Agricultural Policies in Transition: Is the Past the Future of the Present?

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AGRICULTURAL POLICIES IN TRANSITION

*Is the Past the Future of the Present?*

Miranda Svanidze, Ulrich Koester and Linde Götz

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“Globalization Adrift”

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Outline

• Land reforms and farm restructuring
• Linking countries’ chosen reform path to the agricultural performance
• Importance of institutions
• Conclusion and policy recommendations
Transition countries
Land reforms and farm restructuring at the country group level

State ownership. Only “Use right” Large state and collective farms dominate. Individual farming also emerged. **State intervenes administratively in farming decisions.**

Paper certificates
Large corporate farming ‘Agro-holdings’
*Belarus: No reforms*

Restitution
Mix of family farms, medium- and large-size farms

Physical distribution
Individual family farms emerged
Agricultural production dynamics

Change in gross agricultural production value

Source: World bank database
Agricultural land and labor dynamics

Change in agricultural employment 1992-2014 (1992=100)

- Bulgaria
- Slovak Republic
- Estonia
- Russian Federation
- Latvia
- Czech Republic
- Poland
- Lithuania
- Albania
- Belarus
- Kyrgyz Republic
- Kazakhstan
- Hungary
- Ukraine
- Romania
- Slovenia
- Armenia
- Serbia
- Moldova
- Uzbekistan
- Azerbaijan
- Tajikistan
- Georgia

Change in agricultural land 1992–2014 (1992=100)

- Croatia
- Estonia
- Latvia
- Poland
- Slovakia
- Georgia
- Bulgaria
- Hungary
- Lithuania
- Serbia
- Belarus
- Romania
- Turkmenistan
- Moldova
- Moldova
- Uzbekistan
- Macedonia
- Kazakhstan
- Bosnia &
- Ukraine
- Russia
- Czechia
- Albania
- Kyrgyzstan
- Tajikistan
- Azerbaijan
- Slovenia

Source: World Bank database
Most problematic factors for doing business (from GCI) 2016

Determinants of the shadow economy

The shadow economy is smaller if the government is effective

The shadow economy is smaller if the rule of law is enforced

Sources: Schneider, Buehn and Montenegro (2010)
Worldwide Governance Indicators (2017)
Summary of land reforms

25 years later land privatization and restructuring of large farms has achieved successful outcomes in many of the CEE countries, however the process still has not come to the end in many of the CIS countries.

The results of land reform largely depends on:

» The chosen form of privatization
» Secure property rights
» Reliable legal system without corruption
» Functioning rural credit market
» Opportunity cost of farming and level of human capital in farm population
Policy recommendations

Agricultural policies in transition countries should focus on:

• **Institutional framework**, including
  » Reliable legislation
  » Fight against corruption
  » Improving higher education in agriculture

• **Fostering well-functioning land market**
  » Completing land privatization process, and
  » Improving land cadaster records

• **Improving farmers access to the finances** mainly by reducing market failure. e.g.
  » By supporting credit rating agencies, and
  » Information systems

• **Environmental aspects (in the context of climate change)**
  » Use of unsuitable land for agricultural activities
  » Inappropriate irrigation systems (soil erosion)
  » Ensuring bio-diversity
The lesson to be learnt here is...

Specific agricultural policies are necessary, but (definitely) not sufficient. Coherency in policy implementation\(^1\) and structural reforms in non-agricultural sectors\(^2\) are also equally important.

\(^1\) to establish trust in government policies
\(^2\) to create enabling environment for and outside of agriculture