

# Restructuring Post-Socialist Agriculture

## Introduction

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When agricultural transformation in East-Central Europe is discussed in a comparative perspective, it is frequently characterised as a failure compared with the recent success stories of China and Vietnam, countries which have achieved spectacular growth rates in agriculture as well as the economy at large, at a time when most economies in the rest of the world are suffering from recession. In these countries, it would appear, socialism proved to be a better incubator for developing capitalist structures than the premature capitalism of the countries of East-Central Europe, which prescribed a treatment of “shock therapy” and eager privatisation of their public sectors. In sharp contrast to the performance of China and Vietnam, economic decline in the former socialist countries of East-Central Europe was dramatic, and agriculture was among the sectors that suffered the most (Szelényi 1998, Watts 1998).

Irrespective of the difficulties associated with making such comparisons, collapsing economies left the governments of Eastern European countries with little room for manoeuvre. It is true, however, that many of the policies the post-socialist governments tried to implement were politically biased. Privatisation policies, for example, have frequently been criticised as ultra-liberal, too rapid, too all-embracing, too devastating to the public sector, as have policies towards the large-scale sector of agriculture and agricultural land. There is no doubt that the dominant actors of the late-socialist agro-economies had to suffer an extra penalty for the damage that forced collectivisation had caused forty years previously, and for the fact that their most important means of production, on which they were compelled to rely, was agricultural land.

Land is everywhere something special and very sensitive, something defended by cleverly drafted laws aimed at retaining it in the ‘hands of the nation,’ even if high market prices provide protection of a sort. Its uniqueness derives partly from the fact that it cannot be reproduced, and partly from the values and cultural constructions attached to it. These factors help explain, perhaps, why legal title to land was retained in most of the countries throughout the socialist period. The exceptions, amongst the countries considered here, were the former Soviet Union (and thus Estonia), where land was nationalised, and Hungary, where, from 1967 onwards, through compulsory or pressured sales, sixty percent of agricultural land (of those who left agriculture) was gradually transformed into the so-called “indivisible” property of co-operatives. Of course, retention of legal title was everywhere worthless under socialism, since owners were deprived of all ownership rights except that of inheritance; but it turned out to be useful when socialism collapsed and the new democracies embarked on restituting land. What else could they have done? As Swinnen and Mathijs have pointed out, it would have been rather ironic if the new democrats had continued to deprive owners of the full range of ownership rights (Swinnen and Mathijs 1997: 340).

In Hungary, 35 percent of agricultural land remained in the hands of the original owners. For them withdrawal of their land from the co-operative had been made possible by the amendment of the 1967 co-operative law introduced by the last socialist government. In other words, restoration of property rights for those who managed to keep their title to their land was carried out in the same way as in the other countries. But for the rest, the majority, another solution was required. Hence a system of compensation by vouchers and land auctions was invented as means of – to use Swain’s categories (Swain 1994) – *partial* (because in addition to an upper limit, a degression key was applied), *indirect* (because the beneficiaries received financial instruments and not the property that they had lost) and *universal* (because all forms of loss were treated similarly) restitution. Everywhere else, where title to land remained, or, as in Estonia, was returned, the principles of restitution were *full*, *direct*, and *specific*, although some countries favoured return “within historic boundaries” (Bulgaria, Estonia and, to an extent, Romania) while others (the former Czechoslovakia) permitted the return of equivalent land. Hungary’s indirect solutions, however, later proved to be rather useful and “market friendly” components of the restitution process, which made possible a certain amount of “shady dealing” from which “little fish” as well as “big fish” profited (see Kovács). A common consequence, however, was that, despite the full restoration of property rights over agricultural land, people did not necessarily have exclusive possession of a clearly identified plot (or, more usually, plots) of land. For technical and financial reasons (measuring out plots cost money), for many, ownership represented title to a notional area within a collectively cultivated field.

Although the political climate in each post-socialist country in the first years of transformation (before the ‘velvet divorce’ of the former Czechoslovakia) was one of a marked political hostility towards former collective farms and an equally marked desire to move towards family farming, there is no evidence that legislators wanted to destroy collective farms altogether. They could hardly have done so without risking serious food shortages, and it was scarcely conceivable given that most agricultural equipment and buildings suited large-scale farming. Thus the idea of decollectivising the collectively used assets and carrying on large-scale farming based on shared ownership emerged everywhere, although it was restricted to buildings and stocks of animals, fodder, seeds and so on in Romania, where machinery services were provided by state-owned machinery stations throughout the socialist era. Various voucher schemes emerged to facilitate this process of decollectivising collectively used assets to those who had a legitimate claim over them. The criteria for eligibility were generally set wide, encompassing not only members but also the heirs of deceased members and, in Hungary, even non-members who had once contributed labour to the co-operative. This breadth of eligibility could be counterbalanced by the principles according to which the assets were allocated (years of service, amount of land contributed and so on), and these differed from country to country. Whatever the specific details, the result everywhere was that the structures had to cope with a large number of ‘outside owners,’ no longer members of the co-operative, nor even local residents. In this respect, the legal solutions of the former Czechoslovakia were probably the most biased in favour of outside property holders (see Námerová and Swain), and Hungary, perhaps, the least, giving more emphasis to labour contribution and the salary.

Not only were the principles behind the distribution of shares in decollectivising farms different in each country, the nature of the shares differed too, and most importantly in the extent to which they functioned as true financial securities. There are two main aspects to this: whether or not the business shares are tradable, and whether or not voting rights are proportionate to the size of share-holding. As far as the first aspect is concerned, in Estonia and Hungary, business shares were tradable as soon as they were issued, which was not the

case in Slovakia (until 1995). In Bulgaria and in Romania property shares seem to provide little more than the basis for distributing farm profits amongst the ‘share holders,’ and do not seem to function as means of property concentration. In Estonia, Hungary and Slovakia (see *Alanen, Kovács, Námerová–Swain*), on the other hand, to differing degrees, business shares have begun to act as vehicles for property concentration. Given the extremely fragmented pattern of ownership which was the consequence of asset decollectivisation, whether or not a mechanism for re-concentrating emerges is an issue of great importance. Concerning the second issue, co-operative business shares did not function anywhere as real financial securities. Even in Hungary the co-operative principle of one member, one vote means that shareholders do not have an influence over farm management decisions that is proportionate to their share holding. In this respect, the most developed form of business share is that created by the 1995 Slovak legislation which does equate voting rights with share ownership; but, despite this, the new shares have yet to function as an effective means of property concentration (see *Námerová and Swain*).

Land restitution and decollectivisation policies resulted in a fragmented property structure which did not coincide totally with use. Although there is a clear tendency everywhere for the large-scale sector to shrink and the small-scale sector to grow, economies of scale still prevail in Slovakia and Hungary, and, to a lesser extent, Estonia, Bulgaria. In Romania, however, the large-scale sector is much smaller. Decollectivisation there often took the drastic form of uncontrollable ‘spontaneous privatisation,’ and where anger against former co-operative leaders, as well as the diverging interests of former members whose focus was restricted to their tiny plots, frequently did not make it possible for compromises to be made for the sake of joint farming. Plot farming prevails, and commercial family farms, together with the various forms of farming company, share, about one third of agricultural land (see *Vincze and Swain*).

Another feature which is common to these countries is the wide variety of business forms that have emerged. Agricultural structures that were once all dominated by socialism’s unique experiment with extending Taylorist organisational principles to agriculture, have been replaced by numerous forms of business entity, which have increasingly abandoned the Taylorist mould. Many of these corporate successors differ radically from their Taylorist predecessor both in terms of management structures and the scale of their operation: they have fewer managers, fewer employees and do not attempt to involve themselves in all branches of farming. And those farms which were not able to change their Taylorist structures properly are suffering from serious problems, as the *Kovács* paper illustrates. In spite of the fact that both co-operatives and corporate farms are excluded from the land market in Bulgaria, in Estonia and in Hungary (in Slovakia they are not, but, nevertheless, they do not buy land), there has been a considerable move towards corporate business forms of farming. In Hungary, for example, limited liability and joint stock companies have taken a large hold in land use at the expense of co-operatives (Kovács and Bihari 1998). Similar processes and tendencies are reported from Estonia (see *Alanen*) and also from Slovakia, although the latter is a rather complicated case. As the *Námerová and Swain* contribution reveals, despite pro-co-operative policies and a preference for the co-operative label, moves towards what were in effect very different company forms were rather common in Slovakia. This article thus also highlights the importance of considering the content rather than the name of any organisation form: people established “co-operatives” if they wished to attract government support in a country where political clientalism prevailed. “Phantom co-operatives” of various forms are reported from the Hungarian context as well (Kovács 1998, Swain 1998a, Váradi 1998).

The culturally-constructed nature of ownership and the various roles that co-operatives (in reality and in name) can play locally in times of economic hardship are the most striking results highlighted by the *Kaneff* article. In the village where Kaneff worked, the pro-co-operative attitude of villagers derives partly from their convictions concerning the concept of ownership, and partly from the protection that co-operatives provided. For most Talpians, as *Kaneff* convincingly shows, “land ownership was attributed a broad significance, implicating a much wider set of responsibilities [...] that is the belief that a few should not profit at the expense of a majority.” However, a move in co-operative managers’ attitudes towards a more profit-oriented mode of operation had occurred in this context as well as the pluralism of farming entities: in one and the same community, the ‘minority’ opted for a business company and were content with its services and the rental they received for their lands. Given the pro-co-operative climate in the village, not surprisingly, this business company was also called a co-operative, “*the people are scared when they hear the word ‘firm,’ so we call it a co-operative,*” as its millionaire manager explained.

The Bulgarian and Romanian case studies also call attention to another issue. This concerns the vulnerability of market-driven enterprises in almost totally ruined economies. The pictures of the failures of new commercial farmers and of those who tried to bring together and run joint enterprises which emerge from the Vincze and Swain contribution reflect the difficulties of starting a medium-size farm in times of crisis when the majority of state support went to state farms. The response was to retreat to a more subsistence type of farming. The Bulgarian study illustrates something more complex. In Bulgarian hyperinflation, the co-operatives tended to withdraw from the market. But this gave them a temporary advantage over the market-oriented companies. Members of the co-operatives were happy to let the co-operatives use their land in return for the wide range of benefits in kind that it could provide. The market-oriented companies, on the other hand, with their narrower range of activities, could only provide benefits in cash, and cash in a currency whose value was falling from day to day.

Given the enormous economic difficulties facing agriculture in this period, and the conflicts between the groups involved in co-operative restructuring, it is clear that the former co-operative management cannot be seen as a homogeneous group that always ended up as ‘winners.’ The case studies from Estonia, Hungary and Slovakia provide evidence for this: some managers and agricultural engineers ‘win,’ but others ‘lose’ and prove themselves incapable of meeting the challenge of the market economy.

Although, the total collapse of socialist structures is unique to the Romanian case of the countries considered here, examples of the social actors that figure in these case studies can be found in each country; but the proportions are different. These differing proportions delimit the future paths of agricultural structures. A more or less common Central European model would appear to be developing, of more corporate farms, a greater concentration of property and greater capital investment. The Estonian picture is the closest to this, while the situation in Bulgaria is somewhat different, with large co-operatives on the one hand and more fragmented holdings on the other, whilst farming in Romania tends even more towards fragmentation.

A final consideration is the nature of the agricultural structures that have emerged in the post socialist period. The small-scale family plots, which took large hold everywhere, are not traditional peasant farms because, in the main, the people who operate them are not separated from the larger society in the way that traditional peasant societies were. They are no longer the ‘household plot’ of the socialist years, because the symbiosis of the socialist years has disappeared, and they are increasingly the major source of livelihood rather than a supplement to a steady socialist sector income. Because the post-socialist picture of

hundreds, even thousands of tiny plot holders renting their land to a handful of people per village willing to rent land is not only historically unprecedented but economically absurd, many commentators are persuaded that this must be a transitional phenomenon. *Alanen* suggests in his contribution to this issue that an Eastern European equivalent of English land tenancy might emerge. But as Swain has noted, post-socialist rental structures are the reverse of the historical norm: many own, but few rent (Swain 1998b). Agricultural developments in southern Europe suggest that plots smaller than a viable small farm, but larger than a garden can persist so long as overall economic development does not guarantee non-agricultural employment for the bulk of the rural population.

Returning finally to the suggestion raised that the agricultural transition in Central and Eastern Europe has been a 'failure' because of the huge decline in agricultural output and the enormous unsolved problems listed above, it is important to bear in mind that this collapse is associated with the economic failure of socialism and with it its agricultural structures. The changes that were required were revolutionary in nature, and the damage caused proportionate to this. Case studies presented here prove that signs of re-composition can be seen almost everywhere. As the saying goes, 'you can't make an omelette without breaking eggs.'

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