

Wojciech Knieć

Models of the Transformation of Agriculture in Central and Eastern Europe

**A review of 'Agricultural Privatization, Land Reform
and Farm Restructuring in Central and Eastern Europe'***

The transformation of the agricultural system of the former countries of the socialist bloc is an important factor in the general political and economic transition in this part of Europe. Agriculture was a significant component in nationwide development strategies, and after the fall of the communist system, became a very sensitive bidding factor in the battle for political influence. The processes of agrarian reform and the privatization of agriculture also led to attempts at restituting property which had been seized under the authority of the former regime. These processes were an opportunity for those who were more active in the countryside to become involved in the market game by obtaining a specific pool of privatization capital.

Models of agrarian reform in Central and East European countries, as shown in the book under discussion, were diametrically different to one another. These dissimilarities were partly the result of specific socio-political contexts in which these particular countries found themselves at a given time. Hence, such processes of privatization and restitution of agricultural property in the former East Germany which were largely dependent on the inflow of funds from West Germany, which took over the enormous costs of the rapid transformation of collectivized agriculture in the eastern lands. A different context had an influence on the process of privatization in Russian agriculture, where the phenomenon described in sociological literature as 'bureaucratic anarchy' still exists.

On the other hand, privatization and the restitution of agricultural property in the former eastern bloc was to an alarming extent dependent on what

* *Agricultural Privatization, Land Reform and Farm Restructuring in Central and Eastern Europe*, edited by Johan F. M. Swinnen, Allan Buckwell and Erik Mathijs, Ashgate Publishing Ltd., Aldershot 1997, pp. 373.

would in many cases seem either obsolete or traditional value systems both among the rural population and among political elites. Examples in this book show that the variety of agrarian strategies in the structures adapted to the requirements of the free market, and in fact in the structures suited to the requirements of the present time (since in these countries it is not always possible to talk about the existence of a free market), is the result of different farming traditions, attitudes towards the land and work as well as different models of political culture.

The book under discussion is the result of several years' research within the framework of the European Union programme COST. This research has provided, among others, a set of data enabling the analysis of the processes of privatization of agriculture, agrarian reform and the restitution of agrarian property. The authors openly admit that this set is too limited to provide an explanation of this transformation.

It should here be mentioned that this research excludes agricultural models which are untypical for the eastern bloc countries such as Poland and the Baltic countries. Interesting processes from the following countries were presented: Albania, Bulgaria, the Czech Republic, former East Germany, Hungary, Romania, Slovakia, Slovenia and the countries of the former USSR.

When analysing the processes of agrarian reform in Albania, Azeta Cungu and Johan F. Swinnen point out two basic discriminants which are decisive in the exceptional particularity of these processes. These are, firstly: the highest number in Europe of those employed in agriculture in relation to the total number of employed as well as the highest rate in Europe of participation in creating GDP, secondly however: the fact that the entire Albanian agriculture was nationalized during communist times. Bearing in mind what was taking place alongside the processes of agrarian reform — social disturbances in fact assuming the characteristics of civil war, it is not surprising that the processes of decollectivization occurred in an uncontrolled, spontaneous manner and involved 100% of the land. Another fact which had tremendous significance was the real threat of famine which afflicted Albanian society at the beginning of the nineties, at a time when the socialist state and economy were disintegrating. All the agricultural land which, prior to the transformation, belonged to the state, was divided among former agricultural workers and their families. The state was faced with a *fait accompli*, and the decision-makers, aware of the power of the 'new peasantry,' were forced to carry out actions which had the purpose of sanctioning the existing state of affairs. As a result of these changes, currently 95% of agricultural land in Albania belongs to private farmers who mainly produce for their own private use. The remaining land belongs to agricultural associations, which have long functioned without any legal status, some joint-venture companies with the participation

of foreign capital, and finally state farms involved in experimentation and research.

In an article concerning the changes in Bulgarian agriculture, Sophia Davidova, Allan Buckwell and Diana Kopeva particularly tried to portray the distinctive character of the Bulgarian model of agrarian reform. Of fundamental importance is the fact that in Bulgaria the idea of rural collectivity after the fall of the socialist system did not undergo social depreciation, as happened in many other countries of the former socialist bloc, such as Albania or the Czech Republic (where in the collective consciousness there is still a trauma which manifests itself in considering movements of a collective nature as being suspect and unjust). The situation in Bulgaria was different since, first of all, there existed a strong tradition of forming associations, which started with the tempestuous development of the cooperative movement in the 1920s. Secondly, since socialist times collectivization was never negatively evaluated, partly due to the existence of strong pro-Russian and pro-Soviet feelings in Bulgaria. The collectivization of the Bulgarian countryside in the fifties was not, as in the case of many socialist countries, an attempt at introducing different, alien, incomprehensible methods of farming, it was simply the continuation of existing methods. But, as historical experience has shown, in Bulgaria the idea of collectivity became effectively distorted, yet in the general awareness of the inhabitants of the Bulgarian countryside this shift went unnoticed. In addition, the authors emphasize the following characteristics of the reprivatization process: serious attempts at privatizing state farms have not been undertaken — a considerable number of these continues to exist in conditions of a market economy. Private farms have broken up and are poorly mechanized — during the period of decollectivization the problem of the fragmentation of land was not taken into consideration. Land restitution reinforced the power of the collective nomenclature, who were left with the management of the allocation and distribution of land to be collectivized. It is, therefore, not surprising that power in local agricultural markets is wielded by the hegemony of cooperatives.

Analysing the Czech model of decollectivization and agrarian reform, Tomas Ratinger and Ewa Rabinowicz have tried to provide an answer to a basic question: why was Czech agriculture dominated by large cooperatives and large private agricultural enterprises? Their answer seems to lie in the hardly perceptible engagement of Czech politicians in the process of agrarian restructurization and the restitution of agricultural property. Hence, for countries in Eastern Europe, the Czech reform assumed an exceptionally pragmatic form. The ownership rights of the legitimate owners were given preference, yet the welfare of all cooperatives was respected. These obtained special government support. Support was also given to those private farmers who worked on large farms. As a result of central policy, which

emphasized the fundamental importance of effectiveness and had a negative attitude towards small agricultural property, it was possible to avoid the fragmentation of agricultural land, the decapitalization of cooperative property and former state farms. Consequently, 22% of the land is in the possession of private landowners, of whom 80% own farms which are larger than 10 ha. The remaining land belongs to cooperatives and large agricultural enterprises, most of which arose from former state farms.

Volker Beckmann and Konrad Hagedorn describe the agrarian reform in former East Germany (GDR) as exceptionally unique in the whole of Europe. Its uniqueness lies in the fact that it took place at the same time as the most important processes of transition in this branch of the economy in Western and Eastern Europe — and specifically the reform of the Common Agricultural Policy of the European Union. The problem of privatization is additionally complicated by the formation of two powerful pressure groups with opposing interests; on the one hand, the former landowners in the GDR, expropriated during the socialist period, and on the other, a group of managers of large agricultural enterprises which emerged on the basis of GDR cooperatives and state farms. During the six-year period, from 1990 to 1995, United Germany spent 17 mld DM on the restructurization of agriculture and for restitutional purposes, a sum incomparable to anywhere else in Europe. In the former GDR a process of transition of reformed agricultural cooperatives into limited liability companies is currently underway. These companies seem more effective and are better managed on the German market. Priority in purchasing privatized agricultural land was granted to the 'victims of agrarian reform during the period 1945–1949,' but only 5% of this pool actually reached them. Over 60% of privatized land was purchased by cooperatives and companies, 18% went to those who reactivated their farms, and 10% to first-time farmers. United Germany skilfully made the most of the opportunity of considerable subsidies for the reforms and the transformation of post-socialist agriculture with the opening of the market of the European Union.

According to the article by Erik Mathijs and Sandor Meszaros, immediately prior to the reform, Hungarian agriculture could be described as having a threefold type of ownership — state, cooperative and private, consisting of small household plots (the average size being 0.6 ha). A typical characteristic of state farms and cooperatives in the socialist bloc was the ineffective management of funds. However, this seemed far better in Hungary. The process of agrarian reform was influenced by exterior factors, such as: the ineffective system of credits for private farmers and the fragile agricultural market which was monopolized by large food traders. The general aversion to getting rid of ways of farming based on uniting in cooperatives, which are considered most effective, mainly due to making use of the economy of scale. As a result of reprivatization barely 22% of land has

been taken over by farmers, despite the low price of land, since there is a 5-year freeze on buying or selling land which was obtained as compensation. There are large cooperatives on the market as well as private firms which arose on the basis of bankrupt or privatized state farms.

The main feature of agriculture in Romania during the time of socialism was total state control of the agricultural market. According to Alexander H. Sarris and Dinu Gavrilescu, even private farms, which existed only on the poorest land in mountainous terrain, were under the control of a ruthlessly commanding and distributive central policy. After the dramatic anti-communist revolution of 1989, the interim government, fearing mass radicalism, could try, like Albania, to legalize the effects of spontaneous decollectivization. This process brought about a considerable fragmentation of agricultural land: over 60% of the new farms have fields scattered in various places apart from each other, their size varying from 2 to 5 ha. They are very poorly mechanized (barely 5% own tractors!), in matters of marketing and distribution they are at the mercy of the cooperative, their owners apathetic and sentimentally attached to the socialist epoch. Some of the state farms remained artificially alive, with the purpose of maximalizing food production regardless of their profitability. Romania is still tormented by the spectre of famine. The workers and former owners of these farms, enfranchised by receiving shares, are currently better off than any other group in the Romanian countryside. The 'new' cooperatives are dominated by the socialist nomenclature — there is a constant shortage of competent people to manage them. The production policy of these organizations is specific. Each cooperative member, who, further to reprivatization, obtained a plot, from 0.5 ha (agricultural worker) to 10 ha (those who were expropriated in 1948). He plants whatever he decides to cultivate while the entire cooperative helps during the harvest. There are frequent cases of renting plots to totally different cooperatives and private companies. The cooperative pays its members a wage, often in kind; it is also helpful in obtaining credit.

According to Ladislav Kabat and Konrad Hagedorn, agrarian reform introduced in Slovakia is also unique. When introducing agrarian reform in the context of rejecting the socialist farming model, both the Czech Republic and Slovakia had to cope with the reorganization of the state and the economy caused by the partition of Czechoslovakia. Slovak political elites, as opposed to the Czech, became quite actively involved in the process of agrarian reform. On the one hand, it was a question of taking advantage of the political capital lying dormant in the countryside, on the other, pressure was imposed by the government, which aimed at gaining greater control of economic processes at all levels throughout the country. This led to a considerable slow-down in reforms and the privatization of the agricultural sector, which got bogged down in the stagnation of personal and party squabbles. At the same time, the central authorities gave support to large

cooperatives and companies, which showed a quick development of clientelist phenomena within the Slovak power structure. Consequently, the new farming is considerably fragmented while the farm owners seem unwilling to make investments and are generally unsure of their future. This situation is all the more complicated due to the absurd prohibition of using farm land for non-agricultural use, thus making it impossible for farmers to look for opportunities of diversifying the rural economy. The destiny of the process of restitution is rather interesting: cooperatives were initially expected to fulfil the restitutorial demands of the owners of collectivized properties. Soon, however (as a result of the omnipotent cooperative lobby) this duty was altered to granting some compensation to those concerned in the form of vouchers which could, however, only be cashed after 7 years. Buying or selling them prior to that date is forbidden. Under such circumstances, their value rapidly drops, so their mass repurchase is expected in the future, considerably lowered by cooperatives which issued them and who, in this simple way not having much in common with real compensation for the victims of collectivization, will solve the problem of ownership rights of the land belonging to them.

Slovenian agriculture during communist times stood out from the majority of states of the former socialist bloc through its ownership structure, with an over 80% share in the overall number of private farm lands. According to Stefan Bojnec and Johan F.M. Swinnen, state farms were very badly managed, costly and ineffective. The state anti-farming policy led to Slovenian farmers frequently having two occupations. Agricultural cooperatives were closer in resemblance to the western rather than the eastern model. The agrarian reform which began in 1991 did away with privileges for state farms, also releasing the market trading in agricultural land. The fundamental problem connected with the process of restituting collectivized ownership were the claims of 'foreigners' — former citizens of the same state — Yugoslavia. The former owners of land which was once part of state farms obtained the right to co-manage it, if there was permission for further activity. If it was privatized, 20% of the shares in the form of vouchers, were received by the workers, 40% remained the property of the state, whereas the remaining 40% remained under farm management. The privatization of state property in Slovenian agriculture was not of a political nature. For the sake of decommunization, prosperous state farms were not effectively liquidated, the fragmentation of privatized land could not take place.

Agricultural areas of states which came into being after the collapse of the USSR cover a surface seven times larger than the arable land of all the remaining states of the entire bloc. In such a vast area with very varied climatic conditions and cultural traditions, agricultural reforms were conducted in an extremely varied manner. Describing the destiny of the reforms, Zvi

Lerman points to the common unwillingness within the above-mentioned area to abandon agricultural structures established by the heritage of sov-khozy and kolkhozy. Indeed, in 1990 permission was given in the USSR for any model of organization of agricultural production, allowing the existence of private agriculture, and members of collective farms could abandon it with the right to a suitably sized plot. Private farms appeared on only 1% of privatized land! The vast majority of land acquired within the framework of the restitution of ownership and within the shares are immediately returned for tenancy by the 'parent' cooperative. Armenia is an exception. There all state farms were privatized and divided; cooperatives were considerably cut down. In some autonomous republics the state monopoly hung on to agrarian ownership (Tatarstan, Dagestan) despite the fact that the Russian Constitution of 1993 guarantees the right to land ownership for private people (limited to 500–1000 ha). Belarus citizens may own plots no larger than 1 ha, and wishing to use more land, they have to lease it from the state. Purchasing more land is forbidden. All state farms undergo the process of the redistribution of goods and the transformation of ways of management and, infrequently, property.

It should be stated that on the territory of the former USSR land reform and the transition of agriculture to a free market economy, there are several restrictions connected with owning, purchasing and leasing farm land. Hence the entire transformation is tremendously slowed down, or even stopped. In these countries pro-soviet feelings and the common attitude of the *homo sovieticus* will long persist in the perception of the countryside and agriculture.

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The view of the changes of proprietary relations in agriculture in the former eastern bloc countries which appears after reading this book is a conglomeration of extremely varied concepts, actions and results. Reasons for the observed differences should be sought both in the dissimilar experience of the communist period and the experience from the pre-socialist period. A further source of dissimilarity is, of course, the cultural uniqueness of specific nations, creating an additionally dissimilar background to the changes. Hence the phenomenon of Albanian 'reprivatization,' where as a result of accumulating frustrations of the rural inhabitants, representing a decided majority of the community, as well as a total lack of state authority, its course was totally uncontrolled, spontaneous, at times violent. At the opposite end a continuum of models of reprivatization and agrarian reform are countries such as the former GDR and Hungary, where the preparation of adequate strategies took years, taking several procedural turns, being the effect of a constant search for a compromise between economic and moral reasons.

No doubt however, the common characteristic of the processes of privatization and agrarian reform in the former eastern bloc countries was settling into a world where communism had fallen. Hence, wherever reformist activities took place, there was constant tension between the interests of those among the nomenclature who wanted to enfranchise themselves and the claims of former owners and the interests of the 'new farmers' (people, who bought land and farmed it after the fall of communism), demanding central support for family farming. This conflict was additionally complicated by the appearance of a separate interest of the members of reformed agrarian cooperatives, which demanded a limitation of the enfranchisement of the nomenclature as well as authoritative support for the 'economy of scale.'

The process of adapting agriculture in the former eastern bloc to the reality of the free market economy was imposed by historic necessity resulting from the failure of communist ideology. This process has certainly not been completed, yet it can already be confirmed that the heritage of the communist epoch left behind it in this branch of the economy of the former bloc traces (such as the attachment to collective property, the lack of individual initiative, the power of informal connections or conflicts between former and current deciders of state agrarian policy, pro-socialist feelings among a large proportion of the rural population, etc.), which have now probably shaped a 'third' form of agrarian system, being the amalgamation of the effects of the transition enforced by free-market reality and the heritage of the communist epoch.