

POSSIBLE WAYS OF MARKET COORDINATION AND INTEGRATION IN THE HUNGARIAN DAIRY SECTOR

by

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Abstract

The dairy sector is one of the most critical sectors in Hungarian agriculture, where independent, privately owned farm organisations cannot countervail the market power of their business partners (processors). In theory, co-operatives and producers' groups are able to strengthen the position of farmers during price negotiations. The main aim of our paper is to show theoretical and practical possibilities for establishing private (market) coordinating organisations in the Hungarian dairy sector. We summarise the different coordination structures using a SWOT analysis, for which we assumed two theoretical situations: first, when the coordination is initiated by the processor and, second, when it is initiated by farmers. At the end of our paper, we present the successful case of the Hungarian Alföldi Tej Kft. (Alföldi Milk Sales and Supply Ltd.) which is a good example of vertical integration in the dairy chain, based on the horizontal coordination of farmers as initiators.

Key words: Dairy sector, contractual relations, SWOT analysis, governance structure, vertical co-ordination, producers' group, co-operation.