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The Transformation of Agricultural Production Cooperatives in East Germany and Their Future

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Abstract

With the break-down of the socialist regime in East Germany in 1989/90 the collective farms had to be transformed or to be dissolved. At that time, it had been anticipated by (mostly West German) politicians and agricultural economists alike that collective farms would soon wither away and be replaced by family farms. However, even more than 15 years after transition, transformed agricultural production cooperatives (APCs) and other corporate farms dominate agricultural production. Based on literature review, statistics and an empirical survey among farm managers, the major reasons for their popularity will be analyzed. These seem to be not only economic, but also social ones. Finally, their future development will be looked at. Their number is gradually declining over time which might be called a “second wave of transformation”.

Introduction

Producer cooperatives in the agricultural as well as in the non-agricultural sectors have a long tradition. However, the experience with this type of organization during the 19th century led to the conclusion that it is not of a lasting nature. Producer cooperatives seemed to be subject to the rule that they inevitably dissolve after some time. This “Law of Transformation” described by Webb-Potter and

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Oppenheimer at the end of the 19th century states that producer cooperatives either collapse, if they exhibit a lack of competitiveness or transform themselves into capitalist enterprises after a successful initial phase. However, it is remarkable that Oppenheimer explicitly excluded agricultural production cooperatives (APC) from this development path. Rather, he regarded this type of cooperative as a sensible way of solving the agrarian question of that time (Beckmann, 1993:218-219, referring to Webb-Potter, 1891 and Oppenheimer, 1896).

However, when looking back at the 20th century there has not been that much experience with APCs based on voluntary membership. Various models have been established over time, but specific conditions had to be met, e.g. in newly established settlement schemes or as agrarian reform measures. But they have been of limited scale. This type of organization did not seem to provide a prospective development path for small-scale farmers. Actually, Schiller observed during the 1960s “It is remarkable that after more than 100 years of intensive cooperative activities neither in Germany nor in other countries of Western Europe can any example be quoted for the transition of farmers of an old settled village to cooperative farming with joint use of land” (Schiller, 1969:5-6). There had been just one model of joint farming on a larger scale which, however, had been formed by coercive collectivization of private farmers following the Soviet model. This type of collective farming had been enforced by state power and was by no means of a voluntary nature (Schiller, 1969:182).

In a market economy, APCs have to compete with (large-scale) farms organized as business companies on one side and individual (family) farms on the other side. When comparing APCs and these corporate farms, it had been concluded by most economists that APCs are associated with higher transaction costs, specific principal-agent problems, lack of discipline and missing financial sources. In general, it is concluded that efficient coordination of economic activities within firms and under conditions of uncertainty and risk can be better accomplished by hierarchical decision-making. The direct democratic decision-making, such as “one member-one vote”, involves extremely high transaction costs (Schmitt, 1993:143-159). However, when comparing both types of farms with family farms, most economists concluded that both former types of organization could not compete with the latter. This type was identified as the most efficient organization of agricultural production all over the world because of its relatively low level of transaction costs while the advantages of large-scale production in production costs were marginal. Therefore, after the implosion of the socialist regime in Central and Eastern Europe and the Soviet Union, most economists assumed that the collective APCs would head into one direction only: Contrary to Oppenheimer, they dissolve in form of decollectivisation, i.e. they are transformed into family farms (Beckmann, 1993:229-230). Only some non-economists did not

agree to this conclusion as they argued that the hyper-industrialization of agricultural production had transformed active peasants into passive farm workers over time incapable of running an independent farm, anymore (Pryor, 1992:287).

In East Germany, right after the "Fall of the Berlin Wall" (9 November 1989) the first "reformed" socialist government made first moves in starting the transformation process although politically it was committed to the cooperative farm model. But with unification (3 October 1990) there had been strong ideological and political pressure in support of the family farm model. However, even more than 15 years after agricultural transformation in East Germany, it is surprising that APCs did not wither away but still can be found in a large number. In 2005, there had been 1,175 APCs in Germany based on voluntary membership, of which 1,079 (or about 92%) were located in the East (BMELVb, 2007:34). Two implications can be drawn from this information: First, APCs based on voluntary membership are still a viable option in organizing agricultural production in East Germany. They have not disappeared as predicted. Oppenheimer's statement seems to be confirmed after all. Second, since the transformation APCs have become an accepted type of organization in agricultural production in West Germany as well. Contrary to Schiller's observation this type of organization can be found in old settled areas dominated by family farms in these days. However, these APCs can only be compared to a limited extent. While average farm size stands at 1,404 ha in the East, it just stands at 78 ha in the West (BMELVb, 2007:34).

The findings of this paper are based on a literature review, statistics and an empirical survey among 21 farm managers in the Southern part of the Federal State of Saxony-Anhalt (East Germany) executed early 2006, of whom 11 were cooperative chairmen, five managers of limited liability companies (Ltd.) and five individual farmers (Choi, 2008:39-43). The paper is structured as follows: In the next chapter, we will analyze the development of APCs since transition in East Germany, particularly in relation to other forms of agricultural production and the development in the West. This is followed by a discussion about the major reasons why cooperative farming is still so popular in the East. Finally, we discuss their future development.

Development of APCs since transition in East Germany

At the end of the socialist period agricultural production was mainly organized in a relatively small number of about 580 state farms and about 4,500 large-scale, highly specialized cooperative (collective) farms run mainly by farm workers and cooperative farmers (who in reality could be regarded as workers as well) (see

table 1). Most of the agricultural land and labor had been absorbed by them. This farm structure was shaped as the result of the collectivization policy of the 1950s. During the following decades the collective farms were subsequently enlarged and became highly specialized (Wilson and Wilson 2001:149). Individual farming had not been completely abolished but had been continued particularly in a form of private household plots. In 1989 there had been 3,558 individual farms of which 2,927 had been larger than one hectare. In addition, the number of private household plots came up to about 375,000 units. Together, these two forms managed about ten percent of total land. Including the number of individual farms but excluding the household plots the average farm size stood at 678 ha (Beckmann, 2000:25).

**Table 1. Types of Farms and Land Use
in the German Democratic Republic (1989)**

Group	Number	Average farm size (ha)	Share (%)		
			Number	Labour	Land
Collective farms	4,530*	1,120**	52.3	84.2	82.2
State farms	580	800	6.7	15.1	7.6
Individual farms	3,558	94	41.0	0.7	5.4
Personal use	(375,000)	(0.8)	--	--	4.8
<i>Total</i>	<i>8,668</i>	<i>678</i>	<i>100</i>	<i>100</i>	<i>100</i>

* 1,164 arable cooperatives; 2,851 livestock cooperatives; the rest are horticultural cooperatives and specialized coordinating units.

** arable cooperatives: 4,284 ha; livestock cooperatives: 25 ha

Source: Beckmann, V. 2000, p. 389

After the collapse of the German Democratic Republic (GDR) and the central planning system in 1989, East German agriculture had to be transformed fundamentally to adjust to the conditions of a free market economy. Most important was the establishment of unrestricted private property rights which implied a rapid change of the legal and institutional framework. On the farm level this transition was guided by three main rules which were strongly connected, i.e. privatization, restitution and restructuring (Wilson and Wilson, 2001:124-134; Forstner and Isermeyer, 2000:67-68). Privatization means the establishment of private property rights by law for all agricultural production assets. Restitution is the legal and moral principle for privatization acknowledging the unjustly act of enforced collectivization during the 1950s. The former owners or their respective

heirs had the right to claim the return of the physical assets or the respective equivalent in monetary terms. In addition the former collective and state farms had to be restructured to be able to function as single, self-responsible operational units under the conditions of the market economy which has been labeled “decollectivization” (Mathijs and Swinnen, 1998:1). In Germany the basic regulations had been laid out by the Agricultural Adjustment Act (AAA) from June 1990 and, particularly, after its revision in July 1991 which set the deadline for transformation by the end of 1991.

With the privatization of the agricultural land, land ownership had been split up among a huge number of individual owners. About 800,000 land owners had to be identified (Wilson and Wilson, 2001:126). In that sense, the restitution and privatization process led to a high degree of fragmentation. Nevertheless due to a relatively well-functioning leasing system, including the reasons discussed below, the cultivation of land is not very fragmented as it is shown in table 2 below. In short, there are a large number of land owners, but a relatively small number of farms.

At the time of transformation the collective farm members had the option to either transform them into legal entities compatible with the market economic system, i.e. into genuine agricultural production co-operatives based on voluntary membership, limited liability companies (Ltd.) and joint-stock companies, or they had to be liquidated. As shown in table 2 most members opted for the cooperative model, i.e. 1,464 cases while the major alternative had been the Ltd.-model whose number came up to 1,178 in 1992. However during the last 15 years, a continuous change of relevance of these major types of corporate farms can be observed (Beckmann, 2000:26). The number of genuine APCs declined absolutely and relatively. Their number declined from 1,464 in 1992 to 1,079 in 2005. The development of Ltd.s is quite opposite. Its number rose steadily from 1,178 in 1992 to 1,964 in 2005.

With respect to the share of cultivated area (UAA) by the various types of agricultural organizations the picture is not that clear-cut (table 2). After transformation, APCs and Ltd.s cultivated about 44% and 25% of UAA, respectively. Over the last 15 years, the share of APCs declined continuously, particularly during the first five years, to about 27 % of UAA in 2005. The average farm size of APCs had been reduced to a small extent only, i.e. from 1,537 ha to 1,404 ha or by about 9%. The share of UAA managed by Ltd.s declined similarly rapidly during the first half of the 1990s, but since then it is gradually increasing. Still, in 2005 its share stood at about 23%. Most remarkably has been the rapid decline of the average farm size by Ltd.s, i.e. from 1,116 ha in 1992 to 646 ha in 2005, or by 42%.

Table 2. Characteristics of Agricultural Production Organizations in East Germany, 1992 – 2005

Type of Farm	1992		1995		1998		2003		2005	
<u>Number of farms</u>	No.	%	No.	%	No.	%	No.	%	No.	%
<i>Corporate farms</i>										
APCs	1,464	7.9	1,315	4.3	1,218	3.8	1,110	3.7	1,079	3.6
Ltd.s	1,178	6.3	1,417	4.7	1,560	4.8	1,895	6.3	1,964	6.6
Others	208	1.0	257	0.9	230	0.7	297	0.9	293	1.0
<i>Individual farms</i>										
Family farms	14,602	78.6	24,588	81.3	25,925	81.0	23,544	78.3	23,096	77.9
Partnerships	1,123	6.1	2,671	8.8	3,064	9.6	3,236	10.8	3,218	10.9
<i>Total</i>	<i>18,575</i>	<i>100</i>	<i>30,248</i>	<i>100</i>	<i>31,997</i>	<i>100</i>	<i>30,082</i>	<i>100</i>	<i>29,650</i>	<i>100</i>
	% of total UAA*	Average farm size (ha)	% of total UAA	Average farm size (ha)	% of total UAA	Average farm size (ha)	% of total UAA	Average farm size (ha)	% of total UAA	Average farm size (ha)
<u>Landholdings</u>										
<i>Corporate Farms</i>										
APCs	44.1	1,537.0	34.2	1,435.0	31.2	1,432.0	28.2	1,411.9	27.1	1,404.4
Ltd.s	25.1	1,116.0	21.6	843.0	21.5	773.0	22.5	659.4	22.7	645.6
Others	2.2	687.0	1.7	498.0	1.7	413.0	2.0	356.2	2.0	288.8
<i>Individual Farms</i>										
Family Farms	13.2	46.0	20.7	46.0	22.8	49.0	24.9	58.6	25.8	62.4
Partnerships	13.8	629.0	21.7	449.0	22.8	417.0	22.5	386.1	22.3	386.7
<i>Total</i>	<i>100</i>	<i>275.0</i>	<i>100</i>	<i>183.0</i>	<i>100</i>	<i>175.0</i>	<i>100</i>	<i>184.6</i>	<i>100</i>	<i>188.4</i>

* Utilized Agricultural Area.

Source: 1992, 1995: BML: Annual Agricultural Report 1994 and 1997

1998, 2003, 2005: BML/BMELV: Statistical Yearbook for Food, Agriculture and Forestry. Various issues, 1999 – 2006.

In line with their re-emergence the share of family farms and partnerships increased particularly during the first half of the 1990s. The share of family farms increased from 13% in 1992 to about 26% in 2005, while the share of partnerships increased from 14% to 22% during the same period. The average farm size of family farms increased from 46 ha in 1992 to 62 ha in 2005, or by about 34%, while the one of partnerships declined from 629 ha to 387 ha during this period, or by about 39%. In this way, it can be concluded that individual farms may dominate the farm structure numerically, but corporate farms including APCs dominate the farm structure spatially, farming about 52% of the UAA in 2005. Still by now, the highest share of agricultural land is cultivated by transformed APCs amounting to about 27 percent followed by family farms with about 26 percent, limited liability companies with about 23 percent and farm partnerships with about 22 percent. APCs still play a dominant role in agricultural production and the West German model has not been totally adopted.

In West Germany the situation with respect to the organization of agricultural production looks completely different. Out of the total number of 365,000 farms in 2005, more than 95% are organized as family farms cultivating about 90% of the UAA. Another 4% are partnerships cultivating about 9% of the UAA. The average farm size in West Germany just stood at about 31 ha (2005) compared to about 188 ha in the East (BMELVa, 2006:94).

Transformation at Farm Level

The figures given above present the results but 'hide' the uncertainties, risks and strong pressures at the farm level at the time of transition. Farm managers had to re-organize the collective farms into units compatible with the market economic system in a very short time. In addition, they had to learn to operate in a market economic system quickly while the economic perspectives of agricultural producers were worsening rapidly. Farm managers faced the need for an organizational re-organization and an economic crisis at the same time (Laschewski, 1998:54). There had not been any adjustment periods like in the other CEE countries. With the approaching unification, the political support shifted in favor of individual farming. West German politicians advocated the set up of large-scale family farms of about 150 ha. In the following paragraphs, the experiences of sixteen farm managers of legal farm entities will be analyzed, of which eleven are attached to transformed APCs and five to Ltd.s (Choi, 2008:139-147). They had been asked about their personal experience at the time of transformation seen in retrospective, i.e. after a period of about 15 years. Here, the analysis will focus on

the reasons why most chairmen opted for the genuine cooperative model and another group for the Ltd.-model.

Due to the deadline given by the AAA (i.e. 31 December 1991) chairmen and members of the collective farms were under heavy time pressure. The selection of the legal type of the future production entity was seen as the main task of transformation. However, chairmen and members alike had no knowledge at all about the pros and cons of the various legal forms of business enterprises. This is reflected in this statement:

At the time of the GDR there had been the law about the agricultural production cooperatives (LPG-Law). This LPG-Law did not foresee liquidation or that type of transformation into registered cooperatives [based on individual shares and voluntary membership] or business companies like limited liability companies or joint stock companies. Frankly, we had absolutely no idea and understanding about these different types of legal business entities.

Hence, there was a strong need for detailed information. At the starting period of transformation, such a type of extension service was not available in East Germany. All interviewed chairmen confirmed that they had visited seminars and lectures and participated in study tours to West Germany which had been organized by universities and agricultural organizations. Due to this information and ongoing discussions they got a certain understanding of the market economic system as well as first ideas about the future concept of their respective collective farms. Only after unification, the government financially supported the set up of various extension services. Many advisors from the West came on their own initiative to the agricultural cooperatives. Some East German lawyers and economists offered their advice as well. The collective farms received financial support in recruiting the needed advisors. Hence, all farm managers got in contact with them. The interview findings reveal that a distinctive regional preference can be made up with respect to external advisors to whom the chairmen finally listened when deciding on the future legal status of their farm. An almost clear-cut dualistic pattern can be identified. Managers of the transformed APCs preferred advisors from East Germany. On the other side, all farm managers of Ltd.s relied on West German advisors. This is understandable as at that time, this company model, while not popular among agricultural producers in West Germany either, had been unknown in East Germany.

When asked about the reasons for this regional and cultural preference for East German advisors, managers of transformed APCs stated that these advisors had been familiar with farms of that size. In addition, they not only looked at the economic indicators, but also knew the historical background and looked at the social side. In general, West German advisors primarily looked at the issue of making the transformed farm competitive even if this meant to apply a high

amount of credit and getting rid of as much labor as possible. It seemed that there had been a mental barrier. As one APC manager explains:

The mentality of people in East Germany is completely different from the West Germans. In East Germany people used to cooperate and to share experience. But these advisors did not understand and accept this issue. They tried to make us competitive with almost no people, but with bank credits.

In addition, farm managers were afraid of listening too closely to West German advisors and of losing influence on their cooperative. Contrary to the opinion of most agricultural economists and agricultural journalists at that time, i.e. that East German farms had to be split up into smaller units in order to be competitive, they received offers from the West German advisors to “sell” their cooperatives to West German investors. This experience made them indirectly confident that their large-scale farms will be competitive in a market economic environment which proved to be right in the following years. One farm manager puts it as follows:

We did not listen to anybody except our East German advisors. The other advisors from West Germany with whom we got in touch wanted to take over the whole farm. There were many of them who had one or the other investor at hand. But we focused on the local people.

While the farm managers of the transformed APCs were relatively critical with the advice they got from West German advisors, their colleagues managing Ltd.s were very satisfied with them. They needed advice from the West as they were sure that when transformed and registered as a business company they would become more competitive. All of them did not regret this step.

Summarizing, the role of external advisors had been more influential with respect to those chairmen who adopted the legal status of an Ltd. This issue confirms the findings of Beckmann (2000:328) who reports that in his survey from the mid-1990s external advisors had been decisive in getting registered as Ltd.s while they had a minor role when getting registered as transformed APCs. Similarly, Laschewski (1998:123) reports from his survey in the mid-1990s that external advice had a marginal role in selecting the legal entity of APC.

Reasons for the survival of APC up to now

In the following, it will be assessed why APCs are still a dominant organization of agricultural production. In the interviews, farm managers were asked why they opted for the registration as transformed APCs as well as why they are still so competitive these days (Choi, 2008:147-154). Their statements will be analyzed in line with the findings of some other surveys from the mid-1990s about the transformation of collective farms. In conclusion, the major reasons for the selection of the genuine cooperative model and on-going dominant role can be summarized as follows:

(1) The role of the cooperative managers had been vital in the transformation process. This might be no surprise since with one exception all respondents used to be chairmen of the former collective farms. This is in line with the findings of Laschewski (1998:131) where two-thirds of the chairmen of the transformed APCs used to be chairmen of the collective farms already. In case there had been a change in leadership, more than 80% of the new chairmen used to be members of the former boards. How the management decided in the end had a major impact on the decisions of the voting members at the transformation assemblies. In general, the members followed the recommendations of their (formerly socialist) managers. This reflects the observation made by Krumbach and Watzek (2000) that, opposite to other sectors of the economy, there was almost no change of elites in the agricultural one. Members decided for their trusted and qualified managers who had shown their dedication during the socialist period, followed their proposals and endorsed them as managers of the transformed farms.

(2) Most cooperative chairmen felt a social responsibility for their members; particularly they were concerned to keep as many jobs as possible. In general, transformed APCs kept more labor than Ltd.s. Beckmann (2000:268) reports that among his sample the average number of employed persons had been higher by 18% among the transformed APCs in relation to Ltd.s, i.e. 47 versus 40 persons in 1992. A few years later (i.e. 1994) the average number of employed persons declined among both types of organizations of his sample. But still their number with transformed APCs stood at 33 persons compared to 25 persons employed by Ltd.s, i.e. they were higher by about one third (Beckmann, 2000:323).

Although there had been a number of welfare programs facilitating the reduction in employment, this massive shedding of labor was not easy for the cooperative management. However, seen from a distance of more than 15 years, most cooperative chairmen regret that they did not cut the work force more forcefully at that time. As one chairman states:

Right from the beginning it was obvious that we had to cut our labor force. We told our workers that cooperative membership does not automatically imply a job.

But it was very complicated. ... If I had to set up a transformed cooperative again, I would reduce the number of laborers immediately. But at that time, it was difficult since we did not know how and in which way we were developing. To tell the colleagues who used to work with you for 20-30 years 'we don't need you anymore' had been extremely difficult.

In conclusion, the option of keeping jobs had been a strong argument in favor of the transformed APC model. Even today, according to statistics, transformed APCs employ about 15 percent more labor per 100 hectares compared to other types of corporate farms (BMELVa, 2007).

(3) In general, most of the members had made a good experience with the collective farms and had a positive association with it (Laschewski, 1998:116). Due to heavy subsidies income levels were quite good compared to other types of employment. Nevertheless, APCs possessed a certain degree of autonomy. They were not managed as state farms. The members knew that it had been actually their own property which had been jointly managed. Therefore, members in East Germany did not regard themselves simply as farm workers, but were highly dedicated to their cooperative (Neu, 2004:131). Management and members were used to this model and trusted that farming could be continued under a joint management. Concerning the transformation into genuine APCs, managers stressed the fact that the transformed model is quite similar to the collective one. As one chairman explains:

Most of the members were afraid of starting farming on an individual basis or of switching to another type of job. They wanted to go on under a familiar umbrella.

Due to the rapid changes in the general economy and society, the adoption of a superficially known legal entity seemed to be highly rational at that time (Laschewski, 1998:121).

(4) While farm managers definitely played a vital role in contributing to the adoption of the transformed APC-model in East Germany, there are also reasons on the side of individual farmers why the envisaged "rush" into family farming did not materialize. The number of those who actually had the will, the necessary capital and the technical expertise for taking up individual farming had been rather small. Those who still had some management knowledge as individual farmers from the 1950s, in general, had become too old to start again. Most of the children of the collectivized farmers had taken up other employment opportunities (see also Laschewski, 1998:116; Neu, 2004:177). Simply, there had not been many potential candidates available.

In addition, most restituted areas were entitled to relatively small areas of land only, i.e. about 5 – 7 ha which was seen as too small for setting up family farms. Not many had the energy to convince other land owners to rent their land to them.

Hence, there was not much competition for agricultural land and other assets. Therefore, it had been the best solution for most land owners to keep it with the transformed APCs. One cooperative chairman adds:

The land most members got was simply too small to start family farming. That is why most members wanted to stay with the common farm enterprise. The model of transformed cooperatives looked to all of us understandable. It was almost the same like the well known collective model.

(5) In the years after transition, the number of APCs declined but many of them prospered. The main factor seems to be that farm managers could make full use of the potential of large-size farms and profit from the economies of scale. During the time of central planning, their major problem had been the lack of inputs or their availability at the wrong time of the agricultural calendar. Now they can apply them right in time. Therefore, all chairmen are still convinced that they took the right decision at that time in not splitting up the farm unit. Their own success proves the thesis of economists and (West German) politicians wrong that they would not be competitive in the long run. As reflected in the statistics, transformed APCs are still very important in East German agriculture. West German farmers also had to acknowledge their success as reflected in this statement by a cooperative manager:

In 1992 a group of West German farmers visited us. At that time, we were not organized properly, yet. Hence, they gave us no chance of success. In the years 2000 and 2001, they visited us again. Now, they were really impressed how well we had accomplished our tasks.

Even their direct competitors acknowledge their success. As a family farmer who returned from West Germany in 1990 concludes:

The West German politicians tried to introduce family farming in East Germany. This has been prevented by the East German politicians who did not like a privatization like in the West. They were in favor of APCs. Whether this has been right, I don't know. Well, partly yes. It is the most modern and efficient agriculture all over Europe.

Outlook and conclusions

Fifteen years after transformation, contrary to most of the experts' and politicians' predictions, cooperative and corporate farms dominate agricultural production in East Germany. We suggest that large-scale farming in itself was not the source of inefficiency in East German agriculture but the organization of farm enterprises under the conditions of the centrally planned economy. Organized as autonomous operational units endowed with full private property rights in their farm assets

facing hard budget constraints and the danger of bankruptcy as well as to be able to allocate their resources according to their own business plans and to be allowed to release abundant labor, these farms proved to be highly competitive.

Nevertheless, it is an important question how the APCs will develop in the future. There is a permanent competition with the other organizations of agricultural production, particularly the corporate farms like Ltd.s. In addition, there are various factors from within which might restrict the prospects of the APC-model in the future (Choi, 2008:153-154). Most cooperative chairmen regard the ageing of their membership and the transfer of their shares to family members not attached to the cooperative anymore as a very critical factor. Many (particularly older) members are no more, or to a limited extent, part of the cooperative enterprise, but they still have great interest in the cooperative society (Draheim, 1955:16). Those who used to be members of the collective farm and undertook the transformation have a strong emotional attachment to “their” cooperative. They are not eager to receive high dividends and, if land owning members, high rents, but they want that their cooperative continues to operate. When these members die and pass on their shares to their children, most of them are no more interested in the cooperative. One chairman reports:

The cooperative model cannot be the final solution. Members are getting older and other people inherit their cooperative shares. But these people have nothing to do with the cooperative. They are only interested in money. They show no interest in the cooperative and that it is doing fine; they are interested in their own life and in getting “their” money.

The APCs have to be prepared for this development. Otherwise their membership will steadily decline meaning a loss of share capital but also of relatively easy access to agricultural land.

At a first glance it can be concluded that Oppenheimer’s statement seems to be confirmed in East Germany, i.e. genuine APCs do have a specific role with respect to the Law of Transformation. There was no large-scale decollectivisation into individual farms and it is very unlikely in the foreseeable future. The hypothesis might be stated that the type of organization in agricultural production which has been introduced by coercive means will be continued on a voluntary basis but with adjusted rules and decision-making structures. But these existing cooperatives meet the standard assumptions of cooperatives only to some extent. While de jure they are registered as genuine cooperatives, de facto they adopt many characteristics of business organizations, like (i) open membership, also for non-working persons. In general, non-working members have the majority of votes, (ii) renting land from members as well as from other persons, and (iii) a strong position of the management in decision-making which ensures an emphasis on investments. In short, transformed APCs adopt the governance structure of business-oriented

corporate farms. In the medium to long-term, we suggest that more APCs will be transformed particularly due to the ageing of the devoted members into business companies, i.e. Ltd.s., which might be called a "second wave of transformation". Therefore, we conclude that contrary to Oppenheimer's statement APCs will not have a specific role in the long run.

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