

AGRARIAN REFORMS IN POST-SOVIET RUSSIA

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C E R T I F I C A T E

Certified that the dissertation entitled, "AGRARIAN REFORMS IN POST-SOVIET RUSSIA" submitted by BINAYA BHUSAN JENA, in partial fulfilment of the requirements for the award of the degree of MASTER OF PHILOSOPHY, of the University, is to the best of my knowledge, his own work and has not been previously submitted for any other degree of this or any other University.

We recommend that this dissertation may be placed before the examiners for evaluation for award of the degree of Master of Philosophy.

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To

My Parents

CONTENTS

<u>Chapter</u>	<u>Pages</u>
Introduction	01- 07
1. Historical Background of the Russian Agrarian Sector	08- 23
2. Land Reforms after Peristorika from onwards.	24- 41
3. Implimentation of the Reforms.	42- 63
4. Socio-Economic Impediments to Agrarian Reforms.	64- 82
Conclusion	83- 86
BIBLIOGRAPHY	87- 92

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INTRODUCTION

Reformation is one of the fundamental factors of social change. When the social relations, productive relations and machinery and human relations in the process of production find under satisfaction or the expectation of the level of production remain unstable, it is felt sometimes very essential to adopt and introduce reforms to bring about desired results. Reformation is also sometimes directed against the old traditional system of any kind starting from religion to economy. Recently, Russia after the fall of socialism, i.e. statism introduced agricultural reforms to build new relation patterns among the factors of production to enhance the productivity. It has been experienced that due to collective farming the individual and human factors in the process of production lost its interest and initiative which resulted in the collapse of statism. So, in order to restabilize the economy Russian government embarked on a path of economic reforms in general and agricultural reforms in particular.

Details of totalitarian domination in the former USSR, the five year period of anarchist "Perestroika" of its economy according to Mikhail Gorbachev's methods and the unsystematic and inconsistent reforms

in agriculture, industry, market, finance etc. of the last five years (1991-95) under the conditions of new liberal economic and political wind unfortunately did not lead to deep structural and quantitative changes in the socio-economic situation in Russia.

The documents that articulate the tasks and goals of the reform describe an orientation toward the formation of a mixed agrarian structure in Russia. The concrete task and goals of the reforms include the development of market relations, transitions to private land ownerships, broad privatization of productive capital during the process of reorganizing the collective and state farms (which includes de-collectivization and division of state farms into small private lands), state support to the newly and emerging private farmers and agricultural entrepreneurs, the financial arrangements to the entire sector, the agricultural machinery and technology to be supplied, etc. The aim of this massive reform proposals from 1991 onwards, was an over all revision of attitudes to the land on the basis of its redistribution, creation of new organizational forms and establishment of new conditions for the formation of a land market. The new agrarian reform seeks to improve the productivity and efficiency of the agricultural sector while at the same time cutting production cost and permitting the elimination of subsidies. In particular a primary goal is to create a stratum of private

peasant farmers, who offered the possibility of becoming rich, will significantly increase food output, which will in turn benefit all of society.

Agrarian relations, production relations in agriculture is the basic structure of any agricultural system. Since land is the primary means of production in agriculture, the form of land property is the basis of agrarian relations. The nature of agrarian relations is determined by the nature of land ownership and land tenure. Agrarian relations change as conditions of land ownership change and land tenure change. The structural, organizational and policy changes in the land ownership and management after disintegration is very much important in the new reform proposal of agrarian sector. Almost all agricultural land in the Soviet Union was socialized and operated by either collective and state farms. Private land ownership was a matter of anticommunism or capitalism. Theoretically, private property is a contradictory factor in the socialist structure. But to some extent it was managed in the former USSR to a lesser degree, for private use only.

Agrarian reforms in general and decollectivization in particular were considered to be important policy objectives for successful economic transition in Russia and for radical transformation of agriculture. With that in view since 1992 through edicts of the president and

resolutions of the Russian Government, agrarian reforms have been carried out. As a result of the de-collectivization programme all collective farms and state farms were required to set up committees to reorganize their units into either individual private farms or their transformation into producing co-operatives, Joint Stock Companies or a combination of the two. There was also another option of breaking up collective farm into small family private farms. Hence by the end of 1995, more than 95 percent of collective farms and state farms were reorganized.

Ownership of land and distribution of land are two important factors affecting any agriculture. Russian agriculture after the disintegration of the Soviet Union is under transition. Both the polity and the economy are now moving toward a democratic market oriented economic system. The question now arises whether the present agrarian reform and legislation hitherto is able to create a mixed agricultural structure by liquidating the collective state farms, assigning individual farmers a subsidiary role. Should the right to choose be given to the peasants themselves on the basis of their voluntary participation in a gradual remarking of collective state farms and programs, financed through state structures for the construction of blocks for the private farms producing for market? Should collectivized

farms be privatized totally or selectively? Should the peasant private farm sector be developed by reorganizing collective and state farms where members have the right to leave and take land and property to a system of large farms? Should the new economic structure be created with the aid of market criteria and mechanisms or continue with the administrative methods? From this point of view, it is useful to take a look at the concrete problem of private and public ownership of land, of large and small scale agricultural production, in foreign countries.

The principal agricultural production unit in Europe, the United States and Japan, family farms producing primarily for the market; the principal production units of developing Asian countries are small scale peasant commodity farms. But the question here arises whether Russia can accommodate the newly emerging private farmers to compete with the farmers of the other countries regarding production, management marketization principles. As the concept of market is nascent in the Russian air and agriculture, individual ownership farming coupled with state sponsored farming with participation of farmers will enhance the productivity. Collective farming is to be replaced by individual ownership farming to remove the ills of human factors in the process of production. Finally, land redistribution system would enhance the productivity of the agrarian sector.

The necessity for agrarian reforms is dictated the demands of the economic and political development of the country and by the peasants powerful movement for land. The degree of radicalism of the reforms is determined by a combination of social and economic conditions in the given country, the correlation of class forces and the nature of the regime. The recent changes in the agrarian sector in Russia, after the collapse of the Soviet Union is important in the agrarian history of Russia. These years from 1991 to 1995 and onwards marked a beginning of transition from the collective and state farming to private farming. The present work titled "Agrarian Reforms in post-Soviet Russia", is an attempt to study the process of transition of Russian agriculture.

The dissertation consists of four main chapters apart from introduction and concluding remarks.

The **FIRST CHAPTER** focusses on the theoretical aspects of the agricultural system. It describes a brief history of Russian agriculture and it finds out the origins of the contemporary problem in the historical perspective.

The **SECOND CHAPTER** deals with the various legal framework for land reforms which involves in the ownership and distribution of land. The new patterns of private farming, farm restructuring and reorganization have been given due importance.

The **THIRD CHAPTER** focuses on the various personnel and administrative changes accumulated over the five year period since the inception of the reforms in 1991.

The **FOURTH CHAPTER** discusses the various socio-economic and political impediments to the agricultural reforms.

The **concluding CHAPTER** recapitulates the main arguments and makes tentative speculation on the future of agricultural reforms in Russia.

CHAPTER - ONE

Historical Background of the Russian Agrarian Sector.

Every crisis is grown out of the history. Lenin, once aptly remarked that "we are building a new system out of the bricks that the old order has left us. The structural and institutional contents of an emerging socio-political, socio-economic situation is not shaped into existence out of nothing. The plinth of social soil exists as a historical reality, both concrete and total - which provides a multiplicity of complex, intervening and interconnecting links in time and space. History indeed is a living testimony of its transparent dialectics." So in evaluating the present crisis we need to look back, into the history of Soviet agriculture in the historical perspective.

In conducting a review of Russian agriculture we need to consider why the former Soviet Union persisted for so long with its particular form of tripartite collectivised, state and private agriculture when other societies in the so called socialist block made serious modification in the system and in some cases (e.g China and Poland) largely rejected the Soviet model. All the infrastructure of Russian agriculture reflected the tripartite system of production whether in barrage facilities, machinery or banking. If we can understand the historic reasons for the persistence of such a system we will have better basis to understand the

nature of the profound crisis which is currently threatening Russian Agriculture. The causes of the present crisis are sought in the historical origins of the role of agriculture in the forced march to industrialization by the USSR and in the impact of the recent post-Soviet reforms agriculture.¹

It is no exaggeration to say that the crisis in Russian and Commonwealth of Independent States (CIS) farming may soon be comparable with the losses inflicted on the economy in the years of the second world war and it is one of the major threats to the stability, even survival of the Russian Federation.

Organisation of Farm

Collective and state farms were initially created not as large independent agricultural enterprises, but in the form of a subsystem of the states now disintegrated nonmarket national economic system of planned distribution. Under the Soviet constitution, land was the exclusive property of the state and collective and state farms enjoyed firmly established, free and indefinite use of the land, without the right of alienation. Their production organisation was determined not by internal economic rationality based on a market evaluation of the combination of existing factors of production (land, capital, labour) but by

¹ Pockney, B.P. Agriculture in the New Russian Federation. *Journal of Agricultural Economics* .45(3); Sept'94, p.328

specific external condition -centralised administration and the dominant ideological principles. Collective and state farms bore de facto responsibility for only part of the operations in the production cycle, where as the harvest, for example, was "the business of all the people"² and entailed the mass forced mobilization on the urban work force for seasonal agricultural work, thus there was a merging of the collective state farm system with other elements of the centralized planned economy.

All most all the agricultural land in the Soviet Union was socialized and operated by either collective and state farms. The average size in 1980s was large--6,600 hectares (16,300 acres) for collective farms and 17,300 hectares (42,730 acres) for the state farms. These two types of farms had a total cultivated area of approximately 225 million hectares (555 million acres), some 40 percent larger than the cultivated area in the United States and more than five times that of Canada. Due to the large size of the farms, their total number is quite small : at the end of 1980, 25,800 collective farms and 21,000 state farms. The same trend continued till the disintegration of the Soviet Union, with a very marginal change. The total down area in the socialized sector was divided approximately equally between the

² Aleksandrov, Iurii. Agrarian Reform based on Social Agreement. Problems of Economic Transition. 37(6); Oct'94 ; p.10.

collective and state farms, with the state farms having 54 percent of sown area in the 1980s. Collective farms have about 515 workers and state farms about 550, annual average basis.³

The Collective Farm Mechanism :-

In theory a collective farm is a producer cooperative managed by a chairman and a board of directors whom the members elect. The collective farm is assigned land in perpetuity, though the farm can neither sell nor rent the land. In fact, collective farms possess only limited decision making authority. Each farm is required to deliver a substantial amount of its output to the state procurement agencies. If sale to the state exceed the amount specified the farms receive substantially higher prices for most commodities. The bonus is generally 50 percent of the procurement price⁴. Farms may sell part of their output in the collective farm markets, where prices more rarely reflect supply and demand conditions but such sales are possible only after the farms have made planned deliveries to the procurement agencies. Members of the collective farms receive payment on the basis of the number of days market and factors that

³ Ibid, p.11.

⁴ Johnson, Gale. and Brooks (1983) , Prospects for Soviet Agriculture in the 1980s , Broomington : Indiana University press p.31-32

reflect the skill required for the work performed. Until till 1950's the members were residual claimants to the income of the collective farms. However in the 1960's a system of minimum monthly payments was instituted and the collective farms were required to make such payments on a timely basis⁵. On a farm of low productivity the minimum payments, with some adjustments for skill factors, may be all that is received. On a farm with high productivity, payments, can and do exceed the minimum payments by a substantial margin.

The State Farm Mechanism :-

The state farm can be reasonably accurately described as a corporate farm. Workers receive a wage, and the state supplies the capital and takes most of the profit, if any. If there is loss, this is covered by a subsidy.

When agriculture was first socialized during the late 1920s, important differences existed between collective and state farms. However, in the 1960s effort was being made to reduce the differences between the two forms of agricultural farms. The institution of the

⁵ Hudlund 1989, Stephan. Private Agriculture in the Soviet Union. London and New York: Routledge p.p.126-127

minimum wage for members of collective farms probably had more than one objective, but one effort was to make the collective farm much more like the state farm. The relative importance of the state farms, as measured by sown area, had increased greatly from the 1950s. In 1950 state farms cultivate somewhat more than half of the sown area ⁶. The same trend continued with changes in some variables till the Gorbachev era came to an end.

Private Agriculture :-

Theoretically, private property is a contradictory factor in the socialist structure. But to some extent it was managed in the former USSR to a lesser degree for private use only.

Members of collective farms and employees on state farms, as well as large numbers of workers in non-farm enterprises, were assigned small plots of land for their personal cultivation. The plots range in size from less than half an acre to somewhat more than an acre.

These plots account for approximately 3 per cent of the total sown area, but they produce more than 25 per cent of gross

⁶ Johnson, Gale and Brooks. P.4.

agricultural out put. In the 1980s approximately 30 per cent of total Soviet meat and milk output had been produced in the private sector. Almost two thirds of all potatoes and two-fifths of the fruit and vegetables were grown on private plots. It has been estimated that private plots produce 12 per cent of net agricultural output⁷.

This comparison of the importance of the private plots in sown area and gross or net agricultural output was not intended to indicate differences in productivity between the private and socialized sectors. Most of the concentrate feed for private livestock was produced in the socialized sector, and private live stock graze on the common pasture lands of the collective farms and otherwise unused land, such as along roads and high ways.

The importance of the private plots in gross agricultural output is emphasized to indicate that a substantial part of farm output was not directly under the control of Moscow, except in the long run. In any given year, especially when crop production is low, the private sector presents central planners with difficult decisions concerning the allocation of feed supplies.

⁷ Ibid, p.7

One indicator of the official Soviet perception that agricultural conditions were unsatisfactory and output growth was lagging, especially with regard to those products most desired by consumers, was the relaxation of some restraints on private agriculture. The numbers of various kinds of livestock that could be raised on a private plot had historically been limited by law and regulations. In 1980, a new decree, "On supplementary measures for improving production of agricultural products in the private agriculture of citizens⁸," allowed families to take on additional livestock if they entered into agreements to sell the fattened animals or milk to the collective or state farms. Agricultural production purchased in this way could be used toward collective or state farm plan fulfilment and in calculating bonuses for management. Available reports are not specific about the sources of the added feed, the prices that would be paid for the animals and products, and the procurement prices. A similar plan had been in effect for three years in Voronezh Province, and pigs were sold to the collective farm for 111.5 rubles per kilogram⁹, a price approximately the same as the state purchase price. In this case the concentrate feed was supplied by the collective farms.

The Origins of Contemporary Problems:-

⁸ Swinnen, J. and Vander Zee F. (1993), The Political Economy of Agricultural Policy. A European Review of Economics, 25; p.12.

⁹ Ibid p.13

The collectivization of agriculture in the 1920s and early 1930s was one of the more barbaric movements in Europe's history. The cost was millions of lives, millions of deported peasants and the almost total ruin of Soviet agriculture at that time. Yet this very process achieved two major aims. Millions of peasants were squeezed from the land to become the industrial workers in the forced march to industrialization and the ever diminishing number of peasants remaining in the villages provided greater and greater amounts of food to feed the expanding towns. The diet was never good or satisfactory but it might be called adequate. At the same time the pricing system forced agriculture to provide a surplus of capital which was needed for industrialization process. Agriculture had only partially recovered from this debilitating process where the Baltic, Ukranian, Moldovian and Belarus lands as well as considerable regions of the Russian lands were occupied, fought over and robbed of their livestock and produce by the marauding armies. In a number of respects the condition of agriculture was worse in the immediate post-war years during the years of the civil war and the mass collectivisation. The enormous war time losses - a probable 27 million killed - fell mainly upon the peasant men and for a number of years the farms to the west of the River Volga were worked mostly by women, children and the wounded. Livestock losses were on a large scale but when measured in percentages the war time

losses for the whole of the USSR are broadly comparable with the decline in livestock numbers from 1985 to 1995 in the Russian Federation¹⁰. The decline in livestock numbers from 1985 to 1995 (i.e. the years of Gorbacher's perestroika), the collapse of the USSR and the emergence of an independent Russia has been shown in the table below.

Comparison of Decline in Livestock Numbers 1940-1945 and 1985-1995

	1940-45	1985-95
Cattle	-13%	-17.5%
Cows	-18%	-9.5%
Pigs	-62%	-26.1%
Sheep and Goats	-27%	-28.0%

Sources:- Sotzialno-Ekonomicheskoye Polozheniya Rossii, Jan.1994 p.214

The pre-war drive to industrialization was resumed and the demands of the Cold War led to militarisation of the economy. Once again agriculture was started of the capital, machinery, fertilizers,

¹⁰ Pockney, B.P, P.329

herbicides, pesticides, etc. It needed whilst the towns and industry were rebuilt. Matters were not helped by the insave theories of Dysenko and Stalin's plans for the "transformation of nature."¹¹ A generation of agronomists was driven into exile or to death. In the last years of stalin the collective farms were rapidly amalgamated into very large units and where as the previous standard picture had been of one village supporting one collective farm this had changed by the early 1950s to many village being members of one farm. Partly this was to resolve the problem that party members were sparse in the contryside and effective political control could not be exercised in 9 out of 10 collective farms. Amalgamation had the result that there was a functionig party 'cell' in nearly every collective farm. But deeper than the need for the network of political control was the perverse logic behind the Lysenko and Stalin schemes that agriculture could be developed without the investment of capital and it could continue to provide increasing amounts of food by fewer farm hands and be a source of capital. It must be remembered that the population increase in the post-war years (i.e. 1950 to 1988) averaged circa 3 million per annum and every year there was the grinding imperative to feed, house and socially service a large number of new citizens. This can be put in another way. Between 1950 and the final collapse of the USSR in 1991 the expansion of Soviet population was

¹¹ Kaplan Cynthia S.(1982), *the Party and Agricultural Prices Management in the USSR*, Ithaca and London : Cornell University Press pp.139-40

more than twice the total population of Great Britain. It grew from 178 million in 1950 to 285 million in 1990, a growth of 107 million in 40 years. A subsidiary problem was that much of this population explosion was in regions remote from the main agricultural areas¹².

When Stalin died in 1953 the USSR was once again threatened with famine and Khrushchev took the gambler's throw of developing the Virgin lands, a great region stretching from the River Volga eastwards to encompass a large area of Kazakhstan, a republic four times the size of Britain. Within the few years from 1950 to 1960 a vast area was put to the plough. In Kazakhstan for example, sown area expanded from 7.9 million hectares in 1950 to 30.9 million hectares in 1970. In total these new lands were comparable with the area of the Canadian wheatlands or a considerable part of Western Europe¹³. Initially the fields were good but the crisis soon developed. The soil was fragile, the precipitation was most unreliable (in 10 of the 40 years since 1954 Kazakhstan was suffered drought) and a great dust bowl was created. But in the years when the nature does lend a helping hand the harvest can be good :in 1992 it reached 29.8 million tonnes and the 1993 harvest was reasonably average at 23 million tonnes. But in some years the harvest was low. The resolution of long-term problems of Russia's grain harvest

¹² Ibid, p.143

¹³ Ibid, p.144

will be determined by its own efforts but its fate is closely linked with those of Kazakhstan and Ukraine and the level of the harvest in those two republics. These three republics, Russia, Ukraine and Kazakhstan were the provider of grain for other former USSR and in most years their harvest counterbalanced each other.(14) In the years when all three had good harvests the USSR could report bumper crops of more than 200 million tonnes(e.g. 1973, 1976 and 1978) but in the years when all three failed (e.g.1975) the harvest was as low as 140 million tonnes. Since the disintegration of the USSR into separate republics in December 1991 problems of payment have developed and traditional links are being disrupted. For example war-torn Armenia is receiving grain supplies from the USA and Turkey. Kazakhstan is now seeking markets outside the CIS in the hope of getting paid for its grain.

During the 1960s the policy of converting many collective farms into state farms was pursued. This was a more than a change in name. Two categories of collective farms were converted. Those that were economically successful capable and profitable (referred to in the propaganda as 'millionaire farms') and the permanent loss-makers where bankruptcy was the norm. There was no hope for this latter category in the existing conditions where the state acted as the monopoly buyer and established its compulsory levels of purchases at

prices which continued to ensure a net transfer from country to town, from agriculture to industry. By the 1980s the transformation of soviet agriculture was such that the state farms had advanced from being a small minority sector of agriculture to being a more than equal partner with the collective farms. In terms of areas of land farmed, the state and collective farms were almost equal by the later 1970s.¹⁴

In the state farms the investment of capital was directed from state, as well as from local sources. In the Brezhnev era from 1964 to 1982 a major turn in policy can be observed and for the first time in the Soviet period there was a mobilization of capital for the farms. The imbalance was being redressed but it was too little to do more than prevent agriculture sinking further into crisis. It was not only agriculture which needed renovation and investment on a large scale. All sectors of society needed capital and modernisation but the unremitting arms drive was swallowing the larger part of the national resources. This deficit of capital for investment left the former Soviet Union with a very uneven development of its economy, with a technologically backward industry and an agriculture operating at about one third of the efficiency levels of farming in the rest of Europe.

TH-6532

¹⁴ Medve, Zhores A (1987) Soviet Agriculture, London, New York: W. W. Norton and Company p.96

It was also during the Brezhnev era that the large scale import of grains began. Previously imports of grain had exceeded exports only during the panic years of 1963 to 1966 and that decision had been a major contributory factor to the downfall of Khrushchev in 1964¹⁵. From 1972 to the present day imports have always been greater than exports**** [can be supported by a table] and fluctuated in volume between 7 million tonnes per annum and 57 million tonnes. Of course these major purchases were partly determined by the inability of Soviet agriculture to provide sufficient grains (the deficit was mainly in the grains needed for fodder to maintain the livestock numbers), but the decision to import large quantities of grain, particularly from the arch opponent in the Cold War, the USA, were also influenced by the relative prices of oil on the world market and the prices of grain¹⁶. Exports of oil could buy considerable quantities of grain. That was how it seemed in the years after the first and second 'oil shocks' in the early and late 1970s. But by the 1980s the position had reversed. World prices of oil entered a long depressed period (it is claimed that the real price oil is now lower than it was in the years before (1972/73) and the relative price for grain to oil was stronger. Once again the attempt to resolve the problem of insufficient investment by cheaper solutions had failed and

¹⁵ Ibid, p.103

¹⁶ Ibid, p.135

the crisis of Soviet and Russian agriculture merged with the general economic, political and moral crisis which led to the collapse of the USSR.

The problems confronting Russian agriculture after disintegration are multifaceted. They range from the basic issue of inefficient, insufficient production to irrationality and waste in transportation, processing, distribution and pricing. Collectivized agriculture appears to have reached the limit of its ability to improve levels of food consumption in the country. Although food supply and levels of consumption are the aspects of Russia's agricultural problem that affect people's lives most directly, many economists consider the cost of production to be even or more serious problem. For decades, the Stalinist agricultural system featured obligatory deliveries and an irrational pricing system that after required farms to sell goods for less than their cost. Over time, the cumulative effect of this system was massive state subsidies, poor food quality and chronic shortages.

CHAPTER - TWO

Land Reforms after Perestroika from 1991 onwards.

The continuing political crisis in the Russian Federation has put many reforms on hold. This includes the land reform, which during the past few years has been a constant source of disagreement between parliament and Russian President Boris Yel'tsin. In December 1991 Yel'tsin enacted two decrees - "On the Acceleration of Privatization" and "on Urgent Measures for the realization of land reform" that were set to dissolve the old state and collective farm system. Under the terms of these decrees, collective and state farms were required to reorganize themselves into new types of agricultural enterprise, and to register their changed status in January 1, 1993. The reform till date has led to the emergence of a variety of agricultural enterprises ranging from joint-stock companies, in which former farm employees held shares, to producer cooperatives and associations of "peasant" farms. It also allowed for Kolkhozy and Sovkhozy to be split up into entirely separate independent farms and it preserved the right, contained in the March 1990 Land law of peasants unilaterally to withdraw land for independent farming from their parent collective and state farms.

Land Reforms and Farm restructuring in Russia

During the course of 1992, land reform and reorganization of farm enterprise in Russia brought about major changes in the ownership of agricultural land and in the rights of the farm employees. Agrarian reforms in general and decollectivization in particular were considered to be important policy objectives for successful economic transition in Russia and for radical transformation of agriculture. With that in view since 1992 through edicts of the president and resolutions of the Russian Government, agrarian reforms have been carried out. As a result of the decollectivization program, all collective farms and state farms were required to set up committees to reorganize their units into either individual private farms or their transformation into producing co-operatives, joint-stock companies or a combination of the two. There was also another option of breaking up collective farms into small family private farms. Hence by end of 1995, more than 95 percent of collective farms and state farms were reorganized. About 28000 peasant farms have been formed, having 12 mln. hectares

of land allotted to them for cultivation. But the process of farming such farms has slowed down to about 4000 in 1994/95 with equal number going bankrupt in each year ¹⁷.

In order to speed up the process of agrarian reforms, the Russian President Boris Yeltsin issued edict No. 1767 on 27th Oct. 1993¹⁸ introducing free buying and selling of land while putting restriction on changing into target oriented purpose, i.e., changing over to non-agricultural use. As a result of this, besides reorganised state and collective farms, 95 percent of private subsidiary farms have to obtain documents confirming the right to ownership of the land. Thus a major structural change has occurred in the sown areas by farm categories. In 1995, as per Goskomstat data, the situation was like :

- a) 61.1 percent of land under partnerships of various types, of joint stock companies, agricultural cooperatives etc. In the case of these farms there was real dividing up of land shares among farmers.
- b) 31.5 percent state and collective farms where there was no real dividing up of shares.
- c) 4.4 percent sown area is under private farm.

¹⁷ Wegren, Stephen K. Agricultural Reform in the Nonchernozem Zone : The Case of Kostroma Oblast. *Post-Soviet Geography*, 33, 10, 1992, p.654

¹⁸ *Ibid.* p.655

d) 4.8 percent of land has been sown by farmers and peasant holdings.¹⁹

With these on-going changes in land holdings, the Russian Government expected major improvement in agricultural production. But it is observed by several analysis that the share of land held by newly emerged farmers and peasants holdings is still very negligible to make any impact on Russian agriculture. Apart from this, the situation with regard to land ownership is still complex. The presidential edict came in conflict with the Land Code passed by the Russian State Duma in 1994 (vide article 101 and 104) which abolished private ownership of land for agricultural purposes.

A peculiar situation arose in Russia where farmers were said to be owners of land but actual users of land continued to be reorganised collective and state farms. Majority of farmers did not receive ownership titles on land from agricultural enterprises and rural administrative organs presumably due to prevailing uncertainties. The Pro-Yel'tsin lobby attributes land ownership issue as the critical factors for agricultural crises to which the Agrarian party does not agree. To end this

¹⁹ Gidathubli, R.G, Agriculture . Problems of Transition, Economic and Political Weekly, May 25,1996.p.1246.

empasse Yel'tsin has issued a decree "On Realisation of Constitutional Rights of citizens on Land", which has come into effect from 7th March 1996²⁰. But the agrarian factor in the Duma has reacted strongly reiterating that this is illegal and proposes to take up the matter with Rissia's Constitutional Court. Thus on the issue of ownership of land there are deep deferences between Yel'tsin-Chernomyrdin combine on the one hand and the Russian Duma on the other, things has created deadlock situation for the agricultural farms and enterprises. [If this is not resolved, then a refrendum may be held on the land ownership question].

There seems to be valid arguments by both the sides. Arguments by the Russian Duma against private land ownership are presumably based on the fear that ownership will eventually lead to free buying and selling of agricultural land resulting in speculation in law property by even non agriculturists which will eventually affect the interests of Rural Commodity producers. It may be further contained that unlike in some East European countries, in Russia the question of restriction of land ownership to the original farmers has not been serious since about 70 years have passed and original owners from whom land awas confiscated under Stalin's forced collectivization may be hardly

²⁰ Ibid, P.1247.

traceable, if alive ²¹. Hence communists with their enhanced strength in the newly elected Duma do not want to create class of land owners, which any way is against their political ideology.

In contrast to this, the pro-Yeltsin lobby which is interested in building a capitalist type of society wants to establish a land market through private ownership of land.

This could be a basis for developing appropriate infrastructure such as land banks mortgages, harvest insurance and so on. As the stalemate continues with these two conflicting positions with regard to ownership of land, agrarian reform process has not been smooth and agricultural efficiency has hardly increased. The condition under which the agrarian reforms being brought about contradicts both the socialist and capitalist type of economy. Both the private property and collective and joint stock type farming are the order of the day. The peasants those who were traditionally attached to the socialist type economy in general and centralised or now being introduced with a new type of 'market economy' which will obviously take time to accommodate them in proper way. Every transition has its own disturbed course. The ownership of land, the legislations made

²¹ Wegren, Stephen K. Private Farming and Agrarian Reform in Russia. Problems of Communism.(41): May-June 1992; p.109

for the transformation of the command economy to a market economy can better serve the purpose in analysing the pace and course of the recent developments of agricultural sector.

Legal Framework for Land Reform and Farm Restructuring. The legal framework of land reform addresses two major issues : a) ownership and b) distribution.

The original reform scheme adopted by the communist party of the Soviet Union in March 1989 envisaged that private endeavour would operate through the mechanism of short or long term leasing of land from the collectivized sector. However, subsequent provisions allowing for ownership of the land have proved much more popular with would be farmers. "Ownership" of land may be defined two ways; first as life time leasing with the right of inheritance (Vladieniye), and second as outright ownership (Sobstvennost)²². By the end of 1991 about 57 percent of peasant farms in Russia were held in Vladieniye and another 25 percent were owned outright. The analysis here will concentrate on robstvennost rather than vladieniye.

²² Ibid, P.110

A considerable amount of legislation on private land holding has been passed over the last two years. A draft law on peasant farming was published before the disintegration of USSR in the summer of 1990. At the end of 1990, the RSFSR parliament adopted a number of agrarian reform measures. On November 22, it passed the law "On Peasant Farms", legalizing private peasant farmers and the hiring of labour by such farmers. The next day, a law "On Land Reform" ended the state monopoly on land and allowed for the transfer of land to individuals, an amended version was adopted on Dec. 27, 1990. Also in December, a law "On a Program for the Revival of the Russian Countryside and Development of the Agro-Industrial Complex" allowed for individual purchase of land and the operation of private farms, a law "On the Social Development of the Countryside" guaranteed that "all forms of farming have the equal right to organise production".

In December 1991, a second flurry of legislative activity attempted to accelerate land reform in Russia. President Yel'tsin signed two decrees : "On the Acceleration of Privatization and "On Urgent Measures for the Realization of Land Reform in RSFSR". And the Russian government passed two resolutions : "On the Orders of Reorganising Kolkhozes and Subkhozes" and "On the Reformation of the State Management of the Agro-Industrial Complex of the Russian

Federation. The "Urgent Measures" decree was clearly intended to facilitate the development of private farms by assigning specific responsibility for implementing measures allowing workers to leave the Kolkhoz or Sovkhoz and to taxed land with them. It also instructed state and collective farms to re-register during 1992 for the purpose of breaking up unprofitable socialized farms into private farms, and it provided for the sale of land under certain conditions²³.

The decree reorganising State and collective farms was aimed primarily at eliminating unprofitable ones. Farms in the State and collective sectors that were unable to pay of their debts and meet their pay rolls were to be declared bankrupt by February 1, 1992, and to be liquidated and reorganized during the first quarter of 1992.8 Optionally, a profitable enterprise would face over the bankrupt farm, but if not, debts were to be settled by selling the farms assets at auction. Although it focussed on problems of farm insolvency, the decree also instructed all farms, by Jan 1, 1993 to reorganize themselves and form "local committees on land privatization" that were to be located within "every Sovkhoz and Kolkhoz. The decree reiterated that persons leaving had the right to receive a share of farm land and it repeated the stipulation that the land may come from the social sphere.

²³ Ibid, p. 111

In any case, a new basis private farming has been laid through the codification of a number of important rights and protections for private farmers. The law "On Property in the RSFSR" explicitly legalized private property. Private farms have been granted equal standing with other types of farming. Interference in the activities of private farms by state or cooperative organs is prohibited and, under provisions of the decree "On Urgent Measures" is punishable with fines amounting to up to three months salary²⁴. Private farms have the right to define independently what kinds of agricultural activities they will undertake and the structure and size of their production, to hire labour, and to engage in commercial transactions with enterprises and associations.

The law "On Peasant Farms" stipulates that "every able bodied citizen" who possesses "specialized agricultural knowledge or part specialized training" has the right to organize a peasant farm. In the case of multiple claims to land, preference is to be given to citizens who have lived in the given locality. The RSFSR Land Code adds that any citizen at least 18 years old who has experience in agriculture and the corresponding skills, or who had past specialized training may receive land. The code gives members of kolkhozes and workers in

²⁴ Van , Atta Don. Agrarian Reform in post Soviet Russia. Post -Soviet Affairs, 10-(2); April -June ,1994, p.182

sovkhozes and other agricultural enterprises the right to leave and become peasant farmers (with the approval of the rayon (county) soviet of people's deputies) and to take with them an assigned amount of land from or enterprise. In March 1992 the government went further and adopted a resolution stating that an individual no longer requires permission to leave a farm, and the resolution on reorganization of the state and collective farms says that a farmer can leave at will (however, land assignments still must come from the rayon soviet).

Things have been changed fundamentally since the "Yeltsin's October 1993 Decree" for the smooth and free functioning of the agrarian policies and structure. Genuine agrarian reform can be achieved only by creating a free market in agricultural land, which in turn requires overcoming resistance to letting people leave the big farms with real land and property shares²⁵. So, after the dissolution and forcible dispersal of the parliament in October 1993, a set of amendments to the law on the Peasant Farm, designed to correct abuses and remove obstacles to redistribution, were hastily drafted by a small team of agrarian economists working with newly reappointed Economics Minister Yegor Gaydar. The result was a presidential decree aimed at creating a land market in Russian countryside.

²⁵ Ibid, p.183

The decree provided that peasant farmers be given legal title to their land and property shares and that the conditional shares be traded like any other securities, the ten-year moratorium on land sales by individuals was revoked. To avoid the delay of precisely demarcating individual land shares, at GKI's insistence the decree also provided that the plots could be surveyed and marked off after they had been sold. Asset shares would have to be paid in kind (a physical good like a tractor) or in monetary equivalents subject to indexation for inflation.

The decree stipulated that, as of January 1994, there would be no more compulsory state purchases of agricultural produce. Although the state would continue to buy much more of the nation's crops than in any western market economy those purchases were now to be made on a market basis. If the decree has been actually implemented, then the economic environment of agriculture would have been freed up, such that farm output would be placed on the same market basis as the supply of farm inputs. This would allow the terms of trade between industry and agriculture to equalize, so that agriculture would no longer suffer from high, uncontrolled prices for production inputs coupled with low, regulated prices for its output.

Patterns of Agricultural Privatization :

Although the peasant farms began in a very limited way under Gorbachev, through a series of laws on individual labour activity, cooperatives, leasing, land holding, and property ownership²⁶, the first real impetus for peasant farming in Russia was the Law on the Peasant Farm promulgated in December 1990²⁷. Under this law, agricultural workers or others who could show expertise in agriculture were entitled to receive land for peasant farming. A fundamental problem of this and subsequent laws making land available for farming was various restrictions on the free use and sale of allocated land, limitations that were not substantially lifted until Yeltsin's November 1993 decree "On the Regulation of land Relations and the Development of Agrarian Reforms in Russia"²⁸. Free land was available from two sources. The share that each member of the state or collective farm was entitled to, or a Special Land Fund established by each rayon or city Soviet²⁹.

Land availability was one limitation on the spread of peasant farming, another was willingness of peasants (or others) to become

²⁶ Kisslev, Sergey. The State and the Farmer, Svobodnaya Mysl (Translated) June'1993.p.34

²⁷ Floroff and Tiefenburn, Land Ownership in the Russian Federation : Laws and Obstacles, Saint Louis University Law Journal , 37 (2), Winter 1993 . p.241

²⁸ Wegren ,Stephen K, Yel'tsin's Decree on Land Relations : Implications for Agrarian Reforms. Post-Soviet Geography, 35(3) ; Mar' 1994, p.166

²⁹ Wegren , Stephen K. , Rural reform and political culture in Russia, Europe-Asia Studies, 46(2): 1994, pp.223-225.

private entrepreneurs. In the early stages urban entrepreneurs probably represented the majority of peasant farmers: by June 1, 1991 only 27.7% of peasant farms had been established by sovkhos and kolkhoz workers³⁰. Although experience with private plot production has been hypothesized to be the strongest indicator of potential willingness to enter peasant farming instead many peasants prefer simply to expand their personal plots, because it is less risky. The survey by Brooks and Leruen reported that of peasants receiving land shares from the collective farm, only 6% planned to use it for peasant farming, and 6% planned to add to their private plot production. However, despite peasant reservations, by 1992 most farms were being established by agricultural workers as opposed to urbanites. Another variable in availability of willing entrepreneurs is the age-sex structure. The correlation between the size of the urban population and the number of peasant farms declined from 5.6 at the beginning of 1992 to 0.49 at the beginning of 1993 and to 0.43 by January 1994³¹. This may reflect the weakening in the importance of urban areas for peasant farm development and/or the rise in entrepreneurship among the rural population.

³⁰ Gray, Kenneth R. and Yuri Markish. Russian Land Privatization : Two Decrees Forward, One Decree Backward ? *Economies in Transition Agriculture Report*, 5(1); Jan/Feb' 1992. p.10

³¹ Brooks , Karen and Lerman, Zvi. Land Reform and Farm Restructuring in Russia : 1992 Status. *American Journal of Agricultural Economics*. 75(5); Dec. 1993; p.1256

Peasant farms are now widely distributed across all regions of Russia, but by far the largest numbers are in the leading agricultural oblasts of southern European Russia. In the Volga or North Caucasus regions six territorial administrative units there which have more than 10,000 peasant farms each (Volgograd oblast, Saratov oblast, the Dagestan republic, Krasnodar Kray, Stavropol Kray and Rostov oblast) account for about 32% of all such farms in the country.

Farm Size and Land use :

The variation in farm size is another important indicator of peasant farm development. Although the average area of land allocated per workers is usually too small to form a viable farm, land allocations are not the only determinant of farm sizes: many peasant farms comprise the lands of several farmers. Brooks and Lerman report, based on their sample of five oblasts, that one third of peasant farms are multiple holdings, and this figure varies mildly among the oblasts. This variable could thus be very important in the regional differences in farm sizes, but no oblast level data set is available by which to test it ³².

A reasonable assumption about farm sizes is that they are larger in places where the land is inherently less productive or desirable

³² Ibid, p.1257

(poorer soils, difficulty of access, more remote), because there the norms of land allocation tend to be more generous. Although this certainly is true at the local level, when generalized to the oblast level it is only partly evident. Larger farms-upto 450 hectares on average in Kalmykia- are found in semiarid regions or parts of Siberia, whereas farms average only 15 hectares in productive Krasnodar kray. A surprising finding is that the correlation coefficient between land productivity and farm size is only- 0.25, which is not statistically significant at the 0.01 level. Measures of intensity of agriculture such as capital investment and fertilizer use per hectare, however, show a negative correlation with size, supporting the assumption that in more developed agricultural regions farm sizes are smaller. Those relationships also strengthen considerably when the republics are excluded from the analysis. In addition level of organization and especially of industrial employment are associated with smaller farm sizes. Striking examples of this effect are found in Moscow and Leningrad oblasts, where average sizes are only slightly more than half as large as in the other smallest units in those economic regions.

A frequently noted feature of the growth of peasant farming has been the lack of change in the average farm size for Russia as a whole :

since early 1991 it has been in the range of about 41-43 hectares³³. At the oblast level, however especially during the period of rapid growth in 1992, there were large changes³⁴. In 1993, however, all economic regions except the volga and West Siberia had stagnation or slight decline in average sizes, leading to a 5% decline in the unit average for the country. The October 1993 decree Liberalizing Land sales might have the effect of allowing relatively successful farmers to acquire larger parcels of land more easily, and the stress on smaller and often weaker farms are causing rising failure rates of small peasant farms.

Kolkhoz and Sovkhoz Reorganisation :

A second major route toward agricultural reform was opened with President Yel'tsin's decree of December 1991, requiring the reregistration of all state and collective farms by January 1, 1993. Farms could choose to reorganise into a new form such as a joint-stock company, a cooperative, a partnership, an association of peasant farms, or individual peasant farms. Unless they were "chronicly unpritable," they were also allowed (by a subsequent amendment of March 1993) to reregister under their previous form. By January 1, 1995, 95% of affected farms had reregistered, with 34% retaining

³³ Van, Atta, Don, The Human Dimension of Agrarian Reform in Russia. Post- Soviet Geography. 34(4); 1993,p.262

³⁴ Ibid, p.263

their Kolkhoz or Sovkhoz form, although they were no longer state owned. Kolkhozy were much more likely (43%) than sovkhozy (25%) to keep their old status, primarily because of the high rate of kolkhoz retention in the ethnic republics. Of the farms changing their status as a result of reorganization, about 74% became joint formed, and 81,628 individual peasant farms were created, plus other minor forms of collective and non-collective enterprises³⁵.

The overall picture of farm re-registration and reorganization, is one of great complexity and regional diversity. Clear and simple regional patterns are not evident this may be partly explained by the fact that the most profitable farms are more reluctant to change their status, and there are large regional variations in farm profitability. In addition, under the initial phase of farm reorganization, in 1991, unprofitable farms were supposed to be broken up into peasant farms. Therefore, creation of peasant farms from reorganization may also be tied to this spatially diverse factor of farm profitability.

³⁵ Summary of World Broad Cast, BBC, Weekly Economic Report, 10 Feb'1995.

CHAPTER - THREE

Although central planning has largely broken down, the agricultural financial mechanism still works as it did under the old system. Funds for agriculture are allocated and distributed through a hierarchical process. Based on the plan for physical output they receive from the Ministry of Agriculture, production enterprises determine their annual need for credits by category of expenditure. The requests are then aggregated by the district and province sub-units of the Ministry of Agriculture and communicated to the Ministry in Moscow. The Ministry of Agriculture collates all the requests and sends them to the Ministry of Finance. There all request for government funds from all state - owned enterprises and collective farms are summarized and, in consultation with the Ministry of Economics, which plans physical outputs, the Ministry of Finance determines how the available financial resources should be allocated⁴⁵.

The consolidated plan for financial allocation goes to the national government, the Council of Ministers, which in turn presents the budget to the parliament for enactment into law. After parliamentary approval, the Council of Ministers directs the Ministry of Finance to work out detailed allocations for each industrial branch

⁴⁵ Van, Atta Don .p.165

based on the budget's overall appropriations. The Ministry of Finance then requests the Russian Central Bank to release credits to the banks that serve each branch of the economy. Those banks, in turn, distributes credits to each individual enterprise with the approval of the appropriate branch ministry. Credits to agriculture are handed by a state-owned agricultural bank. Before the USSR was dissolved, this was the *AGROPROMBANK*⁴⁶. Today the Russian Agricultural Bank handles most agricultural financial flows, although the agricultural banking system has broken up into several territorial monopolies as a result of local or regional branches secession from the *ROSSEL'KHOZBANK* network.

Once reforms began to allow individual ministries and enterprises some independence in determining what to produce, with what inputs and at what price, such that the government no longer controlled all income and expenditures, the planned amount of funds to be disbursed and the actual funds available could no longer be made to balance by administrative command. The Council of Ministries "solved" the imbalance by decreeing that more money should be printed. The inflation caused by the rise in money supply caused the

⁴⁶ Ibid, p.168

enterprenners to demand for the increase in state subsidies⁴⁷. Since the subsidies were effectively "cost-plus" transfers, the amount expended on them became so large that the state could no longer suport it. So the demand grew for further price decontrol, including the price of basic food stuffs such as bread.

The subsidies could be elimiinated by a combination of price decontrol and the movement of high- cost producers out of hilgh-cost products; in short, by a more national regional specialization of production. But the system of required state deliveries of agricultural produce, still in force in 1994 and 1995, gave farms little choice about what to produce⁴⁸.

Given the required state deliveries, the need to maintain employment and services on the farms and the growing disparity between input and producer prices, the farms found themselves, after 1991, increasingly unable to finance investment or production out of funding, they turned to the state, requisiting greater and greater appropriations of state funds for investment and development.

⁴⁷ Ogarkov, A. Investment Policy in Russian Agriculture. APK : Ekonomika Upravleniye 12 ; Dec' 1993.pp.8-9

⁴⁸ Ibid , p.9

Rural housing, community facility, public utility, local road, processing plant and land improvement construction projects are to be financed by a combination of the local budget, the building agency's or individual's own funds, and state investment credits. Much of the funding for upkeep of such "social sphere" projects which is broadly associated with agricultural infrastructure also comes from the farms, as does some of their employees pay. All of these funds including the local budgets, which involve the central reallocation of funds collected by the localities, are ultimately state expenditures, although they may or may not show up in the country's formal budget. So the "agriculture" budget bears much of the burden for supporting infrastructure and social services that in other societies would be directly state-supported. According to sources in the Russian Federation Ministry of Agriculture about 20 per cent of the agricultural budget represents such quasi-governmental expenditure⁴⁹.

Many government programs for supporting agriculture provide for concessionary (below-market) interest rates. The interest rate subsidy is to be provided by government repayment to the lending bank of the difference between the market rate at which the lending bank purchases its funds from the Central Bank of

⁴⁹ Van, Atta Don , p.173

Russia and the concessionary rate to be charged the farmer. When government funds to cover the interest rate subsidy are not paid to the banks on time, lending banks charge the borrower the full, market interest rate. If and when the compensation payment from the Central Bank is received by the lending bank the borrower may have the excess interest paid. If the Central Bank's rate for funds increases, so does the interest the borrower pays on the loan. But given the high inflation, the ruble value of the delayed payment does not repay the farmer for the entire over payment⁵⁰. So no borrower can be sure of the interest rate he or she will actually have to pay for a loan. So no farm can be sure of the real cost of the funds it needs to maintain production. In the absence of a predictable interest rate, no farmer can evaluate the risk involved in borrowing money.

As enterprise freedom increased in the 1990s more and more of other "impersonal", state-credit accounting rubles became truly monetized, leaking into the "personal" or cash, money supply. Russian agricultural enterprise managers explain that impersonal bank account funds can be converted into cash -in-hand and

⁵⁰ SWB, BBC, Weekly Economic Report May/June 1995

withdrawn by providing a sympathetic bank official with a small percentage of the transactions value. The low, state-subsidized interest rates on agricultural credits made them attractive for other purposes and, as hyper inflation has made turning a quick profit in trade the only reasonable investment, more and more of the concessionary credits certainly have been diverted to other purposes.

So the partial reform of agricultural finance did not serve the link between farmers and the state, and led to much market prices and the elimination of the sharp boundary between consumer, labour, and producers markets have monetized flows that were only formally "money" before. The attempt to retain state controls over production and the tendency by all concerned to treat the financial flows as though nothing had changed, led to financial chaos in the agricultural sector.

GROWTH AND DECLINE OF PEASANT FARMING: -

After an initially slow start, with only 4433 farms by the beginning of 1991, the number of peasant farms in Russia increased rapidly to 49,000 in January 1992, 182, 878 in January 1993, 269, 930 by January 1994 and more than 320,100 in January 1995. The rapid

growth in early 1992 and early 1993 contrasts sharply with the levelling off at the end of 1993 and into 1995. During the period from January 1995 to Dec. 1995 the pace of the growth of peasant farms has ben declined. Two major factors have combined to cause this decline in peasant farm growth. First, the initial period of rapid reorganization of state and collective farms, with their break-up into peasant farms being one possible out come, has been nearly completed. Second, difficulties of peasant farming have begun to cause higher failure rates of farms and declining interest by peasants in starting new farms⁵¹.

In the initial stages of farm reorganization in 1992, farms status as state or collective farms, but they were less likely to break-up into individual peasant farms. By January 1993, the number of peasants farms created as a result of reorganization was about 24% of the total number peasant farms, but it has risen to 30% by January 1994. The correlation coefficients between peasant farms formed from reorganization by January 1993 and measures of growth of peasant farm numbers and total area in 1992 are not significant.

⁵¹ Delovoy MIR, April 27, 1991.p.5

Farm failure rates are a more complex aspect of overall peasant farm growth, because only actual failures, not their effect on the unthringness of other farmers to go into peasant farming, can be measured clearly failure rates have been soaring : from 4 failures per 100 new farms in 1992, to 14 in 1993, 36 in 1994 and about 50 in 1995. They are now large enough to have a major effect on total peasant farm growth rates⁵².

The another option of breaking up collective farms into small family private farms should be taken into account. By the end of 1993, more than 95 per cent of collective farms and state farms were reorganized. About 28,000 peasant farms have been formed having 12 million hectare of land allotted to them for cultivation. But the process of farming such of arms has slowed down to about 4,000 in 1994-95 with equal number going bankrupt in each year⁵³.

During 1992 and 1995, failures by oblast varied from less than one percent to about 20%. Failure rates were lowest in the North Cascasns and highest in the Volga,Volga-Vyatka, and Central Chernozem regions, but all regions had at least one oblast where the

⁵² OECD, Report, 1996 p.170

⁵³ Gidadhubli, R.G. Agriculture : Problems of Transition , Economic and Political Weekly, May 25, p.1246

rate was close to 10% or higher⁵⁴. The change in failure rates from 1992 to 1995 shows an increase in all except 10 units, which were widely dispersed across the regions, as were the units with the largest increase in failures.

Evidently, one can see the effects of the two important factors- peasant farms created by firm reorganization and peasant farm failures in the change in growth rates in peasant farms for 1992 to 1995. In most oblasts the growth was only one-third to two-third as rapid. The slow down was slightly more pronounced in the Central Chernozem and Volga regions and was list in the North and East Siberia, but appear to be significant every where. The declined co related strongly in areas with less capital investment in other agricultural inputs, less profitable state and collective agriculture, lower incomes and generally poorer natural conditions for agriculture. This may indicate that opposition to peasant farming intensified in those poorer regions, or that conditions deteriorated morefor peasant farms in these regions just as them have done for agriculture in general.

⁵⁴ Van , Atta Don, p.342

Kolkhoz and Sovkhoz Reorganisation:-

Another major route toward agricultural reform was opened with President Yel'tsin's decree of December 1991, requiring the re-registration of all state and collective farms by January 1, 1993. Farms could choose to reorganise into new form such as a joint-stock company, a cooperative, a partnership, an association of peasant farms, or individual peasant farms. Unless they were "chronically unprofitable", they were also allowed to re-register under previous form. By January 1, 1994, 95 percent of affected farms had re-registered, with 34% retaining their kolkhoz or Sovkhoz form, although they were no longer state owned. Kolkhozy were much more likely (43%) than Sovkhozy (25%) to keep their old status, primarily because of high rate of Kolkhoz retention in the ethnic republics of the farms changing their status as a result of reorganisation about 74% became joint-stock farms, 12% became agricultural cooperatives, 936 peasant farms associations were formed, and 81,628 individual peasant farms were created plus other minor forms of collective and non-collective enterprises⁵⁵.

⁵⁵ Prosterman, Roy L. and Timothy Hanstad, "The Farmer Threat": The Political Economy of Agrarian Reform in Post Soviet Russia. Boulder Co ; Westview Press 1993, p.172

By January 1995, when over all re-registration had reached 98%, the few lagging regions stood out even more clearly as ethnic units. Statistics available 1994 shows that eight -ten regions falling to reach 90% were either republic or contained autonomous okrugs and the oblast average of 95.6% contrasted with the 86.5% republic average. The distinction between oblast and republics in state and collective farm retention also remained with an average oblast or kray having 28.7% of its farms register in their old forms, but an average republic having 52.6%. Only four oblast-Ivanovo, Kirov, Magadan and Kamchatka-had kolkhoz and Sovkhoz retention of 50% or more, and last two of these both contain autonomous okrugs. Aside from these oblast-republic distinctions, no clear spatial pattern emerges in the rate of sovkhov-kolkhoz retention⁵⁶. The greater retention rate of state of collective farm Southern regions, appears to be mainly the effect of the republics that are included in those economic regions.

The creation of individual peasant farms by the break-up sovkhov and kolkhoz may be considered ultimate form of farm reorganisation. Another important advantage of analysing this variable is that it explicitly links the reorganisation process to the process of peasant farm formation analysed earlier in this chapter by 1994, the

⁵⁶ Ibid, p.173

number of peasant farms formed from the reorganisation of state and collective farms was 30.2% as large as the overall number of peasant farms in the country, indicating that approximately this percentage of peasant farms must have come from farm reorganisation again based on the average number of peasant farm created per re-registered form, Wegren determine the highest levels of peasant farm formation by reorganisation were in the South⁵⁷.

The overall picture of farm re-registration and reorganisation, is one of great complexity and regional diversity. Clear and simple regional patterns are not evident. This may be partly explained by the fact that the most profitable farms are more reluctant to change their status, and there are large regional variations in farm profitability. In addition, under the initial phase of farm reorganization, in 1991, unprofitable farms were supposed to be broken up into peasant farms from reorganization may also be tied to this spatially diverse factor of farm profitability.

Privatization of Supply and Support Agencies :-

⁵⁷ Wegren, Stephen K. Farm Privatization in Nizhnii Novogorod : A Model for Russia "RFE/RL Research Report 2, 43, : p.45.

Agrarian reform involves much more than land tenure and farm reorganization. Farmers depend on input and agricultural service agencies to get their crops produced; they also rely on an array of transportation, storage, processing and marketing enterprises to get their crops to market.

The privatization of these functions fell to the State Committee on Management of State Property. Reliable data on the extent of privatization of rural service and procurement enterprises are presently unavailable.

The State Committee on Management of State Property (or GKI) declared that farms had no special rights to the enterprises that served them. In order to attract investment, the state committee argued, the facilities should be sold to the highest bidder. Moreover, giving farms special consideration in supplier and processor privatization would just encourage the existing agrarian elite to take over these strategic enterprises for their personal interest, albeit in the name of the collectives. GKI's position tends to discourage farm break-up. Because Russia has a relatively small number of supply, repair, transportation and storage facilities, each designed to serve

a particular hinterland as a local monopoly, the agriculturalist feared losing control of their vital "partners" to non-agricultural interests⁵⁸.

in Russia, the October 27, 1993 decree required that GKI allow shares in plants that had not and other rural people, for vouchers or on other concessionary terms. This may help to defuse opposition to reform, although it makes even more urgent the creation of competitive input, credit, and processing-transportation storage markets in the countryside. In many areas, moreover, those facilities already have been privatized, so that the change may have come too late to be helpful.

Political Interest Organisation :

Like every other branch of the economic bureaucracy in the old Soviet Union, the agricultural management bureaucracy acted basically as an institutional interest group in struggles with other interests. Within the agricultural sector, the planning and financial mechanisms were designed to promote "efficient" monopoly and unitary, hierarchical organization. Much of this basic structure remains, but it has become more differentiated and public. And it

⁵⁸ Wegren, 1993.p.45

now has to compete with an organisation representing the interests of private farmers.

The previously unitary structure has been transformed into three closely cooperating-supposedly non-governmental organisations : The Agrarian Union of Russia the Agro-industrial Union and the Trade Union of Workers in the Agro-industrial Complex. These organizations cooperate closely with the Agrarian function in parliament and have joined to create, the Agrarian Party of Russia.

The Agro-industrial Union of Russia largely duplicates the Agrarian Union in purposes and goals. Founded in 1992, it clearly was an attempt to get around the stigma attached to the Agrarian Union after the Coup. The Union also includes "upstream" and "downstream" agricultural organisations and is the designated representative of the agrarian sector in the Tripartite Commission of government, industry and agriculture established in 1992. However, until recently the Agroindustrial Union, too has been relatively inactive.

The Nizhny Novgorod Experiment :-

The Nizhny Novgorod Experiment, undertaken with financial assistance from the US Agency for International Development and the British "Know-How Fund", and implemented by the International Finance Corporation and the Agrarian Institute of the Russian Academy of Agricultural Sciences, involved the division of six former districts of Nizhny Novgorod oblast. Teams of American expatriates and Russians worked for almost a year locating everyone eligible to participate in farm division, explaining the process of share determination, and property assets to ensure that the new production units would have as great a chance of success as possible. The auctions attracted considerable attention⁵⁹. In mid-March 1994, Prime Minister Chernomyrdin attended one of the series of auctions, and his approving comments led to a governmental decree mandating the general application of the Method⁶⁰.

The international manpower and finance were applied within the framework of the recommendations for farm division published by the Russian Ministry of Agriculture in January 1992.³⁹ Even the auction idea, though not the all-important implication procedure, was suggested in the Russian regulations as a way to divide farm land and property. However, the Nizhny experiment

⁵⁹ Izvestiya, June 8, 1993, p.2

⁶⁰ The Washington Post, Oct 27, 1994, p.A27.

put the ideas into practice, showing that this could be done. Equally importantly, as Viasiliy Uzun, the Russian economist most closely involved with the experiment, pointed out, the IFC's experience indicated that farm restructuring required first of all a good deal of time and effort, as well as the sympathy both of the farmers involved and of the authorities⁶¹. Uzun emphasized to it farm division should be done when and where there was local reason for doing so.

The new production units set up as result of the division of clearly will have to work themselves out further. The farms that resulted in Nezhnyy Novgorod were still large-group farms. It is likely that family farms eventually will become dominant there, too, but for the moment what has emerged are organizations intermediate between the Soviet collective farm and the Western family- owned and operated style of farming.

Productivity Trend :-

In analysing the productivity trend of the Russian agricultural after the disintegration of the Soviet Union, it is clearly

⁶¹ Rossiyskiye vesti , March 22, 1994, p.2

evident that the production declines after Russia has been adopted the agrarian reforms.

The State Statistics Committee figures for Russia's economic performance over the years after reform has been introduced in 1991, published by 'Russiyskaya Gazeta' newspaper, reported output declines in all major agricultural categories.

In 1994 gross agricultural output dropped by nine percent in real terms against 1993, including falls of 10% and 8% respectively in crop farming and livestock farming.

Grain production was 81.3 million tonnes (99.1%) of the 1993 level, and output of other major crops was likewise down on the previous year. Sugar beet production totalled 13.9 million tonnes, sunflower seed 2.6 million tonnes, flax fibre 54,000 tonnes, potatoes 33.8 tonnes and vegetables 9.6 million tonnes.

The gross wheat and rice harvest dropped by one quarter against 1993 to 32.1 million tonnes and 500,000 tonnes respectively. Rye and Maize production dropped by about one-third to 6 million land

900,000 tonnes. The buck wheat harvest saw the smallest reduction, of three percent and amounted to 780,000 tonnes.

Cultivation of staple crops was hit by both a reduction in the sown area and lower yields, with the latter factor cited as the main reason for the reductions in sunflower seed and vegetable production.

The buck of the grain (94 percent), sugar beet (96%), sunflower seed (89%) and flax fibre (97%) crops was grown at large farms while most potatoes and vegetables (88% and 67.1 %) respectively were grown on small holdings and private plots.

Some 14.2 M hectares were sown at winter crops in 1994 for harvesting in the next year, against 15.3 m. hectares in 1993.

Livestock farming output fell at large farms, while on small holdings and private plots milk yields increased and meat production remained unchanged. Total meat production is estimated to have fallen by 1.1 m tonnes or nine percent in 1993, while production of milk and eggs fell by 3.7 m tonnes and 2.9 bn. units respectively (8 and 7 percent).

Meat production percapita dropped to 47kg in 1994 from 51 kg in 1993, while milk and egg production dropped to 291kg and 254 units from 313kg and 271 units respectively.

At the end of 1994 the number of livestock in farms of all categories was 44.4 million, down nine percent in the end of 1993, including 18.7 m cows (down 6%) 25.1 m pigs (down 12%) and 36.3 m sheeps and goats (down 17%).

In 1994 all agricultural producers are estimated to have sold via all channels 2.6 m tonnes of potatoes, 2.9 m tones of vegetables, 6.1 m tonnes of livestock and poultry, 21.1 m tonnes of milk and 24.2 bn. eggs.

Agricultural enterprises are reducing sales to state procurement organizations and are seeking alternative outlets such as markets, their own trading outlets and barter⁶².

Russia recently has around 280,000 private farms who produce about seven percent of the countrys agricultural produce.

⁶² Data Collected from the Summary of World Broad Cast, BBC, Weekly Economic Report , Jan' 1994- Dec' 1995.

About 4,000 people acquired small holdings in the first quarter fall in the total number of private farmers.

It is evident from the above analysis that the decline in productivity is due to the transitional effect of the agrarian reforms. Both collective and private farming are necessary to provide food for the masses. Individual ownership farming coupled with collective farming with participation of farmers will definitely enhance the productivity in future. The pace of reform should be gradual. Slow process of agrarian reforms is an effective way to re-stabilize the agricultural and agro based industrial production.

Recent Performance of the Agricultural Sector :

The decline of agricultural output, which has affected the sub region since the beginning of transition, continued in 1994 and 1995. The sector has been hit by the demise of former support policies, demand decline linked to real income reduction, the difficulties of the farm restructuring and enterprise-privatization process and the disruption of trade among the republics of the former USSR.

As for sectoral trends in the major food-producing countries, both total cereal and total wheat production declined in the Russia

Federation between 1993 and 1995 because of yield and, to a lesser extent, area reductions. Given normal growing conditions, projected 1996 output is expected to exceed 1995 levels in the Russian Federation largely because of yields increases. The livestock production declined between 1991 and 1995⁶³. The cumulative 1991-95 crop of inventories has varied between 21 and 45 percent for swine, sheep and goats and poultry, but has been more moderate for cattle, especially cows. These trends have been amplified by productivity declines and have resulted in cumulative output reductions generally about 20 to 30 percent for milk, 30 to 55 percent for eggs and 40 percent for meat.

The sharp deterioration of the terms of trade between agricultural producers and input suppliers which has taken place since transition began has caused dramatic decrease in usage, sales and production of inputs.

Between 1991 and 1995 tractor production decreased by a factor of 8 to 9 in the Russian Federation, while the reduction of mineral fertilizer and compound feed production has generally been less dramatic; between 1994 and 1995 machinery production declined in

⁶³ OECD, Statistical data Jan-Feb, 1996, pp. 17-21.

the Russian Federation while fertilizer production has since recovered.

The Russian government resisted farmers requests to reintroduce state controls on input prices, but in 1994 it created a machinery leasing programme in practice a time-repayment plan intended to support the agricultural machinery producers as well as farmers. A large share of the inputs acquired by farms in 1995 were supplied through such plans, for which allocations were established by the federal Ministry of Agriculture, the regional authorities and a former government agency, recognised as a joint-stock company, which acted as the sole distributor to farmers, who could pay in cash or through delivery of grains to the state. Agricultural input provision, thus, seems to have occurred in 1995 along lines which bear many similarities with pretransition methods, including the link between input supply and state procurement.

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CHAPTER - FOUR

Socio-economic Impediments to Agrarian Reform :

This chapter examines the various socio-economic impediments to the agricultural reforms in Russia. Agriculture reforms in Russia since 1991 has been facing various problems. After the disintegration of the Soviet Union Russia has been passing through a phase of transition from socialism to a Market-economy. During the last 4-5 years all the sectors of the economy industry, agriculture, etc., are affected. It is worthwhile to look into the impact of transition on the agricultural sector and the problems and obstacles which hinder the agricultural reforms and development.

The root cause which hinders the agricultural reforms is in the very system of agricultural organization, i.e; the tripartite system named collectivized, state and private agriculture. The sudden jump from a command bureaucratic economic system to a mixed economic system has been creating lot of problems since its inception. Liberal reformers in the Russian Republic, and their allies in the international development bureaucracy, believe that to transform Russian agriculture they need do little more than assist in the breakup of the collective farms. These reformers believe that to make

decollectivization work, nothing more need be done than divide land, livestock, and farm equipment fairly among the collective farm members. Freed from the arbitrary dictates of collective farm managers, each now-private farmer sloughs off his mark as a resentful collectivized peasant. Now he tills the land, with all the effort he can muster, as a productive yeoman⁶⁴.

Problems of Decollectivization and Farm Reorganisation:-

Among the various socio-economic and political impediments, the reorganisation and division of farm for small scale and private farming is most important. The disintegration of the collective farms and state farms for the purpose of private farming to cater to the needs of the newly adopted economic system has serious consequences.

The principal obstacles decollectivization faces come from the costs of dividing property and assigning title. The official model of agricultural reform promulgated by the Russian Government in July

⁶⁴ Michael , S. Kochin, Decollectivization of Agriculture and the planned Economy. American Journal of Political Science, vol.40, No.3, Aug.1996, p.718

1994, the "Nezhny Novgorod Model", accordingly assumes that collective farms will be productively reorganized from within⁶⁵, if the administrative costs of their breakup are borne from without by local and federal government.

It can be argued that decollectivization of agriculture will not be successfully carried out as long as the agricultural sector remains strongly coupled to the planned economy, that is, dependent on the state planning apparatus for goods and moneys⁶⁶. To explain why in Russia the collective farms remains the dominant form of agricultural organisation, despite its failures both fiscal and productive and the efforts of reformers under both Gorbachev and Yeltsin, needs keen observation into the system itself.

Reformers justly revile collectivized agriculture because of its inefficient use of labour, land, machinery and fertilizer in production of crops and livestock. It can be argued, however, that the crucial issue for the survival of the collective farms is not its in efficiency as a producer of agricultural goods, but its effectiveness in gathering resources for its members and managers.

⁶⁵ Ibid, p. 720

⁶⁶ Ibid, p.721

The Soviet collective farm has been strongly coupled from collectivization campaigns of 1920s to the present. Land reform in Russia, was however, carried out by the mir, which had existed even under serfdom and thus organizationally independent of Soviet power⁶⁷. Soviet institutions of local control were effective only in extraction and procurement. As a result, collectivization met widespread violent resistance because the regime was attempting to expropriate an autonomously organized peasantry.

In much of the former Soviet Union, however, the party-state apparatus survives to redistribute resources even as reformers seek to carry out partial decollectivization. Farmers and farm managers clamour for production subsidies to ease them through the upheaval of decollectivization. Yet as long as such subsidies continue to be granted through organization of state control redistribution they will discourage farmers and managers from carrying out reform⁶⁸.

Both the resource dependence perspective and transactions-cost perspective explain the failure of Russian agricultural reform - as a failure to provide farm members with economic incentives

⁶⁷ Pryor, Federic L. (1992), *The Red and Green : The Rise and Fall of Collectiveized Agriculture in Marxist Regimens* . Princenton : Princenton University press p.76,

⁶⁸ Michael , S. Kochin. P.722

for reform. Two non-economic explanations commonly found in different literature for the failure of Russian agricultural reform are the cultural and the demographic explanations. The demographic explanation claims that private farming is unpopular in Russia because of the rural population is too old to act entrepreneurially. Yet if the aged character of the Russian rural population hinders decollectivization, as the demographic explanation claims, we would expect a significant difference between the age distributions of private farmers and that of collective farm members. Yet in one large sample, heads of households farming privately average 39 years of age, while heads of household farming collectively average 40⁶⁹.

The cultural explanation claims that more than 60 years of collectivized agriculture socialized Russians to disparage private farming because it is less egalitarian than collective farming⁷⁰.

Partisans of the demographic or cultural explanations of the failure of Russian agricultural reform must claim that Russian collective farm members have sufficient economic incentive to favour decollectivization. But it can be argued instead that farmers actually

⁶⁹ Brooks, Karen and Zvi Lerman (1994), Land and Farm Restructuring in Russia, World Bank Discussion Papers 233. Washington : The World Bank . p.37.

⁷⁰ Wegren, Stephen K. "Rural Reform and political Culture in Russia, Europe-Asia Studies, 46(2), 1994,p.227.

have decisive incentives to remain in collectives, since the Russian state still redistributes resources among collective farms. Farm members therefore refuse to decollectivize unless they receive countervailing subsidies.

Peasants, Bureaucrats and Decollectivization :-

Collective agriculture faced a permanent crisis because it embodied a permanent contradiction. More efficient production required that someone have personal responsibility for the allocation of agricultural inputs, but if peasants held this responsibility, they could remove resources from party state control. The same scheme of expropriation that produced efficiencies in extraction from peasant consumption this also produced inefficiencies in production and investment allocation.

Decollectivization has proven difficult in the former Soviet Union because the party-state ruled the countryside by extracting all the surplus from the collective and recycling then through official channels. Even after the collapse of the Soviet Union at the end of 1991, institutions of rural governance and the power of loyal bureaucrats continue to depend on the political allocation of resources among

enterprises in Russia. Reformers are thus blocked by the entire state machinery⁷¹.

Decollectivizing reform efforts under Soviet rule began in the early 1980s with a system called the "collective contract." Under the collective contract, contract teams were formed within the kolkhoz. The collective contract specified the inputs the kolkhoz was to provide the team, and the cash price the kolkhoz was to pay for the teams' production. The collective contract system failed mainly because it did not provide sufficient rewards beyond the minimum guaranteed through the redistributive price system, for which agrarian reform efforts virtually halted during Gorbachev era⁷².

The cross-subsidization of weaker farms by stronger farms gave Soviet farm members little reason to opt for decollectivizing reforms within a system of planned distribution. Russian farmers remain beneficiaries of state redistribution even after the death of the plan. If agricultural reform means moderate decollectivization together with retention of state redistribution, Russian farmers have little to gain from it, since they would lose the pay off of such reform to the system of

⁷¹ Wegren, Stephen K. Yel'stin's Decree on Land Relations : Implications for Agrarian Reform"

⁷² Gadon, VP. Gorbachev and Collective Contract Brigade. Soviet Studies 39.

redistribution. Moderate reform, decollectivization without decoupling the farm from the state directed economy, has no relevant constituency. Farm members would benefit little, and local officials would forfeit all of their power over production.

Despite official promises, decollectivization has yet to be carried out on large scale in Russia. While the state has formally transferred title inland to the collective farms, little actual reorganization of production has taken place. Eighty three percent of former collective and state farms in Russia have formally retained collective organisation of production. In 1994 private farmers worked only 6% of arable land, and these private farmers accounted for between 4% and 10% of total agricultural production. State procurement continues and agriculture remains dependent on state re-distributed resources through heavily subsidized credits and direct grants⁷³.

While the Russian Government claims a commitment to decollectivization, current policy, since the fall of Gaidar government at the end of 1992, is to continue grants and low interest loans to collective farms. In 1994 the collective farms received 94% of state credit and 98% of state investment in agriculture. Thus Russia's farm policy so far, despite the stated intentions of Yeltsin and his more reform minded ministers, maintains the system of political

⁷³ Van , Att Don, Agrarian Reforms in Post-Soviet Russia. Post- Soviet Affairs 10: 1994,p.173

Economic Obstacles

A number of economic obstacles have hindered the development of private farms. It is evident from the previous chapter that state investments currently are woefully inadequate to put private farming on an adequate financial base. During 1991, the Russian government allocated 1 billion rubles for the creation of present farms, a sum to be administered by the Association of Peasant Farms and Agricultural cooperatives in Russia.¹⁴ A member of VACKLNIL, V. Dobrynin, calculated that it would cost 120-150 billion rubles to organize and equip 400000 to 500000 peasant farms in Russia⁷⁴, not to mention a similar sum to construct an adequate rural social infrastructure. Political instability, financial crisis and mal administration hit the Russian agriculture to its very base. The investment in agriculture is quite inadequate to sustain in the agricultural reform in its required pace.

Inadequate Investment

⁷⁴ Gidadhubli, R.G. p.1245

One of the major causes for the decline in agricultural production has been the deep cut in subsidy by the Russian government. This has come about almost overnight and agricultural farms have not been able to adjust to it. In fact, on the issue of state subsidy for agriculture, there are sharp differences between the representatives of the ministry of economy on the one hand and the ministry of finance and the ministry of agriculture on the other.¹⁵ The former minister for agriculture and food Nazarchums observed that even countries with a developed agrarian sector contributed between 17 and 80 percent state subsidies to their peasants income. He alleged that '... in our country..... the great economists and financiers think our agricultural production is self sufficient' According to him in 1995 the amount of subsidies in Russia was the same as in Finland which is less than one-tenth in size of Russia¹⁷. In other words, subsidy in Russia has been too neagre and inadequate to sustain agricultural production during the period of transition⁷⁵.

The anti-Yel'tsin lobby in Russia contends that besides deep cut in state subsidy, over all investment in the agricultural sector has gone down substantially. It is pointed out that in 1990 the ratio of capital investment to volume of output in agriculture was 40 percent

⁷⁵ Wegren, Stephen K. Private Farming and Agrarian Reforms in Russia. Problems of Communism (41). May/June, 1992, p.115

which compared favourably with 30 percent in the US, 49 percent in European countries, 45 percent in Canada. But according to Prof. A.G. Gidabhule in 1994 this ratio has dropped down to 11.2 percent in Russia and might have dropped even further in 1995.

Market Imperfection :

A privatized system of agriculture needs a market for transactions of its commodities. Market acts as balancing factor between industry and agricultural sector. This is a major issue which identifies the degree to which private farmers have independent access to market channels.¹⁸ The ability to turn a profit hinges in large measure on the prices a farmer receives for his produce. The law states that peasants/farmers have the right to dispose of their produce in a number of ways. Farmers may conclude a contract with procurement organisations, sell their produce on the Kolkhoz market or sell it through the state and cooperative trade network.¹⁹ Since the reform started, there has been a very good demand for a regularised market. Although market prices are obviously the most attractive option, almost two-thirds of private farms in Russia sell their output to state or collective farms, and only 14 percent sell their produce on the market, due to market imperfection.

Various other reasons also account for the dependence on the state and collective sector. Given that private farms overwhelmingly rely on family labor, and given the small size of the average peasant family, the farm simply may not have the ability to spare someone from production to go to the time consuming effort of transportation and selling the farm's produce. Then, too private farmers often lack adequate means for transporting output to the market. The state or collective farm will naturally want a share in the proceeds for transporting and distributing the produce a common 'middle man' transaction in market economies.

Finance, Fertilizer and Machinery and Infrastructure :

Private farming is also hampered by poor access to equipment, machinery, fuel and other production inputs not to mention the high price of these goods. 20 Three fourth of private farmers surveyed in Russia said difficulty in obtaining these commodities constituted the primary obstacle to the development of their farm. In general conditions of short supply, the private farmers find

themselves at a disadvantage in competing for source resources with state and collective farms⁷⁶.

The new of the Russian agricultural pressure group had warned that farmers financial problems are pushing them back to 'primitive technology' and subsistence farming⁷⁷. According to Agrarian Union leader Vasiliy Starodubtsev, "Russia could be deprived of its 'food independence' within two or three years. The 'outrageous discrepancy' between prices paid for produce and for expensive machinery will soon force the Russian farmer to return the horse and plough".

Russian agrculture is facing acute shortage of fertilizers. The country's declining production of fertilizers, its high price and geographical compulsions after disntegration have kept the farmers out of the proportionate use of fertilizers to their farms .22 Last years (1994) output of fertilizer machines was one eight of the 1990... level, of tractors one tenth and of combine harvesters one sixteenth. Cash shortages and failing fertilizer manufacture led to 10kg being applied per hectare in 1994 one tenth of the 1990 level and between

⁷⁶ Ibid, p.115

⁷⁷ SWB,BBC, Weekly Economic Report 10, Feb, 1995

one fifteenth and one seventeenth of the amount used in European Union countries⁷⁸.

Though the Russian government has decided to find half of the cost of fertilizers and pesticides needed by farmers from the spring of 1995, in an effort to improve the supply of wheat, sugar and vegetable oil it is yet to be implemented.

Russian agriculture is being driven towards "complete and final collapse" in a growing disparity between prices for produce and for industrial goods as declared by the Ministry of Agriculture and Food Aleksandr Nazarchuk. The terms of trade is sharply deteriorating against agricultural produce.

Prices of agricultural produce have come down as low as 100 points against industrial produce. Therefore, prices of agricultural produce must be increased by 150 percent to restore the price parity and rescue farming from its intolerable financial plight of diminishing revenues and profit margins. The situation is aggravated by the lack of state support. According to Ministry analysts, only 62 percent of the R

⁷⁸ Ibid, 10/17 Feb, 1995

18,100 bn earmarked for agriculture in the 1994 state budget was actually disbursed by the end of the year. 25

Another obstacle which affects the Russian agriculture is its inadequate infrastructure. After the decollectivisation of the agricultural farms into small private farms, the lack of infrastructure like roads, electricity, transportation, irrigation etc. have put these newly originated small holdings into remote locations. The frequently remote location of the land acquired by the private farmers and the non-availability of essential amenities .26 Stephen K. Wegrens in analyzing "why few people are willing to become private farmers, wrote :..... there is one reason; there is not any kind of infrastructure in the countryside in these regions; no roads, no decent trade, no medical services. In a word, there is nothing there there of only for a normal life, but simply for the existence of a person"⁷⁹.

Local opposition to Land Reforms

The reforms met enormous and ingenious local opposition. Many farms refused to include all their land and assets in the fund for determining conditional share sizes, either by selling some

⁷⁹ Wegren , Stephen K, March, 1994, p.27

of it on the one side or simply insisting that some plots and facilities should remain "collective". Although the law specified that farm leavers were to be given plots of average quality in average location, they in fact generally received the worst, most distant land.²⁸ The legally specified period for acting on a request for share division has been routinely violated. Farms almost universally refused to give physical assets out to farmers, insisting that they had to be preserved for the good of the whole. Instead, farm-leavers received, if they were lucky, the cash equivalent of the asset share's book value, at December 1991 prices. As inflation ate up the ruble this sum became ridiculously small⁸⁰.

Political Backlash Against Agrarian Reforms :

The prospects of coherent governmental action to implement the agrarian reforms dimmed considerably in 1994/95 in part due to intensification of political struggle within both government and parliament. Within the government a battle is intensified over whether or not land requires regulation by a separate legal document a new land code, or simply should be treated like any other commodity, thus falling under the Russian Federation Civil Code⁸¹

⁸⁰ Izvestiya, May 13, 1994, p.1

⁸¹ Izvestiya, June 3, 1994. pp.1-2

simultaneously being drafted by a different ministry and working group. This theoretical dispute was made more bitter by a struggle between the state committee on land surveying (Roskomzen) and the Ministry of Justice over who should actually handle registration of land transactions. Meanwhile, the state committee on Management of State Property⁸² (Goskomimushchestvo), with financial support from the US Agency for International Development, has consistently claimed that it should be handling all law registration and creation of a land market, a position welcomed by none of the other bureaucrats and especially distasteful to the Agrarian Party, which sees Goskomimushchestvo as speaking for urban real estate development interests⁸³.

In addition the agrarian committees within parliament recently have become quite hostile to market-oriented legislation. Indeed, the relevant committee within the upper house, the Federation Council, has gone so far as to condemn any kind of agrarian reforms. The chairman of this committee, citing fiscal austerity called for closing down the Agrarian Institute of the Russian Academy of Agricultural Sciences⁸⁴,

⁸² Ibid, p.2

⁸³ Izvestiya, April 12, 1994, p.4

⁸⁴ Zemlya I trud, May 17-23, 1994, p.1

which has supplied much of the analytic expertise for the reform and which employs several leading reformers.

And in mid-May 1994 the Dumas 34 upper house adopted a resolution proclaiming that the entire agrarian reform was "deeply erroneous" and implicitly demanding that it be undone.

Declining Investment in Rural sphere :

The reform is accompanied by a sharp drop in investment activity including investment in the social sphere. This undermines the modernization of capital in the rural social infrastructure and results in the loss of accumulated potential. From 1991 to 1995, there was a decline in agricultural housing, in the network of preschool institutions and clubs, in the number of beds in the rural hospitals, and especially in the number of everyday service establishments. The danger of unemployment in the rural areas is rising⁸⁵.

Reformers believe that changes in agrarian economic relations will automatically trigger reorganization in other rural sectors. However in the organisation economy it is impossible to reform

⁸⁵ SWB, BBC, Weekly Economic Report, 17, May, 1995.

production and the forms of its organization without maxing corresponding reforms in other rural system of vital provisioning support. 36 So the lack of systematicness and the attempt to reform agriculture rather than the rural economic system as a whole, will definitely hinder the production relations in the rural society.

Finally, although Yel'tsin's December 1994 ukaz supposedly allowed members of reorganized farm freely to lease, sell and purchase their plots to one another, any attempt by would-be farmers to assemble larger holdings by lease or purchase were refused legal recognition. In the October 1993 land reform decree the right to sell or lease ones land share was reaffirmed in principle, and was supposed to be confirmed by the issuance of a legal deed to the property. But reports in 1994-95 suggested that local authorities continued to resist attempts by peasants to use their nominal sales right.

CONCLUSION

In the context of this comprehensive topic "Agrarian Reforms in post-Soviet Russia" an attempt has been made to examine and highlight the prospects and problems of Russian agriculture in transition, from a centrally planned state economy to a market-oriented private economy. The march towards mixed agrarian structure from a centrally controlled agrarian structure in Russia, after the Soviet disintegration, has not achieved the desired ends. But, at the same time, Russian agriculture has not lost its prospects of development.

Agrarian reforms demands reforms in all the related sectors of the economy viz :- land, finance, infrastructure, technology, market, administrative agencies, trade, transport etc., which should go hand-in-hand in creating a new stratum of production relations. Agricultural reforms can not be taken up in complete isolation from all other sectors of the national economy and society at large. But as the analysis of the different sectors of the economy shows, it has become clear that the agrarian reforms in Russian has not been carried on hand-in-hand in an orchestrated manner with other sectors of the economy. This is the major

soar spot in the Russian economy to cause the decline of agricultural productivity after the reforms started in 1991.

There are also limits to the extent to which price, market, foreign trade, finance, etc., can transform agriculture. Limited institutional reforms in agriculture restricts progress towards a market economy. First of all Russia needs a working land market and more secure property rights for land in order to afford Russian farms the freedom to restructure, to reconfigure themselves to the size and organization best suited to respond to consumer demand. The absence of a land market means that Russian farms are left with a land tenure that has largely survived from Soviet times. Outdated land tenure limits the profitability of farms, making new investment extremely unlikely. Many farms best suited for central planning are probably too large for market oriented agriculture.

Another important thing which has come up in the analysis is that, " the former state and collective farms still carry considerable legacies from the past, including (often) the same manager and the continued burden of a number of social payments usually handled by local governments in other countries. For instance, local schools, day care,

pensions, road maintenance and other social services are still in the lands of the former state or collective farm in Russia. These burdens raise overall cost of production for agricultural goods, and invest these farms with a semi-state owned status.

While central state interference in commodity markets has been largely eliminated local intervention has increased over the past two years. For example though central commodity procurements have largely disappeared since 1993, local procurement funded by local budgets has largely replaced them. Local officials have also enacted numerous barriers to trade between oblastis, as well as with the outside world. Example of such barriers are local procurement quotas and price controls.

Other area where significant institutional reform is needed is in the development of commercial law and farm marketing and financial institutions. Private markets for agricultural commodities and financial institutions are developing as state procurement diminishes as a share of total marketing. The most helpful measures on the part of the state in this regard would probably be to continue to reduce both inflation and the portion of total marketing purchased by state procurement organizations.

To add with, agrarian reform must be accompanied by the reform of rural self government. In the last few years after the reforms has been initiated, rural areas have manifested an observable, albeit still faint, tendency to enhance the authority of local bodies. Their role in the rural socio-economic sphere will grow with both the reorganization of collective and state farms and with the decollectivization and division of state and collective farms for their respective purpose or use. The state has the obligation to strengthen their budget base, to give them additional legal and economic authority, fetch-message agrarian reforms to the rural population.

Despite these various limitations, agriculture in Russia has made significant progresses in its transformation to a market oriented system. Production consumption and trade of agricultural products now better coincide with the ability of consumers to pay, and production is under considerable pressure to become more efficient : in fact, it has already become so seen from this point of view, agriculture, rather than undergoing a 'crisis,' is performing reasonably well.

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