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## **Privatization of the Rural Sector in Slovakia**

This article gives baseline information on rural privatization and restructuring in the Slovak Republic, ongoing since the political changes in 1989. It doesn't provide a sociological analysis of this process, it merely points out some facts. For such an analysis more empirical evidence is necessary, which we hope to gain by further field surveys.

### **STRATEGY OF PRIVATIZATION**

Since 1990 legislative and organizational measures were gradually introduced with the objective of restoring ownership rights to land and property. As a matter of fact, the basic legislation guiding this process had been approved before the partition of the Czecho-Slovak Federation in January 1993 and has not been substantially amended since. That is why privatization rules and proceedings are still, more or less, the same in both countries. What are the particularities of Czech and Slovak privatization based upon?

First of all, we may say unique, when compared with other Central Eastern European countries, is the extent of re-privatization in the form of physical restitution. This political decision had obviously been aimed at promoting social support of the system change. However, it was responded to quite unevenly among the populations of the two part Federation: The enbourgeoisment of the Czech society been significantly more progressive before 1948 than that of the Slovak society. On the other hand, pursued restitution still causes significant obstacles in the creation of efficient private entrepreneurial structures.

Second, the implementation of voucher privatization. Its merits: the speed by which its operation could be managed, its social acceptance and its avoidment of the capital scarcity problem.

Third, and what is for agricultural transition of most importance, is that all during the period of collective farming the legal private title to

land had been formally preserved with owners and their heirs. (Except in cases of nationalization after 1948, which predominantly concerned big landowners).

Of the legislative measures, the enactment of the 229:1991 (Digest) Act on Land Consolidation, and the 266:1992 (Digest) Law on Landed Property Registers were of importance. The privatization of cooperative assets was completed at the end of January 1992 in compliance with the 42:1991 Act on Ownership Adjustment and Property Claim Reconciliation in Cooperatives (Transformation Act). The privatization of state owned assets in the food industry and in agriculture is still in progress in compliance with provisions in the 92:1991 Act on State Owned Property Transfer to Other Bodies (Great Privatization Act).

As a result of legislation, privatization in rural context means:

A) Restitution of landowners who escaped pre- and postwar land reforms, or who had arisen from pre-war land reforms (residual estates) that were later nationalized, or who suffered maltreatment in the 1950 s (kulaks or those who resisted collectivization). In these cases legislation provides not only for handing out landed property but also other assets.

B) Restoration of full ownership rights to landowners (incl. the rights to: cash rent for land, withdraw from collectives and the right to sell).

C) Privatization of cooperative farms assets, detailing them into individual property shares, which can be withdrawn from the cooperatives in the physical form in the case of starting a new business.

D) Privatization of state farms and other publicly owned facilities in compliance with the general privatization law, i.e. by the method of direct sales, public tenders etc.

Table 1

**Land use broken down by legal forms of farming in 1994**

Legal form	Land use (percentage)
Private	78.4
<i>of private</i>	
— Personal	5.6
— Corporate	94.4
<i>of corporate</i>	
— cooperative	85.3
— other business companies	14.7
Public	23.5

Source: *Land Use Statistics, 1994*

Restitution claims of qualified owners are handled by Land Offices, established in 1991 in all districts of the Slovak Republic. They organize the return (detailing) of agricultural land to owners whose rights of ownership were retained or renewed in conformity with the Land Adjustment Act. The upper limit of restituted land was determined at 150 hectares of agricultural, and 250 hectares of all; these limits however do not apply to land acquired by other means, e.g. by purchase or heritage.

When reviewing the present ownership status of Slovakian farming we can conclude, that private is prevailing as a result of the privatization efforts taken since 1990. In accordance with the governmental policy updated recently, the residual public holdings (except some experimental and training farms) will be privatized in 1995 at the latest. As an interim solution, the establishment of joint stock companies and the long term lease of productive assets to tenants is being considered.

## TRANSFORMATION OF COOPERATIVES

This has been accomplished in accordance with the 42:1992 (Digest) Transformation Act. Cooperatives, already diminished in size by subdivision and increased in numbers were subjected to transformation. Up until 31<sup>st</sup> December, 1992 the number of agricultural cooperatives in the Slovak Republic was 927, with an average area of 1,942 hectares per unit. The deadline for approval of the transformation projects was specified by law as the 28<sup>th</sup> January, 1992.

The legal transformation yielded mainly owners-cooperatives as defined by the Business Act and partly by joint stock (12)/limited liability companies (9). The number of agricultural cooperatives has changed in the period from 1989 to 1993 as indicated in table 2.

Table 2

### Number and size of cooperatives

Region	1989	1990	1991	1992	1993
West Slovakia	244	269	381	400	402
Central Slovakia	176	184	229	246	249
East Slovakia	210	227	271	281	301
Total	630	680	881	927	952
Average size (hectares)	2667	2471	1887	1819	1788

Source: Database of R.I.A.F.E.

The core transformation of cooperatives has been constructed as follows:  
All assets (in terms of value) of the cooperatives were parted into three sections:

A) Assets being subject or assumed to be subject to restitution claims, and maybe assets as well, which were held by cooperatives without legal title.

B) Assets, which had been contributed by members.

C) Assets accumulated by the economic activity of the cooperative

All participants of transformations were divided into three groups:

A) Members who have proved their real estate or inventory contribution to the cooperative with title to land property.

B) Members without land or property contributions.

C) Non-members of the cooperative with title to land and property used by it.

All three groups were entitled to get assigned property shares, the value of which included:

A) The absolute value of assets and inventory contributed to the cooperative in the past.

B) The absolute value of assets successfully claimed in restitution procedures or that of assets of non-members having preserved the title.

C) A share on cooperatives equity responding to:

1) Acreage of land owned by individuals.

2) Total value of assets of individuals under A) and B).

3) An individual's length of service to the cooperative.

This total of the property shares could be withdrawn from the cooperative, if somebody wished to farm privately and thus became no longer a member of the transformed cooperative. If so, the share assigned was considered as a membership deposit to the transformed body and subject to settlement, according to Business Law, if the member decided to cancel his membership.

The membership of transformed cooperatives comprise in principle of their former members, the majority of whom own no land. These members have obtained property shares in the transformation on the basis of previous labour activities.

Large percentages of cooperative property — ranging from 3 per cent to 80 per cent of cooperatives, and averaging 41 per cent for the Slovak Republic — were acquired by non-members. The ratio of land-owning members is 37.8 per cent, and the share of those with only labour participation, 15.3 per cent.

Cooperatives operate an agricultural land area totalling 1,692 million hectares (70 per cent of the total land area). The title to land occupied by the cooperatives is structured as follows below:

Table 3

## Title to land operated by cooperatives

Owners	Percentage
Individuals	67.18
— of those: members	28.43
non-members	38.75
State	6.16
Churches	1.67
Municipalities	1.73
Communes	3.62
Other (mainly non-identified)	19.64

Source: R.I.A.F.E. survey, 1993

The problems facing cooperatives in the future are predictable. One of them is the maintenance of stability of the transformed cooperatives taking into account the high ratio of property owned by non-members and the thus diminishing cooperatives equity.

These problems are presently being addressed by legislation. A bill, proposing the conversion of property assignments into marketable shares (bonds) has been submitted, but not yet approved by parliament.

## PRIVATIZATION OF STATE FARMS

the privatization of state farms was preceded by the earmarking of agricultural and private land held by them, and by breaking them down into smaller organizational units. The following development in numbers and sizes of state farms over the last years is presented.

Table 4

## Number and size of state farms

	1989	1990	1991	1992	1993
Number of state farms	68	74	106	104	108
Average size (hectares)	5166	4892	3497	3356	3448

Source: Database of R.I.A.F.E.

Very few state farms were exempt from privatization (a stud farm and some seed growing farms)

The privatization process of state owned farms has been obstructed mainly by unclarified title to land and property and by a shortage of private capital. There is also a lack of incentives to start a farm business which is a result of insufficient returns in that sector of the national economy.

Agricultural land occupied by state farms (whose legal owners have not been reliably identified) has not, at this time been subject to privatization. This has diminished capital requirements of state estate's privatization and simplified the overall process (title proves, etc.). Hence, such land remains under the management of the Slovak Land Fund and may only be the object of a long term lease.

Due to the obvious problems there are only two state farms privatized as yet. Although advantageous repayment schemes (repayment by installments with the first installment amounting to 3 per cent of the asset value) have been offered to private investors, it's not attractive enough if considering the expected returns and the actual access to loans realistically. For this reason, privatization of several state estates by the voucher method has recently been considered and shares in these estates will be offered to the population in the second wave of voucher privatization.

Also a new scheme of the long term leasing of assets has been proposed for implementation.

## THE INCREASE IN INDIVIDUAL FARMING

The number of individual farmers has increased after 1991 as a result of the transformation of cooperatives and the privatization of state farms. But the main stream of new farmers have originated from land claims. Nevertheless, the majority of land claims result in merely household plots.

The most recent data on land claims show a quite interesting development (table 5).

According to the available data, commercial individual private farming exists on 147,408 hectares of agricultural land with an average land holding amounting to 8.3 hectares. The statistics registering business according to their legal form gives evidence of about 17,747 individual private farmers. Individual commercial farmers are faced with the same problems as corporate ones (inbalance of costs and revenues, difficult access to loans and hindered payment flows).

The total number of private land holders, operating more than 0.1 hectares is 306,769. From this number only about 990 operate a holding of over 5 hectares. The overwhelming majority (300,000) of holdings

Table 5

## Review of land claims

Land Claims (as of February 1.)	1991	1992	1993	1994
Number of claimants	45854	102873	107842	123988
Succesfull claimants	25950	61703	72472	93575
Land returned (in hectares)	23000	56700	98096	132692
Distribution of claimants according to succesfully claimed acreage:				
— less than 10 hectares	24614	58617	69228	89058
— 5 to 10 hectares	1039	2102	2047	2819
— over 10 hectares	297	984	1197	1698
Mean returned land size per claimant	0.8	0.9	1.35	1.4
Succesful claimants claiming land over 50 hectares	—	—	95	154
Total of land succesfully claimed by land-owners of over 50 hectares claimes land	—	—	12457	17904

Source: *Agricultural statistics for restitutions*, 1992, 1994 and author's calculations

do not exceed 0.5 hectares. The number of holdings between 0.5 and 5 hectares is 5,200. The number of larger holdings up to 10 hectares is 813, up to 30 hectares — 100, up to 100 hectares — 56, and over 100 hectares — 30.

The produce of smallholders, household plot operators and registered or not registered individual commercial farmers had been estimated in 1993 (table 6). Data presented their indicate, that the scope of product items produced by individual farmers is more or less identical with that of all typical smallholdings and, as a matter of fact, not very different from the commodity patterns of household/smallhold farming we were used to before 1990.

## CONCLUSION

Some preliminary conclusions can be drawn from the examination of rural privatization and restructuring issues during the period after 1989.

1) The process is still continuing and those transformation procedures, which were completed on a legal base, merely established necessary conditions for further structural changes.

Table 6

**Individual private farmers' (incl. household plots) share  
in the total of agricultural production in 1993**

Crop	Area sown	Produce
Grain total	11.1	10.6
— wheat	6.7	6.1
— barley	13.5	12.5
— oat	17.9	14.6
— corn	19.7	19.3
Potatoes	55.9	54.7
Rape seed	0.8	0.9
Sugar beet	6.4	5.8
Vegetables	74.2	78.1
Fruits	—	66.2
Animals, stock		Produce
Bovine animals		9.9
— dairy cows		11.3
Hogs		18.1
Sheep		43.1
Poultry		37.3
Animal products		
Milk		10.3
Eggs		48.7

Source: The 'Green Report'. Ministry of Agriculture of Slovak Republic, Bratislava, 1994.

2) A diversification of farming patterns has been launched although with an obvious domination of corporate and large scale farming operations.

3) New types of private commercial farming, responding to requirements of the economies size, have arisen (partly) on a tenancy basis. Due to the considerably amount of fragmented title to land and an underdeveloped land market, land lease will be an important factor of commercial farming's further development.

4) An important stream of pattern diversification is the increase in household farming and, maybe even, subsistence farming.

5) As for the further structural development, the state of the general economy, and of the rural economy especially, will be decisive.