1970s,

40 *Mezőgazdasági Statisztikai Zsebkönyv*, 230–31.

41 Márton Lovas, "Egy zárszámadás margójára," *Gazdasági Figyelő*, February 10, 1971, 10.

42 ÁAI Árpád Agricultural Cooperative. Box nr. 2. Minutes of the year-end assembly, January 27, 1973. 2–3.

retiring members who had a past of individual gardening and experience were replaced by young people with degrees from universities and colleges.<sup>43</sup>

In the 1970s, several cooperatives in the country experienced changes in the post of president. Many of the “founding fathers” with peasant roots stepped away from the position of president at this time, as they felt they could not keep up with accelerating developments.<sup>44</sup> László Szabó, who was born in 1910, was able to keep pace, and he surrounded himself with young experts. He was an outstanding team builder. This characteristic is reflected in the following anecdote: during his 25-year term (1960–1985), he was often asked what the secret to being a successful cooperative president was. His answer was, “the most important thing is to make sure that the branch managers do not provoke fights with one another!”

In the 1970s, with a well-trained pool of experts, the Árpád Cooperative entered a new period of growth. Their vegetable production took place in three different types of greenhouses:

- By the end of the decade, the area of its glass-covered greenhouses reached 27 hectares;
- An additional 48 hectares of greenhouses were covered with polyethylene sheets with their own heating systems; and
- 41 hectares without heating systems.<sup>45</sup>

At that point, the cooperative already had twelve thermal water wells. After the 1973 oil crisis, while energy costs soared, the value of local energy sources increased. These were used in several ways in local farming. Glass and foil greenhouses were heated using local energy sources, as was the turkey plant and, later, the grains drying facility.<sup>46</sup>

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43 At that time, the following people began working at the Árpád Cooperative: Gábor Hegedűs (seedling production), Levente György (livestock breeding), and the future president, Dr. János Lóczi (horticulture). Plant protection emerged as a new branch, led by plant protection engineer István Csölle.

44 Juhász, “Az agrárértelmiség szerepe.”

45 Csikai et al., *Ötven év tükrében*, 28–31.

46 József Tóth, “A termálenergia komplex felhasználása a szentesi Árpád Tsz-ben,” *Csongrád Megyei Hírlap*, February 6, 1974, 3.

*Cooperation in Research, Development, and Consulting*

At the time of the New Economic Mechanism, the leadership of the Hungarian Socialist Workers' Party recognized the necessity of opening to the West.<sup>47</sup> Thanks to the agrarian lobby, large-scale agricultural farms played an intensive role in knowledge and technology transfers.<sup>48</sup> Hungarian cooperatives adopted industrial-like closed production systems from capitalist countries. After livestock breeding and cropping systems had been transformed, in the mid-1970s, a large number of horticulture production systems also began to undergo change.<sup>49</sup>

In order to launch effective development within horticulture, three conditions had to be met. Experts familiar with the most up-to-date production procedures had to be available, people were needed who had production experience with new methods, and the sector had to be able to acquire necessary funds. The system organizer accepted responsibility for working out industrial-like technological solutions and continuously developing them. Furthermore, he was responsible for technically adapting the systems for adjoining member farms, in accordance with local conditions. Local expert consultation was also continuously provided.<sup>50</sup>

One of the basic conditions for the dynamic development of horticulture production systems was cooperation among people involved in research, education, and consulting. Under the chairmanship of Professor László Koródi, the Department of Vegetable Production at the Horticultural University worked on plant breeding, the training of expert engineers, and the installment of a professional advisory system, which was an enormous boon to transitioning production systems. He worked particularly closely with the Árpád Cooperative.<sup>51</sup>

The technical development launched in the early 1970s caused deep-rooted changes in production, as the increased use of machinery and chemical materials led to the introduction of new breeds and new agro-procedures. After the end of World War II, the technology of greenhouse construction developed rapidly, especially in the cold countries of Western Europe. The Netherlands turned out to be the market leader. Although Hungarian cooperatives could import

47 Germuska, "Failed Eastern Integration."

48 The Bábolna State Farm led by Róbert Burgert played a crucial role in the early phase of the technology transfer. András Schlett offers a well-articulated analysis. His monograph covers the whole socialist period of the Bábolna State Farm. Schlett, *Sziget a szárazföldön*, 35–45.

49 Varga, *The Hungarian Agricultural Miracle*, 201–12.

50 Csikai, "Kertészeti termelési rendszerek," 109–13.

51 *Ibid.* 114–15.

greenhouses mainly from East Germany, horticultural experts regularly took part in study tours in Netherlands.<sup>52</sup>

### *Cooperation in Sales*

As noted above, according to the 1967 Law on cooperatives, the farms themselves chose how to sell their products. Furthermore, cooperatives selling vegetables and fruits were given a free hand in setting their sale prices. A reader today gets a sense of the significance of this by recalling that one of the most important characteristics of the planned economy was the system of centrally determined fixed prices. The New Economic Mechanism reformed this approach by introducing a three-pronged pricing system: prices set by the state were accompanied by prices that could fluctuate within a spectrum set by the authorities and also free market prices, which were determined solely by supply and demand.<sup>53</sup>

From January 1, 1968, fruit and vegetable prices were also included in the free price category. Numerous barriers to the actual emergence of market logic remained, however. One of the most important of these barriers was the fact that the storage and transport infrastructure remained in the hands of the Zöldért enterprises, which thus continued to purchase the dominant share of produce.<sup>54</sup> Prices exercised a defining influence here too. Formally, Zöldért enterprises did not have a monopoly position, but they nevertheless dictated prices, and their profits depended on the price differential between consumer and producer prices, which could amount to a difference of two or three times. Thus, they could generate a significant income by doing nothing more than buying products and selling them to the enterprises with retail networks, such as Közért and Csemege. Their interest was in maintaining this price differential rather than in maximizing sales, and they were protected by their de facto monopoly. Such a system, in which their interests were separate from those of both producers and consumers, was especially harmful in the case of early season vegetables. At the

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52 After receiving his university degree in 1966, Miklós Csikai worked for a year at the Naaldwijk Research Institute in the Netherlands and at private gardeners in Westland. Author's interview with Miklós Csikai, March 12, 2019.

53 Pető and Szakács, *A hazai gazdaság*, 433–39.

54 Among the state purchasing companies, its profile consisted of trading vegetables. This is what its name suggests, which is a kind of abbreviation of “vegetable sales.” It had a countrywide network.

end of the rather lengthy product chain, this system had negative consequences for both producer and consumer, albeit in different ways.

The conflict between the Árpád Cooperative in Szentes and the Zöldért company of Csongrád County would merit a separate paper. In an interview with me, Dr. Sándor Márton, the chief accountant of the cooperative, stated that as early as the 1960s he and other members of the cooperative leadership had advocated for the removal of this unnecessary and costly middleman.<sup>55</sup> As a result of the market reforms of 1968, the legal framework was established, and the leaders of the cooperative launched an effort to attain wholesaler rights. This required finding allies at the highest levels. Imre Dimény, Minister of Agriculture and Food, played a decisive role in this.<sup>56</sup>

At the initiative of the Árpád Cooperative, the so-called Early Vegetable Production System was established in 1975. In addition to production, it dealt with several kinds of sales based on common interests. The Early Vegetable Production System of Szentes covered glass greenhouses, heated and unheated plastic foil greenhouses, and early outdoor/open-air production.

Initially, the initiative had two partners. Within five years, there were eight, and two years later, there were twenty. By this point, the Early Vegetable Production System covered three counties (Csongrád, Szolnok, and Bács-Kiskun). It is important to add that the system covered 20 farms and 3,500 household gardens and small-scale producers.<sup>57</sup> The Árpád Cooperative played the role of gestor in the Early Vegetable Production System. It provided know-how and the production technology for certain varieties of sprouts to member farms. In order to be able to share the best technology, it established cooperation with the Horticultural University and the Consulting Service of the Vegetable Production Research Institute. The consultants of the Early Vegetable Production System offered assistance not only in the field of production technology adaptation, but also in compliance, with weekly visits to the member farms.<sup>58</sup>

The integration of production entailed cooperation among the members of the Early Vegetable Production System in the field of purchasing, given that in vegetable production, systems increasing volumes of seeds and consultancy had to be acquired, as did plant protection materials, machinery, and parts.

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55 Author's interview with Sándor Márton, August 23, 2019.

56 Author's interview with Imre Dimény, February 9, 2010. (Author's files.)

57 Vilmos Taba, "Fóliás tájakon, IV." *Hajtatás, korai termesztés* 11, no. 1 (1980): 20–27.

58 Csikai, "Kertészeti termelési rendszerek," 110–12.



Regarding joint interests in sales, its essence lay in the fact that the member farms, unlike when dealing with Zöldért, did not calculate vegetables by the percentage of price gap but instead based on joint decisions defining the commercial costs per kilogram of product. They held that the greatest success in their first year was the sale of vegetables for 58 million forints at a cost of only 2.1 million Forint, which represented 3.6 percent of gross value: “those participating in the system had never conducted commerce this cost-efficiently.”<sup>59</sup>

By the mid-1980s, the Early Vegetable Production System had established contractual relationships with 46 companies and twelve private traders.<sup>60</sup> Early Vegetable Production System trucks made weekly deliveries to Szombathely in the same manner as they did deliveries to the ÁFÉSZ chain of shops in Nyíregyháza. The outstanding quality of the vegetables is reflected in the fact that there were private commercial partners who were willing to travel as much as 330 km in their cars from Nagykanizsa to pick up produce.

It is also interesting to note how, in the communication networks of the time (when computers were not in use), it was possible to harmonize the production and sales processes of several primary products. Dr. Miklós Csikai, who directed the Early Vegetable Production System from 1983, summarized this in the following way in an interview:

The branch managers of the member farms met at least three to four times a year for a discussion, the goal of which was to develop the plan for the next year. These are then the circles of customers, which currently stand at several hundred small and large companies, economic units, and stores. In this way, the annual quantities of given products and given cooperatives develop, and the production system ensures them secure sales. Knowing this, the given cooperatives put together their final production plans, with attention paid to the household greenhouse producers with contracts. Everything counts: type, quality, quantity, and time of delivery handled by the production system, but in the meantime they are informed about demands.

The contracts lay all this out in precise detail. Based on them, work begins in the glass and plastic foil greenhouses. Later, throughout the year, they always know precisely how much produce to sell, in which week, and on which exact day.

Every Wednesday at 10:00am, the representatives of the member farms involved in common sales meet in my room and calculate the

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59 ÁAI Árpád Agricultural Cooperative. Box nr. 2. Minutes of the year-end assembly. February 7, 1976. 8.

60 “Termelőszövetkezeti zárszámadásokról jelentjük”, *Csongrád Megyei Hírlap*, February 7, 1987, 1–2.

quantity of goods, with a daily breakdown, which are offered up for joint sale by the various cooperatives. This is very precise data, and that is necessary, as our sales division can only come to agreements with various buyers with this knowledge in hand.<sup>61</sup>

Before my reader forms a utopian notion of the functioning of the socialist vegetable market, let me note that the “state of war” with Zöldért lasted throughout the period. I offer a few examples of this conflictual relationship. The Early Vegetable Production System carried out significant exports. For example, they controlled 90 percent of all exported green peppers. Produce for export was transported in refrigerated wagons. They were stacked at the Zöldért side tracks by the System’s own workers, meaning the Zöldért employees never touched the produce. However, Zöldért charged a disproportionately high price per 100 kg. There were also constant conflicts in domestic commerce. A warehouse was rented from Zöldért for which the company charged ten times the normal rate. Ministerial mediation between the parties was in vain, and the conflict only began to subside at the end of the 1980s, when the Zöldért company of Csongrád county signed a cooperation agreement with the Early Vegetable Production System. The 1987 agreement laid out the following goal: “with an eye on common interests to create the conditions for fruit and vegetable production in the region, a unified distribution system, and at the same time a more efficient operation of the tools created for this purpose and in the hands of Zöldért.”<sup>62</sup> Every word was justified and would have been appropriate earlier as well, but the agreement came too late. The agreement was quickly made redundant by the regime change. In the end, the Árpád farm bought Zöldért’s former facility.

### *After the Regime-Change*

In Szentes, the year 1990 marked not only the change of regime but also a change in the post of president. Dr. János Lóczi, who had succeeded László Szabó in 1985, resigned from his post. The membership elected as president Dr. Miklós Csikai, the director of the Early Vegetable Production System.<sup>63</sup> His leader mentality and approach were of vital importance during the transition. As

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61 Benedek Tóth, “Nagybani piac Szentesen. Sikeres a primőrök termelői értékesítése,” *Népszabadság*, July 31, 1984. 5.

62 ÁAI Árpád Agricultural Cooperative. Box nr. 14. Minutes of the management meetings, October 16, 1987.

63 Csikai et al., *Ötven év tükrében*, 28–31.

he explained in our interview, he spent most of 1992 sitting down with people to discuss the future of the cooperative.<sup>64</sup> Based on experience he had gained in the Netherlands, he was able to explain how cooperatives could have a legitimate role in the market economy. The players in horticulture could only reduce their vulnerability to powerful commercial chains and suppliers by working together. Although each member could have claimed property valued in the millions of Forints, in the end, only 27 of the 1,024 members indicated their intention to quit the collective.<sup>65</sup> This number meant that an absolute majority of the members recognized that in the interests of the efficient use of accumulated property and employment for about a 1,000 people, they should remain together and continue to work together.

At the end of the 1990s, the Árpád farm underwent another organizational change. Given the agricultural policy climate of the time, those functioning as collectives had limited opportunities. In 1999, the Árpád cooperative, like many other cooperatives, decided that it would transform into a joint stock company.<sup>66</sup> A mission statement from this time makes clear the importance of continuity in the value system:

Mission: Our tradition-respecting, capital-strong stock company, with its team of well-prepared experts, will satisfy and meet the expectations of consumers and their needs, serve its partners, stockholders, and employees with forward-thinking, market-sensitive planning, detailed quality work and outstanding products and services.

Vision: Árpád-Agrár Ltd. as a stock company which works in harmony with its environment, respects traditions, has widespread international business relations, and is known in Europe and across the country.

Producing branded products on an outstanding organic foundation, with up-to-date technology, at a world-class level, which meet the strictest food-security standards and consumer demands. From producing basic materials to the final product, with processes built on one another, and with the services we deliver to ensure the full satisfaction of customers and stable and high profits. Playing an integrating role in the region, the company provides a stable living for several thousand families. We serve as an example in our use of high-level horticultural technology which is environmentally friendly.

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64 Author's interview with Miklós Csikai, March 12, 2019.

65 ÁAI Árpád Cooperative. Minutes of the transformation assembly. August 7, 1992.

66 ÁAI Árpád Cooperative. Box nr. 1. Minutes of the general assembly. September 10, 1999.

Responsible and risk-assessing management, highly trained employees, and the company's retirees are all proud of the Árpád name, identify with its goals, and are satisfied individuals.<sup>67</sup>

*Translated by Frank T. Zsigó*

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