United States
Department of
Agriculture

Agricultural
Economic
Report
Number 733

An Economic Research Service Report

Review of Agricultural Policies in Europe and the Former Soviet Union

Elizabeth Jones and
Jaclyn Y. Shend (editors)

It's Easy To Order Another Copy!

Just dial 1-800-999-6779. Toll free in the United States and Canada.

Ask for *Review of Agricultural Policies in Europe and the Former Soviet Union* (AER-733).

Cost is $15.00 per copy ($18.75 for non-U.S. addresses). Charge to VISA or MasterCard. Or send a check or purchase order (payable to ERS-NASS) to:

ERS-NASS
341 Victory Drive
Herndon, VA 22070

Review of Agricultural Policies in Europe and the Former Soviet Union. Elizabeth Jones and Jaclyn Y. Shend (eds.). Commercial Agricultural Division, Economic Research Service, U.S. Department of Agriculture. Agricultural Economic Report No. 733.

Abstract

This report describes policies that affect the agricultural sector in 38 countries in Europe and the former Soviet Union, including policies that affect commodity and input prices, the activities of parastatals (Government-owned companies), and the integration of the economies in Europe and the former Soviet Union. To facilitate understanding of the policy choices made in each country, this report also presents data on each country's economy, trade flows, and resource base. Governments (especially the former Soviet Union and Central and Eastern Europe) are reducing their role in agricultural markets by reducing or eliminating tariff and nontariff barriers to trade, the scope of parastatal activities, and/or budgetary transfers to agriculture.

Keywords: Europe, European Union, Central Europe, Eastern Europe, former Soviet Union, agricultural policy, trade policy, integration, subsidy, taxes, protection, government policy.

Authors

Jane Belinki, Frederick Burkhardt, Karen Dubrule, Roger Hoskin, Ann B. Kustoff, Nancy Logan, Phillip Mozzocco, Kelsey S. Matsu, Brigid McNeely, Amelia Oliver, Stephanie C. Reeke, Nicholas Salas, Sharon S. Sheffield, Jaclyn Y. Shend, Janet Starkweather, Mary Kate Schuster, Timothy J. Smith, Silas Spencer, and Terri Tarsitano.

Washington, DC 20005-4788 June 1996

Preface

This volume provides an overview of the agricultural policies of the countries of Europe and the former Soviet Union. It updates the *Global Review of Agricultural Policies* (1988) for the regions of Europe and the former Soviet Union. It is designed to be a reference document for policymakers and researchers.

This report describes current and pending agricultural policies; it does not attempt to quantify the effects of these policies. In general, narratives commence in 1993. Each country statement includes a profile of the agricultural sector; the dominant forces influencing policy choices; a description of the major trade, price, and input policies affecting agriculture; and, in some cases, an evaluation of the impact of policies on the agricultural sector. Selected data accompany each country description to clarify the context in which policies were adopted. References are provided at the end of each chapter.

Each country chapter is written to stand on its own. The introductory chapters provide a very brief overview of the major economic and political forces shaping economic or agricultural policies in Europe and the former Soviet Union since the Second World War.

Acknowledgments

This report reflects the efforts of many economists in the Europe, Africa, and Middle East Branch of USDA's Economic Research Service (ERS). The most important contributions were those of the authors, whose names are listed above. Appreciation for reviewing and editing this report is extended to Frederick Burkhardt, Nancy Cochrane, Christian Foster, Susan Leetmaa, Dale Leuck, William Liefert, Mary Lisa Madell, Jay Mitchell, Mary Anne Normile, Daniel Plunkett, David Skully, Timothy Smith, and Francesca Vassallo of ERS; and Kathy Ting and Pat Sheikh of the Foreign Agricultural Service. Special thanks to Tom McDonald for editorial and publication assistance, Joyce Bailey for technical assistance, and John Snyder for the cover photo. We also thank Robert Koopman, Chief of the Europe, Africa, and Middle East Branch, for his support of this project.

Contents

Glossary of International Organizations

Benelux — Benelux Economic Union

BSEC — Black Sea Economic Cooperative Zone

CBSS — Council of the Baltic Sea States

CE — Council of Europe

CEFTA — Central European Free Trade Agreement

CEI — Central European Initiative

CIS — Commonwealth of Independent States

EBRD — European Bank for Reconstruction and Development

ECE — Economic Commission for Europe

ECO — Economic Cooperation Organization

EFTA — European Free Trade Association

EU — European Union

FAO — Food and Agricultural Organization

GATT — General Agreement on Tariffs and Trade

G-7 — Group of 7

G-9 — Group of 9

IBRD — International Bank for Reconstruction and Development

IDA — International Development Association

IFC — International Finance Corporation

IMF — International Monetary Fund

IOS — International Organization for Standards

NACC — North Atlantic Cooperation Council

NATO — North Atlantic Treaty Organization

NC — Nordic Council

OECD — Organization for Economic Cooperation and Development

OSCE — Organization on Security and Cooperation in Europe

PCA — Permanent Court of Arbitration

UN — United Nations

UNESCO — UN Education, Scientific, and Cultural Organization

INCTAD — UN Conference on Trade and Development

UNIDO — UN Industrial Development Association

WHO — World Health Organization

WTO — World Trade Organization

WEU — Western European Union

Glossary of Terms

Central European Free Trade Agreement (CEFTA) refers to a free trade area for industrial and agricultural goods formed in 1995. Current CEFTA members are the Czech Republic, Hungary, Poland, Slovakia, and Slovenia.

Commonwealth of Independent States (CIS) consists of Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. It is comprised of the FSU minus the Baltic countries.

Clearing transactions typically occur when a country has a currency that is not freely convertible on the world market. Firms trading with the country that wish to repatriate their earnings must purchase goods for export. The value of goods that the firm purchases for export must equal the firm's earnings, expressed in the country's currency. This differs from a barter transaction, which is a direct exchange of goods without assigning monetary value.

Downstream links refer to the handlers of farm output, including grain storage areas, procurement agencies, food processors, and retail stores.

European Free Trade Association (EFTA) refers to a free trade area for industrial goods formed in 1960. Current EFTA members are Iceland, Norway, Switzerland, and Liechtenstein.

Former Soviet Union (FSU) refers to the sum of 15 individual countries: the 12 newly independent republics of the former USSR (Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan); and the 3 Baltic countries (Estonia, Latvia, and Lithuania).

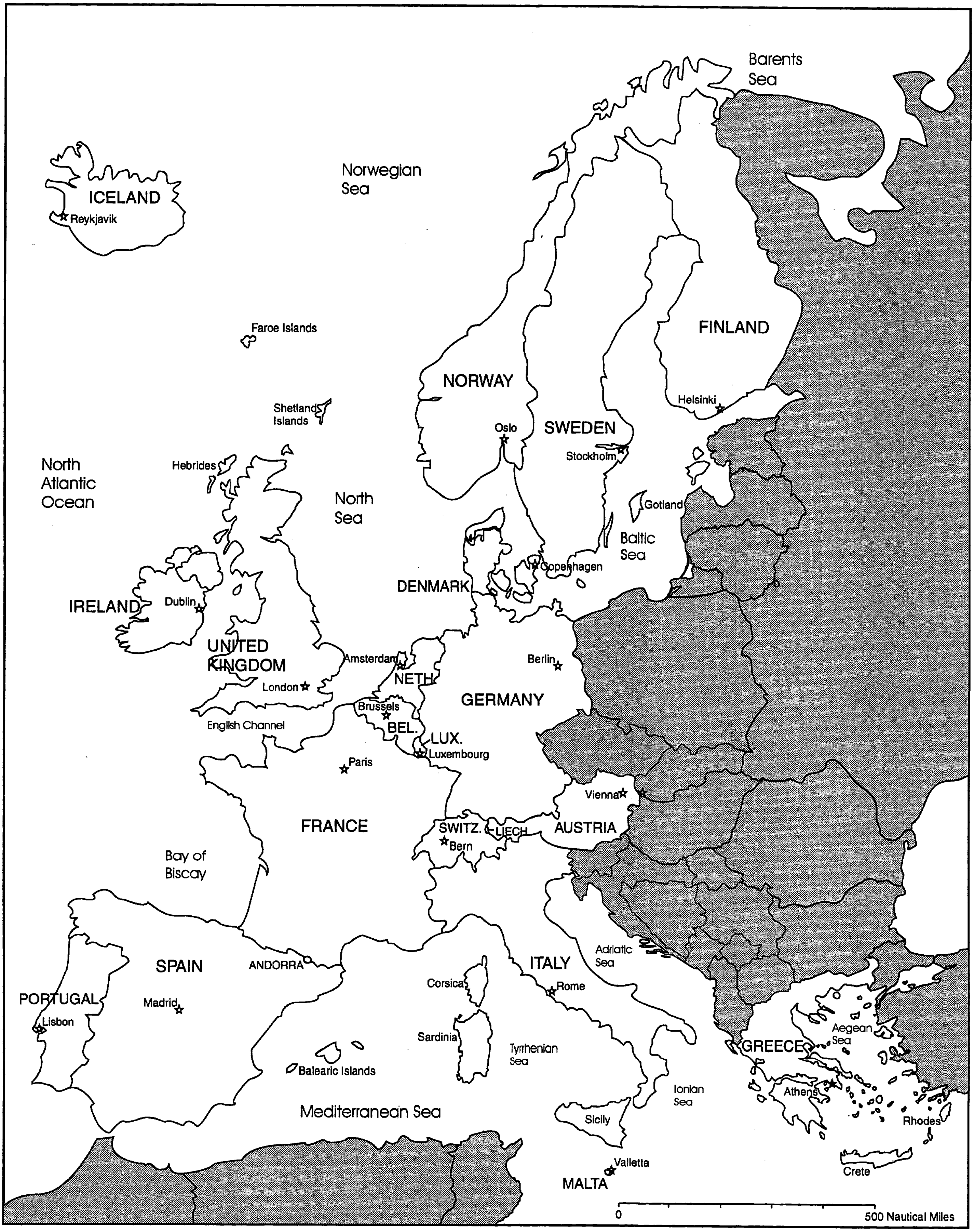
Net Material Product (NMP) is defined as the value of agriculture, mining and manufacturing industries, construction, transportation, communication, and domestic trade. NMP is Gross Domestic Product minus depreciation and non-material services.

PHARE refers to the Poland-Hungary Assistance to Restructure the Economy program set up by the European Union in 1989 and later expanded to cover Albania, the Baltic States, Bulgaria, the Czech and Slovak Republics, and Romania. Funding is designated for agricultural reconstruction.

Upstream links refer to the producers and sellers of inputs for a farm, including energy, fertilizer, and machinery industries.

Value-added tax (VAT) is a tax applied to the value added at each stage of production or each time the good is sold.

Western Europe



Western Europe

The Common Agricultural Policy (CAP) of the European Union (EU) is domestically oriented and geared toward supporting farm income. It has depended largely on price management to achieve multiple objectives. Market prices are maintained near desired targets. Minimum import prices enforced by variable levies provide border protection, set price ceilings, and insulate EU markets from world markets. Intervention purchases at guaranteed prices establish a price floor. Consumption and export subsidies dispose of surpluses, allowing EU producers to avoid adjustment even for EU market imbalances. The EU does not promote processing subsidies or state marketing. Production quotas limit support for sugar and milk production.

The CAP has improved farm structures and increased agricultural productivity, greatly improving EU food self-sufficiency. Farm incomes have been maintained at acceptable levels, although with increasing difficulty. These successes have been achieved only with high consumer prices and increasing conflict with other agricultural exporters. Rapidly growing surpluses also have led to skyrocketing budget costs and the near exhaustion of acceptable surplus disposal outlets in several sectors, which generated pressure for CAP reform.

The EU was formed by the Treaty of Rome (1957) in the aftermath of World War II by the original six members—France, West Germany, Italy, the Netherlands, Belgium, and Luxembourg—to encourage the economic recovery and development of Western Europe and to recover prominence in world affairs through political and economic integration. The EU was enlarged in 1971 to include the United Kingdom, Ireland, and Denmark. Greece joined in 1981 (producing the EU-10); Spain and Portugal joined in 1986 (EU-12); East Germany unified with West Germany in 1989; and most recently, Austria, Finland, and Sweden joined in 1995 (to form the EU-15). While both Norway and Switzerland trade extensively with the EU, each is vehemently opposed to EU membership and follow independent agricultural policies.

The EU members are parliamentary democracies. A successful customs union for industrial goods has been realized within the EU, but the EU remains a compact among sovereign nations. Control of most economic policy except for agriculture is formally retained by the national Governments.

The Agricultural Sector

Agriculture, forestry, and fisheries in the European Union accounted for 3 percent of gross domestic product in 1991 and 5.8 percent of total employment in 1993. However, agricultural support programs account for over half of the EU budget. In 1992, agricultural products accounted for 10.6 percent of total exports and 10.7 percent of total imports. Agricultural exports are an important source of foreign exchange for some EU countries, including France, the Netherlands, and Denmark.

EU agricultural production is dominated by livestock products, grains, vegetables, wine, fruits, and sugar. The EU dominates world markets for dairy products. Major export commodities of the EU include wheat, sugar, poultry, pork, and wine. Most agricultural imports are those products which are not suited to the climate of northern Europe, including oilseeds and their products, cotton, tobacco, tropical products, and off-season fruits and vegetables. The EU is both the world's largest exporter and importer of agricultural products.

All agricultural market support and trade policies in the EU are EU programs. The member states also have national policies related to agriculture, but these are dominated by social security measures, veterinarian and health standards, and provision of subsidized credit for rural development programs.

Common Agricultural Policy

The Common Agricultural Policy (CAP) of the EU was developed as part of the European Economic Community, one of the three communities established after World War II. The original six members of the European Union believed that agriculture had a special place in the economic and social structure of the Community and was subject to special problems. Article 39 of the Rome Treaty establishes the policy objectives of the CAP: to increase agricultural productivity; to ensure a fair standard of living; to stabilize markets; and to guarantee a steady food supply at reasonable prices to consumers.

At the time the European Community was developed, agriculture was still a problem sector in the majority of the six member countries. Farms were generally small and fragmented, and although agriculture employed over 20 percent of the EU workforce, it contributed only about 9 percent of GDP (gross domestic product). In addition, farm incomes were well below that of other economic sectors, lack of self-sufficiency in some commodities threatened food security, and the Community was a net importer of agricultural products.

The CAP came into effect in August 1962. Regulations set forth three basic principles of CAP market and price policies:

- Unity of the market requires a single market within the EU without levies or subsidies on internal trade which might distort competition. Common prices and the harmonization of administrative, health, and veterinary provisions were required.

- Community preference provides border protection to ensure that EU produce has preferred access to EU markets compared with products from outside the EU.

- Financial solidarity requires that all market support for agriculture be financed from EU resources. All EU expenditures on agriculture that relate to the CAP are made from the European Agricultural Guidance and Guarantee Fund (EAGGF).

The CAP is a price management system that supports the income of EU farmers in two ways. First, the CAP applies levies and customs duties at the frontiers of the Community in such a way that selected imports can never be sold into the Community below the desired internal market price set by the EU authorities. Second, authorities buy off the market surplus supplies of products when market prices threaten to fall below agreed minimum prices. The following terms define the methods used in managing agricultural prices in the EU.

Target price — The officially regarded optimum price which the farmer should receive, plus the transport cost to the area of consumption.

Intervention price — A market floor price which triggers market intervention mechanisms in order to boost market prices. Farmers are able to sell their products to the intervention authorities at the annually adjusted "intervention price." The surplus commodities are then put into EU storage facilities.

Threshold price — Under the import levy system of the EU, this represents the minimum price for imports from non-EU countries.

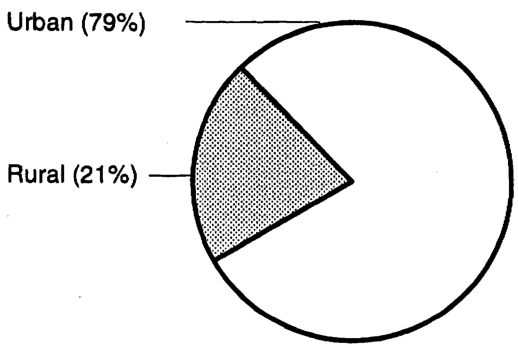
Variable levy — Agricultural imports entering EU countries are subject to a "variable levy" set at a level to ensure that imports do not undercut the target prices of domestic agricultural commodities. This is calculated by deducting the import levy (the lowest price at which imported food is being landed plus transport and handling

European Union

Official name European Union
Type of government Intergovernmental
Memberships

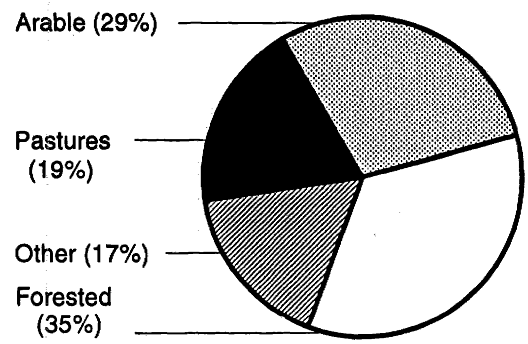
Population *1993*

369,515,000 persons



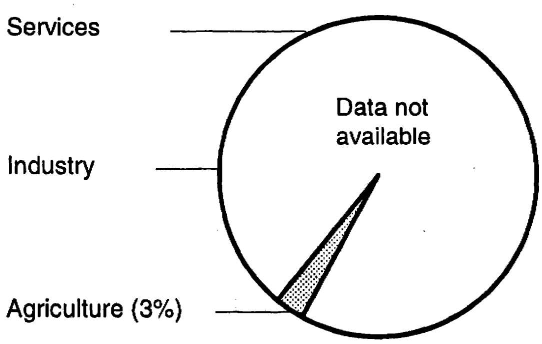
Land *1992*

312,972 hectares(11,240 mil. ha irrigated)



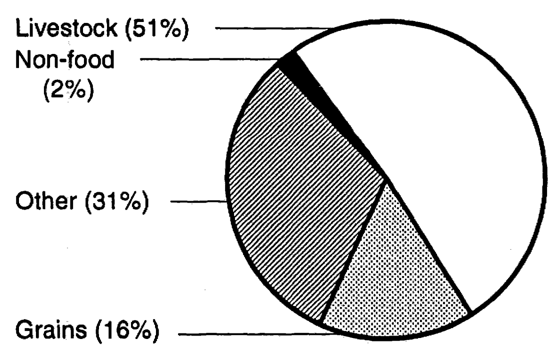
GNP *1992*

$6,051.2 billion; $13,867 per capita



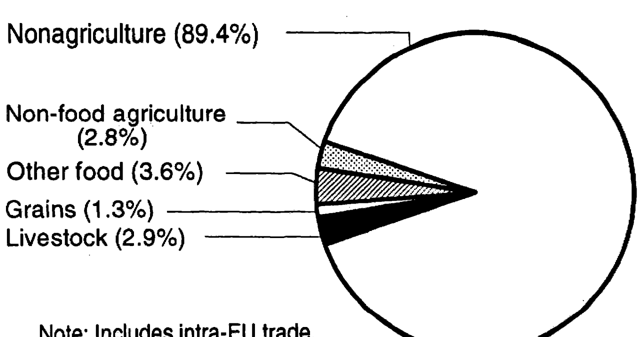
Agriculture *1991*

Major agricultural products: Milk, Pigmeat



Exports *1993*

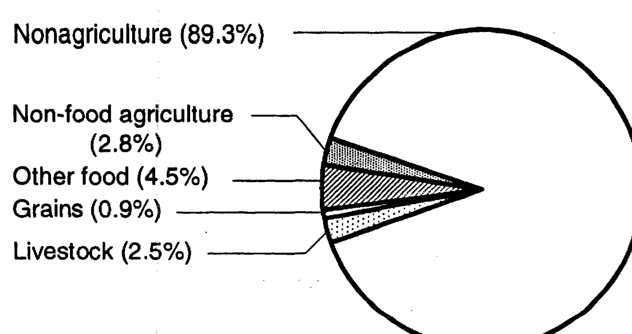
$1,399,407 million
Major agricultural export: Cereals



Note: Includes intra-EU trade.

Imports *1993*

$1,446,667 million



costs) from the EU target price. Import levies are normally adjusted on a daily basis. For some products (including beef and dairy) these adjustments are made weekly. Under the Uruguay Round, bound tariffs will replace the variable levy at rates sufficiently high to discourage imports.

Export subsidies — When world market prices are below the EU market price, producers are paid an export subsidy to enable them to export competitively to the world market. If world market prices are above EU internal market prices, an export levy is imposed on Community exporters to prevent the outflow of Community produce. These are usually adjusted weekly or biweekly in line with the fluctuation of world market prices.

Prices for major commodities such as cereals, dairy products, beef and veal, and sugar are dependent on this system. Other mechanisms, such as subsidies to assist with storage of surpluses and consumer subsidies paid to encourage domestic consumption of products like butter and skim milk powder for stock feed, supplement these basic underpinnings of the CAP.

Some items, most often fruits and vegetables, are withdrawn from the market by producer organizations when market prices fall to specified withdrawal prices. Prices are also supported by agreements with exporting countries to "voluntarily" restrain quantities shipped to the EU. In other cases, minimum import prices are set in order to support market prices for domestic products.

For oilseeds, deficiency payments are used to bridge the gap between domestic market prices and support levels. These payments are often used to maintain market prices to consumers at relatively low levels while providing higher support prices to producers.

While the CAP has been largely successful at maintaining farm income and providing a stable food supply, there has been talk of reform since the late 1960's. CAP policies account for over half of the EU budget and result in both high taxes and high food prices. The CAP also contributes to overproduction and depression of world market prices. However, until the 1990's, reforms only modified existing policy mechanisms.

Proposals for radical reform were first discussed in February 1991, when an internal Commission paper, "Reflections on the CAP," became public. Formal proposals were submitted to the Commission by Agricultural Commissioner Ray MacSharry in June 1991. The Commission adopted the MacSharry Plan just a month later and sent it to the EU Council of Ministers for approval. A compromise package of reforms was approved after a year of intense debate. The reforms began with the 1993/94 marketing year.

CAP reform chiefly reduces support prices, creates corresponding direct compensation payments, and introduces new supply control measures. Support prices have been reduced for the grain, beef, and dairy sectors. Direct compensation payments replace high intervention prices. In sectors that do not benefit from intervention systems, such as pork and poultry, prices are expected to fall in response to lower feed costs. The next round of CAP reform will cover sugar, wine, fruits, and vegetables.

Commodity Areas

Dairy. The CAP dairy regime was established in 1964; however, a single-priced market was not established until 1968. Products covered include fresh, concentrated, and powdered milk and cream; as well as butter, cheese, and curd. Target prices are set annually. Support mechanisms include variable levies on imports, subsidies on exports, and intervention buying of surpluses. Due to serious overproduction, a system was implemented to fine countries producing over quota. This has eased the problem only somewhat, with Greece, Italy, and Spain receiving increases in their quotas as an incentive to ensure compliance.

Table 1—EU and Western Europe

Country	Population (1991)	Area (1991)	Population density	GNP	GNP/capita	Agriculture's share of — GNP	Area[1]	Employ-ment	Exports	Imports	Number of farms	Utilized agricultural area	Average farm size
	Number	*1,000 ha*	*Inhab./km²*	*Bil. dol.*	*Dol.*	- - - - - -	- - - -	*Percent*	- - - -	- - - -	*1,000*	*1,000 ha*	*Ha*
Austria	8,015,000	8,273	96.9	141.3	18,000	3	42	7	4.0	6.0	232.8	3,510.0	15.1
Belgium/ Luxembourg	10,101,000	3,281	307.9	186.4	17,800	2	41	3	11.0	11.0	85.0	1,345.0	15.8
Denmark	5,197,000	4,237	122.7	94.2	18,200	4	66	5	20.0	11.0	81.3	2,779.0	34.2
Finland	5,078,000	30,547	16.6	79.4	15,900	5	8	9	4.0	7.0	191.9	2,582.5	13.5
France	57,779,000	54,563	105.9	1,080.0	18,900	3	52	5	15.0	10.0	923.6	28,186.0	30.5
Germany	81,338,000	34,952	232.7	1,398.0	17,400	1	49	4	6.0	10.0	653.6	17,048.0	26.1
Greece	10,411,000	13,080	79.6	82.9	8,200	17	28	21	29.0	13.0	923.5	3,661.0	4.0
Ireland	3,569,000	6,889	51.8	42.4	12,000	8	64	14	20.0	11.0	170.6	4,442.0	26.0
Italy	57,139,000	29,402	194.3	1,012.0	17,500	3	51	7	7.0	14.0	2,664.6	14,946.0	5.6
Netherlands	15,342,000	3,392	452.3	259.8	17,200	4	59	4	21.0	13.0	124.8	2,011.0	16.1
Portugal	9,888,000	9,164	107.9	93.7	9,000	6	44	12	6.0	12.0	598.7	4,006.0	6.7
Spain	39,117,000	49,940	78.3	514.9	13,200	4	49	10	16.0	12.0	1,593.6	24,531.0	15.4
Sweden	8,745,000	41,093	21.3	145.6	16,900	3	7	4	2.0	8.0	91.5	2,779.8	30.4
United Kingdom	58,276,000	24,159	241.2	920.6	15,900	2	68	2	7.0	10.0	243.1	16,499.0	67.9
European Union	**369,515,000**	**312,972**	**118.1**	**6,051.2**	**13,867**	**3**	**41**	**6**	**10.6**	**10.7**	**8,509.1**	**128,453.3**	**15.1**
Norway	4,324,000	30,786	14.0	76.1	17,700	4	3	6	1.0	6.0	88.9	1,005.9	11.3
Switzerland	6,969,000	3,977	175.2	152.3	22,300	4	27	6	3.0	7.0	84.9	1,064.0	12.5

1993 data unless otherwise specified.
[1]Utilized agricultural area.
Compiled by the Economic Research Service from Eurostat; *The World Factbook, 1993*, Central Intelligence Agency; *World Agriculture, Trends and Indicators, 1970-91*, U.S. Dept. Agr., Econ. Res. Serv.; USDA, Agrostat Database; DRI/McGraw-Hill, *World Market Report*.

The dairy sector has escaped major reform. The butter intervention price will be reduced by 6 percent over 2 years (1994-96) due to declining butter consumption. The skim milk powder price will remain unchanged. The Commission plans to review the dairy market yearly, and make quota reductions as necessary.

Beef and Veal. The beef and veal sector is very important to the EU, both because of the large number of producers and the high percentage of consumer expenditures (10 percent of total food expenditures) on these products.

The beef and veal regime uses a price support system to keep EU market prices near a common price level. Mechanisms include support buying and direct payments, measures affecting imports from outside the EU, and refunds on EU exports to third countries. As a result of CAP reform, support prices for beef were reduced 15 percent over a 3-year period beginning in 1993. Lower prices for feed grains and increased direct payments will partially offset these price reductions. Beef premiums on male bovines and suckler cows were increased, but producers have to observe herd limitations to qualify.

Cereal Grains. The cereal grains regime has been in effect since 1962, although uniform prices were not fully established until 1967. The common market system covers all grain produced within and imported into EU countries. Traditionally, cereals prices have been set at the annual price review of the Council of Agricultural Ministers. The Commission set the target, threshold, and intervention prices for the main grains. However, the 1992 CAP reform set prices until 1995/96, with prices for all grains except rice set at the same level. CAP reform has also reduced support prices for grain by an average of 33 percent.

To compensate farmers for reduced prices, direct payments will be made on a per-hectare basis, with payments based on the average historical yield in each region. To qualify for these direct payments, farmers must remove part of their arable cropland from production. The set-aside rate for the first year of the reform (1993/94) was 15 percent. Small farmers (those who produce no more than 92 tons of grain at average regional yields) are exempt from the set-aside requirement.

Oilseeds. The sector covered by the Commission's "Oils and Fats" regime is characterized by a relatively low level of EU self-sufficiency. There is a zero tariff on oilseeds and meal, and a low or nominal tariff on all vegetable oil other than olive oil. Threshold prices and import levies are applied to olive oil, but only at the lower market price level rather than the higher production price level received by EU olive growers. In practice, import levies are set by tender. Also, almost all olive oil imports are imported under preferential trading arrangements with Mediterranean countries. These can sometimes freeze trade flows into uneconomic patterns. Intervention prices also operate for olive oil. An annual area payment is made to growers of rapeseed, sunflower, and soybeans. No price support has been available since 1992/93. Unless a producer is participating in the simplified scheme, under CAP reform, oilseed growers of all sizes are required to set aside a certain amount of their land in order to qualify for the payments.

A dispute between the United States and the EU over oilseed subsidies resulted in the Memorandum of Understanding on Oilseeds, negotiated as part of the Blair House Agreement, 1992. The EU agreed to limit the area eligible for oilseed compensation payments beginning with the 1994/95 marketing year. The agreements set a separate base area for EU oilseeds of 5.499 million hectares in 1994/95, and 5.128 million hectares in the following years. These area totals are reduced by a mandatory set-aside, which is the greater of the rotational set-aside rate established for the arable crops regime or 10 percent. As provided by the Blair House Agreement, the separate base area for the

1995/96 marketing year and beyond has been adjusted to include the average oilseeds area in Austria, Sweden, and Finland. For the EU-15, the separate base area will be 5.48 million hectares.

Sugar. The EU sugar regime differs in four important ways from the other CAP commodity support regimes. First, although target, threshold, and intervention prices are used as a means of support, intervention buying does not apply to the raw commodity (sugar beet or sugarcane) but to the product as processed, raw or white sugar. Next, as in the dairy sector, support is not open-ended, but restricted by a quota system. In addition, producers paying to dispose of surpluses (the "co-responsibility principle") has been applied most fully in the sugar regime. Finally, there is guaranteed access to the EU market for a specified quantity of sugars from Africa, the Caribbean, and the Pacific under the Lome Convention, and from India under a similar arrangement.

Sugar prices are fixed annually and extend from July 1 to June 30. Products include beet and cane sugar, isoglucose, sugar beets, sugarcane, molasses, and inulin sugar. The sugar regime was not included in the most recent CAP reform, but is expected to be included in the next round.

Fruits and Vegetables. Fruits and vegetables are considered a special case because they are seasonal and perishable, and because tastes vary from region to region. The fruit and vegetable regime seeks to balance supply and demand at prices that are fair to producers while encouraging specialization within the EU. The regime includes all fruit and vegetables grown in the EU, with the exception of potatoes, peas and beans for fodder, wine grapes, olives, and bananas, for which separate arrangements operate.

Market prices are supported by a system of compensation for withdrawal of produce from the market. Because of perishability, the price support system is not designed to achieve a guaranteed price over periods of excess and shortage as with some other commodities subject to intervention. Rather, it acts as a safety net for producers in times of glut. CAP reform is planned for the fruit and vegetable sector in the near future.

References

Agra Europe (1994). *The CAP Monitor.* London

Bureau of Agricultural Economics: Australia (1985). *Agricultural Policies in the European Community.* Canberra.

U.S. Department of Agriculture, Economic Research Service (1993). *International Agriculture and Trade Reports: Europe.* RS-93-5.

U.S. Department of Agriculture, Economic Research Service (1994). *International Agriculture and Trade Reports: Europe.* WRS-94-5.

Austria

Austria joined the European Union in January 1995. The CAP provides high prices for Austrian agriculture through minimum import prices enforced by variable levies and intervention purchasing at guaranteed prices. Consumption and export subsidies dispose of surpluses.

Austria is a small, mountainous country, nestled in the heart of Europe. Crop or intensive livestock production are suited only to the eastern lowlands and parts of the north and west. The rest of the country is mostly cattle-raising and forestry land.

Half of Austria's 232,000 farms are small family-owned enterprises under 10 hectares. However, the trend is toward fewer farmers and larger farms. Livestock production accounts for 62 percent of non-forestry agricultural output. Dairy and beef are the largest sectors. The principal arable crops are corn, cereal grains, and fodder. Forestry plays an important role in the alpine regions.

Austrian agriculture is 80-90 percent self-sufficient, with regular surpluses of milk, beef, grains, and corn, which are subsidized for export. Agriculture and food products account for roughly 6 percent of total imports and 4 percent of total exports. Although Austria is a net importer of food, its export markets are crucial for the disposal of surpluses. Meat, beverages, and dairy products are the leading exports. The EU absorbs half of all agricultural exports, with Germany and Italy as the recipients. Sweden, Finland, and the European Free Trade Association countries account for another 12 percent. Agricultural exports to eastern Europe have increased significantly since market liberalization and now account for 20 percent of total agricultural exports. Many Austrian firms have bought factories and undertaken joint ventures in the region, particularly in Hungary.

The EU-12 supplies nearly 60 percent of Austrian agricultural imports, with fruit and vegetables as the leading sectors. The share of imports from Central and Eastern Europe has diminished from 20 percent to roughly 10 percent since market reform began in those countries.

Austria's agricultural policy objectives have generally coincided with those of other western European countries: stabilizing agricultural markets, safeguarding farm income, and improving farm efficiency and competitiveness. Recent goals include environmental protection, maintenance of viable rural areas, harmonization of regional incomes, and preservation of agriculture's role in supporting tourism.

As an EU member, Austria will continue to provide direct payments to farmers in mountain and other disadvantaged areas. Agriculture is important in these areas to preserve the landscape and to prevent the closure of other businesses. Austria has introduced incentives to promote less intensive farming practices. Tourism profits from the preservation of landscapes so the Agricultural Ministry has requested a tourist tax to finance direct payments to mountain farmers.

Austria, in 1990, undertook efforts to reduce overproduction in the milk, grain, and cattle sectors through production quotas, payments for fallowed land, crop rotation, and market deregulation. Milk production was reduced by voluntary supply restraint, a partially deregulated market, and increasing competition in the milk sector.

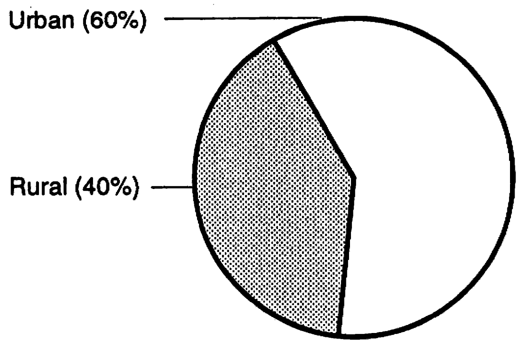
The primary "alternative" crop is rapeseed. Beginning in 1990, rapeseed oil has been processed into an alternative fuel, rape methyl ester (RME), a bio-diesel used to fuel tractors. This policy couples Austria's environmental concerns with the need to reduce grain production. Oilseed production has continued to grow at the expense of total grain area, reducing grain overproduction and cutting costs, as subsidies for oilseed production are more economical than those required for grain export.

Austria

Official name Republic of Austria
Type of government Federal Republic
Memberships CE,CEI, OSCE, EBRD, EU, FAO, GATT, IMF, OECD, UN, WTO

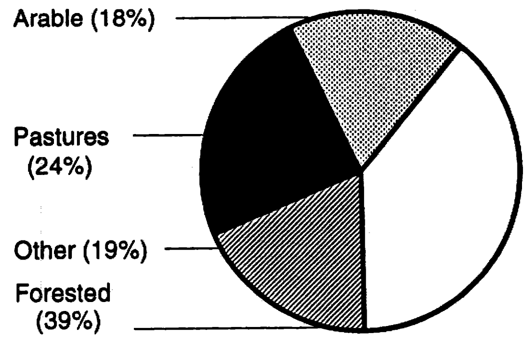
Population *1993*

8,015,000 persons



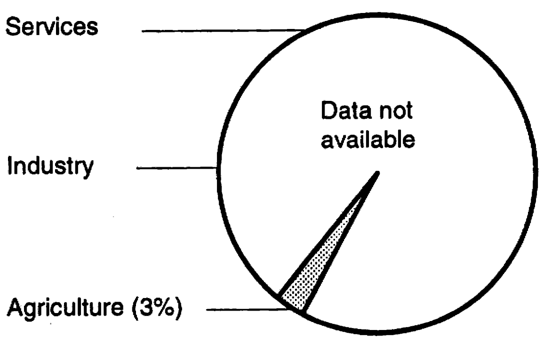
Land *1992*

8,273 hectares(4 mil. ha irrigated)



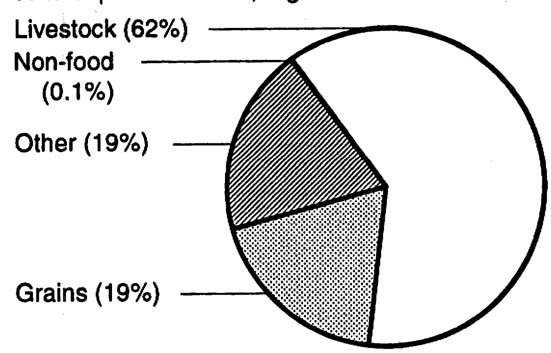
GNP *1992*

$141.3 billion; $18,000 per capita



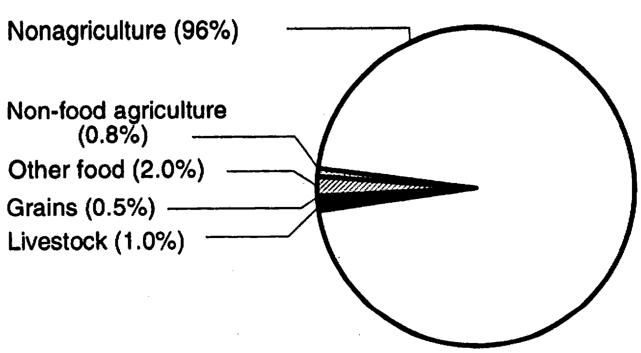
Agriculture *1991*

Major agricultural products: Milk, Pigmeat



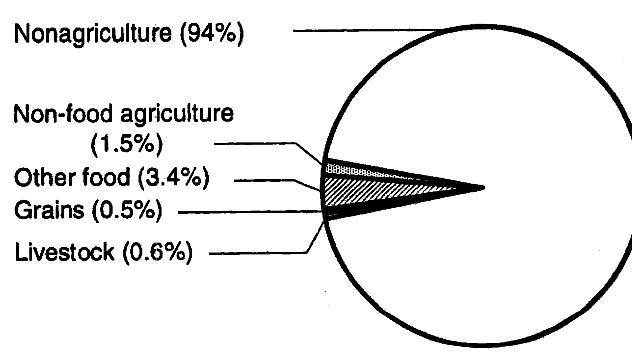
Exports *1993*

$40,172 million
Major agricultural export: Beverages



Imports *1993*

$48,576 million



Austria is a leader in organic farming, which has boomed in recent years. The Agricultural Minister has demanded that conventional stores offer organic products, which were previously available only in specialty stores. Subsidies for organic farming were introduced in 1987 and rose to over $10 million per year. An increase in the fertilizer tax quickly reduced consumption of nitrogen, phosphate, and potassium. However, the drop in consumption is offset by farmers bringing fertilizer into the country from the neighboring Czech Republic, where it costs half the Austrian price.

The recent Market Regulation Act increased direct payments for slaughter cattle producers, to converge with EU policy, and created a new "sow fallow program" to reduce livestock density. The Agricultural Ministry also launched "Agricultural Market Austria," a new consolidated organization to administer export subsidies for grain, beef, and dairy products and production subsidies for oilseeds. This new body, which replaced commodity-specific administrative boards, will also intensify marketing of Austrian agricultural products in both Austria and the EU.

Austria joined the EU in January 1995. The major concerns to farmers were meeting the General Agreement on Tariffs and Trade (GATT) commitments and competition from cheaper eastern European agricultural products. Many farming families are migrating to cities due to recent poor harvests and unfavorable prospects given GATT and EU requirements. Most farmers expect that meeting the GATT commitments will be more threatening to Austrian agriculture than EU accession was, due to drastically reduced prices and declining production caused by GATT-mandated subsidy reductions. Export reductions will hit cattle producers especially hard.

EU accession will result in significantly lower farm prices. Farm income is projected to decline by 20 percent after accession, to be mitigated by a favorable transition period. Overall support to producers will decline after accession, but consumers are expected to benefit from lower prices.

References

Austrian Museum for Economic and Social Affairs (1992). *Survey of the Austrian Economy, 92/93*. Federal Chancellery. Vienna.

Commission of the European Communities (1993). *The Agricultural Implications of EC Enlargement*. Brussels.

Commission of the European Communities (1992). *Commission Opinion on Austria's Application for Membership*. Brussels.

OECD (1992). *Agricultural Policies, Markets and Trade*. Paris.

U.S. Department of Agriculture, Economic Research Service (1993). *International Agriculture and and Trade Reports: Europe*. RS-93-5.

Belgium

Sharing borders with France, the Netherlands, Germany, and Luxembourg, Belgium is considered one of the world's foremost trading nations. It is a highly urbanized, densely populated nation. Farming in Belgium is characterized by tenant farms run primarily as family enterprises. Belgian farmers are highly efficient, utilizing mechanization and intensive production methods. Through land consolidation programs, the number of farms decreased from 180,000 in 1970 to 85,000 in 1990. Average farm size grew from 6.2 hectares in 1960 to 23 hectares in 1990. The number of farmers declined likewise, from 172,000 in 1970 to 90,000 in 1990. The one-farmer farm is typical, with 69 percent of farmers working the land full-time.

Belgian farms are highly specialized, with 46.9 percent specializing in cattle production, 11.9 percent in crop production, 11.8 percent in horticultural production, and 5.9 percent in hog and poultry production. The remaining farms are considered to be diversified.

Belgium is about 80 percent self-sufficient in food production. The country is a net importer of cereals, oilseeds, and forest products. Exports include beef, sugar, pork, eggs, and vegetables. The livestock sector is by far the most important, accounting for two-thirds of the value of agricultural production and one-third of the value of total agricultural exports. The vast majority (85 percent) of agricultural trade is within the EU. Belgium's most important trading partners are the Netherlands, France, and Germany.

Belgium is a founding member of the EU. Belgian support for the CAP stems from the concern about farm incomes and from the influence of the Belgian farmers' union (Boerenbond) within the Flemish Christian Social Party. Nearly all Belgian farms are associated with one or more regional farm associations. These associations work for the advancement of farmers' common interests and are, in turn, represented at the national level by the Belgian Green Front and at the EU level by the Committee of Professional Agricultural Associations. Recently there has been some transfer of power from the Belgium Ministry of Agriculture to the regional Governments, resulting in an erosion of the agricultural decisionmaking process.

Belgium's agricultural policy focuses on consolidation of small inefficient farms, provision of social security to farmers, and the promotion of modernization and profitability through agricultural credit. Belgium is developing policies to address its environmental concerns; intensive agricultural production has caused significant pollution. Pending legislation would limit land devoted to intensive agriculture, mostly in the Flemish region. Some agricultural land is likely to be converted into nature reserves or to sustainable agricultural land. A fertilizer law now regulates the use of animal manure to avoid excessive top dressing, pollution of ground and surface water, and odors.

The Ministry of Agriculture strongly favors free trade within the EU countries, but is more protectionist regarding world trade.

The Belgian Government and farmers are strongly opposed to CAP reform. Some thought Belgium would favor CAP reform when it became a net contributor to the EU budget in 1988, like the Netherlands and the United Kingdom. However, agricultural interests fiercely opposed policy change, claiming the budgetary costs of CAP reform will make new reforms necessary in just a few years.

References

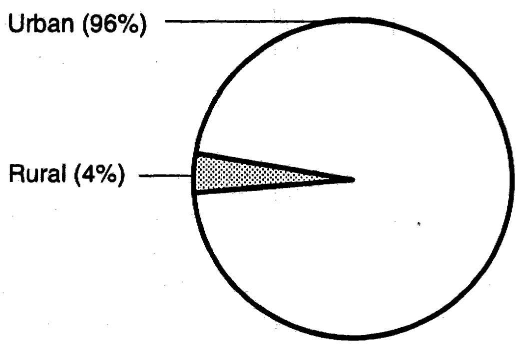
U.S. Department of Agriculture, Foreign Agricultural Service (1993). *Annual Agricultural Situation Report: Brussels.*

Belgium/Luxembourg

Official name	Kingdom of Belgium/Grand Duchy of Luxembourg
Type of government	Constitutional Monarchies
Memberships	Benelux, CE, EBRD,EU, FAO, GATT, IMF, NATO,OECD, UN, WEU, WTO

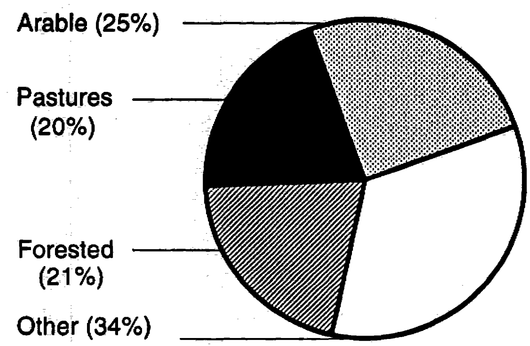
Population *1993*

10,101,000 persons



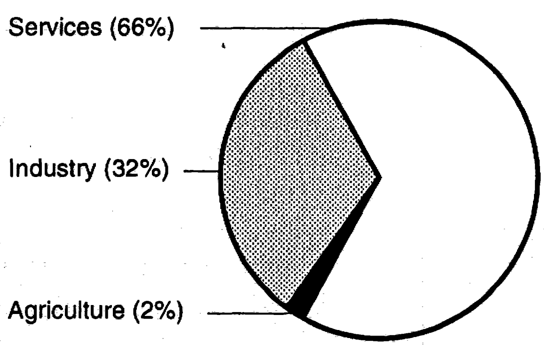
Land *1992*

3,281 hectares(1 mil. ha irrigated)



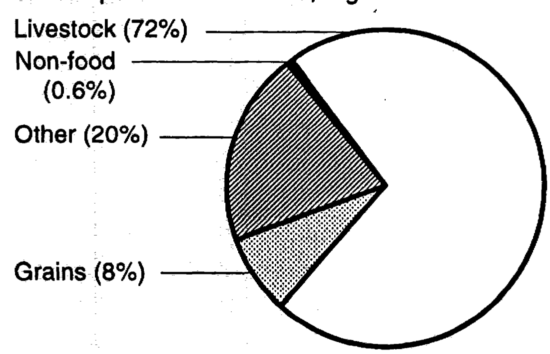
GNP *1992*

$186.4 billion; $17,800 per capita



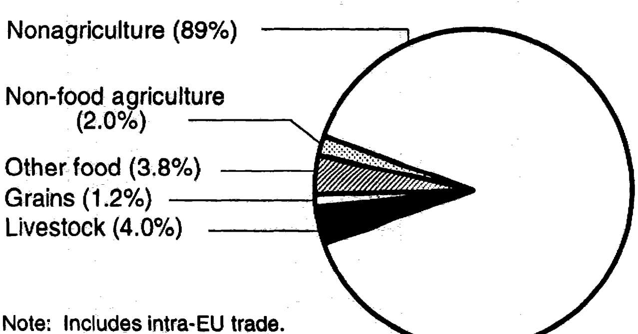
Agriculture *1991*

Major agricultural products: Beef/veal, Pigmeat



Exports *1993*

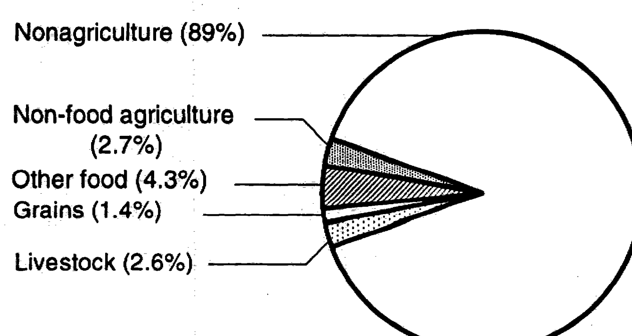
$124,346 million
Major agricultural export: Meat & Meat products



Note: Includes intra-EU trade.

Imports *1993*

$116,900 million



Denmark

Danish agriculture is concentrated in the meat and dairy industries. Other important commodities include grain, potatoes, sugar beets, and fish. Although the fishing industry in Denmark has declined precipitously during the past decade, it still serves as a vital source of income for traditional fishing areas.

Denmark covers 4.2 million hectares, with 64 percent of the land devoted to agricultural use. However, total agricultural land has declined by 20 percent over the last decade and is surrendering about 0.5 percent each year to urban development and recreational areas. Of 81,000 farms in Denmark, over 90 percent are owner-occupied, with an average farm size of 34 hectares.

As an EU member, Denmark has subjected most national programs and goals to community-wide programs. Many CAP regulations helped Denmark earn large net payments from the EU via export subsidies and guaranteed farm prices.

Agricultural earnings are strongly dependent upon the export markets. Approximately two-thirds of the agricultural commodities produced in Denmark are exported, with 45 percent of exports going to countries outside the EU. Pork and dairy products are the top export commodities, representing 60 percent of the value of total agricultural exports, while dairy and poultry products are the leading agricultural exports to destinations outside the EU. Germany, the United Kingdom, and Japan are the major recipients of Danish agricultural goods. Government funding for export market development has declined as producing firms have begun to take on more of the promotion and advertising.

Denmark must import large quantities of agricultural commodities. In 1993, Denmark imported more than $3 billion worth of agricultural products, mainly grain products, fruits and vegetables, animal feed, and tobacco.

Farmers are receiving a declining share of consumer expenditures on food, due in part to increasing processing, packaging, and marketing costs. Over the past decade, producer prices have declined approximately 7 percent in real terms. However Government subsidies to farmers have increased each year since 1984, with more farmers participating in the program.

While the number of jobs in agricultural production has declined in recent years, the number in the food processing industry has remained almost stable. Over the past two decades, the industry has undergone significant structural reorganization to increase capacity and improve efficiency.

The number of organic farms has grown from 200 in 1988 to nearly 700 in 1992. Although accounting for less than 1 percent of Danish cultivated area, organic farms have performed relatively well compared with conventional farming methods. Gross profits per hectare have generally exceeded conventional levels by 35-45 percent.

Severe environmental problems due to agricultural production, specifically, high levels of nitrate pollution and surplus manure, have led Denmark to adopt regulations on pesticide and fertilizer use, land management, and farm waste disposal. These strict regulations may not be adopted as EU policy in the near future, as they have met with significant opposition from other member countries.

References

U.S. Department of Agriculture, Foreign Agricultural Service. (1993). *Annual Agricultural Situation Report: Copenhagen.*

Landokonomisk Oversight (1992). *Agriculture in Denmark.*

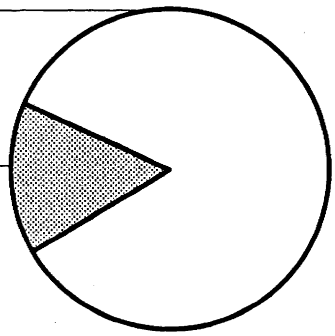
Lyons, Maryanne B. (1989). *Marketing in Denmark.* U.S. Department of Commerce, Foreign Commercial Service.

Denmark

Official name Kingdom of Denmark
Type of government Constitutional Monarchy
Memberships CBSS, CE, OSCE, EBRD, EU, FAO, GATT, IMF, NC, NATO,OECD, UN, WTO

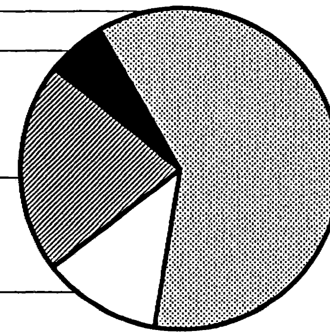
Population *1993*

5,197,000 persons



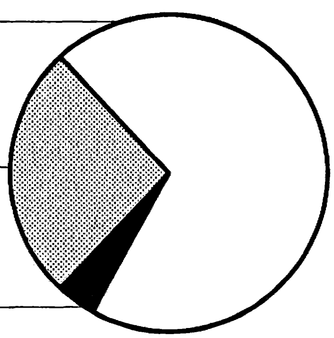
Land *1992*

4,237 hectares(430 mil. ha irrigated)



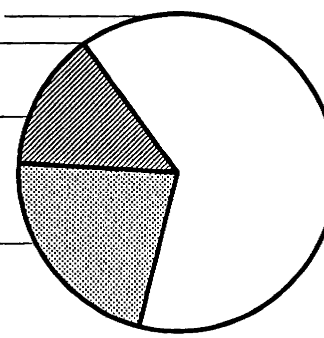
GNP *1992*

$94.2 billion; $18,200 per capita



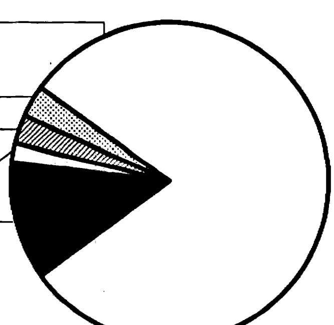
Agriculture *1991*

Major agricultural products: Pigmeat, Milk



Exports *1993*

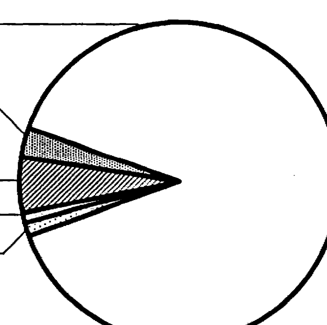
$36,920 million
Major agricultural export: Meat & Meat products



Note: Includes intra-EU trade.

Imports *1993*

$30,452 million



Finland

Finland became a member of the European Union in January 1995. With accession, Finnish agricultural policy goals and programs have been aligned with those of the EU. The EU's Common Agricultural Policy provides high prices for Finnish agriculture through minimum import prices enforced by levies and intervention purchasing at guaranteed prices. Consumption and export subsidies dispose of surpluses.

Agriculture has declined significantly in economic importance over the past 10 years due to the sluggish growth of the agricultural sector relative to the manufacturing and service sectors, the stagnant growth in food consumption, and the unprofitable export of agricultural goods. Agriculture represents 3 percent of GDP and 6.9 percent of the labor force. Forestry is the backbone of the Finnish economy, providing over 50 percent of export revenue; the rest of agriculture accounting for approximately 3 percent.

Finnish agriculture is handicapped by great distances, cold climate, sparse population, and short growing seasons. Small, relatively inefficient family farms average 13 hectares of arable land and 37 hectares of forest. The number of farms has declined 11 percent over the last decade. Crop cultivation (wheat, barley, oats) accounts for about 40.5 percent of arable land, with the remainder used for minor crops or left fallow. Forty-two percent of all farmers are full-time. Farm income has declined consistently over the last 10 years.

Livestock, particularly dairy cattle, is the basis of Finnish agricultural production. Other major commodities include cereal grains, sugar beets, and potatoes. Except for some fruits and vegetables, Finland has achieved self-sufficiency. Grains and livestock surpluses have been exported with the assistance of Government subsidies. Agricultural imports are generally discouraged through high protectionist measures.

Finnish agricultural policy seeks to maintain self-sufficiency, the current farm structure, a fair income for farmers relative to other population groups, the rural population level, and environmental protection. Current agricultural policy is affected by a high budget deficit and Finland's accession to the EU. Finland was particularly hard hit by the economic recession in Europe and the collapse of the former Soviet Union, its largest agricultural trading partner until the mid-1980's. The EU, followed by the EFTA countries, is now Finland's primary agricultural export market.

Prior to accession, the Government maintained export subsidies, regional subsidies to reduce income disparities, production support, and high target prices for certain products. Export subsidies were being reduced to lower costs and discourage overproduction. The Farm Income Act established production and export ceilings for commodities such as pork, eggs, beef, and wheat. Producers bore the full costs of exports beyond the ceiling. Finland's high border protection discouraged agricultural imports.

One of the main goals of Finnish agricultural policy was to reduce production. The Act of Regulating and Balancing Agricultural Production of 1992 regulated the establishment of agricultural enterprises, restricted land clearing, encouraged fallowing, and reduced export subsidies. Compensation for fallowing was increased as initial results were not satisfactory. Contracts between the Ministry of Agriculture and farmers to reduce production encouraged a shift from farming to forestry or small-scale industrial activity.

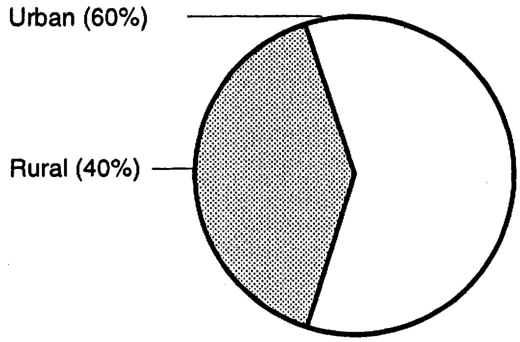
The Act on Rural Industries of 1991 provided the framework for development of state-supported farms. Farms were granted investment and financing support in order to promote an increase in farm size, a rationalization of production, and a reduction in costs. These larger farms were expected to produce at prices closer to EU levels.

Finland

Official name Republic of Finland
Type of government Republic
Memberships CBSS, CE, OSCE, EBRD, EU,FAO,GATT, G-9, IMF, NC, OECD, WTO

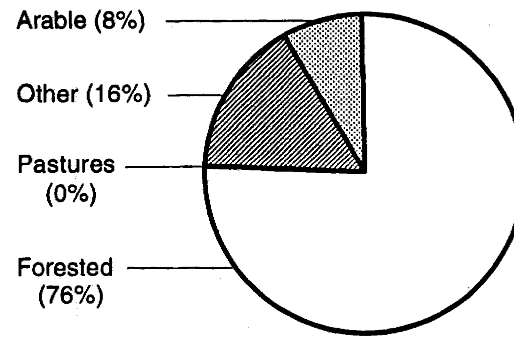
Population *1993*

5,078,000 persons



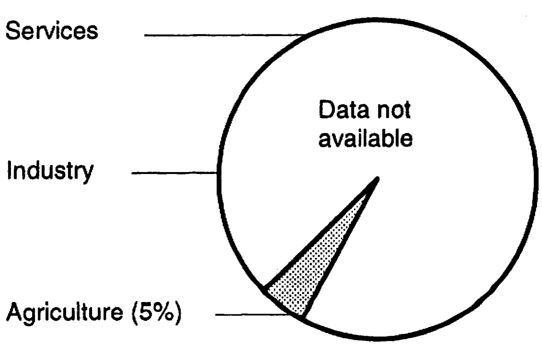
Land *1992*

30,567 hectares(62 mil. ha irrigated)



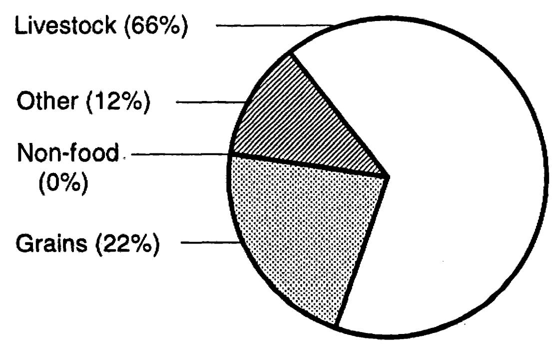
GNP *1992*

$79.4 billion; $15,900 per capita



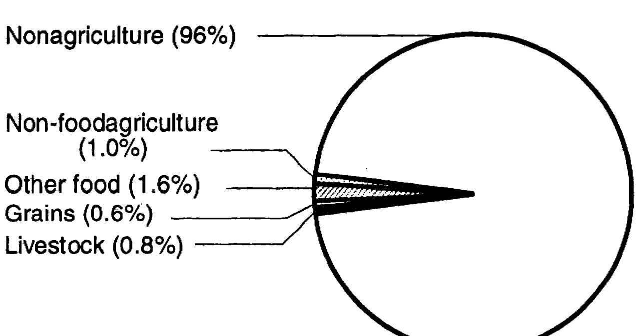
Agriculture *1991*

Major agricultural products: Milk, Barley



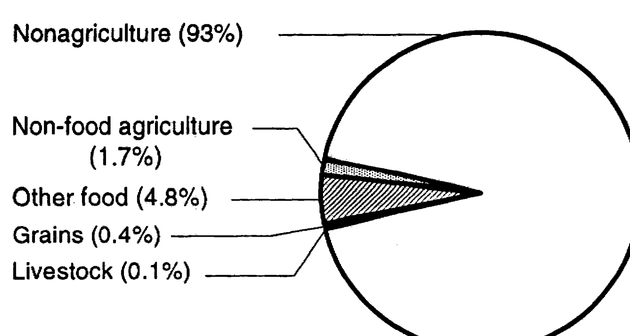
Exports *1993*

$23,483 million
Major agricultural export: Dairy products & Eggs



Imports *1993*

$18,060 million



Finland's livestock sector was not competitive due to the higher feed and grain prices incurred through the protectionist agricultural policy. Since accession, cheaper inputs have become available.

Finnish support of agriculture reduced regional income disparities and maintained a high income level for farmers. It also led to a growing deficit, increasingly unmanageable surpluses, high consumer price levels, and a number of complaints in the GATT from the international community. Recent modifications of the agricultural policy designed to prepare Finland for EU membership were successful in reducing costs and overproduction.

EU membership will result in significantly lower farm prices and, after a transition period, a reduction in the high level of agricultural support, requiring Finnish agriculture to become more competitive. CAP reform and GATT requirements will likely widen this gap between former Finnish national support and EU support, as prices decline in the EU. Direct payments will be provided to farmers in mountainous and other disadvantaged areas. Agriculture is important in these areas to preserve the landscape and to prevent the closure of other businesses. Farm income is projected to decline by at least 20 percent after accession, to be mitigated by a transition period. Overall support to producers will decline after accession, but consumers are expected to benefit from lower prices.

References

Commission of the European Communities (1993). *The Agricultural Implications of the EC Enlargement*. Brussels.

U.S. Department of Agriculture, Foreign Agricultural Service (1993/94). *Annual Agricultural Situation*. Helsinki.

France

France accounts for nearly one-third of total agricultural land and almost a quarter of the value of final agricultural production in the EU. French agriculture has experienced a decline in its contribution to employment and national income since World War II. France is Europe's leading producer of agricultural products. Principal crops include grains, beef, oilseeds, wheat, dairy products, and wines. Agricultural exports are primarily traded within the EU. Wines and spirits constitute 40 percent of French agricultural exports. Imports include fruits, vegetables, and fish.

France is a founding member of the EU. French agricultural policy focuses on farm income and the expansion of production and exports to benefit the trade balance. Increasing competition from eastern European countries, the reform of the CAP, GATT, and environmental concerns have all influenced French agriculture. CAP reform and the GATT will force France to reduce current production levels.

The French Government is most immediately concerned with farm income issues. Longer term policy goals are to improve the competitiveness of French agriculture by consolidating farms, lowering costs, and improving production techniques. Many farms are too small to be viable, with farmers suffering from inadequate training, poor farm skills, and a lack of farming support services. France has just under 1 million farms, averaging just over 30 hectares, the fourth largest average in the EU. The average farm size in France has increased by approximately 50 percent since 1970. The Ministry of Agriculture encourages farm consolidation through a voluntary retirement program. Since older farmers tend to hold small farms, their retirement would facilitate the growth of more competitive, large-scale enterprises.

Reforms aimed at improving production technology include increasing the tax deduction on self-financed investments and tax credits for agricultural research firms. Other policies include investment grants for young farmers producing beef and sheep and an easing of land transfer taxes to heirs.

French national expenditures on agriculture are among the highest in the EU. Social security programs account for the major share of expenditures. The Government also provides funding for research on agriculture, agricultural education, and extensification programs.

Several institutions act to encourage the expansion of agricultural production and exports, particularly through structural reform and collective organizations. The massive Credit Agricole, a state bank, provides subsidized loans to special borrowers: new farmers, cooperatives, or farmers pursuing approved modernization programs. The organization links farmers with processors and marketing groups, and has the power to collect levies and fund certain expansion programs. They often have significant regulatory functions. The Societes d'Amenagement Foncier et d'Etablissement Rural (SAFER) facilitate and control the agricultural land market, buying available land with a right of pre-emption and reselling it to enlarge medium-sized farms.

The Societe pour l'Expansion des Ventes de Produits Agricoles et Alimentaires (SOPEXA) promotes agricultural exports. The Compagnie Francaise d'Assurance pour le Commerce Exterieur (COFACE) insures export sales of all French products against defaults. A substantial portion of French grain exports are guaranteed by COFACE. Some insurance against unfavorable exchange rate movements is also provided for exporters. France has made some long-term agreements to enhance exports and has encouraged the EU to pursue similar arrangements.

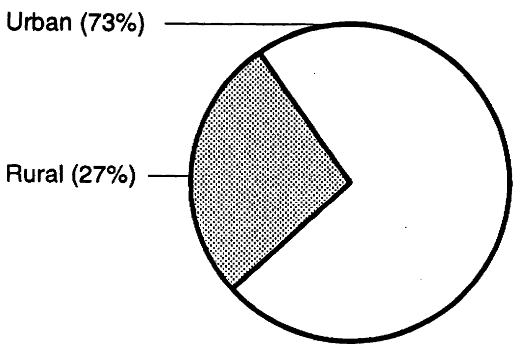
The Government has reduced the tax on biofuel, in part, to promote its use as an alternative,

France

Official name French Republic
Type of government Republic
Memberships CE, OSCE, EBRD, EU,FAO,GATT, G-7, IMF, NATO, OECD, UN, WEU, WTO

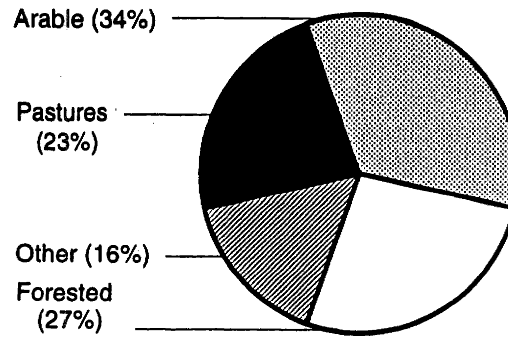
Population *1993*

57,779,000 persons



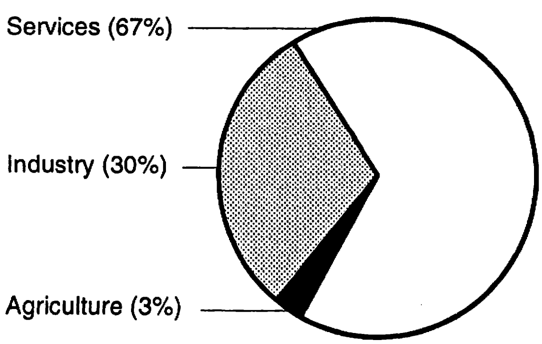
Land *1992*

54,563 hectares(1,160 mil. ha irrigated)



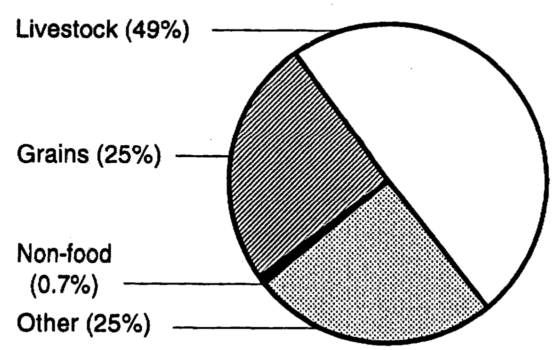
GNP *1992*

$1,080.0 billion; $18,900 per capita



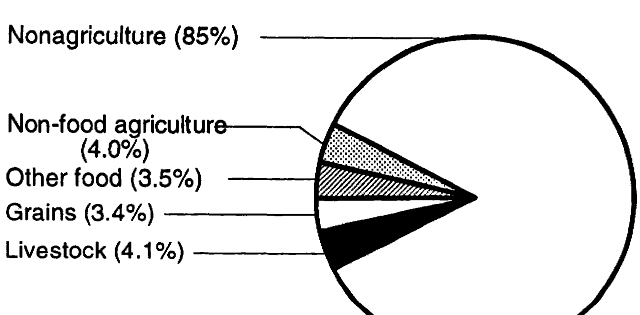
Agriculture *1991*

Major agricultural products: Milk, Beef/veal



Exports *1993*

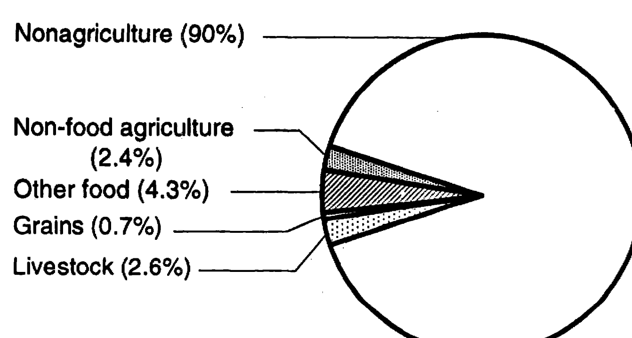
$216,904 million
Major agricultural export: Beverages



Note: Includes intra-EU trade.

Imports *1993*

$215,507 million



environmentally sound fuel source and to provide support to oilseed, sugarbeet, and grain farmers.

The French Government has initiated several other measures to preserve the environment. In April 1991, the Ministry of the Environment announced plans to promote better management of water resources in the agricultural sector by tightening water use and requiring farmers to pay the real cost of water consumption. In February 1992, regulations directed at reducing agricultural pollution were issued by the French Parliament. These new directives focus on the development of environmentally sound management methods and disposal of animal waste by livestock producers.

References

U.S. Department of Agriculture, Foreign Agricultural Service (1993). *Annual Situation Report: France*. Paris.

Germany

Germany is the second largest agricultural producer, next to France, in the EU. Arable land makes up 34 percent of the total land area while meadows and pastures constitute 23 percent. However, aggregate statistics mask major regional variations in farm practices. In western Germany, agricultural production accounts for only 1 percent of GDP and 3 percent of employment. In the new eastern Länder (States), agriculture plays a more significant role. Despite major structural changes that displaced more than half the pre-unification workforce, agriculture constitutes 10 percent of eastern GDP and employs nearly 4 percent of the population.

Germany is a net agricultural importer. Trade in agriculture makes up 10 percent of total imports, but only 6 percent of total exports. Two-thirds of Germany's agricultural trade is with its EU partners. The key imports are fruit and vegetables, meat, cheese, and luxury goods such as coffee, wine, and tobacco. The main exports are dairy and meat products, sugar, wheat, and barley.

Cooperative and corporate enterprises typify farm structure in eastern Germany, accounting for over 60 percent of all productive land. These large-scale enterprises have an average farm size of over 1,000 hectares. About 22,500 family farms have been established in the east under a Federal grant program.

Farms in western Germany, on the other hand, are relatively small; full-time farms average 26 hectares. The number of western farms has declined by roughly 3 percent per year over the last 10 years, and has fallen from 1 million in 1970 to fewer than 653,000. Policies aimed at preserving small-scale family farming have created an inefficient farm structure and impaired German competitiveness in global markets. Larger farms are generally in the northern plains, with smaller family enterprises in Bavaria and Baden-Württemburg in the south. These differences are rooted in local inheritance laws.

Overall agricultural production exceeds $18 billion per year and the main crops include barley, potatoes, wheat, sugar beets, pork, and dairy products. Imported non-grain feeds are used in intensive livestock production in the north. Cultivation in the former West Germany centers on wheat, rye, barley, potatoes, and sugar beets. CAP incentives have led to increases in rapeseed, wheat, and barley production. Total farm support was $10 billion in 1992, not including EU transfers. Some expenditures have been transferred from the national to the EU budget.

The German Government has been a strong advocate of CAP reform, favoring a reduction of surpluses using supply and price control measures. The Federal Republic has also lobbied for higher environmental standards for European agriculture. Food policy aims to inform consumers on healthful nutritional habits. The Ministry of Agriculture compensates farmers with direct income payments for lost income due to price reductions.

Under CAP reform, farm income support continues to shift from production-based to acreage-based subsidies. Farms with high per-hectare gross income will suffer almost uncompensated losses in gross income. The new system also generally favors less efficient, smaller farms and thus will not serve as an incentive to increase production.

German agricultural support generally falls into four categories: social, structural, tax, and miscellaneous. Social support comprises about 40 percent of total expenditures. Another 25 percent is allocated to structural policy, 8 percent to tax policy, and the remainder to various other support programs. Of the $10 billion in support expenditures in 1992, only 18 percent was allocated to eastern farmers.

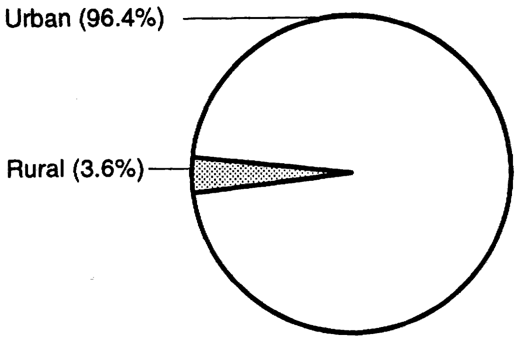
The Ministry of Agriculture administers its own independent social security system, including

Germany

Official name Federal Republic of Germany
Type of government Federal Republic
Memberships CBSS, CE, OSCE, EBRD, EU, FAO, GATT, G-7, IMF, NATO, OECD, UN, WEU, WTO

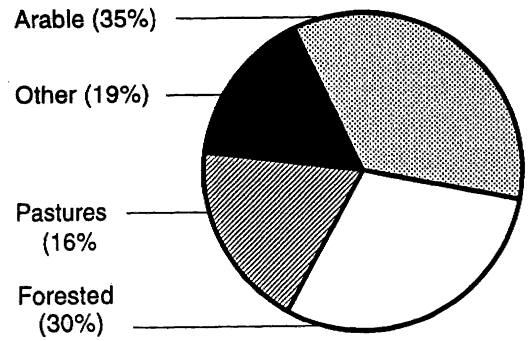
Population *1993*

81,338,000 persons



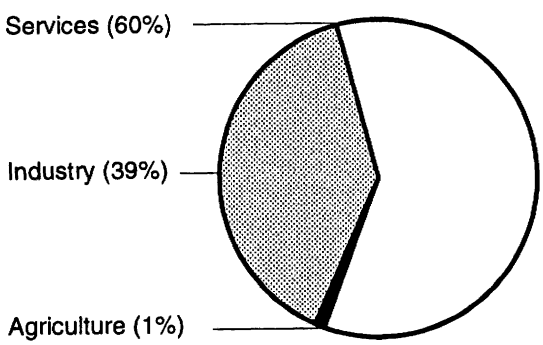
Land *1992*

34,952 hectares(480 mil. ha irrigated)



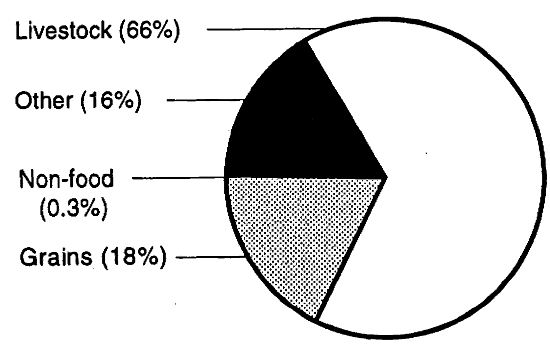
GNP *1992*

$1,398.0 billion; $17,400 per capita



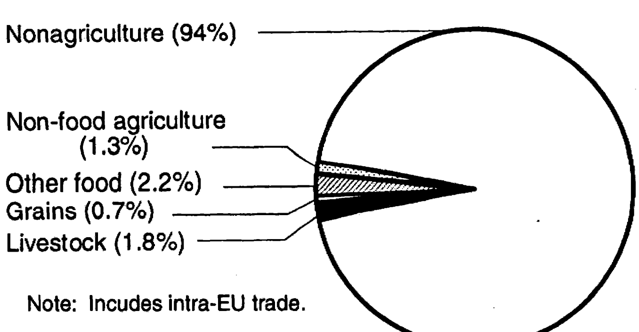
Agriculture *1991*

Major agricultural products: Milk, Pigmeat



Exports *1993*

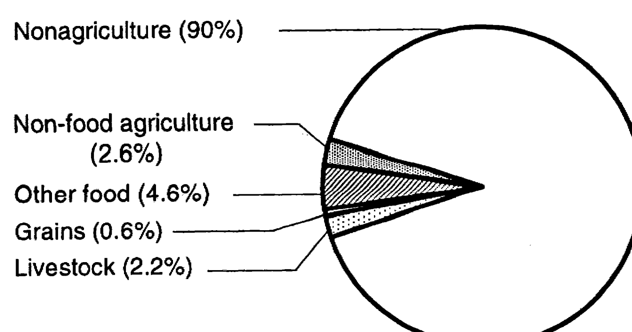
$308,108 million
Major agricultural export: Dairy, & Meat products



Note: Incudes intra-EU trade.

Imports *1993*

$ 342,521 million



old-age assistance, accident insurance, and health insurance. The objective is to ensure that farmers receive the same state aid as the rest of the population. Old-age pensions make up 20 percent of all German agricultural supports. Accident insurance was introduced in 1963 as a means to compensate for declining incomes and was applied to the new Länder in 1991. Payments to give up farming and the early retirement program fall under the rubric of social policy but also promote structural policy objectives, since neighboring farms can take over the land. The 1995 Social Reform increases old-age insurance to farmers' wives, but also restricts health and old-age insurance coverage to full-time farmers in order to eliminate overlapping national and agricultural assistance to part-time farmers.

The main objectives of structural policy are efficiency, competitiveness, and preservation of the countryside. Support is provided for consolidation of farmland, formation of production cooperatives, and improvements in marketing and distribution. These programs are usually administered jointly by the Ministry and Lander governments. This support is concentrated in "less-favored areas," which were defined by the EU in 1974 as hilly or threatened by depopulation.

The German Government also extends special tax breaks for farming enterprises. Many farmers do not pay income tax, and there is no tax on farm profits. Other support instruments include fuel subsidies, adjustment support for eastern farmers, drought compensation payments, and support for environmental farming practices.

References

Bundesministerium für Ernährung, Landwirtschaft und Forsten (1992). *Agricultural Report 1992*. Bonn.

Bundesministerium für Ernährung, Landwirtschaft und Forsten (1994). *Statistischer Monatsbericht, 1/1994*. Bonn.

U.S. Department of Agriculture, Foreign Agricultural Service (1992). *Annual Agricultural Situation Report: Germany.*

Gerhardy, Clemens (1993). *German Support for Agriculture.* (Unpublished paper). Economic Research Service, U.S. Department of Agriculture.

OECD (1992). *Agricultural Policies, Markets and Trade.* Paris.

U.S. Department of Agriculture, Economic Research Service (1993). *International Agriculture and Trade Report: Europe.* RS-93-5.

Greece

Only 28 percent of Greece's land is arable, as much of the land is mountainous. Twenty percent of land area is made up of islands. The climate is fairly typical of the Mediterranean countries, with hot, dry summers and damp, cold winters. Greece is a member of the European Union (EU).

Agriculture accounts for 17 percent of GDP and 21 percent of the civilian workforce, the highest percentage of agricultural workers relative to the civilian working population in the EU. The Greek agricultural sector is plagued by problems of low productivity, an aging farm population, and low levels of technical training.

Greek agriculture is characterized by small fragmented holdings. Average farm size is only 4 hectares, while the EU average is 15. More than 52 percent of all holdings were between 1 and 5 hectares in 1992. Since 1963, Greece has operated a voluntary land consolidation program, which has reduced the number of holdings from over 1 million in 1960 to 924,000 in 1989. However, the results of the program are disappointing, as the majority of the holdings are small, making it difficult for single farmers to specialize on a commercial scale or to produce crops at competitive prices.

The agricultural labor force is chiefly self-employed (less than 4 percent are paid workers), older (38 percent were over 54 years of age in 1991), and dependent upon agricultural income (67 percent had no other employment in 1987).

Greek agriculture is concentrated in the production of arable crops. In 1990, these commodities made up about 70 percent of total agricultural production (in value terms). Livestock production, typically one of the more profitable sectors in the EU, accounted for 30 percent of agricultural production. Key crops produced for domestic and export markets consist of corn, wheat, fresh fruits and vegetables, olive oil, tobacco, and wine. Agricultural products constituted about 30 percent of the value of total Greek exports in 1993. Major trading partners include Greece, France, Italy, the United Kingdom, and the United States.

While Greece is nearly self-sufficient in domestic food production, it falls short in the areas of meat, dairy, and animal feed. Imports of farm commodities accounted for 13 percent of the value of total Greek imports in 1993. Since joining the EU, the Greek balance of trade in agricultural products with other EU countries has shifted from positive to negative as livestock imports have increased.

Agricultural policy is principally governed by the CAP. Greece is currently in the process of harmonizing national agricultural policies with the CAP. In 1992, Greece removed all subsidies to the chemical fertilizer industry, following a claim by the EU that these payments violated Community regulations. After their removal, fertilizer prices increased significantly, reducing fertilizer use. Following problems with the overproduction of milk, the EU raised the Greek milk quota by 100,000 tons in 1993 in an effort to ensure compliance with the quota.

The Government of Greece is very concerned with CAP reform and GATT issues, particularly as they affect the production of traditional Mediterranean crops (tobacco and fruits), which account for 15.3 percent of the value of agricultural production in Greece.

The Ministry of Agriculture is attempting to restructure and improve the competitiveness of agriculture. National production subsidies, which contributed to growth and development, have been reduced. Legislation was recently passed for a new cooperative system based on a free market economy.

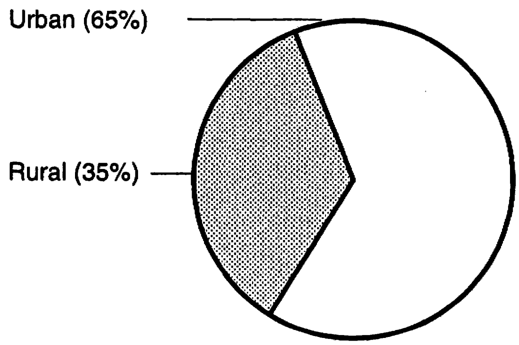
Although Greek agriculture suffers from many serious problems, advancements have been made in the food processing industry. A large number

Greece

Official name Hellenic Republic
Type of government Presidential Paliamentary
Memberships BSEC, CE, OSCE, EBRD, EU, FAO, GATT, IMF, NATO, OECD, UN, WEU, WTO

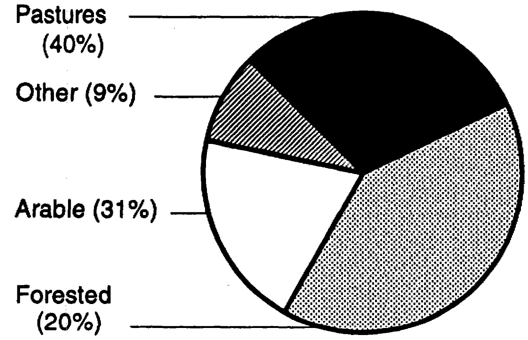
Population *1993*

10,411,000 persons



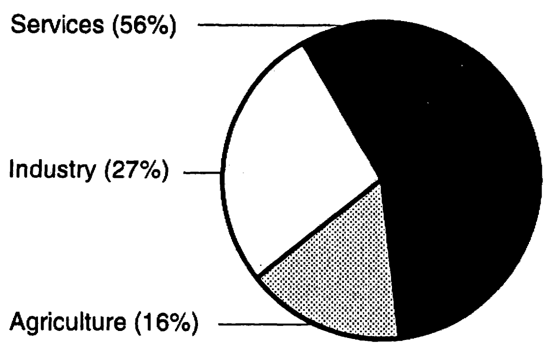
Land *1992*

13,080 hectares(1,190 mil. ha irrigated)



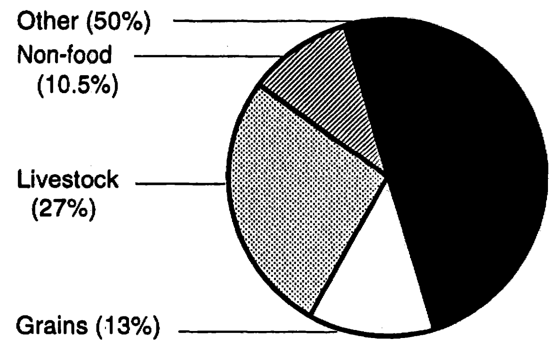
GNP *1992*

$82.9 billion; $8,200 per capita



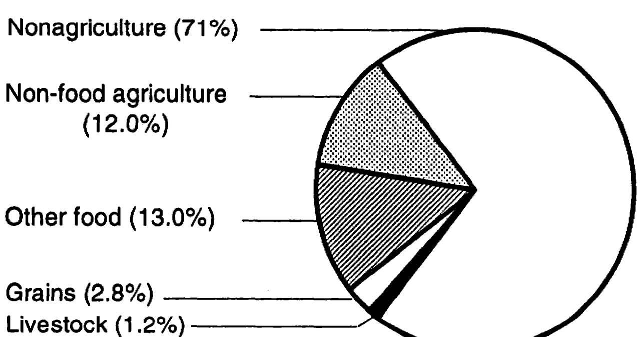
Agriculture *1991*

Major agricultural products: Vegetables, Textile fibers



Exports *1993*

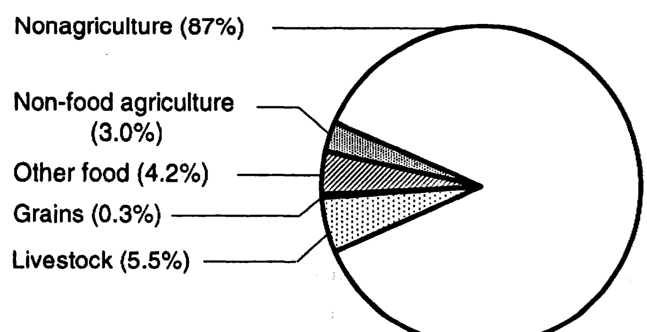
$8,431 million
Major agricultural export: Fruits & Vegetables



Note: Includes intra-EU trade.

Imports *1993*

$ 22,172 million



of food processing plants in Greece use the latest technologies and produce basic food items of superior quality, such as preserved fruits and juices, biscuits, bakery products, chocolate, and confectionery.

References

Greek Ministry of Agriculture (1992). *Greek Agriculture in Numbers*. Athens.

European Commission (1994). *The Agricultural Situation in the Community: 1993 Report*. Luxembourg.

U.S. Department of Agriculture, Foreign Agricultural Service (various years). *Annual Agricultural Situation Report: Greece*. Athens.

Ireland

Located in the North Atlantic Ocean, across the Irish Sea from Great Britain, Ireland enjoys a temperate, maritime climate, with mild winters and cool summers. Adequate rainfall produces good pastures for extended grazing during the spring, summer, and autumn. Rolling interior plains are surrounded by rugged hills and low mountains on the coast. The 4.5 million hectares of farmland are mostly grassy pasture. Ninety percent of the 170,000 farms are owner-occupied and usually family-operated, with an average size of 26 hectares.

Beef cattle and dairy account for approximately 86 percent of the value of Irish agricultural production. Extensive grass grazing areas also support sheep production. Much of grassland farming involves moving young stock to grazing and fattening areas. Hog production is generally a small-scale operation on multiple-output farms and is based on domestic feed barley. Other important crops include turnips, barley, potatoes, sugar beets, and wheat. Ireland is about 85 percent self-sufficient in food; major imports are cereal grains, fruits and vegetables, and animal feed.

The cattle industry is extremely important to Irish agriculture, with 80 percent of the output destined for export. Most dairy output goes to the export market, mainly as butter and nonfat dried milk. Production of cheese and casein, however, is increasing, as dairy producers diversify into more value-added products. Dairy production employs 9,000 workers, not including primary producers. Irish pig and sheep output is also increasing yearly.

Membership in the EU in 1973 eased agricultural underdevelopment and low farm income. Agriculture's participation in the overall economy is evident in its high contribution to export earnings. Over half the value produced is exported, largely consisting of cattle and beef. An increasing percentage of agricultural output is processed before export.

The CAP has transferred a relatively high percentage of funds to Ireland for social and regional agricultural development, but few projects have been completed. Improving productivity in the farm sector in order to boost real farm income is made difficult by Ireland's topography and high costs of investment.

Irish farmers' incomes have risen 30 percent over the last few years, due to a 20-percent hike in the level of farm subsidies and the devaluation of the currency. Direct income payments now account for about 22 percent of total farm income as CAP reform has transferred support away from market price measures.

Ireland's agriculture qualifies for a relatively large percentage of the EU's "less favored area" regional aid. These regions are often hilly areas or threatened by depopulation. Despite EU market support, agriculture's contribution to national output has declined. Lack of diversifica- tion, farmer indebtedness, and an outdated infrastructure have inhibited agricultural development.

The value of exports of "miscellaneous food products," which include soft drink concentrate (cola), has increased markedly in recent years. In addition, the Irish food processing industry has become increasingly important to the economy. EU countries purchase 75 percent of Ireland's exports, both agricultural and industrial, with the UK, Germany, and France the top trading partners.

References

Commission of the European Communities (1992). *The Agricultural Situation in the Community, 1991 Report*. Brussels.

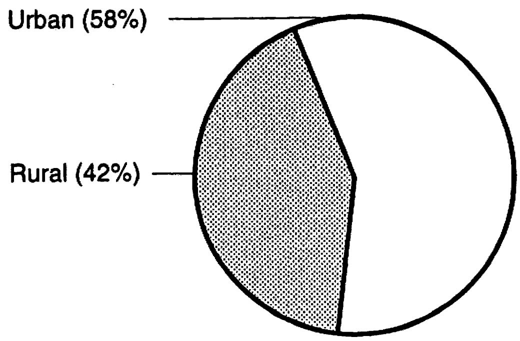
U.S. Department of Agriculture, Foreign Agricultural Service (1993). *Annual Agricultural Situation Report. Dublin.*

Ireland

Official name Irish Republic
Type of government Republic
Memberships CE, OSCE, EBRD, EU, FAO,GATT, IMF, OECD, UN, WTO

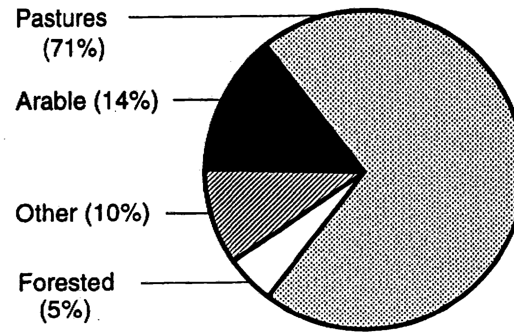
Population *1993*

3,569,000 persons



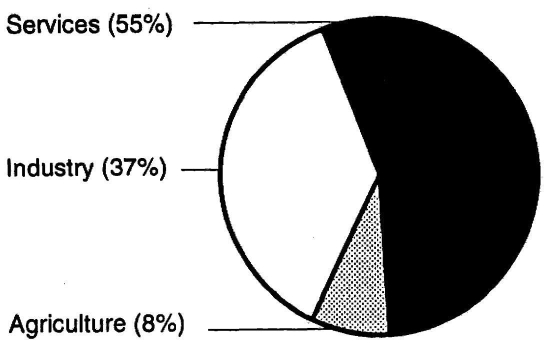
Land *1992*

6,889 hectares



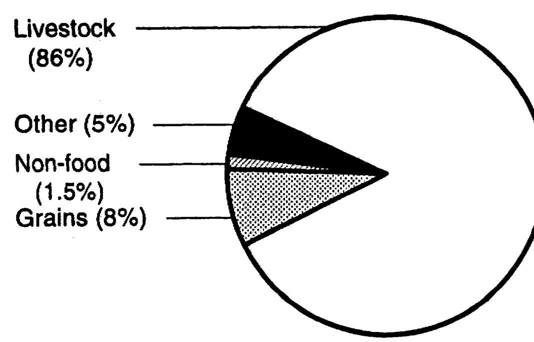
GNP *1992*

$42.4 billion $12,000 per capita



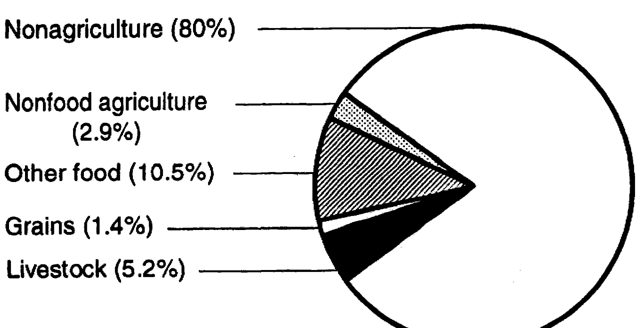
Agriculture *1991*

Major agricultural products: Beef/veal, Milk



Exports *1993*

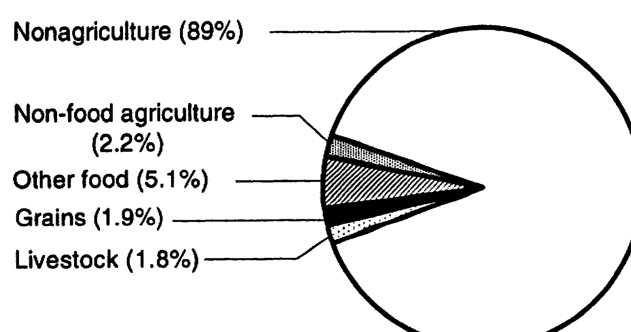
$28,421 million
Major agricultural export: Meat



Note: Includes intra-EU trade.

Imports *1993*

$ 20,514 million



Italy

Italy is bounded by the Adriatic, Ionian, Ligurian, and Tyrrhenian Seas. Continental Italy is bounded by the Alps to the north and shares borders with France, Switzerland, Austria, and the former Yugoslavia. Italy is a member of the EU.

The foremost concerns of Italian agricultural policy are the maintenance of acceptable farm incomes, particularly in the Mezzogiorno region of southern Italy, and the expansion of production through development and modernization programs to reduce a burdensome agricultural trade deficit. The CAP provides high prices for some Italian agriculture through minimum import prices enforced by high tariffs and intervention purchasing at guaranteed prices. Export subsidies dispose of surpluses. The CAP helps to maintain farm incomes and rural employment, and has encouraged production, but at the expense of high consumer prices, increasingly unacceptable budget costs, and international conflicts.

Italy's 2.6 million farms (1989) average 5 hectares. Seventy-five percent of all holdings are smaller than 6 hectares. Most holdings are independently owned.

Italy's principal products include grains, vines, and horticultural products. Italy is the EU's largest producer of fruits and vegetables (including apples, pears, table grapes, cauliflower, and tomatoes) and, with France, is the world's largest producer of wine. Italy lacks self-sufficiency in most meat, dairy, and grain products. Northern farmers produce grain, sugarbeets, meat, and dairy products, while its southern producers specialize in fruits, vegetables, olive oil, wine, and durum wheat. Agriculture in Italy is a microcosm of the dichotomy between the EU's Mediterranean and northern European producers.

Italy's principal agricultural imports are meat and live cattle, grain, coffee, cheese, and oilseeds and meal. Italy's primary exports are fresh fruits, wine and vermouth, pasta, canned fruits and juices, tomato products, fresh vegetables, and cheese. Major trading partners include France and Germany.

Italy is a net importer of agricultural goods, which taxes the Italian balance of payments. The trade deficit also affects Italy's orientation to the CAP. Italian imports consist mainly of northern products, which receive high CAP price supports, while Italian exports are primarily Mediterranean products such as fruits, vegetables, and wine, which receive relatively weak CAP support. Italy is dedicated to obtaining increased CAP market supports for Mediterranean products and EU funding for programs to improve farm structures in the Mezzogiorno region. Italy supports high prices for northern Italian products as well because they are considered necessary to increase Italian production and self-sufficiency.

Price supports and some structural improvement programs are provided by the CAP. Italy also supports farm incomes through tax concessions, subsidized credit, and social security programs. Italian agriculture reaps the highest level of Government expenditures of any EU country. State governments also have significant agricultural support expenditures.

High and stable CAP prices have provided effective producer incentives and, combined with national investment policies, have fostered rapid development of Italian agriculture, especially in the north. Agricultural production has increased rapidly and the structure of Italian agriculture has improved. For example, self-sufficiency in cereals increased from 80 percent in 1985/86 to 92 percent by 1992/93.

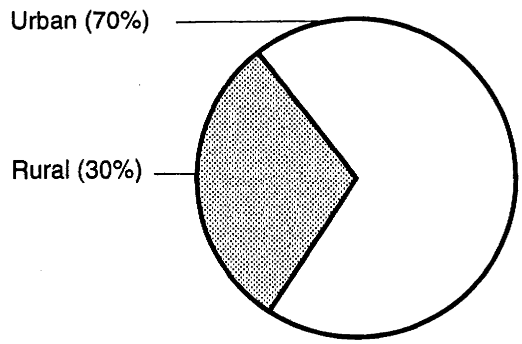
As a result of the CAP reform, Italian farmers have reduced their plantings of oilseeds in favor of corn. Soybean double-cropping has nearly ceased. Italy has also made changes in milk production. In 1992, Italian producers implemented a program to reduce milk

Italy

Official name Italian Republic
Type of government Republic
Memberships CE, CEI, OSCE, EBRD, EU, FAO, GATT, G-7, IMF, NATO, OECD, UN, WEU, WTO

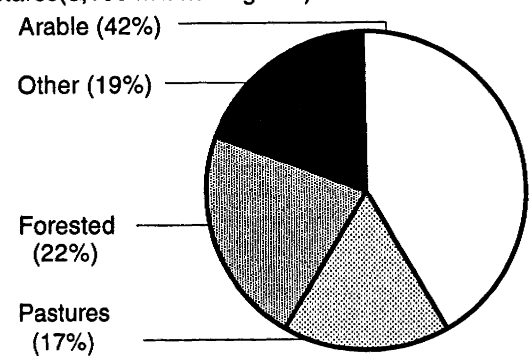
Population *1993*

57,139,000 persons



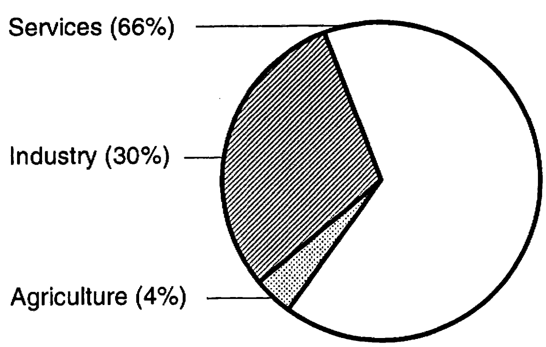
Land *1992*

29,402 hectares(3,100 mil. ha irrigated)



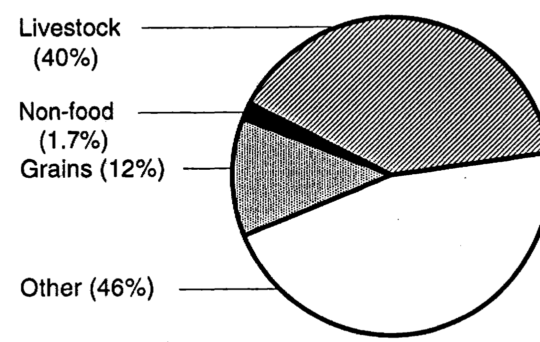
GNP *1992*

$1,012.0 billion; $17,500 per capita



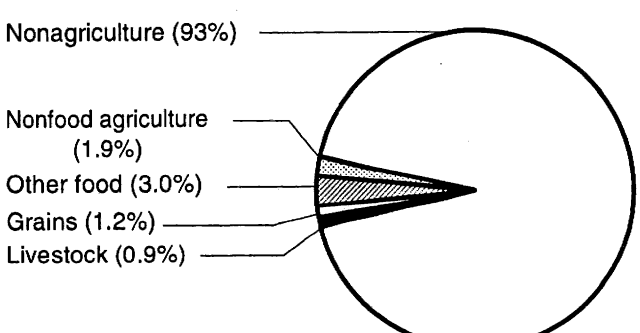
Agriculture *1991*

Major agricultural products: Vegetables, Milk



Exports *1993*

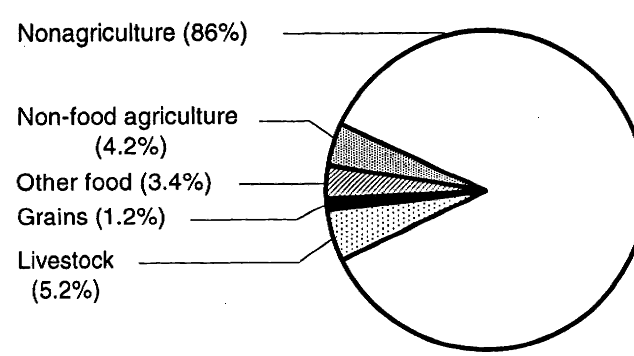
$168,489 million
Major agricultural export: Fruits & Vegetables



Note: Includes intra-EU trade.

Imports *1993*

$ 147,572 million



production with the hope of receiving an increase in their EU milk production quota. Milk production in Italy has consistently exceeded the quota, resulting in fines of over 4 trillion lire. Italy began implementing its dairy quota in 1993, 10 years after the rest of the EU. In 1993, the EU raised the Italian milk quota to 9.9 million metric tons, a 10-percent increase over the previous quota, but still well under the current production level of 11.5 million tons.

In 1993, the Italian Cabinet restructured the Ministry of Agriculture after a series of Government scandals. A new ministry is in charge of agriculture, food, and forestry. The Government retained control over national agricultural policy and international agricultural issues, while giving extensive decisionmaking power to the regional governments.

References

Agra Europe. London.

U.S. Department of Agriculture, Foreign Agricultural Service (1993). *Annual Agricultural Situation Report: Rome*.

Shinn, Rinn S. (1987). *Italy: A Country Study*. Foreign Area Studies, The American University. Washington, DC.

Luxembourg

Luxembourg is located between Belgium and Germany in northern Europe. Luxembourg has strong economic ties to Belgium. The two countries formed a customs union in 1921 which later expanded to include the Netherlands, an arrangement known as the Benelux Economic Union. Luxembourg is the smallest country in the EU.

Twenty-four percent of Luxembourg's land is arable. There are approximately 3,600 farms, a decline of 20 percent since 1980. As holdings have been consolidated, average farm size has increased to 35.5 hectares. Most of these farms are independently owned.

Luxembourg is faced with an aging farm population, with 42 percent of farmers over the age of 50 and 17 percent under 30. A recent survey by the Ministry of Agriculture showed that only 43 percent of farmers see a successor for themselves at retirement. There is also a trend toward part-time agricultural production, as farmers pursue other economic opportunities.

Agriculture in Luxembourg is focused on dairy production, which accounts for more than half of the gross value of agricultural production. Other important commodities include beef, grain, wine, potatoes, pork, and cereal crops. The largest field crop is spring barley.

Luxembourg exports a significant portion of its agricultural production, with the majority of these exports being meat and dairy products. The country is, however, a net agricultural importer. Fresh fruits and vegetables, meats, and wine are among the commodities most frequently imported. Luxembourg conducts most of its trade with other EU countries. Belgium, Germany, and France are its main trading partners.

Although agriculture provides a very small portion of total GDP, it is still considered a vital sector not only economically but also politically and socially. The Ministry of Agriculture sponsors many programs to assist farmers, in addition to those developed by the EU. These programs are aimed at restructuring agriculture, and include funding for projects designed to reduce production costs and grant direct payments to farmers willing to leave milk production. The Ministry also provides health, accident, and pension funds, as well as educational grants to attend agricultural school.

References

U.S. Department of Agriculture, Foreign Agricultural Service (1993). *Annual Agricultural Situation Report: Brussels.*

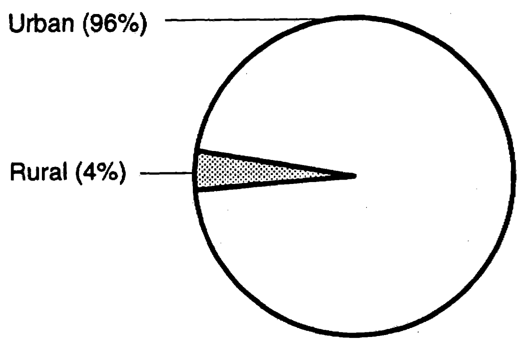
Service Central de la Statistique et des Etudes Economiques (1991). *Luxembourg '92.*

Belgium/Luxembourg

Official name Kingdom of Belgium/Grand Duchy of Luxembourg
Type of government Constitutional Monarchies
Memberships Benelux, CE, EBRD,EU, FAO, GATT, IMF, NATO,OECD, UN, WEU, WTO

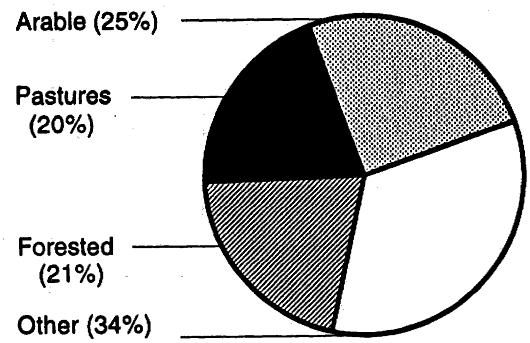
Population *1993*

10,101,000 persons



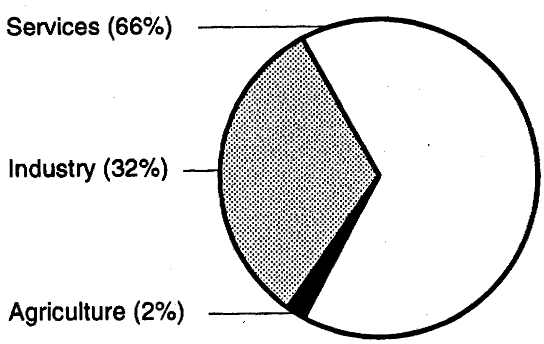
Land *1992*

3,281 hectares(1 mil. ha irrigated)



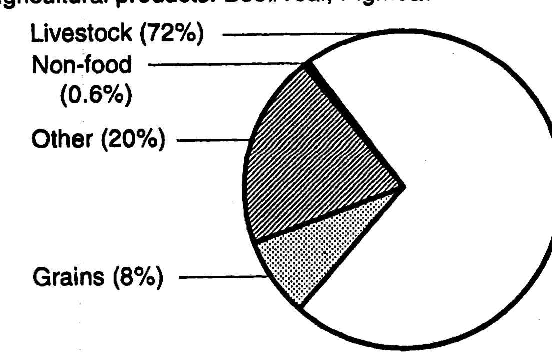
GNP *1992*

$186.4 billion; $17,800 per capita



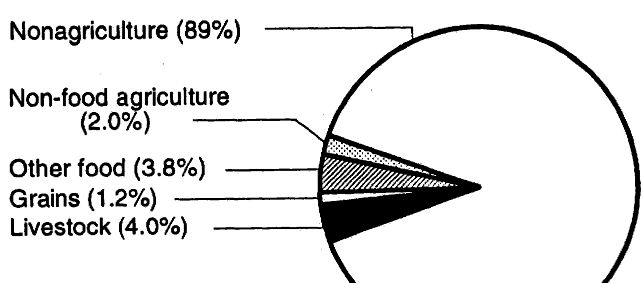
Agriculture *1991*

Major agricultural products: Beef/veal, Pigmeat



Exports *1993*

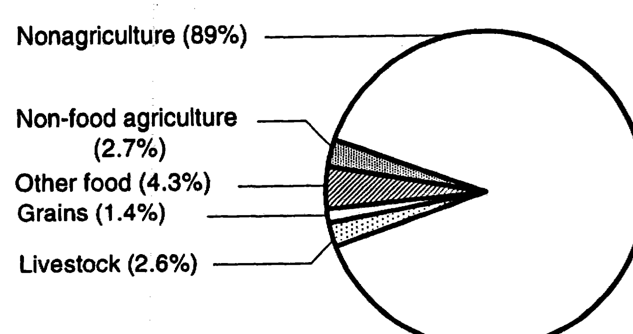
$124,346 million
Major agricultural export: Meat & Meat products



Note: Includes intra-EU trade.

Imports *1993*

$116,900 million



The Netherlands

The Netherlands, located on the North Sea at the mouth of the Rhine, Meuse, and Scheldt Rivers, is a major trading nation. More than 50 percent of the Dutch GDP is generated through the export of goods and services, with agricultural products accounting for 21 percent of total exports.

There are about 125,000 agricultural holdings in the Netherlands, most of which are family farms. The average holding is about 16 hectares. The average size of holdings, especially specialized farms, is increasing. Part-time farmers, which number 27,000, are expected to increase to 30,000 by the year 2000, working about 15 percent of the total agricultural land.

The Netherlands has a highly technical agricultural sector, closely linked to advanced agribusiness and food-processing industries. The efficiency of Dutch agriculture is attributable to a historical reliance on trade; to a well-developed agricultural education, research, and extension system; and to an extensive private network of commodity boards, which organize all stages of commodity production and marketing.

The Netherlands is a net exporter of agricultural and food products. In 1993, agricultural exports provided the Netherlands with an agricultural trade surplus of $13 billion and boosted an otherwise negative trade balance. While the Dutch specialize in high-value agricultural products, other major commodities include arable crops (8.2 percent of agricultural production value) such as cereals, potatoes, and sugar beets; horticultural crops (35.5 percent) such as fresh fruits and vegetables, flowers and plants, and flower bulbs; and livestock products such as live cattle, meat, pigs, and milk. Arable crop production is declining while the production of horticultural crops increases. Greenhouse growing is the largest sector of horticultural production, with production per square meter increasing. Currently, there are 10,000 hectares cultivated under glass.

The Netherlands exports 75 percent of its agricultural products to EU countries, mainly Germany, France, Belgium, Luxembourg, Italy, and Britain. Major export commodities include meat, milk and dairy products, and horticultural products. Agricultural imports include wheat and other cereal crops, fruit, nongrain feeds, and forest products. Over 60 percent of all imports are from EU countries.

The Netherlands is a founding member of the EU. The Dutch Ministry of Agriculture has developed policies to sustain and improve the competitiveness of the Dutch farmer. A generally saturated European market means that product quality and innovation become more important in maintaining and increasing market share.

The increasing self-sufficiency of many EU members in traditional agricultural products threatens Dutch agriculture by displacing exports and increasing investment in high-valued products favored by Dutch agriculture. Since EU member states are among the Netherlands' best agricultural customers, the primary Dutch objectives in the CAP discussions are to maintain free trade within the EU. For example, the Dutch opposed measures promoted by the French that would have restricted exports from Spain.

In view of the Netherlands' high population density and highly technical agriculture, environmental concerns receive much attention. Therefore, another major goal of Dutch agricultural policy is to ensure safe methods of production, both in terms of the environment and the product itself. Measures to achieve this goal include stricter environmental legislation and standards for food quality set by the Integral Quality Assurance Programs.

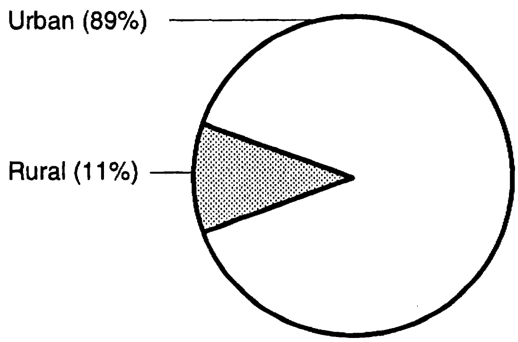
Government policy also aims to make farming more sustainable, not only environmentally, but also economically (a reasonable standard of living and good working conditions for farmers).

Netherlands

Official name	Kingdom of the Netherlands
Type of government	Constitutional Monarchy
Memberships	Benelux, CE, OSCE, EBRD, EU, FAO, GATT, IMF, NATO, OECD, UN, WEU, WTO

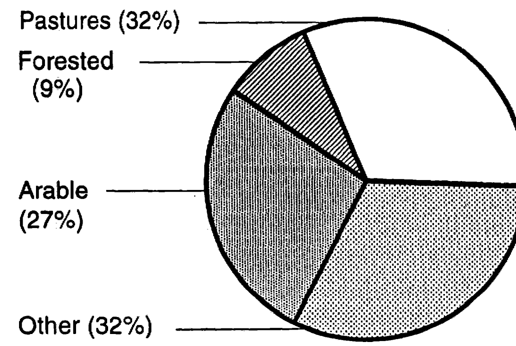
Population *1993*

15,342,000 persons



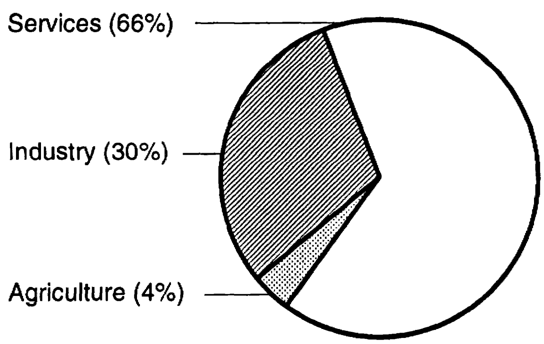
Land *1992*

3,392 hectares(550 mil. ha irrigated)



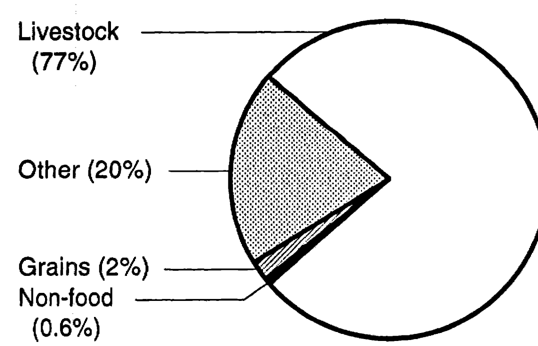
GNP *1992*

$259.8 billion; $17,200 per capita



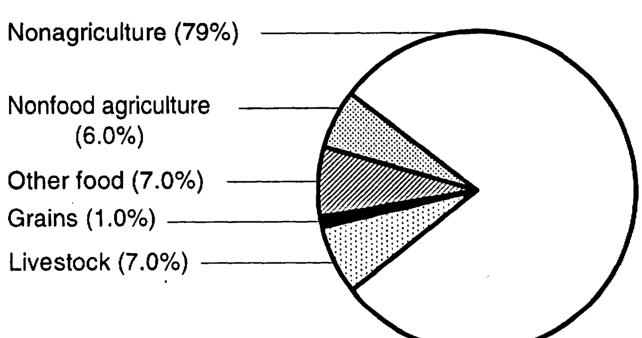
Agriculture *1991*

Major agricultural products: Milk, Pigmeat



Exports *1993*

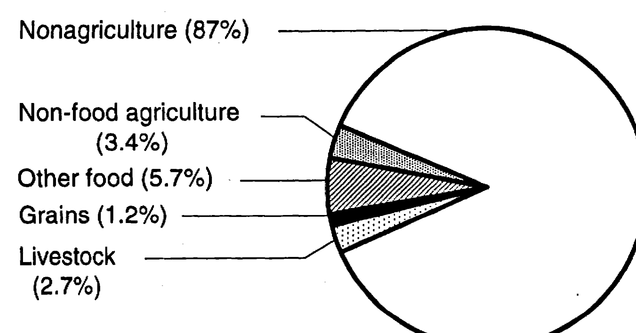
$139,201 million
Major agricultural export: Fruits & Vegetables



Note: Includes intra-EU trade.

Imports *1993*

$ 129,084 million



Recently tightened environmental regulations, especially in the area of animal waste, are having a number of negative effects on farmers. Required investments for the new environmental measures are imposing higher costs for farmers, and set-aside policies are constraining expansion at a time when economies of scale are becoming more important. These policies, combined with low prices due to oversupply, are leading to financial problems for many farmers.

Recent developments related to the Uruguay Round and CAP reform have also affected Dutch agriculture. Dutch farmers have been angered over agreements to reduce the volume of subsidized exports of cheese and eggs. In addition, CAP reform may also reduce grain prices, eroding the competitive advantage enjoyed by Dutch livestock producers whose concentrated feed industries are located near the main port areas.

References

Agricultural Economics Research Institute (1992). *Agricultural Economic Report*. The Hague.

Central Intelligence Agency (1993). *World Factbook.*

U.S. Department of Agriculture, Foreign Agricultural Service (1993). *Annual Agricultural Situation Report: The Hague*.

Ministry of Agriculture, Nature Management and Fisheries of the Management (1991). *Agricultural Structure Memorandum: Policy on Agriculture in the Netherlands in the 1990s*. The Hague.

Ministry of Agriculture, Nature Management and Fisheries of the Netherlands (1992). *Facts and Figures, 1992*. The Hague.

Norway

Europe's northernmost country, Norway is a mountainous, rugged nation with very little land suitable for farming. With a relatively small economy, it relies heavily on foreign trade, roughly three-quarters of which is conducted with the EU and EFTA countries. It is rich in many natural resources such as petroleum, hydropower, natural gas, fish, forests and minerals.

Only 3 percent of Norway's land is used for agriculture and the average farm size is among the smallest in Europe at about 11 hectares. Animal husbandry is predominant, led by dairy and sheep production. Arable crop production is hindered by short growing seasons and harsh climate and topography, especially in the north. The most important crops are grass forage and feed grains, particularly barley and oats, with most production limited to the lowlands of the southeast. Although Norway imports more than half of its food supply, it remains a net exporter of foodstuffs because of its large fishing industry.

The fishing sector has declined in recent years but remains an important part of the economy, accounting for 6 percent of total exports. Since 1977, Norwegian fishers have benefited from a 200-mile Exclusive Economic Zone (in which fishing is restricted to Norwegians). The Government enforces a very stringent policy of conservation, management, and control, imposing exclusion zones where fish populations are depleted. Norway's fishing fleet consists mainly of small vessels, as the Government attempts to maintain fishing in remote coastal areas where no other economic alternatives exist. This policy is especially pertinent to arctic fishing villages. Norway resumed commercial whaling in 1993, instigating a dispute with the EU. Norwegian participation in the EU's Common Fisheries Policy is a volatile issue and was the major reason Norwegians rejected EC membership in 1972.

Since the early 1970's, Norway has drilled the North Sea for oil. Petroleum-related industries account for one-sixth of economic activity and Norway is Western Europe's leading energy producer. Oil revenues have helped finance agricultural subsidies and have bolstered the economy during periods of recession, but recently the Government has implemented structural policies intended to reduce its oil dependency.

High border protection, primarily in the form of price supports, continues to protect Norwegian farmers from world markets. The agricultural sector is assisted by administered prices, direct payments, supply control, and market and trade regulations. Norway has begun to gradually liberalize its agricultural sector in an effort to align itself with EU policies and GATT requirements. However, its level of assistance to producers remains among the highest in Europe. Sixty percent of Government subsidies are allocated to agriculture. This equals 6 percent of GDP, four times the OECD average.

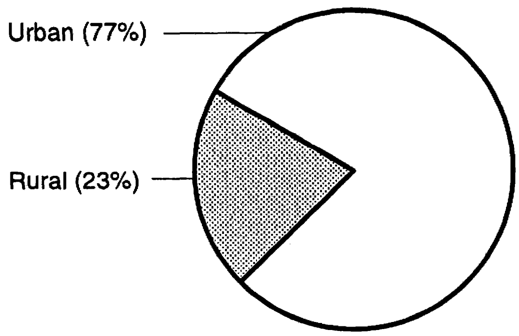
The Ministry of Agriculture has reduced controls to allow the sector to become more market-driven. The new policies will permit supply and demand to dictate production, except in the milk sector where production regulations persist. The Government has increased direct support to priority sectors such as milk production and animal husbandry, but this aid will no longer be linked to output. The Ministry has also introduced a number of cost-cutting initiatives to improve overall efficiency. These include new legislation permitting larger farms to consolidate further and lower cereal prices to reduce feed costs in the livestock and dairy sectors. Farm income is no longer linked to the average wages of industrial workers, but is now based on the income levels of the general population. The new policies have major implications for farmers, who must begin to adapt to a new market orientation.

Norway

Official name Kingdom of Norway
Type of government Constitutional monarchy
Memberships CBSS, CE, OSCE, EBRD, EFTA, FAO, GATT, IMF, NC, NATO, OECD, UN, WTO

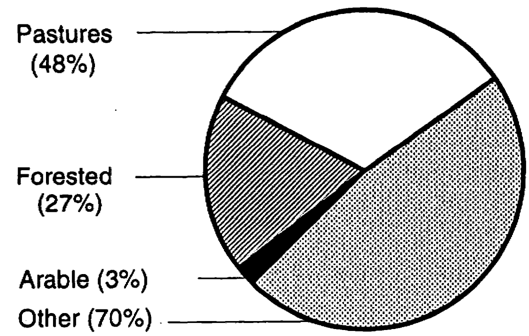
Population *1993*

4,324,000 persons



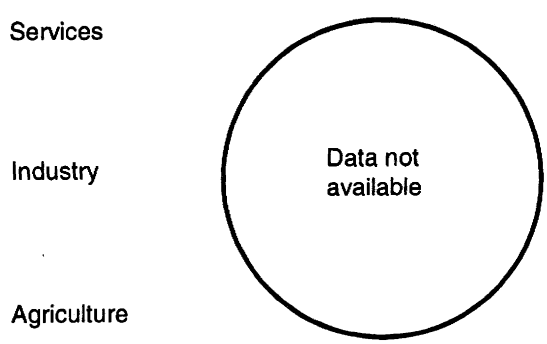
Land *1992*

30,786 mil. hectares (95 mil. ha irrigated)



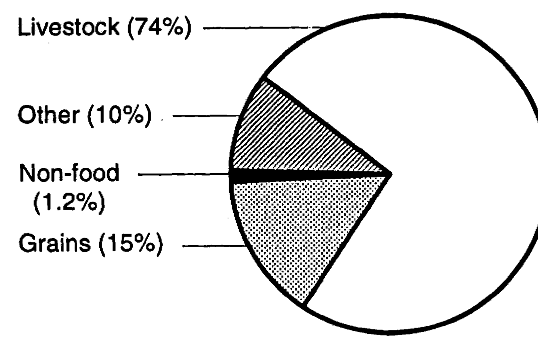
GNP *1992*

$76.1 billion; $17,700 per capita



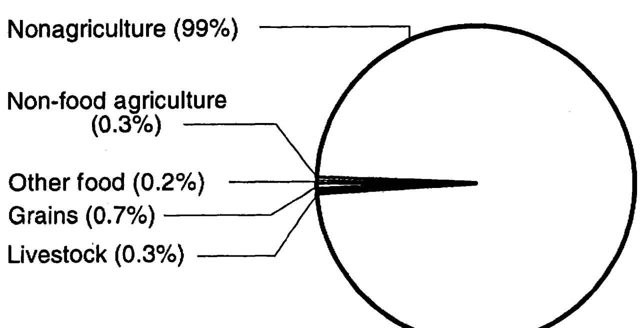
Agriculture *1991*

Major agricultural products: Milk



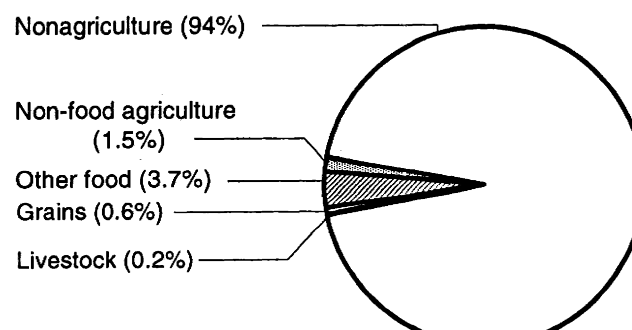
Exports *1993*

$31,903 million
Major agricultural export: Dairy products & eggs



Imports *1993*

$24,071 million



Farmers must begin to look for market opportunities, rather than Government subsidies, to earn their income. The relaxation of controls will produce a more competitive environment in which farm income will decline and consumers will benefit from lower food prices. Price liberalization will also facilitate greater competitiveness in global markets.

Norwegian agricultural policy is part of a broader rural development strategy, which seeks to sustain agriculture and avoid depopulation. The Government has encouraged farmers in disadvantaged areas to remain in agriculture and expand their use of marginal land. Two-thirds of agricultural output occurs in areas where there are no alternative means of livelihood. Grain production is encouraged in the fertile central and southeast regions, while livestock production is promoted in mountainous and arctic areas. In Finnmark in the far north, reindeer herding has been sanctioned as the exclusive right of the indigenous Sami people, preventing the depopulation of this harsh and remote hinterland.

In November 1992, Norway joined its Nordic neighbors Sweden and Finland in applying for membership in the European Union. After lengthy negotiations, Norway, once again, rejected EU membership by popular referendum in November 1994.

References

Commission of the European Communities (1993). *The Agricultural Implications of EC Enlargement.* Brussels.

Commission of the European Communities (1993). *Commission Opinion on Norway's Application for Membership.* Brussels.

General Secretariat of the Council (1994). *Report on the results of the negotiations on the accession of Austria, Sweden, Finland and Norway to the European Union.* Brussels.

Nordic Council (1992). *Yearbook of Nordic Statistics 1992.* Copenhagen.

OECD (1992). *Agricultural Policies, Markets and Trade.* Paris.

U.S. Department of Agriculture, Economic Research Service (1993). *Western Europe. Agriculture and Trade Report.* RS-93-5.

Portugal

Located on the western edge of the Iberian Peninsula, Portugal is a small country of 10 million people. The nation consists of mainland Portugal and the Azores and Madeira islands. The underdevelopment of agriculture relative to other European countries is quite marked. Constraints include a small agricultural land base, with half the land consisting of poor soils, a checkered farm size structure (especially the *minifundia* in north and central Portugal), low capitalization, below-optimum use of inputs such as fertilizers and irrigation, and outmoded farming practices, and inadequate technical and financial services.

Portugal's leading agricultural commodities include wheat, corn, olive oil, wine, and forestry products. However, yields of all major food crops remain among the lowest in Western Europe. Livestock production also accounts for a significant source of agricultural income. Increased domestic demand for animal products and low productivity have forced Portugal to import about 10 percent of its meat. Other major imported commodities include potatoes, wheat, corn, soybeans, sunflower seeds, and sugar. Portugal exports significant amounts of olive oil, wine, tomato paste, and cork and wood products. Spain continues to be Portugal's biggest trading partner for both agricultural and industrial products.

Although the Portuguese mainland is only about the size of Indiana, the terrain is quite diverse, dividing the country into three distinct regions. The mountainous northern region has a rainy, moderately cool climate. Small, fragmented farms that produce mainly for family consumption dominate the 4 million cultivated hectares.

Central Portugal consists of rolling hills suitable primarily for tree crops such as apples, pears, and nuts. The soil is generally dry, except for an area of fertile soil along the Tagus River. A variety of crops is grown under irrigation, including grains (mainly wheat and corn), oilseeds, and rice.

About 75 percent of Portugal's wheat production is based in the southern region. A hot, dry climate predominates, making for generally poor soil conditions. The Alamtejo section is known for its large stands of cork oak and its olive groves. A small section in the extreme south, known as the Algarve, is characterized by small holdings, with livestock and fishing the main occupations. The fishing industry is a significant but declining source of jobs and income. Although Portugal has traditionally been known as a seafaring country, its catch cannot equal that of other small European countries such as Norway and Denmark.

Since its accession to the EU in 1986, Portugal has struggled to compete against wealthier member countries. During a 10-year transition period, the agricultural sector is undergoing structural improvements, largely financed by the EU. Portugal suffers from one of the smallest median farm sizes in the EU — just 7 hectares. The problem is especially serious in the north, where half of the farms are less than 1 hectare and 86 percent are less than 5 hectares. Yields and self-sufficiency rates, far below those of other member countries, have necessitated imports of about 60 percent of the country's food needs. Agricultural investment has traditionally been very low. The number of tractors and quantity of fertilizer used per hectare were just one-third the EU average in the mid-1980's. Only 30 percent of existing farms are considered economically viable.

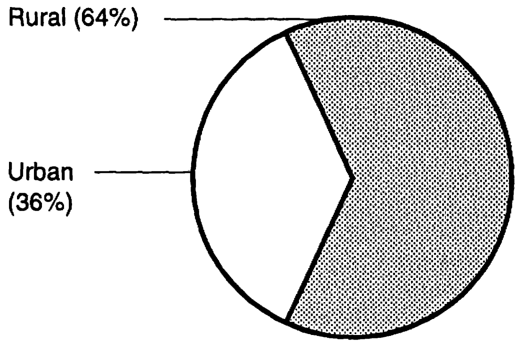
Portugal is also recovering from a period of farm collectivization in the mid-1970's. The Agrarian Land Reform Law of 1975 allowed expropriation of privately owned land by rural workers. Over 1 million hectares were collectivized into 449 units. However, as Portugal became more politically moderate, collectivized agriculture was increasingly perceived as counterproductive. By mid-1990, only 30 collective farms remained. Many properties have been reprivatized.

Portugal

Official name Portuguese Republic
Type of government Republic
Memberships CE, OSCE, EBRD, EU, FAO, GATT, IMF, NATO, OECD, UN, WEU, WTO

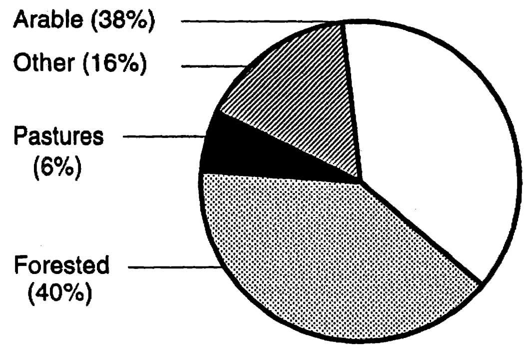
Population *1993*

9,888,000 persons



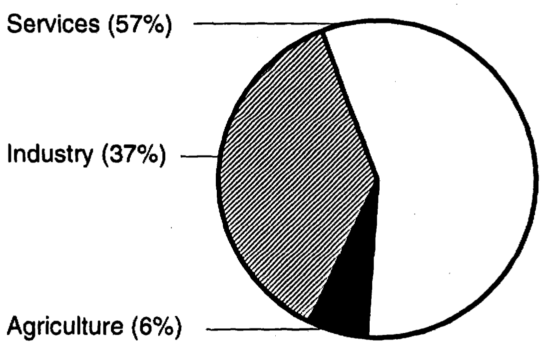
Land *1992*

9,164 hectares (634 mil. ha irrigated)



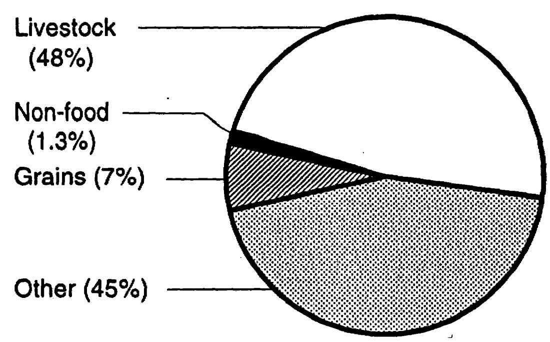
GNP *1992*

$93.7 billion $9,000 per capita



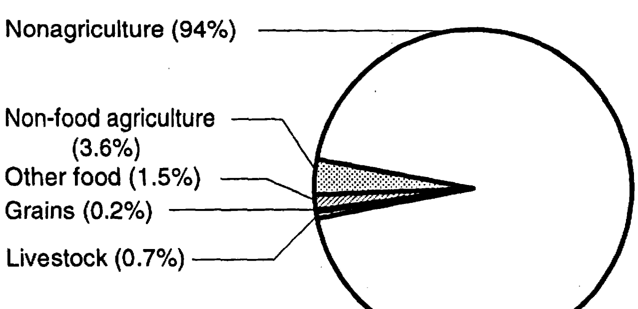
Agriculture *1991*

Major agricultural products: Pigmeat, Milk



Exports *1993*

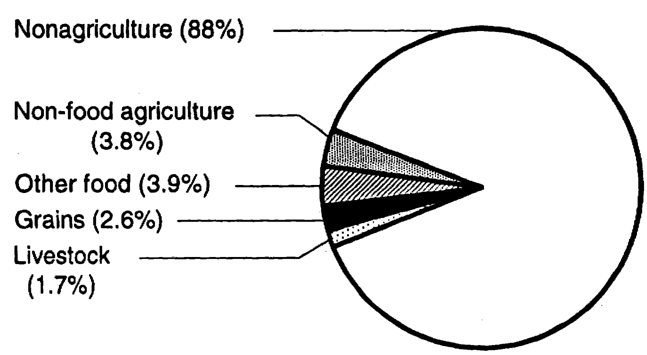
$15,283 million
Major agricultural export: Beverages



Note: Includes intra-EU trade.

Imports *1993*

$ 24,172 million



The policy of the Government has been to increase self-sufficiency and develop the country's comparative advantage in wines, fruits, vegetables, wood products, and cork. Prior to accession to the EU, the Portuguese Government operated a complex system of support prices and costly subsidies that had little effect on output. Since accession, Portugal's policy goals and agricultural programs have been aligned with those of the EU.

Although Portuguese farmers initially lost some important price subsidies due to the CAP, Portugal's status as a "less favored area" makes it eligible for the highest EU investment subsidy rates. Programs have been developed to address basic infrastructure and irrigation deficiencies and afforestation. Policies have favored where Portugal is considered to have a competitive advantage, such as fruits and horticulture, indigenous cattle breeds, bees, and regional specialty products.

References

Solsten, Eric (1994). *Portugal: A Country Study*. Federal Research Division, Library of Congress.

U.S. Department of Agriculture, Foreign Agricultural Service (1992). *Annual Agricultural Situation Report: Portugal*. Lisbon.

Spain

Located on the Iberian Peninsula, Spain has a varied and rugged terrain. It is the second most mountainous country in Europe, after Switzerland. Although the topography generates a variety of climatic regions, most of Spain's 24.5 million hectares of agricultural land experience hot, dry summers and harsh, cold winters. Much of Spain's land is dry and of low productivity, so irrigation is paramount. About 3.4 million hectares are irrigated, representing 1.7 percent of the total cropland. Irrigation and the warm climate give Spain a strong comparative advantage in the production of fruits and vegetables.

The principal products of Spanish agriculture are fruits and vegetables, grains, milk, beef, pork, poultry, and eggs. Livestock and poultry account for about 40 percent of total farm value. Horticultural crops (citrus, deciduous fruit, olives and olive oil, nuts, wine, and vegetables) are the second most important sector in value of output (35 percent), but account for over 70 percent of Spain's agricultural exports. Field crops (grain, tobacco, cotton, forage, sugar beets and oilseeds) cover a larger proportion of total planted area, but constitute just 25 percent of the value of total production.

Since accession to the EU in 1986, agricultural trade has increased dramatically. Both imports and exports have increased due to the progressive dismantling of duties and other tariff and nontariff barriers between Spain and the other EU countries. Spain's principal imports are coffee, soybeans, hides and skins, forest products, and tobacco. Citrus, fresh and processed fruits and vegetables, and wine are the principal exports. Seventy-five percent of Spanish agricultural exports are within the EU, accounting for an agricultural trade surplus with the rest of the EU of more than $1 billion per year. Despite its agricultural trade surplus, Spanish agriculture has found it difficult to compete within the EU in terms of both production and efficiency.

Longer term policy goals are to modernize and improve the structure of Spanish agriculture to increase production and improve incomes. Structural improvement programs, cofinanced by the EU and the Spanish Government, include soft loan financing to promote farm upgrading, rural infrastructure projects, restructuring and reconversion of several agricultural sectors (including vineyards, nut orchards, and dairy farms), and reforestation projects.

In spite of these efforts, many farmers continue to face serious hardships. Loan interest rates for farmers, although normally 2 percent lower than commercial rates, are still high. Consequently, the Government and farmers' associations are discussing a plan to refinance agricultural loans. The Ministry of Agriculture seeks to reduce the interest rate for these loans.

Farm structure in Spain has undergone significant changes during the past few decades. Land consolidation by the Spanish Government has transformed over a half-million *minifundios* (small plots of land, usually less than 5 hectares) into larger and more efficient agricultural holdings. In spite of this progress, vast inequities in the size of agricultural property persist, and 1.6 million farms remain in existence. The average Spanish farm is 15.4 hectares, but land is very unevenly distributed. *Minifundios* still exist in significant numbers in the north and northwest, and *latifundios* (large estates) can still be found in Extremadura, Valencia, and Andalusia in the south. Only 6 percent of landholdings are over 50 hectares, but they comprise over 56 percent of the agricultural land. At the other end of the spectrum, 55 percent of the holdings are less than 5 hectares and account for less than 8 percent of the agricultural land.

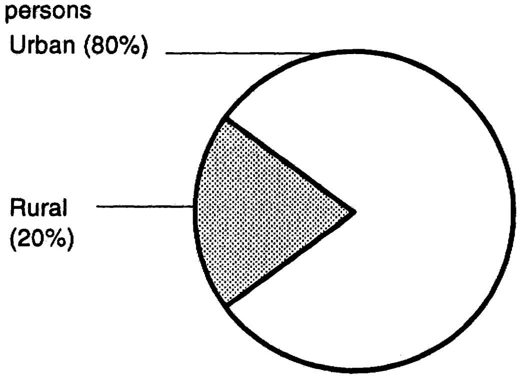
With accession to the EU, Spanish agriculture must abide by the rules of the CAP. Under the Treaty of Accession, full harmonization will take place January 1, 1996. However, most products, except fruits and vegetables, were fully under EU

Spain

Official name	Kingdom of Spain
Type of government	Parliamentary Monarchy
Memberships	CE, OSCE, EBRD, EU, FAO, GATT, IMF, NATO, OECD, UN, WEU, WTO

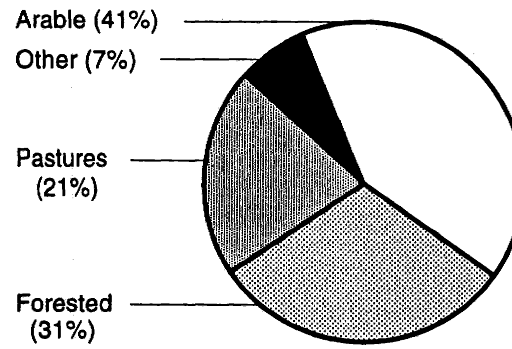
Population *1993*

39,117,000 persons



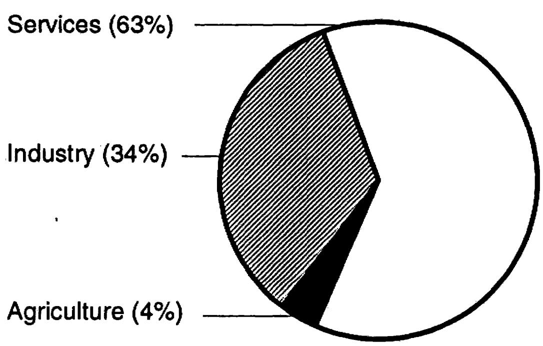
Land *1992*

49,940 hectares (3,360 mil. ha irrigated)



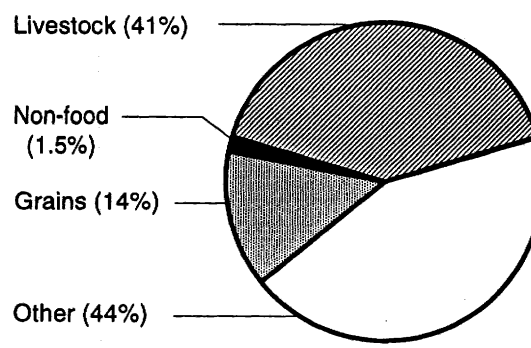
GNP *1992*

$514.9 billion; $13,200 per capita



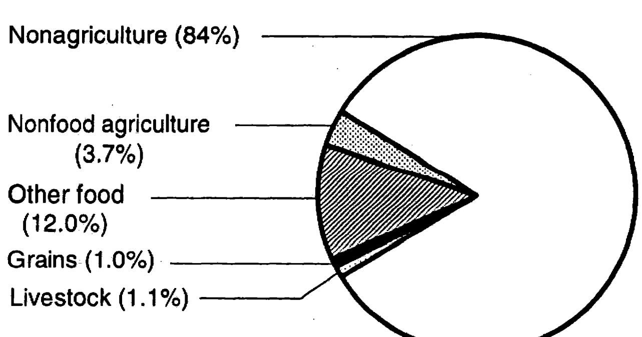
Agriculture *1991*

Major agricultural products: Vegetables, Pigmeat



Exports *1993*

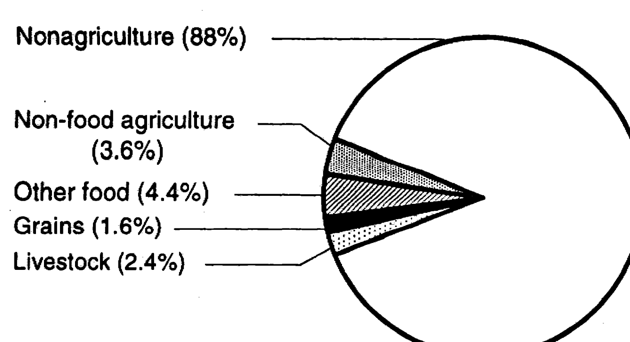
$59,847 million
Major agricultural export: Fresh fruit & vegetables



Note: Includes intra-EU trade.

Imports *1993*

$ 78,981 million



rules beginning in 1993 as a result of the implementation of the single market.

CAP policy reform for grains, milk, beef, oilseeds, and sheep could have a major impact on Spanish agricultural production. Already, the new EU oilseed program has resulted in record sunflower seed production in Spain, and is expected to encourage a substantial shift from wheat and barley production to sunflower seeds. The oilseeds area eligible for producer payment is limited to 1.2 million hectares. Removal of beef import quotas in January 1993 resulted in increased meat imports. Full compliance with the CAP dairy quota is likely to result in reduced production of cow's milk over the next few years. The EU is also reforming programs that will affect many Mediterranean crops such as olive oil, rice, almonds, wine, and fruits and vegetables. Aid received from the EU and the Spanish Government has yet to improve production or exports.

References

U.S. Department of Agriculture, Foreign Agricultural Service (1993). *Annual Agricultural Situation Report: Madrid.*

Solsten, Eric, and Sandra W. Meditz (1990). *Spain: A Country Study.* Federal Research Division, Library of Congress.

Sweden

Sweden became a member of the EU in January 1995. The process of adjusting to EU regulations, prices, and customs duties began immediately. With accession, Swedish agricultural policy goals and programs have been aligned with those of the EU. The EU's CAP provides high prices for Swedish agriculture through minimum import prices enforced by tariffs and intervention purchasing at guaranteed prices. Consumption and export subsidies dispose of surpluses.

Due to its cold climate, much Swedish land is not conducive to agricultural production. The Swedish goal of self-sufficiency has, thus, required a high level of government intervention. Sweden's northern climate requires that it import many of its fruits and vegetables.

In spite of its northern location, Swedish agriculture is highly productive with both grain and milk yields among the world's highest. Dairy products and meat account for about 75 percent of agricultural sales. Sweden normally produces large exportable quantities of wheat, dairy, and pork. Cattle numbers have continued to decline since the 1960's, but higher average milk yields have resulted in surplus milk. In 1993, agricultural products accounted for roughly 2 percent of total exports and 8 percent of total imports.

The dramatic rise of Swedish food prices in the 1980's forced a reexamination of agricultural policy. Previous agricultural policies became untenable when subsidies resulted in consistent overproduction of foodstuffs. These agricultural products had to be sold on a depressed world market, resulting in further financial losses to the Government. More recently, integration into the EU has been an impetus to reform.

In 1991, Sweden's New Food Policy reduced its price support system and abolished export subsidies for milk, grain, beef, and pork. Export subsidies for commodity surpluses had been used to maintain the domestic price levels. Import levies, however, remain for most products until the GATT takes effect. These changes were intended to deregulate Swedish agriculture and orient it to a free market.

A principal goal of the New Food Policy was to provide food at reasonable prices to Swedish consumers. Internal market regulations, intervention buying, and export subsidies have boosted farm incomes to a level matching that of industrial workers. Without these practices, the rate of food price increases would slow. The goal was to achieve prices equivalent to those in the EU.

The New Food Policy rationalized farmers' incomes by paying farmers only for products in demand. The previous price support system paid farmers by quantity, thus encouraging surpluses and intensive cultivation. Price support remained for farmers in northern Sweden, however.

To reduce excess production, the Government implemented a 5-year transition period ending in 1996. During this period, farmers who ceased producing surpluses and undertook new activities were to receive financial support through acreage subsidies. The "Conversion of Arable Land Program" compensated farmers willing to convert land from grain production to other uses. This was part of a successful effort to diversify production.

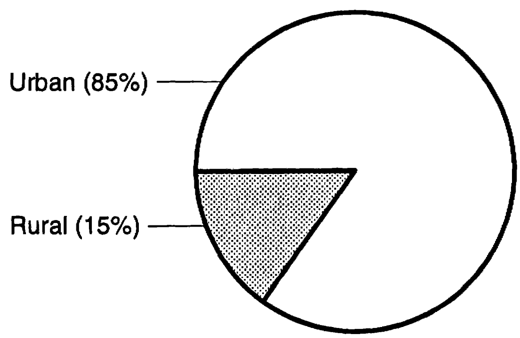
Sweden retained some of its previous agricultural policy, aimed at preserving agricultural production and employment in the north and preventing migration to the south. Specifically, the Government retained price supports for goods produced in northern Sweden, made available installation grants for young farmers, and provided grants to farmers operating on marginal farmland. Because of the harsher climate, farming in northern Sweden is not as profitable as in the south. Under the CAP, farmers in

Sweden

Official name Kingdom of Sweden
Type of government Constitutional monarchy
Memberships CBSS, CE, OSCE, EBRD, EU, FAO, GATT, IMF, NC, OECD, P4P, UN, WTO

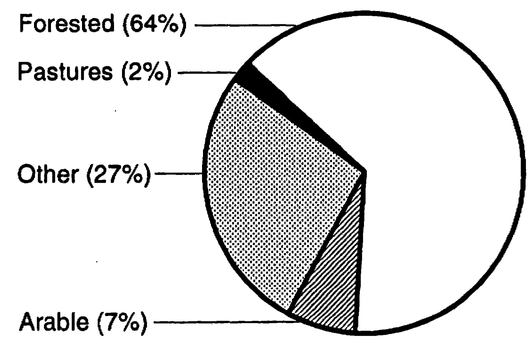
Population *1993*

8,745,000 persons



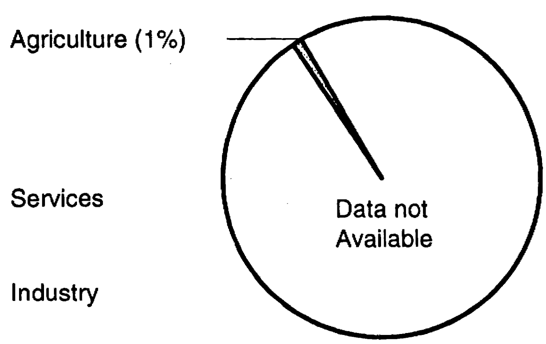
Land *1992*

41,093 mil. hectares (112 mil. ha irrigated)



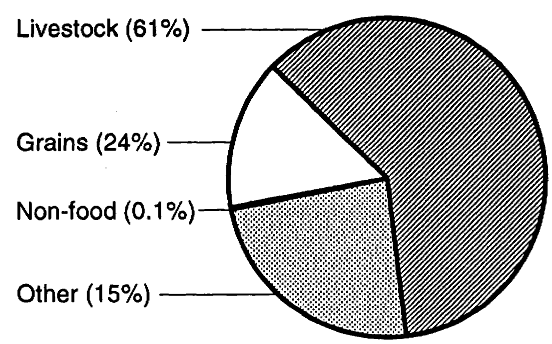
GNP *1992*

$145.6 billion; $16,900 per capita



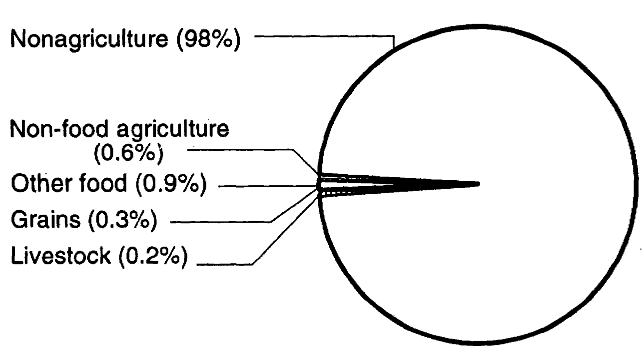
Agriculture *1991*

Major agricultural products: Milk



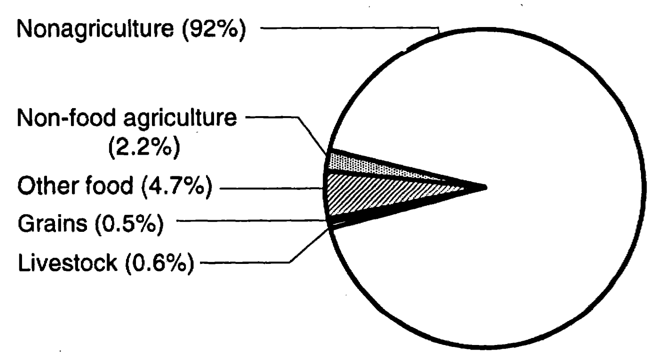
Exports *1993*

$50,000 million
Major agricultural export: Coffee, tea, cocoa, spices



Imports *1993*

$42,746 million



disadvantaged areas receive direct payments. Agriculture is important in these areas to preserve the landscape and to prevent the closure of other businesses and depopulation.

The New Food Policy included measures to protect the environment. The legal obligation of farmers to keep their land under cultivation was terminated. Instead, the Government created a program to maintain an "open and varied" landscape. The Government planned to achieve an additional 50 percent reduction in fertilizers by the mid-1990's. The New Food Policy also included a plan to winter-sow a minimum area of farmland to reduce the leaching of nitrogen. Finally, the policy provided incentives to promote afforestation and to turn some acreage into wetlands.

EU accession in 1995 compelled Sweden to align prices and standards with the EU nations. The New Food Policy, however, risked overshooting the target of EU price levels, at least as far as grains were concerned.

In 1993, to achieve greater compatibility with EU policies, Sweden cut import levies on protein feed and direct supports for livestock production. Fertilizer taxes were also reduced. To comply with the CAP, Sweden will have to reintroduce intervention buying in cereals, reinstate milk quotas, adopt CAP withdrawal mechanisms for fruits and vegetables, and where abolished, reintroduce export subsidies. By following CAP standards for agriculture, the role of the Swedish Government in agriculture will be reduced.

References

Swedish Ministry of Agriculture, Forestry, Fisheries and Food (1991). *The Agricultural Reform in Sweden*.

Switzerland

Switzerland's economy is dominated by banking and tourism. Roughly half the land is used for agriculture, three-quarters of which is meadows and pastures. Only 11 percent of the country is arable, with wheat and barley the principal crops. Dairy and livestock contribute three-fourths of agricultural earnings, while crop production represents only 15 percent.

Swiss agriculture meets 65 percent of domestic demand; only milk production exceeds domestic demand. Therefore, the country is a net importer of agricultural products. Agriculture accounts for 8 percent of total imports, but only 3 percent of exports. Dairy products, potatoes, sugarbeets, grains, and fruits and vegetables are the leading production commodities. Trade with EU countries constitutes 55 percent of exports and 70 percent of imports, and EFTA countries comprise roughly 7 percent of both. Switzerland's main agricultural imports are wine, fruit and vegetables, and meat; the main exports are cheese, tobacco, and chocolate.

Swiss agricultural efficiency is hampered by relatively small-scale producers and high input costs, which are due to high machinery and building prices. The number of farms has declined by more than 1 percent annually in recent years to 85,000 in 1993. Nearly one-third of farm holders are near retirement with no apparent successors. The decreasing number of farms contributes to growing average farm size, which may eventually improve efficiency.

In 1992, voters approved a land reform initiative that guaranteed farmers the first opportunity to purchase farmland. However, the provision does not apply to family transfers, which account for 85 percent of all farm transactions. The new law is expected to increase farm size, reduce farmland prices, and decrease Federal farm subsidies.

Farmers in Switzerland enjoy the highest levels of support in the industrialized world. The burden is shouldered primarily by consumers, as food prices also tend to be among the highest. Many consumers travel to France or Germany to buy food at roughly half Swiss prices. The agricultural sector is also assisted by import restrictions and export subsidies.

Traditionally, the objectives of Swiss agricultural policy have been food security, environmental protection, and the preservation of small-scale agriculture to maintain the rural settlement pattern. The Swiss concept of "food security" entails maintaining food reserves and preserving the seeds, land, and know-how necessary to sustain agriculture. The pursuit of food security entails a costly price support system, which is also designed to achieve income parity with nonagricultural sectors.

Many factors have led to pressure to reform agriculture in recent years. Among these are the Uruguay Round trade talks, European integration, widening price disparities vis-a-vis other countries, environmental concerns, and budget constraints.

Agricultural reforms seek to bring Swiss agriculture in line with EU practices. Reform began by partially dismantling the price support system and replacing it with direct income payments not linked to production. The emphasis is on the dairy sector, where the greatest disparities exist. The goal is to reduce milk prices to facilitate export without subsidies. This, however, will require larger economies of scale to keep dairy operations viable.

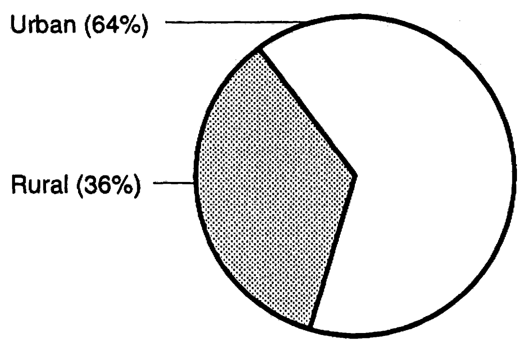
The new system is expected to reduce distortions of agricultural prices relative to other sectors of the economy and to dampen the effect on food prices. The new policies will also shift the burden of farm income support from consumers to the already strained Federal budget. The direct payments system was strongly opposed by the powerful agricultural lobby, which succeeded in slowing the pace of reform.

Switzerland

Official name	Swiss Confederation
Type of government	Federal Republic
Memberships	CE, OSCE, EBRD, EFTA, FAO, GATT, IMF, OECD, UN(observer), WTO

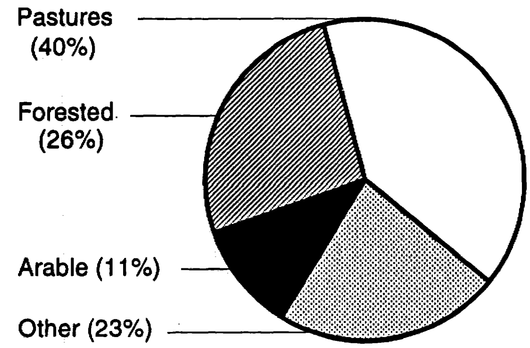
Population *1993*

6,969,000 persons



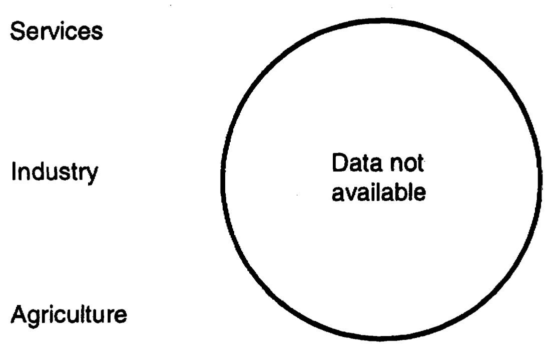
Land *1992*

3,977 mil. hectares (25 mil. ha irrigated)



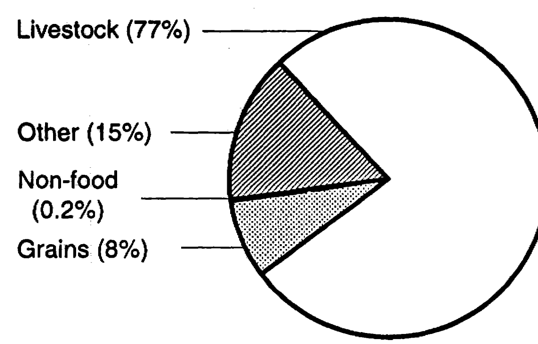
GNP *1992*

$152.3 billion; $22,300 per capita



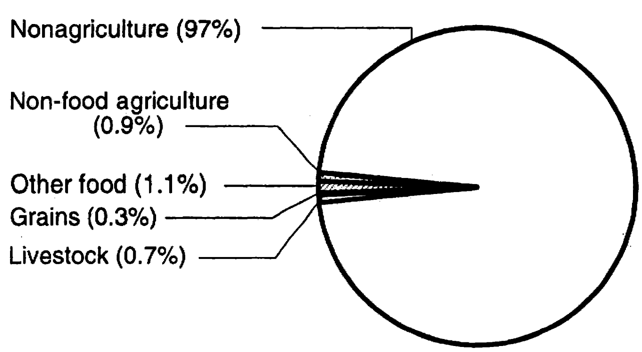
Agriculture *1991*

Major agricultural products: Milk



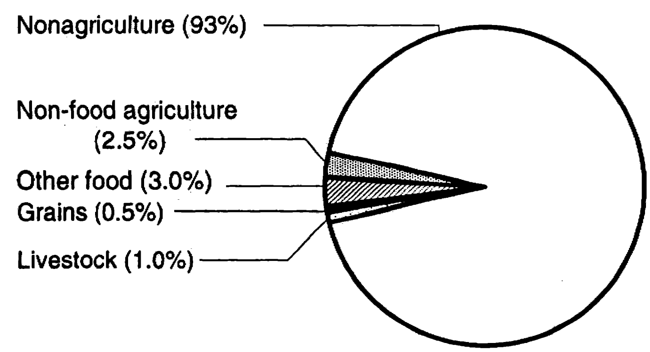
Exports *1993*

$63,171 million
Major agricultural export: Dairy products & eggs



Imports *1993*

$60,828 million



The more restrictive pricing policy calls for only moderate price increases, with some reductions, such as sugar and grain prices. New laws have been enacted providing financial incentives for fallowed land, support for extensification of production, compensatory payments in less favored areas (in place of production-related support), and limitations on price guarantees. The introduction of direct compensatory payments in lieu of production-linked support favors environmentally friendly methods of cultivation, as farmers are no longer encouraged to intensify yields. To finance direct payments, a fertilizer and pesticide tax has been suggested. Such a tax would also help reduce yields and curb soil and water pollution. Also under consideration is a value-added tax on food.

In a December 1992 referendum, voters rejected Swiss participation in the European Economic Area (EEA), amid fears of increased immigration and unemployment. The EEA Agreement merged EU and EFTA countries into a free trade area and was considered the first step toward full EU membership for Switzerland. Swiss farmers are vehemently against EU membership because EU supports are much less than Swiss subsidies. However, this was a minor factor in the referendum, as the EEA does not apply to the agricultural sector. An earlier bilateral treaty with the EU enabled free trade in industrial goods, but import restrictions still apply to agricultural products.

References

Agricultural Affairs Office (1992). *Agricultural Situation Report, 1992.* Bern.

Commission of the European Communities (1993). *The Agricultural Implications of EC Enlargement.* Brussels.

Financial Times. Various Articles.

General Agreement on Tariffs and Trade (1991). *Trade Policy Review: Switzerland.* Geneva.

Organization for Economic Cooperation and Development (1992). *1991-1992 Annual Review: Switzerland.* Paris.

Organization for Economic Cooperation and Development (1992). *Agricultural Policies, Markets and Trade.* Paris.

U.S. Department of Agriculture, Economic Research Service (1993). *International Agriculture and Trade Report: Western Europe.* RS-93-5.

United Kingdom

The United Kingdom is a relatively small and hilly country. The UK has about 243,000 farms averaging about 68 hectares, by far the largest average among EU countries. The principal products of British agriculture are grains, particularly wheat and barley, beef, pork, and dairy products.

Britain maintains a negative agricultural trade balance, despite a gradual rise in agricultural exports. Wheat, barley, and beef are the most significant exports. Principal imports include dairy products, fresh fruit and vegetables, meat, and alcoholic beverages. Britain conducts approximately two-thirds of its agricultural trade with the EU.

British agricultural policy objectives are strongly conditioned by its agricultural history, which differs markedly from that of the continent. Before the 1930's, as a dominant exporter of manufactures with formidable naval power to ensure imported food supplies, Britain pursued a cheap food policy. British food producers received no special preference and British agriculture developed in a competitive environment. As a consequence, British agriculture is a very small part of the total economy, and farms are relatively large and efficient by EU standards. Cooperatives are far less important than on the continent.

The socioeconomic concerns for small farmers that dominate much agricultural policy on the continent are almost entirely lacking. The interests of British agriculture are those of large farmers, and those interests have far less political influence than in any continental country.

Because British farms are relatively large and efficient, price support levels required politically by continental countries are generally too high. Since Britain joined the EU in 1973, British Governments have largely resisted increases in CAP support prices and taken advantage of the EU agromonetary system and the usually weak pound to maintain agricultural prices below common EU levels.

After joining the EU, Britain found itself the second largest net contributor to the EU budget. Large payments to the EU resulted from large food imports, while the relatively small British agricultural sector received much less in EU expenditures. In the early 1980's, the British net contribution to the EU emerged as the preeminent EU issue in the UK. Contribution rebates have been arranged, and they remain inviolable to the UK. Rebates have reduced British ardor for controlling EU budget costs, but the UK along with Germany remains the major proponent of budget discipline.

Although the CAP was originally seen as an alien and very expensive system unsuited to British political needs, British Governments have become more comfortable with it. The CAP has allowed continuation of a British policy of agricultural expansion that began before EU membership. In the postwar period, the UK sought to increase agricultural production while continuing imports at cheap world prices by providing deficiency payments to ensure a higher fixed price for farmers. Since the mid-1970's, the UK has attempted to encourage British production, reduce imports, and raise national self-sufficiency to limit EU budget contributions.

Adjustment to the CAP and an overall reduction in Government spending has meant the gradual introduction of market forces and a diminution of support. Farm consolidation, in reaction to increased competition due to the CAP, has spurred governmental support for policies favoring large-scale production.

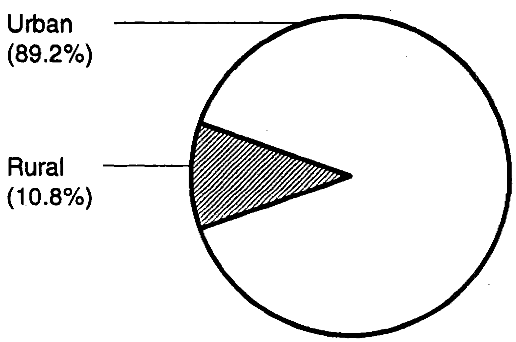
Public opinion has also had a significant impact on agricultural policy. Concerns over health and hygiene conditions, as well as animal welfare, have resulted in stricter governmental controls. The Food Safety Act of 1991 applied more stringent hygiene standards in reaction to

United Kingdom

Official name	United Kingdom of Great Britain and Northern Ireland
Type of government	Constitutional monarchy
Memberships	CE, OSCE, EBRD, EU, FAO, GATT, G-7, IMF, NATO, OECD, UN, G-7, IFC, WTO, NACC, UN Security Council, WHO, IMO

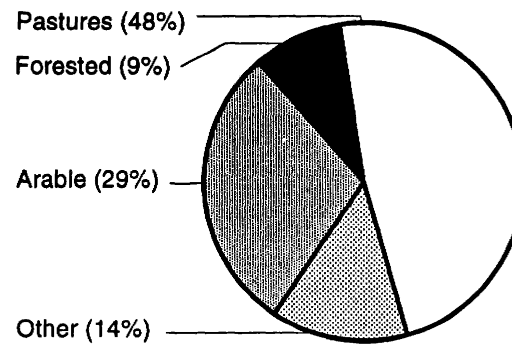
Population *1994*

58,312,00 persons



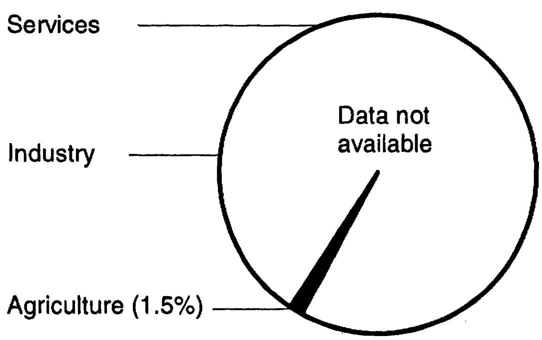
Land *1992*

24,159 mil. hectares (164,000 ha irrigated)



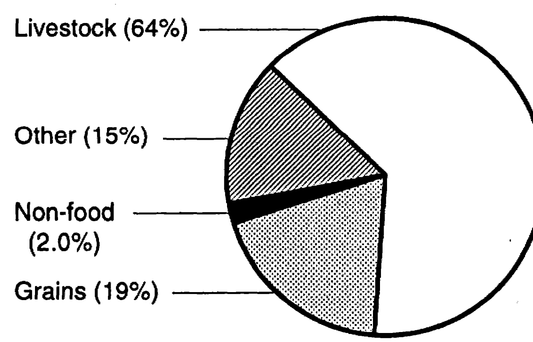
GNP *1993*

$920.6 billion $15,900 per capita



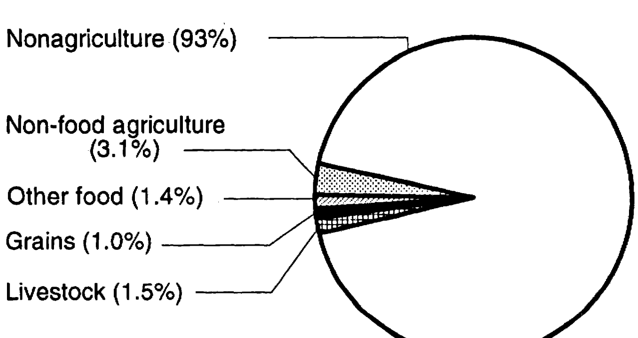
Agriculture

Major agricultural products: Milk, Wheat



Exports *1993*

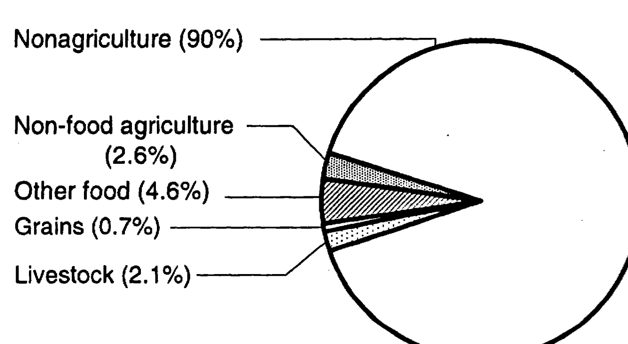
$179 million
Major agricultural export: Cereals & beverages



Note: Includes intra-EU trade.

Imports *1993*

$209 million



outbreaks of salmonella and bovine spongiform encephalopathy. While consumers benefit, producers complain that the health rules are a burden unshared by other EU members.

British policies to improve animal welfare and agricultural hygiene have had some negative effects. Farmers have accused food retailers of demanding higher standards of British agriculture while purchasing their produce from countries whose hygiene and animal welfare standards cannot be checked, based purely on price competitiveness. As a result, the Government has been called upon to provide agricultural marketing organizations with more resources to improve the sector's performance in the marketplace.

British national expenditures on agriculture, excluding social security programs and tax concessions, are by far the least of the large EU countries. Social security programs account for the major share of these expenditures. Farms are exempt from local property taxes and receive a refund for value-added taxes paid on inputs. Little subsidized credit is available for British farmers.

The UK played no role in the establishment of the basic CAP system in the 1960's and has struggled to control increases in CAP support prices and costs. It is widely accepted that the CAP is not well suited to British agricultural policy needs but is the price of membership in the EU. Price supports and some structural improvement programs are provided for British agriculture by the CAP. In general, Britain opposes EU policies directed at increasing agricultural support subsidies and aid for smaller producers. However, since much of its land can be classified as "less favored areas" (LFA), British farmers have an interest in the survival of LFA aid schemes.

Environmental concerns have also been a focus for British agricultural policy. In 1992, the Environmentally Sensitive Areas program was expanded and now includes 10 percent of British agricultural land. Direct payments were given to farmers to create and maintain wildlife habitats and to foster the use of more environmentally sound methods of cultivation. However, the payments offered have been criticized as insufficient to bring land into the program.

References

European Commission (1994). *The Agricultural Situation in the Community: 1993*. Brussels.

U.S. Department of Agriculture, Foreign Agricultural Service (1993/94). *Annual Agricultural Situation Reports: United Kingdom.*

U.S. Department of Agriculture, Economic Research Service (1993). *International Agricultural and Trade Report: Europe*. RS-93-5.

Central and Eastern Europe

Central and Eastern Europe

With the fall of communism in 1989, Poland, Hungary, the Czech Republic, the Slovak Republic, Romania, and Bulgaria began to reform their agricultural sectors. By 1991, they had liberalized prices, removed producer and consumer subsidies, and devalued currencies. The initial response to these changes was a severe recession. Consumption declined dramatically as consumer prices rose and real income declined. Agricultural producer prices fell as input prices increased. With falling consumption and rising feed prices, livestock inventories declined. By 1992, crop production, too, had begun to fall, suffering from yield decreases due to lower input use and poor weather.

Signs of economic recovery appeared in 1994 as all the Central and Eastern European countries (CEE's) returned to positive growth. Inflation is declining in the region, with the exception of Bulgaria. Growth in agriculture remains low, aggravated by Government policies and the slow process of land restitution. Agriculture's share in GDP varies significantly across the region, ranging from a high in Romania of 26 percent to a low in the Czech Republic of 5 percent.

During the 1980's, the CEE's were net grain importers. After the fall of communism and the sharp decline in demand, many of the CEE's began to export grain. Drought reduced production in 1992, but good weather and flat demand since have returned the region to a net exporter. Livestock production declined dramatically due to falling consumer demand and a sharp rise in feed prices. Cattle production was the most severely affected. Except for Bulgaria, the decline in the livestock sector may have stabilized in 1995. Milk demand fell by half after subsidies were cut.

The CEE's have shifted from pre-reform tight agricultural supplies or outright shortages to post-reform surpluses. Political pressure has increased to protect agricultural income, resulting in a tendency toward more protectionist policies. In response to declines in domestic real prices and the oversupply of agricultural products, many CEE countries have introduced interventionist domestic and trade policies, such as higher tariffs, import quotas, credit subsidies, and direct price supports through intervention purchasing.

During the 1980's, the CEE's traded primarily with the former Soviet Union or the other CEE's through the former Council for Mutual Economic Assistance (CMEA). Since the collapse of the CMEA, the CEE's have reoriented more than half of their trade to Western Europe. The CEE's have also signed association agreements with the EU and the EFTA countries granting them expanded access to their markets. All CEE's hope to become members of the EU. Except for Bulgaria, all CEE's have joined the GATT as developed countries or, as in the case of Romania, as a developing country. Under the Uruguay Round, all CEE's must cease using non-tariff trade barriers but are not required to cut their tariffs below current levels or curtail their use of export subsidies.

Many of the liberal price and trade policies implemented after the transition were modified as imports increased and farm incomes fell. Guaranteed minimum farm prices for wheat, dairy products, live animals, and, in some countries, for grains, were established, along with some credit and input subsidies. Import tariffs have risen and export subsidies and variable levies have increased. Market regulation agencies have been established to implement these programs. Constrained by budget limitations, interventionist policies in Poland, Hungary, the Slovak Republic, and the Czech Republic have had little market-distorting effect. However, the effects are more distorting in

Table 2—Central and Eastern Europe

Country	Population	Area	Population density	GNP	GNP/capita	Agriculture's share of— GNP	Area	Employment	Exports	Imports	Number of farms	Utilized agricultural area	Average farm size
	Number	*1,000 ha*	*Inhab/km²*	*Bil. dol.*	*Dollars*	*Percent*					*1,000*	*1,000 ha*	*Ha*
Bulgaria	8,460,000	11,055	76.5	34.1	3,800	12	56	21	20.7	10.6	1,950.0	6,159.0	3.2
Czech Republic	10,389,000	7,864	132.1	75.3	7,300	3	54	6	7.7	9.6	*54.6	4,281.0	*78.4
Hungary	10,324,000	9,234	111.8	55.4	5,380	6	66	10	21.8	7.4	1,202.5	6,122.0	5.1
Poland	38,519,000	30,451	126.5	167.6	4,400	6	61	25	12.2	11.1	2,033.3	18,700.0	9.2
Romania	23,172,000	23,034,000	100.6	63.4	2,700	20	64	35	6.8	9.9	3,157.1	14,698.0	4.7
Slovak Republic	5,375,000	4,880	110.1	32.1	6,100	6	50	8	5.9	9.3	314.1	2,447.0	7.8

* = estimate. Data are for 1993.

Data compiled by Economic Research Service, USDA derived from the following sources: EU Commission; *Statistical Yearbook of the Czech Republic, 1994*, Czech Statistical Office, Prague; *Statistical Yearbook of Hungary, 1994*, Central Statistical Office, Budapest; *Statistical Yearbook of Romania, 1994*, Romanian Statistical Office; *Statistical Yearbook of Bulgaria, 1994*, Bulgarian Statistical Office, Sofia.

Bulgaria and Romania as each country attempts to control retail food prices.

Returning property expropriated under communism and restructuring large, inefficient state and cooperative farms has progressed slowly. By 1992, all CEE's had passed legislation calling for some type of compensation to former landowners and restructuring of cooperatives. The farm-restructuring process has been slow due to conflicting claims and delays in granting titles. Large-scale agriculture is expected to continue in Hungary, the Czech Republic, and Slovakia, while small-scale agriculture is likely to continue in Poland. In Romania, nearly 80 percent of the land has been divided into over 3 million farms.

Bulgaria

Bulgaria is located on the eastern Balkan Peninsula, bordering the Black Sea. Crop production makes up 54 percent of gross agricultural output and covers 4.1 million hectares of Bulgaria's land, 31 percent of which is used for wheat production. Maize and barley use 25 percent of arable crop land, and sunflower, the most important industrial crop, covers over 11 percent of total planted area. Livestock production accounts for the remaining 46 percent of gross agricultural output. Due to low producer prices, livestock production continues to decline. Compared with 1989 livestock output, 1995 cattle production was down by 69 percent, pig numbers by 65 percent, sheep and lamb production by 55.9 percent, and poultry by 47.5 percent.

Bulgaria was the last of the Eastern European countries to begin privatizing its farm structure. Restitution of farmland began in 1992, and as of August 1994, legal titles had been restored to 41.8 percent of the 5.2 million hectares earmarked for return to former owners. So far, 1,500 new cooperatives have been created, each averaging 1,000 hectares. And about 10,000 individual or family farms exist, each between 1 and 4 hectares. The process has been extremely slow due to high indebtedness and limited access to credit.

Bulgaria is a net agricultural exporter, self-sufficient in most commodities. Agricultural and food exports account for about 20.7 percent of total exports. Bulgaria's largest trading partner is the EU, importing over 24 percent of Bulgaria's agricultural and food exports and exporting over 50 percent of Bulgaria's imports. Other major importers of Bulgarian agricultural and food products include the Middle East (11.4 percent), the former Soviet Union (8.4 percent), Central and Eastern Europe (8.2 percent), North America (6 percent), and the EFTA countries (5 percent). The main export products are cigarettes, tobacco, and wine. Agricultural imports comprise only 10.6 percent of total imports. After the EU, Bulgaria's imports of agricultural and food products come from the EFTA countries (13.6 percent), the former Soviet Union, Central and Eastern Europe, the Middle East, and North America. The main imports include sugar, fruits, and cigarettes.

Bulgaria maintains a number of nontariff trade barriers. Bread wheat, feed grains, and flour are regulated by export licenses, taxes, and quotas. In addition, an excise tax, passed in 1994, is collected on imports of beer, wine, brandy, whiskey, cognac, cigarettes, tea, and coffee. Import duties are gradually being reduced in accordance with trade agreements made with the EU and the EFTA countries.

Bulgaria regulates prices through intervention and price support. The Tax Administration monitors and regulates retail prices of basic foodstuffs by limiting profits at each stage in the marketing chain. Guaranteed minimum prices are set for tobacco and bread wheat. The Fund Zerno regulates purchases of bread grain for the State Reserve and administers price support programs for grain. In 1993, the Government banned the export of wheat, feed grains, and flour in an effort to secure sufficient stocks for domestic use. The ban effectively depressed local producer prices to 50 percent of the world price. The ban was lifted in 1995 and replaced by a system of export quotas.

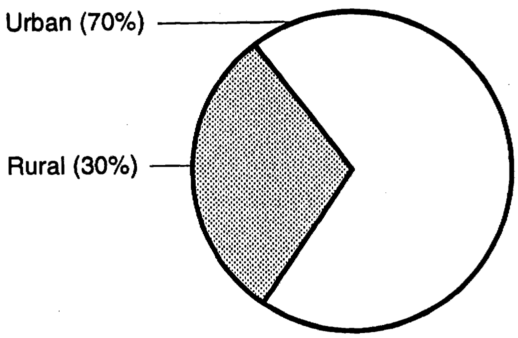
The 1994 Tobacco Law established purchase quotas and set a minimum guaranteed producer price with the objectives of stimulating production, assuring reasonable prices, and promoting exports. Licenses are required for producers, traders, and processors. Purchase prices are set by the Ministries of Agriculture and Finance. With the loss of the CMEA market (Council for Mutual Economic Assistance), the tobacco industry is adjusting to the devastating drop in demand and the consequent surplus of tobacco. Benefits to producers from the Tobacco Law have been minimal. The state agency Bulgartabak, the main tobacco purchaser, lacks

Bulgaria

Official name Republic of Bulgaria
Type of government Emerging democracy
Memberships BSEC, CE, OSCE, EBRD, FAO, IMF, UN

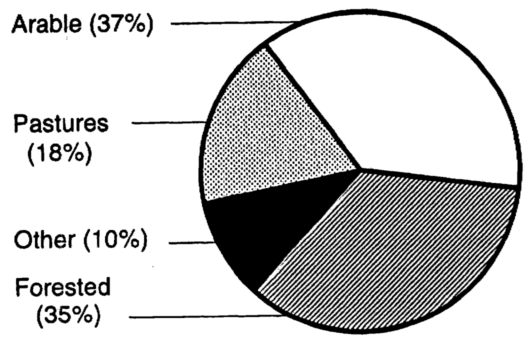
Population *1993*

8,831,000 persons



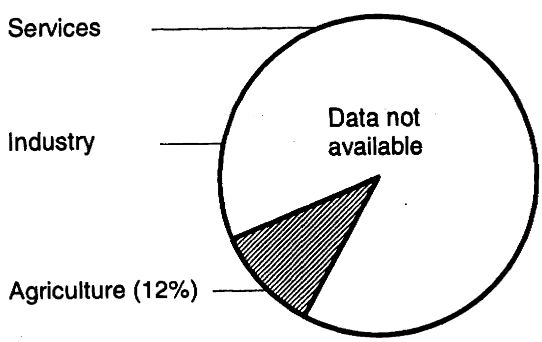
Land *1992*

11,055 mil. hectares (1 mil. ha irrigated)



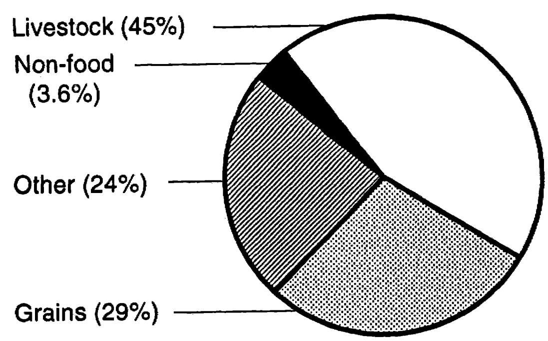
GNP *1992*

$34.1 billion; $3,800 per capita



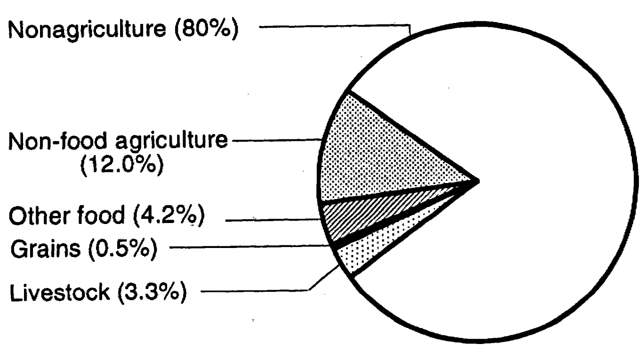
Agriculture *1991*

Major agricultural products: Wheat, Milk



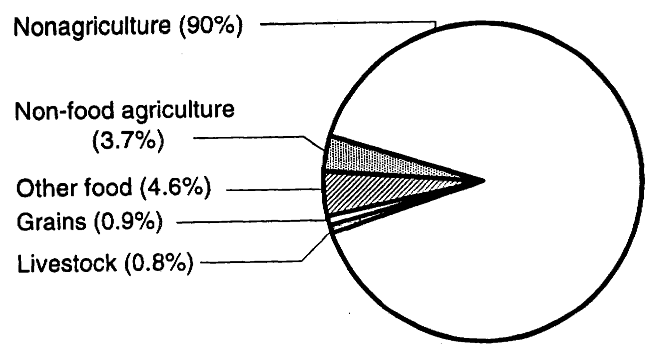
Exports *1993*

$3,566 million
Major agricultural export: Tobacco products



Imports *1993*

$4,294 million



the funds needed to purchase the surplus tobacco from producers at the minimum price.

The Agricultural Credit Central (ACC) provides subsidized loans to agricultural producers. Credit subsidies are also granted by the Code for Implementation of the Law on Financing. The Government provides tax incentives by exempting first-time farmers from paying income tax for the first 5 years of production. High costs deter farmers from investing in inputs and irrigation, resulting in low-quality, low-volume harvests. The state, however, began paying premiums in July 1994 as an incentive to improve the quality of wheat.

Bulgaria has entered an Interim Agreement with the EU concerning trade concessions. The agreement took effect on December 31, 1993, but so far has not affected trade. An agreement with the EFTA countries, in force since 1993, lowers Bulgarian duties on EFTA countries' imports by setting "preferential import quotas." EFTA agreed to liberalize its trade restrictions, in terms of duties and quotas, on all Bulgarian exports of industrial goods, processed farm products, and fish. EFTA is expected to abolish tariff barriers on Bulgarian imports within 6 years, while Bulgaria will remove its restrictions on EFTA goods within 10 years.

Bulgaria is not a member of GATT, but has applied to become a member of the World Trade Organization (GATT's successor). Membership in the WTO would restrict Bulgaria's use of nontariff measures such as export bans. Although the Bulgarian market will also likely be opened to import competition, the resulting expansion of export opportunities would likely bring a net gain to the country.

Bulgaria is burdened by an external debt, which, in 1994, totaled about $12 billion. Bulgaria is in the process of rescheduling its external debts.

Improved market access, as well as the reduction of external debt, are considered essential as Bulgaria works to establish a free and stable market economy. However, as Bulgaria is adjusting to the reforms initiated in 1990 toward an open market, GDP fell 4.3 percent in 1993 compared with 1992, prices and inflation continue to rise, and the Bulgarian currency, the Lev, continues to depreciate. Thus, along with trade agreements, the exchange rate and inflation must also be stabilized before investments and developments in the private sector can flourish and aid in the bolstering of the economy.

References

Organization for Economic Co-Operation and Development (1994). *Agricultural Policy and Trade Developments in Bulgaria in 1993-1994.* Paris.

U.S. Department of Agriculture, Foreign Agricultural Service (June 1994). *Grain and Feed Report.*

U.S. Department of Agriculture, Foreign Agricultural Service (April 1994). *Tobacco Report.*

U.S. Department of Agriculture, Foreign Agricultural Service (1994). *Annual Agricultural Situation Report: Bulgaria.* Sofia.

International Bank for Reconstruction and Development (March 1994). *Bulgaria: Commercial Bank Debt and Debt Service Reduction Operation.* London.

Czech Republic

On January 1, 1993, Czechoslovakia was officially divided into two independent nations: the Czech Republic and the Slovak Republic. The Czech Republic covers an area of approximately 7.8 million hectares, 60 percent of the former Czechoslovakia. Cereal grains are the most important crop, cultivated on about 50 percent of arable land. Other important crops include oilseeds (90 percent of which is rapeseed), sugar beets, and potatoes. Livestock production accounts for 58 percent of agricultural output. Livestock numbers have dropped since 1989. From 1989 to 1993, cattle numbers fell 28 percent, with dairy cows dropping 25 percent, and sheep numbers falling 41 percent. Poultry production dropped 13 percent, while pig production remained fairly consistent. In the past, the Czech Republic was relatively self-sufficient in meat production; surpluses were exported. Continued decline in the livestock sector, however, has created the possibility that the Czech Republic will become a net beef importer.

The privatization of agriculture began with the passing of several important laws. The Land Law of 1991 began the restitution of land to its pre-1948 owners. The Transformation Laws of 1992 declared that all former collective farms be transformed into private entities, and the Small and Large Scale Privatization Laws of 1992 covered the privatization of state farms. The transformation of collective farms was completed by January 1993; privatization of state farms has proceeded very slowly, however, due to lack of capital and the low profitability of farming. By 1993, the 1,197 former collective farms of the Czech Republic had been transformed into 1,233 new cooperatives, 39 shareholding companies, and 59 other companies. Approximately 18 percent of farmland, or 780,045 hectares, is operated by private farmers.

Fruits and vegetables are the leading agricultural imports, making up 20 percent of total agricultural imports; nongrain animal feeds constitute 16 percent, tropical beverages (coffee, tea, cocoa) 10 percent, and oilseeds (including oils and fats) 10 percent. The European Union (EU) supplies 41 percent of the nation's agricultural and food imports, followed by the Central and Eastern European countries at 20 percent, and the EFTA countries supplying 7 percent.

Dairy products account for approximately one-fifth of all agricultural exports. Other major exports include cereals, oilseeds, live animals, and beverages. Over 40 percent of agricultural exports are traded to Central and Eastern European countries, the Slovak Republic in particular. Other significant export markets include the European Union for 33 percent, the former Soviet Union for 10.5 percent, and the EFTA countries for 5 percent.

In 1992, tariffs were increased following a GATT waiver, and variable import levies were introduced on several products, including live cattle, sheep, goats, processed meat, butter, potatoes, grapes, and sunflower and rapeseed oil. At the same time, the Czech Republic signed several trade agreements with the EU, the EFTA countries, and the Central and Eastern European countries. Since March 1992, the EU has progressively reduced tariffs and levies on Czech imports, such as processed meat and live animals, milk and milk products, and eggs. The Czech Republic has eliminated import restrictions on specified EU products and has reduced tariffs, except in the case of butter, cheese, salami, maize, and non-processed tobacco. The Free Trade Agreement with the EFTA countries, made prior to the division of Czechoslovakia, continues to apply to the Czech Republic. Although large numbers of mutual concessions on specified products were made, they have had little effect on agricultural trade among the concerned countries because of the small quantities traded and the small quotas fixed under the concessions.

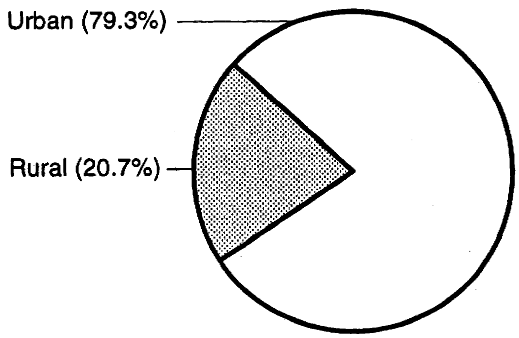
Following the division of Czechoslovakia, a Customs Union Agreement was signed by the

Czech Republic

Official name Czech Republic
Type of government Parliamentary democracy
Memberships CE, CEFTA, CEI, OSCE, EBRD, FAO, GATT, IMP, UN, WTO

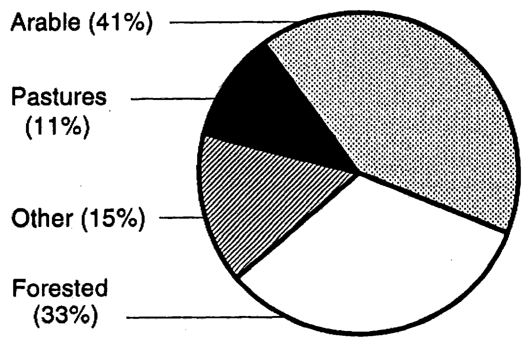
Population *1993*

10,389,000 persons



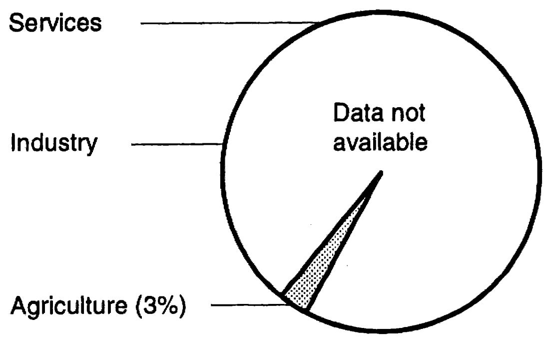
Land *1992*

7,864 mil. hectares



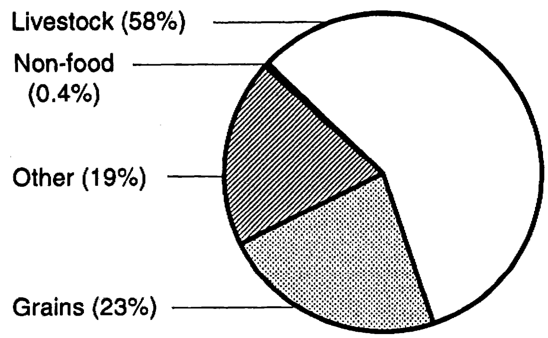
GNP *1992*

$75.3 billion; $7,300 per capita



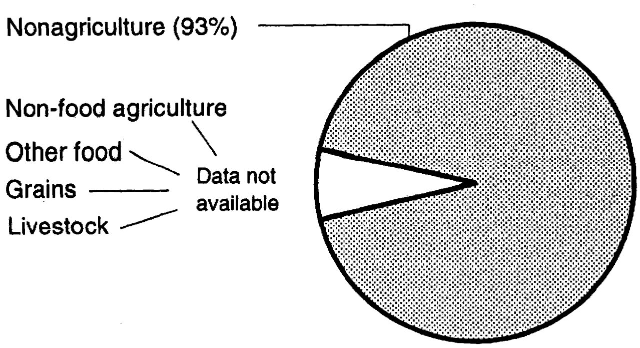
Agriculture *1991*

Major agricultural products: Wheat, Milk



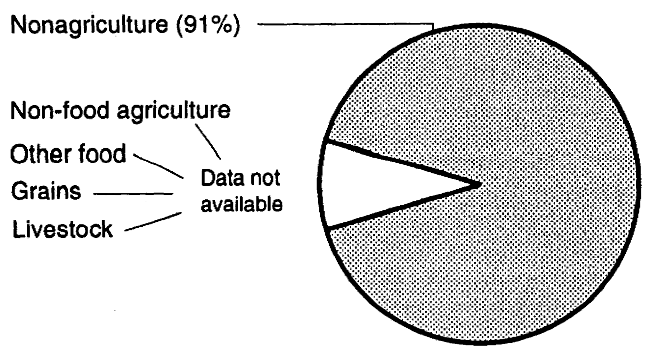
Exports *1993*

$12,997 million
Major agricultural export: Dairy products



Imports *1993*

$12,912 million



Czech Republic and the Slovak Republic. This agreement kept customs tariffs low, allowing for large amounts of trade across the Czech-Slovak border. In 1993, Slovakia was the second most important agricultural trading partner (after the EU) to the Czech Republic. However, during the first 6 months of 1994, trade between the Czech and Slovak Republics dropped following a devaluation of Slovak currency and an increase in border protection on imported agricultural products by Slovakia.

The Central European Free Trade Agreement or Visegrad Agreement, signed in December 1992, is aimed at the gradual removal of trade barriers among the participants. Czech concessions include the lowering of tariffs by 20 or 50 percent for specific Polish and Hungarian products. Poland and Hungary have also reduced their tariffs on certain Czech goods by 20 percent or 50 percent. Most concessions are on unimportant trade products, and thus have not had a significant impact on trade. Total liberalization of agricultural trade among the CEFTA countries is not expected until 1998.

While the Czech Republic is a member of the World Trade Organization, the Uruguay Round agreement is not expected to have a significant impact on its agricultural policies, because domestic support and market protection are already at low levels. However, the Czech Republic could benefit from the limitation of export subsidies on exports from other countries, such as the EU.

The Czech agricultural market is regulated by the State Fund for Market Regulation (SFMR), which buys surplus agricultural products at minimum guaranteed prices. It then seeks to export the surplus, employing export subsidies if necessary. Since 1991, guaranteed prices have been set for milk, cattle, and wheat. In 1990, $1.5 billion of agricultural export subsidies were eliminated, but by 1992 subsidies of almost $1 billion were again allocated to the agricultural sector, in particular for exporting beef, pork, sugar, wheat, and dairy products. Then, in late 1993, sugar subsidies were canceled. Export subsidies on beef, hops, honey, and apple concentrates were eliminated in July 1994. Export subsidies on milk have continued but are limited to 250 million liters. Export subsidies on wheat have also continued due to the high surplus production.

The Agricultural and Forestry Support and Guarantee Fund, created in 1994, provides subsidies for interest payments and purchases debts. In addition, this fund provides guarantees for credits given to agriculture by the banking sector, and also aids in the purchase of certain farm equipment, such as planters and combines, giving preference to farmers working in regions with high unemployment rates and/or unfavorable climatic conditions. In 1994, of the 5.1 billion Czech korunas allocated to agricultural expenses, 3.5 billion Czech korunas were given to the fund for export subsidies and farm support payments.

References

OECD (1993). *Agricultural Policies, Markets and Trade in CEEC, the NIS and Mongolia: Monitoring and Outlook 1994.* Paris.

OECD (1994). *Agricultural Policy and Trade Developments in the Czech Republic in 1993-1994.* Paris.

U.S. Department of Agriculture, Foreign Agricultural Service (1994). *Annual Agricultural Situation Report: Czech Republic.* Prague.

U.S. Department of Agriculture, Economic Research Service (1993). *Agricultural Policies and Performance in Central and Eastern Europe, 1989-92.* FAER-247.

Hungary

Located in Eastern Europe between Slovakia and Romania, Hungary is a landlocked country, self-sufficient in food production. Wheat, the primary crop, comprises approximately 50 percent of crop production. Other important crops include corn, sunflowers, potatoes, and sugar beets. Livestock production consists of swine, cattle, poultry, and dairy products. Food and agricultural products account for 22 percent of total exports and about 7 percent of total imports. The EU is Hungary's most important trading partner, accounting for 41 percent of Hungarian agricultural trade, followed by the former Soviet Union at 24 percent. The EFTA countries account for 10 percent of Hungary's agricultural trade, followed Poland and the Czech and the Slovak Republics, at 4 percent each.

Redistribution of the land began in July 1991 when the Hungarian National Assembly passed a Compensation Law, which stipulates that all those whose property was confiscated after June 8, 1949, shall receive compensation vouchers for the purchase of property. The sale of state assets, acquired from liquidated state farms, is administered through land auctions conducted by the State Property Agency.

Before the land reform initiatives, collective farms accounted for over half of agricultural production, and covered over 57 percent of the agricultural land. In January 1992, the Hungarian Parliament passed a cooperative law designed to transform the collectives by converting them to share-holding companies, dividing their properties among their members, or making them into new free cooperatives. The transformation of collective farms ended in 1993. Approximately 88 percent of the collectives were transformed, the remaining 12 percent were liquidated. Further privatization is complicated by the June 1994 Land Act which limits the amount of land sold or leased to Hungarian citizens (with the exception of local authorities, public foundations, and grazing and forestry associations). Leases are limited to a maximum of 300 hectares for Hungarian and foreign individuals, and a maxi- mum of 2,500 hectares for companies. The act also regulates the terms of a lease, including sharecropping contracts or half-and-half systems, and establishes conditions for land use and protection.

From 1990-92, the Government pursued a "minimalist agricultural policy," a kind of shock therapy for agriculture in which subsidies were cut extensively and prices liberalized. By late 1992, however, the Government began intervening in the agricultural sector to revive agricultural production and to increase farming profitability through export subsidies and price regulation.

An Agricultural Market Regulation Act, passed in 1993, established a framework for agricultural policy to moderate market fluctuations. This Act created an Agricultural Market Regime Office under the Ministry of Agriculture and a series of Product Councils. The Product Councils represent agricultural producers in setting prices and quotas. The Office for the Agricultural Market Regime seeks to stabilize discrepancies in supply and demand with export and domestic market subsidies and production quotas, at a cost of approximately two-thirds total budget expenditures on the agri-food sector. This office also formulates market regulation schemes for select commodities. In April 1994, sectoral market regimes were implemented for the pig market, cattle market, and wheat and maize markets. These market regimes establish guaranteed prices, quotas, and intervention periods and procedures.

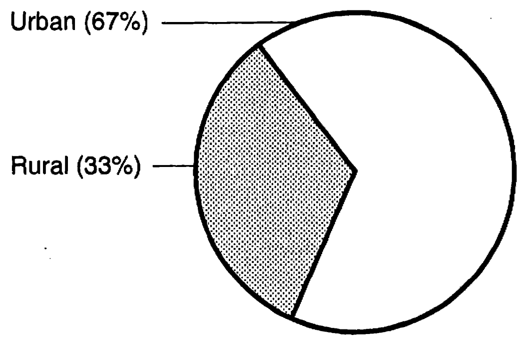
The Agricultural Development Fund provides financial support for agricultural investments and infrastructure developments. Support is available in the form of bank guarantees, direct payments to producers, and interest subsidies. This financial assistance is used for irrigation, land improvement, forestry plantation, or for the purchase of input supplies, such as fuel, seeds, fertilizers, and pesticides. Farmers in

Hungary

Official name Republic of Hungary
Type of government Republic
Memberships CE,CEFTA, CEI, OSCE, EBRD, FAO, GATT, IMF, UN, WTO

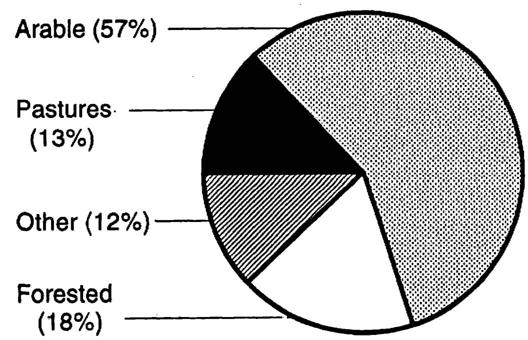
Population *1993*

10,324,000 persons



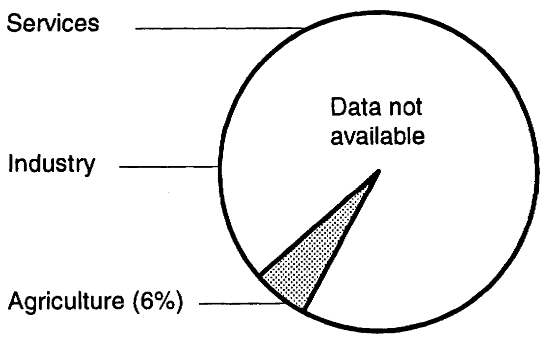
Land *1992*

9,234 mil. hectares(175 mil. ha irrigated)



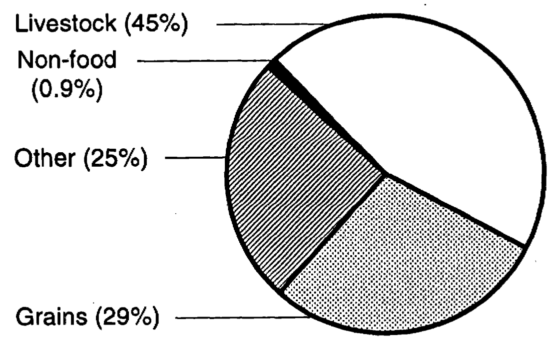
GNP *1992*

$55.4 billion; $5,380 per capita



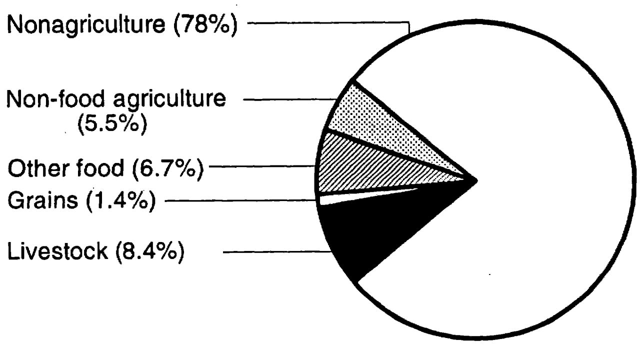
Agriculture *1991*

Major agricultural products: Corn, Wheat



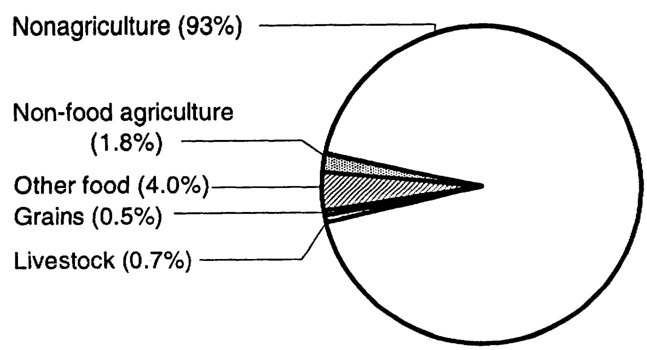
Exports *1993*

$8,907 million
Major agricultural export: Meat & meat products



Imports *1993*

$12,530 million



disadvantaged and underdeveloped areas are provided with support through the Regional Development Fund, for investments in infrastructure development, road networks, and business centers.

Hungary's Ministry of International Economic Relations continues to require export and import licensing for major agricultural products. Other import restrictions include national health safety approval, veterinary certificates for animal products, and phytosanitary measures for plant products. Import tariffs also exist, but are subject to changes according to Hungarian commitments to international trade agreements.

Hungary has entered into several agricultural trade agreements which are expected to increase foreign trade, reduce its trade balance deficit, and promote economic stability. The most important agreement is the Hungary-EU Association Agreement. Hungary and the EU agreed, beginning in late 1993, to initiate a reciprocal and progressive lowering of tariffs, levies, and duties on specific agricultural products for 3 consecutive years, and a progressive expansion of tariff-bound quotas over a maximum of 5 years. These concessions cover 65 percent of Hungarian agricultural exports to the EU and 82 percent of the EU's agricultural exports to Hungary.

Hungary also signed an agreement with the EFTA countries to reduce customs duties progressively, beginning in 1993 and ending in the year 2003. In exchange, the EFTA countries have collectively agreed to establish tariff rate quotas on a maximum of 30,000 tons of meat and meat products. Individually, Austria agreed to a reduction of 30 to 35 percent on import levies for up to 17,000 tons of meat. Sweden waived levies entirely for 1,100 tons of meat, and Switzerland reduced tariffs by 20 percent, 50 percent, and 100 percent on specified agricultural goods.

In March 1993, Hungary reached an agreement with Poland, the Czech Republic, and the Slovak Republic known as the Central European Free Trade Agreement (CEFTA) or Visegrad Agreement. The goal of the agreement is gradually to reduce and eliminate tariffs and tariff barriers by the year 2001. Hungary's quota system, however, and its safeguard measures have not been banned from use in case of market disturbance.

In January 1995, Hungary began implementing the Uruguay Round agreements, which entail tariffication of non-tariff barriers, binding and gradual lowering of MFN (most favored nation) tariff rates, and commitments on limiting export subsidies and internal supports. Hungary increased its border protection by raising many agricultural tariffs. Some tariff increases affect products that are not produced in Hungary (such as rice and peanuts). Hungary introduced tariff rate import quotas that are administered through licensing and assigned to MFN or preferential suppliers (EU, EFTA, and CEFTA countries). The quotas could impede imports given the complex nature of their management.

Hungary's Uruguay Round commitments call for a gradual reduction in export subsidies for some products (corn, cheese, wine, and apples, for example). However, recent export subsidy payments cover more products than allowed and exceed the amounts committed under the World Trade Organization.

References

Organization for Economic Cooperation and Development (1994). *Agricultural Policy and Trade Developments in Hungary in 1993-1994.* Paris.

Organization for Economic Cooperation and Development (1994). *Agricultural Policies, Markets and Trade in CEEC, NIS and Mongolia: Monitoring and Outlook 1994.* Paris.

U.S. Department of Agriculture, Economic Research Service (1992). *Agricultural Policies and Performance in Central and Eastern Europe, 1989-1992.* FAER-247.

Poland

Poland borders the countries of Germany, Russia, Lithuania, Belarus, Ukraine, and the Czech and Slovak Republics. The Polish farm structure is dominated by over 2 million private farms, each averaging 9 hectares. Despite the fact that 78 percent of Polish land is privately held, the agricultural system is inefficient and hardly profitable. The private farms are too small and fragmented to be economically viable. They hold little market power, and declining output prices have further lowered farm income. Farmers are also squeezed by high input costs and by the monopoly purchasing and processing organizations. Because of their large numbers, private farmers have exerted strong political pressure on their Government, which has led to an increase in domestic support programs.

The most important crop in Poland is wheat, followed by rye and rapeseed. Approximately 7.4 million tons of wheat and 4 million tons of rye are produced each year. The principal livestock product is pork, which accounts for 70 percent of the 3 million tons of meat produced each year. Other important commodities include potatoes, vegetables and fruits, poultry and eggs, milk, cattle, and sugar beets. Principal exports are rapeseed, live cattle, processed meat, fruits, and vegetables. The main imports are grains, meat, protein meal, and cotton.

Agricultural products account for approximately 13 percent of total imports and 10 percent of total exports. The EU accounts for approximately 65 percent of Polish trade of agricultural and food products, while the EFTA countries comprise another 10 percent of Polish agricultural trade. The Newly Independent States of the former Soviet Union account for about 19 percent of Polish trade, and Hungary, the Czech Republic, and the Slovak Republic for about 3 percent more. Poland is self-sufficient in sugar, fruits and vegetables, and potatoes, and is a net importer of pork, poultry, and butter. Overall, Poland has experienced a trade deficit since 1993 due to high domestic prices, low world prices, and import barriers imposed by EU countries.

The Polish food processing industry, once dominated by state enterprises, is now over 50 percent privatized. Thousands of small and medium-sized companies have emerged. By the end of 1993, the private sector accounted for approximately 87.2 percent of agricultural production, 50 percent of processed food products, 46 percent of agricultural services, and more than 90 percent of retail trade. The weaknesses of the Polish agri-food industry are in its information, marketing, procurement, and financial systems.

The privatization of state farms has proven more difficult. The Agricultural Property Agency (APA) was created in 1992 to reconstruct the state farm sector. However, the APA encountered difficulty in privatization because of the high indebtedness of most state farms, and the complex social problems, such as poverty and alcoholism, among people employed in the state farm sector. Prior to the land reform initiatives, state farms occupied about 20 percent of agricultural land. As of 1994, state farms still covered 17 percent of the land, and cooperatives 4 percent.

Poland is attempting to improve farm structure and increase competitiveness on the international market, at times two conflicting objectives. While Poland desires free trade with other countries as a means to stimulate its domestic economy, the local farmers, suffering from high input costs, find it difficult to compete with lower output prices. The Government is attempting to pursue access to the international market, while at the same time supporting the agricultural sphere.

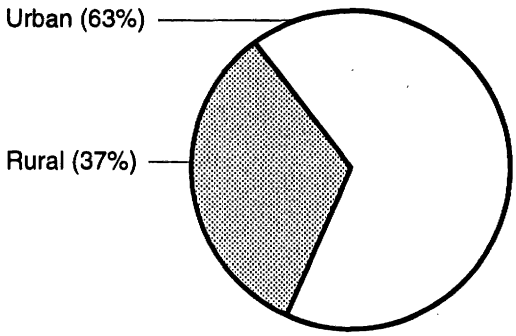
The Agency for Agricultural Markets (ARR), established in 1990, initially conducted intervention purchasing when prices were too low and sold from stocks when prices were too high. The role of ARR has since expanded. In 1992, it

Poland

Official name Republic of Poland
Type of government Democratic state
Memberships CBSS, CE, CEFTA, CEI, OSCE, EBRD, FAO, GATT, IMP, UN, WTO

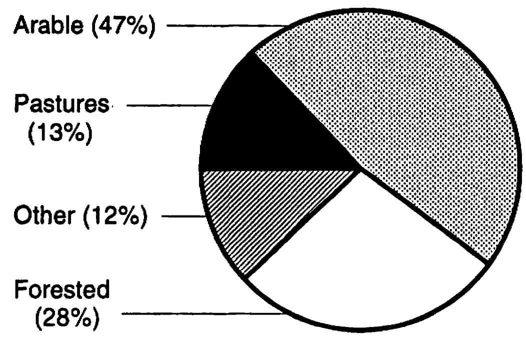
Population *1993*

38,519,000 persons



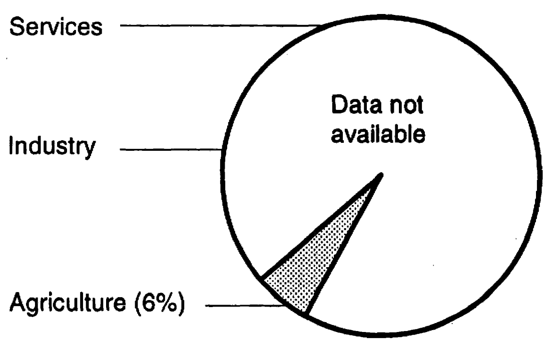
Land *1992*

30,451 mil. hectares (100 mil. ha irrigated)



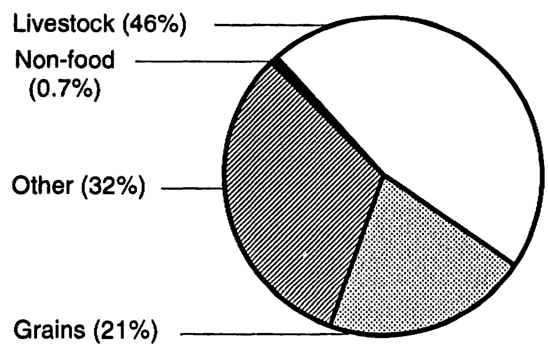
GNP *1992*

$167.6 billion; $4,480 per capita



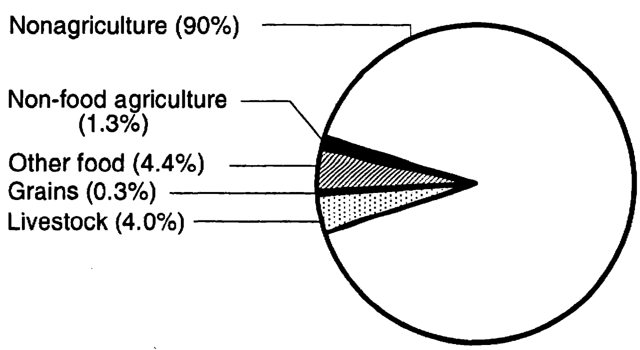
Agriculture *1991*

Major agricultural products: Roots/tubers, Milk



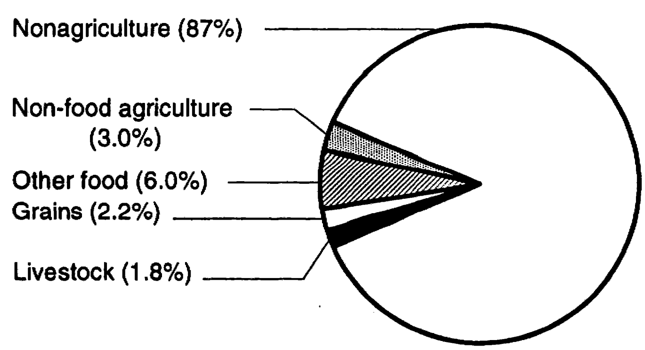
Exports *1993*

$14,143 million
Major agricultural export: Fruits & vegetables



Imports *1993*

$18,834 million



began to set and administer "guaranteed" minimum prices for wheat, rye, milk, and butter, and manage the state grain reserve. ARR also provides credit guarantees to grain storage and procurement agencies and publishes current market information.

The Agency for Restructuring and Modernizing Agriculture attempts to reduce input costs for farmers by granting credits at preferential interest rates. Other input subsidies previously granted to farmers have been reduced considerably. In 1988, subsidies to agriculture and the food industry accounted for 19 percent of total budget outlays, a much greater percentage than subsidies today, which make up only about 7 percent of the budget. Many farmers feel the product returns do not justify the input costs, and thus, the use of fertilizer and pesticides is below the level needed to obtain optimal yields. With the low profitability of farming, farmers are looking increasingly to other sources of income. The Government continues to intercede for its farmers, yet is cautious of harming its place in the international market.

Since 1989, Poland has abolished its state monopoly on foreign trade and has advocated free trade with other countries. When controls on imports were lifted as part of the 1989 market reforms, tariffs on imports were initially set at a nominal level of about 5 percent. However, to combat the tremendous increase in foreign competition resulting from free trade, import tariffs were raised significantly in 1991. Tariffs were reduced slightly in 1993 to encourage imports after a year of low domestic agricultural output. However, in June 1994, in addition to the tariffs on imports, which average about 30 percent, the Government implemented a law imposing variable import levies, averaging 25 cents per pound, on a number of agricultural products including swine and poultry meat, milk, tomatoes, and others.

The Ministry of Agriculture and Food Economy (MRiGZ) maintains export prohibitions on certain plants and livestock and export quotas on young cattle, sheep, and mutton. Import prohibitions exist on pure alcohol, unflavored vodka, and some livestock for health, safety, or environmental reasons. Import licenses are also necessary for beer, wine, alcoholic beverages with over 18-percent alcohol content, tobacco products, and dairy products. Import quotas are maintained on certain alcoholic beverages and cigarettes.

Poland has signed several trade agreements, the most important being the EU-Poland Association Agreement, which includes reciprocal reductions of tariffs and variable import levies, limited by quotas. Agricultural exports to the EU affected by this agreement include young cattle, sheep and sheepmeat, pigs and pigmeat, chicken, fruits, vegetables, dairy products, and processed products. A total of 247 agricultural products imported from the EU are targeted for tariff reduction. Tariffs related to processed agricultural products are set to be eliminated by 1999, and the import restrictions are scheduled to be lifted on alcohol products imported from the EU in 1997. Poland hopes to be admitted to the European Union by the year 2000.

In March 1993, Poland reached an agreement with Hungary and the Czech and Slovak Republics known as the Central European Free Trade Agreement (CEFTA) or Visegrad Agreement. The goal of the agreement is to gradually reduce and eliminate tariffs and tariff barriers by the year 2001.

In April 1994, Poland, as a GATT participant, also made commitments at the Uruguay Round and the Declaration on the World Trade Organization. The agricultural provisions of the Uruguay Round entail Polish commitments to eliminate variable levies, introduced in June 1994, on agricultural imports. In the agreement, Poland bound its tariffs above tariffs previously applied, in line with EU-bound rates. Upon implementation, Poland will likely raise some tariffs to levels permitted under the Uruguay Round Agreement, rates, eliminate non-tariff barriers, and introduce tariff rate quotas for some products.

References

International Monetary Fund (1994). *Republic of Poland. Background Papers.* Washington, DC.

Organization for Economic Cooperation and Development (1994). *Agricultural Policy and Trade Developments in Poland in 1993-1994.* Paris.

Organization for Economic Cooperation and Development (1994). *Review of Agricultural Policies in Poland: Summary and Conclusions.* Paris.

U.S. Department of Agriculture, Foreign Agricultural Service (1993). *Annual Situation Report for Poland.* Warsaw.

Romania

Romania is located in southeastern Europe, bordering the Black Sea, between Bulgaria and the Ukraine. Crop production accounts for about 62 percent of gross agricultural output, and covers approximately 11 million hectares. The main crops include cereals, sunflowers, sugar beets, potatoes, and vegetables. Livestock production accounts for 45 percent of agricultural output. The most important livestock production is pork, which constitutes 50.6 percent of animal production, followed by cattle with 21.5 percent, poultry with 19.4 percent, and sheep meat with 8.5 percent of livestock output.

Traditionally, Romania has been an agricultural exporter, but from 1990 to 1995, it was a net importer, realizing an agricultural trade deficit of over $1 billion per year. Important imports since 1990 have included meat products, grains, cotton, oilseeds, sugar, and tobacco. Surplus meat, fats, horticultural products, and live animals have dominated agricultural and food exports. Since 1994, grain producers have adjusted to market reforms and increased their output, making Romania once again a grain exporter.

Romania's largest trading partner is the European Union, which accounts for 29.7 percent of agricultural exports and 24.3 percent of agricultural imports. Romania also exports a large share of agricultural products to the former Soviet Union, the Middle East, the Central and East European countries, and the EFTA countries. Romania imports 14.7 percent of agricultural goods from the Central and Eastern European countries, followed by a smaller percentage from North America, the EFTA countries, and the Middle East.

In February 1991, a Land Reform Law established private ownership of agricultural land. Since then, the Romanian Government has been returning land, previously confiscated by the state, to its former owners. Prior to 1989, agricultural land was divided among 3,776 collective farms, averaging 2,370 hectares, and over 400 state farms of 5,000 hectares each. By the end of 1993, there were 5,205 farming cooperatives, averaging 367 hectares per farm, 18,176 family farms or associations, averaging 100 hectares, and 3,130,000 private plots of 1.67 hectares apiece. In 1994, over 80 percent of arable land was privately owned.[1]

The state farms are still in operation, having been converted to joint stock commercial companies. These account for the remaining 2 million hectares. Former owners of the land were given shares in these companies.

Although Romania's markets are far more liberalized than before 1990, the state continues to intervene with price and support policies as a means of stimulating domestic production. The Government maintains minimal guaranteed prices for cereals, oil plants, vegetables, grains, sugar beets, potatoes, tomatoes, seeds and seeding materials, and fresh milk. It regulates retail prices of basic foods sold in state stores through limits placed on profits.

In 1993, a special state budget fund of $204 million was established to provide subsidies, bonuses, and other support measures to agricultural producers as a way to increase domestic production. Input subsidization includes allocations for improving the fertility of land, maintaining breeding stock, and applying pest and disease controls. In addition, farmers receive subsidies for irrigation, fertilizers, cattle production, and interests for credits, as well as state bonuses, technical assistance, and special consultation. Customs taxes are also reduced by 80 percent for imported agricultural machines, veterinarian products, and reproduction animals.

In 1993, subsidized loans worth $171 million were made available to agricultural producers. In

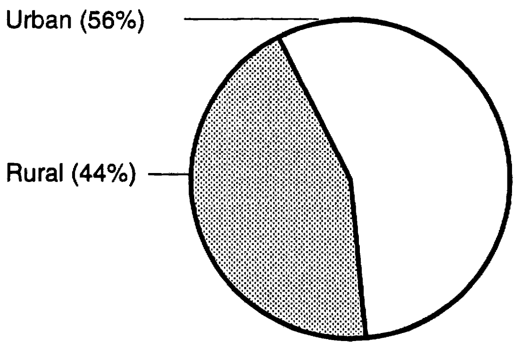
[1]This is according to the August 1994 OECD report on agricultural policy and trade developments in Romania. The difference between a farming cooperative and a family farm is not made entirely clear.

Romania

Official name Romania
Type of government Republic
Memberships BSEC, OSCE, EBRD, FAO, GATT, IMF, UN, WTO

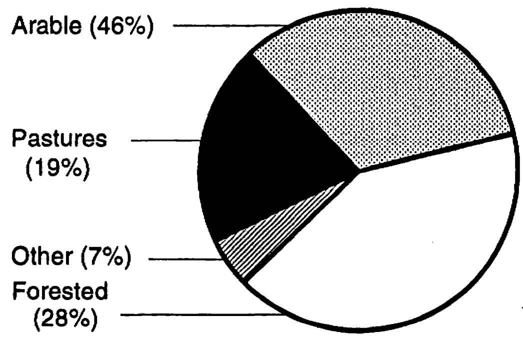
Population *1993*

23,172,000 persons



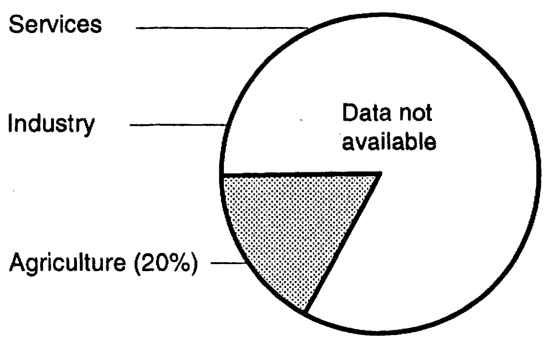
Land *1992*

23,034 mil. hectares(3,450 mil. ha irrigated)



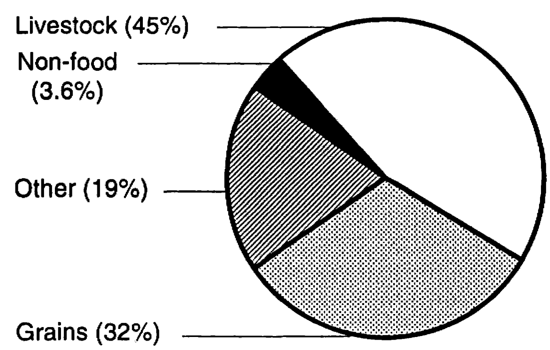
GNP *1992*

$63.4 billion; $2,700 per capita



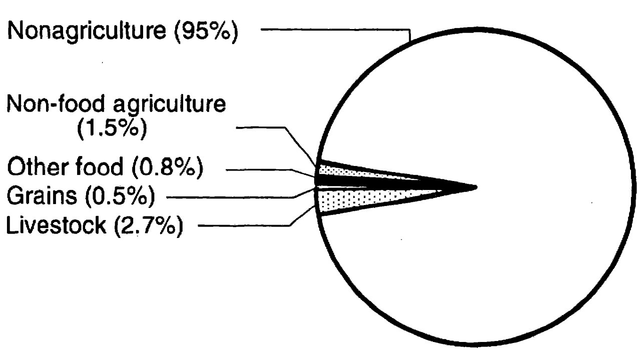
Agriculture *1991*

Major agricultural products: Corn, Wheat



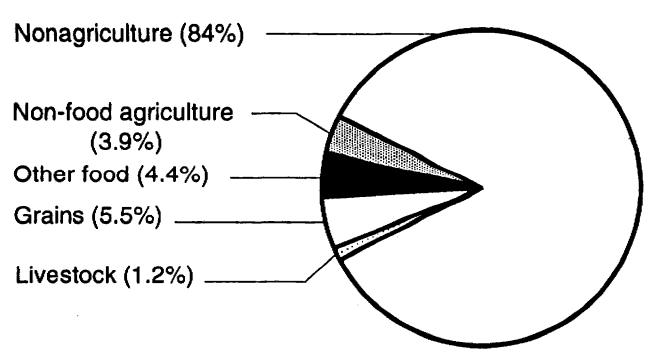
Exports *1993*

$5,286 million
Major agricultural export: Fruits & vegetables



Imports *1993*

$7,122 million



addition, external sources such as the PHARE program (Poland-Hungary Assistance to Reconstruct the Economy), the World Bank, and the European Union have contributed funds for the development of the private sector. In 1994, commercial banks allocated about $380 million to subsidize the interest on credits granted to agricultural producers. However, to the detriment of the farmer, an agricultural tax law was passed in July 1994, taxing all landowners according to income and land quality.

Exports and imports are subject to a 0.5-percent customs administration charge. Under an annual review, tariff rates may be adjusted or waived, based on supply and demand conditions. In 1994, Romania raised tariffs on grains, milk, and wine. A 30-percent tax applies to local and imported food products. Currency inconvertibility, hard currency shortages, and low disposable incomes constrain Romanian food imports.

In early 1991, Romania began liberalizing its foreign trade. Import and export licenses are no longer necessary for agricultural trade. Imports are free from quotas, but are subject to import duties ranging from 5 percent to 20 percent. Because of food shortages, most farm exports are temporarily banned. Exceptions include a limited number of livestock products, some horticultural products, and wine. Since January 1991, Romania's trade with former CMEA members has been conducted in hard currency.

In July 1994, Romania introduced minimum import prices on several farm products (poultry meat, wheat, potatoes, tomatoes, barley, and wine). The levy amounts to the difference between import and domestic reference prices and aims at protecting Romanian producers. The U.S. Government protested the measure, in particular its adverse impact on U.S. poultry exports to Romania.

On December 10, 1992, Romania entered into a multilateral Free Trade Agreement with the EFTA countries, as well as bilateral agreements with each EFTA country. Romania also signed an Association Agreement with the EU on February 1, 1993. Concessions by the EU include the lowering of import levies and duties, as well as preferential tariffs for many products. Romania agreed to reduce import duties, with a quota restriction on certain products.

Romania began implementing its Uruguay Round commitments in July 1995, which entailed tariffication of non-tariff barriers, binding and gradual lowering of MFN tariff rates, and limits on export subsidies and internal supports. Romania set very high tariff ceilings in its GATT schedule, which means that Romania is permitted large increases in its import protection in comparison to its actual applied tariffs. Tariff rate import quotas will apply to several products (including beef, pork, selected dairy products, alcoholic beverages, cigarettes, and some prepared food). Romania will generally not need to reduce domestic supports and export subsidies from current levels because recent policy changes already entailed substantial reductions in subsidies.

References

Organization for Economic Cooperation and Development (1993). *Agricultural Policies, Markets and Trade in CEEC, the NIS and Mongolia: Monitoring and Outlook 1994.* Paris.

Organization for Economic Cooperation and Development (1994). *Agricultural Policy and Trade Developments in Romania in 1993-1994.* Paris.

U.S. Department of Agriculture, Foreign Agricultural Service (1994). *Annual Agricultural Situation Report: Romania.* Bucharest.

U.S. Department of Agriculture, Economic Research Service (1993). *Agricultural Policies and Performance in Central and Eastern Europe, 1989-92.* FAER-247.

Slovak Republic

Slovakia is located in eastern Europe, between Hungary and Poland. On January 1, 1993, Czechoslovakia was officially divided into the Czech Republic and the Slovak Republic.

Beginning in 1991, the former Czechoslovakia (CSFR) passed several laws to restructure the agricultural sector, including the Land Law, the Transformation Law, and the Privatization Laws. The Land Law of 1991 began the restitution process, returning land to its pre-1948 owners. The restitution process is not complete. However, only 7.6 percent of the agricultural land is being farmed by private individuals. Most new landowners have chosen to lease their land to the new cooperatives.

The Transformation Law requires former collective farms to transform themselves into new entities based on private ownership. Most farms were transformed into co-operatives, although 12 share-holding companies and 9 limited-liability companies also emerged. The number of cooperatives increased from 630 in 1989 to 952 in 1993. The average size of the former collective farms was about 2,110 hectares. In 1993, the new co-operative farms averaged 1,650 hectares.

In 1992, the former CSFR Government passed the Small and Large Scale Privatization Laws, which covered the privatization of state farms, among others. However, privatization of these farms has been hindered by a lack of capital sources and credits, as well as by low profitability in the agricultural sector.

Crop production covers an area of 1.5 million hectares and accounts for about 40 percent of agricultural output. Nearly 60 percent of the arable land is used for grain crops, almost half of which is wheat. Other important crops include sugar beets, potatoes, barley, and maize. Livestock production constitutes almost 60 percent of Slovakia's agricultural output. In 1993, pork production, in carcass weight, totaled 2.35 million tons, followed by 92,000 tons of beef and veal, and 56,000 tons of poultry meat. Livestock production overall has been declining since 1989 due to a decrease in demand. Other related products include milk, butter, and eggs.

The Slovak Republic is a net importer of agricultural and food products, with the Czech Republic its most important trading partner. In 1993, the Czech Republic accounted for 49 percent of all Slovak agricultural imports and 45 percent of agricultural exports. The European Union accounted for 19 percent of food imports and 13 percent of total food exports. The Newly Independent States of the former Soviet Union (NIS) held 15 percent of Slovakia's agricultural export market. Among the main agricultural imports are grains, oilseeds, cotton, tobacco and tobacco products, dairy products, and tropical fruits. Important agricultural exports include vegetables, grains, feeds, dairy products, live cattle, beef, and chocolate.

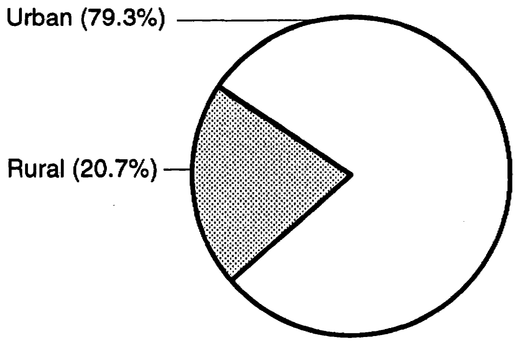
The Slovak Republic has trade agreements with the EFTA countries, the Central and East European countries of Poland, Hungary, and the Czech Republic, the EU, and Slovenia. These agreements provide reduced tariffs and bilateral liberalization of agricultural trade. After the breakup of Czechoslovakia, Slovakia signed a Customs Union Agreement with the Czech Republic. This agreement keeps trade relatively open and free of customs taxes between the two countries. However, in 1994, Slovakia increased its border protection for domestic agricultural producers by implementing nontariff barriers on agricultural trade, in the form of an import surcharge and health restrictions. For example, the Slovak State Veterinary Authority banned imports of slaughtered hogs and pork offals from the Czech Republic. The Czech Republic has a similar ban in effect on imports of hogs and pork. The result has been a decrease in imports from the Czech Republic by about 26 percent. Czech imports have also fallen due to the decline in the

Slovakia

Official name Slovak Republic
Type of government Parliamentary democracy
Memberships CE, CEFTA, CEI, OSCE, EBRD, FAO, GATT, IMF, UN, WTO

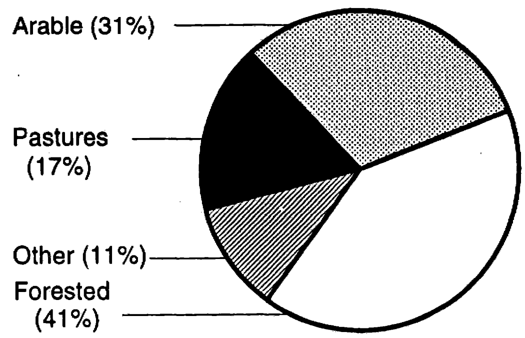
Population *1993*

5,375,000 persons



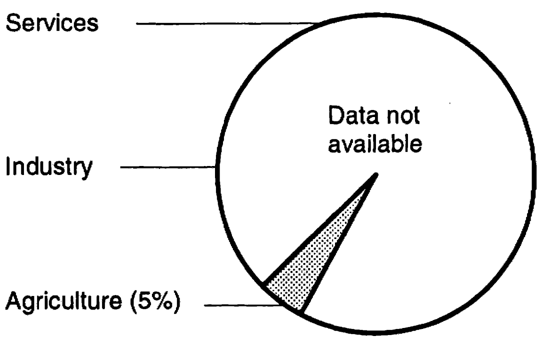
Land *1992*

4,880 hectares(mil. ha irrigated)



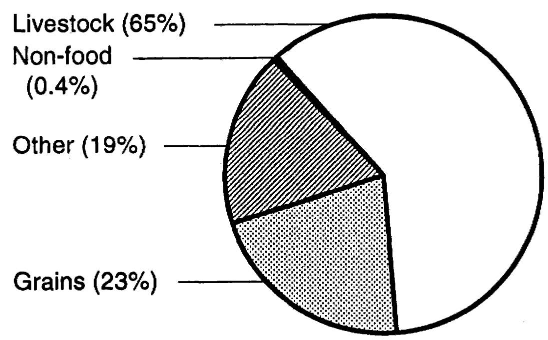
GNP *1992*

$32.1 billion; $6,100 per capita



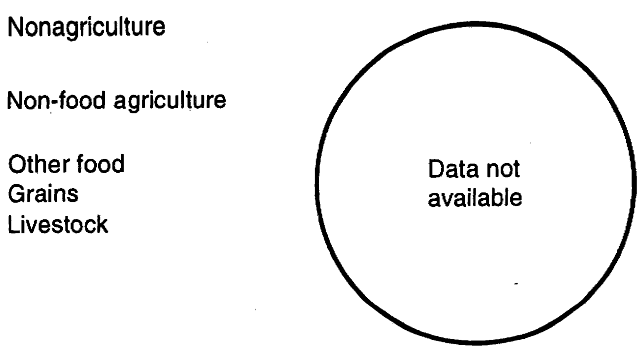
Agriculture *1991*

Major agricultural products:



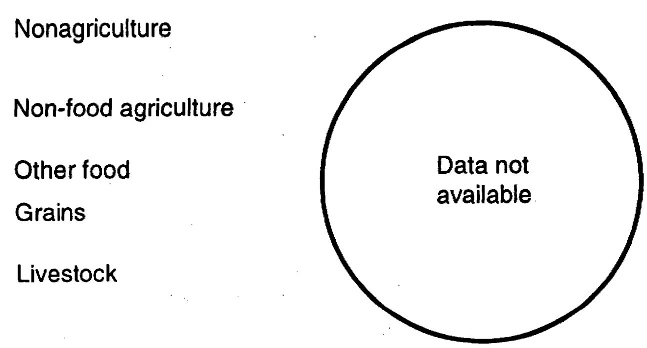
Exports *1993*

$3,600 million
Major agricultural export: Vegetables



Imports *1993*

$3,600 million



value of the Slovak koruna relative to the Czech koruna, making Czech imports more expensive.

The Central European Free Trade Agreement or Visegrad Agreement, signed in December 1992, is aimed at the gradual removal of trade barriers among the participants. Slovak concessions included the lowering of tariffs by 20 or 50 percent for specific Polish and Hungarian products. Poland and Hungary have also reduced their tariffs on certain Slovak goods by 20 or 50 percent. Total liberalization of agricultural trade among the CEFTA countries is not expected until 1998.

As a GATT member, Slovakia will have to progressively reduce trade barriers. The GATT agreement includes the lowering of domestic market protection, which will increase foreign competition. However, the reduction of trade barriers by the EU and other partners could open up possibilities for exports. Realization of increased exports will depend on greater efficiencies in Slovak agriculture.

The State charges a temporary import surcharge for selected commodities. Import and export subsidies are administered by the State Fund of Market Regulation (SFMR). Exports of milk and milk products, cattle, pigs, poultry, lambs, eggs, honey, sugar, and starch are subsidized.

The State Fund of Market Regulation also regulates agricultural and food markets through intervention purchasing and import and export subsidies. For example, in 1993, the SFMR removed 100,000 tons of maize to support domestic prices. The SFMR has similarly intervened in the sugar, potato, and pork markets. The state also regulates prices directly by setting fixed and minimal prices. A fixed price for milk is maintained, and minimum prices are set for cattle, pigs, cereals, and other commodities.

Since the division of the former CSFR in 1993, the Slovak Republic has increased its budgetary subsidies for agricultural products. In 1993, about 4 million koruna, or 51.5 percent of agricultural subsidies, were targeted to the restructuring of farming on marginal land, including the raising of sheep and goats and the monitoring of contaminants and afforestation. Thirty-one percent of agricultural subsidies were used for the modernization of plant production, technology, and machinery and the development of breeding programs. Subsidies were also allocated for the use of yield-intensifying inputs such as feed mixture components, seeds, planting stock, biological materials, plant protection products, and irrigation tools.

Tax reforms in January 1993 eased the tax burden on farmers. These reforms included a reduction of the annual tax rate on arable land, vineyards, and fruit orchards, a reduction of the value-added tax (VAT) on feed mixtures, freedom from taxes on roads and agricultural machinery, and a decrease in the income tax for farmers whose income from plant and animal production is more than 50 percent of their total income.

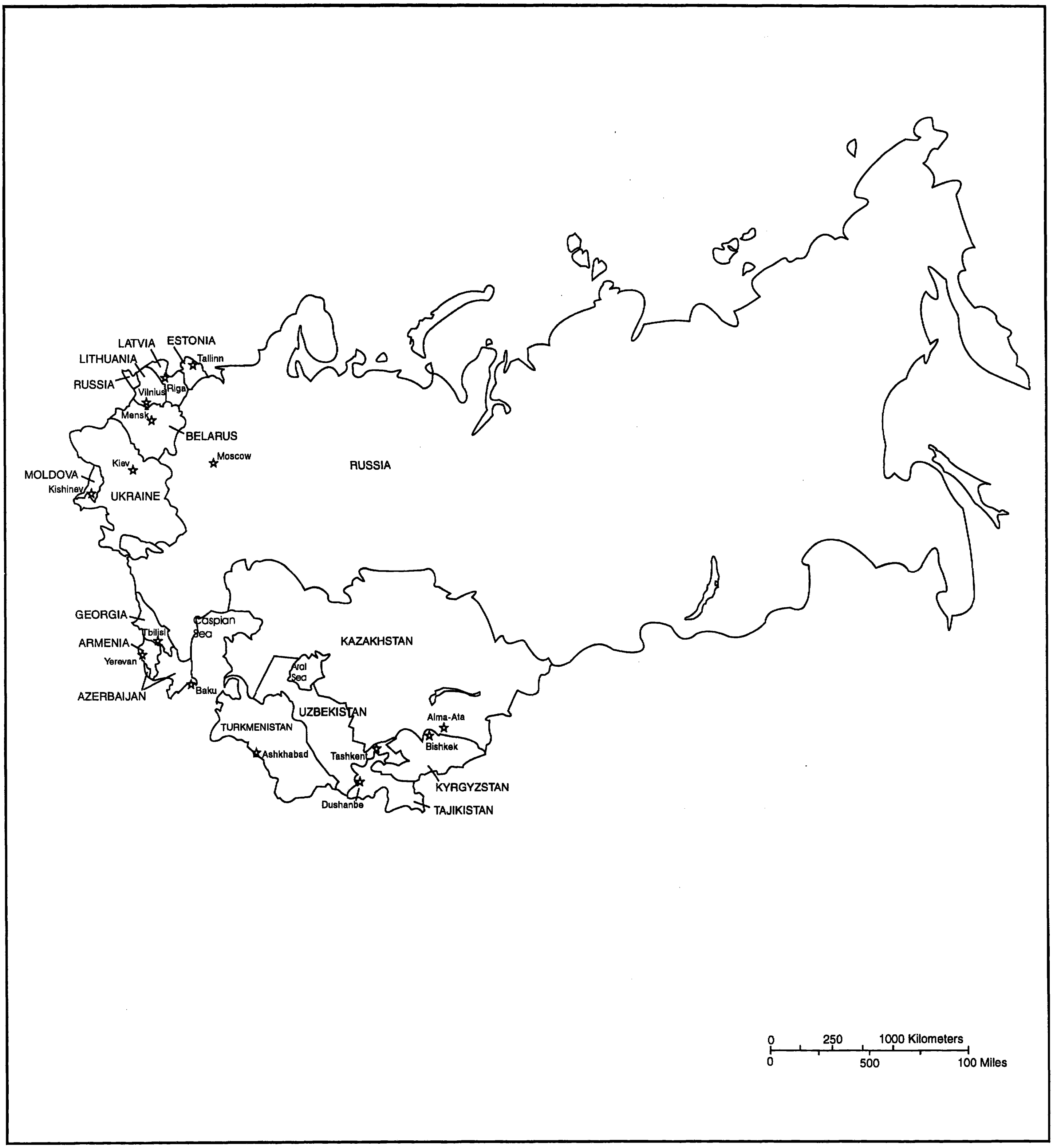
The Slovak Republic established the State Support Fund on January 1, 1994, to alleviate unfavorable credit and investment conditions in the agricultural sector. The State Support Fund provides credits for business investments in development projects, long-term loans for farmland purchases and technical and technological modernization, and low-interest credit for the purchase of seeds, planting stock, feed mixture, and regional development programs. The State Support Fund is financed by revenues received through the privatization of state farms, the liquidation of state enterprises, and loan installments.

References

Organization for Economic Cooperation and Development (1993). *Agricultural Policies, Markets and Trade in CEEC, the NIS and Mongolia: Monitoring and Outlook 1994.* Paris.

Organization for Economic Cooperation and Development (1994). *Agricultural Policy and Trade Developments in the Slovak Republic in 1993-1994.* Paris.

Former Soviet Union and the Baltic Countries



Former Soviet Union and the Baltic States

The republics of the former Soviet Union extend over 8.6 million square miles, span 11 time zones, and comprise one-sixth of the earth's land. During the 1980's, agriculture accounted for 20 percent of Net Material Product[2] and employed a similar percentage of the labor force, but since the breakup of the Soviet Union, agriculture's relative role has increased. The former Soviet Union's primary crops are grains, oilseeds, potatoes, sugar beets, and cotton.

During the 1970's, the Soviet Union sought to increase its meat consumption, a perceived symbol of a high standard of living, and heavily subsidized the livestock industry. Livestock inventories grew, and the Soviet Union became dependent on grain imports to feed its growing herds. Since the beginning of the transition in 1992, fiscal constraints have reduced agricultural subsidies, raising feed and meat prices, decreasing production and demand, and rendering the overextended herd sizes unsustainable. In the past 3 years, average herd size has shrunk by 20 to 30 percent, and the demand for grain imports has contracted.

Crop production has contracted in the last 4 years. The contraction in demand for fodder crops reduced cultivated areas. Inputs, such as fertilizers and equipment, have become more expensive relative to the price of crops and, hence, are used less. Average yields have not dropped as sharply, however, because marginal land has been removed from production and inputs are being used more efficiently.

[2]Net Material Product (NMP) is Gross Domestic Product minus depreciation and nonmaterial services. Because the goal of central planners was maximizing physical output, the monetary value of capital was weakly defined, and the service sector was largely nonexistent, NMP was the primary indicator of national income in the former Soviet economy.

Trade. In the Soviet era, the Soviet Bloc did not want to be dependent on the West and, hence, limited trade by following a policy of import substitution. The Council for Mutual Economic Assistance (also known as the CMEA or COMECON) regulated trade between the Soviet Union and Eastern Europe. Trade was determined by central planning wherein governments would exchange goods independent of world market value. A uniform currency, the transferrable ruble, was used to denominate transactions.

The dissolution of the Council for Mutual Economic Assistance in 1989 disrupted trade flows between the Soviet Union and Eastern Europe. When the Soviet Union collapsed, the levels of trade dropped further. The introduction of new currencies, although desired by the newly independent republics, added to transaction costs. Limited convertibility of many new currencies reduced trade to a barter system.

Trade Policy. After the collapse of the Soviet Union, the newly independent countries initially worked to minimize economic relations with former Soviet republics. As the transition progressed, however, the republics have sought to reestablish these traditional economic ties with other former Soviet republics and create new relationships with the West. Trading of "soft goods," products of poor quality which were unable to be sold on the world market, has declined significantly since the dissolution of the Soviet Union.

Reorganizing trade policy and trade relations has been imperative to minimize production losses. Republics have had varying success at achieving regional reintegration. Geographic location has been a major determining force in the direction of this reintegration. The Baltic Republics have

Table 3—Republics of the former Soviet Union and Baltic States

Country	Population	Area	Population density	GDP	GDP per capita	Agriculture's share of— GDP	Area	Employment[1]	Exports	Imports	Farm number and size: State and collective farms[2] (top row); Private farms only[3] (bottom row)		Utilized agricultural area
	Number	1,000 ha	Inhab/km²	Mil. dol.	Dol.	Percent					Number	Ha.	1,000 ha
Armenia	3,548,000	2,980	125.6	6,369	1,808	43.9	42.3	18.0	1.5	59.3	na	na	1,261
											313,000	1.3	
Azerbaijan	7,472,000	8,660	85.8	15,402	2,090	29.7	48.5	25.8	30.5	22.5	[5] 1,421	2,716.3	4,200
											1,000	22.5	
Belarus	10,164,000	20,760	49.9	58,900	5,715	22.3	45.1	20.0	10.6	21.6	[7] 2,507	1,249.1	9,354
											3,000	20.2	
Estonia	1,541,000	4,510	34.2	9,715	6,446	11.6	32.3	20.0	9.1	26.4	[10] 983	1,159	1,456
											13,513	23.0	
Georgia	5,450,000	6,970	77.3	8,976	1,662	22.7	43.0	21.4	6.7	68.1	[5] 1,453	1,976.0	3,000
											17,000	na	
Kazakhstan	17,026,000	271,730	6.2	54,400	3,208	17.6	81.5	25.0	4.1	12.0	[8] 2,168	74,485.0	221,362
											21,000	346.0	
Kyrgyzstan	4,667,000	19,850	22.3	8,787	1,969	39.4	51.0	26.3	6.3	48.3	[7] 465	20,404.1	10,120
											17,300	43.0	
Latvia	2,583,000	6,450	40.0	11,002	4,289	10.7	39.0	16.0	11.1	23.4	[7] 623	3,531.7	2,514
											7,518	21.2	
Lithuania	3,705,000	6,520	56.8	10,754	2,878	34.1	53.2	19.1	11.9	29.7	[4] 1,047	3,091.7	3,468
											5,904	16.0	
Moldova	4,420,000	3,370	129.2	12,545	2,885	34.5	77.6	32.4	14.2	38.5	[5] 845	2,461.7	2,614
											14,000	2.5	
Russia	147,370,000	1,707,540	8.7	726,700	4,900	17.2	12.3	13.8	6.5	25.9	[10] 8,373	22,715.0	202,200
											279,200	42.5	
Tajikistan	5,933,000	14,310	40.4	6,591	1,183	33.0	30.7	32.6	46.3	64.3	[6] 475	8,361.4	4,394
											151	131.0	
Turkmenistan	4,010,000	48,810	9.1	18,070	4,637	26.0	6.7	49.3	79.6	19.6	[4] 486	62,504.9	3,280
											[9] 300	9.3	
Ukraine	51,465,000	60,370	85.6	190,600	3,654	22.8	69.4	20.9	5.5	13.8	[8] 11,404	3,112.9	41,890
											32,000	21.9	
Uzbekistan	22,349,000	44,740	50.6	49,600	2,291	32.5	56.6	33.9	52.8	45.9	[7] 2,048	12,520.9	25,300
											14,200	13.6	

Calculated by the Economic Research Service, U.S. Department of Agriculture.
[1]Employment as a percent of the labor force is calculated from the percent of state and collective farmworkers of the total labor force for Azerbaijan (1988), Georgia (1988), Kyrgyzstan (1990), Lithuania (1987), Moldova (1990), Russia (1991), Tajikistan (1989), Turkmenistan (1989), and Uzbekistan (1990).
[2]Data for collective and state farms are from the latest available year. [3]Data for private farms are from January 1, 1995. [4]January 1, 1988. [5]January 1, 1989. [6]January 1, 1990. [7]January 1, 1991. [8]January 1, 1992. [9]January 1, 1994. [10]January 1, 1995.

Source: *The World Bank Statistical Handbook, 1994; Agrastat; Planecon; BISNIS,* U.S. Dept. of Commerce.

been successfully increasing trade relations with Europe; Central Asia, however, trades primarily with Russia and other members of the Commonwealth of Independent States; and other bilateral regional trade agreements, epitomized by the Baltic Free Trade Alliance and the Black Sea Cooperation Organization, have been successful at reestablishing some trade. Although levels of trade decreased until 1994, they have since been increasing.

Trade liberalization has lagged behind other reforms. Although export restrictions were liberalized greatly, import restrictions have increased. Political pressure from producers has convinced legislators that industries and the agricultural sector require protection from foreign competition. These restrictions, although detrimental to consumers, are deemed necessary while the economy develops. The need for restrictions indicates that both industry and agriculture are affected by hard budget constraints indicative of market economies.

Price Policies. Under the Soviet regime, all prices were set by central planners. Wholesale prices were determined by average producer prices of an industry, making some firms profitable while others ran losses. Production, rather than profit, was the primary focus. Moreover, prices did not possess any allocative significance. Massive subsidies were required to keep prices low; in some cases, retail prices were actually lower than output prices paid to producers. Because central planning, rather than the price, was used as the production mechanism, resources were inefficiently allocated and used.

A primary component of the transformation to a market economy is price liberalization, which allows prices, rather than central planning, to allocate resources. Ideally, if all prices are freed simultaneously, prices will adjust to their relative market levels with only a one-time shock to the economy. However, to protect consumers and prevent the abuse of monopoly power, price controls remain in the republics, with agricultural prices typically being the most controlled. Many republics have freed prices on the Federal level, but many regional and local price controls are yet to be abolished. Because of these lingering price controls, relative prices are unable to adjust to market levels.

Marketing Policy. Before the dissolution of the Soviet Union, state, collective, and private farms were required to sell a portion of their agricultural output to the Government at set prices. State procurement systems remain in most republics, especially for agricultural products, although they are gradually being reduced. Agricultural products are increasingly sold through commodity exchanges, on private and cooperative markets, and directly to producers.

Land Reform. During the Soviet period, the state owned almost all agricultural land. Large state and collective farms specialized in the production of bulk commodities, such as grain, sugarbeets, and oilseeds (and continue to do so). However, state and collective farmworkers were allowed to farm small private plots, which were used mainly to produce a disproportionately large share of the country's vegetables, fruits, and livestock goods. With the development of private farms and subsidiary plots, private holdings of livestock have been growing, although total livestock inventories have been falling.

Land reform has proceeded slowly in the former Soviet Union. As countries are uncertain how to proceed with land reform, most attempts have been piecemeal and, hence, unsuccessful at creating operating land markets. Adequate laws concerning bankruptcy, private property rights, and the transfer of land are necessary for the development of land markets. Although the prerequisites have been established in several of the republics, only the Baltic Republics have effectively initiated the agricultural privatization process. Moreover, the slow pace of privatization and demonopolization of farms' upstream and downstream links inhibit agricultural reforms.

Banking Reform and the Capital Allocation Mechanism. Before the collapse of the Soviet Union, banks' primary roles were accounting and control. There was no separation between central, regional, and commercial banks. Securities markets and bankruptcy procedures did not exist.

Demonopolization of the banking system began with the separation of commercial and central banking functions. By making branches independent of the Central Bank, the newly independent states quickly created commercial banks. Central Banks still remain under a degree of Government control, typically under the Ministry of Finance's jurisdiction. Securities markets have been introduced, although their role in capital allocation has been very limited. The lack of adequate bankruptcy procedures that grant creditors leverage over debtors has created incentives not to pay debts. As bankruptcy reform progresses and banks are granted the rights to take over assets, capital will be allocated to its most efficient use.

Currency Convertibility and Exchange Rate Policy. Since the collapse of the Soviet Union, the republics, with the exception of Russia, introduced new currencies. The new currencies help support each republic in implementing its own macroeconomic stabilization program. Intermediate currencies, such as the Latvian parallel ruble, were introduced in several republics during the transition period to be later supplanted by permanent and more stable currencies. Some countries, unable to balance the supply and demand of their currency, limit foreign exchange transactions by requiring Government approval for all transactions.

Typically, the republics either fixed their exchange rates to foreign currencies or maintained a "dirty float," where supply and demand establishes the exchange rate, but the Government retains the right to interfere on the currency market. The lack of adequate hard currency reserves has limited the effectiveness of a fixed exchange rate, while the dirty float has been less successful at controlling inflation.

Armenia

Armenia is a land-locked country in the southern part of the Caucasus bordered by Georgia, Azerbaijan, Turkey, and Iran. It is a mountainous country with slightly over half of its arable land irrigated. About 80 percent of crop production depends on irrigation—hence it is highly energy dependent. Since the breakup of the Soviet Union, agricultural employment has increased from one-fifth to one-third of the labor force. Vegetables, fruits, and potatoes are the most commonly produced crops, with grain being produced in the highlands and cattle and sheep raised in the mountains. Since independence, the relative importance of agriculture to Armenia's economy has increased as other industries collapsed.

Since 1989, Armenian output of potatoes, fruits, and vegetables has shown a pattern of growth, albeit uneven. Offsetting this trend have been sharp declines in the livestock sector. Meat production is less than half of pre-reform levels. Dairy output and egg production have also declined but less severely than the drop in meat output, mainly because the livestock sector was subject to the most Government control and the greatest price distortions during the Soviet era. Also, negative real interest rates depleted financial intermediaries, making credit unobtainable for producers. Despite these factors, total agricultural production fell by only about 15 percent from 1988 to 1993, as changing relative prices and an aggressive land reform program prompted an adjustment of crop production away from grains and livestock and into fruits and vegetables, which are more labor and management intensive but require less capital input. Despite these changes and lower post-reform consumption, Armenia remains a net importer of food.

At the end of the Soviet period in 1991, Armenia was left with an industrial complex that was highly dependent on imports of energy and agricultural inputs. Armenia is also a net importer of grain, livestock products, sugar, and vegetable oils. In 1992 and 1993, Armenian food imports were largely in the form of aid from the United States and the European Union. The country's main agricultural exports include alcoholic beverages, potatoes, fruits, vegetables, and preserves.

Trade Policies. Armenia has practically no quantitative restrictions on imports, except for a few restrictions for health or security reasons. The Armenian Government is committed to free trade, but real progress on increasing foreign trade has been limited by a lack of convertible currency, the war with Azerbaijan, and payment problems with other FSU countries. The country's tariff schedule for both imports and exports has been reformed to low rates. Most trade is conducted through barter or bilateral arrangements; and centralized state procurement is used to meet export targets in bilateral trade arrangements with other FSU countries.

Most explicit producer and consumer subsidies have been eliminated. While the level of state involvement in foreign trade has diminished, licensing requirements remain for some agricultural and food exports, such as brandy. The system of quotas and licenses remains mainly as a mechanism to ensure availabilities to meet commitments under bilateral trade arrangements. Domestic prices are lower than world prices for many agricultural products, thus distorting incentives for producers. Finally, the ongoing conflict with Azerbaijan over Nagorno-Karabakh has probably limited trade more than Government policy has.

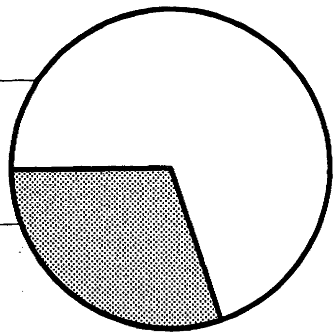
Price Policies. While most prices in Armenia were liberalized in 1992, prices on bread were freed only in mid-1995, mainly in accordance with the International Monetary Fund and the World Bank demands to reduce its budget deficit. At that time, Armenia also discontinued bread rationing, which was introduced in November 1992. Profit margins on some food products, including milk, yogurt, baby food, and salt, remain controlled. Although these prices are

ARMENIA

Official name The Republic of Armenia
Type of government Republic
Memberships BSEC, CIS, CSCE, EBRD, IMF, GATT (observer status), IBRD, NACC, UN, UNCTAD, UNESCO, UNIDO, WHO, World Bank

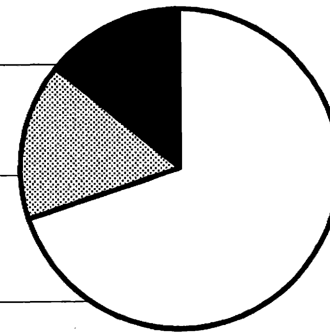
Population *1994*

3,548,000 persons

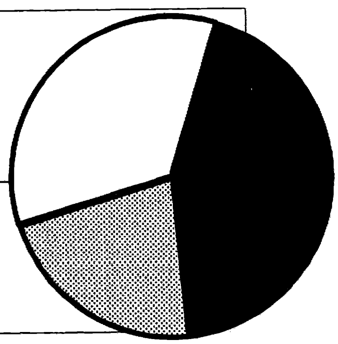


Land *1993*

2.98 mil. hectares (287,000 ha irrigated)

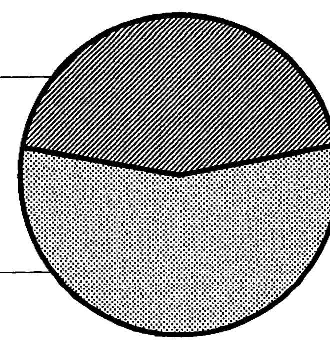


Gross Domestic Product *1993*



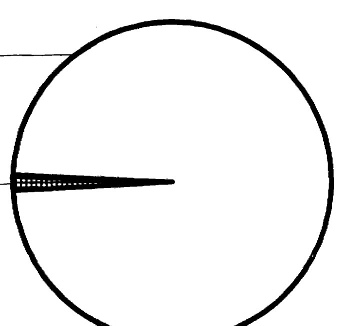
Agriculture *1993*

Major agricultural products: Fruits, Vegetables, and Potatoes



Exports *1993*

$34 million
Major agricultural exports: Fruits and Vegetables

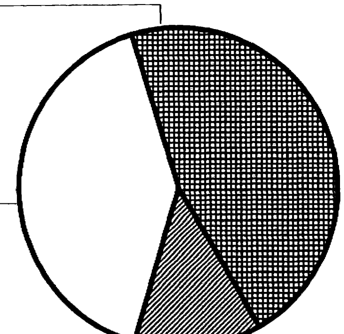


Note: Not including intra-FSU trade.

Imports *1993*

$151 million

Food aid: 190,845 tons (cereals in grain equivalent)



administered, adjustments have been frequent in light of inflation to minimize declines in real terms.

Marketing Policies. The system of state procurement, while being phased out, continues to exist. The state still controls most processing plants, and many agricultural products still go through state purchasing agents. Grains and livestock are still sold to Government agencies. But, much of the potato, fruit, and vegetable output is sold in private markets, and these sectors are expanding.

Land Reform. In January 1991, Armenia introduced land reform. The reform permitted village residents to purchase land and included the right to own a land deed, pass the title to heirs, sell the land after 3 years, hire labor, and conclude legal contracts in the name of the farm. The land reform is essentially complete. As of January 1995, over 300,000 private farms have been created, occupying nearly 400,000 hectares (excluding pasture land), about 60 percent of arable land. Under the law, farmers may pool their land to form cooperative farms. The average cooperative farm consists of 30 hectares, with slightly over 2 hectares per member family.

Following land privatization, tax policy has differed depending on enterprise organization. Private farmers are subject to a rate grid similar to that of individual taxpayers. A 32-percent rate is applied to the share of income attributed to land productivity. Collective farms pay a fixed share of profits. The Government can offer tax relief in adverse circumstances, such as the 1988 earthquake. The Parliament is also considering a land tax, which would be fixed based on land productivity and would replace the current agricultural tax. The current tax, at least for private farmers, is similar to a land tax. Assuming they are efficiently administered, such taxes offer a mild incentive to reallocate land to its most valued and efficient use.

Policy Evaluation. Armenia, because of its developed industrial infrastructure, was highly susceptible to the demise of the Soviet Union. Probably the most successful policy reform to date has been land reform, which has progressed further in Armenia than in any FSU country, including the Baltic nations. This reform has helped to redirect resources toward crops in which Armenia has a comparative advantage, such as vegetables and fruits, and their products, such as wine and preserves. The reforms have also reduced output in others sectors, namely, grain and livestock. Substitution of labor and less technical means for imported (or unavailable) fertilizers, agricultural chemicals, and energy has increased agricultural employment, limiting the agricultural production downturn.

References

Foreign Broadcast Information Service (1994). *Central Eurasia Economic Review.* November.

PlanEcon (1992). *Review and Outlook: Analysis and Forecasts to 1996 of Economic Developments in the Former Soviet Republics.* Washington, DC.

Shend, Jaclyn (1993). *Agricultural Statistics of the Former USSR Republics and the Baltic States.* U.S. Department of Agriculture, Economic Research Service. SB-863.

Wunderlich, Gene (1993). *Privatization of Agricultural Land Ownership in Armenia.* U.S. Department of Agriculture, Economic Research Service.

Azerbaijan

Azerbaijan is a nation in the eastern Caucasus bordered by Russia and Georgia to the north, Armenia to the west, Turkey and Iran to the south, and the Caspian sea on the east. The country has a developed industrial base and traditionally strong trade ties to FSU countries.

The major cash crops, cotton, grapes, and tobacco, are produced and marketed mainly by state enterprises. Fruits and vegetables are produced mostly on private plots and sold at private markets.

Trade Policies. A number of changes were made in 1993 in Azerbaijan's trade and payments scheme. New tariff schedules were introduced in July 1993, but have not become fully effective. Tariffs are assessed on both imports and exports, with the rates ranging between 10 and 20 percent. All exports continue to require licenses, although these are routinely granted for nonstrategic goods—cotton is the only agricultural item considered "strategic." For cotton exports, licenses are granted to the limit of the annual quota. Barter trade has been outlawed since 1992. In 1993, bilateral trade agreements were concluded with most FSU countries and Iran.

Price Policies. Azerbaijan launched a price liberalization program in January 1992. However, prices of many consumer items remain controlled, including such basic food items as bread, milk, baby food, sugar, butter, and vegetable oil. In 1993, energy prices also remained under state control. Even state-controlled prices are periodically raised to account for inflation.

Consumer prices have generally risen less sharply than producer prices since more consumer products have state-controlled prices or receive state subsidies. In addition to the agricultural products just mentioned, the state also continues to subsidize fuels, medicines, irrigation water, housing rents, and transportation and communication services.

Despite nominal price increases, the state continues to regulate prices. Most enterprises are considered to be monopolies and therefore must submit proposed price increases to the newly formed Anti-Monopoly Committee. The state procurement agencies strongly influence prices paid to producers.

Marketing Policies. The state plays a major role in marketing by procuring all grain, tobacco, cotton, tea, and silk, and most grape production. The state's role is less significant in the marketing of meat, milk, and eggs.

The prices for many commodities—cotton, grapes, tobacco, tea, cereals, and silk—are still negotiated between producers and state procurement agencies. Some 90 items are subject to state procurement, a large drop from over 2,500 price-controlled items during the Soviet period. Cotton, a major export item, is still 100 percent subject to state procurement. For products that producers take directly to market, such as fruits and vegetables, prices are freely determined.

Land Reform. Privatization in Azerbaijan has been hindered by a lack of adequate laws governing property rights, contracts, civil litigation, and bankruptcy. In agriculture, privatization of state farms has not yet begun. An important issue impeding privatization is the large size of state farms and their use of shared resources (notably irrigation equipment). Timing of a major land reform law is uncertain because of conflicting views on whether to transfer ownership immediately or grant long-term leases.

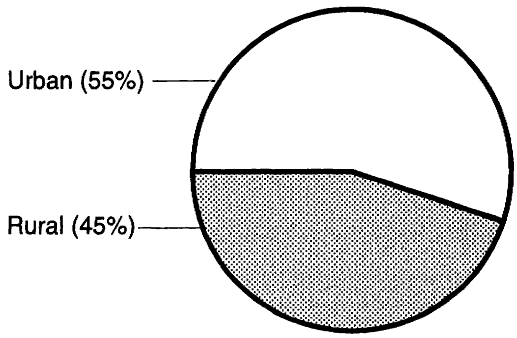
Private farming is governed by the 1992 Law on Peasant Economic Units. As of January 1995, there were about 1,000 private farms in Azerbaijan, occupying 22,500 hectares, less than 1 percent of total agricultural land.

Azerbaijan

Official name	Azerbaijani Republic
Type of government	Republic
Memberships	EBRD, GATT (observer status), IMF, World Bank

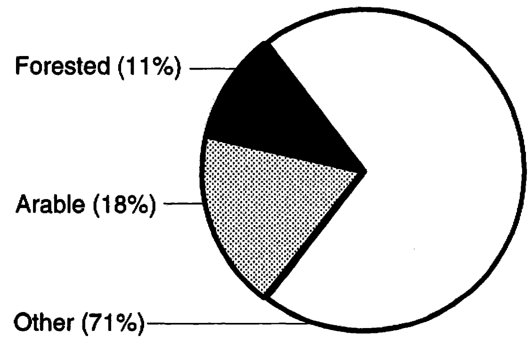
Population *1994*

7,472,000 persons

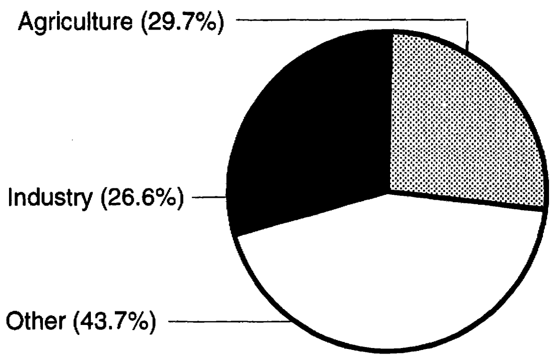


Land *1993*

8,660,000 hectares (1,000,000 ha irrigated)

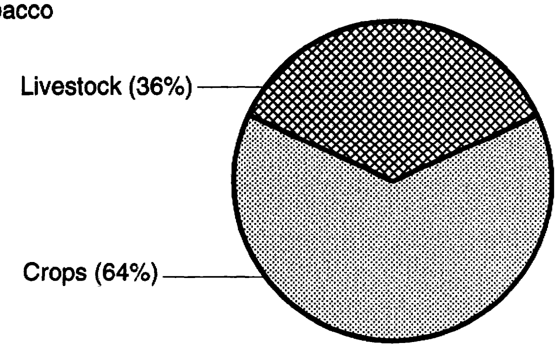


Gross Domestic Product *1993*



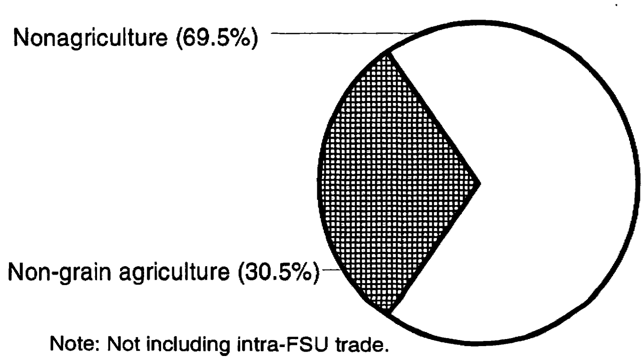
Agriculture *1991*

Major agricultural products: Cotton, Grapes, and Tobacco



Exports *1993*

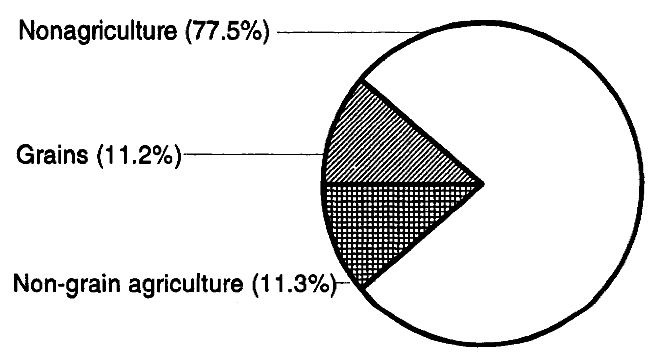
$56 million
Major agricultural export: Cotton



Note: Not including intra-FSU trade.

Imports *1993*

$134 million



Food Aid: 27,914 tons (cereals in grain equivalent)

Policy Evaluation. Azerbaijan's agriculture was developed primarily to be a provider of raw materials for the Soviet economy with only limited domestic processing of agricultural goods. Since independence, slow progress on deregulation and privatization has delayed restructuring of agricultural production, marketing, and trade. Agricultural production in the state sector has declined because of lack of finances and prices that have made other, non-agricultural enterprises more remunerative. While small farms and businesses have been privatized, the large state sector accounts for most of the production. However, the private sector makes up a disproportionately large share of total output relative to its size and resource use. One impediment to reform is that industry in Azerbaijan, including food processing, is characterized by large monopolies that lead to excessive price distortions.

References

World Bank (1993). *Azerbaijan: Country Economic Memorandum.* Washington, DC.

Shend, Jaclyn (1993). *Agricultural Statistics of the Former USSR Republics and the Baltic States.* U.S. Department of Agriculture, Economic Research Service. SB-863.

Belarus

Belarus, with few natural resources, possesses a highly skilled industrial labor force. About 20 percent of all workers are involved in agriculture. Belarussian agriculture specializes in livestock production, which accounted for about 60 percent of total agricultural output in the early 1990's. Most of the country's grain production is used as animal feed. However, the share of the livestock sector in total agricultural output has been declining, as farms shift to more profitable crops. The country's main grains are spring barley and winter rye. Of the FSU countries, Belarus is second only to Russia in rye output. Other important crops are sugar beets, barley, oats, potatoes, and flax.

Since 1990, agricultural output has declined substantially. Economic instability, drought, and dangerous levels of radioactive contamination from the 1986 Chernobyl disaster have all hurt production. Yet, agricultural output has fallen at a lower rate than in most FSU countries.

Before the Soviet Union's breakup, Belarus depended highly on inter-republic flows of goods. About 90 percent of its total trade, and 85 percent of its agricultural trade, was with other FSU republics. Belarus' main agricultural exports are meat products, potatoes, and vegetables. The country is also a major exporter of agricultural inputs, mainly machinery (tractors) and fertilizer. Its primary agricultural imports are grain, sugar, coffee, wool, and processed foods.

Trade Policies. The dissolution of the Soviet Union has seriously disrupted trade with the former USSR countries. The Government has made some changes to promote, and reduce obstacles to, foreign trade. An April 1992 Law on Foreign Trading ended the state's trade monopoly by allowing any legal resident to obtain a foreign trade license.

Until recently, exports had been tightly regulated. In 1992, the Government established export licenses and quotas for vital products, such as energy and raw materials. Taxes were also imposed on exports to non-FSU nations. In October 1993, controls on exports to Russia, Belarus' main trading partner, were lifted. In March 1994, the list of goods subject to export licenses was reduced to 16 items. The Trade Ministry has announced that it intends to phase out all remaining export licenses and quotas.

Imports have been less restricted than exports. During 1993, imports from other FSU countries were exempt from import taxes, though tariffs were imposed on extra-FSU imports in October 1993.

Price Policies. Agricultural prices in Belarus have been subject to a mix of interventions, subsidies, and controls. Following Russia's lead on price liberalization, Belarus, in January 1992, freed prices for 80 percent of goods and services, as well as raised prices for staples, such as bread and milk. Price liberalization did not result in a one-time jump in prices, but rather led to general inflation. In 1992, retail prices rose over 1,000 percent; in 1993 they rose 1,510 percent. To relieve pressure from international financial institutions and to prevent consumers in neighboring republics from raiding Belarussian stores, the Government liberalized prices for most livestock products. As of April 1994, prices for meat and for more expensive, higher quality bread had been liberalized, while prices for certain dairy products and less expensive bread remained controlled.

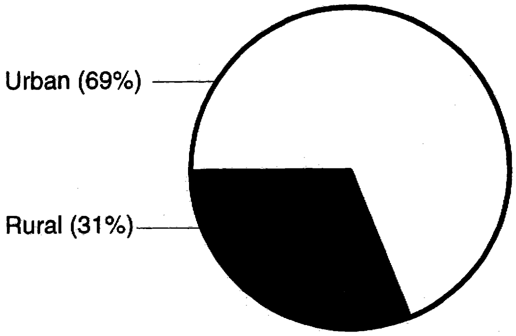
Rising input prices, among other reasons, have led the Government to continue heavy subsidization of agricultural production. A decree issued by the Council of Ministers in February 1993 granted farms subsidies of up to 50 percent of the cost of fertilizers and chemicals, and up to 30 percent of the cost of fuel, seeds, and breeding animals. In addition, a 50-percent bonus was paid on product deliveries to the state above 1991/92 delivery levels. Producers have

Belarus

Official name Republic of Belarus
Type of government Republic
Memberships CBSS (observer status), CIS, CSCE, ECE, IBRD, IMF, NACC, PCA, UN, UNCTAD, UNESCO, UNIDO, WHO, World Bank, WPO, WMO

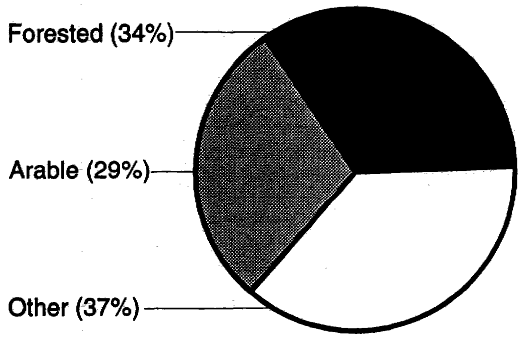
Population *1994*

10,163,000 persons

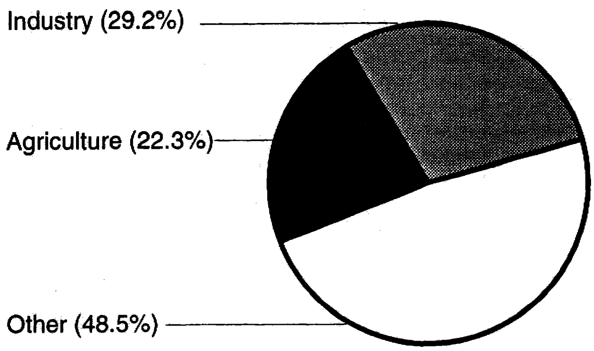


Land *1993*

20.76 mil. hectares (100,000 ha irrigated)

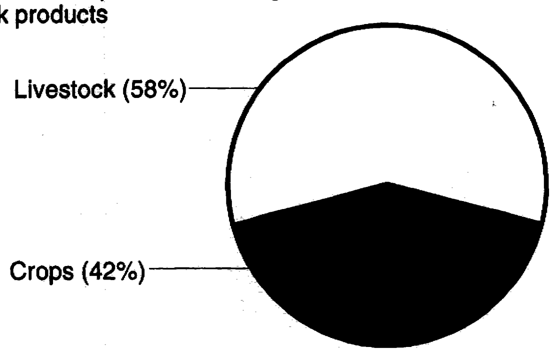


Gross Domestic Product *1993*



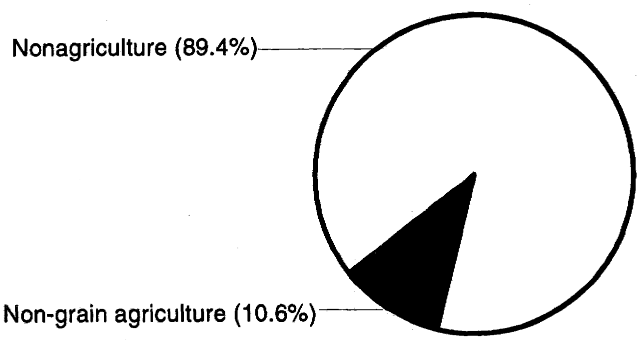
Agriculture *1993*

Major agricultural products: Feed grains and Livestock products



Exports *1993*

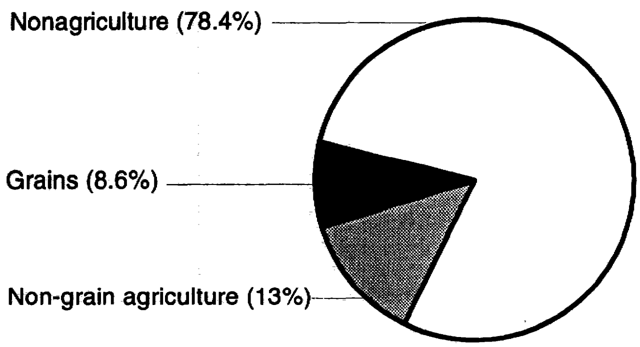
$483 million
Major agricultural exports: Meat products, Potatoes, and Vegetables



Note: Not including intra-FSU trade.

Imports *1993*

$824 million



Food aid: 128,162 tons (cereals in grain equivalent)

also been indirectly subsidized through low energy and transportation rates.

Marketing Policies. The Belarussian Government has expressed a commitment to developing free markets and has made some market-oriented institutional changes, such as legalizing certain private market activity. Nonetheless, the state retains control over key aspects of agricultural production and distribution. State procurement of grain and sugar beets continues, at levels similar to those of the Soviet period. For example, state purchases of sugar beets increased from 80 percent of output in 1992 to 85 percent in 1993. In 1992 and 1993, the state purchased roughly 25 percent of grain output. However, state procurement of some products, such as potatoes and vegetables, has dropped, reflecting growth of private sector distribution.

Land Reform. Collective and state farms continue to produce most of the country's agricultural output. Despite efforts to introduce meaningful legislation concerning land use and privatization, land reform in Belarus, like other reforms, has been slow. Following legislation passed by the USSR Supreme Soviet in 1989 and 1990 that allowed individuals and families to hold long-term leases on land, the Belarussian Government passed its own legislation concerning land tenure and taxes. Although these laws acknowledged the principle of landownership, they did not fully address the issue of privatization. Major legislation in early 1993, headed by the Land Law, was intended to promote private, market-oriented agriculture. As of January 1995, only about 3,000 private farms had been established, occupying just over 60,000 hectares, less than 1 percent of agricultural land. Moreover, the law remains vague; it fails, for example, to specify conditions for the leasing and sale of land.

Policy Evaluation. Given its high degree of economic integration with Russia, Belarus has been reluctant to distance itself from Moscow economically and politically. The Government continues to debate the passage of reform legislation aimed at stimulating private market activity and reducing economic dependence on Russia. Agriculture will continue to be a high-priority sector. To date, though, strong and unambiguous reform legislation has not appeared. The privatization laws passed have failed to create a well-functioning land market. In structure and incentives, the former state and collective farms remain unreformed. Numerous trade restrictions continue, such as licenses and tariffs. Farms also remain financially strapped and indebted, as credits have been reduced while input prices keep rising.

References

Organization for Economic Cooperation and Development (1994). *Agricultural Policy and Trade Developments in Belarus in 1993-1994.*

Estonia

The agriculture and food processing sectors have played an important role in the Estonian economy. The livestock and dairy sectors, traditionally well developed, were further expanded during the 1980's as part of the Soviet Government's policy to increase per capita meat consumption. Crop production, although less significant than the livestock sector, is also a major component of Estonian agriculture. The main crops Estonia produces are grains (winter wheat, spring barley, rye, and oats), potatoes, and vegetables.

Since the breakup of the Soviet Union and the commencement of Estonia's transition to a market economy, agriculture's share of the economy has declined. Livestock and dairy production remain the primary specialization of Estonian agriculture, although livestock's share of total primary agricultural output (in value terms) dropped significantly in recent years, due to relatively higher grain prices (due to price supports) and sharp reductions in livestock output.

The trade structure of Estonia in the post-Soviet era has been significantly altered, as the Government has attempted to sever ties with the East and to push for economic integration with the West. Consequently, Germany, Sweden, and, especially, Finland have become important trading partners, although Estonia has been unable to ignore the large and historically important Russian market. Livestock and dairy products account for the bulk of agricultural exports, while imports consist mainly of grains, sugar, tropical products, and vegetable oil.

Trade Policies. Estonia has developed a relatively liberal trade regime, by eliminating nearly all import duties and ending the state's monopoly on trade operations. Reportedly, less than 1 percent of central Government revenues come from trade taxes. Estonia has made the most progress of the Baltic countries in reorienting trade away from the FSU to Western partners, particularly Scandinavia. One benefit of this trade shift is that, unlike most of the other FSU countries, Estonian trade is less characterized by barter and clearing transactions that are distortionary and less efficient.

In agriculture, Estonia has made significant progress in reducing or eliminating the state's previous dominant role in controlling trade. Estonia has moved swiftly to establish regional free trade agreements (FTA's), to facilitate its application to join the GATT and its successor, the World Trade Organization, and has maintained relatively liberal trade and price policies despite pressure from agricultural interests for increased support and protection. Beginning January 1, 1995, Estonia implemented an FTA with the European Union (EU), removing trade barriers to industrial products and providing increased access to EU markets for Estonian agricultural exports.

Price Policies. Most price policy decisions are driven by the Estonian Government's adherence to a strict economic reform program that has allowed Estonia to make the transition from a centrally planned toward a free market economy more rapidly than most other FSU countries.

In 1990, Estonia became the first of the Baltic states to liberalize prices, and by the end of 1992, most retail prices had been decontrolled. In addition, tight fiscal and monetary policies, as well as the introduction of an independent currency, the kroon, led to relatively low inflation and positive economic growth in 1994.

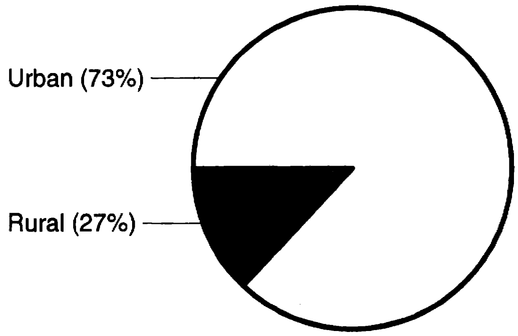
Producer prices in Estonia also increased significantly during 1990-92, but generally lagged behind more rapidly increasing input prices. Although support programs such as state grants, fixed or guaranteed prices, and trade protectionism have been proposed, the Estonian Government thus far has generally been able to resist their implementation. Under the present system, producer prices are generally set through negotiations between regional producers and

Estonia

Official name Republic of Estonia
Type of government Republic
Memberships CBSS, CSCE, EBRD, ECE, FAO, GATT (observer status), IBRD, IMF, INACC, UN, UNCTAD, UNESCO, World Bank

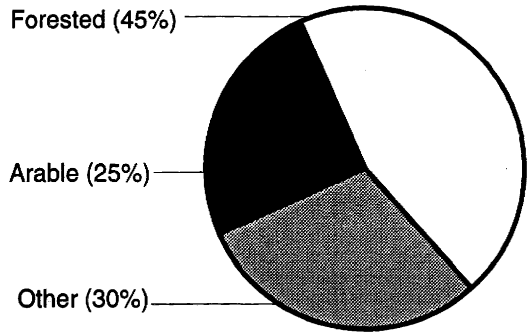
Population *1994*

1,541,000 persons

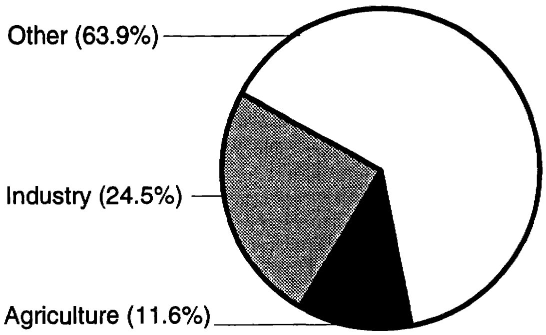


Land *1993*

4,510,000 hectares

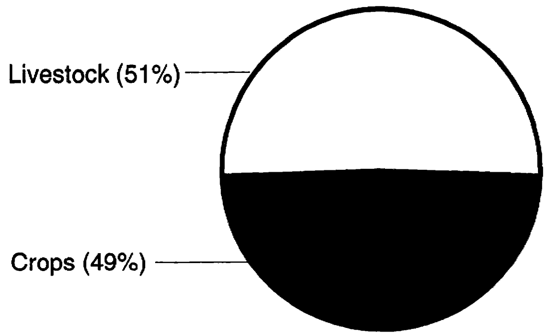


Gross Domestic Product *1993*



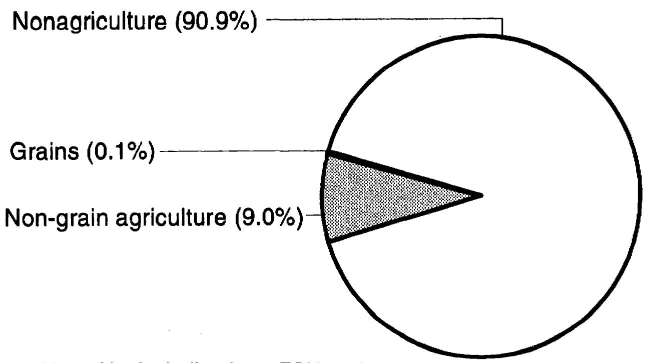
Agriculture *1992*

Major agricultural products: Livestock and Dairy products



Exports *1993*

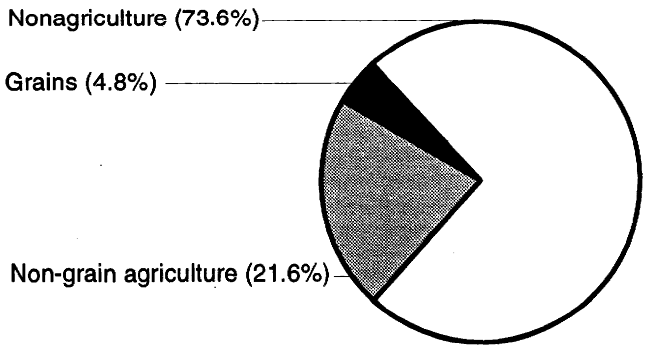
$521 million
Major agricultural exports: Livestock and Dairy products



Note: Not including intra-FSU trade.

Imports *1993*

$796 million



processors, with minimal, if any, intervention by the state.

Land Reform. Estonia and the other Baltic countries were among the first to expand the legal basis of the newly emerging private sector. Beginning in 1989, land privatization laws were introduced in all three Baltic countries to circumvent ownership constraints under Soviet law, and to provide the basis for developing private farming operations. However, a true land market could not be created by this law as Soviet law permitted only usufruct land rights, meaning that land could be inherited, but not sold or traded.

The second step in the process of decollectivization was land restitution, such that previous owners and their descendants were awarded first priority in receiving land. This component, intended to address certain political issues and to stimulate private ownership, actually led to bureaucratic delays and a lack of confidence in landownership rights, given competing claims and unclear procedures for awarding ownership. Difficulties in setting land values in the absence of a functioning land market, along with concerns over substantial budgetary outlays, have further complicated land restitution in Estonia.

The third element of Estonian land privatization is the reorganization or liquidation of state and collective farms. Decollectivization of these farms generally occurred through the issuance of privatization vouchers or auctions, with current workers given ownership shares in relation to the number of years worked on the farm. Despite the restructuring of these farms, there has been little improvement in overall productivity and economic management. In part, this stems from the continued uncertainty of land rights under the process of restitution.

An issue facing all the Baltic countries in the creation of private farms is farm size. As of January 1995, over 13,500 private farms had been formed, with an average size of 23 hectares, which is comparable to the average farm size before Estonia was incorporated into the Soviet Union. Nonetheless, the creation of such small landholdings is not entirely favorable, as certain economies of scale developed in the state and collective farm system are lost with the creation of small family farms. Moreover, machinery and other inputs designed for larger farms are often less effective on these smaller plots. Structural policies to encourage larger farms are being examined.

Policy Evaluation. The move toward a market economy has had a profound effect on the Estonian agricultural sector. The most significant shift in policy has been the dismantling of the significant system of consumer and producer subsidies that supported relatively high-cost agricultural production and artificially high consumption levels, much higher than in countries with similar per capita incomes. The elimination of consumer subsidies led to substantially lower consumer demand for livestock and dairy products. As demand fell, farmers were also faced with a price-cost squeeze that made livestock and dairy production highly unprofitable, and resulted in a reduction of livestock herds. The loss of previously subsidized producer inputs, such as feed grains, from the former Soviet Government and reduced import demand for livestock products in the other FSU countries also negatively affected Estonia's livestock sector.

While positive economic growth is expected in 1994, agricultural output will likely continue to fall, albeit at a slower pace. The livestock and dairy sector will probably not expand much beyond current output levels, unless significant productivity gains are achieved. The Estonian Government has thus far limited its support for agriculture. However, in September 1994, the Parliament passed a no-confidence vote for the prime minister. While no major shifts in policy are expected in the near term under the new Government, domestic interests could put pressure on the Government to increase border protection, social spending, and support programs.

References

Avidor, Abraham, and Roger Mireles (1994). *Agricultural Trade Policy and Trade for Central and East Europe*. U.S. Department of Agriculture, Foreign Agricultural Service.

Embassy of Estonia (1994). *Doing Business in Estonia*. Washington, DC.

International Monetary Fund (1994). *Trade Policy Reform in the Countries of the Former Soviet Union*. Washington, DC.

Sheffield, Sharon (1994). "Agriculture in the Baltic States," *1994 State of Food and Agriculture*. United Nations Food and Agriculture Organization. Rome.

Georgia

Georgia is one of the three Caucasus countries of the former Soviet Union. The country is bounded on the north by Russia, by Azerbaijan and Armenia on the east and southeast, and by Turkey on the southwest. It is the only Caucasian country on the Black Sea coast. The coast, along with the barrier formed by the Greater Caucasus Mountains on the north, gives the country a mild climate. Climatic conditions are reflected in the type of agricultural products grown.

Georgia's main crops are fruits and berries, tea, tobacco, and corn. Traditionally, Georgia had exported large amounts of fruits, vegetables, wines, and tea to other areas of the Soviet Union. In return, Georgia imported meat, dairy products, and grain.

Trade Policies. Bilateral barter is the dominant form of trade with other FSU countries. In late 1994, the Georgian Government removed its 8-percent export tariff, but imposed a 12-percent import duty on all items. However, in mid-1995, the 12-percent import tariff on grain and flour was eliminated to stimulate commercial imports. Barter deals in Georgia are subject to a 20-percent import tariff. Tariffs can be paid either in local or hard currencies at the official exchange rate. There are no quotas on exports, but licenses are required for food items and raw materials.

Price and Marketing Policies. Price controls have been lifted on most goods; prices remaining under controls have been revised upward a number of times in response to inflation. All wholesale agricultural prices have been liberalized, but consumer prices for bread and milk remain controlled. The price for milk is set by determining the cost of production, then prices are set by limiting the profit margins. For bread, prices are maintained below costs of production, resulting in heavy subsidies to consumers. Both milk and bread are rationed at state stores, but there is no limit to purchases of these items at market prices. Energy is also subsidized.

A revised state procurement system was implemented in 1993 to procure items for barter. Agricultural products are subject to the state procurement system. The state procurement system is used to import wheat, livestock and livestock products, and energy resources in return for Georgian wine, tea, and fruits

Privatization and Land Reform. Privatization in agriculture is proceeding at a slower pace than in the industrial sector. As of early 1994, over 3,000 small-scale enterprises had been privatized, but only 36 of these were agricultural or food enterprises. Auctions and competitive bidding are the main methods of privatizing small-scale enterprises. Larger enterprises are converted to joint-stock companies whose shares are sold or distributed.

Laws have already been adopted pertaining to bankruptcy, monopolies, private property rights, and foreign investment, thus providing the necessary legal framework for privatization. However, inadequate enforcement and administration render them largely ineffective. Foreign investment is absent in privatization efforts to date because of the uncertainty surrounding internal civil conflicts and the inadequacy of the legal and managerial infrastructure in Georgia. There are no legal limits to foreign investment, however, and the Government is actively seeking it.

Privatization of agricultural land presently involves only the right of tenure, not disposition. The lack of disposition rights is a disincentive to proper land management and investment in land improvement.

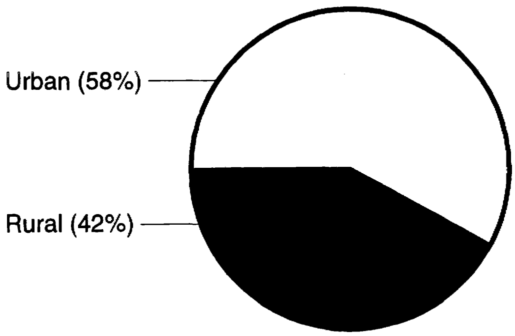
Policy Evaluation. Privatization has proceeded slowly in Georgia, and although prices for many commodities have been liberalized, staple food items remain regulated. Upward adjustments are frequent to account for inflation, but consumer goods are still substantially subsidized.

Georgia

Official name Republic of Georgia
Type of government Republic
Memberships BSEC, CSCE, CIS, EBRD, IBRD, IMF, NACC, UN, UNCTAD, UNESCO, WHO, World Bank, WTO

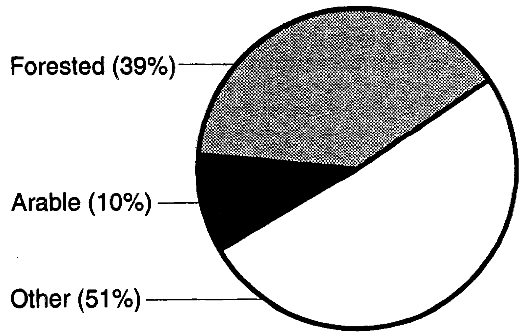
Population *1994*

5,450,000 persons

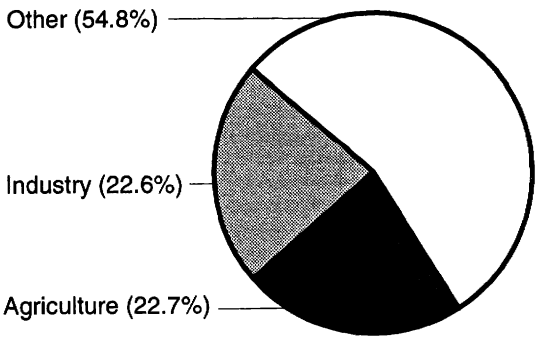


Land *1993*

6.97 mil. hectares (400,000 ha irrigated)

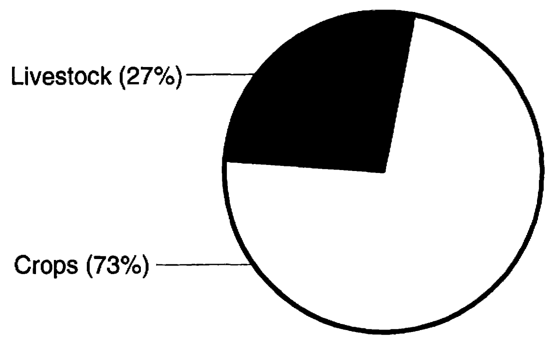


Gross Domestic Product *1993*



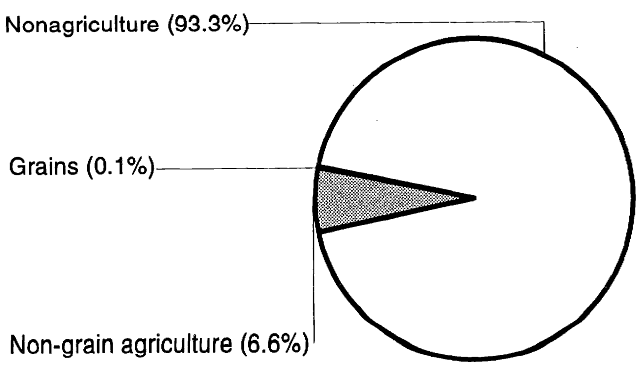
Agriculture *1993*

Major agricultural product: Grapes



Exports *1993*

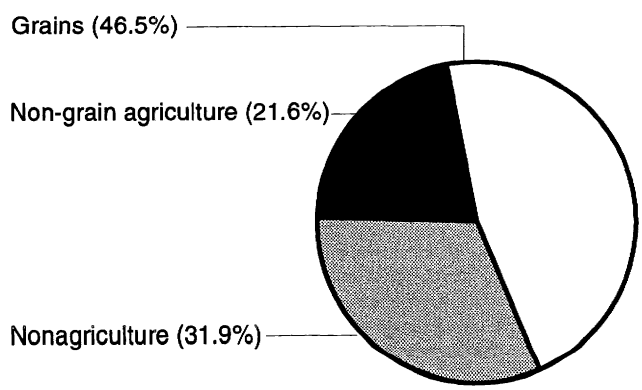
$82 million
Major agricultural exports: Fruits and vegetables



Note: Not including intra-FSU trade.

Imports *1993*

$159 million



Food aid: 342,206 tons (cereals in grain equivalent)

New laws are in place providing a legal framework for privatization of enterprises, but implementation is irregular at best. Although much land has been privatized, property cannot be sold. This inhibits reallocating resources to their most efficient and best use and makes financing nearly impossible.

Import tariffs have been removed, but export tariffs remain. This policy helps make products, especially energy, available internally at less than world prices to fulfill obligations under bilateral trade agreements. This remains a major source of price distortion in the economy.

References

PlanEcon (1992). *Review and Outlook: Analysis and Forecasts to 1996 of Economic Developments in the Former Soviet Republics.* Washington, DC.

Shend, Jaclyn (1993). *Agricultural Statistics of the Former USSR Republics and the Baltic States.* U.S. Department of Agriculture, Economic Research Service. SB-863.

Kazakhstan

Kazakhstan's large agricultural sector is dominated by its focus on livestock. Most Kazakh farmland is pasture for sheep, goats, cattle, and horses. As in other FSU countries, the livestock sector suffers from low productivity, and in recent years livestock inventories have sharply fallen.

Most of Kazakhstan's arable land is sown with grains, more than half of which is wheat. Other major grain crops include barley, oats, and rye. During the Virgin Lands Campaign of the late 1950's, new land was cultivated in northern Kazakhstan, along with a portion of West Siberia, to increase grain production. With variable weather and depleted soils, these northern grain areas are of marginal land quality. As input costs continue to rise, these lands are being taken out of production (particularly less profitable coarse grain areas).

Kazakhstan is a net agricultural exporter to other FSU countries. In recent years, it has been the only FSU net exporter of grain. Kazakhstan's agricultural exports also include cotton, meat, wool, and hides. However, because of lower demand for livestock goods caused by the sharp drop in consumers' real income in the early 1990's, meat exports to traditional markets in Russia and Central Asia have fallen considerably. Kazakhstan also exports agricultural equipment and mineral fertilizer. In recent years, non-FSU exports of fertilizer have increased, reflecting lower use in Kazakhstan and other FSU countries.

Agricultural imports include sugar, vegetable oil, and tea. As its petroleum reserves are largely underdeveloped, Kazakhstan depends on Russia for fuel. Since the USSR's breakup, overall trade with the FSU countries has declined, while trade with countries outside the FSU has risen. Kazakhstan's main non-FSU trading partners are Germany, the United States, and China.

Trade Policies. In early 1993, Kazakhstan obtained most favored nation (MFN) status from the United States. In addition, Kazakhstan joined the Economic Cooperation Organization (ECO) to increase trade with other Islamic countries. Along with most FSU countries, Kazakhstan has obtained GATT/WTO observer status.

The Kazakh Government has taken several steps to liberalize trade, although various restrictions on exports continue. Export licenses, which were required for grains as well as other agricultural exports such as wool, hides, and cotton, were eliminated in November 1994. However, these exports are subject to registration with the Almaty International Agricultural Commodities Exchange, price controls, and hard currency taxation. Moreover, regional authorities continue to regulate grain exports in some grain-producing areas.

Some petroleum and mineral products continue to be subject to export quotas. While export taxes no longer have to be paid in foreign currency, or in advance, at least 40 percent of export earnings must be exchanged for "tenge," Kazakhstan's national currency. The country has no export subsidies.

Kazakhstan has almost no import quotas. Import licenses are required for a small number of goods, which include fertilizers and chemicals for plant protection. In the spring of 1994, import tariffs were removed for most consumer goods, with the exception of automobiles, furniture, carpets, leather, alcohol, and some luxury items. With the exception of alcohol and carpets, tariff rates are less than 5 percent.

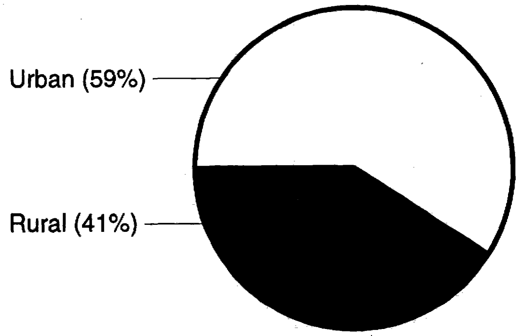
Price Policies. The first major price liberalization occurred in January 1992, when price controls were lifted for 80 percent of wholesale and 90 percent of retail goods. Bread prices, however, were not liberalized until October 1994. Prior to this, Kazakh bread prices were the lowest of all the FSU countries, with the

Kazakhstan

Official name Republic of Kazakhstan
Type of government Republic
Memberships CIS, CSCE, EBRD, ECO, GATT (observer status), IBRD, IDA, IMF, UN, UNCTAD, UNESCO, World Bank

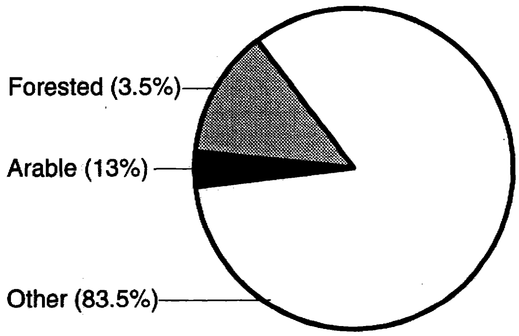
Population *1994*

17,027,000 persons

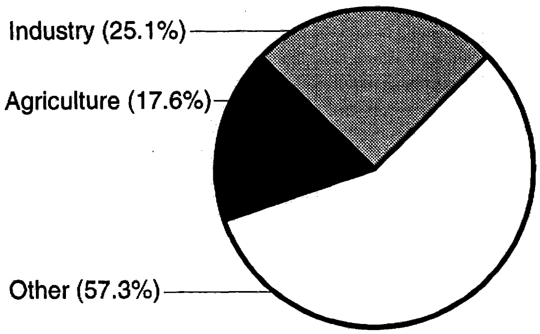


Land *1993*

271.73 mil. hectares (2.2 mil. ha irrigated)

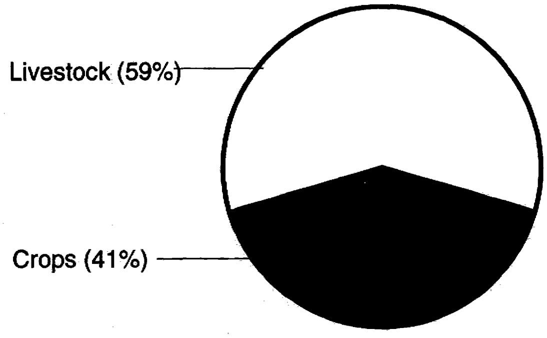


Gross Domestic Product *1993*



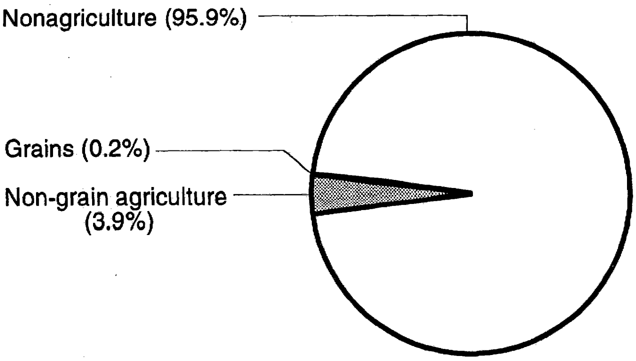
Agriculture *1992*

Major agricultural products: Wheat and Livestock products



Exports *1993*

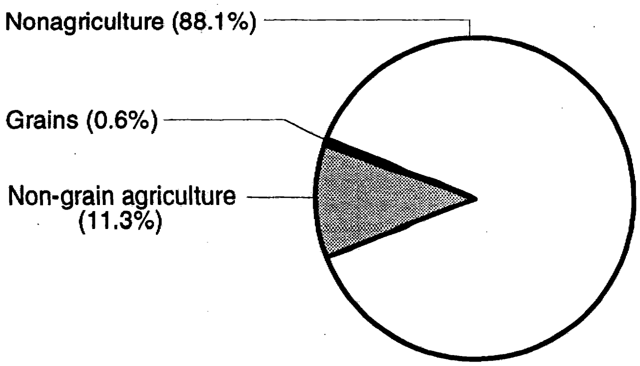
$719 million
Major agricultural export: Wheat



Note: Not including intra-FSU trade.

Imports *1993*

$1,172 million



Food aid: 59,981 tons (cereals in grain equivalent)

exception of Tajikistan. The Kazakh Government continues to control prices for a number of goods and services, such as energy, transportation, baby food, communications services, public utilities, and imported medicines.

In 1994, the Kazakh Government cut subsidies on food, housing and social services, and replaced them with a targeted social safety net focusing more on low-income households. However, the Government's continuing support of many inefficient enterprises via subsidies contributes to high inflation; and agriculture remains a major strain on the country's budgetary and credit resources.

Marketing Policies. Through the state procurement system, the Government maintains a large role in the marketing of key agricultural commodities. In 1994, the state continued to procure grain at set prices. Procurement levels in 1994 were substantially lower than in previous years, mainly due to the Government's shortage of funds. The officially reorganized state and collective farms can sell to private traders only after they fulfill state procurement contracts. Private farms are not obligated to sign contracts with state procurement agencies. As state procurement diminishes, private marketing channels are developing through private traders and commodity exchanges. The new trading companies often operate on barter, supplying farmers with fuel, spare parts, machinery, and fertilizers in exchange for output, mainly wheat for export.

Sales to the state will not be mandatory for the 1995/96 harvest. The grain is to be bought and sold through commodity exchange auctions, where procurement agencies must bid on equal terms with other companies. Since a minimum support price must be set to guarantee a profit for grain producers, the degree to which the new procedure will liberalize grain marketing is uncertain. One of the main obstacles to grain marketing is state ownership and control of most storage and processing facilities. In many cases, even if a grain elevator has been reorganized into a "joint-stock company," the state continues to own over 50 percent of its shares.

The state purchased only a small fraction of 1994 output of oilseeds, sugar beets, potatoes, and vegetables. In early 1994, state purchase quotas for livestock products were abolished. A growing volume of these goods is sold through private and cooperative markets.

Land Reform. As of early 1995, private landownership still had not been established. President Nazarbaev has consistently rejected private ownership of land as a threat to the traditional, semi-nomadic lifestyle of the Kazakh people.

Kazakhstan's constitution legalizes possession of inherited land for up to 99 years, as well as the right to lease and use land. A farmer can own crops, livestock, machinery, inputs, and housing. However, land, water, and other natural resources cannot be bought, sold, granted, exchanged, or subdivided. If family members do not inherit land, the state repossesses it. The state may also terminate land rights if land is used inefficiently or used for purposes other than those specified in the lease.

As of April 1995, there were 21,000 private farms, averaging about 350 hectares. Private farms occupy over 7 million hectares, about 3 percent of total agricultural land. Although the average farm size is large by FSU standards, private farms often include low-quality marginal surplus land from former state and collective farms. Furthermore, most private farmers receive no state financial aid.

The number, size, and output of the small plots allowed under the Soviet system have also grown, as people seek to supplement their food supplies or incomes in light of sharply rising food prices. In comparison with larger commercial farms, which chiefly cultivate grain or livestock, these small family holdings specialize in potatoes, vegetables, and fruit, as well as some livestock. By 1994, private farms and small plots together accounted for well over a third of the output of many agricultural products.

State and collective farms are being converted into joint-stock companies, whose shares are distributed to employees. However, official reorganization has changed the farms' behavior very little.

Policy Evaluation. As in other FSU republics, the reform measure that has affected agriculture most strongly is price liberalization. As real prices continue to rise, farmers are using land and agricultural inputs more efficiently. Area sown to less profitable crops, such as barley, has fallen as marginal lands have been cut back. At the same time, area for wheat, a more profitable crop and the country's main agricultural export, has remained largely unchanged in the last 3 years. Price liberalization and subsidy reduction are also resulting in a contraction of the inefficient livestock sector. The largest drop has occurred in hog inventories, since hogs require costly mixed feeds.

Other reforms, however, have progressed slowly and have not significantly affected agriculture. The restrictions on landownership described above hinder development of land markets and continue to foster inefficient land use. Trade barriers and limitations on the development of private marketing channels, including storage, processing, and distribution, also result in market distortions. As these restrictions are reduced, and resources are used more efficiently, agricultural production and trade will shift to those commodities where Kazakhstan has a comparative advantage. Kazakhstan's comparative advantage is likely to be in extensive wheat production, as land use shifts from marginal lands and less profitable feed crops to higher yielding areas and more profitable wheat. In addition, as trade barriers are removed and domestic prices approach world levels, Kazakhstan's grain exports are likely to increase. Kazakhstan might also have a comparative advantage in extensive livestock production from improved pasture, with less reliance on fodder.

References

Asian Development Bank (1994). *Economic Report on Kazakhstan.* Washington, DC. October.

Gray, Ken (1994), *Agricultural Policy and Performance in Kazakhstan in 1994.* Organization for Economic Cooperation and Development. Paris.

U.S. Department of Commerce, BISNIS (1995). *Commercial Overview of Kazakhstan.*

Kyrgyzstan

The economy of the Kyrgyz Republic is primarily agricultural. Because of the country's mountainous topography, pastures and meadows occupy nearly 50 percent of total area, while only 7 percent is arable land, of which nearly half is used for fodder crops. The livestock sector, which includes sheep, goats, milk and beef cattle, and horses, accounted for almost two-thirds of the value of total agricultural output until 1990, but its share has been decreasing as the sector contracts. Lower state subsidies to livestock producers and higher meat prices have resulted in smaller animal inventories and reduced consumer demand for meat products. Primary agricultural commodities are cotton, tobacco, fruits and berries, grains, meat, and wool.

The main agricultural exports of the Kyrgyz Republic include wool, fruits and vegetables, tobacco, cotton, and honey. Major imports consist of raw sugar, grains, flour and cereal products, milk and dairy products, and tea, as well as energy products and agricultural inputs. Total trade continues to decline, primarily due to the breakdown of intra-FSU trade and an awkward payments system. This has led to a substantial amount of barter trade, the reluctance of FSU trading partners to finance growing Kyrgyz trade deficits, difficulties in securing new financing, and a sharp rise in energy import costs. The country's external trade remains strongly oriented toward the FSU area, although there has been a noticeable opening to the rest of the world. The export market has shown a slight shift from the FSU area to industrialized countries such as France, Germany, and the United Kingdom, while the United States, Germany, Canada, and China are replacing the FSU countries as import suppliers.

Trade Policies. The Kyrgyz trade system is relatively free of restrictions on both exports and imports. The state, however, retains control of certain commodities mainly through bilateral Government trade agreements. There are no quotas on exports or imports, except for a few items required to safeguard national security and public health, and exports of certain food items such as grains and other raw materials covered by bilateral trade agreements. A number of commodities require licenses for export, which are in most cases freely granted. In addition, in 1994, the Government reduced the number of items covered by export taxes to 9, and set the maximum tax rate applied to exported goods at 30 percent.

Tariffs are not levied on imports from FSU countries, while most imports from non-FSU countries are subject to tariffs ranging from 0 to 20 percent. A large number of import tariffs were eliminated in 1994, but at the same time, the Government raised import duties for certain luxury goods, like tobacco and spirits, to the 200- to 400-percent range.

Price Policies. The Kyrgyz Republic introduced some price reforms in April 1991 in conjunction with other republics of the former Soviet Union. The second stage of generalized price liberalization took place on January 4, 1992, at which time controls on most prices were removed and most restrictions on profit margins were lifted. The prices of goods that remained under control were raised considerably to adjust for inflation. By the end of 1992, consumer and producer prices had increased by over 1,000 and 4,000 percent, respectively. In an attempt to stabilize prices, in May 1993, the Kyrgyz Republic introduced its own national currency, the "som." Throughout 1993, the Government continued to control bread, milk, meat, and flour prices, and to subsidize bakeries, flour mills, and dairy operations. However, the Government is aiming to replace most of the general bread subsidy with targeted cash transfers to low-income groups. In March 1994, all retail price controls, other than on bread, were eliminated.

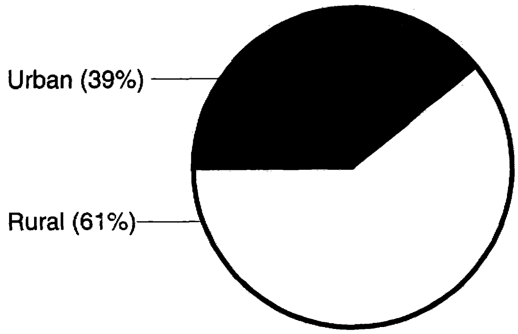
Marketing Policies. Although prices for agricultural products were partially freed in 1992,

Kyrgyzstan

Official name Kyrgyz Republic
Type of government Republic
Memberships CIS, CSCE, EBRD, GATT (observer status), IBRD, IDA, IMF, NACC, PCA, UN, UNCTAD, UNESCO, WHO, World Bank

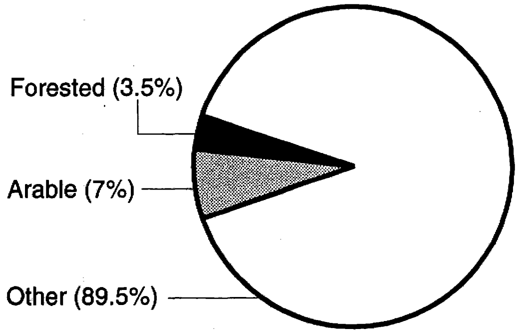
Population *1994*

4,667,000 persons

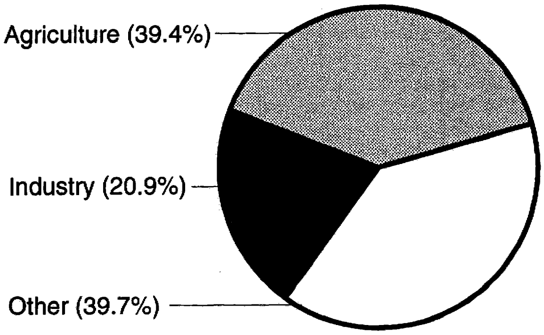


Land *1993*

19.85 mil. hectares (900,000 ha irrigated)

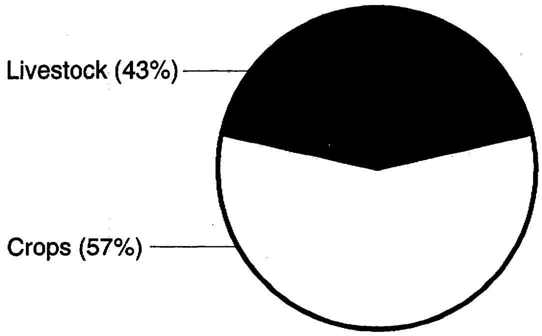


Gross Domestic Product *1993*



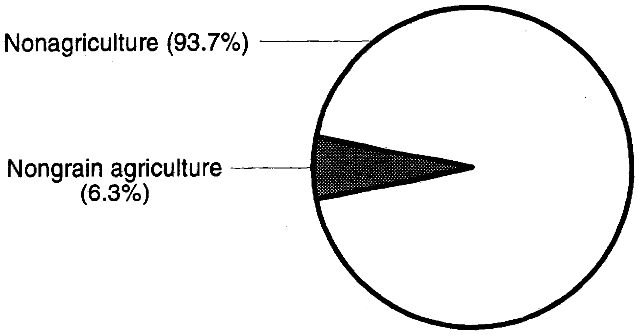
Agriculture *1992*

Major agricultural products: Tobacco and Wool



Exports *1993*

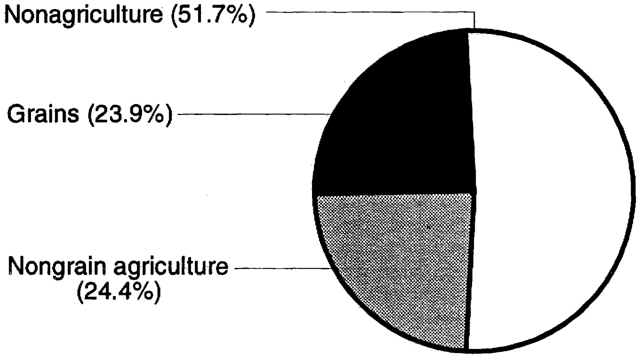
$81 million
Major agricultural exports: Wool, Tobacco, Fruits, and Vegetables



Note: Not including intra-FSU trade.

Imports *1993*

$88 million



Food aid: 159,311 tons (cereals in grain equivalent)

about one-half of production was purchased through the state procurement system at set prices and fixed for periods lasting from 10 days to a year depending on the product. In 1992, state procurement accounted for 60 percent of private farm output and 80 to 100 percent of state and collective farm production. The remainder of agricultural output was sold in private retail markets.

In 1993, most agricultural production, with the exception of certain fruits and vegetables, remained subject to state procurement. The state agencies continued to procure grain, wool, cotton, and tobacco. Procurement quotas on grain were set mainly to assure food security, while quotas on the other commodities were needed to meet bilateral trade agreements with other FSU countries. However, problems occurred when agricultural enterprises refused to deliver their output at the mandated prices, but at the same time were prohibited from exporting themselves. In early 1994, the state implemented a system to reduce Government interference in pricing. Under this new system, the Government procures a limited range of goods through freely negotiated contracts with suppliers. This new system differs in that purchases are no longer mandatory. Under the new system, the Government must bid against other prospective purchasers.

Land Reform. Land reform has progressed slowly in the Kyrgyz Republic, as property rights have not been clearly defined. A leasing program for agricultural land was started in 1991 to stimulate agricultural production and extend privatization. This was followed almost immediately by intense disagreement as to who should be allowed to lease land. Land privatization in early 1992 led to serious disputes regarding land distribution.

In November 1993, the privatization program was temporarily placed on hold until each district of the republic had drawn up its own agricultural denationalization plan. The Kyrgyz Government is hoping eventually to launch a Western-style land market through the introduction of land shares to all farmers, based on their stake in collective farms. These land shares will be freely exchangeable among farm members and may even be sold or used as security for loans. Since land privatized under this scheme cannot be sold, the land shares would create a land market based on trading not of land itself, but of the right to use it. A February 1994 Presidential Decree stipulated that tenurial rights of up to 49 years can be freely traded. A Land Reform Center has been established within the Ministry of Agriculture and Food with the task of implementing the land reform program.

As of April 1995, there were over 20,000 private farms. Those that cultivate crops range in size from 5 to 20 hectares, while the private farms specializing in animal husbandry range from 200 to 300 hectares. Private farms occupy about 1 million hectares, or nearly 10 percent of total agricultural land.

Policy Evaluation. Since 1992, the Kyrgyz Republic has attempted to transform its economy from a centrally planned system to one in which market forces determine economic decisions and provide incentives for efficiency and resource allocation. Development of an efficient, market-oriented agricultural sector will depend on the successful implementation of current reforms as well as concurrent economic recovery in neighboring FSU states. Very high rates of inflation, a sharp deterioration in Kyrgyz terms of trade, and the loss of large export markets resulting from the demise of the Soviet Union represent serious challenges for agricultural reform that require rigorous implementation of a program of systemic reforms. Agricultural output has steadily declined since 1990. Most of the output decline was concentrated in the livestock sector, the traditional mainstay of agricultural activity in the Kyrgyz Republic. There has been some progress in the restructuring and privatizing of state and collective farms, the liberalizing of prices and trade, and the demonopolizing of state control of input and output.

References

Asian Development Bank (1994). *Economic Report on the Kyrgyz Republics*. Washington, DC.

Interfax News Agency. *Food and Agriculture Report*. Various issues.

Shend, Jaclyn (1993). *Agricultural Statistics of the Former USSR Republics and the Baltic States*. U.S. Department of Agriculture, Economic Research Service. SB-863.

World Bank (1993). *Kyrgyzstan: Country Economic Memorandum*. Washington, DC.

World Bank (1993). *Kyrgyzstan: The Transition to a Market Economy*. Washington, DC.

Latvia

The agricultural and food processing industries are an important part of the Latvian economy. The livestock and dairy sectors are the largest and most developed components, although crop production also accounts for a significant portion of agricultural output. Forty percent of Latvia's land is cultivated for crops, fruit orchards, or pasture.

Latvia is highly dependent upon foreign trade, especially with Russia. During the Soviet period, Latvia was able to satisfy domestic demand as well as export livestock and dairy products to other republics. Farmers could count on imports of cheap Russian inputs, such as feed supplies and machinery. In the post-Soviet era, Latvia's production surplus has been shrinking due to relatively higher input prices and declining output.

During the Soviet period, trade accounted for over 50 percent of Latvia's GDP, and over 85 percent of total trade was with other republics. However, after leaving the USSR, Latvia's trade levels declined significantly. Much of this can be explained by the transition from trade under a centrally planned economy to trade based increasingly on comparative advantage. In 1992, trade began to adjust as Latvia found new markets and reestablished connections with other republics, and by 1993 it had returned almost to 1990 levels. The former Soviet republics continue to be Latvia's main trade partners. Russia's share of the market is particularly high since Latvia is a re-exporter of many Russian goods. Currently, Latvia's main trading partners include not only Russia, Ukraine, Belarus, Lithuania, and Estonia, but also increasingly Sweden, Germany, and Finland.

Trade Policies. Although Latvia successfully eliminated many of its trade barriers, some protective policies remain. The state abolished its monopoly on foreign trade and has given up control of imports and exports to private firms who now conduct business directly with foreign partners. Export tariffs are almost nonexistent, although producers have successfully lobbied to keep import tariffs in place. In March 1994, the Latvian Government raised tariffs on farm products in response to pressure from producers represented by the Farmers Union party. When the Government refused farmers' additional demands to raise these tariffs, the Farmers Union party pulled out of the coalition with the Latvian Way party, resulting in a major restructuring of the Government in July 1994. At the end of 1994, import tariffs on agricultural goods included a 15-percent most favored nation (MFN) rate, as well as higher rates for processed foods and products that compete with Latvian goods. Agricultural and food imports are also subject to an 18-percent value-added tax. Latvia, however, has no quantitative restrictions on farm imports, except for licensing requirements for several products, such as wheat, sugar, rye, and tobacco.

Since Latvia seeks to become a member of the World Trade Organization (WTO) and the European Union (EU), trade legislation tends to focus on harmonizing its economy with Western practices. Trade with countries outside of the former USSR increased from just over 20 percent of total trade in 1991 to about 50 percent in 1993. Latvia has signed industrial free trade agreements (FTA) with the other Baltic states as well as with the EU. The FTA's with the EU, implemented in January 1995, contain selected reciprocal concessions for trade in agricultural products in the form of lower tariffs and gradually expanding tariff rate quotas.

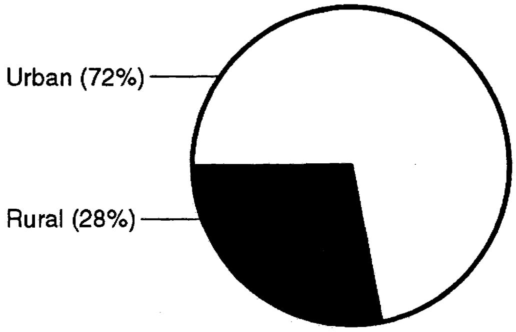
Price Policies. Unlike some of the other former Soviet republics, Latvia committed itself to freeing prices and controlling inflation with tight monetary policy. Prices of most food products were liberalized or decontrolled by the end of December 1991. By June of the next year, the Government lifted the remaining limited controls on prices. Latvia left the Russian ruble zone in July 1992, causing the Latvian ruble to appreciate against the Russian ruble. As a result, inflation was brought down from 1,000 percent in 1992 to

Latvia

Official name Republic of Latvia
Type of government Republic
Memberships CBSS, CSCE, EBRD, ECE, FAO, GATT (observer status), IBRD, IMF, NACC, UN, UNCTAD, UNESCO, UNIDO, WHO

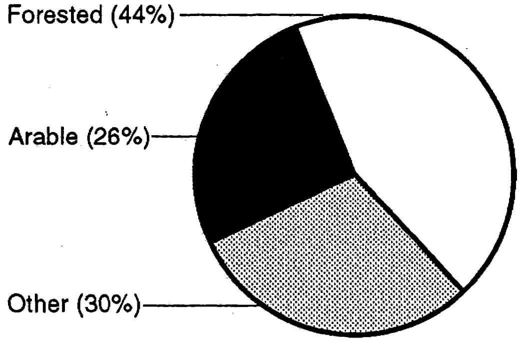
Population *1994*

2,583,000 persons

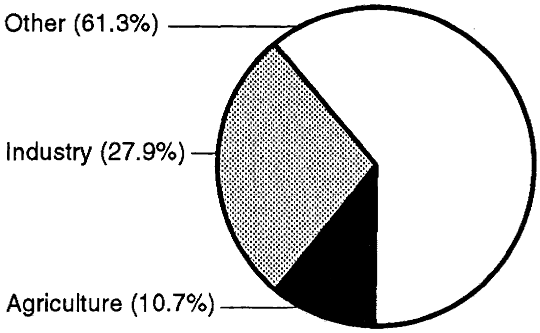


Land *1993*

6.45 mil. hectares

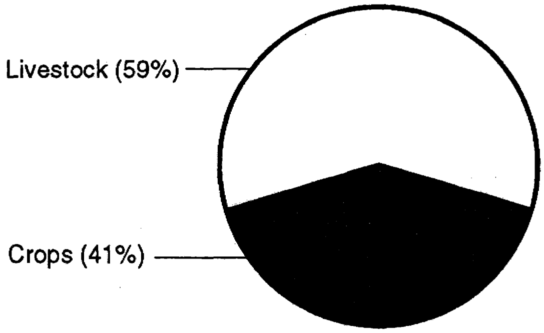


Gross Domestic Production *1993*



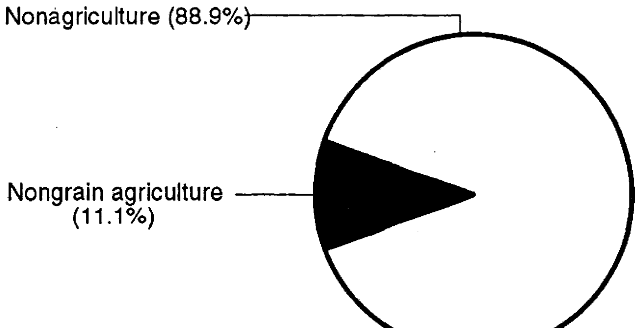
Agriculture *1993*

Major agricultural products: Livestock and Dairy Products



Exports *1993*

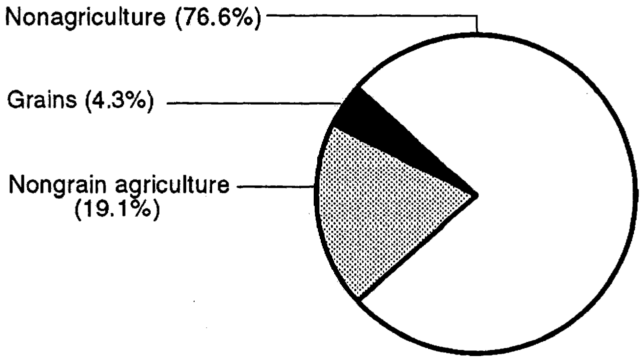
$1,048 million
Major agricultural exports: Meat and Dairy Products



Note: Not including intra-FSU trade.

Imports *1993*

$607 million



35 percent in 1993, allowing Latvia to adopt the lat, its own fully convertible, floating currency.

The Latvian Government succeeded in eliminating nearly all agricultural subsidies. There are some exceptions, including minimum support prices for grains and some temporary subsidies for the improvement of crop and livestock quality. Implicit subsidies to agricultural processors occur when state enterprises are allowed to accumulate unpaid debts to farmers. During the Soviet period, the state procured most agricultural output, a practice that led to artificially high consumption, particularly for meat products, which the state sold for prices below the market value. Since the breakup of the Soviet Union, the Latvian Government has dramatically reduced state purchases, thereby reducing consumer subsidies and lowering consumption to more natural levels.

Without the subsidies, many Latvian farmers cannot afford to cultivate all of their available land due to lack of financing. The Ministry of Agriculture and branches of the Bank of Latvia make loans to farms, but there is a worsening shortage of credit, particularly to the new private farmers. Privatization of the financial sector is underway, but it will be some time before private institutions will be willing and able to afford the lending risks associated with agriculture.

Land Reform. The Latvian Government's efforts to privatize land continue to surpass those of other republics, but the process has not been without difficulty. In 1994, about 50 percent of all agricultural land was managed by private farmers. By the beginning of 1994, at least 52,000 private farms were registered. The average size of a private farm was 16 to 17 hectares, which is much smaller than the former state and collective farms. The primary means of privatization is a program of land restitution. Land that was confiscated or nationalized after June 17, 1940, is currently being restored to previous owners and their legal heirs. The state is also privatizing agricultural land by breaking up state and collective farms and transforming them into shareholding companies whose shares are distributed to employees. Although land privatization began rapidly, its progress has slowed recently.

The newly privatized farms face many obstacles to success. A lack of credit, along with depressed producer prices relative to input prices at world levels, prevents farmers from purchasing needed equipment. The existing transportation, storage, and communication facilities were developed for the large-scale state farms and will require some modification to be efficient for the large number of new small farms. Many of the new landowners have no previous farming experience, which contributes to the inefficient use of resources.

Policy Evaluation. Since the breakup of the Soviet Union, Latvia has remained steadfast in its commitment to a free market economy and agricultural reform. Through price liberalization and tight monetary policy, Latvia has effectively controlled inflation and developed conditions for a market-based economy. The impact of these policies has been strongly felt in the agricultural industry. The rise in prices has reduced consumer demand for most agricultural products. In addition, the dismantling of the state support system has forced farmers to seek out their own resources, a difficult process at a time when credit institutions are largely undeveloped. The process of privatization, although well intentioned, has not been as successful as expected. The lack of property rights as well as the confusing land restitution program have impeded the creation of a secure landowning population. The livestock sector has been hit hardest by the changes, owing to rising input prices, declining consumption, and fewer export markets. If the Latvian Government continues to enter regional and international trade organizations, a small but more efficient agricultural sector may eventually emerge as a healthy competitor on the world market.

References

Avidor, Abraham (1994). *Trip Report on the Agricultural Trade and Trade Policies of Estonia, Latvia, and Lithuania.* U.S. Department of Agriculture, Foreign Agricultural Service.

Kazlauskiene, Natalija, and William H. Meyers (1994). *Food and Agricultural Price and Subsidy Reforms in the Baltics: Progress and Prospects.* Iowa State University, Center for Agricultural and Rural Development.

Latvian Development Agency (1994). *Latvian Business Guide*. Riga, Latvia.

Meyers, William H., Natalija Kazlauskiene, Inesis Feirferis, and Valdek Loko (1994). *Cultural Transformation and Privatization in the Baltics.* Iowa State University, Center for Agricultural and Rural Development.

Organization for Economic Cooperation and Development (1994). Committee for Agriculture. *Agricultural Policies, Markets and Trade in CEEC, The NIS, Mongolia and China: Monitoring and Outlook 1994*. Paris.

World Bank (1993). *Latvia: The Transition to a Market Economy*. Washington, DC.

Zile, Roberts (1993). *The Development of Privatization in Latvian Agriculture.* Iowa State University, Center for Agricultural and Rural Development.

Lithuania

Lithuania's agricultural sector, a historically important segment of the country's economy, has undergone significant alteration in the transition from a centrally planned toward a market-oriented economy. The Soviet Government had designated Lithuania to be a major supplier of livestock and dairy products to Russia and the other Soviet republics. In addition, Lithuania produced wheat, rye, barley, and potatoes, much of which was used for livestock feed. During the Soviet era, however, Lithuania imported a substantial amount of grain for both livestock feed and food needs.

Since the breakup of the USSR, agricultural output, especially livestock production, has declined. While agriculture comprised nearly 50 percent of Net Material Product in 1991, it fell to approximately 25 percent of national income in Lithuania in 1993. Reduced imports of subsidized agricultural inputs, disrupted production and distribution systems, and liberalized prices resulted in higher costs for consumers and a price squeeze for producers, as input prices increased more quickly relative to output prices. Moreover, Lithuania is having considerable problems selling its livestock output despite declines in production. Widespread economic hardship due to reforms in the former Soviet Union has caused a reduction in consumption of meat and meat products in areas that traditionally had been large markets for Lithuanian livestock products, especially Russia. Thus, as both domestic and foreign demand for meat and dairy products have declined, costs of production have risen, and Lithuanian producers have been reducing livestock inventories.

Unlike Estonia and, to a lesser extent, Latvia, which have increasingly shifted trade flows toward the West, Lithuania still relies heavily on trade with the former Soviet countries, which often takes place through barter. Russian producers continue to satisfy Lithuania's energy needs for domestic consumption and processing industries. Moreover, in January 1995, Lithuania and Russia implemented a trade agreement, which confers a reciprocal most-favored-nation status. Still, Western partners, such as Germany and Sweden, play an increasingly significant role in Lithuania's trade structure. Meat and dairy products continue to be Lithuania's primary agricultural exports, while grain, animal feeds, sugar, tropical products, and vegetables are the main imports.

Trade Policies. The transition process has greatly altered Lithuania's trade policies. Once dominated by Government-controlled foreign trade organizations, trade is now conducted almost entirely by private firms. Traders are no longer required to obtain export licenses, which have been abolished on all farm goods. Recent policy regarding import tariffs reflects the domestic struggle between the pressure to satisfy the requirements of western lending institutions and the pressure to placate Lithuanian producers demanding protection for their goods. In July 1994, in conjunction with Free Trade Agreement (FTA) negotiations with the European Union (EU), the Government raised tariffs on agricultural goods, but in September, following the advice of the International Monetary Fund (IMF), it agreed to reduce tariffs by 5 to 20 percent on some products. These actions seek to facilitate integration into the EU, with which Lithuania entered a Free Trade Agreement on January 1, 1995, and the World Trade Organization, the successor to the General Agreement on Tariffs and Trade.

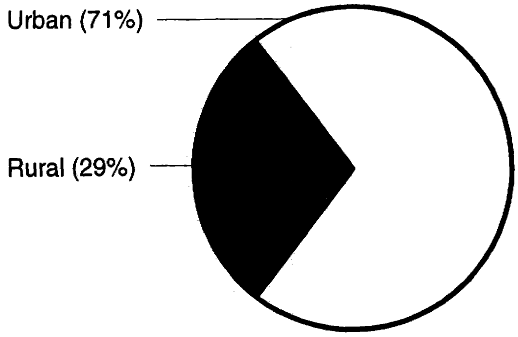
Price Policies. Early in the reform process, Lithuanian officials began to dismantle the Soviet-era price system, under which the government administratively set prices that rarely reflected demand or supply, and resulted in an inefficient allocation of resources. In February 1991, Lithuania initiated its price liberalization reform program, and by the end of 1993, nearly all prices had been freed. Strong inflationary pressures, reflecting the Government's price liberalization policy and an absence of subsidized inputs, have been mitigated by tighter fiscal and monetary policies and currency reform.

Lithuania

Official name Republic of Lithuania
Type of government Republic
Memberships CBSS, CSCE, EBRD, ECE, FAO, GATT (observer status), IBRD, IMF, NACC, UN, UNCTAD, UNESCO, UNIDO, WHO

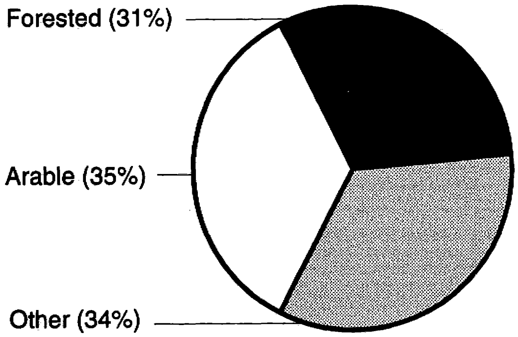
Population *1994*

3,706,000 persons

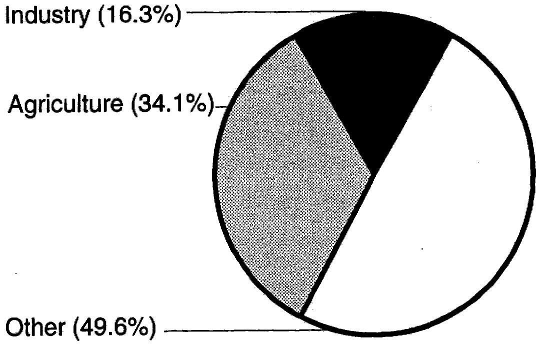


Land *1993*

6.52 mil. hectares

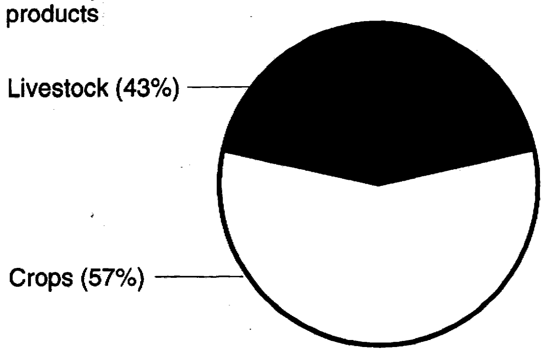


Gross Domestic Product *1993*



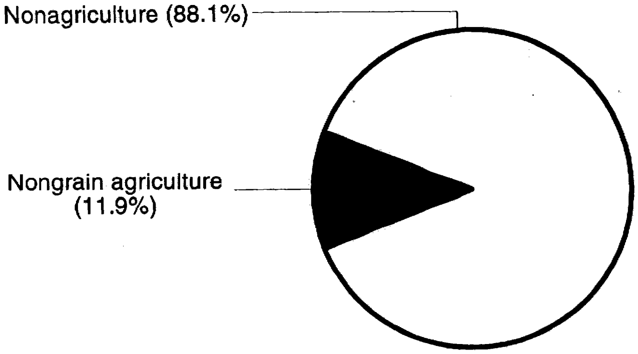
Agriculture *1992*

Major agricultural products: Grain, Potatoes, and Livestock products



Exports *1993*

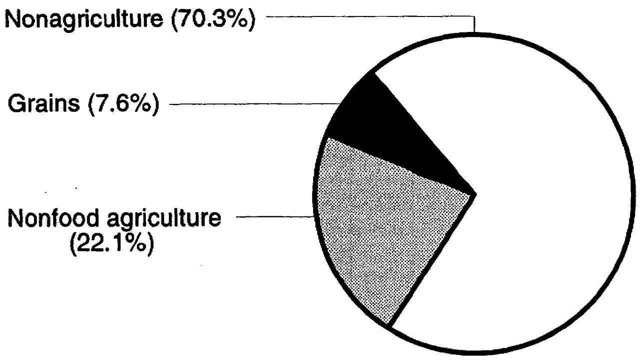
$990 million
Major agricultural exports: Meat and Dairy products



Note: Not including intra-FSU trade.

Imports *1993*

$722 million



Food aid: 77,100 tons (cereals in grain equivalent)

Subsidies to consumers as well as to producers have been drastically reduced in light of budgetary constraints and IMF stipulations. And in June 1993, the Government, motivated as much by economic concerns as political ones, introduced a national currency—the litas—effectively severing ties with the often volatile Russian ruble.

Land Reform. The Law on Peasant Farming, passed in 1989, formally initiated the privatization of land in Lithuania, but by granting only usufruct rights, the law failed to create an effective land market. With passage of the 1991 Law on Land Reform, however, Lithuanian citizens can acquire land either directly by purchase or through restitution of property rights to former owners from before the loss of independence at the beginning of the Second World War. Former owners have priority in obtaining land. Restitution is to be accomplished either by returning the same land owned previously, by providing a corresponding plot in the same area or near one's current residence, or by providing some form of compensation. Divisible and indivisible assets of state and collective farms are being privatized as well. Current employees receive vouchers commensurate with tenure that can be used to purchase these assets.

Land restitution is proceeding more slowly than the Lithuanian Government had hoped. The Government fears there will be too little land to satisfy all claims and that new farms will be too small to function efficiently, especially for grain and livestock production. The Government is currently trying to reform the land restitution process to make the program more efficient. The reforms would involve greater monetary compensation instead of land, compensation with non-agricultural land (forest land, for example), limiting large land purchases to those people working in agricultural occupations, setting a minimum size requirement for agricultural partnerships, and simplifying the legal process for land restitution for agricultural enterprises.

Policy Evaluation. Having severed political ties with the now defunct Soviet Union, Lithuania faces the monumental task of shedding economic legacies of the old system, a process that has greatly affected Lithuanian agriculture in general and the livestock sector in particular. The removal of consumer and producer subsidies, the disruption of traditional trade relations, and the liberalization of prices, have combined to reduce demand and, consequently, production of meat and dairy products. This, in turn, has reduced demand for domestic and imported grains for feed, as producers have reduced livestock inventories. Ambiguous and often ineffective land reform legislation has only aggravated the situation.

Yet this downward trend in agricultural output may be indicative not of a sick economy, but of an economy adjusting to requirements that are beginning to be placed upon it by a new economic system that no longer props up inefficient producers and aligns consumer demand with wage rates. Success in the agricultural sector depends on sectoral changes, as well as on a successful transformation of the economy as a whole and the ability of Lithuania to find and exploit new markets without losing sight of traditional ones. Only under such favorable conditions will the agricultural sector realize its comparative advantage and maintain its important role in Lithuania's economy.

References

Avidor, Abraham, and Roger Mireles (1994). *Agricultural Trade Policy and Trade for Central and East Europe.* U.S. Department of Agriculture, Foreign Agricultural Service.

Kazlauskiene, Natalija (1992). "Agricultural Transformation and Privatization in Lithuania," from William H. Meyers, et al. *Agricultural Transformation and Privatization in the Baltics.* Iowa State University, Center for Agricultural and Rural Development.

World Bank (1993). *Lithuania: The Transition to a Market Economy.* Washington, DC.

Moldova

Moldova's economy is heavily dependent on agriculture, which engages nearly 75 percent of the land. Despite its small size, Moldova is the third largest corn and sunflowerseed producer of the FSU countries, following Russia and Ukraine. Other major crops grown in Moldova include wheat, barley, sugarbeets, potatoes, and vegetables. Moldova is also a large producer of fruits and berries; its grape production accounts for about 20 percent of total grapes grown in the FSU region. Moldova possesses a large livestock sector in which pork accounts for about 55 percent of total meat produced in the country. Because of Moldova's natural endowment of agricultural resources, recovery and reform in this sector is important for the overall reform in the country. A major impediment to reform remains the ethnic conflict in the Trans-Dniester region.

Exports consist mainly of raw and processed agricultural products such as fruits and vegetables, meat and dairy products, sugar, vegetable oil, corn, wines and spirits, and tobacco; light industrial products are also major exports. Despite its strong agricultural base, Moldova imports about 80 percent of wheat required for baking, as well as other products such as milk and dairy products, rapeseed, mustard seed, potatoes, and vegetables. In addition, Moldova is almost entirely dependent on imported energy products; other imports include inorganic fertilizers, pesticides, machinery and equipment, and light industrial goods.

Moldova's main trading partners are other FSU countries, with Russia and Ukraine being by far the most important. Moldova's major non-FSU trade partners in 1993 were Romania, Bulgaria, and Turkey. Thus, trade with the West remains minimal. Finished products of Moldova's agricultural and processing sectors are competitive in the FSU region, but trade with the West is based on exporting raw materials and importing finished goods. Most of Moldova's trade operates on a barter basis due to payment problems and currency inconvertibility.

Trade Policies. Moldovan trade policies continue on a liberalizing path. Export quotas are limited to only a few items, with grains and grain products being the only major agricultural products involved. Barter trade with countries with convertible currencies has been officially disallowed, but it still takes place unofficially. Licensing of exports has been eliminated for all items except those of a national security, medical, or cultural nature. Trade with FSU countries is free of any excise tax. Trade with non-FSU counties is now subject to a regime enacted in late 1993. The tariff schedule has been revised numerous times. At the end of 1994, the maximum rate was reduced to 50 percent, except for some luxury items. Administrative difficulties complicate matters in that the Government is unable to collect all duties it is due.

Price Policies. Prices for most goods were freed from controls in January 1992. Because markets for many commodities are not competitive, a common approach to indirect price control is to regulate margins between wholesale and retail prices. Costs of production for agricultural commodities are directly subsidized by the state. Prices for food staples and some other consumer goods are held to markups of 20 to 30 percent. An unintended consequence of this policy is to slow reform, because shifts in demand are not fully taken into account. As a result, some of the price distortions of the old central planning system remain in place.

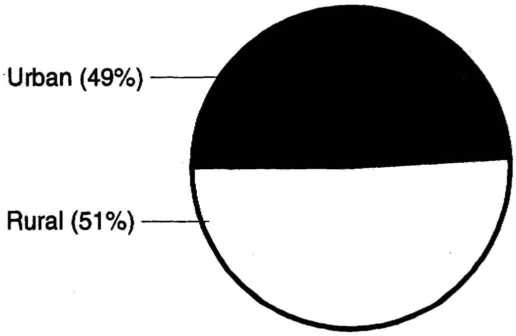
Marketing Policies. The state procurement system still accounts for the majority of farm gate sales. Controls on sales of wheat and dairy products are still greatest, while alternative marketing channels have become available to farmers for most other commodities. The nascent private marketing system provides some limited competition to state-run enterprises.

Moldova

Official name Republic of Moldova
Type of government Republic
Memberships BSEC, CIS, CSCE, EBRD, ECE, GATT (observer status), IBRD, ICAO, ILO, IMF, NACC, UN, UNCTAD, UNESCO, WHO

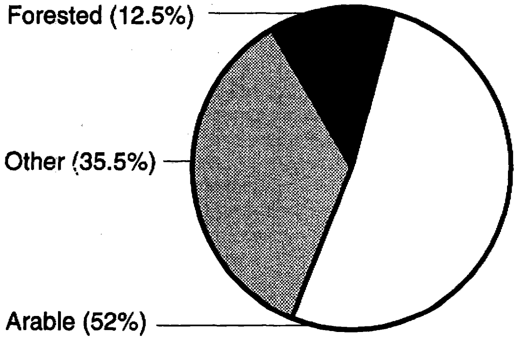
Population *1994*

4,420,000 persons

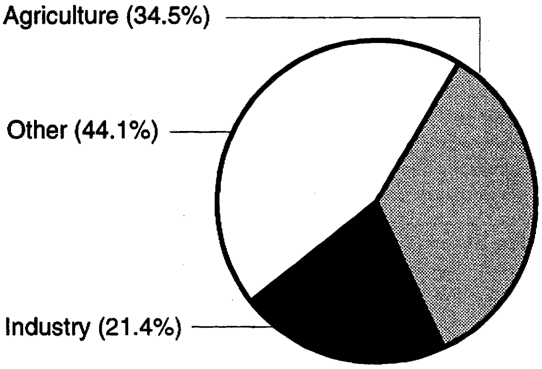


Land *1993*

3.37 mil. hectares (311,000 ha irrigated)

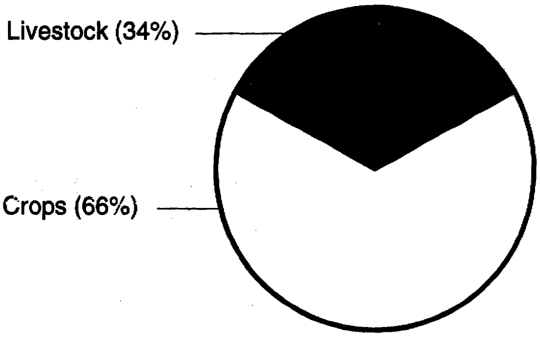


Gross Domestic Product *1993*



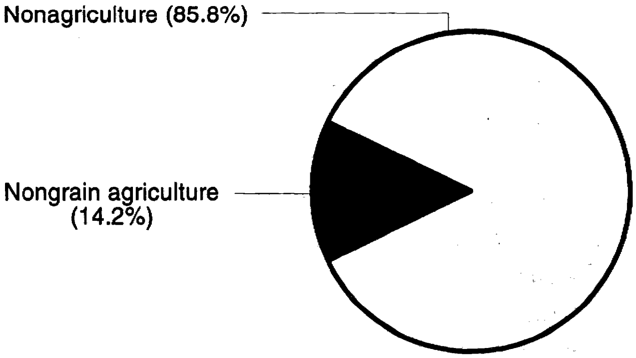
Agriculture *1992*

Major agriculture products: Grapes, Corn, and Wheat



Exports *1993*

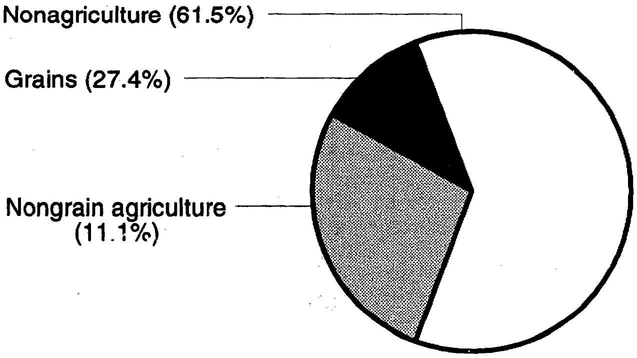
$48 million
Major agricultural exports: Fruits and vegetables



Note: Not including intra-FSU trade.

Imports *1993*

$117 million



Food aid: 110,674 tons (cereals in grain equivalent)

Land Reform. Land reform and privatization of the agricultural sector are major goals of Moldova's agricultural reform initiatives. Laws sanctioning and regulating private property, private enterprises, foreign investment, leasing, and the privatization of state enterprises were enacted by the Moldovan Government in 1991-92. Presently, members of state and collective farms and others qualified under the law have acquired "shares" or ownership interest in agricultural land. Currently, these shares are not associated with a particular parcel of land. The process of allocating specific parcels, while permitted by law, is well behind the general privatization process. As of July 1994, farms and farm associations owned 14 percent of all agricultural lots.

A moratorium on land transactions makes the creation of a genuine land market impossible. Because there is no market, assessing the value of land is difficult. The current approach to land valuation for taxation purposes is to tie land value to crop productivity. Moldova's land tax is an important element in the country's fiscal policy and an important element in land policy because of its revenue-raising ability.

Policy Evaluation. Moldova's economy was predominantly agricultural before reform; because of its endowment of suitable soils and climate, it is likely to remain heavily dependent upon agriculture. Moldova's progress in both land reform and trade liberalization will contribute to restructuring of the agricultural sector. Moldova has a comparative advantage in the production of fruits, vegetables, wine, grains, and horticulture products. The livestock sector, already contracting in size, is probably overdeveloped given the emerging relative price structure for feeds and livestock products. Currently, world prices are determining the real cost of chemical and energy inputs and mixed feeds. Meanwhile, certain commodity prices are controlled by the Government at below world market levels. This mix of policies suggests further contraction in the livestock products sector.

Likewise, increases in real food prices are necessary to stimulate investment in farming and a reallocation of resources in both agricultural production and marketing. Yet, consumers are already burdened by high food prices. In 1993, the Moldovan Government set the state purchase price for the 1993 grain crop at world levels while targeting bread subsidies at the most needy.

Although land has been privatized on paper, the moratorium on land sales restricts the emergence of credit institutions, the restructuring of farm units, and asset formation. To date, Moldova does not have the ancillary institutions for land marketing. Removing the moratorium would create a need for accurate titling and registration, an improved cadastral system, expertise in appraisal and sales, and an enhanced land tax system. Transferable land would create collateral that could be used to attract capital investment.

References

DRI/McGraw-Hill (1994). *World Markets Report—Transcaucasia and Moldova.* Lexington, Massachusetts.

World Bank (1994). *Moldova: Agricultural Sector Review.* Washington, DC.

Wunderlich, Gene (1994). *Privatization of Land Ownership in Moldova.* U.S. Department of Agriculture, Economic Research Service.

Russian Federation

The Russian Federation is the most populous, largest, and most resource-rich FSU country. The Russian Federation produces over half of total FSU grain, sunflower seed, potatoes, meat, and milk, and about 40 percent of FSU sugarbeets. Moreover, Russia is the world's second largest producer of sunflower seed and the third largest of wheat. It is also a large producer of barley, rye, and oats. However, in recent years, total agricultural output has fallen. The shrinking livestock sector has been largely responsible for the decline.

Despite being a major grain producer, largely because of the expansion of the livestock sector since the mid-1970's, Russia has been one of the world's largest importers of wheat and corn. In recent years, imports of these bulk commodities have sharply fallen, because of market-based restructuring and financial constraints. However, imports of certain high-value products, such as poultry products and snack foods, have increased substantially. Russia also depends on imports of vegetable oil, oilmeal, cotton, sugar, meat, and dairy products. The country's main exports include energy products, ferrous metals, coal, timber, and mineral fertilizers.

Recently, Russia has maintained trade surpluses, with imports falling by a greater percentage than exports. Imports fell mainly because of hard currency constraints and large debt obligations, while exports declined primarily because of the disruption in intra-FSU trade and lower domestic output. The breakup of the Soviet Union and collapse of the Council for Mutual Economic Assistance (CMEA) resulted in a substantial decline of Russian trade with Eastern Europe and the other FSU republics. But, to earn hard currency, Russia has begun to export more to the West. Moreover, since export credits (guaranteed by Western Governments) finance much of Russia's imports from industrialized countries, trade with these nations has increased.

Trade Policies. Following the Soviet Union's collapse, Russia's trade both within and beyond the FSU changed significantly. Since 1991, Russia has reorganized traditional trade relationships with FSU countries along regional lines. It joined the Black Sea Cooperation Organization to foster trade and investment with countries bordering the Black Sea. Russia has created a formal economic union with Kazakhstan and Belarus, which could lead to a strengthening of economic ties and integration of economic policy. Russia is also increasing trade with the West. It signed bilateral trade and investment agreements with the United States, which guarantee the mutual protection of investments and grant Russia most favored nation status. In addition, Russia is attempting to gain acceptance into the global economic institutions and trading circles of the major industrialized nations. While Russia currently has observer status, it has expressed interest in joining the World Trade Organization (WTO). Although some trade liberalization has occurred, agricultural trade generally remains controlled by the state.

Russia is a net agricultural importer, and the state closely controls and restricts food exports. However, the country appears to be liberalizing its agricultural exports. In January 1994, a resolution lowered taxes, reduced export quotas, and eliminated export licenses except for mineral fertilizers.

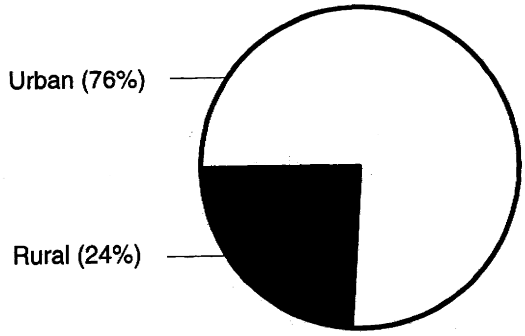
In July 1994, new legislation lowered export taxes on various commodities, including fertilizers, natural gas, cellulose, and raw milled timber. In addition, the Government eliminated export taxes on several products, such as organic chemical compounds and fuel wood. A decree has been drafted that would eliminate export controls on crude oil and petroleum products. Yet, although the Government lifted export quotas in the beginning of 1995, export taxes are still an issue. While the Federal Government is

Russia

Official name Russian Federation
Type of government Federation
Memberships BSEC, CBSS, CIS, CSCE, EBRD, ECE, IBRD, ICAO, ICFTU, IDA, ILO, IMF, IMO, IOM (observer status) ITU, NACC, PCA, UN, UNCTAD, UNESCO, UN Security Council, UNTAC, Trusteeship Council, UPU, WHO, WMO

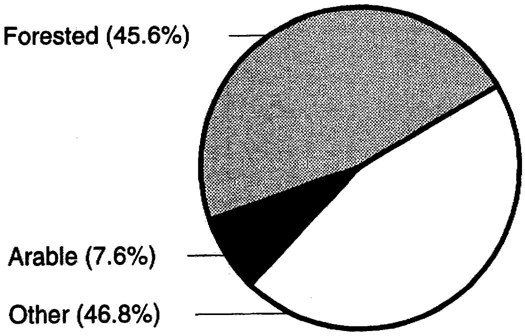
Population *1994*

147,370,000 persons

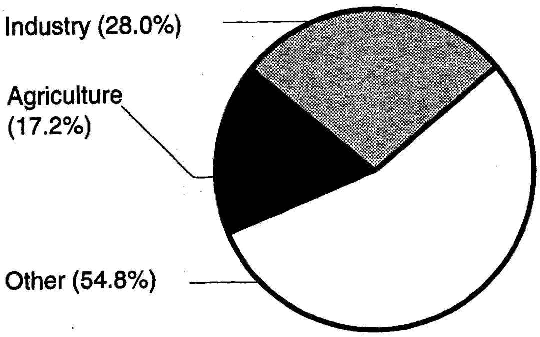


Land *1993*

1,707.54 mil. hectares (4 mil. ha irrigated)

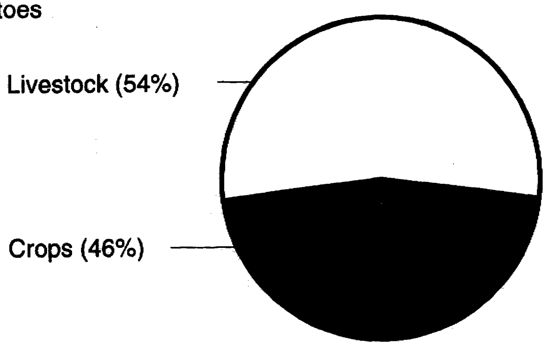


Gross Domestic Product *1993*



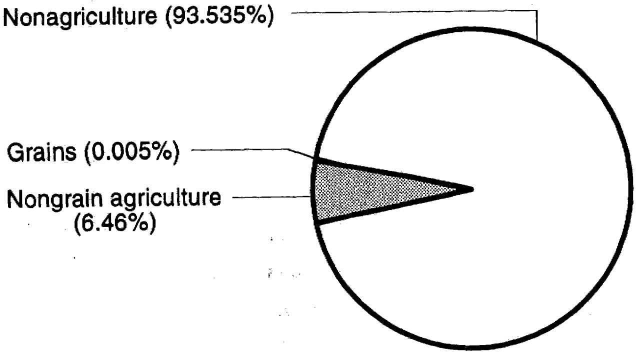
Agriculture *1993*

Major agricultural product: Grain, Sunflowerseed, and Potatoes



Exports *1993*

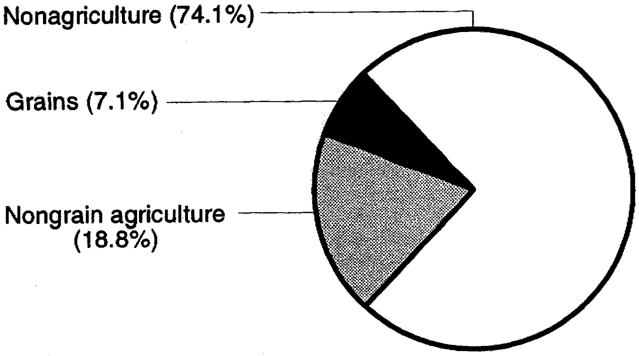
$34,887 million
Major agricultural export: Feedgrains and Sunflowerseed



Note: Not including intra-FSU trade.

Imports *1993*

$25,667 million



Food aid: 2,484,666 (cereals in grain equivalent).

reducing export taxes, regional export barriers are increasing.

Tariffs on imports have been rising. In July 1995, the Russian Government increased import tariffs for most agricultural goods to protect domestic producers from cheaper imports. The major tariff changes included increases from 20 percent to 25 percent for white sugar and poultry meat, from 15 to 20 percent for butter, and from 10 to 15 percent for fish. In addition to tariffs, imported goods are assessed a value-added tax (VAT), based on the customs value of the good plus any additional excise taxes. For non-luxury products, the standard VAT rate is 23 percent, and for luxury products, anywhere from 35 to 250 percent. Goods that are part of either humanitarian aid or technical assistance requested by the Government are exempt from the VAT. Furthermore, the Government approved a law that exempts foreign companies from paying the VAT for up to 5 years on goods they import for startup and manufacturing purposes. As of January 1, 1994, the Russian Government also eliminated state subsidies on imported food products, except for some special products such as baby and medical milk mixes, baby food concentrates, canned meat for children, and veterinary vaccines.

Price Policies. Russia's main reform measure has been price liberalization. In January 1992, prices for most producer and consumer goods were freed at the national level. In October 1993, President Yeltsin decontrolled prices on the last major food item—bread. The Federal Government no longer sells grain to state millers at a subsidized price, thereby eliminating indirect subsidies to consumers. The state went even further in November 1994 by liberalizing prices for all other goods except a few strategic items, including oil, natural gas, electricity, and rail transport. Although most Federal price controls have been eliminated, most regional-level price controls and subsidies continue, such as for bread.

Price liberalization also involves the reduction or elimination of producer and consumer subsidies, which were an integral part of the Soviet price system. Agricultural producers remain partially subsidized; whether all producer subsidies from the Federal Government will end soon is unclear. The 1995 budget allows for some subsidies, though at lower levels than in previous years. Some of these subsidies will probably go to livestock and grain producers for fertilizer and other agricultural inputs.

Marketing Policies. Major problems in Russian agriculture include weak market incentives, inefficient use of resources, and, consequently waste throughout the entire food economy. One of the main impediments to market reform is the state procurement and distribution system, especially the use of state procurement prices.

In 1993, the state procurement system was decentralized into Federal and regional procurement funds. Producers were no longer forced to sell to either the Federal or regional procurement agencies. Under the reorganization, the Federal funds would partially supply the large cities (mainly Moscow and St. Petersburg), the Far North, armed forces, and polluted areas, as well as provide for export. The regional procurement agencies are supposed to diminish the role of the Federal agency.

Not until the 1994 harvest were procurement prices freed to some extent. Both Federal and regional procurement agencies purchased grain at market transaction prices instead of state-set prices. However, for the 1995 harvest, the state has established minimum support prices for procurement, indexed to inflation on a quarterly basis. The state continues to be the largest buyer of marketed grain, but private marketing channels, such as commodity exchanges and private traders, are beginning to develop.

In the last 2 years, procurement of livestock and sunflowerseed output have significantly diminished. Producers of these commodities are marketing their goods through nascent alternative marketing channels. These include barter, private commodity exchanges, and collective farm markets, the last being the only non-state outlet during the Soviet period.

At the end of 1993, Russia privatized enterprises that buy, process, or store grain. The state will retain a controlling share of marketed grain for 3 years. Enterprises affected have been reorganized into joint-stock companies in which employees hold controlling shares. However, employees have little knowledge or means to exercise their rights as shareholders, remain fairly docile to enterprise management.

In December 1994, the Government attempted to break up monopolies in the storage and processing sectors. Ownership of processing enterprises is to be diversified, such that a firm's employees will own no more than 45 percent of its shares. Farmers, particularly those who provide output to a given enterprise, will receive the remaining shares.

Land Reform. An important part of Russia's market-oriented reform is privatization of agricultural land. Forms of non-state/collective landownership include private farms, private plots, gardens, orchards, livestock collectives, agricultural cooperatives, and state and collective farms re-registered as joint stock companies or associations of private farms. But, while many of the former collective and state farms have been officially reorganized, the old-style collective management and operational structures remain intact.

Since the first landownership legislation was passed in 1990, the right to buy and sell land in particular, and the creation of a land market in general, have been major issues of dispute between reform conservatives and liberals. However, after the conservative Parliament was dissolved in October 1993, President Yeltsin signed a decree which allowed the free sale and mortgaging of agricultural land. It allows farmers to leave their collectives and set up private farms without the consent of their fellow collective farmers. The decree, however, maintains some restrictions, including: (1) farmers are allowed to use hired labor only temporarily, which would essentially limit farms to small family businesses; (2) farmland can be used only for agricultural purposes; and (3) foreigners cannot buy land, although they may lease it for up to 99 years. Reformers had hoped the decree would improve farmers' incentives to work and use inputs more productively.

However, since the decree, private farm formation and land redistribution have been progressing slowly and private farms already created are facing many obstacles to efficient performance. Most existing private farms were started by collective farmworkers who left collectives. Many farms lack either sufficient land or adequate equipment to be viable. Virtually the only way private farmers can lease additional land or equipment is through their parent collective. The institutions and legal underpinnings of a land market are still seriously underdeveloped. For example, rather than being made available for sale to other prospective private farmers, insolvent farms are simply returned to their parent collective to be given to the next farmer who wants land. As of January 1995, there were about 280,000 private farms registered in the Russian Federation, comprising nearly 12 million hectares (5 percent of total agricultural land). The private farm share of total Russian agricultural production remains small.

Other obstacles to privatization remain. Conservatives in Parliament, led by the Agrarian Party, have been trying to establish a Land Code that would supersede the Presidential Decree. The Land Code would defend the collective farm system and also restrict the sale of land to foreigners.

Policy Evaluation. Often ruling by decree, President Yeltsin has initiated some major agricultural reforms. Most prices have been liberalized, trade barriers reduced, private marketing channels developed, and land reform begun. Price liberalization and the corresponding removal of most producer and consumer subsidies have led to a major contraction of the inefficient livestock sector. Production costs have risen, while higher retail prices have dampened consumer demand. For both reasons, animal inventories have fallen.

The contraction of livestock inventories and removal of import subsidies have substantially reduced imports of bulk commodities, such as grain and oilseeds. However, market reform has increased private sector trade and created an opportunity for previously unsatisfied consumer demand for higher value products to be met. Thus, imports of livestock products (poultry and dairy products), wine and beer, and snack food are rising.

References

Interfax News Agency. *Food and Agricultural Report.* Various issues.

Posterman, Roy, et al. (1994). *Russian Agrarian Reform: A Status Report from the Field.* Rural Development Institute, Seattle, WA.

U.S. Department of Agriculture, Economic Research Service (1994). *Former USSR: International Agriculture and Trade Report.*

U.S. Department of Agriculture, Economic Research Service (1994). *Former USSR Update: Agriculture and Trade Report.*

U.S. Department of Commerce, BISNIS (1994). *Commercial Overview of Russia.*

Tajikistan

The Tajik Government has been slow to implement free market reforms, including those directed at increasing the productivity of the country's agricultural sector. Regional specialization imposed by Soviet central planning fostered excessive dependence on the production and export of cotton and hindered economic diversification. In the years following the dissolution of the Soviet Union, agricultural output declined considerably. Cotton yields have been affected by civil war, floods, and the economic dislocation caused by the breakup of the Soviet Union. Production of cotton, Tajikistan's chief crop, fell below 500,000 tons in 1992, a substantial decline from an average of 900,000 tons per year from 1985 to 1991. In addition to cotton, livestock forms an important sector of Tajik agriculture. Tajikistan is climatically well suited to the production of fruits and vegetables, and produces significant quantities of these products well in excess of domestic demand.

Tajikistan's small economy is highly dependent on foreign trade. Approximately 80 to 90 percent of Tajikistan's exports and imports are with former Soviet republics, most notably Russia. Expansion of trade with non-FSU countries has been limited because of the lack of personnel and enterprises with trading experience and by the disruptions caused by civil war. Therefore, the Government has sought to maintain existing trading patterns, primarily through bilateral agreements. Tajikistan's principal agricultural exports are cotton, tobacco, grapes, wines, and other fruits and vegetables. Imports consist primarily of grain, sugar, and processed food products. The agricultural sector is also dependent on petroleum, fertilizer, and machinery imports.

Trade Policies. Foreign trade in Tajikistan continues to be regulated by the Government. Although in June of 1995, most restrictions on exports were reportedly lifted, cotton and aluminum, the country's main exports, remain under state control. The Government has also increasingly reinstated the national command system and relied on state procurement and centralized trading. This system, officially described as a transitional anti-crisis measure, has in effect pushed much trade to barter.

After a brief period of liberalization in 1992, state control of external trade was strengthened by a series of decrees enacted after June 1993, the first of which identified 37 key export commodities that were to be handled strictly by one of the designated contractors who held export licensing authority. After September 1993, these commodities, including Tajikistan's chief exports of cotton and aluminum, were subject to a 100-percent foreign currency surrender requirement that has reduced incentives to export. In accordance with an April 1994 regulation, these products were to be traded for imports of energy and grain and by only one of the three Government agencies that conduct foreign trade. The Ministry of Foreign and Economic Relations was given sole responsibility for export licensing at the beginning of 1994, further centralizing state control of external trade.

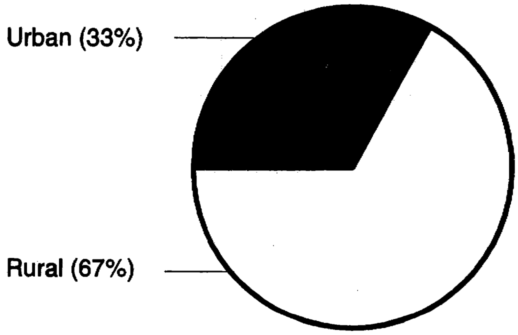
Price Policies. Until 1991, producer and consumer prices were relatively stable because price controls were still in place. Tajikistan initiated its first wave of price liberalization in April 1991 followed by a wider round of price increases in early 1992, when 80 percent of controls were eliminated. However, prices of a significant portion of consumer goods are still administered by the state. In an effort to reduce inflation, which averaged about 30 percent per month during 1993, the Government instituted tighter price controls on some products. Prices of industrial products and many agricultural products are now strictly controlled by branch ministries, and the prices of 17 basic consumer items are constrained through executive order. In February 1994, several agricultural products, including sugar, eggs, and vegetable oil, were made subject to price controls.

Tajikistan

Official name Republic of Tajikistan
Type of government Republic
Memberships CIS, CSCE, EBRD, ECO, NACC, UN, UNCTAD, WHO

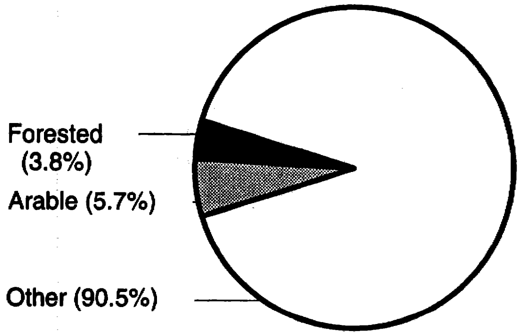
Population *1994*

5,933,000 persons

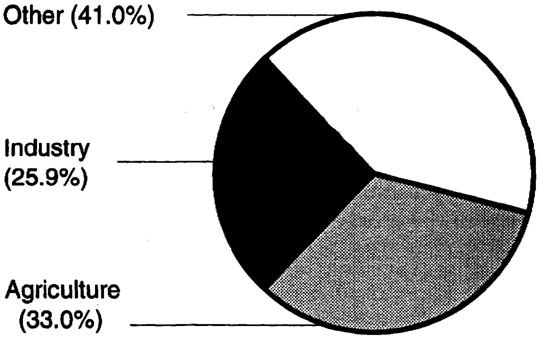


Land *1993*

14.31 mil. hectares (639,000 ha irrigated)

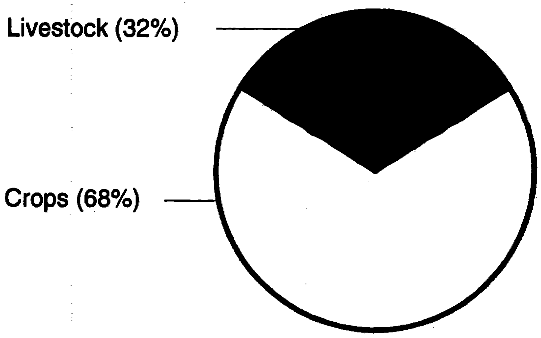


Gross Domestic Product *1993*



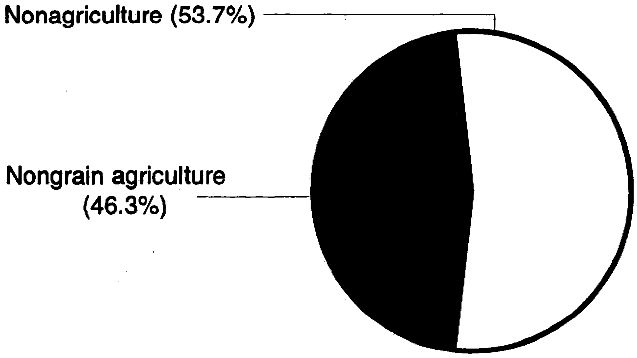
Agriculture *1991*

Major agricultural product: Cotton



Exports *1993*

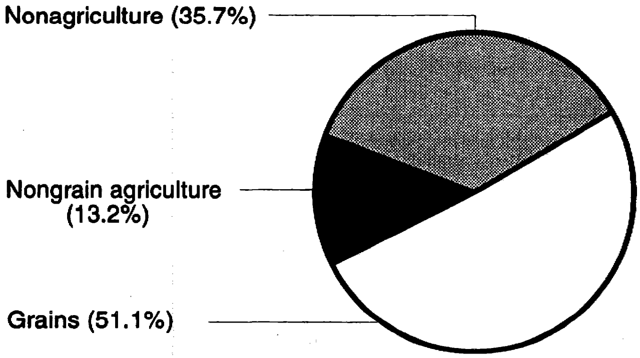
$122 million
Major agricultural exports: Cotton and Tobacco



Note: Not including intra-FSU trade.

Imports *1993*

$92 million



Food aid: 83,130 tons (cereals in grain equivalent)

Marketing Policies. Tajikistan has expressed its intentions to move to a market-oriented reform strategy. For now, the Government continues to enforce a system of state procurement in agriculture and industry. Distribution of agricultural inputs is under state control. This system has become more restrictive rather than reform oriented. State control over the distribution of cotton has been increasing in the form of procurement quotas for exports. The state continues to purchase cotton and other crops at a fraction of world market prices. Procurement prices for grains were raised in August 1993 and again in November of the same year to encourage farmers to sell their stocks to the state. The strengthening of the state order system appears to be an attempt by the Government to cope with adverse external circumstances, chiefly the erosion of the intra-FSU payment system.

Land Reform. Although privatization officially began in 1991, the Government is still in the process of establishing the legal basis for the development of a private sector. There has been little political support for privatization of agricultural land in Tajikistan. Land reform has been impeded by civil strife and Government attempts to maintain political stability. Progress toward the development of a privatized agricultural land base has been sluggish and has taken the form of ownership transfers to labor collectives. A Committee on State Property was established in August 1991 with the task of overseeing privatization efforts. It reportedly identified 840 enterprises to be privatized, but did little to ensure that progress toward privatization was actually being made.

In February 1993, President Rakhmonov issued a decree ordering the privatization of all unprofitable state farms. It was followed by a new land law in April 1993 whose provisions allow landholders to have lifetime possession of land, or to inherit it, and to lease it. It also provides for compensation in cases where land had been confiscated by the state. However, by October 1994, there were only 200 private farms in Tajikistan, occupying about 20,000 hectares (less than 1 percent of total agricultural land).

Policy Evaluation. The poorest and least economically developed of the FSU countries, Tajikistan is in the process of stabilizing its internal political and economic situation in the wake of a civil war fueled by clan and regional rivalries. Agricultural reform, therefore, has not been given high priority. Faced with difficult security and economic problems, Tajikistan relies heavily on close military, economic, and political ties to Russia. Economic reforms to date have been limited, especially those that would foster the development of a market-based agricultural sector. The Government has maintained tight control over the agricultural sector, primarily because of its vital role in the Tajik economy.

References

Interfax News Agency. *Food and Agricultural Report.* Various issues.

World Bank (1994). *Tajikistan Country Economic Memorandum.* Washington, DC.

Turkmenistan

Turkmenistan's agricultural sector is centered around cotton, to which nearly 50 percent of arable land is allotted. Turkmenistan also produces a variety of fruits and vegetables as well as grain, sugarbeets, and other crops. In accordance with a plan to meet its own food requirements, the Government has encouraged domestic grain and sugar beet production, and grain areas were reported to have more than tripled between 1990 and 1994. Turkmenistan is also well endowed with natural mineral resources, primarily natural gas and oil.

Turkmenistan's small economy is highly dependent on trade and is extremely sensitive to external shocks, notably the dissolution of the Soviet Union. However, due to its substantial reserves of natural gas and oil as well as large cotton production, Turkmenistan has been able to increase trade with countries outside the FSU. In 1994, its major non-FSU trading partners included Turkey, Iran, Italy, Germany, the United Kingdom, and the United States. The production of foodstuffs has suffered due to cotton monoculture, a result of Soviet planning that provided extensive free irrigation to cotton producers. Therefore, grain and grain products, meat, dairy products, sugar, and beverages are among Turkmenistan's leading imports.

Trade Policies. Turkmenistan has retained the system of centralized state trading typical of the Soviet era. The Ministry of Agriculture was the primary exporter of cotton from Turkmenistan until mid-1994. Although the Ministry continues to hold the monopoly on cotton exports, other enterprises can obtain licenses from the Presidential Commission for International Economic Affairs. All cotton sales must be registered with the state Commodity Exchange. Any sales made in foreign currencies are arranged through the Central Bank of Turkmenistan. Foreign exchange proceeds from exports of certain goods and services are subject to a tax in the currency of foreign exchange. This export tax ranges from 80 percent for natural gas receipts, to 10 to 30 percent for other commodities. There are no export subsidies. Turkmenistan has a complex system of import licensing that discriminates among commodities. Most of Turkmenistan's trade both with FSU and non-FSU countries is conducted by barter or clearing arrangement, rather than by cash.

Price and Marketing Policies. Turkmenistan began to liberalize prices in early 1992. Until then all price and quantity decisions were taken at the producer level through a system of state orders. In 1992, two major price increases were implemented, which covered a wide range of controlled prices and tariffs. Many controlled prices were again raised in February 1993 by 200 to 300 percent. The introduction of a new currency, the manat, in November 1993 was followed by additional price increases of meat, butter, and some dairy products.

Price reform in Turkmenistan, however, has been slow, and prices of many goods are either directly controlled by the state, or are subject to review based on markups over cost. The prices of most consumer goods, such as bread, flour, and dairy products, sold at state stores, are administratively set. The Turkmeni Government has maintained extensive subsidies for consumer goods in order to mitigate price differentials between wholesale prices and retail inflation. The continued subsidization of agricultural production constitutes a major budgetary cost. Agroprombank, Turkmenistan's largest agricultural lender, grants agricultural enterprises and collective farms loans and credit at rates lower than those charged to other enterprises.

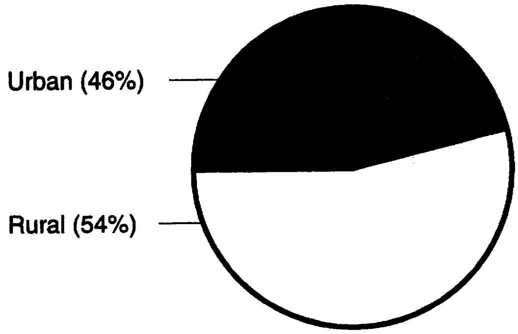
The state procurement system continues to remain in Turkmenistan for most agricultural commodities, with the Government setting procurement quotas and prices. A portion of each year's planned output must be sold to the state, another portion of the planned output is due to the state as payment for land use, and only output above the planned levels may be sold

Turkmenistan

Official name	Turkmenistan
Type of government	Republic
Memberships	ADB, CIS, CSCE, EBRD, ECO, GATT (observer status), IBRD, IMF,NACC, UN, UNCTAD

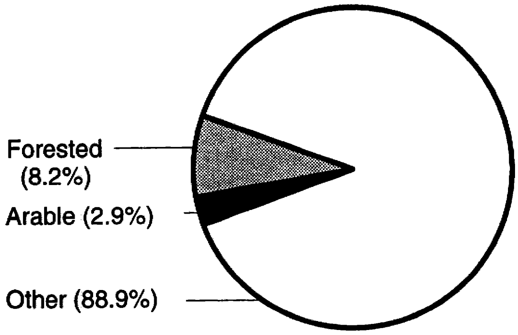
Population *1994*

4,010,000 persons

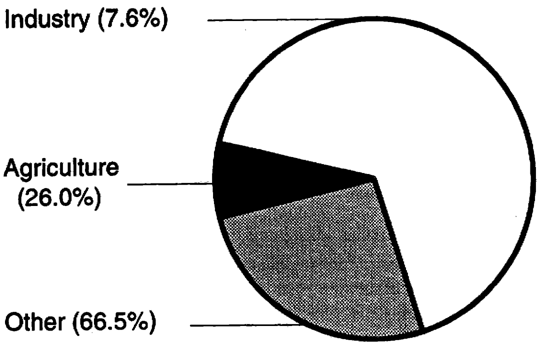


Land *1993*

48.81 mil. hectares (1.3 ha irrigated)

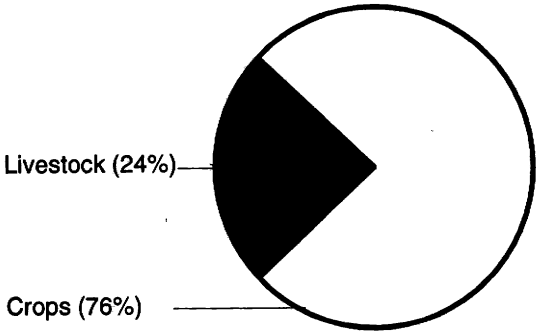


Gross Domestic Product *1993*



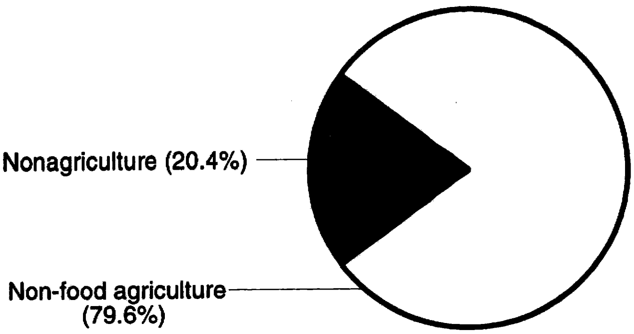
Agriculture *1992*

Major agricultural product: Cotton



Exports *1993*

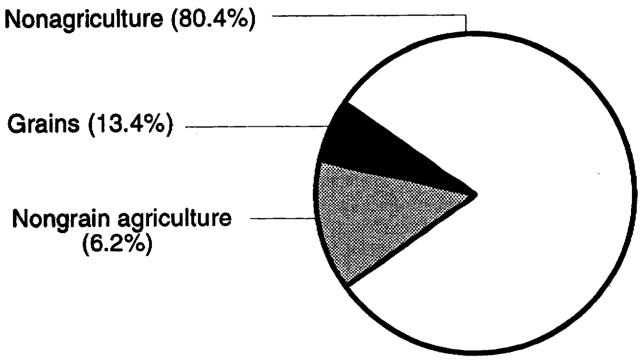
$210 million
Major agricultural export: Cotton



Note: Not including intra-FSU trade.

Imports *1993*

$209 million



Food aid: 45,720 tons (cereals in grain equivalent)

directly by the producer. Therefore, the state continues to control agricultural production and distribution.

Land Reform. Because Turkmenistan's economy is largely agricultural, land reform is an essential element in the transition to a free market. However, the Government has been slow to carry out meaningful land reforms.

In February 1993, President Niyazov signed a decree on privatization and land usage. Its purpose was to privatize small enterprises engaged in services, light industry, and agriculture, but the decree did not permit private ownership of land, water, or oil and gas industries. The decree allows Turkmeni citizens to obtain plots of up to 50 hectares to be used for farming and gardening. Land is given free of charge, allocated by local land commissions, but cannot be sold or transferred. Cooperatives and businesses can lease plots of up to 5,000 hectares, but they must sign a contract explicitly specifying how the land is to be used, including what crops will be raised. As of January 1994, Turkmenistan had only 300 private farms, occupying less than 3,000 hectares.

A resolution in early 1994 provided the legal framework for collective farms to reorganize into a group of peasant farm associations, joint-stock companies, and partnerships. Collective farms remain free to decide what form of ownership their farms will take; and land can be leased for unlimited periods of time, provided it is designated for agricultural purposes.

Policy Evaluation. The demise of the Soviet Union and subsequent erosion of traditional economic ties has had negative consequences for Turkmenistan's agricultural sector. High inflation, the breakdown of the FSU trading system, and rising input prices have contributed to a substantial decline in agricultural production in recent years. The Government has been reluctant to relinquish control of the economy, particularly of agriculture, and has been slow to implement reform. While the Government has taken steps to reduce the country's dependence on food imports, little has been done to reform the agricultural sector. Production of cotton and other key crops is still controlled by state orders that set prices and production quotas. State and collective farms continue to dominate agricultural production. Privatization has been hampered by the absence of an institutional and legal framework for private ownership. In light of current economic inefficiencies and the Government's failure to implement meaningful reform, it is not likely that a successful adjustment toward a market economy will be made by Turkmenistan in the next few years.

References

International Monetary Fund (1993). *Trade Policy Reform in the Countries of the Former Soviet Union.* Washington, DC.

Organization for Economic Cooperation and Development (1994). *Agricultural Policy and Trade Developments in the Central Asian Republics of The Former Soviet Union.* Paris.

U.S. Department of State (1994). *Agricultural Privatization In Turkmenistan: Slow Going in the First Year.*

World Bank (1994). *Turkmenistan Country Economic Memorandum.* Washington, DC.

Ukraine

Reform of agriculture is crucial for successful overall economic reform in the Ukraine. About 70 percent of the nation's land is devoted to agriculture and, relative to other FSU countries, crop yields are high. Ukraine is one of the world's largest producers of sugarbeets, and the biggest FSU corn producer. Among FSU countries, Ukraine is second only to Russia in output of wheat, sunflowerseed, and potatoes.

Within the former Soviet Union, Ukraine was a net exporter of agricultural output and importer of agricultural inputs. Ukraine's main agricultural exports include sugar, oilseeds, meat products, eggs, and vegetables. It is a large importer of agricultural inputs, such as fertilizer, pesticides, machinery, and fuel for processing and transportation. Prior to the Soviet Union's dissolution, Russia was Ukraine's main agricultural trading partner. Recently though, Ukraine has increased trade with non-FSU countries, particularly those within the European Union (EU) and Eastern Europe. The breakup of the Soviet Union in 1991 caused a decline in Ukraine's agricultural exports, thus reducing its ability to import agricultural inputs.

The disruption of inter-republic trade in both output and inputs had adverse effects on the Ukrainian economy. A delay in pursuing serious economic reform worsened the situation. Since independence, Ukraine has suffered from both hyperinflation and a steep production drop in almost every sector of the economy. However, in August 1994, the newly elected President, Leonid Kuchma, publicly announced his commitment to major economic reform, and has since begun to restructure and privatize agriculture.

Trade Policies. Since 1994, Ukraine has begun to simplify and reduce its complex trade regulations. All enterprises engaging in foreign trade still must register with the Ministry of Foreign Economic Relations. Previously, exporters were required to sell the state half their hard currency earnings. Under new legislation, only 30 percent must be sold at the rate set by the Interbank Currency Exchange. The state uses the foreign exchange to cover key imports and debt service. The Government has also eliminated quotas and licenses for all agricultural exports, except grain.

Restrictions on imports have also been liberalized. Except for agro-chemicals, licenses have been eliminated for all agricultural inputs and output. However, new value-added taxes (of 20 percent) are being levied on all imports from non-FSU countries.

Ukraine has free trade agreements with Russia and Belarus, and has received Most Favored Nation (MFN) status from the United States. In March 1994, Ukraine signed the Bilateral Investment Treaty with the United States to protect mutual investments by guaranteeing the right of third-party arbitration in trade disputes and the free transfer of capital. In addition, the United States granted Ukraine non-reciprocal tariff preference, thereby exempting from U.S. import duties 4,400 semi-finished and agricultural goods. Ukraine is also working to expand trade with the EU. It was the first CIS country to sign the Agreement on Partnership and Cooperation, thus obtaining MFN status and greater opportunities for trade and investment from the EU.

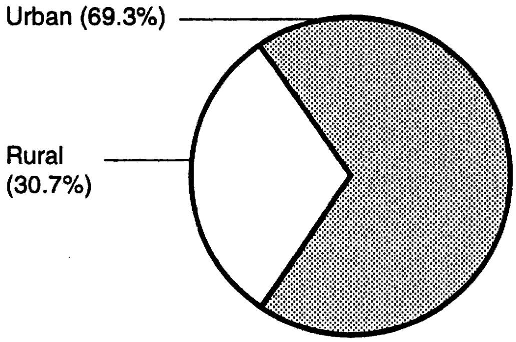
Marketing and Price Policies. In the period following independence, there was only limited price reform. The state stopped setting agricultural output targets and prices, but continued to control wages and prices for most public services and essential foods. The Government also introduced an interim currency, the "karbovanets" or "coupon," to replace the ruble. However, in the absence of a monetary stabilization policy, high inflation resulted. It was not until fall 1994, under the impetus of President Kuchma, that significant attempts were made to stabilize the currency and liberalize

Ukraine

Official name Ukraine
Type of government Republic
Memberships CIS, EBRD, IMF NACC, UN, WHO

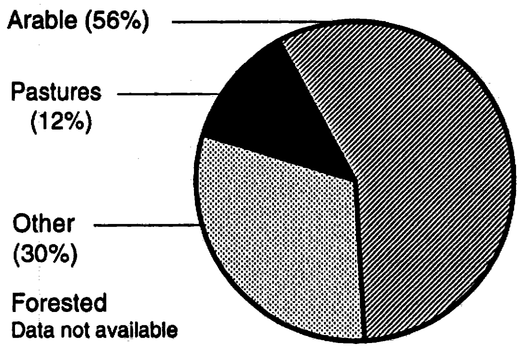
Population *1993*

9,888,000 persons



Land *1992*

60.37 million ha (2.6 mil ha irrigated)



Gross Domestic Product

Services

Industry

Agriculture

Data not available

Agriculture *1991*

Major agricultural products:

Livestock

Non-food

Grains

Other

Data not available

Exports *1993*

Major agricultural export:

Nonagriculture

Nonfood agriculture

Other food

Grains

Livestock

Data not available

Note: Not including intra-FSU trade.

Imports *1993*

Nonagriculture

Non-food agriculture

Other food

Grains

Livestock

Data not available

prices. In December 1994, the Government unified the various karbovanets exchange rates in accordance with those established by the National Bank. The bank's exchange rate is determined by foreign currency auctions conducted at the Currency Exchange. The unification of exchange rates is intended to simplify convertibility, and encourage foreign trade and investment.

Kuchma also initiated a gradual price liberalization. For most goods, including bread, meat, milk, transportation, electricity, and coal, price controls were eliminated. However, price controls remain for certain raw materials and agricultural inputs.

Despite Ukraine's reform progress, state procurement contracts remain the foundation of agricultural marketing and distribution. Kuchma has pledged to reduce the role of procurement contracts, and eventually eliminate them. On January 20, 1995, he signed a decree that allows farmers to sell their output through commodity exchanges, trading houses, and brokerage agencies, in addition to the state. However, to date, only small quantities of commodities have been traded through the exchanges.

Land Reform. Although private farms continue to increase in number (about 32,000 in January 1995), they still account for only a small percentage of farmland and output. In 1994, they produced 10 percent of the country's grain harvest, and their average size was only 22 hectares. In the November 1994 decree, "Urgent Measures to Accelerate Land Reform," President Kuchma emphasized that a strong effort will be made to privatize agricultural land and put it in the hands of those who work it.

The November decree gave each farmer in a collective farm ownership rights for land he specifically works. Shares could be sold, bartered, mortgaged, or given to relatives. Farmers cannot hold shares for more than 50 hectares. To consolidate land holdings and resources and improve efficiency, farmers can form joint stock companies, cooperatives, associations, and unions.

Nonetheless, strong disincentives to private farming remain, such as uncertainty concerning future land legislation, deficient infrastructure, lack of credit, and lack of markets for buying inputs and selling output. Private farms typically must rely on a nearby state or collective farm to obtain inputs and to sell output.

Policy Evaluation. Ukraine has the potential to be a major agricultural nation. Endowed with a temperate climate and much of the world's highly fertile "chernozem" black soil, Ukraine contributed nearly a quarter of the Soviet food supply before the USSR's breakup. As in all the FSU countries, the livestock sector has been contracting, mainly because of the reform-induced drop in consumers' real income. However, the deterioration of intra-FSU trade, coupled with a weak and inconsistent program of economic reform and restructuring, contributes to the decline in agricultural output.

Strongly oriented toward large-scale, centrally managed agricultural production and distribution, Ukraine was slow to implement market reforms and land and enterprise privatization. In August 1994, the approach toward reform changed dramatically. In response to the hardships caused by trade disruption, hyperinflation, a growing budget deficit, and foreign exchange shortages, Kuchma promised to pursue radical economic reform. This involves freeing prices, stabilizing the monetary system, and facilitating the privatization of land. Although reforms have begun, conservative forces in Parliament strongly contest Kuchma's reform program.

References

Interfax News Agency. *Food and Agricultural Report.* Various issues.

U.S. Department of Commerce, BISNIS (1995). *Commercial Overview: Ukraine.*

Uzbekistan

The great importance of agriculture to the Uzbek economy is illustrated by the links between its agricultural and industrial systems and its cotton industry. Uzbekistan is the world's fifth largest producer of cotton. Cotton remains its leading agricultural product, accounting for about 40 percent of agricultural production and employing 30 percent of the total labor force. As Uzbekistan's largest source of hard currency, cotton is likely to continue to be its most important commodity even though the quality of Uzbek cotton is below that of most other cotton-producing countries. Since the early 1990's, Uzbek cotton production has been declining steadily mainly due to reductions in sown area. The Uzbek Government has switched some of the land used for cotton cultivation to grain production to reduce the country's dependence on grain imports. Production of wheat, barley, sugarbeets, and fodder is expanding. But, Uzbekistan's salinated soil and lack of water will make the development of these new crops difficult. Uzbekistan is still a net importer of grain as well as of meat, sugar, eggs, and milk.

Uzbekistan's major trading partners include China, Switzerland, Belgium, and the United Kingdom, with cotton fiber accounting for more than 80 percent of agricultural exports. Other major exports include agricultural equipment, textiles, natural gas, non-ferrous metals, silk, and fruits and vegetables. Among its major imports are oil and petroleum products, consumer durables, sugar, grain, milk, eggs, and meat.

Trade Policies. External trade remains largely under state control through a system of import and export licensing. As intra-FSU trade continues to deteriorate, Uzbekistan diverts its exports to Western and Asian nations in exchange for hard currency or through barter agreements for commodities such as grain. In January 1994, Uzbekistan entered into a bilateral trade agreement with the United States; this agreement grants Uzbekistan MFN status, and establishes nondiscriminatory trade practices between the two countries.

Major Uzbek exports are subject to restrictions, although the number of commodities that face export restrictions and licensing requirements has been reduced. Export licenses are required for cotton, silk, mineral fertilizers, gold, and copper. Export earnings from extra-FSU trade are subject to a 35-percent tax, payable in foreign currency. High export taxes have been accompanied by an increase in barter trade, which, during the first half of 1992, constituted over 50 percent of total trade, according to some estimates. Export licenses are required for extra-FSU exports for goods such as cotton and mineral products that are considered strategically important. Uzbekistan's import policies are less restrictive.

Price Policies. Although a wide range of prices were freed in 1992, Uzbekistan has avoided sweeping price reform. The Government continues to ration and control the prices of basic foodstuffs. Prices of equipment, fertilizers, fuels, and other agricultural inputs have increased significantly. In addition, the Government maintains food and input subsidies and grants low-cost credits for public enterprises. At the end of 1994, Uzbekistan eliminated the rationing of all food except sugar, vegetable oil, and flour. Rationing for these goods was supposed to end sometime in 1995, but some rationing was reimposed in February 1995. The retail prices for rationed goods and bread are being determined by the full cost of supply. Any surplus may be sold at market price. Energy prices are also being set in accordance with the cost of supply. Profit margin regulations supposedly ended on December 31, 1994, for all goods except those produced by monopolies.

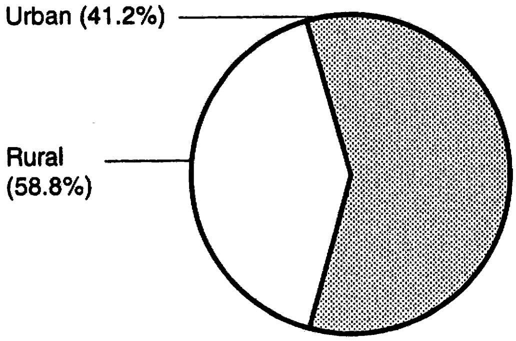
Subsidies have also been reduced. Explicit subsidies remain only for utilities, such as central heat and hot water. In addition to price reform, Uzbekistan has instituted significant currency reforms. On July 1, 1994, Uzbekistan introduced the "sum" as its national currency. Its exchange

Uzbekistan

Official name	Republic of Uzbekistan
Type of government	Republic
Memberships	CIS, EBRD, IMF NACC, UN, WHO

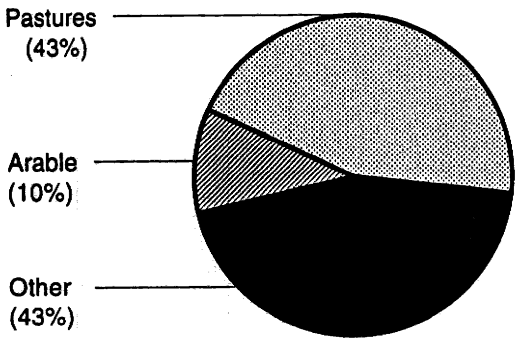
Population *1994*

22,349,000 persons

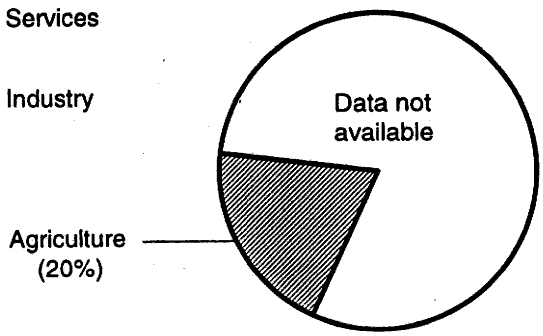


Land *1993*

42.54 mil. hectares (4.155 mil ha irrigated)

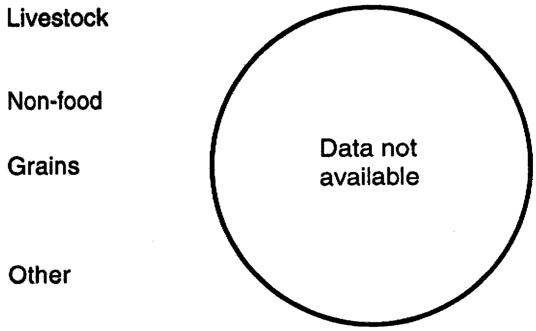


Gross Domestic Product



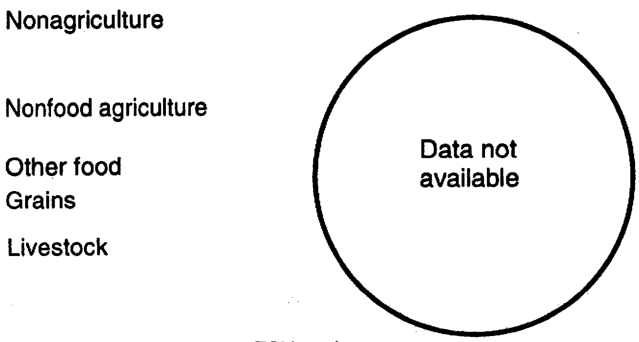
Agriculture *1991*

Major agricultural products:



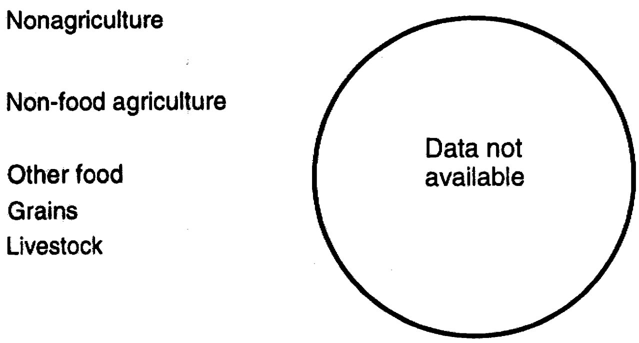
Exports *1993*

Major agricultural export:



Note: Not including intra-FSU trade.

Imports *1993*



rate is based as the official exchange rate registered at currency auctions conducted by the Republican Currency Exchange.

Marketing Policies. The Government has implemented initial steps to abolish the state procurement system. State procurement orders are no longer in effect for most agricultural goods, except for a few "strategic" commodities, such as cotton and grain, and those are gradually being reduced. In early 1995, cotton production was subject to a state procurement quota of about 60 percent compared with 80 percent in 1993 and 100 percent in 1992. Grain procurements were also reduced to 50 percent in early 1995. State procurement prices are determined according to the profitability of the enterprise and budget constraints. The procurement prices for cotton have increased significantly, although they remain below the world market level.

Land Reform. Although Uzbekistan has introduced privatization legislation, land reform has moved slowly. According to the legislation, farmers can lease agricultural land but the state retains the ownership. In November 1994, the Uzbek President signed a decree which also gave farmers the right to work their land for life and then to bequeath it to whomever they choose. In addition, the decree entitled farmers to credits repayable in installments over 5 years. Attempts at more radical land reform have met with considerable opposition. As of January 1995, there were 14,200 private farms covering an area of about 200,000 hectares, less than 1 percent of cultivated land.

Policy Evaluation. The Republic of Uzbekistan has tried to spare the population from the negative consequences of "shock therapy," insisting instead upon gradual formation of a market economy. Because of this, privatization was initiated later than in other former Soviet republics and reform has been slow and erratic. Uzbekistan has an abundance of natural resources, especially natural gas and gold reserves, and it has the advantage of socio-political stability. However, the country is still faced with undertaking economic reforms in chaotic conditions caused by the collapse of the Soviet Union and the disruption of traditional economic ties. Since independence, the Government has moved slowly and gradually toward a market economy while retaining many elements of a command economy. Some steps have been taken in the areas of price liberalization, privatization, and private property reform, but progress on structural reforms has been modest.

The recent increase in the procurement prices for cotton and the reduction of state procurement quotas provides incentives for farmers to increase productivity and reduce waste. Further liberalization in the procurement system will lead to more efficiency and higher productivity in the future. However, the Government's attempts to divert land from cotton to grain cultivation, to realize the political objective of reducing Uzbekistan's dependence on imported grain, may not be economically sound especially due to high world prices for cotton. Grain production in Uzbekistan is very costly because it requires extensive use of irrigated soils, which have contributed to growing environmental problems. Although the Government seeks to diversify Uzbek agriculture for strategic concerns, cotton will likely remain Uzbekistan's most important crop.

References

U.S. Department of Agriculture, Economic Research Service (1994). *International Agriculture and Trade Report: Former USSR.*

The World Bank (1992). "The Main Direction of the Economic Reforms in the Republic of Uzbekistan," *Document for Consultative Group Meeting for Uzbekistan.* Paris.

The World Bank (1992). "Uzbekistan-Assessment of Economic and Sector Issues," *Report to the Pre-Consultative Group Meeting for Uzbekistan.* Paris.

United States Department of Agriculture
Economic Research Service
1301 New York Avenue, NW
Washington, DC 20005-4788