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TRANSFORMATION IN AGRICULTURE IN NEW LÄNDER IN GERMANY, POLAND AND UKRAINE

ABSTRACT. Privatization in rural Eastern Europe is an important factor in the general political and economic transition in this part of Europe. Agriculture was always a significant component in development strategies of the former socialist countries. After the fall of the communist system it became an important factor in the struggle for political influence. This study evaluates some aspects of the socio-economic transformation of rural East Germany, Poland and Ukraine with reference to the views of representative organisations and others experts.

KEY WORDS: agriculture, Eastern Europe, economic transition, privatization.

INTRODUCTION

Models in transformation in agriculture were different in countries situated in the region. These dissimilarities were the result of the socio-economic and political situation in which these particular countries were found at the time. After World War II agriculture in Central and East European countries was created by economic policy dependent on the Soviet Union. As a result until the beginning of 1990 in their national economies dominated public property of means of production. This situation included land ownership in the German Democratic Republic (GDR) and the Ukraine. Exception to the rule was Poland where almost 75% of arable land was private.

Author's studies on the transformation in agriculture in East Germany, Poland and Ukraine shows different ways of privatization and problems connected with them. In Poland state agricultural farms were at first dismissed and next

land was under the process of privatization. As a consequence it caused problems in bringing land into cultivation because of low demand on establishing new farms. It also caused a high rate of unemployment in North and West Poland where state agricultural farms played a significant role in the economy. The consequence was the positive aspect of transformation in agriculture in Poland and now we have decrease of fallow land and progress in privatization.

In Germany existing co-operative farms were not dismissed only transformed on a very pragmatic way. As a result the rate of unemployment in the countryside was high as well as in Poland but agriculture was improving its efficiency. Transformed co-operative farms were independent firms based on free market economy roles. A big effort was done to make agriculture in New Länder competitive with Western part of Germany. In former GDR the preparation of adequate strategies took years, taking several procedural turns, being the effect of a constant search for a compromise between economic and moral reasons.

Ukraine did not take advantage of complete market reforms. The government declared a Western way of development but according to agriculture we can see how slowly this transformation has proceeded. There were often problems with changes of economic transformation programmes, not precisely state new agricultural law and differences between official declaration and realities of economic life. In the opinion of some economists the progress of the transition towards a market economy slow down is because of a few clans who monopolise financial and economic resources and strong connections with Russia. The solution of dividing land between all villagers seems also problematic. Most of them were not well prepared for the effective use of plots of land (paj) which they received from the state. They did not have machines and farm buildings. As a result we can observe a dramatic decrease of global agricultural production of about 47% in period 1990-2000.

The period of a centrally planned economy caused common consequences in mentioned countries. There are among other things mental problems and spatial structure of plots. Workers from different kinds of state farms were not interested in establishing their private farms. They were used to working eight hours per day as workers in factories do and a typical link between farmer and soil was snap. Another remains in geographical space where big plots of fields typical for state farms.

BASIC LEGAL CONDITION OF AGRICULTURE RESTRUCTURING

The restructuring of agriculture in former German Democratic Republic started immediately after reunification (Table 1). In June 1990 (before unification) the federal government passed an Agricultural Adjustment Act (Landwirtschaftsanpassungsgesetz), which had been amended several times. It set out the le-

gal framework for the re-establishment of private ownership of agricultural land, and for the development of varied agricultural structures. According to this act „all forms of ownership and economic system, family run farms, co-operatives formed by the peasants on a voluntary basis, and other enterprises ...should get equal opportunities in competition” (Section 2 of the amended Agricultural Adjustment Act of 1991). However, there were rumours that the federal government favoured family farming (Bergmann, 1992). Responsibility for state owned land was given to the agency the Treuhandanstalt (THA). In November 1992 a programme for the leasing and privatisation of state land was agreed. Privatization will take place in stages, with land initially being leased on 12 year terms. The Treuhandanstalt established a separate agency in April 1993 to take responsibility for this process: the Land Settlement and Administration Company (Bodenverwertungs und -verwaltungsgesellschaft or BVVG) (Wilson, 1996).

At the end of 1989, the process of transformation of economic system in Poland began. This involved the development of private sector and free market economy. Due to agriculture process of privatization overcame 25% of arable land. Even under communism three-quarters of the land comprised individual private farms. The privatisation of state farms in Poland started in 1991. In January 1992 the Agricultural Property Agency of the State Treasury came into being. The agency was to carry through privatization and deal with such problems as responsibility for all state farms assets and alternative employment for laid-off agricultural labourers. In August 2003 the Agricultural Property Agency of the State Treasury was transformed into Agricultural Property Agency (Table 1).

The agency was criticised for its costly failures. Peasants living in Poland had practically no chance of possessing large amounts of capital so they were not in a position to buy large farms or even arable land. As a consequence the processes of agrarian reform and the privatisation of agriculture led to attempts at re-instating property which had been often seized under the authority of the former regime. They were more active in the countryside and became involved in the market game by obtaining a specific pool of privatization capital (Górz, Kurek, 1998).

Farm restructuring legislation started in Ukraine in 1990 (Land Code, December, 1990). A legal framework for transition to private ownership land and assets was modified several times (Table 1). Farm restructuring law is represented by a series of legislative acts. It created a sense of uncertainty about the future course of reforms among the rural population. The legal system of Ukraine recognises in principle private ownership of land, but there are numerous restrictions connected with owning, purchasing and leasing farm land. The government is still preserving essential transformation of large-scale farms. Real privatization of land is limited to household plots, vegetable patches, fruit gardens and farms created mostly from reserved land (Csaki, Lerman, 1996). Describing the destiny of the reforms in Ukraine we should point to the com-

mon unwillingness to abandon agricultural structures established by the heritage of sovkhozy and kolkhozy.

Table 1. Land reform and restructuring legislation

COUNTRY	LEGISLATION
Germany	Agricultural Adjustment Law (June 1990, April 1991) the Compensation and Indemnity Act (December 1994)
Poland	Law on Management of Agricultural Property Agency of the State Treasury (October 1991) Act on the Formation of Agricultural System - Agricultural Property of National Treasury has been transformed into Agricultural Property Agency (April 2003)
Ukraine	Land Code (December 1990) Law on Private Farms (December 1991) Law of Collective Farm Enterprise (February 1992) Privatisation of Land Plots (December 1992) Immediate Measures for Acceleration of Land Reform in the Sphere of Agricultural Production (November 1994) Procedure for Distribution of Shares in Collectively Owned Land of Agricultural Enterprises and Organisations (August 1995) Decree of President on Leasing of Land (April 1997) Decree on Management of Mortgage Deed (June 1999) Law on Expanding of Household Farms (January 2000) Land Code (January 2002)

Source: Author's elaboration

RESTRUCTURING OF FARMS

At the time of reunification collective or state farms dominated the whole agriculture in the former GDR. According to the Agricultural Adjustment Act the legal form of the so-called agricultural production co-operatives (LPG's) was abolished after the end of 1991. The process of privatization was complicated by the formation of two powerful pressure groups with opposing interests. On the one hand, the former landowners in the GDR, expropriated during the socialist period. On the other hand a group of managers of large agricultural enterprises which emerged on the basis of GDR co-operatives and state farms. A process of transition of reformed agricultural co-operatives is currently advanced. The co-operatives could be transformed directly into the whole range of juridical entities (joint stock companies, registered co-operatives, private companies) according to the West German corporate law (Taubmann, 2000). Priority in purchasing privatised agricultural land was granted to the „victims” of agrarian reform during the period 1945-1949, but only 5% of this pool actually

reached them. Over 60% of privatised land was purchased by co-operatives and companies, 18% went to those who reactivated their farms, and 10% to first-time farmers (Knieć, 1999).

Family farms dominate the farm business structure numerically, but not by land area (Table 2). In East Germany in 2001, there were around 30.7 thousands agricultural enterprises with more than 2 ha; of these 79% were private farms and 21% partnerships and legal entities under private law. Private farms cultivated only 24.1% of the farmland (Statistisches..., 2003). Yet we have to see, that there is a problem of interpreting data on farm structures, which mainly focus on legal forms. A very important group are the so-called personal societies, which are mostly using the legal form of a GbR (Gesellschaft bürgerlichen Rechts). The main reason for its relative importance in East Germany is, that it has advantages in gaining state subsidies. It is very often just a legal construction of a typical family farm, but may also be used for joint ventures of former cadres or others (Laschewski, 1999).

Table 2. Types of farms in East Germany in 1992 and 2001 year

TYPE OF FARM	NUMBER OF FARMS		SHARE IN AGRICULTURAL LAND [%]	
	1992	2001	1992	2001
Private farms	14,602	24,185	13.2	24.1
Partnerships	1,123	3,266	13.8	22.9
Legal entities under private law	2,749	3,244	73.0	53.0
Total	18,474	30,695	100.0	100.0

Source: Statistisches Jahrbuch..., 2002, p. 32

Table 3. Agricultural land area by land type in Poland in period 1995-2003, as of June

SPECIFICATION	1995	2000	2002	2003
	IN THOUSANDS HECTARES			
Total	17,934	17,812	16,899	16,169
– of which private farms	15,205	15,456	14,858	14,012
Arable land	13,886	13,683	13,067	12,650
– of which private farms	11,722	11,845	11,485	10,952
Orchards	278	257	271	250
– of which private farms	260	248	264	243
Meadows	2,272	2,503	2,531	2,341
– of which private farms	1,950	2,189	2,245	2,055
Pastures	1,498	1,369	1,030	928
– of which private farms	1,273	1,174	864	762

Source: Statistical..., 2004, p. 456

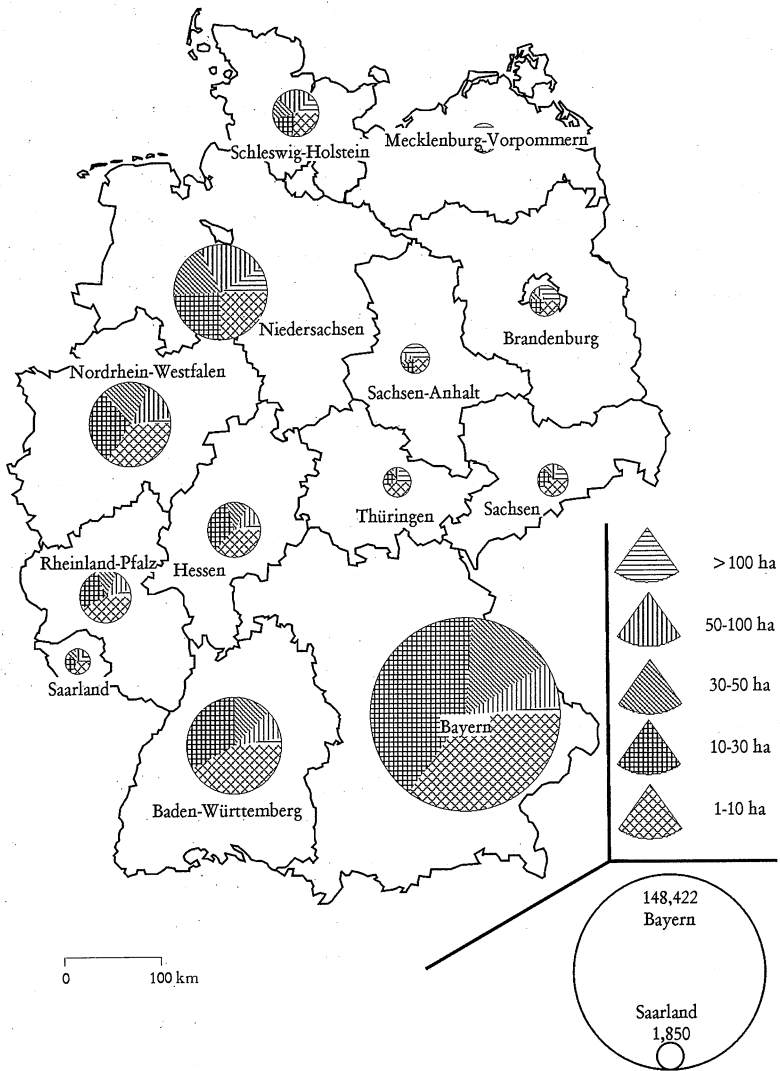


Fig. 1. Agriculture enterprises in Germany broken down by Länder and size classes in 2001
 Source: Statistisches Jahrbuch 2002

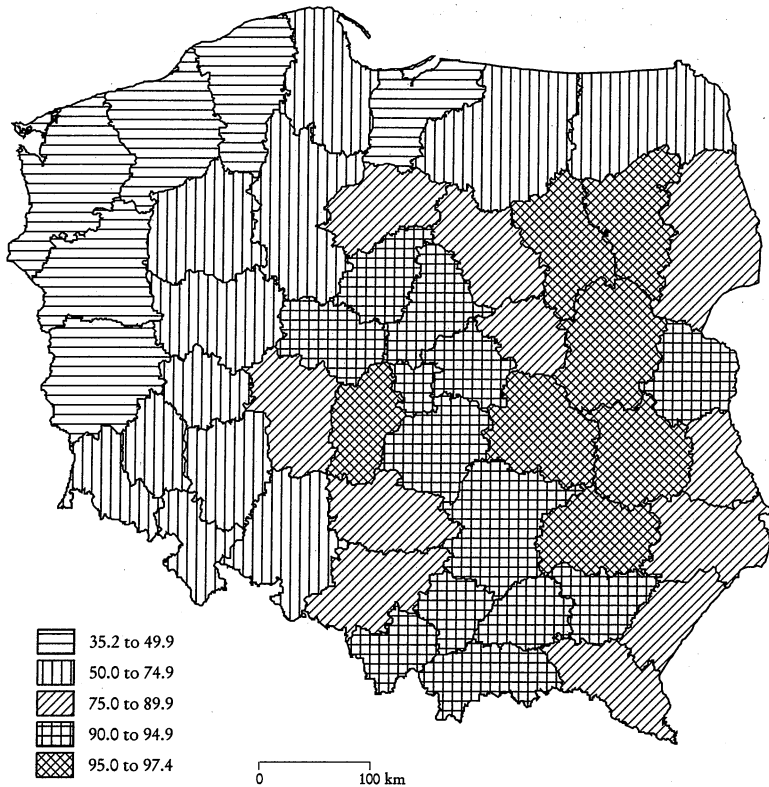


Fig. 2. Private sector share of agricultural land in Poland in 1991
 Source: Rocznik Statystyczny

The agency responsible for privatization in agriculture in Poland (the National Treasury's Agency for Farm Ownership) had taken possession of land formerly belonging to liquidated state farms and gained from the State Land Fund; that is, obtained from private owners in return for welfare benefits (Grykień, 2004). In 2003 the agency had taken possession of 4,706 thousand ha of arable land (ca 25% of total agricultural land in Poland). The basic aim for the Agency was the selling or leasing of possessing land to individuals or workers co-operatives. However 1,374 thousand ha (29.2%) were sold by the end of 2003. More preferred form was leasing: 2,342 thousand ha; 49.8% (Agricultural..., 2004). In 2003 private farms in Poland cultivated 86.7% of the agricultural land (Table 3).

In bigger part of Ukraine land was nationalized in 1917. Nearly a century of Communism dismissed from one's mind traces of former land ownership. Only in West part of Ukraine little tradition of private land ownership remains. Before World War II this part belonged to Poland and was nationalized only after 1945. Therefore claims for restitution or some form of compensation to former owners raised in Western regions of country, but Ukraine rejected the idea of restitution (Grykień, 2003).

Large-size farms in Ukraine tend to reorganise as relatively large units, although with some downsizing. Their privatization has followed the following principle: ownership has been legally changed to collective farms comparable to co-operatives. Workers and pensioners became members of the collective and, thus, its owners (Country..., 2001). However they are not generally allowed to leave the collective and withdraw their shares (Table 4). In Ukraine 83% of the reorganised collective and state farms registered as collective enterprises or partnership, and 3% as joint-stock societies (Csaki, Lerman, 1996).

Table 4. Structure of land use in Ukraine in 2002 [as at 1 January 2002; thousands of hectares]

TYPE OF OWNERSHIP	TOTAL LAND AREA	TOTAL AGRICULTURAL LAND	ARABLE LAND	ORCHARDS	MEADOWS	PASTURES
Total land area	60,354.8	41,817.0	32,537.1	924.4	2,407.3	5,517.0
Agricultural enterprises	27,207.3	25,660.6	21,838.3	375.5	1,073.6	2,108.3
of which:						
– collective enterprises	685.2	369.2	233.6	6.2	38.2	77.5
– agricultural co-operatives	4,161.8	3,954.1	3,325.8	63.4	192.3	343.0
– agricultural companies	14,536.3	13,982.4	11,994.1	197.3	567.4	1,083.1
– state enterprises	1,964.2	1,667.8	1,359.0	66.9	53.7	180.1
– other categories	5,859.8	5,687.1	4,925.8	41.7	222.0	424.6
Private farms	2,796.5	2,753.7	2,522.7	9.6	54.8	157.0
Private land plots	10,162.1	9,736.0	6,998.4	476.3	736.9	1,448.0
Lands of other categories	20,188.9	3,666.7	1,177.7	63.0	542.0	1,803.7

Source: Agropromystovj... 2002, p. 59

Independent farming is still modest despite the spectacular growth in the number of private farms. The rate at which private farms are spreading lags far behind the original expectations (Balabanow, Kobzew, Cemenczenko 2000). In 2002 private farms in Ukraine covered ca 4.6% of all agricultural holdings. Yet in reality the private sector is broader than that. The household plots have been enlarged since 1991 through distribution of state land. Whole individual sector accounts for 21.5% of agricultural land in 2002. As of January 1, 2002, some

20 million Ukrainians had plots of land to use for the production of food (Agro-promyslovyj, 2002).

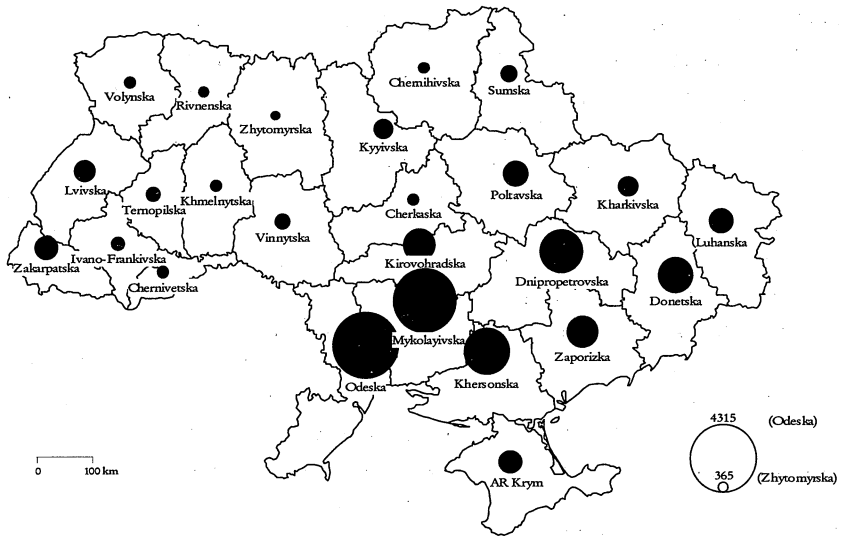


Fig. 3. Number of private farms in Ukraine in 2002
 Source: Statistical Yearbook of Ukraine 2002

Although the scale and form of operation of the state-run economy were different in the East Germany and Poland, the restructuring of large-area socialised agriculture had similar aims and posed similar problems in both countries. What differentiates the process in the two countries is that in New Länder the rate of privatization has been faster, there is large proportion of sales in the way the property taken over is disposed of, and there are better-developed aid and relief programmes to cushion the adverse social effects of restructuring in agriculture (Grykień, 2000). In Ukraine the implementation of agriculture sector reforms has been much slower than originally anticipated. The results of restructuring indicate that large-scale farming still plays an important role. Farms tend to reorganise as relatively large units. The „stay as is” approach is popular in Ukraine, where it is referred to as „changing the sign on the door” (Csaki, Lerman, 1996). Pro-soviet feelings and the common attitude of the „homo sovieticus” will long persist in the perception of the countryside and agriculture.

CONCLUSION

Although the process of adapting agriculture in the former eastern block to the reality of the free market economy has not been completed, a picture of the

new farm structure is now emerging. The view of the changes of proprietary relations in agriculture in the East Germany, Poland and Ukraine is conglomeration of varied concepts, actions and results. Reason for the observed differences should be sought both in the dissimilar experience of the communist period and the experience from the pre-socialist period. A future source of dissimilarity is the cultural uniqueness of specific nations, creating an additionally dissimilar background to the changes.

Restructuring is both a political, economic and social process. Restructuring is political in that land privatization and farm restructuring are highly dependent on local politics, and continued debates about the strategy and the implementation of the reforms (Stasiak, 2000). It is economic, in that restructuring must ensure the optimal organisation of farm. Facing the agricultural realities in former GDR, Poland and Ukraine the core of the economic discussion is the question of farm size. Some assume that family farms show advantages because of lower transaction costs, so that they may compensate losses in economics of scale. It is also social in that social structures which came into being during communist period were destroyed. The most striking social consequence is the loss of the agricultural labour force and high rate of unemployment in Eastern German and Polish countryside.

The development of farm-type agricultural productive units is restricted due to the lack of tradition, of independent management, lack of attitudes towards risk taking and the limitation of capital. These factors favour the trend towards the formation of small farms or large neocollective and post-collective rural enterprises.

The process of transformation in agriculture in new Länder in Germany, Poland and Ukraine was imposed by historic necessity resulting from the failure of communist ideology. It can already be confirmed that the heritage of the communist period left behind it. It is visible as the attachment to collective property, the lack of individual initiative connected with mental barriers, the power of informal connections and pro-socialist feelings among a large proportion of the rural population.

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