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CENTRAL AND EASTERN EUROPE AGRICULTURE IN TRANSITION

1

Reorienting the cooperative structure in selected Eastern European countries

Summary of case-studies



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OVERVIEW

In the transition from centrally planned to market-oriented economies, Poland, Hungary, Yugoslavia and East Germany today are experiencing radical systemic transformations in all economic sectors. Within the agricultural sector, despite important differences from country to country, they face a host of common problems and opportunities. The future of agricultural cooperatives in this region might fairly be classed as both problem and opportunity.

As a contribution to the complex and difficult restructuring process now underway, FAO commissioned four national experts to prepare case studies on the reorienting of agricultural cooperatives in Poland, Hungary, East Germany and Yugoslavia. Summaries of these studies begin on page 7.

Until just a few years ago, the entire agrarian structure of these and other neighbouring states was organized and oriented in accordance with one overarching purpose - to meet the planning objectives of the government or of the Communist Party. Agriculture was marshalled to support food self-sufficiency, rapid industrialization and trade arrangements not only within the COMECON trade network but also with the EEC. These aims, and an ideology that viewed the farmer as the equivalent of a factory worker, favoured large-scale farming, and sought to reproduce this ideal in settings where small-scale peasant farms had been the norm, along with a smaller number of large agricultural estates. In most cases centrally controlled agrarian structures were imposed - either through the forced takeover and transformation of individual holdings or through the wholesale importation of organizational models from the Soviet Union.

The new production structures had a number of often similar-sounding names, and each country had its own variations. State farms, modeled after the Soviet *sovkhos*, were straightforward state-owned farming enterprises whose workers were simple wage-earners. Collective farms (also called "cooperative farms" or "production cooperatives") were based on the Soviet *kolkhoz* model. They were created by pooling the land of peasant farmers to gain efficiency and economies of scale. In theory, each member farmer had a voice in the collective farm's decision-making process through his vote in the cooperative's general assembly. In some cases, peasants actually retained title to the land they "contributed" to the collective. In practice, however, cooperative or collective farms were managed by a class of leaders whose decisions reflected the planning objectives and strategies of the central government or of the Party.

The "collectivization" of agriculture by the socialist governments had varying degrees of success. In Hungary and East Germany, collective farms ultimately embraced most of the agricultural land. In Poland and Yugoslavia, in contrast, peasant farming remained the dominant form of production.

In Yugoslavia, while most production was carried out on small private farms, in many regions of the country self-managed, multi-commodity *kombinats* handled input supply, services, processing and even retail marketing. In other areas, farmers relied on local cooperatives to provide inputs and services and to purchase their produce. In Hungary, the collective farms not only produced crops and livestock, but also supplied inputs and handled processing, marketing and distribution. Service cooperatives in East Germany and Poland, operated or influenced by the state or Party, handled input and equipment supply, credit, processing, marketing and distribution. Although these various structures bore a superficial resemblance to true cooperatives, they were closer to parastatal bodies. Managers were appointed or nominated by government or by the Party, and members' needs and wishes were at best secondary.

Over time, the cooperatives and *kombinats* grew overly large. In order to prevent open unemployment, these institutions were obligated to not dismiss anyone, although a reduction of staff would have been a logical precondition for achieving economies of scale. This rule of guaranteed jobs for all resulted in expensive over-staffing at all levels. At the end of the 1980s the collapse of the COMECON trading arrangement and the loss of the Soviet market (added to the gradual loss of the West European market) threw agriculture in Eastern Europe into a crisis. Popular uprisings in Poland, East Germany, Hungary and subsequently other socialist countries led to radical changes of government. The new governments eliminated subsidies and price supports, forcing the sector to operate under market conditions. Today, as all sectors of the economy undergo change, East European consumers have little money to spend and demand for agricultural products is low and declining. Agricultural products from Eastern Europe now have to compete for their markets with high-quality products from the west, often produced more efficiently and at a lower cost, usually, however, with generous state subsidies.

The task of restructuring agriculture - from input supply to production, from processing to marketing and distribution - is a complex one. It calls for a careful approach which is sensitive not only to the new market conditions but also to the needs and rights of farmers, absentee land-owners, former land-owners, and rural populations. As demand for agricultural products remains low, production will have to be reduced. In some cases, food security may be threatened during the transition period. A more likely danger, however, is large-scale rural unemployment.

What will be the effects of change on rural cooperatives in each of these countries? If state farms and production cooperatives are privatized, how will the land be allotted, and to whom? Exposed for the first time to market conditions, can small-scale farmers become competitive? How could the resurgence of a genuine, grassroots cooperative movement help small farmers through the difficult times ahead?

As the reader of these studies will quickly grasp, the transition to private enterprise in the agricultural sector of all four countries is only in its initial phases, with governments, farmers and potential entrepreneurs still uncertain as to the best course of action. Policy and legislative work is far from complete, and in Germany and Hungary, much will depend on the implementation of decisions regarding property rights. Will land revert to the dispossessed former owners? What about absentee owners or those who have since died? Isn't something due, as well, to those workers who contributed many years of hard work to the farms? How will farm machinery, buildings, and processing equipment be divided? If the parastatal service and marketing structures are dissolved, what will link farmers to their markets? How will they obtain the inputs and services they need?

Hungary's Unified Cooperative Law and Germany's Agricultural Adjustment Law have already accomplished much in the settling of property issues. The new law in Hungary provides for the transformation of production cooperatives into either true cooperatives, or limited shareholding companies, or individual private farms. To make the transformation possible, property will be distributed to the members and workers in production cooperatives and state farms, according to the land they originally contributed and the years they worked. Similar legislation in Germany is now being implemented. In Poland and Yugoslavia, where farm property and production were never completely collectivized, the problem is different. In these countries, policy will have to address the privatization of the entire agricultural service structure - from input supply to processing, marketing and distribution. In all four countries, there will be a need for small farmers to cooperate in order to become competitive.

In the present transition phase, a great deal of emphasis has been placed on the settlement of property rights. Yet, the privatization of land by itself will not be sufficient to create a dynamic and profitable agricultural sector. As small-scale farms confront harsh market conditions, how will they arrange to buy fertilizers and seeds, gain access to machinery, process their produce, find markets? In the past, all these functions were carried out by institutions which are now in varying states of dissolution.

The transition years, while a full-fledged private sector is still developing, represent an opportunity for farmers to build true cooperative networks oriented toward meeting their needs. It is only a matter of time before traders, wholesalers and other middle-men appear on the scene, ready and willing to provide the same services at higher prices. Already in a weak position for competing with Western European farmers who are generously assisted through subsidies and price supports, small-scale farmers in the East need whatever advantages they can get to increase their efficiency and reduce production costs. Cooperation can offer such advantages.

A number of initiatives - on the part of the World Bank, the European Economic Community, and others - are attempting to facilitate the growth of true cooperatives in the East. The cooperative movements in Western Europe and North America have begun to make contact with cooperatives in Eastern Europe, in hopes of assisting in their renaissance.

In FAO's view, *ad hoc* assistance to cooperatives will have little lasting effect if it is not incorporated into an overall systems approach. The three main aspects of such assistance would be: 1) the transformation of state-controlled cooperatives to member-directed bodies; 2) enhancing the viability of existing genuine cooperatives - through strategies for integration, diversification and increased services for members; and 3) the initiation of member-oriented primary cooperatives.

Farmers themselves, with some assistance and education in the principles and benefits of democratic cooperation, can group themselves to create primary-level cooperatives. These basic cells of the cooperative network are based on voluntary membership, and are financed, managed and controlled by members. In many cases it is a matter of transforming existing institutions; in others there is a need for farmers to create new cooperatives to meet their needs.

Next, primary-level cooperatives need to be part of a larger apex and service structure. Through integration in this broader network, cooperatives can increase their strength, efficiency, credit-worthiness, and ability to pay for professional management. In the Eastern European countries it may be feasible to utilize the existing institutional network, transforming it on a step-by-step basis into a truly member-oriented system whose main function is to provide maximum benefits to the membership and to respond to market signals. It is FAO's experience that such a transformation cannot take place overnight, but requires a continuing dialogue between the cooperative network and the assisting agency or organization. The development or strengthening of an extension programme can be instrumental in this process.

Newly established and transformed cooperatives will require assistance to become economically viable. Viability is enhanced with strategies for diversification - a broadening of the cooperative's objectives, introduction of new services for members, and the search for new markets for members' produce. Diversification also reduces the cooperative's dependence on any single activity for profitability. In the long run, viability matters will become the permanent concern of cooperative management.

Well trained and well-paid professional management is a crucial element of FAO's approach to the promotion of cooperatives. Acting on behalf of the member cooperatives who pay him, the manager's permanent assignment is to seek new ways to enhance the incomes and level of services to the cooperative membership. Often it is only through combining its resources with other primary-level cooperatives that a small agricultural cooperative can afford the services of such a manager.

Another important element of FAO's approach is training. In the promotion of a cooperative movement, the need for assistance in education and training is evident at all levels - government, management and membership. Even governments which are favourably disposed to the growth of a strong member-oriented cooperative network may need guidance in creating a conducive legal and economic environment for cooperative development. At the level of cooperative management, intensive vocational training is required to adequately prepare individuals for this difficult role. While many agricultural managers in Eastern Europe possess a high level of technical skills, they are used to thinking in terms of "commanding employees" rather than "serving the members" of the cooperative. Furthermore, until recently their goals have always been to maximize production rather than to increase economic efficiency. These individuals represent an important human resource for the transformation of agriculture. However, a process of fundamental re-education will be required before they can contribute to that transformation. As all of the case study authors indicate, training is also needed in areas such as business management, accounting, entrepreneurial skills, marketing and personnel management.

In the formulation of policies and strategies for the promotion of cooperatives, it is important not to lose sight of the farmer. The farmer is the very building block of any cooperative system, and the very *reason* that the task is undertaken at all. During the course of any work on the reorientation of cooperatives in Eastern Europe, one important question should be borne in mind: what do the farmers and farm workers want?

Despite the shortcomings of those agricultural production and service systems now in dissolution, they did provide a significant level of security and comfort for the worker. Salaries may have been low, but housing, education, child care, medical care and other goods and services were available at very low cost or for free. Vacations, sick leave, old-age pensions and other social benefits were provided for. The question today is: what are the forces that will prompt an individual to take the risks involved in private farming? To a large extent, of course, economic forces will push him. But where is the carrot on which he can fix his sights, the potential benefits of private enterprise that will motivate him? Are the benefits real or imaginary? And if they are real, does the average farmer have an adequate understanding of what he must do in order to obtain them? More than one of the case study authors underlines the need to present farmers with the facts about genuine cooperation. Most farmers with experience in cooperatives from the pre-World War II period have died. Today's farmers often are unaware of the benefits that can be obtained from membership in a true cooperative. Many continue to associate the cooperative movement with the previous political and economic regimes - with centralized state control or with the liquidation of private property.

These are some of the issues which have arisen in the case study countries as their agricultural sectors attempt to make the shift to the market-oriented economy. To generalize further would be impossible, since the structural, legal, economic and historic framework in each country is unique. It is hoped that these studies will stimulate discussion, and encourage fruitful dialogue at local and national levels within the region, as well as in the international community.

CASE STUDY ON POLAND

by **Tadeusz Hunek**

Introduction

Like the rest of the economy, Poland's agricultural sector now is undergoing the radical changes inherent in the shift from a centrally planned to a market economy. How will cooperative forms of organization, so important to the agricultural sector in the past, fare in the transition? What role will the cooperative sector play as agriculture is exposed to market realities and farmers look for alternatives? These questions are considered against a background and history of the cooperative movement which are summarized here.

Poland has a large and deeply rooted private farm sector. Private farms comprise over 76 percent of the cultivated area, state farms 20 percent, and collective farms account for the remaining 4 percent. Polish farmers are characterized as "survivors" - resilient and resourceful. Rural areas have a reasonably good infrastructure in terms of roads and electricity, but only 29 percent of rural villages have running water and only eight percent have telephone service. Farms are rather well equipped with machinery and yet have a low level of debt, thus limiting the need for costly future investments. Poland is geographically well situated for trade, and has a convertible currency. The agricultural sector possesses a good technical knowledge base and has high veterinary standards.

About one third of the nation's human resources are engaged in agriculture, 40 percent if agriculture-related industries are included in the calculation. Sixty percent of the country's total land area is arable (18.7 million ha.), for a ratio of 0.5 ha. of arable land per person. Polish agriculture is characterized by a relatively low use of chemical fertilizers and pesticides, and yields are lower than those in France, West Germany, or even Hungary or Czechoslovakia. However, the country as a whole is nearly food self-sufficient.

History

The cooperative movement can be traced back to the 19th century in Poland, with a period of dynamic development from 1918 to 1939. In 1945, the cooperative sector was placed under the control of the socialist regime. The state regarded the cooperative form of property as inferior to state ownership, and the eventual replacement of private property with state ownership was an acknowledged goal of the regime.

The socialist regime also violated the abiding principles of cooperatives in a number of ways. The imperative of meeting central planning objectives effectively eliminated the right of cooperatives to make their own decisions. Instead of satisfying the needs of their members and supporting their farms, the cooperatives were compelled to fulfil the needs of the whole country. Candidates for election to posts within the cooperatives were designated by the state. The principle of self-financing was lost, and cooperatives became increasingly dependent on external capital. Further, because of the monopolistic nature of the services provided by cooperatives, there was strong pressure on farmers to join.

Despite more than four decades of communist rule, and the accompanying drive for collectivization and centralization, the agricultural sector in Poland preserved private ownership and a market orientation to a greater degree than in other East European countries. While most of the population became involved in cooperatives of one type or another, small-scale private farming persisted, and agricultural production cooperatives (collective farms) never enveloped a great portion of the country's agricultural land. Polish agriculture today continues to be dominated by small, subsistence-oriented farms (see Tables 1 and 2).

While the collectivization drive in Poland did not succeed in reaching its objectives, it brought striking changes to the agricultural sector. The period 1945-1985 saw a significant development of the cooperative sector, particularly in terms of membership. Cooperatives assumed a monopoly/monopsony role in the provision of inputs, purchase and processing of agricultural products, deposit and credit activities in rural areas, provision of marketing and other services, and housing. They also played a major role in training and education, in organizing cultural and sporting events in local communities, and in creating new jobs and rehabilitation for the disabled.

Table 1: POLISH AGRARIAN STRUCTURE (1988)

	Area harvested		Labour resources		Value of assets	
	1000 ha	%	x1000	%	Bill. zloty	%
Total agriculture	18.742	100	4566	100	6498	100.0
Private farms	14.295	76.3	3745	81.8	4801	73.9
State-owned farms	3.521	19.7	501	11.0	1377	21.2
Collective farms	701	3.7	186	4.1	307	4.7
Agricultural circles	59	0.3	142	3.1	13	0.2

Source: Non-nationalized agriculture in the food economy, Main Statistical Office, 1989.

Table 2: AGRARIAN STRUCTURE OF PRIVATE FARMS IN POLAND (1986)

Size (ha.)	Number of farms (x 1000)	Percent of total	Area harvested (mill. ha)	Percent of total	Average size (ha.)
1 -5	1.108	48.7	2.7	19.9	2.4
5 - 10	692	30.4	4.4	32.4	6.4
10- 15	293	12.9	3.2	23.5	10.9
Over 15	183	8.0	3.3	24.3	18.0
Total	2.276	100.0	13.6	100.0	6.0

Source: Institute of Agricultural and Food Economics, Warsaw

As cooperatives grew in size, however, members lost their feeling of responsibility toward the cooperative farm, adopting a wage-worker mentality in their relationship to the enterprise and its property. In fact, there was no effective difference in benefits between the cooperative's members and its wage workers. The system of farm-gate price supports, input subsidies, the absence of land rents, and artificially low consumer prices for food led to large discrepancies between retail prices and costs of production. Similarly, there was no link between quality of work and revenues achieved. Farm workers could be assured of life-long job security regardless of the efforts they contributed. This had another important effect whose importance will become clear later: that agriculture came to be regarded as a low-profit activity. Further, the initiative to modernize and improve the farms was lacking. Destruction of soil fertility was one result; another was the loss of personal motivation and capacity for risk-taking among the farming population.

Types of cooperatives

In 1989, at the beginning of the transition from a centrally planned to a market economy, Poland had more than 15,000 primary cooperatives - mostly service-oriented institutions, not production cooperatives - with some 15 million members. However, only a small portion of members were actually employed by cooperatives. In 1989, the cooperative sector employed 1.8 million people or 14 percent of the labour force, and contributed 11 percent to Poland's GNP. These primary cooperatives were affiliated with 400 regional unions, which in turn belonged to 17 different central unions, each of which was responsible for a different cooperative sub-sector.

Several distinct types of primary cooperatives are found in Poland's agricultural sector. These are described briefly here:

Peasant self-aid cooperatives

These originated in 1948 when a number of agricultural and marketing cooperatives were merged to form "Peasant Self-Aid Supply and Marketing Cooperatives" in rural areas. This type of cooperative is organized to meet the needs of both farmers and rural consumers, providing agricultural inputs and food and consumer goods. They purchase agricultural produce and handle wholesale and retail trading through a network of warehouses and over 70,000 retail outlets. In addition, they engage in food processing and operate restaurants, bars, cafes, bakeries, soft drink factories, grain mills, animal feed plants and transport services.

Dairy cooperatives

Dairy cooperatives were set up after World War II, were dissolved in 1951 when the dairy industry was nationalized, and reestablished in 1958. Their main role is to organize the supply of dairy products to the urban market. Dairy producers are affiliated with 48 local dairy cooperative unions, which operate 10,000 milk collection points and own 700 production units of various types. At the local level, dairy producers also belong to Peasant Self-Aid Cooperatives.

Horticulture cooperatives

Vegetable and fruit growers and honey producers belong to horticulture cooperatives. These organizations provide inputs, purchase raw produce, and handle processing and marketing. As of 1988, there were 140 such cooperatives affiliated with the Central Union of Horticulture Cooperatives.

Cooperative banks

Approximately 1,600 cooperative banks provide savings and credit services for agricultural and household use. In their form and operation, they are regarded by the rural populations they serve as truly cooperative.

Agricultural circles

These organizations provide services for agricultural mechanization, transport and construction, particularly for small-scale farmers. They operate from about 2,000 servicing units around the country.

Agricultural production cooperatives

The agricultural production cooperatives are essentially collective farms. These number about 2,240 today, employ some 190,000 individuals and cultivate 700,000 ha. of land. In practice, at least until recently, they carried out the orders of the central authorities. Their productivity was comparable to that of state-owned farms.

Recent developments

Since 1990, the Polish economy has been undergoing a radical "shock" stage of transformation, with sudden exposure to market realities and competition with more developed countries. The agricultural sector has passed through this stage relatively well, with a smaller drop in incomes and with less severe recession than that experienced by other sectors. The worst, however, may be yet to come.

The Polish farm sector now needs to adapt its level of production to correspond with market demand. With the recent elimination of subsidies, tax preferences and price supports for agriculture, food has become expensive for consumers and domestic demand is down. Export potential will require time and effort to develop, and much depends on international trade agreements outside the control of the sector. In most cases, reductions in the level of production will be necessary.

While this will certainly result in unemployment in the agricultural sector, the situation may be less severe than in neighbouring countries undergoing similar transitions. Eighty-two percent of agricultural labour is involved in small-scale, private farms, while state-owned and collective farms employ 11 percent and 4 percent, respectively. These latter enterprises are likely to shed surplus labour first. As of 1988, some 687,000 persons comprised the labour resources of these enterprises - 501,000 on state farms and 186,000 on collective farms. Another group likely to be affected (142,000) are employed by agricultural circles.

In early 1991, the new Polish government adopted an amendment to the Cooperatives Law with two important provisions. *First, it called for the election of new representatives in all primary-level cooperatives. Second, it liquidated all regional and national unions of cooperatives and ordered the sale of all their assets.*

This amendment was improperly implemented and led to a number of problems. Few cooperative members participated in the elections and as a result there was very little change in representation. Low voting participation was attributed to farmers' mistrust of the process and to the already-described wage-worker attitude of the farmer toward his cooperative.

The liquidation of cooperative unions and transfer of assets also had negative effects. No provisions for forming new unions were made until mid-1991, thus depriving the primary-level cooperatives of support services and advice during a crucial period of change. Since the liquidation, there has been no regional or national coordination. The Supreme Cooperative Council, created by law in January 1990, is not functioning due to nonacceptance by primary-level cooperatives.

The law further called for the establishment of new cooperatives whose members would be the employees of the service enterprises managed by the cooperative unions up until that time. This solution was opposed to the interests of the primary-level cooperatives and their members. Dissolution of the cooperative unions, then, fragmented the basic chains of industrial and service activities, alienating service units from the cooperatives.

In one sense, the cooperative law in Poland is more restrictive than in other countries in that it continues to view cooperatives as belonging to the "socialized economy" and not to the private-sector. The law does not recognize that the purpose of a true cooperative is to satisfy the defined needs of its members, and not to achieve maximum profits. Furthermore, the law assigns an excessive role to the professional management and staff of the cooperatives.

The process of restructuring of the cooperative sector was introduced with the objective of restoring the cooperatives which had been taken over by the socialist system to the agricultural producers and the rural population. So far, however, the interest of members in the future of their own cooperatives is observed as being extremely low. Producers and villagers either are simply not interested in private-sector cooperative farming, or they still do not believe that the cooperatives' assets will ever really be transferred to them.

Nevertheless, there are indications that the cooperative idea is still alive in Poland and that there is a readiness to reorganize the movement. After the limitations and inhibitions of recent decades, however, there is an urgent need for renewal of rural cooperatives and other forms of farmer cooperation. Cooperatives have the potential to create local markets, economic infrastructure and conditions enabling competitiveness. They can introduce elements of democracy and social solidarity into the community. They can contribute to the creation of small and medium private enterprises through support to the activities of economically weaker units. The cooperative banking sector in particular has great potential for developing industries which support agriculture and related activities. In addition, cooperatives could introduce training and cultural activities to meet the needs of specific social groups.

In any event, the legislative work required for a full transformation of the cooperative sector has yet to be completed. Inadequate legal regulation in the period since the amendment came into force has brought about the transformation of many cooperative societies into shareholder firms. Until a complete legal framework becomes clear, it is likely that many small-scale farmers and cooperative members will hesitate to make changes that bear directly on their families' economic well-being.

Analysis, proposals

In the peasant or small-scale farming sector, there are three likely responses to the new economic conditions. The most typical reaction will be to remain on the farm, with reduced aspirations and reduced production, and wait passively for stabilization of the economy to create more favourable conditions. The basic problem will be how to shorten the waiting period. In this scenario, the country's food security could be threatened, although as of mid-1991 the situation appeared to be under control.

Some farms - a minority - will work successfully to achieve better results under existing price relations and supply conditions. These are the farms that have the necessary resources and the necessary economic efficiency to be competitive in an open market. This group will typically be composed of collective farms engaged in specialized production, with an essential scale of land, means of production and labour. These farms merit further study, because they can serve as models for the transformation of agriculture in Poland.

A third possibility for small farmers will be to liquidate their farms and leave agriculture. Those choosing this option will be few in number, however. Most fear the possibility of unemployment and view continued subsistence farming as a way to at least ensure a food supply for the household.

It can be assumed that the existing structure of the agricultural sector - predominantly individual farms, plus a significant contribution from state and collective farms, will continue in the foreseeable future. But certain changes will take place, including a degree of decentralization of the state farm sector, for example. Increasingly modern and high-performance agriculture - both on small-scale farms and on collective and state farms - will coexist with the more traditional small-farm sector for some time to come. Rural cooperatives may tend away from agricultural production and toward non-agricultural activities, to which they seem better suited. Other possibilities for the development or expansion of rural cooperatives include provision of services for agricultural producers' households, provision of high-tech equipment and skills for specialized production, and solutions in the search for leisure time.

Agricultural production cooperatives (collective farms), may have to reduce the scale of agricultural production and increase non-agricultural activities. The development strategy for villages will increasingly be based on non-agricultural activities, and the number of farms will slowly decrease - limiting to a certain extent the level of unemployment. As was recommended in a recent World Bank report, the state should establish a social safety net to assist those parts of the rural population which will suffer unemployment as a result of the economic changes.

A revival of cooperatives on the basis of genuine cooperative principles will depend on a restoration of members' ties to their cooperatives. Two factors are currently blocking the full transition of Poland's cooperative sector to dynamic participation in the market economy. One problem is that cooperatives continue to be dominated by the "nomenklatura" or old guard, who are firmly opposed to reforms. A second problem is the unfinished status of legislation regarding cooperatives. The state has failed thus far to clarify its intentions with regard to cooperatives, and the process of creating a legal foundation has been slow. No regulatory state structures or information links between cooperatives have been created. Not only have cooperatives not received any preference under the law, but they have been discriminated against in the tax structure. All of the above may reflect some ambivalence or disagreement in legislative circles over the future role of cooperatives.

The creation of a cooperative council, with membership drawn from both the cooperative movement and the state, would address a number of concerns. This coordinating body would operate a programme of extension training and advice to primary-level cooperatives, and make direct contacts with foreign trading partners. In the past, some subsectors of rural cooperatives performed the role of food exporters (for example, the Hortex Cooperative). There is scope for renewed inter-cooperative solidarity in the search for new markets abroad. Poland has clear potential as an exporter of "boutique" organic agricultural products - a potential which could be developed now, while domestic demand remains low. The former Soviet republics were named as another likely market for Poland's agricultural produce.

In this process of reviving the cooperative movement, the role of the state should take four forms: 1) legal regulation, 2) supervision, 3) establishment of forms of cooperation between the state and the cooperative sector, and 4) specified assistance to cooperatives. As regards economic and financial regulation, the author asserts that the cooperative system should be treated identically to other economic enterprises. Both cooperatives and private farms are experiencing difficulties of transition, and special privileges for cooperative members cannot be justified.

Outside assistance

Training is viewed as a key to alleviating the cooperative movement's endogenous difficulties. Since the training infrastructure was liquidated in the reform process, and since cooperatives today face a radically different economic situation, there is an immeasurable need for training and re-training in many areas - member empowerment, economic analysis, improvement of basic operations, expansion and development of new business activities, human resource management (quality circles, motivation strategies), to name only a few.

At the highest levels, there is an urgent need for workshops or seminars for a relatively narrow group of people engaged in the conceptualization of the cooperative movement in Poland. At the level of cooperative management, training and education should seek not only to transmit methods of efficient management, but also to *un-teach* the old customs and erode old ways of understanding and interpreting the cooperative essence. At the grassroots level, training and education are needed to empower and enable cooperative members - to reforge their ownership ties with the cooperative enterprise.

Technical assistance could address the following key issues in each of the cooperative types. In the Peasant Self-aid Cooperatives, reorganization is needed to replace the coordinating function of the liquidated national unions and to face increased competition. In the Dairy Cooperatives, there is a need to analyze and stabilize the dairy products market for both producers and consumers. The Horticultural Cooperatives need to restructure and diversify their produce and processing in order to increase their viability and prospects for growth. Agricultural Circles could benefit from assistance in adapting the German concept of agricultural machine rings to Polish conditions. For the Agricultural Production Cooperatives, there is a need to conceptualize a pattern of decollectivization of the cooperative unit. Finally, bilateral cooperation with West European cooperative societies is viewed as potentially very useful in assisting the renaissance of the Polish cooperative movement.

CASE STUDY ON HUNGARY

by János Juhász

Introduction

Hungary is on the verge of implementing far-reaching reforms in the agricultural sector, reforms aimed at effecting a radical transformation of agricultural cooperatives and land ownership. With so many sectors of society experiencing change, there is a veritable backlog of bills awaiting action by the legislature. This case study sketches the background of Hungary's agricultural and cooperative sectors, analyzes some of the political forces influencing the course of change, and summarizes important legislation recently approved and now in the process of being implemented. This is followed by a number of suggestions for further change.

In Hungary, the overwhelming majority of agricultural cooperatives are farming (production) cooperatives (see Table 3). These "cooperative", or collective, farms dominate Hungarian agriculture, controlling 70 percent of all agricultural land as of 1989. In 1990, there were 1,268 such enterprises, each covering an average of 4,000 ha. and employing on average 377 individuals.

State farms accounted for 15 percent of agricultural land. In 1990 there were 171 state farms, averaging about 7,000 ha. in size and employing 850 people each. From 1989 data, it can be shown that both collective and state farms posted more losses than profits.

The remaining 15 percent of Hungary's agricultural land is operated under some *1.5 million* small-scale farms, and about 550 private enterprises of various types. Small-scale farms contribute over one-third of the country's total agricultural output, producing largely vegetables, livestock and flowers. This category of farm includes "household plots" within collective farms, the analogous "auxiliary farms" of state farm employees, and the "member farms" within special agricultural cooperatives. The small-scale farming sector has grown significantly in the 1980s, and it is increasingly commodity-producing in character. The overwhelming majority of small-scale farms involve the owners on only a part-time basis.

Agriculture is extremely important to the Hungarian economy, though the numbers employed in the sector have been falling rapidly for over a decade. In 1980, 789,000 persons were employed in agricultural production; by 1990 the figure had fallen to an estimated 596,000. The sector as a whole employed about 17.4 percent of all economically active persons in 1989.

Table 3: AGRICULTURAL PRODUCTION ENTERPRISES IN HUNGARY

Enterprise	1980	1985	1988	1989	1990
State farms	132	128	133	136	171
Joint ventures	-	-	-	26	50
Limited liability companies	-	-	-	90	451
Share-holders companies	-	-	-	2	39
Cooperatives	1415	1345	1333	1335	1393
- (Farming)	1338	1270	1253	1246	1268
- (Fishery)	16	15	14	14	14
- (Specialized agri-coops)	61	60	66	62	67
- (Small cooperatives)	-	-	-	13	44
Ag. associations				285	
Small – scale farms (estimated)	1,500,000	1,442,000	1,375,00	1,435,000	1,445,000

Hungary is food self-sufficient and is a large agricultural net exporter. In grain and milk production, yields approach those of the most developed countries. The level of performance of Hungarian agriculture compares well with international standards. From 1960 to 1990, the volume of agricultural output increased by 80 percent.

Under today's new economic conditions, what changes will occur in Hungary's cooperative sector and what role cooperatives will play in the economic transformation remains uncertain. Most subsidies to agriculture have been eliminated, and the cost of agricultural inputs is rising even more rapidly than the overall rate of inflation. In the absence of subsidies and supports, the full impact of the collapse of the COMECON, and in particular the Soviet market, is felt by Hungarian farmers. Falling income levels have also hurt the domestic market. A new system of consumption and value-added taxes now places an extra burden on producers. Attempting to maintain their income levels in the face of decreasing profitability, farmers have raised the prices of produce and are postponing or refusing investments and even sacrificing accumulated assets.

Agrarian structure

As can be seen from Table 3, Hungary's agrarian structure is dominated by collective or "cooperative" farming. State farms and small-scale private farms also play important roles, and a number of other organizational forms are important to note. A summary follows.

State farms

In a sense, state farms are closest to the traditional agricultural production organization in Hungary. State or royal estates first appeared in the late 1700s. However, most of the existing state farms were established in the course of a land reform in the period 1945-47. Some of the former feudal estates were nationalized and transformed into large-scale model farms, carrying out research in new technologies and providing improved seed varieties. The communist regime regarded these state farms as models for production organization as well as technology. Some of these farms played a leading role in technological development and the advancement of production methods. Most, however, became straightforward large-scale enterprises owned by the state. In addition to their monthly wages, employees received a small plot for individual cultivation. These "auxiliary plots" were designated annually from the already sown area of the large-scale farm.

"Cooperative" collective farms

While based on the model provided by the Soviet "kolkhoz", a number of important modifications resulted in a form which is unique to Hungary. First, during the formation of these farms, member farmers turned over their land but maintained legal title to it. Second, small household plots (1/2 ha.) were retained for family cultivation. This was originally intended as a temporary measure, but it survived and ultimately came to enjoy political support. Third, the cooperative farm integrated the activities of the household plots - ploughing, spraying, transportation, marketing and extension. Hence, a sort of symbiotic relationship was established between the household plots and the communal farm. Not all cooperative job-holders are members of the cooperative. Likewise, many retired members of the cooperative (as many as half or more) no longer work on the cooperative but only on their household plots.

Hungarian cooperative farms were relatively autonomous when compared with their counterparts in neighbouring countries. They maintained the highest possible level of economic democracy under a non-market system, and private ownership of the land allowed for a more flexible member-cooperative relationship.

Despite their often poor performance in terms of efficiency, cooperative farms made significant contributions in the past four decades. The economies of scale made possible by the pooling of land resulted in rapid technological development, the growth of a new, highly trained agricultural intelligentsia. They brought about a rapid increase in farmer incomes, to the point of parity with the national average. Of particular significance was the employment they created in rural areas. Their relative autonomy allowed diversification into food processing and non-agricultural activities. They also served certain social security functions, providing kindergartens, old-age annuities and retirement provisions.

Nevertheless, the chief economic role of the cooperative farm was to meet the requirements of central planning. Despite their title to the land, members received no return on capital and experienced only a tenuous link between performance and income. A wage-worker mentality grew up among the members. Since most cooperative farms were not cost-effective, their produce was not competitive on the export market and they "hid" a significant level of unemployment that would later become overt in a free-market economy.

Specialized agricultural cooperatives

This was an intermediate form of organization, established during the period from 1959 to 1961, especially among wine producers and fruit growers. The main function of specialized agricultural cooperatives was joint processing and marketing of the members' produce. These enterprises were characterized by specialization in a particular crop, continued private title to the land, and private family cultivation.

The specialized agricultural cooperative came closer to being a genuine cooperative than any of the other organizational forms characterizing Hungarian agriculture. It was always more profit-oriented, and member relations were clear. In their joint farms, however, these cooperatives experienced the same problems as the farming cooperatives - hierarchical work organization, technocratic management, and ineffective systems of interests and incentives.

The previous system made significant progress toward its goal of transforming these organizations into farming cooperatives (collective farms). In 1969 there were 238 specialized agricultural cooperatives. By 1985, only 60 of these cooperatives remained. In 1990, the figure had climbed to 67, each with an average of 582 members and 208 full-time workers (some of whom are members), and covering an average of 1,100 ha.

Agricultural associations

These were associations of part-time farmers. The association purchased the members' surplus produce, and provided production inputs. There was no common land involved, but members typically had joint ownership of machinery, equipment and buildings. Cooperative members could also join agricultural associations, since they were part-time farmers on their household plots within the collective farm.

"Small cooperatives"

Since 1987, experimental "small cooperatives" of less than 100 members were introduced. These were intended to facilitate the transformation of collective farms into genuine cooperatives by allowing the break-away of groups from the large farms. Little information is available on the success of this form to date, although it has been more common in the industrial cooperative sector than in agriculture. In 1988 it became possible for individual farmers to join small agricultural cooperatives, but so far very few have elected to do so.

Companies

Various joint ventures in the past two or three years have involved foreign investors in Hungary's large-scale farms. In addition, two types of joint stock companies began to appear in 1989. Under the "limited liability" variation, a cooperative farm spins off a service workshop or work brigade without dissolving the cooperative. Under the "shareholding company" variation, the general assembly votes to transform the entire cooperative into a joint stock company, retaining part of the cooperative property as a foundation for the social security of members.

Recent developments

In the debate over the future structure of Hungary's agricultural cooperatives, the government has cut a path between two extremes. The right-wing position favours eliminating cooperatives entirely, and moving to a new agrarian structure based on small- and medium-scale private farms. Cooperative managers and leaders, on the other hand, favour retaining the cooperative farms, and transforming them from within to adopt true cooperative principles.

The concept of the new legislation is that the new cooperatives will be based on private property. In the case of agricultural cooperatives, all of the landed property, and up to 70 percent of non-land property, will be privatized. It is expected that 70-80 percent of all agricultural land will be converted to private property in the near future. With few exceptions, state farms will not be maintained. In addition, foreign capital will be encouraged for the privatization of processing operations.

If present government policy remains firm, cooperatives can expect no special treatment. They will be expected to be economically viable without incentives. This rigidly neutral approach to the various economic actors in agriculture is due, at least in part, to cooperatives' "bad image" - unpleasant associations with forced collectivization in the 1950s. Today's government is reluctant to be seen as favouring this organizational form over the others. Another relevant dynamic is that of the "business mentality", that is, a blind hope and belief that an omnipotent market economy will solve all the nation's problems in the shortest possible period of time. This mentality clearly works against cooperatives in assigning greater viability to more classical free-enterprise forms such as joint stock companies.

Government support to agriculture as a whole will include a preferential credit system, a rural banking network including a new mortgage bank, and a special insurance structure. The profit tax on agriculture will be reduced or even eliminated, according to the model of many developed countries. Taxes on wages and an outdated land tax will likely be abolished in early 1992. State revenues will be compensated with a new value-added tax on food. Government subsidies will be directed to the development of infrastructure, environmental protection (especially in marginal areas) and afforestation.

While the coexistence of a variety of productive forms is foreseen (family farms, cooperative farms, joint stock companies, etc.), it would appear that the government envisages the bulk of production coming from relatively large-scale farms - even after the transformation of property rights. The establishment of farms of competitive size will be promoted.

Creation of MOSZ

In 1989, an extraordinary congress of agricultural cooperatives was convened, creating a new national organization - the National Federation of Agricultural Cooperatives and Producers (MOSZ). MOSZ's members are regional or professional federations of all types of agricultural cooperations and other associations of small-scale farmers. It has four basic objectives: 1) to promote the cooperative idea; 2) to assist members with profitable farming, through marketing, input supply, and the securing of government support for farming; 3) to promote the association of agricultural producers; 4) to provide legal, economic, commercial, supervisory, tax, auditing and other consulting services. MOSZ is supported by cooperatives and other members, with a maximum levy of .0015 percent of gross income. To date, the Federation has 138 members, 89 percent of whom are the chairpersons of agricultural production cooperatives. In its advocacy role, MOSZ has advocated a more gradual transition than that planned by the government and has criticized government policy as overly simple and not sufficiently professional. MOSZ and the cooperative managers have been lobbying hard for an easing of scheduled provisions with regard to cooperatives.

The Compensation Law

This law, passed in June 1991, is aimed at compensating individuals for damages caused by variety of acts on the part of the state, going back as far as 1939 - anti-Jewish laws, population resettlement laws, laws on nationalization, land reform expropriation, collectivization, etc. The enabling clauses of this far-reaching law have not been issued yet. Compensation will range from 30 to 100 percent for the largest damage values. Compensation coupons, which will accumulate interest for three years, will be issued. These may be used to buy property and property shares, or state-owned apartments if sold. In some cases they also may be used for equity against borrowing.

Cooperative farms must prepare for the compensation in kind provided for under the Compensation Act. Each cooperative will be informed of the total claims against it, and must assign an area of land which will be sold at auction to the claimants wishing to buy. Land bought from the cooperatives may not be withdrawn from agricultural production for five years. A special subsidy will be offered to those who register with the tax office as new agricultural entrepreneurs within 30 days after the auction. With the subsidy they will be eligible to purchase additional land.

Another provision of the Act requires agricultural cooperatives to set aside a special area of land to be allotted to members and employees. This land cannot be sold in the compensation process. The same provision also will apply to state farms, where employees will receive land allotments.

Unified Cooperative Law

This law, passed by Parliament in early 1992, was drafted with the participation of cooperative leaders at the request of the government. It provides a legal definition for cooperatives, as well as a regulatory and supervisory framework for their operation. Under this law, cooperatives are joint enterprises based on the private property of their members (either legal entities or individuals). A cooperative could be established by as few as five people, each person joining would have to buy at least one share, and the principle of open and voluntary membership would prevail. Dividends would be paid on each "cooperative share" from the enterprise's net surplus. "Business shares" based on the cooperative's business activity, would benefit from a separate distribution. A compulsory reserve fund would receive an annual injection of 10 percent of net profits. Each member's liability would be restricted to his shares, not to his property or salary. The law places an emphasis on self-government of cooperatives, with increased significance and authority given to the delegates' meeting. It also guarantees the right of merger, separation, transformation and cessation. Cooperatives, like other economic associations, would be supervised by the Court of Registration.

Transition Law

Close to 1,400 existing agricultural cooperatives will be re-established under the Unified Cooperative Law. A complementary Transition Law provides for a 12-month transition period during which each new agricultural cooperative has to submit its statutes to the Court of Registration. In the transition, cooperatives will have to convert joint cooperative property to private property of members (through "business shares"), undergo an organizational transformation, vote for the new or modified statutes, and elect new officers.

Land that belonged to the cooperative and not to members (and which does not come under the Compensation Law), comes under the Transition Law. It must be distributed to members and entered in the cadastral register in terms of proportion and value. For as long as the owner remains in the cooperative, he must receive rent for his land. Should a member leave the cooperative, this land would be surrendered to him.

During the transition period, decisions within each cooperative regarding merger, separation, transformation and cessation may be made with a simple majority of member votes. Afterwards, the provisions of the Unified Cooperative Act will come into force, requiring a two-thirds vote of all members. Also during the transition period, a cooperative member may separate from his cooperative (to form or join a company, or to join another cooperative), and groups of two or more may separate for the purpose of establishing a new cooperative - without seeking the approval of the members' general assembly.

Proposals

As regards the final shape and detail of legislation affecting agrarian structure, in particular the cooperative sector, a number of points need to be considered. These are summarized below.

- The area of greatest concern is the settlement of property rights. Property should take natural, physical form whenever possible, and the rights to land and other properties should be settled simultaneously.
- In the settlement of property rights, priority ought to be given to those earning their living from agriculture, and to those who contributed to the accumulation of the cooperative property. Also deserving of consideration are those who were deprived of their private property in the past.
- Cooperative property belonging to individuals who are not present, or who have died (25-30 percent of the total), might well be kept together as common cooperative property and used for cooperative purposes only (for example, to support retired members or establish new cooperatives).

- Certain machinery and technologies which cannot reasonably be divided should remain together, operated by cooperatives or other economic organizations.
- Legislation should offer the possibility to create a genuine cooperative wherever possible, before allowing the transformation into a joint stock company.
- The transition should not be too rapid, and legislation should not arrest the evolution of new productive forms but leave open the possibility for ongoing change.
- The ordinary Hungarian is unaccustomed to dealing with securities, and the market value of the distributed property shares will probably be low at first. Wealthier groups may buy up these low-priced shares, resulting in the accumulation of property in the hands of a few.
- Freed from the requirement of providing a specified number of jobs, cooperatives will likely dismiss a large number of employees in the drive to operate profitably. Aside from increasing rural unemployment, this situation would have the effect of increasing cooperative members' dependency on management.
- Because the new legislation is somewhat general and covers not only agricultural but all types of cooperatives, there is the danger that newly established organizations will be cooperatives in name only.

Options for cooperatives

Diversity will be the main feature of the new agrarian structure in Hungary - diversity of scale, diversity of technical sophistication, and diversity of ownership patterns.

In all probability, some 200 or so (profitable) agricultural production cooperatives will undergo an organizational transformation and continue to cooperate more or less as before. Many members or whole groups of members may leave, or the cooperative may divide into two or more or merge with another surviving cooperative.

Others will remain as cooperatives but change their internal organization. A production cooperative, for example, might become a special agricultural cooperative. It might increase the size of private, household plots, or offer new services to members. Services may be offered to those who withdraw their land in order to start independent farming. Links between cooperatives and entrepreneur-members who are no longer wage earners also increase.

To date, few members have left their cooperatives to undertake private farming. Their number is expected to increase, but the trend will depend on the final shape of legislation and on the technical, financial and infrastructural conditions of private farming.

Under the legislation, there may be a tendency for cooperative farms to resemble joint stock companies - with members investing their shares in enterprises which originally were branches and units of the collective farm, and with management acting as trustee. Within the enterprises, the voting power of members would be determined by their property shares - clearly not a pure cooperative association. It is in fact an option for agricultural cooperatives to convert to joint stock companies, and on an experimental basis a few such cases have occurred. The limited liability company is the form most likely to be adopted in a conversion.

Most state farms will likely be transformed to joint stock companies, particularly share-holding companies, although a transformation to cooperative farms would also be possible.

The years ahead will see the formation of many new small farms, often specializing in areas of production such as animal feed, wine, fruit, vegetables, flowers. These farms will be vulnerable under hardening economic conditions, and there is a clear danger that they will be too small to be viable. Subsistence farming also may become more significant in the harsher economic conditions and growing unemployment ahead. These small-scale farmers cannot afford to miss the advantages of cooperation - for input supply, marketing, and financial services.

Training needs

The need for training is critical as Hungary undertakes the formation and transformation of agricultural cooperatives. The managers of surviving cooperatives will need special education *in the theory and operation of genuine cooperatives, and individuals urgently need skills* to run private enterprises - cooperative and otherwise. While the country's agricultural intelligentsia is well qualified in the technical sense, its greatest weakness is in business skills. New knowledge is needed in marketing, financial management, communication skills, business planning and evaluation methods. Most of the courses organized thus far have addressed other sectors of the economy, particularly industry.

It will also be important to influence public opinion in favour of cooperative action in agriculture, and to underline the distinction between a true cooperative and a collective farm. The need for such re-education applies to policy makers as well. Many continue to regard *cooperatives with some reservation, or even suspicion*.

Finally, the concept of agricultural extension has no real tradition in Hungary. Assistance will be needed both in the training of trainers, and in the design and establishment of an extension system and training programme for private farmers. Within small-scale farming alone, the need for training is great. The ranks of potential private farmers have no experience or memory of real entrepreneurship.

In agricultural education, some work has already been done in updating the curriculum of the University of Agriculture in Godollo. A new course covers cooperative theory, history, Hungarian and international cooperative experiences and lessons. The University's experience thus far could be shared with similar institutions. The Training and Recreation Centre of the National Council of Agricultural Cooperatives offers a range of courses on agricultural policy, cooperative legislation, management and entrepreneurship. It has established cooperation with several German and Austrian institutions, and has offered several training courses and meetings with the assistance of FAO, ILO, UNESCO and others. The European Community's Poland/Hungary Aid for Economic Reconstruction (PHARE) programme has a significant project for the establishment of an extension network in Hungary, which is being implemented together with three Hungarian universities.

CASE STUDY ON EAST GERMANY

by Klaus Fischer

Introduction

Large-scale production "cooperatives" - also called LPGs, socialist farms, or collective farms - were the predominant organizational form in East German agriculture from 1950 to 1990. These were typically accompanied by the small private plots of members (which accounted for 9 percent of total agricultural output as of 1988). Thus, in terms of the task of land redistribution, the East German case has much in common with that of Hungary. However, unification of the two Germanies in late-1990, and the somewhat lesser importance of the agricultural sector here as compared to neighbouring countries, created unique conditions for the restructuring of agriculture and related industries in the eastern Laender.

In 1990, there were 3,800 agricultural production cooperatives or LPGs in Eastern Germany, cultivating more than 5 million ha. - 86 percent of the total agricultural area in Eastern Germany - and accounting for 77 percent of all livestock. The agricultural sector as a whole employed 10 percent of the working population, and about 75 percent of those were employed by LPGs. The government's planning needs as well as guiding ideology favoured farming on a large scale: LPGs specializing in plant production covered an average of 4,500 ha; livestock production LPGs had an average of 1,650 large livestock units.

Under the newly adopted West German economic and legal system, what will be the role of cooperatives? Can these former socialist tools of planning, production and distribution be reoriented to function according to the democratic principles of genuine cooperatives? To what extent can agriculture in the western Laender serve as a model? Germany has made considerable progress on legislature to settle property ownership questions and to set forth the options open to farmers under privatization and liberalization. This case study summarizes that legislation and the changes it has stimulated thus far. Along with some analysis of development trends in the eastern Laender, the study offers a number of suggestions for further legislative and policy action aimed at a successful and equitable transition.

History

At a conference in 1947, the United States, France, Great Britain and the USSR agreed to carry out a land reform throughout Germany. However, only the eastern part, under Soviet administration, underwent reform. In the process, a total of 3.3 million ha. of land was confiscated and transferred to a "Land Fund". Contributions to this fund were mainly the confiscated property of large landowners with holdings of 100 ha. or more, but also of active Nazis and war criminals, and state property. Altogether some 11,698 holdings were taken without compensation, including 4,537 farms of less than 100 ha.

In 1949-50, the Land Fund distributed 2.1 million ha. free of charge to peasants, including thousands of refugees from former German territories in the East. About 165,000 existing small-scale farmers also received land, in order to enlarge their holdings to sizes that were economically more viable. In addition, the Fund provided land for 532 specialized farm enterprises such as people's farms, university farms, test farms and so on.

In the years following the land reform, a range of agricultural production cooperatives was established, and all farmers were required to pool their land and join. The farms created through this collectivization were highly specialized - in either crop production, livestock breeding, seed production, dairy production, or some other specialized area. Other LPGs were formed to carry out processing and marketing functions. From 1950 on, all the cooperatives were serviced by the Union of Mutual Peasant Assistance.

Framework for change

The unification of the two German states in 1990 was followed by a 50 percent devaluation of the East German mark and its conversion into the Deutsche mark as the only valid currency throughout united Germany. The local consumer, now in possession of the new currency, was suddenly in a position to purchase cheaper, high-quality goods from the west. Demand for East German agricultural products fell drastically (by 20-30 percent for meat, eggs, milk and dairy products). The shock was all the greater because of a series of price reforms carried out in 1984 and 1986 which had boosted production in both the socialist and private sectors by some 30 percent.

With unification came the abolition of the East German Ministry of Agriculture, which for decades had been the source of central planning-related targets, mandates and regulations for agricultural production. The sudden absence of instructions from the ministry, along with vigorous new competition from the west, threw the cooperative sector into a state of confusion.

In the months since, reductions of up to 50 percent have been made in crops such as potatoes, 20-30 percent in pig and cattle production. In addition to reducing production, many LPGs shed non-agricultural activities and made deep personnel cuts in order to remain competitive. In September 1989, the agricultural sector employed some 850,000 people. By March 1991, the figure was 570,000, with most of the job-leavers being women. The projected figure for year-end 1991 was between 250,000 and 350,000.

A number of new laws and policy initiatives comprise the legal framework within which changes in the agrarian structure of the eastern Laender are occurring today. Three of the most important among these are the Union Treaty, the Agricultural Adjustment Law and the Set-Aside Programme.

Union Treaty

The Union Treaty is the legal foundation of reunification. The first important provision of the treaty is that all laws of the Federal Republic, including those concerning agricultural relations and procedures for land transfer, tenancy and consolidation, apply automatically in the eastern Laender as well. Secondly, the treaty establishes that the land ownership picture immediately following the land reform of 1947 will serve as reference point in the government's moves to redistribute agricultural land today. In other words, expropriations made in the course of the 1947 reform cannot be revoked.

Agricultural Adjustment Law

This law directly addresses the questions of land ownership and how to transfigure the socialist LPGs. In essence, it calls for the return of land and capital shares to the "original owners" or their successors from whom land and other property were taken *after 1949*. Even those landowners who had left East Germany would be able to claim their entitlements. Secondly, the law establishes that members and workers in the "cooperatives" or collective farms have a valid claim to the *common property* of their farm or other agricultural enterprise - assuming it has a positive value after the clearance of all debts. Those who continue in agriculture will receive real assets (land, equipment, etc.). Others will receive capital shares or money. In the case of common property, there is a condition that the land may be used only for agricultural purposes. This last point would seem unjust; each worker contributed to the increased value of the common property, and deserves compensation without conditions.

For those LPG members who wish to remain on the land, the law provides for the establishment of Registered Cooperatives (in German, Eingeschriebene Genossenschaft).¹ Even a landless farm worker can join a Registered Cooperative by purchasing a share or shares, and then renting land and subletting it to the cooperative. In any case, the Registered Cooperative must pay land rent to all land-owners and to those who rent land from non-members and sublet it to the cooperative. In some cases, members have chosen to accept shares of common property in lieu of their rent entitlements. Others, financially well off, may take shares in lieu of their salaries.

¹ This term is used in the case study, although it is somewhat ambiguous since the old type of cooperatives were also "registered". (*Editor*)

The law includes a number of related provisions - for the conversion of an LPG into a Registered Cooperative, the uniting of several LPGs to form one Registered Cooperative, or the creation of several cooperatives from one LPG. Farmers who join a Registered Cooperative, or any other group for the purposes of common production, will receive financial support from the government.

Set-Aside Programme

Under the Set-Aside Programme, which is aimed at reducing excess production in present conditions of low consumer demand, farmers or LPGs receive a compensation of 500 DM or more (depending on land quality) for every 1.0 ha. taken out of production. A lesser figure is paid for land converted from crops to pasture. By the deadline date of October 1990, applications for the Set-Aside Programme totaled 600,000 ha. or 12.8 percent of the total area under cultivation. Some 93 percent of this land will be converted to fallow, and the rest to pasture. Grain production will be reduced by an estimated 2 million tonnes as a result of Set-Aside.

New production structures

Under the new economic conditions, a number of new production structures are possible. The case study reviews the basic options - family farms, personal companies (general and limited partnerships) and joint-stock companies, and Registered Cooperatives. Through the current arrangement taxation, assistance and incentives, the government appears to be giving the most encouragement to the establishment of family farms.

Family farms

An LPG member who decides to brave the risks and establish a family farm will receive financial support through the joint federal/Laender programme, "Improvement of the Agrarian Structure and Coastal Protection". Under the programme a farmer is eligible for: take-off assistance in the form of a non-recurring allowance of DM 23,500; capital loans up to DM 300,000 at 5 percent over 20 years for real estate, 10 years for other loans; and several other loans and credit allowances, including an initial premium up to DM 500 per hectare for afforestation of land previously used for agriculture. To qualify, the farmer must be under 55 years of age, have adequate training and experience, and present a good plan and feasibility study. The farmer and/or his heirs must manage the land themselves for at least 12 years. An initial capital contribution of 10 percent is required. In addition, there are limits on the number of livestock per hectare.

Other private farms

Private, non-family farms represent another possibility. For example, a group of 20 individuals might establish an agricultural enterprise on 1,200 ha. There are a number of advantages in this organizational form. It would be large enough to solve problems of absence due to sickness or holidays, and large enough to justify the employment of specialists in animal husbandry, crop production and agricultural machinery, as well as a professional manager. Joint-stock companies are yet another potential agricultural structure.

There may be advantages in maintaining larger production units. For example, existing farms already have their own buildings and machinery. Secondly, many cooperators do not want to give up the social advantages to which they have become accustomed as members of an LPG. Thirdly, many of them lack the capital and/or the courage to break away.

Registered Cooperatives

An wide array of assistance and incentives has been made available for the conversion of LPGs to Registered Cooperatives. As a beginning, the LPG must present an opening balance in DM, and a restructuring and development plan. Upon acceptance of the plan, the new enterprise can receive investments of up to DM 14,300 per worker for a total of up to DM 2.5 million. Ten percent of the investment figure must be contributed by the enterprise itself. Low-interest credit of up to DM 2.25 million over 10 years, special credits for infrastructure improvements, energy conservation incentives, subsidies for direct marketing activities, environmental initiatives, animal hygiene and construction of recreational facilities all are available. Investment is particularly encouraged in the areas of liquid manure distribution, modernization of farm machinery, fertilizer application, reduction of harvest and post-harvest losses, and development of direct marketing activities. In order to qualify for incentives, the Registered Cooperative must meet a number of requirements, most of which relate to environmental protection.

All agricultural and forestry holdings will be subject to real estate tax. Some income tax relief will be available, but not to corporations (cooperatives, public and private limited companies). Registered Cooperatives, like corporations, will be subject to corporation tax, but with a DM 30,000 exemption for the first 10 years. Similarly, cooperatives will have to pay trade and property taxes, although for the transitional period of 1991-1993 they are exempt. While cooperatives and private and public limited companies have certain tax disadvantages compared to individual holdings, it is possible to reduce these through differentiated contracts and good early advice as to trade law and business management.

In spite of the availability of financial assistance and numerous organizational options, many bankruptcies are expected. Farmers are not accustomed to the sharp market competition they will face, and a delayed start-up of support programmes may also have contributed to difficulties. Before an agricultural enterprise is liquidated, the Agricultural Adjustment Law provides for rescue attempts - with the aim of saving jobs and stemming rising rural unemployment. If an enterprise cannot be saved, its assets are sold at auction with the proceeds used to satisfy creditors and farmers who contributed land and other assets.

In the present unfavourable market conditions, the financial position of all organizational forms is precarious. West German trade chains pay less for agricultural goods from the east, or exclude them altogether. In the eastern market, prices are 5-20 percent lower than in the west. The rate of bankruptcies and farm dissolutions is rising - among cooperative farms, family farms and others. Some 10 percent of all LPGs are in a state of dissolution with no plans for the future. The average daily losses of agricultural cooperatives is DM 1,000-1,500. A new wave of bankruptcies is likely now, since the grace period on repayment of a certain group of loans ended in 1991. According to one estimate, some 90 percent of LPGs will be unsuccessful in adopting the new legal structure.

A recent survey of LPG members revealed that 65 percent wanted to join a Registered Cooperative, 10 percent wanted to be part of a limited-liability society, 5 percent wanted to establish family farms (averaging 25 ha. in size), and the remainder expected to join some other form of enterprise.

Recent developments

A number of trends can be observed as a result of the changes sweeping the rural/agricultural sector in Germany's eastern Laender.

First, the beginnings of what may be a dramatic depopulation of the countryside can be seen, with the younger and better trained individuals leaving - much like the case of southern Italy. A special apprentice training programme, established in part to address this problem, has encountered serious obstacles. First, potential training enterprises often refuse to take on apprentices when they have had to dismiss their own farmers. Second, training programmes are often interrupted by bankruptcies. At present, some 14,000 apprentices are undergoing three-year training programmes.

Other training initiatives aim to absorb the excess labour shed by agricultural enterprises as they modernize and reorganize themselves for greater efficiency. Funds for retraining have been allocated in marketing and the service sector, and for industrial employment in rural areas (in community activities, environmental protection, waste disposal, agrotourism and other areas). In addition, agricultural labourers over 50 years of age who start a new job that pays less are entitled to an adjustment bonus of DM 120 per month.

State and collective food processing enterprises are also undergoing privatization. The old technology on which they operate - requiring high labour input and resulting in products that are expensive to produce - makes them likely candidates for eventual bankruptcy. One estimate has it that out of 264 existing dairies in the eastern Laender, only 30 will survive under the new conditions. As the food processing industries fail, West German companies are expected to take over, bringing modern labour-saving equipment and methods. Like farming, these industries are expected to shed labour.

Another trend is for West German farming enterprises to expand their operations eastward, by renting land from the new land-owners. This development has several positive aspects: the western farmers bring with them experience, knowledge and modern machinery, and help to form local farmers' organizations and unions.

The Federal Union of Machine Rings in the old Laender has begun to assist the new Laender in the establishment of agricultural machinery centres which are available to farmers who are members of the ring. This trend is seen as positive because it helps make family holdings economically viable by creating economies of scale, and by preventing farmers from making costly errors in machinery investments.

Within the farms - large and small - which have been established thus far, there is a movement in favour of diversification of production and environmental sustainability. Under the past system of socialist collective farms, as noted earlier, each farm typically had a narrowly specialized group of products. This resulted in certain efficiencies and economies of scale in the short run, but now the negative effects of such an arrangement are being recognized. Farms involved exclusively in crop production had no ready supply of manure. Livestock-producing farms suffered from feed-supply problems and pollution due to the concentration of livestock on the land. Today, plant-production LPGs are dissolving and joining with livestock LPGs to create integrated farming enterprises. With the low-interest loans now available to new Registered Cooperatives, some 20 percent of funds borrowed will be invested in systems for liquid manure disposal, waste water processing, energy and environmental measures. This is due largely to the strict environmental protection conditions which must be met by new cooperatives seeking low-cost credit and other financial assistance.

Analysis, proposals

In the transition now underway from state collective structures to private companies, family farms and genuine cooperatives, there is reason for pessimism as regards the short-term prospects of the new cooperatives. There are two alternatives in addressing Registered Cooperatives which do not thrive. The first would be to allow them to collapse, accepting the drastic social and economic consequences, and seizing the opportunity for a "quick new beginning". The other alternative is continued financial support to the cooperatives as they adjust to new conditions, build management and technical skills and improve their economic efficiency. Of course, this alternative can only be pursued at considerable cost.

A number of measures could enhance success in the transition. These include:

- Government policies and programmes should create equal opportunities for all the various types of agricultural enterprises.
- There is a need to establish clear legal and economic conditions and rules to facilitate regulation of production and protection of the environment.
- It is important to draw attention to the risks and responsibilities for members of the new cooperatives. Many do not understand the implications of the ongoing adjustment. In addition, many members lack the professional skills to start and manage an agricultural enterprise.
- To assist the apprentice training programme, agricultural enterprises could be paid DM 5,000 per year for each apprentice.
- In order to reduce disparities, farmers in the eastern Laender should receive the same subsidy for their health care schemes as their counterparts in the west.
- There is a need to gradually reduce the technical backwardness of production technologies in the eastern Laender. New techniques must be economically viable.

- It is essential to modernize the outdated processing industry in order to recapture the local market. Products will have to be produced at lower cost and packaged more attractively in order to compete with goods from the west.
- Existing processing and delivery capability should be exploited to improve the economic strength of the sector.
- Increased contact with farmers from the old Laender should be promoted, following the example of some Chambers of Agriculture in the west which are already organizing weekly seminars in the east.
- Farmers who intend to establish independent farms are in urgent need of training in investment possibilities, bookkeeping, taxation, insurance, marketing, tenancy rules and the Set-Aside Programme.

CASE STUDY ON YUGOSLAVIA

by Vladimir Stipetic

Introduction

True cooperative activity in the rural areas of Yugoslavia, all but crushed in recent decades by collectivization and other government policies, has the opportunity today to make a comeback. The current status of cooperatives differs from republic to republic in this war-torn, multi-ethnic land, but many of the emerging republican governments appear to be favourably disposed toward this old and deeply rooted organizational form. Economic and political reforms in the republics of Yugoslavia will take place not only amidst economic recession, but in the aftermath of civil war with its attendant physical destruction and massive displacement of people.

This case study reviews the status of agriculture in Yugoslavia, provides a brief history of the cooperative movement in each republic, takes a look at some recent developments affecting cooperatives, and offers some suggestions for the future.

As of 1988, agriculture employed 17 percent of the national work force, and contributed 11 percent of GNP. Over half the population still live in rural areas, despite about a 3 percent annual rate of rural-urban migration throughout the 1980s. Many individuals leaving agriculture over the past four decades were absorbed by rural industries and services.

Population pressure on the land is higher in Yugoslavia than in some of its neighboring countries (0.32 ha. of arable land per inhabitant, compared to 0.39 in Poland, 0.5 in Hungary). A good deal of agricultural land has been lost since 1960 to road construction and city expansion, and much of today's total agricultural area of 14.2 million ha. lies on marginal land -slopes and forest areas. Many owners live in cities and work on their farms only on the weekends, also contributing to a certain degree to degradation of the land.

The 1980s were a period of stagnation for the entire agricultural sector, but the drain of labour away from agriculture began as early as 1941. There was a growing consensus among the peasants that agriculture could not support a decent life. Many individuals found employment in manufacturing or construction, or chose to farm on a part-time basis, and the most marginal areas were abandoned. In the period from 1962 to 1989, the number of cooperatives declined from 1,882 to 885, and the area of arable land cultivated by cooperatives fell from 486,000 ha. to 60,000 ha. The number of employees in agricultural cooperatives also declined, from 126,000 in 1962 to 24,000 in 1989. Overall, the area cultivated per agricultural worker rose. As young people, especially males, abandoned agriculture, the farming population was composed increasingly of females and elderly people. In addition, 1 in 5 farmers today is illiterate.

As agriculture became progressively less important to the individual farmer as a source of income, the result was *not* that land became concentrated in the hands of those farmers who continued. Legal ceilings on peasant farm size, the absence of credit, and fear of land policy changes inhibited the land market. Socially-owned farms absorbed some of these plots when they were contiguous to the larger farm, some were bought by city-dwellers for weekend houses, but most remained in the hands of the original peasant owners.

Small-scale private farming dominates the agricultural sector in Yugoslavia (see Table 4), with roughly 2.5 million holdings averaging 3.5 ha. in size. The trend is toward progressively greater fragmentation of privately owned farmland, largely due to inheritance laws which divide a farmer's property equally among his children. Further, the land is typically divided into strips, often widely separated from each other. A survey in 1960 showed that the average peasant farm consisted of 7.9 separate plots. The implications for efficient use of labour and machinery are obvious. Throughout the 1980s this sector experienced severe stagnation, with growth rates even lower than for agriculture as a whole, and often negative.

The "socially owned" farming sector, that is, collective farms modeled on the Soviet *kolkhoz* and state farms resembling the Soviet *sovkhos*, accounts for about 32 percent of all agricultural land and 20 percent of arable land. (The large gap between these two figures is due to the fact that 2.7 million ha. of pasture land - traditionally communal property - is counted as part of the socially owned sector.) This sector has gradually increased its share of total agricultural area since 1957, since, until very recently, as farmers left agriculture they were prohibited by law from selling their land to other small farmers.

Table 4: CHANGES IN LAND OWNERSHIP PATTERNS IN YUGOSLAVIA (1957-1989)

	1957		1965		1989	
	(x1000ha)	%	(x1000ha)	%	(x1000 ha)	%
Agricultural land						
Peasant farms	11.853	79	10.500	71	9.666	68
Socially owned*	3.147	21	4.300	29	4.520	32
Total	15.000	100	14.800	100	14.186	100
Arable land						
Peasant farms	7.576	91	6.937	83	6.216	80
Socially owned*	.704	9	1.413	17	1.534	20
Total	8.280	100	8.350	100	7.750	100

* Includes both cooperatives and state farms.

The socialist share of arable land is about 20 percent for all Yugoslavia, but varies widely from region to region: 42 percent of arable land in Vojvodina, 33 percent in Slavonia, 30 percent in the Vardar valley in Macedonia. The socialist share is significantly lower on the other side of the mountainous regions - (7.8 percent in Bosnia-Herzegovina, 5.9 percent in Montenegro, 11.4 percent in Slovenia, 10.2 percent in Serbia proper, and 12 percent in Kosovo.

History

The cooperative movement has a more or less long history throughout Yugoslavia, depending upon the geographic region in question. Generally the western parts of the peninsula began earlier, so that Slovenia, Dalmatia and Vojvodina have the longest history, followed by Croatia, Slavonia and Serbia. The most commonly occurring purpose of the early cooperatives was the provision of credit and savings services, but cooperative forms and types also varied from region to region. The typical pattern of development began with credit and savings for agriculturalists, diversified to supply and sales, and finally common processing.

The cooperative tradition in Croatia and Slovenia dates back to 1873. These early cooperatives were involved in savings/credit and equipment-sharing, although there were also *examples* of cooperation in specialized production such as dairy and olive oil. In Istria, where *the First cooperatives involved production, cooperatives were instrumental in creating a new political will*. The movement there published native-language periodicals, provided lecture rooms, and remained strong even under the Italian occupation. In Dalmatia in the early 1900s, there was even a weekly cooperatives publication. Vojvodina, which includes the most fertile land in Yugoslavia, has a long cooperative tradition beginning in the 1870s. Credit cooperatives predominated here, and most were organized around four associations within a cooperative union, one of which had a large publishing function.

Serbia's first cooperatives, mainly involved in credit operations, appeared in 1884. After World War I, however, producers' cooperatives and bulk sales proliferated. Colonists brought the first cooperatives to Kosovo in the 1920s, but growth was slow due to illiteracy and the subsistence nature of agriculture there. Montenegro's first cooperatives, involved mainly in credit and savings, appeared in 1901 and also experienced slow growth. Macedonia, under Turkish control until 1912, had no cooperatives before World War I. The first examples provided credit and savings services. In Bosnia-Herzegovina, the cooperative movement is not deeply rooted, despite its early-20th century beginnings.

After these auspicious beginnings, cooperative activity in Yugoslavia withered with the coming of World War II. Faced with famine conditions after the war, the new government actively supported the reestablishment of the cooperatives. Favourable terms in the supply of machinery and inputs was used to entice farmers, but they were slow to join.

From 1947-1952, a campaign to collectivize agriculture according to the Soviet model was undertaken. Police and army participated in this massive effort to force peasants to enter kolkhoz-like production cooperatives. Membership in general and specialized cooperatives declined during and after forced collectivization. These new worker cooperatives were poorly managed and the whole campaign had catastrophic economic results. As a signal of the admission of failure, a 1953 decree made it possible for peasants to leave the production cooperatives, taking their land and livestock with them. Almost none of the government-supported cooperatives survived.

Beginning in the late 1950s, a new approach was pursued by government. While lip service was paid to cooperatives, the new policy of "integrating" peasant cooperatives in large scale state farms was really an attempt to dismantle cooperatives. Under the integration policy, scarce financial resources were directed primarily to the large state farms, peasant farms affiliated with cooperatives were annexed to the state farms. Hundreds of processing plants were transformed into state enterprises, with no compensation to the cooperatives. Many peasant farmers were given employment as labourers or white-collar officials in the state farms, which helped to assuage opposition. The decline of cooperatives now was rapid. By 1975, only 850 cooperatives remained - one-tenth of the number that had existed before World War II.

Also during this period, a contractual system of "socialist cooperation" between individual farmers and state-owned enterprises (state farms, combinates, food processing plants, trade enterprises) was promoted. Contracts, usually one year in duration, covered services, production loans and contracts, and joint production and distribution. This system was very attractive to farmers at first, particularly because credit was not available from other sources. After the 1960s, the joint production and distribution variant of "cooperation" faded out, but the service aspect endured right up until the present. By the 1980s, only livestock fattening on contract remained strong. Over the years of "socialist cooperation", even if peasant farmers continued to belong to cooperatives, their ties to those organizations were certainly weakened.

Since the early 1950s, cooperatives of all types have suffered an "image hangover", because in the minds of many, they are irrevocably associated with the huge losses experienced under forced collectivization. Well aware of this negative image, the government was always hesitant to promote the cooperative sector. Those cooperatives which sprang up in the years following were largely of a grassroots nature, with little official encouragement until the late 1980s.

In the 1980s, the gradual rise of democracy permitted the resurgence of genuine cooperatives, and the new cooperative movement received considerable support from professional circles and some politicians. The period 1980-1988 saw a 43 percent increase in the number of cooperatives - most of which provide sales and procurement services, but a few involve production. The sharing and lending of machines became more popular, and the number of machines held by cooperatives rose by 50 percent. The level of peasant farm/state farm cooperation declined, and at least for a time, the state was pressured into giving the same subsidies to the cooperatives that it directed to state farms. Many court claims were filed in connection with the property-taking of the previous two decades.

The cooperative movement also revitalized its organization during the 1980s. Associations of cooperatives were created on the republican and federal levels, and began work to improve the legal status of cooperatives. At the federal level, two constitutional amendments passed in 1989, and a new Law on Cooperatives passed in 1990, provide a new legal status for cooperative organizations. The Law on Cooperatives establishes that cooperatives are voluntary organizations whose members aim to further their mutual interests and improve their social and economic status, making their own decisions. For the establishment of a cooperative, there is no need for permission from any institution, and only three persons are needed to establish a cooperative. These changes are echoed in the new constitutions of some of the emerging republics.

Many republics have abandoned legal ceilings on holding size, and larger agricultural holdings are increasing in number. Simultaneously, there is an increasing concentration of livestock in fewer hands. The use of inputs is rising, and independent peasant holdings are integrating vertically with processing plants and large food chains.

Challenges for the future

In the past year, Yugoslavia as a country has almost completely disintegrated into its constituent republics, as each has sought independence from the center. It is likely that in the immediate future the various republics will be formulating their own agrarian policies, in particular with regard to the cooperative sector.

The decrease in the number of peasant farms throughout the country indicates the potential for declining cooperative membership as well. The internal cohesion of cooperatives today is also threatened by technological change, and the physical distance between cooperators and their institutions.

Amidst the changes taking place in agriculture throughout the Yugoslav republics, a number of trends run counter to the principles of true cooperation. There is tendency for cooperatives to select their members on the basis of size of farming operation, resulting in a clash between the interests of large and small producers. The economically stronger receive preferential treatment. Internal equalization of overhead is no longer accepted. Further, the administrative personnel of cooperatives are not educated in the cooperative spirit, resulting in another clash of interests: administrators want to retain more revenues for investment, while members want higher payments on their produce deliveries.

As a result of the search for other sources of capital, non-members become shareholders and the cooperative becomes a "para-cooperative" and "semi-cooperative". In these organizations, rights are accorded in proportion to the number of shares held. The practice of doing business with non-members tends to blur the advantages of membership, and the old principle of "one man, one vote" is undermined.

There is a real need to educate the future leaders of cooperatives in order to make possible a revival of the cooperative movement. In almost all East European countries the cooperative spirit was under attack for 40 or 50 years - regarded and treated as antithetical to the collectivization drive and to the "gradual socialization process" undertaken in Yugoslavia (and Poland) after the late 1950s. The cooperative leaders of the pre-war period have nearly all died and the new generation has no experience with true cooperation. As a result, the small-scale peasant farmer, emerging from the ruins of socialist agriculture, is left alone, without the cooperative shield. As such he can ill defend himself against the interests of much stronger processing industries, wholesalers and others. These forces are implicitly against the formation of the cooperatives, since this would strengthen the peasant farming sector in the struggle for better prices and other conditions.

The establishment of a Yugoslav Centre for Cooperative Studies would be of great service in reviving cooperative spirit and enhancing understanding of cooperative principles. In addition, a select group of trainees should be sent to study first-hand the organization and functioning of cooperatives in nearby Western European countries. The proposed Centre would issue publications describing successful cooperatives, examples from abroad, and the full range of possibilities for cooperation. The curriculum would be based on agricultural economics courses, as well as the basics of agronomy, veterinary medicine and sociology. If not a Yugoslav centre, then an Academy of Cooperative Studies somewhere in Central Europe -Austria, Germany or Switzerland - could help speed the re-establishment of the cooperative movement.

Time appears to be against the peasant farmer in Eastern Europe. In the next 10 years, these farmers will confront the common European market for food products, and as yet they are too weak to withstand the competition of West European farms. A cooperatives academy could help in the creation of a new cooperative farmer in Eastern Europe - one who will be more efficient than at present. Agricultural policy formulation lags as governments attend to the industrial sector and other problems. In the meantime, self-reliance among the peasants -organized around true cooperatives - might be a substitute for missing policies in the agricultural sector.

Technical assistance from the international community should focus on the small peasant with scarce land and capital resources. The experience of many small-scale farming schemes, in England for example, would be important to review. In Yugoslavia and neighbouring countries, past policy was directed to large tracts of land, huge feed lots and milking herds, etc. Solutions appropriate to the small-scale producer are desperately needed. One strong possibility is the establishment of genuine cooperatives to help achieve economies of

In the transition from centrally planned to market-oriented economies, countries in Central and Eastern Europe are experiencing radical transformations in all economic sectors, including the agricultural sector. As a contribution to the complex and difficult restructuring process now under way, FAO commissioned four case-studies on the reorienting of agricultural cooperatives in Poland, Hungary, the former German Democratic Republic and Yugoslavia. Summaries of these studies have been compiled in this first publication of a new series.

The task of restructuring agriculture – from input supply to production, from processing to marketing and distribution – is a complex one. It calls for a careful approach which is sensitive not only to the new market conditions but also to the needs and rights of farmers, absentee landowners, former landowners and rural populations. Despite the shortcomings of the agricultural production and service systems now in dissolution, they did provide a significant level of security and comfort for the worker.

The authors of the case-studies underline the need to present farmers with the facts about genuine cooperation, since they are often unaware of the benefits that can be obtained from membership in a true cooperative.

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