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HOW DO FARMERS FIND THEIR WAY IN THE NEW FOOD SYSTEM IN TRANSITION ECONOMIES?

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This mini-symposium offered an opportunity for comparison of experiences of the countries where transition is under way. In some areas, including Russia and Bulgaria, progress is slow, but elsewhere, notably Eastern Germany, the adjustment process proved to be relatively short and successful. In this comparison an effort was made to answer questions about the extent to which small-scale farms have become characteristic of transition economies and about their future.

Eugenia Serova (Russia) raised a definitional question. What is a family farm and what is its place in the production structure of agriculture? In Russia any legally registered (new) farm, outside the pre-existing system, is considered to be a family farm. As such, the term 'family farm' combines different types of producers varying from large-scale commercial enterprises to subsistence household plots oriented only to self-sufficiency. The share of family farms, as defined, is still small in agricultural production and marketing. Each type has its own range of problems.

The basic difficulty is lack of market infrastructure. Small farms can hardly compete with large farms in access to markets. Processing plants and other intermediaries prefer to deal with large units to gain economies in purchasing raw materials and to reduce transaction costs. To become competitive, small farms need to grow sharply. Cooperatives for marketing, credit and input supplies could increase the bargaining power of individual producers and thus solve the problem of their inefficiency. However, cooperatives are poorly developed in Russia, the motivation for cooperation is weak, and there has been some loss in tax concessions.

The talk about re-established farms in the New German Länder (NGL), by Volker Mothes and Peter Tillack, analysed the special way in which this development has proceeded. The East German experience is an example of a successful and relatively painless adjustment to the market economy. It was brought about by massive state intervention aimed at levelling regional disparities through economic reforms following the country's reunification. The process of adjustment of the farm sector was analysed step by step. The present agricultural structure is characterized by the existence of three main groups of producers: private farms, partnerships and successor companies of former collective farms.

The first period of transformation was accompanied by drastic reduction of agricultural employees (as in other transition countries) and an increase in the number of unprofitable farms immediately after the ending of state subsidies. This resulted in significant changes in product specialization. However, several factors guaranteed the relatively successful and painless process of adjustment.

- (1) Contrary to what is happening in the agriculture of other countries in transition, the national agricultural structures could be considered to be roughly homogeneous. Hence the profound and inefficient fragmentation of land holdings did not exist. The average size of 'small' private farms is now rarely less than 150 hectares.
- (2) All types of producers have equal access to the market infrastructure.
- (3) Massive and diversified state support exists for agriculture. The state-financed support for the transformation process was provided for all types of producers.
- (4) There was also a positive psychological factor: the agricultural producers of Eastern Germany were ready to accept profound and rapid changes, notably because they were joining the European Union and becoming beneficiaries of the Common Agricultural Policy. This experience could hardly be repeated in the CEEC countries.

The presentation on survival of small farmers in the marketing chain by Plamen Mishev (Bulgaria) showed that economic reform in agriculture started at the beginning of the 1990s and led to a sharp growth in the duality of Bulgaria's farm structure and in the nature of product specialization. There are now huge numbers of small and very small farms producing vegetables and livestock, on the one side, and fewer large-scale effective agricultural enterprises oriented to crop production, on the other. The majority of farms (78 per cent) concentrate on self-sufficiency and either do not produce for the market or use only primitive forms of marketing. The main problems for this group of farms are (a) the lack of sufficient infrastructure for small-scale marketing, (b) the failure of cooperative or processor structures to emerge to serve them, (c) high production costs which can hardly be covered by selling prices, and (d) minimal state support. Two main efforts could improve the situation: (1) a state programme to amalgamate small farms to bring them up to medium size, backed by education of young farmers to enable them to understand modern agriculture; and (2) support to improve food marketing, notably by state promotion of producer associations and cooperatives to assemble and process and thereby to increase the bargaining power of small producers.

The following conclusions resulted from the discussion.

- Insufficient bargaining power of small-scale farms and low willingness to cooperate is a general problem in many transition countries. The growth in bargaining power can significantly increase small farm efficiency. However, cooperatives can face high transaction costs and they also require big investments, especially at the initial stage.

- It is rational for small farmers to want to sell some of their products for cash. But this raises the problem of social security for them: since they do not pay taxes from their cash revenues, they do not get pensions. The emergence of some new small-scale marketing channels is probably useful, but informality does not fit in easily with more general improvement in welfare standards.
- Farmers find finance to buy inputs hard to obtain in a situation of low access to input and credits markets. The use of land, which can sometimes be obtained via land leasing, and the use of family labour are still the main inputs in many cases.
- The future survival of small farms in a changing economy mainly depends on the policy and strategy of the national government. State intervention is considered to be of particular importance, as the market does not solve all problems. The diversified structure of agriculture in all transition countries requires different approaches for each type of producer. Large-scale full-time farms could be aided by general state agricultural support schemes. Small-scale, often part-time, farms need to have more legal protection.