

# Risk Management of Outstanding Debts in the Agriculture Sector with Particular Regard to the Application in Central Europe, on the Example of Hungary

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**Abstract** – This study deals with the management of the outstanding debts that evolved as a consequence of financing provided both by the banks and the integrators, since the development and the management of the claims and non-performances are practically independent of the form of funding. Therefore one of the major problems in this field is the development of outstanding debts and their appropriate management in Hungary, but also in other EU member states that time. The associated risk has been extremely high (and it is high even today), even for the large companies and large farmers. Some of the banks and primarily some of the integrators backed up by foreign parent companies have not taken this into consideration and are not paying due attention to this aspect even today. Some proven and successful solutions are presented in this study in this regard, among others the study presents proposals for applying the method of the so-called “Standing Crops” for collecting the debts. The essential aspect is the fact that collection is definitely a commercial work, a commercial work that may be facilitated by good and smart legal and financial arrangements

**Keywords** – Agriculture, Receivables, Debt Collection, Standing Crop, Inputs, Cultivation Contract.

## I. INTRODUCTION

This study also deals with the management of outstanding debts<sup>1</sup> that have evolved as a result of bank and integrator financing since the development and management of claims and non-performances is practically independent of the form of funding. It is important to note that in the case of bank financing the banks stipulate the existence of absolute direct surety provided by the integrator company, and if the farmer does not perform, they will call down this surety. Therefore collection has to be done by the integrator enterprise, the same way as in the case of integrator funding. Usually the integrator enterprises apply both funding forms, that is, in the case of a specific buyer they either use bank or integrator funding. The advantage of bank funding is the possibility of using the guarantee of Credit Guarantee joint-stock company, while its disadvantage is that the integrator enterprise is separated from the buyer both as regards time and contact keeping, since the financing bank enters the picture, which otherwise passes over the non-performance of the farmer with the absolute direct surety. This type of conduct of the banks is otherwise natural

<sup>1</sup>[22]

under the conditions of a market economy<sup>2</sup>.

Unfortunately it is also characteristic that the banks in order to reduce their risk over-insure their disbursed credits<sup>3,4</sup> by demanding multiple coverage. The farmers are not aware of the fact either – in this regard the rules of the market economy have to be learnt – that the credit providing bank may stipulate prompt collection among the collaterals, and the bank may enforce prompt collection over the bank accounts and/or the business stakes of the debtor. In the lack of an agreement of this kind the financial institution may act only on the basis of the law or a court verdict.

The objective of the study is also to determine the reasons for the emergence of accounts receivable, mainly in Hungary. But my objective was therefore also general relationships at international level to show. Another objective of the study was to give means and methods for reduction of receivables, both in Hungary, as well as possible in Central and Eastern Europe.

## II. THE AGRARIAN BUSINESS SITUATION IN HUNGARY AFTER THE POLITICAL REGIME TRANSFORMATION

The situation of agriculture changed in Hungary at its roots in the past 25 years. At the time of the political regime transformation the operation of farmers' co-operatives were characteristic which fought always with a permanent lack of capital, but nevertheless which tied down significant areas and a significant workforce. This was the time when the agricultural small entrepreneurs<sup>5</sup> appeared on the market, who just started their businesses, practically without any own assets and own lands, who did not have sufficient expertise either. In the case of these small entrepreneurs the forced nature of entrepreneurship, and in a number of cases the wish to become rich fast and in connection with this the “special interpretation” of the laws and contracts can be observed.

The previously most characteristic producing units, the co-operatives have been gradually terminated during the time that passed since the political transformation. A clarification process had been started, which led to a bidirectional change.

<sup>2</sup>[8]

<sup>3</sup>[23]

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On one hand forced enterprises were created from the co-operatives terminated, which do exist on the market even today, which with their lack of capital significantly hinder the stabilization of paying discipline and paying intentions. These former agrarian workers promise that they will bring in the future even the rental fee of land, and they have some assets saved from the co-operatives and sometimes they operate even today with old, useless, practically valueless power machines of the socialist era.

Simultaneously with the appearance of the forced entrepreneurs, large farmers entering the market could be also witnessed<sup>6</sup>, even though this was restricted only to a few persons in each settlement. This more well-to-do class usually had its own asset portfolio, which contained in addition to worn assets new agricultural means of production as well, usually financed from borrowed funds. These assets were primarily high performance power machines or other agricultural machines purchased in the framework of financial leasing, in addition to which they also included dryers, former co-operative warehouses, farms that were concentrated in the hands of individuals, usually with several hundreds of hectares of cultivated land.

In addition to the forced entrepreneurs, who evolved from the former agricultural workers and the group of large farmers the evolution of a third group may be also observed by today. This is practically the group of large company agricultural entrepreneurs operating with significant capital concentration, the capital of which is usually not coming from agriculture, but brought by owners coming from other fields of the economy, by parties who wish to invest their capital into agriculture.

However, the land ownership relations have not been clarified in Hungary until today, which means that the lands are owned by many partial owners, the ownership of land is scattered. The rather tangled ownership structure and usage relations makes the situation even more complex. This is also supported by the fact that in spite of the continuously increasing value and price of the land in our country, they are far from approaching the European Union level. The widely spread common ownership forms and the difficulties of establishing independent real estates, the collateral function of land real estates and agricultural building real estate's may be also questioned, since in the case of an auction usually it is difficult to sell them. Only a fragment of the market value and sales value that is accepted and acknowledged by the public belief may be enforced on the occasion of an audit because of the ownership relations.

It is important to highlight that the presence of the Hungarian state on this market is considered significant even by the EU players due to the pre-emption right of the National Land Fund, but the presence of the state is also reflected by the existence of the subsidy system operating within the agricultural sector<sup>7</sup> (land based subsidies, machine subsidies, integrator interest rate subsidies, etc.), but a similar influencing impact is exerted by the

guaranteed purchase prices and public warehousing as well. As a consequence of all the above it is possible to acquire the utilization rights of cultivatable land areas relatively easily and cheaply in Hungary today, but to form independent contiguous lands is practically impossible. Therefore this latter one is not targeted by the agricultural enterprises, they rather target the development of the asset portfolio, for which it is possible to get significant state supports continuously and from different sources.

These developments have been realized inevitably from foreign resources and partially from state support after the political regime transformation, with a far higher security than previously, which has brought with itself the frightening nightmare of the collapsing of the co-operatives and a significant number of spectacular failures and bankruptcies.<sup>8</sup> The risk is still big in the large company sector and the large farmer sector, however some banks and primarily integrators having a foreign parent company back-up do not pay due attention to this<sup>9</sup>. For the forced entrepreneurs the only strategy available continues to be the strategy of survival and not the strategy of development<sup>10</sup>.

The integration<sup>11</sup> and asset developments in the case of using bank credits may be partially covered by Credit Guarantee joint-stock company, but obviously outstanding debts cannot be regenerated, that is, the crediting losses of bank financing may lead to the termination of the additional guarantees. The biggest problem of bank credits is the fact that the average lead time of drawing credits is 5-6 weeks according to the data provided by the financial institutions, but in the case of different application deficiency remedies (provision of missing documents, guarantee applications) the lead time may be extended up to even several months, and the credit is disbursed to the applicant only after this. This delay for example in the case of an application for a credit requested for sowing seeds may even make a company bankrupt, but the situation is similar if the disbursal of credit required for diesel oil requested at the time of harvest is delayed. In spite of the above difficulties the economic policy of the second Orbán government achieved the promised successes as regards both the entire economy and the agrarian economy by the last quarter of 2013 (3.2 %). In year 2014, as it is known a spectacular GDP increase took place in Hungary (3.6 %) throughout the entire year.<sup>12</sup>

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Figure 1. The increase of GDP in Hungary in Quarters 1-4 of year 2013, X= Q1-4, Y= %

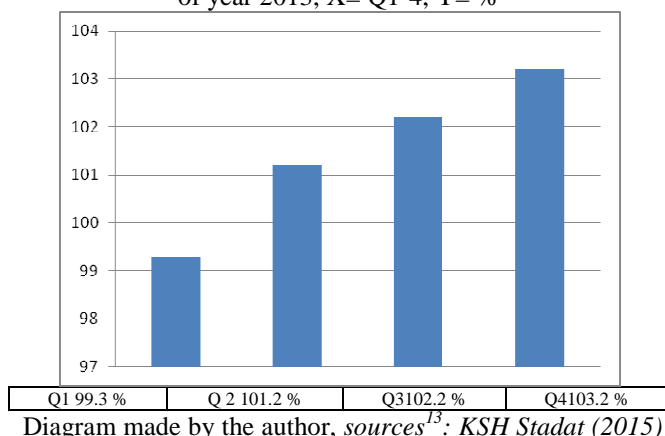


Diagram made by the author, sources<sup>13</sup>: KSH Stadat (2015)

In year 2014 the economic growth achieved in the last quarter of 2013 has been sustained in Hungary, it even increased. It seems that the economic policy of the government matured. Naturally sustaining economic growth in Hungary depends on additional measures.

In year 2014 the economy of the 28 countries of EU grew altogether only with 1.2 %. Hungary with its performance became one of the top runners throughout the entire year.

Table 1. The growth of some EU countries in 2014, %

	Country	
1	Austria	99.8 %
2	Poland	102.9%
3	Lithuania	102.4%
4	Malta	104.0%
5	<b>Hungary</b>	<b>103.6%</b>
6	Germany	101.6%
7	Average of the EU (28 countries)	101.2%

Table compiled by the author, sources<sup>14</sup>: KSH Stadat(2015)

The development of agriculture has been even more spectacular in the recent years.

Table 2. Contribution of Hungarian agriculture, forestry, fishery to the GDP, at the average price of 2005 (at market procurement price), million HUF

2012, Q1	2012, Q2	2012, Q3	2012, Q4	Total
161 111	136 944	134 777	139 706	572 537
2013, Q1	2013, Q2	2013, Q3	2013, Q4	Total
159 584	165 034	169 178	165 080	658 876
2014, Q1	2014, Q2	2014, Q3	2014, Q4	Total
173 921	191 509	191 240	184 890	741 559

Table compiled by the author, sources<sup>15</sup>: KSH Stadat (2015)

Compared to the end of year 2012 (1) the contribution of agriculture, forestry and fishery to the GDP increased with 15 % by the end of year 2013. Compared to the successful agricultural year of 2013 the GDP of the sector was able to further increase in year 2014 also (3), with more than 12.5 %. The development of the sector continued in the beginning of year 2015 as well.

The integrators mostly owned by foreigners, who did not have sufficient experience and/or who did not exploit the local experiences, but of course occasionally the Hungarian integrators as well, independently of the above growth, have got into such an outstanding debt trap, which caused them serious losses, and they were able to save or will be able to save a part of their capital only with hard work.

### III. INTEGRATORS OWNED BY FOREIGNERS AND THEIR INTEGRATOR CONTRACTS

The essence of the operation of the integrator companies is that they also do make available input materials to the agricultural entrepreneurs, in addition to signing production and delivery contracts. They actually provide a kind of product credit, which may be manifested in the form of sowing seeds, fertilizers, insecticides and diesel oil. Occasionally parts or even machines may be the subject of the product credit. The farmer using the input materials produces crops, which may be for example wheat, barley, malting barley, sunflower, rape or maize. The farmer is obliged to sell the crops to the integrator at the contractual price.

In a lucky case the value of the crops covers the price of the input materials, the interest rates, and the transport costs and it also provides a profit for the farmer. 40 % of the interests is refunded by the state in the form of interest rate subsidies, this is the way the state makes the farmer and the integrator interested in production. The profit of the integrator is generated primarily through the selling of the input materials, and the profit of this depends on the quantity of the input materials the integrator is able to purchase from the manufacturers. The bigger the quantity purchased, the bigger the discount the manufacturers provide, and this therefore may increase the price difference between the procurement price and the retail price, that is, the price gap of the integrator. It has to be noted that the foreign integrator companies could not exploit their advantages offered by their international set-up in respect of procuring the input materials, since the transport cost of bringing the input materials from abroad would have surpassed anyway their price advantage, and on the other hand it is possible to sell in Hungary only products that have domestic licenses for example in the case of insecticides and fertilizers. In the case of local procurements the foreign integrators had to endure a disadvantage, since for a smaller turnover a smaller procurement discount is due everywhere in the world.

The integrators appeared on the above introduced market, including also companies owned by foreigners at the time when the majority of the farming co-operatives had been still in operation, but these co-operatives had

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been already facing significant problems. The agrarian structure that existed at the time of the political regime transformation had been taken into consideration by the foreign integrator companies as the basis of their business models, that is, their target group was represented by the larger sized farm co-operatives that still existed on the market when the integrators entered the Hungarian markets. The companies that had been on the way to being dissolved, lacking capital did not object to the product credit injections that were offered by the integrators. In addition to this the local Hungarian integrators thanks to their market insight financed the better buyers. Therefore for the foreigners entering newly the Hungarian market increasingly only the bad buyers were left, buyers, which already carried with them the debts of several years, which were near to being liquidated.

This was going hand in hand with the euphoria of the companies owned by foreigners, when in the period of disbursal they saw that they are able to realize a huge turnover. Soon they reached and far exceeded even the value of 10 billion HUF, however the payment of the receivables could not keep abreast with this turnover, and thus a huge chaos evolved involving a large number of non-paying buyers. The main problem was the fact that the integrators conducted their deals through a relatively non-demanding contractual arrangement, the so-called integrator contract, which did not meet the requirements of the time, which contained contractual collaterals that were practically inappropriate for protecting their economic interests.

The profit is even more modest in the crop trade than in the case of the input materials<sup>16</sup>. Even together with the integrator interest rate discounts obtained, a negative interest rate difference could be achieved, if the integrator financed its product placements with credit. Therefore the commercial model of the foreign integrators was producing deficit from the start due to the high bank credit interest rates and the relatively smaller procurement volume.

However, the main problem is not this, but the generation of outstanding debts. The foreign integrators soon realized that their product credits placed on the basis of inappropriately secured integrator contracts had been frozen, the farmers did not deliver. When they tried to enforce the prompt collection registered they already found empty bank accounts. The filled-in bill of exchanges were also returned with an "uncovered" comment. They were unable to enforce the crop pledges, because the farmers were often able to dodge performance in a certified manner (with reference to damages caused by wild game, drought, or flood). There were agricultural years, when certain areas were hit first by a drought and then by a flood as well. But the farmers also tried to find other legal titles. Many farmers did not deliver, because they thought that a purchase price corresponding to the commodity exchange price reduced with 10 percent was insufficient, and this was the argument on the basis of which they dodged performing the contract.

Therefore an integrator contract had to be created, in the case of which in addition to the crop pledged the implementation of the deal was also secured with a movable property mortgage, and above a certain amount limit by a real estate mortgage as well. The farmer had to be also obliged to deliver the crops unconditionally at the defined price, by closing the so-called loopholes of non-performance. The new integrator contract involved in each case the signing of a bill of exchange and prompt collection agreement. The range of collaterals stipulated included movable property mortgages in addition to crop pledges already in the case of input placements below 1 million HUF, and in the case of a placement exceeding this a real estate mortgage had been also attached to the integrator contract. The parameters of quantity and quality performances had been also defined more accurately, and the farmer could deliver its crops only to the integrator and at the price defined in advance.

The integrators were able to improve also by ensuring that the legal collaterals of the contract had been fulfilled, but at least the relevant written farmer promise was signed before the delivery of the input.

It remained a problem that they could target only the poor agrarian class of the market, which class is unable to sustain an integrator company that would trade in a volume, which would be sufficient for getting high procurement discounts after its significant procurements made in the Hungarian market.

Nevertheless a successful strategy already existed in Hungary at this time. The large Hungarian integrator companies with their national network, with their product offer that had been adapted to the demands of the buyers and with flexible integrator contracts have been increasingly increasing their turnover by winning the large farmers and the large company entrepreneurs, with complex services, and as a result of this they entered the profitable zone. The foreign integrators contrary to this try to react to the situation with reducing their turnover by selecting their buyer portfolio. In addition to all this, they had to also start to collect their outstanding debts, to regain their capital.

The state also tried to support the liquidation of the outstanding debts by issuing Government Decree 215/2002.<sup>17</sup>, the intended task of which was to serve the consolidation of the integrated producers through the integrators. The base of the subsidy that could be applied for, was the annual average of the debt of the last three years before the end of year 2002 that was due to the given integrator. The planned subsidy was forty percent of the subsidy base, and approximately this value had been the extent of the actual subsidy. If at the time when the application was submitted the integrated farmer already did not have any debts towards the integrator, then the integrator was obliged to forward the subsidy to the farmer after calling it down.

The integrators owned by foreigners - in line with their former practice - passed over their outstanding debts to their own separate debt collecting company, which was

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unable to get a share of the state subsidy, since they had not been integrators. It seemed to be a viable solution if the integrator authorized its own debt collecting company to fill in the applications and to act in the course of submitting the applications and on the occasion of signing the assignment contract to get the relevant statements. In this case the farmers assigned the state subsidy received by them to the debt collecting company, which the integrator based on the assignment could transfer to its own debt collecting company after the application and the disbursement of the subsidy. The foreign integrators did not use this option, therefore they lost a significant state subsidy, moreover in some cases the debtors started a lawsuit, because finally they did not get the state subsidy, or they had to endure a damage because the subsidy would have been due to them, since they already did not have a debt, or they had to endure a damage, because the state consolidation subsidy would have reduced their debt. Many farmers were only ready to negotiate in the course of debt collection only about the debt that was reduced with the unpaid consolidation amount.

#### **IV. THE ROLE OF “STANDING CROP” IN DEBT COLLECTION**

The crops produced in agriculture are classified “components” until being picked or harvested by the end of the harvesting period of the year. In this respect attention has to be paid to the fact that a component is not an independent item, therefore it may not have an independent legal fate either.

However, the agricultural products have a very special feature, namely, their independent fate is **expectable**, that is they may be considered a so-called future item. If the soil had been cultivated, it had been appropriately prepared, sowing had been done, the appropriate chemicals had been also applied, and then after the appearance of the crops, it may be expected that there will be crops to be harvested even without any human intervention. The legal literature acknowledges that the sale and purchase of so-called future items may be the subject of an effective contract.

In addition to this the handing over of the properties is very important from legal aspect. The ownership of a movable property is actually transferred, if in addition to transferring the effective legal title the property is also handed over. During the legal act of handing over we mean that the beneficiary gets the disposal right over the given property, while the old beneficiary loses its powers above the property. In view of this it can be said that the handing over of the property may be done administratively, e.g. in case a property was already in the possession of the new owner under another legal title previously. In this case the possessor will possess the property after handing over as its owner.<sup>18</sup>

It is also classified as the handing over of the property if the handing over person, in the name of the new

beneficiary, as its representative, keeps the given property in its possession<sup>19</sup>. That case is also considered a handing over, if handing over is done only symbolically (e.g. the handing over the key of an apartment).<sup>20</sup> It is also qualified a handing over – naturally – if the property is handed over in the framework of a lawsuit initiated for acquiring the property by legal succession<sup>21</sup>, but it is also qualified a handing over, if the third person possessing the property is instructed by the legal predecessor to possess the properties in the name of the new beneficiary.<sup>22,23</sup>

Handing over is done in the case of standing crops through , that is, the handing over person will keep the property in its possession in the name of the new beneficiary. Already in the purchase and sale contract it has to be stipulated that starting from signing the contract the seller will keep in its possession the crop in the name of the buyer, then it will harvest it in the name of the buyer. For the case when it seems that the seller intends to terminate this latter assignment, it is practical if the contract also ensures for the buyer the right of harvesting.

When collecting the outstanding debts<sup>24</sup> such debt management<sup>25</sup> contracts have to be elaborated in which the integrator purchases standing crops, since this way such a strong owner position is established for the integrator, which provides a greater legal security, moreover often the debtors have solely the crops as their assets that they may offer.

If in the case of a non-paying debtor the integrator succeeds in finding any such standing crops which is not the security or collateral of any credit obtained from others, then with a well edited purchase and sale contract and by persuading the debtor the solution of the problem that lasted for several years is already found. However, usually the greatest surprise is that even in the case of the most insolvent debtors it is possible to find some future crops of the value of several million HUF, and in these cases usually the debtor signs the contract concerning the selling of the standing crops.

This kind of framework contracts in addition to the data of the seller and the buyer have to also contain a debt acknowledging section, which together with the relevant deed number also contains the size of the debt and also the plan that the debtor will pay the debt according to the schedule included in the attachment. It is especially important that starting with offering the standing crops obviously with even more care the debtor has to take care of the area with the due diligence of a good owner, to collect the crop and store it, and to start its treatment, moreover to inform about this the creditor. The creditor has to take care of transporting away the harvested crop within 30 days. The debtor within a couple of days after accepting performance in the form of the offered crops,

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that is, after signing the contract has to issue a certificate (invoice) on selling the crops (the VAT is 15 %, and the method of payment is compensation). The appendix has to contain the lot number of the real estate, its size and the species of the standing crops that are to be grown there, its estimated quantity and value. From the arrangement it can be seen that after the contract, the invoice will be issued in line with the Accounting Act, that is, the outstanding debt that had been dragged along for years has been or was collected.

If it is not possible to realise the estimated value of the debt at the time of harvest, then it is possible to pay the difference. This cannot be a too big amount, because obviously the estimation has to be done with due care. According to the experience the debtors very often paid this difference, however, if they were unable to pay, the standing crops of the next year already provided a secure coverage for this.

According to the experiences, in many cases the debtors paid the debt before delivery. In this case the invoice and compensation had to be reversed. It also happened that the debtor, in spite of the fact that it issued a statement in the contract declaring that the standing crop is free of encumbrances, did not deliver the property of the buyer. However, this is already a criminal act, and in this case it is possible to enforce the debt in civil law against the private properties of the offender as well. It can be seen that purchasing standing crops is a method with the aid of which one may get its previously unsecured claim satisfied with a greater security by already getting the ownership at the time of signing the contract.

## **V. PURCHASE AND SALE CONTRACTS CONCLUDED FOR ACQUIRING PROPERTIES AND/OR REAL ESTATES, WITH STIPULATING A REPURCHASE RIGHT**

Above it was described in detail that integrated crop growing has to be secured above a certain amount with movable property and real estate mortgages as well. Mortgage belongs under substantive law, which provides a coverage against anybody in respect of the claim of the creditor. At the time when the claim is due, the beneficiary is entitled to enforce the satisfaction of its claim from the object of the mortgage up to the extent of the claim that had not been settled. Actually there are three options available to the beneficiary to enforce its claim.

The basic case is when after the breach of contract the beneficiary submits a petition to the Court in order to be able to exercise its enforcement right. After the decision of the Court the usual execution procedure is started with an auction involving the mortgaged object. The executor has the right to reduce the announced auction price to its half in the case of a real estate, and in the case of a movable property to its one fourth in the course of the first auction, provided there is no interest towards the object at the announced price. After the second unsuccessful auction procedure the object of mortgage is offered by the executor to the beneficiary. If the beneficiary does not

want to become the owner, the auction procedure is closed unsuccessfully and the mortgage right of the beneficiary is terminated. This is clearly favourable for the debtor.<sup>26,27</sup>

The second case is when the contracting parties agree already in the initial contract that in the case of non-performance they will jointly sell the pledged property. In this case the contracting parties may even stipulate a value limit, and thus selling may be done at a more favourable price than the prices that are reduced by the executor in the case of an auction procedure. This second case is more advantageous for the creditors also because according to the auction experiences the auctions are usually done with the participation of a rather small and relatively permanent group of people. This limited group does not allow the development of an actual bidding, and they try to keep or frighten away the new unknown people interested. Very often in the course of the walkthrough the participants agree in respect of purchasing the different pledged properties. Thus this way if there is any selling, it is certain that it will be done at the least still lawful price. This way it may happen that the claim of the creditors cannot be satisfied.

The third case is when in respect of claims that are secured by mortgage the parties agree in advance in the taking over of the object that is pledged against the claim as the settlement of the claim.

In the case of all the above listed three cases the solution is provided by getting the ownership. It seems to be impractical to obtain mortgage collaterals subsequently for a previously unsecured claim (of course if there is no other possibility, this opportunity has to be also exploited), in order to get – after several years of litigation and execution – to the solution in the framework of which the creditor will eventually get the ownership.

The solution for the above problem - especially in the case of previously unsecured outstanding debts – is to have a purchase and sale contract for real estate's or movable properties, or for both, which is signed with stipulating a repurchase right. The repurchase right assists the creditor by allowing the debtor to exercise this right within the deadline stipulated in the contract, and if it does so, then the creditor does not have to accumulate real estates and movable properties, which it does not use. According to the experience some of the debtors exercise their repurchase right, or with the payment of a significant amount they ask the extension of the deadline of the repurchase right, since usually the objects are movable properties and real estate's that the debtor could use, or does actually use.

The purchase and sale contract has to contain in addition to the data of the seller and the buyer the debt acknowledgement statement of the debtor. Subsequently the group of real estate's and/or movable properties offered for sale are listed, with giving in the case of a real estate the lot number, name, and characteristics, and in the case of movable properties the production number, type, age. The gross purchase price of the goods offered has to

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<sup>26</sup>[17]

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be given in detail in a separate point and also the fact that buyer accepts the purchase price as the settlement or a part of the settlement of its claim and of the interests that are charged for the claim. The buyer may give its consent for seller to use the real estate or movable property, but seller has to preserve the condition of the property and to take care of its guarding with the due diligence of a good owner. Seller has to warrant the litigation and encumbrance freeness of the object of the sale and purchase, and at the same time it has to declare that it is not indebted in respect of the given properties. Contracting parties establish a repurchase right until a defined time, and they also record that until when seller is obliged to notify buyer about the calling down of the repurchase right.

## VI. CONCLUSIONS

With the aid of the introduced arrangements, companies succeeded in collecting partially or fully a number of previously unsecured claims that had been frozen for years. Introducing the way one may succeed in persuading the debtor in a lawful manner to perform as described above is not the subject of this study.

The essential aspect is the fact that collection is definitely a commercial work, a commercial work that may be facilitated by good and smart legal and financial arrangements. Trader ingenuity is an essential requirement both as regards the debtors, the assets that may be offered by the debtors and in respect of the buyers, who purchase the assets collected. Only the thorough knowledge of the market and fast reaction capabilities may lead to results, which the integrator companies owned by foreigners could not have. Moreover they did not keep in high esteem their colleagues, who participated in the work of organised debt collection that had been established when they entered this specific market.

The assistance provided by the foreign parent company included nothing else, but the writing of notices, the preparation of accounting statements made with an increasingly tedious work, and the sending of the debt managing experts of the parent company to Hungary, who did not know the local market. Therefore a big ratio of the foreign integrator companies lost their previous market share, in spite of the fact that with the aid of the debt collection methods introduced, and primarily with developing their commercial work on the basis of the solvency and payment intention of the buyers they could have been the active players and winners of the agricultural boom that took place in Hungary. Unfortunately this foreign capital is missing very much from the local agrarian economy. With an active role undertaken by the foreign integrators the impressive development of the Hungarian agrarian economy could have been significantly more impressive.

From the standpoint of economic policy, the agriculture and food industry can be a driving force of economic growth, both in Hungary and in Central and Eastern Europe. Hungary used to be called „pantry“ of Europe. To encourage the development in agriculture have to break the high level of accounts receivable, because otherwise foreign capital in agriculture cannot invest.

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