



*IAMO 2001*

## **Publisher's Note**

The IAMO's publications also include, apart from the present series booklets, the internally refereed series of Discussion Papers, *the series of Studies on the Agricultural and Food Sector in Central and Eastern Europe*, *the IAMO Annual Report*, as well as *the annually published Overview of Current Research Projects*.

### *Photos*

Jens Adler (pp. 14, 20, 26, 38), Stephan Brosig (pp. 5, 57), Monika Hartmann (pp. 6, 44, 52), Jürgen Heep (pp. 48, 49), Andriy Nedoborovsky (p. 43), Günter Peter (pp. 8, 60)

### *Published by*

#### **Institut für Agrarentwicklung in Mittel- und Osteuropa (IAMO)**

Theodor-Lieser-Straße 2  
06120 Halle /Saale  
Tel.: 49 (345) 29 28 0  
Fax: 49 (345) 29 28 199  
Email: [iamo@iamo.uni-halle.de](mailto:iamo@iamo.uni-halle.de)

### *Web site*

<http://www.iamo.de>

### *Editors*

Margot Heimlich, Michael Kopsidis

### *Production*

Monika Hartmann, Stephan Brosig, Ludger Hinners-Tobrägel, Peter Voigt

### *Typesetting*

Margot Heimlich

### *Printed by*

Druck-Zuck GmbH, Seebener Straße 4, 06114 Halle (Saale)

© Institut für Agrarentwicklung in Mittel- und Osteuropa

Reproduction of the material contained within, even of extracts, may only be carried out with the prior permission of the publishers and acknowledgement of the source.

**ISSN 1617-6456**

## Introduction

Looking back on its six-year history the IAMO can begin the year 2001 with renewed vigour after a successful 2000.

The Institute, as well as the Foundation Committee and the Academic Advisory Committee will remember last year fondly. The appraisal of the IAMO by the Scientific Council was a success. The Council's report judged that 'the IAMO is one of the successful institutes recently established in the new states of Germany' and that 'the IAMO has rapidly developed into a nationally and internationally recognised academic centre in its field, and has established an efficient capacity for research'. Such a positive evaluation highlights the justification for the Institute's foundation and emphasises its high level of academic achievement.

I'd like to take the opportunity to thank all colleagues at the IAMO in recognition for their work. With authority and commitment they will also master the future challenges which are linked to the process of transition in the countries of Central and Eastern Europe.

In the past few years it has been demonstrated that transition in Eastern Europe is a very complex process with no simple solution. In this time the IAMO has developed intensive contact with research centres in the countries of Central and Eastern Europe, organised and taken part in specialist conferences, as well as promoted the training of young academics in Eastern Europe. In addition to its own academic work, these things have enabled the IAMO to fulfil the tasks laid down by the Scientific Council: to act as a scientific observer of the process of transition, to work out prognoses, and to help provide solutions to problems.

Challenges such as the eastern enlargement of the European Union, the next round of world trade talks, and the closer integration of CIS markets into European and international structures must be met in the coming years. This will increase the need for scientific information and, consequently, the IAMO will continue to be an important and sought-after partner for politics, economics and science in the East and the West.



*Dr. Jörg Wendisch is  
chairman of the IAMO's  
Foundation Committee*

<b>Foreword</b>	<b>5</b>
<b>Ten Years of Transition – An Evaluation of the Reform Process</b>	<b>9</b>
The ambivalence of the process of transition – success or failure? The political dimension of transition. Formal and informal institutions as determinants of the transition process.	
<b>The Importance of Associations for a Successful Transition</b>	<b>15</b>
The necessity of associations for the development of institutions. Systems of incentives for co-operation in associations. Associations shaped by institutions. The importance of associations for EU eastern enlargement.	
<b>Farm and Property Structures in the Agriculture of Central and Eastern Europe</b>	<b>21</b>
Factors that influence privatisation and the farm size. Farm structures. Advantages and disadvantages of family farms and large scale enterprises. Equal chances for all farm types and statutes. Land markets.	
<b>Demand for Foodstuffs in the Transition Countries of Central and Eastern Europe</b>	<b>27</b>
Regionally specific patterns of consumption. Chronological development. Diets of different groups. Household production. Food quality. Vertical co-operation and integration in international food trade.	
<b>Social Networks: Obstacle or Driving Force in Rural Areas?</b>	<b>33</b>
The process of social and economic change in rural areas of transition countries. Social networks as a means of absorbing negative consequences of change.	
<b>The Polish Meat Industry en route to Efficient and Quality-Conscious Production</b>	<b>37</b>
Production structures dominated by small farm holdings , high procurement costs and intensive competitiveness in the processing sector. The importance of ensuring quality. The possibility of international competition by means of investment, structural change and competition policy.	
<b>The IAMO – a Brief Portrait</b>	<b>43</b>
Joint projects. Visiting academics. PhD students. Conferences and Seminars. Selected externally-funded projects. Publications. Institutional structure. Co-ordination in the IAMO. Focus of research work. Support services.	

## Foreword

With this publication, now the third edition of the *IAMO 'Jahreszahl'*, the Institute for Agricultural Development in Central and Eastern Europe (IAMO) presents its study of the development of the agricultural economy of Central and Eastern Europe to a wide audience. The breadth and variety of the scientific work in this field will become apparent to the reader. Moreover, the discussion of current events in individual studies gives an insight into the depth of research activity.

2001 marks the end of ten years of transition in Central and Eastern Europe. This gives us the opportunity in this publication to examine the developments of the past decade as a whole, and to make a provisional assessment of the events from ten years of restructuring in the agricultural sector. At the same time the focus will be on a wide variety of aspects of the process of change.

In the first article, Voigt gives a comprehensive evaluation of the process of reform with reference to general economic trends. He establishes the fundamental reasons for economic progress in countries in transition and examines the divergence which exists between transition countries, and from their western neighbours. Achievements in economic restructuring have been very considerable. This is particularly the case when one considers the fact that comprehensive reorganisation within the economic, political, legal and social systems had to take place simultaneously. From the macroperspective which Voigt adopts it also becomes clear how much the success of the whole process is dependent on institutional change in different sectors.

The question of development of institutions has become ever more prominent in the work of the Institute. For this reason the articles which follow focus squarely on individual aspects of this subject area. They look at: the formulation of agricultural policy, the structure of land ownership and the size of agricultural concerns, the consumption of foodstuffs and their quality, the establishment of social networks in rural areas and the organisation of meat processing in Poland.

The formulation and development of economic policy in Central and Eastern European Countries (CEEC) must involve more closely those it affects. The same applies to agricultural and food policy. In his article, Frohberg draws attention to the fact that there is a lot of work still to be done in this regard. All countries in transition lack the organisations that could make this involvement possible.

Schulze and Tillack both discuss the ownership of farmland as well as the structure of the size of businesses in transition countries. They point out that the form of privatisation selected in individual countries was very significantly influenced by cultural and historical conditions. Restitution dominated in countries applying to join the EU, while in Russia, land ownership was awarded collectively to those in the large concerns which have been transformed. The structures of business sizes do not entirely reflect the different forms of the return or distribution of land.

Brosig and Glitsch explain the different development of consumption habits in Central and Eastern European countries. They show that a differentiated analysis on the basis of traditional geographical boundaries is also suitable for understanding typical regional characteristics in the demand for foodstuffs. A study of the specific consumption patterns of various population groups in different



*Prof. Dr. Klaus Frohberg is the managing director of the IAMO*

regions, as well as the contribution of subsistence farming – in some areas considerable – to the overall production of foodstuffs significantly increases the effectiveness of measures to combat poor or deficient diets.

The article on social networks by Abele, Biesold and Reinsberg concerns itself with economic and social problems in rural areas. Central to this subject are the strategies of adaptation undertaken by the rural population, in particular the use of social networks as a protection against risks.

Hockmann and Pieniadz discuss the changing relationships between market structures and product quality in the Polish meat industry. Product quality is identified as the main factor influencing the international competitiveness of this sector. Lack of competitiveness is a result of the predominance of small enterprises in agricultural production and processing, as well as the poor adaptation to, and implementation of, international quality standards.

In addition to the articles on research activity at the IAMO, the important events which took place at the Institute should be mentioned. The most significant was the evaluation of the Institute last year. At the end of 1999 we had already submitted our answers to the questions posed by the Scientific Council. Then on 29 February and 1 March an inspection, the second part of this process, took place. The group of evaluators produced a report in which it considered how far the IAMO had fulfilled its mandate. It also assessed the quality of its academic work and gave recommendations for the future development of the Institute. In November this report was approved by the Scientific Council, which acts as an advisory committee on matters of scientific policy and structural development of research in Germany.

The report by the evaluation team says of the Institute that 'in general it produces good to very



good academic research in the area of agricultural economics of Central and Eastern Europe'. It has 'a very considerable potential for development', and therefore the continued financial support of the Institute as a member of the Blaue Liste (list of approved scientific research receiving financial support from the Federal and state governments) is wholeheartedly recommended.

As a successful new establishment in the former East Germany, the Institute is said to have developed into a nationally and internationally recognised centre of expertise, and an important and sought-after partner in the countries of Central and Eastern Europe. The staff are distinguished by a high level of motivation and their readiness to work. In addition

to the generally high scholarly level and excellent productivity, the report recognises the commitment shown in the organisation and running of international workshops, seminars and conferences.

The directorate and the staff of the IAMO are delighted with this assessment and see it as recognition of the work achieved so far. At the same time the report makes plain that, after initial hurdles which had to be overcome, the Institute is now entering a phase of consolidation, in which the attempts to deepen and focus research activity must be intensified.

In this regard the evaluation team suggests that research into the economics of institutions should be expanded further and consolidated. The process of transition itself, and not just its effects, should thus be more squarely at the centre of the analysis. It has also been recommended that more primary data should be collected from the countries under study than has been in the past and less reliance placed on secondary statistics. In general, internal co-operation and the Institute's profile as a whole should be augmented.

In accordance with its Scientific Advisory Board the Institute sees the report as an opportunity to improve its profile. On the one hand this involves continuing the work in the designated areas of research. The Institute also intends, however, to modify already existing concepts so that their relevance for the analysis of the processes of transition can be improved further. More innovation should lead to greater success. In this respect we will examine whether the set of models established at the IAMO can be meaningfully complemented by components with an institutional-economic slant. As far as case studies are concerned, we must learn from past experience and utilise in situ the variety of joint projects with other centres, to gain more primary data in the future.

The year 2000 ended for the Institute with the ceremonial opening of the multi-purpose research building Heide-Süd, the new home of the IAMO. An official function in the Institute's building was held in the presence of representatives from the world of science and public affairs. The new accommodation is now also officially dedicated to its purpose, and it provides an excellent environment for future research activity.

I would sincerely like to thank everybody who has supported and promoted the work of the IAMO over the past twelve months, particularly in light of the results of the evaluation. Special thanks are due to the members of our Board Trustees Foundation Committee and our Academic Advisory Council. The members of both bodies were always on hand to give the IAMO authoritative and helpful advice; especially when the Institute was preparing for the for being evaluated.





## Ten Years of Transition – An Evaluation of the Reform Process

PETER VOIGT

Ten years after the initiation of a process towards a market economy and democracy by the countries of Central and Eastern Europe (CEEC) it seems appropriate to give a detailed examination of the process of transition, the current position and the problems which have emerged. The central question of whether transition has been a success cannot be answered universally; the path of reform and the present situation varies from country to country, although in none of these states has the process of reform been completed yet.

Although democracy and a market economy have become constitutionally stipulated aims of all the CEEC, how these are interpreted and the manner in which they are to be realised differs from country to country, in some cases considerably. The principal reasons for this, besides national differences in the orientation and severity of reforms, can be found in the often poor compatibility and sequence of individual reform measures, which have led to serious differences among the national processes and their velocity of development.

***Leaders of reform versus latecomers: the contrast increases – a mere temporary divergence?***

The particular nature and the extraordinary burden of transition in the CEEC are due to the fact that – in contrast to historic parallels of changes of system – society, as well as the economy and the political, legal and social systems are supposed to undergo radical reform simultaneously. It is of course inevitable that there were and continue to be noticeable differences between the countries in their priorities, ways of tackling reform, and results.

A comparison of national reform strategies shows that there is no patent remedy: whether a gradual transition or shock therapy is attempted, success is clearly dependent in the first instance on the balance, severity and credibility of the reform programme, and on its time frame. In this regard it must be said today that the adoption of standard Western European concepts, which aimed at rapid liberalisation, privatisation and cutbacks in state subsidies and welfare, were of limited help, as often they took into account only some aspects of the problem. Also, due to their complexity, they frequently exceeded what was 'realisable'.

***Gradual change versus shock therapy: there is no patent remedy***

The most important political tasks that emerged were: the creation of a suitable institutional framework for reform of economy and society; internal economic and political stability; the promotion of private property and competition; the implementation of incentives; and acceptance of reform amongst the population. The chief problems were caused by the institutional vacuum following the collapse of the central administration, but also by the sudden devaluation of the existing capital stock. This was often the result of an 'erroneous specialisation', to be more precise, the division of tasks within the Council for Mutual Economic Aid, which did not work mutually to advantage. In the area of political reform there were frequent conflicts of aims, such as between subsidy cutbacks for clapped-out state concerns and a socially digestible reorganisation of the insurance systems which were previously maintained by these same concerns (cf. Abele, Biesold, Reinsberg). Unemployment,

***Compromises:  
simultaneous  
acceleration and  
deceleration***

impoverishment, a growing disparity between incomes, economically motivated migration etc. are all things which obliged the political community to make compromises in the reform process. This then often led to a 'weakening' of the reforms with negative consequences for the process of transition.

Whether one now judges the past achievements of the transition process positively or not, is dependent on one's perspective. A number of countries are on the EU's doorstep, some integrated into NATO and the World Trade Organisation (WTO), and politically established in the international arena. Other CEEC, however, have experienced dramatic setbacks in economic and social spheres, from which they have not yet recovered. All in all, the idea that simply introducing market mechanisms as instruments of co-ordination, in place of the planning commission, would lead to a substantial increase in the welfare of the whole country, was clearly over-optimistic. We now have to accept that the process has turned out to be fundamentally more complex and lengthy than expected. Although a free market economy and democracy are the goals of all the CEEC, and are based on a broad social consensus, the process of their implementation is not continuous. Future setbacks in individual reform programmes are still a possibility.

***Market and democracy:  
basis for, but no  
guarantee of, growth***

It has also become clear that democracy and a free-market economy are necessary, but on their own not sufficient conditions for the success of transition. There is no doubt that all the CEEC have created the preconditions for democratic societies with concepts of a market economy. The consolidation of these processes has reached different stages, however, and for some countries it is questionable whether the result will be a social market economy on the western model. In many places barter, the black economy or early capitalist structures predominate. In parts of the Commonwealth of Independent States (CIS), for example, only the initial stages of partial reform were undertaken. What is more, this often happened too casually and seldom with a view to the long term. For instance the term 'virtual economy' is frequently used in connection with the development in Russia. This describes a system which, propped up by the old elites, corruption and irresponsible budgeting, shows signs of a failed transition. In fact, with the aim of preserving jobs, restructuring was often approached hesitantly or not at all. This harmed the process of transition and clearly deepened and protracted the economic recession more than elsewhere. If this trend now leads into bad developments that are difficult to reverse – perhaps even path dependent ones – then this is certainly an alarming signal, as currently it is not clear enough in which 'direction' the particular countries will 'reform'. If the paradigm shifts, for example from a planned economy to a (money-free) barter economy (as can be seen in some places at present), then the countries, and particularly their populations, have a longer and probably more painful path of reform before them until a stable system of market economy and democracy can be established.

***CIS countries:  
latecomers to reform, or  
on a separate path?***

***Paradigm shift: from  
planned economy to  
barter***

The following diagram is a two-dimensional attempt to represent the progress of economic and social transition of selected CEEC. The economic dimension is based on the following reform indicators: privatisation and restructuring (firm level), liberalisation of markets, prices, trade and reorganisation of the currency systems (the market level). The social dimension is composed of the following factors: the realisation of democracy and the rule of law, internal and external stability (conflicts), general prosperity and social structures. For each year and dimension under

examination every indicator has been allotted a value ranging from  $-2$  to  $+2$ . The factor  $+2$  corresponds to the standard of western industrial states, while  $-2$  represents the worst example of the indicator. The individual values of the reform indicators were aggregated and have produced the figures represented on the graph.

Besides the differences in starting conditions and dynamic of development, the diagram illustrates a clear convergence of the majority of the CEEC in the direction of the 'standard typical of western industrial countries'. In particular, the EU associate countries of the first 'round of enlargement' can be found for 1999 in the first quadrant and therefore close to the current EU standards.

**Convergence to western European standards**

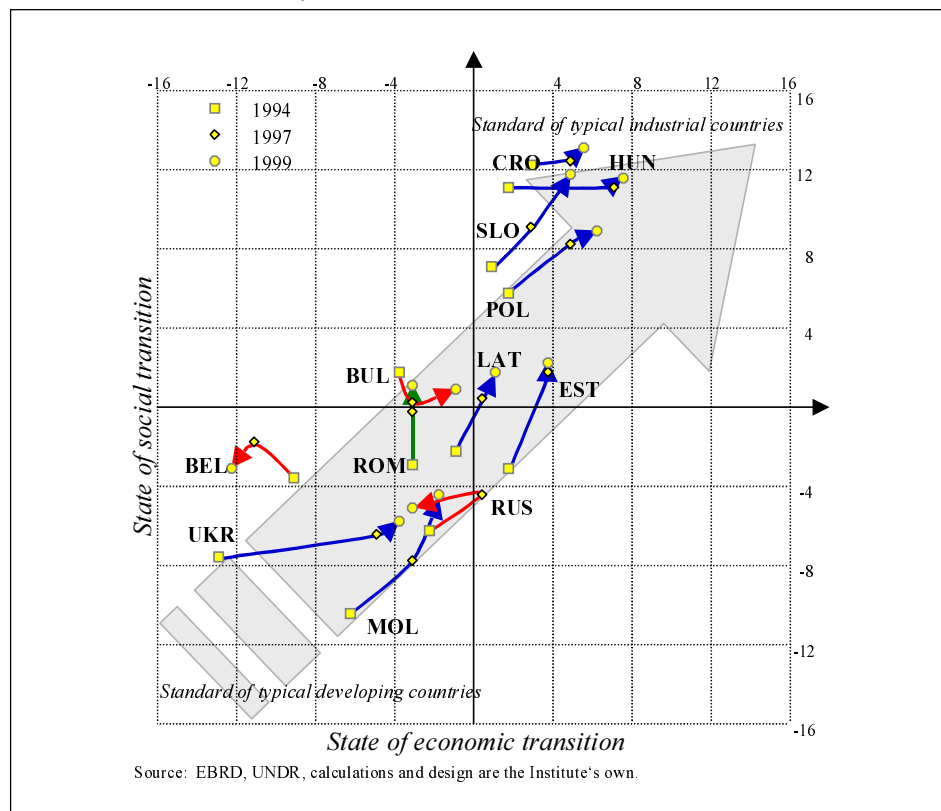


Figure 1:

*Specific paths of transition*

**Transition: mainstream, individual path, or dead end?**

The gap between the individual CEEC and the standards of western industrial countries (upper-right hand corner of the diagram) also demonstrates that the process of transition has not yet been completed in any of the CEEC. Particularly striking is the course of reform in Russia and Belarus, whose paths of development (shown by red arrows) clearly stand out from the other CEEC. Their current positions have even worsened in comparison to the starting or middle points (non-continuous

path of reform). Chiefly responsible for this are the reforms which, as mentioned above, are tentative and often not thorough enough. Some have even been rescinded.

***Strong leaders in time of crisis: from democracy to dictatorship?***

An examination of the political dimension of transition reveals that initial problems or setbacks with reform soon led, in many places, to loud cries for strong leaders to take the country out of crisis. These often came to power – not always with success. From a socio-political perspective at least, this trend was often even a setback, as democracy can only develop with difficulty in such conditions. At the same time these tendencies were often inevitable, due to a lack of pragmatism and democratic integrity amongst the political actors. In most CEEC there was a critical lack of a new, non-communist elite, committed to democratic and progressive values, and one which could be trusted with the implementation of necessary reforms.

***The importance of national elites: new faces or swapping name tags?***

But the simultaneous transition of economy and society hides the danger that it can become the strategic tool of interest groups, which can have a lasting influence on the process and even steer it. Of particular note in this regard are the 'presidential regimes', where the articulation of political opinion is not – as in democracies – the job of a large number of MPs, but resides with a few individuals. With this in mind, the question as to which groups underpin society, and thereby the process of transition, assumes great significance. If in some countries rapidly formed groups are oriented towards a free-market economy and are committed to democracy, in other CEEC the 'old' elites are also the 'new' ones. This hinders substantial change, if not ruling it out altogether. On the other hand it was often the case that it was not possible to fall back on an alternative elite, since education policy under the former communist regimes to a large extent prevented the development of non-communist elites. Consequently the time scale of transition becomes, for many countries, a generational issue.

Furthermore it has been shown that institutions – of both the formal and informal variety – are of fundamental importance for determining the length of the transition process, and that the cost of restructuring them was considerably underestimated. Much more was needed than the mere substitution of old ones by new constitutional clauses and laws. The inaccessibility of many new formal institutions, in conjunction with the inexperience of people in their dealings with these often unknown regulations, brought many reforms into difficulty, or at least delayed them. One of the greatest challenges lay in the new definition of the concept of private property.

***Privatisation not yet complete***

In some countries this process is not yet complete. Often the formal privatisation of businesses was accompanied at first only by a change of name, but no change in working procedure. The practice of business leadership changed only slowly. In many places land is neither yet privatised, nor free to be sold on without restriction (cf. Schulze, Tillack).

***Informal institutions fundamental for the success of reform***

In addition to the continuing reform of formal institutions such as laws and regulations, informal institutions such as values, behaviour patterns of the population, mentalities etc., must increasingly be targeted by reform policy (cf. Froberg). It must be noted, however, that adjustments in these areas take place very slowly. This is particularly the case where historical experience of a market economy and democracy scarcely exists amongst the population. Analysis of such informal institutions will always be difficult, moreover, in those cases where an ethnically heterogeneous population

maintains a variety of informal institutions which on occasion contradict each other. It is perhaps no coincidence that the 'reform leaders' are all from ethnically very homogenous countries.

Economic policy had an equally complex task, and one that was vital to the success of transition. In a short period of time, it had to take care of a comprehensive restructuring and renewal of the capital stock; to reform all institutions which did not conform to the market; to create open and functioning commodity and factor markets; to co-ordinate privatisation; and to balance the reform package in such a way that it could appear acceptable to the majority at home, while attractive to investors abroad. Frequently this contained many conflicts of aims.

Now that these necessary free-market structural conditions have been largely established, economic policy must be focused more squarely on the promotion of private initiative and on the removal of obstacles to growth (the improvement of the climate of investment). At the same time it must combat corruption, criminality and the black economy – the other sides of transition. In addition to the necessary changes, it is time to create conditions that will ensure a successful transition. And yet the social dimension must not be neglected, as belief in the reforms is important to their political feasibility, and therefore to the progress of reform. This also means strengthening social networks, reducing the disparity between incomes, or stemming ethnic conflict, for instance. A nationwide increase in prosperity would be very helpful in this regard.

The central controversy ten years ago – whether a gradual development or shock therapy would most likely lead to success – has proved to be of secondary importance. Also the often-cited path dependencies, which are supposed to derive from the particular historical, social or geographical starting conditions of a particular country, have to date been proven only partially. Undoubtedly, burdens inherited from the communist era have influenced the process of transition, particularly at the start. Real path dependence, in the sense of pre-determined developments which arise quasi-independently from the reforms introduced, have been until now hardly discernible, however.

All in all one can conclude that economic reforms have been mainly successful where the 'rules' of the market are the same for everybody. This includes in particular the elimination of arbitrary state intervention in the market, of constant subsidies, and of irresponsible budgeting. If unprofitable businesses do not disappear from the market, the restructuring process cannot make progress. The pressure of competition is important for the development of businesses and the economy. For this to be realised it needs a strong legislature as well as executive to set the reforms up, as well as to implement them. This precondition is inadequately satisfied in many places. Overall, competition and plurality are necessary throughout society and the economy to initiate lasting growth, and to further democratisation and thereby also internal stability in society.

An examination of the process of transition, its achievements and associated problems, has shown that all the CEEC are on the way to implementing democracy and a market economy, but that they have taken differing routes and reached different stages. In spite of progress in reform, which is in some cases considerable, transition in Central and Eastern Europe still needs more time, as it will not be complete until ways of thinking have changed, in addition to reform of economic and social institutions. With this the time scale of the transition process could become a question of generational change.

***Sober reality: the goal has not yet been achieved***

***Path dependence – a myth?***

***Promote competition – don't be afraid of it!***



## The Importance of Associations for a Successful Transition

KLAUS FROHBERG

An essential task of economic restructuring in transition countries was, and still is, the creation of free-market institutions. The economic system from the socialist era represented a poor starting-point: theoretically, markets did not exist in the centrally planned economy, and thus corresponding institutions were unnecessary. The experiences of the last decade have shown that the formation and further development of institutions in transition countries takes far longer than many observers had originally calculated. This is a fundamental reason why some economies adjust only sluggishly to the changed environment. The time needed for the necessary transformation of the formal, but in particular also the informal, institutions was considerably underestimated. In the sphere of agriculture and food production this concerns, amongst others, institutions which are responsible for the formulation of political will. It also applies to regulations which allow markets to function, and includes issues relating to the internal structure and organisation of enterprises.

***Considerably improve  
free-market institutions***

Upon closer examination, one can see clear reasons for the slow institutional change. One explanation lies in the simultaneity of the two most important processes of transition. In addition to a free-market economic system, a democratic society had, or has, to be constructed. This simultaneity in setting up both systems – a free market and a democracy – inevitably leads to mutual obstruction. Put simply, this reflects a situation in which the rules of the game are already being applied while they are still being drafted.

***Simultaneity of  
important processes  
complicates transition***

Insufficiently functioning democratic processes hinder the establishment of institutions, with the aforementioned negative effects on economic development. On the other hand economic restructuring, which in all transition countries in the first few years was associated with massive redistribution via privatisation, and a drastic reduction in the material standard of living, impeded the establishment of democratic structures. This in turn means that democracies in countries in transition cannot consolidate so rapidly. Due to this simultaneity, the processes of transition become far more complicated. For the successor states of the Soviet Union there was the additional factor that transition also meant the formation of a new nation state. From this perspective it seems surprising that, in the initial phase of restructuring, it was expected that the reforms would be successfully completed in a short time if the essential steps could be taken rapidly, like shock therapy. In the meantime, the reality has shown that processes of transition are in fact gradual.

In search of efficient, free-market institutions, which minimise the sum of production and transaction costs, one can also consider those which exist in other countries. But because all countries have their cultural, sociological and historical idiosyncrasies, these institutions can not be simply transferred, but at the most can serve as a model. In principle each country in transition must create its own institutions. In this the Countries of Central and Eastern Europe have had variable success till now.

***Institutions are country-  
specific***

For the articulation of political will and decision-making it is essential in a pluralistic society that social and economic diversity contributes to political debate. But this complex diversity must be simplified to the point that it allows systematic reflection and decision-making. Numerous organisations,

***Associations as a link  
between state and  
society***

such as political parties, serve both these basic functions – the articulation and simplification of diversity. Their task is to fill the gap between the decision-making authorities of the state – e.g. government, parliament and administration – and society.

***Associations complement political parties***

Political parties act regionally. They are territorial organisations that normally seek their political constituency throughout the whole country. Yet parties alone can not represent the specific interests of particular groups within society. They are usually unable to consider all necessary angles when drawing up and implementing a particular law or other formal institution. Therefore they have to be complemented by other organisations to engender political competition. Associations, as agents of functional interests, carry out this task.

Broadly speaking, associations, like other organisations, are long-term social constructs which pursue specific goals through the activities of their members. The latter, in turn, can benefit from this work. This study concentrates specifically on those associations which are active in the political sphere, and not profit-oriented. In established democracies there are a number of such organisations. In most countries, for example, a farmers' league (or even several competing ones) represents the interests of an occupational group, as well as of a branch of the economy. Other branches of industry have their own representations, such as the Verein der Zuckerindustrie e.V. (Sugar Industry Society), to name just one from Germany. This looks after the interests of all sugar manufacturers and processors.

***Little experience from the socialist era of representing particular interests***

In socialist times, the representation of particular interests outside the parties, with the aim of influencing political decision-making, was unwelcome. If this existed at all, it was only present in a latent form. Although there were state-sponsored associations in the socialist era as well, these only had a very limited opportunity to articulate interests which did not correspond with those of the state leadership. From the latter's perspective, membership in such organisations allowed a large proportion of the population to be controlled and 'co-ordinated'. It is well known that exceptions prove the rule. Here one could cite the 'Solidarity' movement in Poland, which in hindsight can be seen as a harbinger of transition, not only in its own country, but for the whole of Central and Eastern Europe.

Apart from some exceptions, there were few associations at the beginning of transition which could have either done the jobs of articulating particular interests and condensing information for shaping policy, or fallen back on proven organisational structures and experienced personnel. Although political parties were quickly formed in all countries, other organisations that participated in the development of formal institutions in particular, emerged only hesitantly.

***Associations articulate and package diversity of interests***

Transition, on the other hand, brings greater complexity and plurality to the fabric of society. For this reason it is first very important to begin articulating the diverse economic, as well as cultural and social, interests in the initial phase of transition. Secondly these interests should be sorted and packaged so that they can be reduced to a 'manageable amount'. In no way is this pluralism a problem for society. It only becomes a burden if it is not integrated by means of a large diversity of organisations, i.e. if there is no civil society.



It is thus not just institutions which had to and must still be created in the transition countries. The necessary organisational structures must also be set up, in order to enable or facilitate the drafting of laws and other formal institutions. Also needed here is a broad basis of personnel – a civil society – which participates in the formulation of political demands via its membership of such associations. As far as formal institutions (laws, regulations etc.) are concerned, efficient political decision-making processes are also necessary.

It is important for every country – western ones included – that institutions only become effective when they are accepted by as many people as possible. The increasing atomisation and anonymity within societies, which has been highly conspicuous in recent times, is accompanied by a weakening of social ties, particularly in towns and cities. This in turn results in a decreasing willingness of society to keep a check on the observance of the institutions, thus hindering their enforcement. The social pressure on citizens to behave publicly in a certain way is diminishing. This is particularly the case with informal institutions such as customs and traditions. The network of social relations can be seen as a necessary pre-condition for the monitoring of informal institutions in particular.

A further condition for the effectiveness of ensuring that institutions are observed is that the carrying out of this activity does not lead to economic disadvantage. The costs incurred must be at least balanced by the advantages. Because this is generally hard to achieve without payment, particular individuals are entrusted with the enforcement of formal institutions – essentially the administration and judiciary. They carry out this task professionally and are paid for it. It is very difficult to do the same with the monitoring of informal institutions, which is a further reason why supervision of these is increasingly neglected.

If associations have such huge importance in the political events of democratic societies, why were such organisations not formed more rapidly and in greater numbers? One important reason is that it is not only the members who benefit from the work of an association, such as representing specific interests in the formulation of political demands. Those who have the same interests, but are not members, and thus contribute neither financially nor through personal involvement to the work of the association, benefit too. Many of the achievements of the associations are public property, and non-members cannot be prevented from making use of them.

Laws are also like public property. One might expect that any person affected either positively or negatively by a proposed law would want to help shape the final draft. With public property, however, the case is different. Each individual will hope that 'someone else will sort it out'. Like a 'free rider' they will try to get as much as they can from the law, or avoid a possible rise in costs without wasting their own energy. It is in their interest to wait until others, perhaps, have done the work to draft the law.

The dilemma of this lack of willingness to take part in preparing public property, e.g. the shaping of laws, can often be overcome, or at least moderated by positive or negative incentives. One possible positive incentive is to provide the members of such organisations with additional services which have a criterion of exclusion and thus are not public goods. The criterion of exclusion says that those people who are not ready to pay a fair price can be excluded from using a service. That is why, in addition to representing the interests of their members politically, farmers' associations

***Associations - a part of civil society***

***Few incentives for membership of associations...***

***...as laws are public property***

***Possible increase in membership***

always offer special services such as consultation, which can only be enjoyed by members of the association. Such services attempt to increase the usefulness of membership so that it balances out the contributions and other payable costs.

Membership figures can also be improved by negative incentives. These can vary considerably, from state-enforced payments for non-membership to obligatory participation. As such measures represent a strong infringement of personal liberty, however, they should only be applied in exceptional cases.

***Contrast between speed and depth of institutional change***

In the transition countries the degree of self-organisation was very low in the early years of restructuring and reached a critical minimum over time. And yet there is a contradiction here. The lack of associations in the initial phase of restructuring gave the political parties the chance to proceed rapidly with their work, as there was nothing significant to keep them in check. The process of decision-making was speedy, so that in this period institutional change was quite considerable. This is true of all countries in transition. Time and again western observers expressed their astonishment that many free-market institutions were established very rapidly in the initial phase and with relatively little consideration of the pros and cons.

***Too few associations create a vacuum of legitimacy***

Such simplified procedures had other effects, however, which were unfavourable. As politics in these conditions is very much disassociated from the social milieu, the restructuring measures quickly lose the broad support of those they affect. Because there were no, or only very few, interest groups, they could not perform their functions of communication and supervision, or could only do it to a small degree. Politics thereby slipped into a vacuum of legitimacy. Quick decisions are not always the most balanced ones.

***Associations are influenced by institutions***

For associations to be able to function they need both formal and informal institutions. The statutes and procedural rules of an association are, for example, formal institutions. The practices of members in their dealings with each other count on the other hand as informal institutions. The general comments made at the start about the effectiveness and political influence of institutions are also relevant to associations. Correspondingly the structures of western associations are imported as models for the establishment of organisations in transition countries. It must also be recognised, however, that the institutions cannot simply be copied, but usually need considerable adjustment. In the West institutions developed slowly. The conditions in which they currently function often do not exist in transition countries. The experience of the socialist era has led to a strong mistrust of such organisations in Central and Eastern Europe. Besides free riding, this makes it more difficult to encourage individual membership in interest groups.

The endeavours of the West to help with the establishment of institutions are intensive and also very broad. For instance, the farmers' associations of EU member states and their umbrella organisation are taking part in the structuring of similar organisations in countries in transition. Meanwhile there is a farmers' association in all applicant states – in most of these countries even more than one, which creates competition – but their influence on the shaping of policy is not yet fully established. Each individual association must give itself an appropriate structure.

We can clarify this with a few examples of the structure of associations in Poland. In the other transition countries the problems are basically the same or pretty similar. Poland is somewhat different, however, because the beginnings of democratic representation of interests occurred before the political upheaval.

At present there are three national farmers' associations in Poland. Two are independent organisations with individual membership, while the third is an umbrella organisation for a broad spectrum of regional and local associations. Besides a party represented in the Polish parliament the farmers' associations are the main articulators of political demands for agriculture and carry out the bulk of its lobbying work. In addition to these organisations operating all over the country, there is a tradition of industrial associations in Poland, which goes back to the 1970s. Locally active groups, chiefly related to specific products, are organised into more than 30 different associations. Their work is less focused on representing interests politically than in specialist advice and the exchange of information. But there are also groups in these associations which express agropolitical interests, such as the National Association of Employers, the Association of Agricultural Producers, the Association of Agricultural Businessmen and others. In particular the existence of several associations with very similar names, but sometimes conflicting interests, shows that the process of polarisation of interests is not yet complete.

It is characteristic of the development of associations that it has been hard to find a vertically structured representative body in product-related associations which includes those involved in the initial production to those concerned with the end product. For this reason the associations mentioned above also have the task of representing the primary producers against the industry. In practical association work, however, representatives of the processing industry are often brought in informally, without creating any legal ties.

One could conclude that a well functioning structure of associations is an important precondition for entry into the EU. On the one hand it facilitates preparation for entry. On the other farmers from the applicant countries would otherwise be significantly worse represented in Brussels than those from current EU member states. Balancing the Common Agricultural Policy between the larger figure of 27 member states would certainly be much more difficult.

***Farmers in Poland  
represented by three  
associations***

***Associations – a  
precondition for entry  
into the EU***



## Farm and Property Structures in the Agriculture of Central and Eastern Europe

EBERHARD SCHULZE AND PETER TILLACK

Ten years of transition have fundamentally changed the pattern of ownership, farm structures and legal forms in the agriculture of Central and Eastern European countries (CEEC). Although the CEEC, apart from Yugoslavia and Poland, still showed a predominantly similar structure in 1989/90 with large scale co-operatives and state farms, as well as many household plots, an unexpected differentiation between the countries has emerged. As studies show, a number of factors are responsible for this. Particularly important are: the economic and social interests of new proprietors and groups, the ideological views and economic theories which they represent, the political and economic situation, the perception of history and the religious and cultural background.

***Many factors influence the transition process***

In the course of the privatisation process the following key questions were asked: with what aim and how should privatisation take place? Which models are valid for restructuring of large agricultural enterprises? Should they be liquidated and replaced by family farms or be transformed into competitive market-orientated —medium-sized enterprises? All future applicants for EU membership understood that as much land and capital had to be privatised as possible. In Russia, on the other hand, this point of view is as hotly contested now as it was then, and in Belarus it has hitherto been as good as insignificant. The advocates of the family farm model demanded the liquidation of the large socialist enterprises; others supported the transformation into free-market businesses, to make use of economies of scale. Taking the theoretical advantages of family farms and private companies as a starting point, co-operatives in particular were judged to be inefficient. In the end each proprietor had his own ideas about his profit expectations, which were reflected in his choice between starting a family farms, remaining as part of the large enterprise or doing something different. The results of all this are given in the data about business structures in Table 1, representing the percentages of the different legal forms as a proportion of the entire agricultural land, and the average farm size in hectares.

***Different models***

In the Baltic states, Poland, Slovenia, Romania and Albania most agricultural land is now farmed by family farms, while in Bulgaria it is about half. In the Czech Republic, Slovakia, Hungary and the CIS states, on the other hand, large enterprises i.e. co-operatives and private companies predominate.

In the Baltic countries the political goal was to reverse the effects of the Soviet occupation, which manifested itself in the liquidation of most former kolkhozes and sovkhoses, and the establishment of family farms. In Albania and Romania it was chiefly the inefficiency of the low mechanised large agricultural enterprises and the massive political pressure accompanying their establishment which caused their members to liquidate them and also set up family farms. Many of these are principally for subsistence (subsistence farms). The development in Bulgaria was marked by the coming to power of parties who were bent on comprehensive privatisation, and linked this at a local level with the liquidation of large scale enterprises. But like collectivisation before it, little chance was given to

***Family farms exist predominantly in countries with inefficient large enterprises***

those directly affected to voice their opinions. In the meantime, however, some large enterprises have emerged again.

**Table 1**  
*Structure of farms in Central and Eastern European Countries*

Country	Year	Family Farms <sup>1</sup>		Household plots		Co-operatives		State Enterprises		Private companies and others	
		% agricultural land	ha	% agricultural land	ha	% agricultural land	ha	% agricultural land	ha	% agricultural land	ha
Estonia	1998	39	9	12	0,7	-	-	25 <sup>2</sup>	-	24 <sup>3</sup>	472
Latvia	1997	95	24	-	-	-	-	1	340	4	309
Lithuania	2000	50	5	22,5	2,2	0,5 <sup>4</sup>	-	20 <sup>5</sup>	-	7	206
Poland	1999	84	8	-	-	2	222 <sup>6</sup>	6	620 <sup>6</sup>	8	333 <sup>6</sup>
Slovakia	1999	9	11	14 <sup>7</sup>	-	50	1537	0,3	3071	27	1125
Czech R. <sup>8</sup>	1999	24	25	-	-	32	1394	<1	-	43	530
Slovenia	1997	96	5	-	-	-	-	4	371	-	-
Hungary	2000	41	9 <sup>9</sup>	4	< 1	-	833 <sup>6</sup>	-	7779 <sup>6</sup>	59 <sup>10</sup>	204 <sup>6</sup>
Romania	1997	67	3	-	-	12	451	21	3657	-	-
Bulgaria	1999	38	>1	14	<1	42 <sup>6</sup>	637 <sup>6</sup>	6 <sup>6</sup>	735 <sup>6</sup>	-	-
Albania	1997	97	1,2	-	-	-	-	-	-	3	.
Russia	1998	7	55 <sup>11</sup>	3	0,4	22	5200	17	6150	51	7000
Ukraine	1998	3	29	14	0,5	76 <sup>12</sup>	2519	7	653	-	-
Belarus	1998	1	21	15	0,5	61	2520	23	2860	-	-
Moldova	1998	18	1,5	-	-	60	921	4	585	18	1182

Notes: <sup>1</sup>Both family farms and household plots if not separated in the statistics, <sup>2</sup> Land administered by the state, but not used for agricultural purposes, <sup>3</sup> All large enterprises, <sup>4</sup> State farms and co-operatives, <sup>5</sup> Others using state land, <sup>6</sup> 1996, <sup>7</sup> Other agricultural land <sup>8</sup> Not including household plots, <sup>9</sup> Farms >1ha, <sup>10</sup> All farms except family farms and household plots, <sup>11</sup> 2000, <sup>12</sup> reorganised by May 2000 into family farms (7% of all farms), privately leased enterprises (21%), companies (46%), co-operatives (25%) amongst others.

Sources: National statistics.

Social factors also played an important role in the establishment of individual farms, as this was often the only way that a family's existence could be secured for the future.

***Mechanised and more efficient large scale farms remained in existence***

As in the former East Germany, the majority of large scale enterprises remained in existence in the Czech and Slovak Republics. On one hand, the management was convinced that these could produce efficiently and so supported their continued existence alongside a restructuring into private enterprises. On the other, the former co-operative members and farm workers did not think they could secure their incomes via small farms on modest plots of land. As alternative sources of

income in other branches of the economy were also available, while the social security system ensured a minimum standard of living, they were not forced, like the former co-operative farmers in Romania, to set up their own farms.

In the European countries of the CIS, management reached the same conclusion as in the Czech Republic and in Slovakia. There are, however, some unanswered questions about privatisation, historically conditioned ideas about collective land ownership, the possibility of using large scale enterprises for the benefit of individual household plots, and the fear of no longer receiving social welfare benefits once granted by the large enterprise, because due to the economic crisis, the state is in no position to take over these functions (cf. Abele, Biesold, Reinsberg).

We can also learn about the structure of property ownership from the data in Table 1. In the EU applicant countries, land not farmed by state-owned businesses has almost all been privatised. The return of mainly small plots, or the division of land to lots of people led to a highly fragmented pattern of ownership.

Russia has the idiosyncrasy of collective land ownership, divided into individual shares. When land was denationalised in 1990/91 it was handed over to the large scale enterprises, which could then distribute it to authorised people (members or farm workers, pensioners, workers in the social sphere) in the form of land shares. Legally it is unclear whether the land belongs to the enterprises, or to the community of owners of land shares. Besides, property rights of the land shares are limited. This is nothing like private land ownership in the western sense. Only those who have left the large enterprise and set up a family farm has property rights on land. Even for these owners, however, the selling of their land is a grey area, because there is not yet any clear legal basis for it. Taking Russia as a whole, the different types of land ownership in 1998 were in the following proportions: private property 10%, collective-divided property 56%, state property (including municipalities) 34%.

In contrast to Russia, Ukraine has a constitutional stipulation that only state and private property may exist. In a presidential decree in 1999 the owners of land shares were given all property rights. The realisation of this is difficult, however, as the physical assigning of plots to the owners has high transaction costs. In 2000 private land ownership accounted for 44.3%, state property 48.5%, and remaining collective property 7.2%.

The distribution of non-land assets occurred in a similar way in other countries. It differed from the process in the former East Germany in that no rent or interest had to be paid to the original owners for past use of capital and land by collectives or state enterprises. The basis for the distribution of property was either the capital brought into the collective during collectivisation plus the total money earned through work, or the latter alone if collectivisation had occurred too far back in the past (CIS states). Existing old debts had to be taken into consideration.

How should one assess the current state of development in the privatisation and restructuring of agriculture?

***Land reforms led to multitude of small properties***

***Predominantly collective-divided property in Russia***

***Sharing out of assets different from in East Germany***

Land reform has progressed furthest in Hungary, Poland, the Czech Republic and Slovenia. The yardstick for this assessment is, inter alia, the current state of development of institutions for the land market. In the other EU accession countries the overwhelming majority of land has also been privatised, but registration has not proceeded far enough. This has a negative effect on the development of the land market. Because of collective-divided property, Russia is behind in the development of private land ownership. For instance, the majority of people questioned for a study in the Novosibirsk area supported the idea that land should be the property of the community. This view obviously goes back to the previously existing municipality of land redistribution (Obschtschina, before collectivisation). At present in Russia work is taking place on the urgently needed new land codex, which might bring progress in the privatisation of land. Belarus is only in the early stages of this, but it does not affect land used for agriculture by the largescale enterprises, which are still state property.

Table 2 contains some important data relating to the land markets of selected countries.

Table 2

*Agricultural land markets in selected countries of Central and Eastern Europe*

Country	Level of Registration (1998) %	Sale of land % of agricultural land	Leasing of land % of agricultural land
Estonia	31,7 <sup>1</sup>	.	.
Poland	90/30 <sup>2</sup>	1,67 (1997)	20
Czech Republic	approx. 93	0,21 (1996)	90
Slovakia	approx. 70	0,29 (1998)	96
Hungary	100/85 <sup>2</sup>	.	> 70
Romania	73,8	0,15 (1998)	.
Bulgaria	16,8 <sup>2</sup>	.	70 – 80
Albania	40	.	.
Russia	.	0,08 (1998)	1,4
New states of Germany	close to 100	0,90 (1999)	90

Notes: <sup>1</sup> until September 1998, <sup>2</sup> Certificates of Ownership/Entries in Land Registry; for all other countries not separated in the statistics, <sup>3</sup> by August 1998.

Sources: National statistics.

### ***Land markets develop at different paces***

One can conclude from Table 2 that registration of property has made variable progress in different countries. In those in which the land, during the planned economy, was formally still private property and documented in the land registry – although the owners could not use it – the vast majority of land has been registered as private property. In those countries in which nationalised land was shared out (Albania) or given back to the former owners (Estonia), land reform is taking longer than expected and will require a few more years, as the necessary institutional conditions



first had to be created. This is also true of Bulgaria and partly of Slovakia where, although the land was not nationalised, the assigning of property is also complicated.

Connected with the fact that private land ownership also existed in the past and partly due to the increasing structural change, the level of buying and selling of land in Poland is particularly high, higher than in the new states of Germany. By comparison, it is still low in the other countries.

The proportion of leased land is related to the structure of business size. In countries with a predominance of small farms the proportion of leases is small, whereas it increases with the amount of large farms. The statistics reveal that in Russia there is also a high proportion of leases. Due to the collective-divided property, however, the lessee does not have a choice. The land can only be leased to the enterprise from which the proprietor received the land. Table 2 only shows, therefore, the amount of land leased to private individuals (farmers, owners of household plots and other citizens). The figures for land sale refer to these individuals as well. The length of the lease is often no more than between one and three years, due to the uncertain economic conditions. In this way the lessors wish to ensure that they benefit from possible rises in rent levels. The lessees, on the other hand, would not want to run any risks while the property situation is still unresolved, although this reduces the opportunities for long-term business planning and obtaining credit.

The idea that all legal forms are given equal opportunities by the state as it is assumed in the theory of competition is by no means usual practice in all CEEC. In some countries agricultural policy is oriented towards the model of the family farms. In Hungary, legal entities are not allowed to buy land and collectives are discriminated against. In Russia and Belarus, on the other hand, family farms are disadvantaged.

***Institutions must take into account the possible variety of legal forms***

Family farms have the advantage that family members who work for them have a greater incentive to ensure lasting economic success than those employed in capitalist and socialist large enterprises. This was already convincingly established by the great Russian agricultural economist CHAYANOV back in the 1920s. Large family farms, which can make use of mechanical-technological progress, are therefore economically advantageous. This is not generally the case with small family farms, as cost degression cannot become effective. However, those family farms which have recently emerged in Central and Eastern Europe are relatively small – there are only a few large ones – which means that larger enterprises of a different type, including collectives, have a very good opportunity to compensate for the disadvantages which exist in the system of incentives. Small farms can also be economically stable, though, if they are apart-time farms, and the main sources of the family's income comes from outside agriculture. In the countries of Central and Eastern Europe, however, this possibility does not yet exist in sufficient measure.

As early as 1957 the German agricultural economist ROSENKRANZ, saw increasing economic opportunities of the future for large mechanised agricultural enterprises. A mechanised system makes it possible to organise one's business according to product, as well as to use the most advantageous procedure, without land being restrictive. These days farmers can lease plots of land or exploit the advantages of organising production according to technological and economic

requirements, by purchasing the necessary services. But this form of organisation needs a relatively large amount of capital, which is often lacking in Central and Eastern Europe because it is expensive in comparison to labour. For this reason only few mechanised family farms can offer economic advantages over large enterprises with low capital investment.

These advantages and disadvantages of family farms on one hand, and of large scale agricultural enterprises on the other, show that all dogmatism regarding the type and size of farms must be avoided. All should be given the same opportunities in competition. So far these opportunities have existed primarily in the Czech Republic, Slovakia, and Poland, and more recently in Bulgaria and Ukraine.



## Demand for Food in the Transition Countries of Central and Eastern Europe

STEPHAN BROSIG, KRISTINA GLITSCH

During the transition process, private households of the former socialist states had to orient their patterns of consumption to fundamentally new circumstances. Under the centrally planned economy many foodstuffs were subsidised and consumption was primarily determined by availability. Particularly at the beginning of the 1990s, however, the loss in purchasing power of broad sections of the population and a new price structure led to considerable changes in the level and structure of food consumption, with an effect on the quality of nutrition. This article will highlight and comment on basic trends in food consumption in selected transition countries of Central and Eastern Europe.

As one might suspect from the large geographical extent of the area under consideration (14 countries in transition) and from its climactic and cultural diversity, the composition of food differs considerably from country to country. A cluster analysis allows us to identify different types on the basis of similarities in the patterns of consumption. This method endeavours to establish as homogenous a pattern of consumption as possible within each group of countries, and also, therefore, the greatest possible heterogeneity between groups. If one considers the quantitative per capita consumption of grain, meat and dairy products, as well as that of eggs, potatoes, fruit and vegetables, four groups of countries with typical patterns of consumption can be identified. The grouping shows that traditional regional dividing lines (Visegrád states, Balkans, CIS) are also appropriate for differentiating between areas with specific patterns of food consumption:

Consumption type 1: *Visegrád countries* (Slovakia, Czech Republic, Poland, Hungary)

Consumption type 2: *CIS countries* (Russia, Ukraine, Belarus), *Latvia and Lithuania*

Consumption type 3: *Balkan countries* (Bulgaria, Romania), *Moldova*

Consumption type 4: *Estonia and Slovenia*

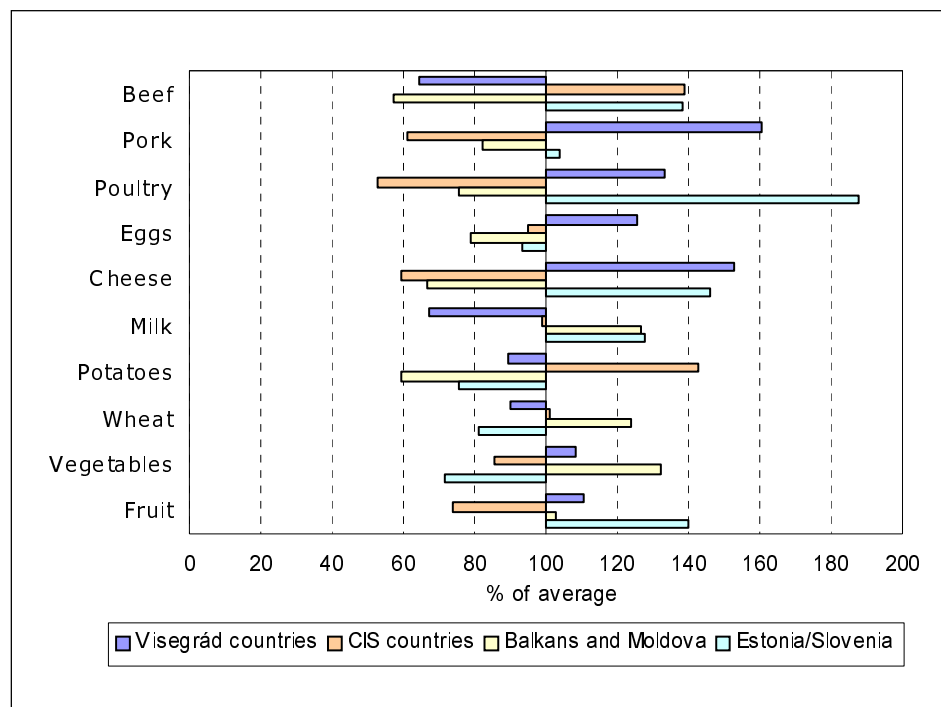
Figure 1 shows what characterises typical food consumption in the country groups. The length of the bars indicates how far consumption in the particular group of countries differs from the average of all countries included in the analysis. Food consumption in the *Visegrád countries* is marked in some instances by a particularly high level of pork and poultry, as well as cheese and eggs. These are predominantly products which also act as indicators of prosperity, and which reflect the comparatively positive economic situation in these countries. Beef, milk, wheat products and potatoes, on the other hand, are in relatively small demand.

***Regionally differing patterns of consumption***

***Above-average consumption of animal products in the Visegrád countries***

Figure 1:

Per capita consumption of four consumption types as percentages of the CEEC average



Source: own calculations based on: ZMP Agrarmärkte in Zahlen, Mittel- und Osteuropa, 2000.

### **Potatoes and beef are relatively important in CIS countries**

Completely different are the consumption habits in the CIS countries. Consumers there eat little pork, poultry, eggs, fruit, and vegetables. Instead, beef and potatoes are important parts of the diet. *Romania, Bulgaria and Moldova* have, in general, a conspicuously low consumption of animal products. Only the consumption of milk, vegetables and wheat is above average there. Practically the opposite is true of both *Estonia and Slovenia*. Animal foodstuffs have a high status, starchy foodstuffs and vegetables are of lesser importance.

### **Data problems**

In this analysis and those which follow, it must not be overlooked that the data basis on food consumption in Central and Eastern Europe is frequently poor. For analyses which span countries and compare periods, it is a problem that the methods of collecting and processing consumption data are oftentimes not comparable, and that some of them were changed, even repeatedly, during the 1990s. Although through these changes some necessary harmonisation of the statistical systems took place, this was at the cost of consistency over time. The figures published by national and international institutions sometimes differ considerably. This article has used data on per capita consumption, so-called Food Balance Sheets, provided by the Food and Agriculture Orga-

nisation of the United Nations (FAO) on the basis of national data sources. These figures comprise the consumption of purchased and self produced food as well as food received for free.

Quantities consumed per capita of individual food groups give a first indication of how the population is supplied with calories and protein. Figure 2 shows how the consumption of starchy foods, meat, milk, and fruit and vegetables has developed in Bulgaria, Poland, Estonia and Russia between 1990 and 1998. Each of these countries represents one of the four consumption types. For purposes of comparison the average consumption figures of the European Union are also given.

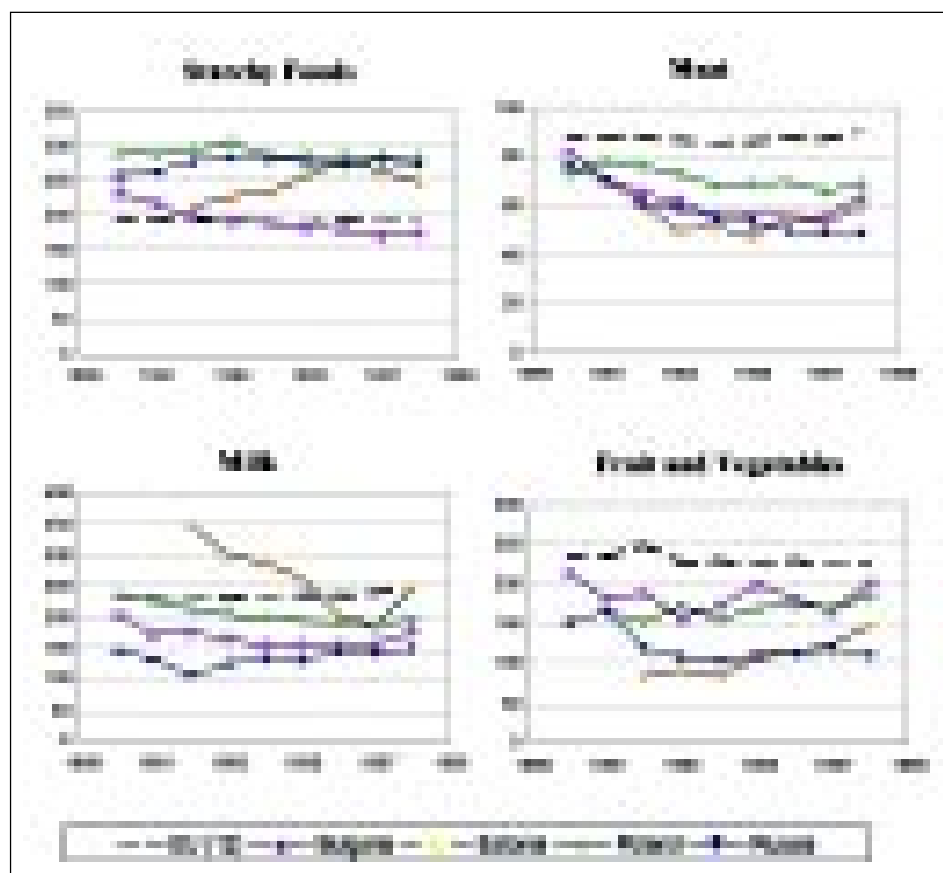


Figure 2:

*Annual per capita consumption of selected food groups in four CEEC and the EU, 1990-98 [kg]*

Source: FAO: Food Balance Sheets.

In principle, starchy foods played a much more important nutritional role in the transition countries than in the EU, whereas products with a higher price per calorie (meat, dairy products, fruit and vegetables) were consumed at a comparatively lower level. The change of system in the CEEC had the effect that consumption between 1990 and 1998 altered considerably in some cases, whereas it remained almost constant in the EU.

***Fall in consumption of animal products***

Between 1990 and 1997 there were drops in consumption of protein-rich animal products of between 10 and 50 percent. An exception is the consumption of milk in Russia, which following a slump was able to stabilise, albeit at a very low level. A fundamental reason for drops in consumption of comparatively expensive foodstuffs is the worsening of the economic situation of many households, which lasted through the mid-1990s (cf. Voigt). High rates of unemployment and inflation, as well as deficits in the social welfare systems, led in many cases to a reduction in average purchasing power. Above all, however, it led to growing inequality and an increase in the proportion of the poor. This development was least drastic in Poland. After radical reforms right at the beginning of the transformation, an upward economic trend soon appeared, which had positive consequences for a relatively broad section of the population. Another principal reason for the drop in consumption of high-value animal products is their above-average rise in price, which induced the consumers to choose substitutes. The cause of the price rise was a gradual reduction in the food subsidies of the centrally planned economies, which was particularly high in the case of meat and milk products. A clear example of this is milk consumption in Estonia, which fell by more than 50 percent between 1992 and 1997.

Between 1990 and 1998, the consumption of fruit and vegetables varied much more from year to year than that of other products. Variability in the harvests plays a key role here. One can note positive trends in the consumption of these products in Estonia and Poland. In Russia, consumption experienced a slump in 1992. Included in 'starchy foods' are grain products and potatoes, i.e. foodstuffs meeting the calorie requirement relatively cheaply. These products were consumed in increasing quantities by many households, to make up for the aforementioned drop in consumption of meat and milk. This substitution, which could be observed more or less clearly in all transition countries at the start of restructuring, continued through the mid 1990s in Estonia and the Russian Federation. In Bulgaria, even consumption of these products fell.

In spite of the drops in consumption in the four countries under examination here, the populations are, on average, supplied with sufficient calories and animal protein. By comparison with the figures given by the World Health Organisation (WHO), the mean intake of fat and protein in Russia even exceeds the advised daily requirement. The mean figures hide the fact, however, that in many countries in transition, considerable and increasing sections of the population have no access to sufficient and balanced nutrition, while at the same time health problems related to obesity are on the rise. The FAO calculates that the proportion of undernourished people in transition countries is 6 percent, 7 percent in the countries of the former Soviet Union. Inadequate nutrition is much more widespread and, according to WHO figures, is particularly a feature of poor households. Lack of protein, which is a consequence of the substitution of animal food products by cheaper, vegetable energy sources, is only part of the problem. A diet too high in fat and a lack of

roughage, vitamins and trace elements are not inevitable consequences of cheap food, but primarily reflect poor knowledge about adequate nutrition.

The IAMO evaluation of household budget surveys in Russia and Ukraine shows that it is chiefly those households with many children and those with pensioners and unemployed people which are particularly affected by deficient nutrition. The problem is more widespread in rural areas than in urban ones. The diet (and therefore the health) of these groups is sometimes very sensitive to changes in economic circumstances. If it is known how households adjust their food intake as a reaction to changes in income, and in the prices of food and other goods, this knowledge can be used for consumption forecasts as well as for predicting the effects of social and price policy measures on people's diets. An IAMO study which investigated the impact of these on Russian households shows, for instance, that the redistribution of income in favour of poorer households would have a positive effect on the diets of both rich and poor population groups. This is because the effects on consumption would reduce protein and vitamin deficiencies in poorer sections of society, and in high income groups would decrease the instances of excessive calorie and protein intake. As a health policy, target subsidies of certain foodstuffs would, in contrast, be less advisable, as a large proportion of the necessary government funding would benefit richer sections of society. Amongst these the problem of excessive fat and protein intake would, in addition, increase.

The problem of deficient nutrition is relieved in many transition countries by the widespread domestic production of food. This enables many households to enjoy a varied and balanced diet. It has become increasingly important since the beginning of transition due to rising unemployment and the sharp drop in the purchasing power of broad sections of the population. In Ukraine, the number of households which produce food on their land has increased in the last decade, and in 1999 reached about 66%. The proportion of potatoes privately cultivated as a share of total production was 41%, poultry 47%, and milk 31%. A study of household production of foodstuffs in the Baltic countries shows that it makes a significant contribution to the food supply in more than a third of households. In Latvia it is almost half. Household production of vegetables is particularly significant. Two-thirds of Lithuanian households supply themselves exclusively with their own vegetables. Farming private plots is, however, a privilege of those who earn a certain income. For poorer sections of the population, land and equipment are scarcely affordable.

The development of consumption patterns is not only the result of adaptation to changed income and price levels, but also to a large extent of the growth in diversity of foodstuffs on offer, as well as changes in consumer preferences. Time series analyses for Poland and the Czech Republic have shown that for these factors there are trends which remain constant in the medium term. For many products, however, sudden structural breaks occurred in consumption behaviour at the beginning of transition.

As well as supplying the population with sufficient quantities of food, countries in transition are paying increasingly more attention to the quality and safety of food. For reasons of health safety, as well as the consideration of access to export markets, the establishment of regulations to guarantee food safety, and of appropriate control mechanisms, is an important job of the state. Foodstuffs can only be exported into the EU if they satisfy at least the same health protection

***Nutritional problems specific to certain groups***

***Growth in the significance of household production***

***Food standards: a prerequisite for international trade***

standards that the EU has stipulated for its own production. In many transition countries, however, the introduction and enforcement of food standards is a long way from EU requirements. The poor quality of milk and meat production is particularly apparent, as an improvement in quality in these areas needs massive investment. For example, only a third of the milk produced in Poland complies with EU norms, while in Bulgaria, the vast majority of milk production evades quality controls. In Poland and Bulgaria only a very small proportion of the meat processing industry until now has managed to comply with EU hygiene standards. In those countries in transition which are not EU applicants, efforts to adopt EU standards are noticeably much weaker. Not only quality and safety standards, but also systems of classification promote the development of competitive trade structures. They lead to lower information and sorting costs, particularly if indications of quality can only be measured at great expense. In some transition countries, however, there are also attempts, beyond the minimum legal requirements, to bring products with a guarantee of quality onto the market. In the Czech Republic, for instance, an association of the food industry has initiated a classification system which highlights healthy and tasty food. Furthermore, both there and in Poland, a legal mechanism has been introduced to regulate organic farming and its products.

The dynamics outlined here of aspects of food demand in transition countries make clear that, even after ten years of transition, no stability has yet been established. The patterns of consumption were subject to considerable fluctuations and it cannot yet be predicted whether a convergence which crosses national boundaries will occur. Household production of foodstuffs has not yet fallen and for many households it will be attractive as long as alternative job opportunities remain limited. A modern agricultural and food sector as an alternative model to the subsistence economy can develop competitiveness if the state speeds up the adjustment to international quality standards.



## Social Networks: Obstacles or Driving Forces in Rural Areas?

STEFFEN ABELE, HELGA BIESOLD AND KLAUS REINSBERG

The transition from planned to market economy means a structural adjustment which gives rise to economic and social tensions. This particularly holds for agriculture and rural areas in most Central and Eastern European Countries.

In the course of the transition process the social function of agricultural enterprises in rural areas has changed. In the planned economy the large enterprises were to a major extent instruments for the realisation of socio-political goals. Part of their job was to function as, or support, centres of health service, infrastructure, culture, child care, accommodation, and to supply food.

***Decrease in social services in large agricultural concerns***

Changed economic and political circumstances in the process of transition caused the enterprises to drop the social functions the state had imposed on them, so that they could concentrate on agricultural production. The transferral of social institutions from the responsibility of the enterprises to that of the regional authorities is a principal step in the reform of the entire social welfare system in transition countries. The speed, extent and social consequences of the restructuring process depend on the range of social services established in the agricultural sphere, and on the amount of money which the communes and the state have at their disposal. In many cases this path is not taken, or only tentatively, as the communes lack any financial means. The handing over of social services, whose provision is not economically tenable for the businesses, is however a precondition for the enterprise in order to become competitive in free-market conditions.

In the German reunification, the reform of the social sphere in East Germany by the adoption of all laws of the Federal Republic and the simultaneous financing by the state's social budget, proceeded with relatively few problems. In countries such as Russia, Romania or Ukraine, in which the social infrastructure was much more closely tied to agricultural enterprises than in East Germany, and where, above all, state finances are lacking, this restructuring has considerable consequences for the rural population. This is confirmed by IAMO studies on the social situation of the rural population in Ukraine. There, the social infrastructure of the countryside has been almost entirely destroyed. Many schools, kindergartens, medical supply centres and hospitals have been closed. Compared to 1990, in 1999 only just over a quarter of businesses retained their social service provisions, while the number of grocers dropped by more than a third. 12% of villages lack an educational institution, health centre, shop, or other kinds of social services. The scale of investment in the social and also technical infrastructure has sunk to a minimum.

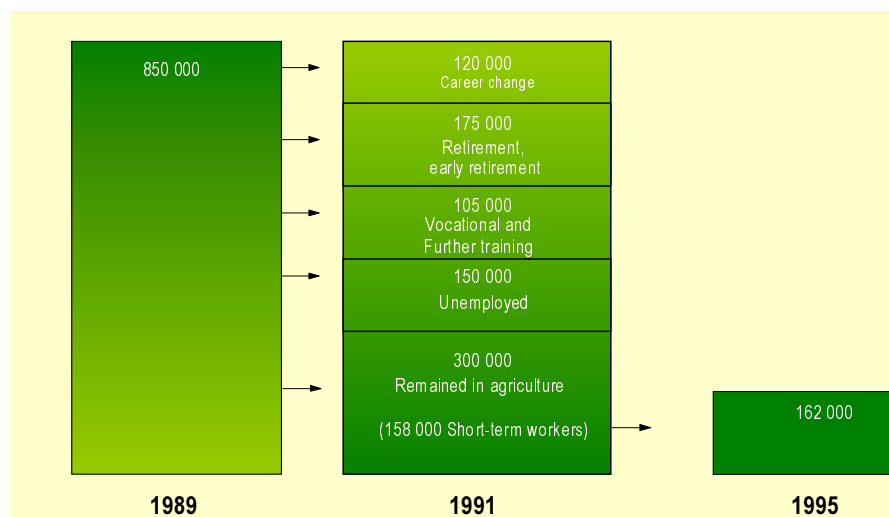
***Destruction of the social infrastructure in the countryside***

The restructuring of agricultural production with the aim of improving competitiveness in the market economy does not only result in a retreat by businesses from social services, but also in a considerable loss of jobs. That this process does not occur without complication, even under favourable conditions, can be shown by the agricultural sector of the former East Germany. Structural adjustments took place in the land, capital and job markets. The legal framework was the law on agricultural adaptation. As a result competitive businesses emerged with an efficient provision

***Restructuring leads to a loss of jobs in agriculture***

of land and capital. Adjustment in the job market proved to be substantially more protracted and complicated. In the agricultural sector a restructuring of the workforce took place which encompassed both primary production and related services such as agricultural commerce, building, transport and consultation. Out of 850,000 people employed in 1989, only 20% still remained in primary agricultural production by 1995. 14% found a job outside farming. Frequently this meant services which had become independent from large agricultural enterprises. About 12% opted for retraining, but almost 40% of those previously employed in the farming sector had to rely on transfers such as unemployment benefit or pensions, and thus were not able to be reintegrated into the job market. This is also due to the lack of jobs outside the agricultural sector (Figure 1).

*Figure 1:  
Change of occupation in the  
agricultural sector of East  
Germany*



Source: MEHL, P. 1999: Transformation of the Social Security System in Agriculture in East Germany: Lessons for CEECs?, in FROBERG, K., WEINGARTEN, P. (eds.): The Significance of Politics and Institutions for the Design and Formation of Agricultural Politics, pp. 139-156, Kiel.

In contrast to many CEEC, however, compensation payments and unemployment benefit provided a functioning social network for those who left the agricultural sector.

The restructuring process described above is still very much in progress in many Central and Eastern European countries. As Figure 2 shows, however, the process is not uniform across the countries. Whereas in almost all countries the contribution of the agricultural sector to the gross domestic product is falling, there are some countries in which the proportion of those employed in the agricultural sector is rising, a reverse development to that of income. That means that with the drop in the gross domestic product more people must share a decreasing income. This is particularly the case in countries with comparatively low per capita incomes, such as Ukraine, Romania and Poland. In countries such as the Czech Republic and Hungary, on the other hand, where the per

capita incomes are relatively high, both the proportion of those employed in agriculture as well as the contribution of agriculture to the gross domestic product (GDP) are falling. An exception is Bulgaria, which shows positive trends in all aspects. Bulgaria does have, however, a relatively low per capita income, typical of predominantly agrarian countries.

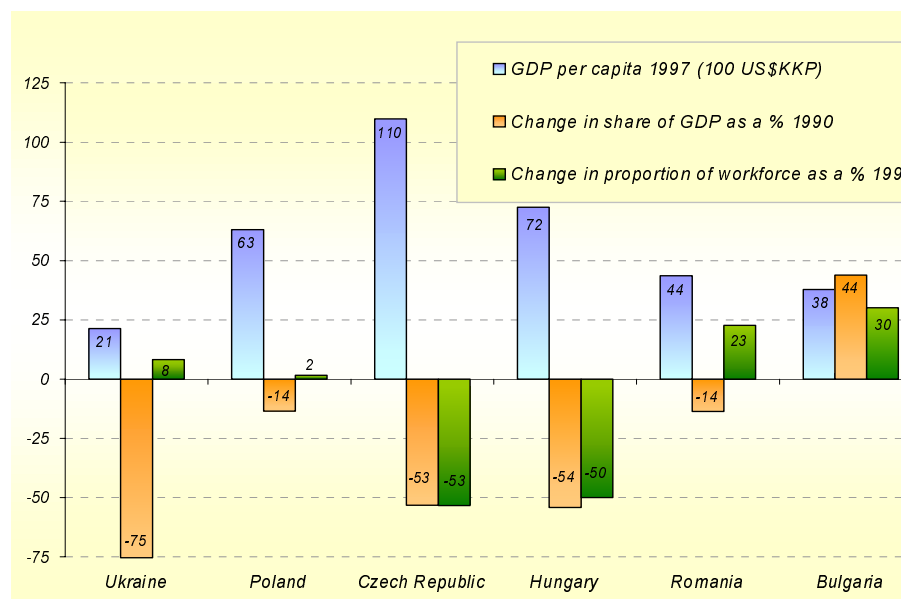


Figure 2:  
Structural change in  
agriculture in selected  
countries of Eastern Europe  
1990-1997

Source: Institute's own calculations based on TILLACK, P., SCHULZE, E. (1999): Employment Situation and Labour Productivity in Central and Eastern European Agriculture, in: Proceedings XXIII CIOSTA – CIGR V CONGRESS (eds.): Work Sciences in Sustainable Agriculture, Horsens/Denmark, pp. 368-373.

In the poorer countries, remaining in agriculture is a strategy to cope with the consequences of structural adjustment in the areas of social services, and with the effect on the job market. In spite of falling incomes, agriculture offers a basic food supply that is indispensable in times of social and economic uncertainty. Small family holdings cultivate food for personal need. In some circumstances they also produce labour-intensive goods for the market. In some countries like the Ukraine small family holdings are linked as subsidiaries to large concerns.

Between these family holdings and large businesses there are many types of dependency – informal social and economic networks. Large businesses offer an income, often in kind e.g. animal feed or fertiliser. They also provide services for these family holdings. Jobs in such businesses are relatively secure because the employees have a share of both the capital and the land and therefore can put economic and social pressure on the management. This makes it more

### **Escape into agriculture**

**Social networks,  
subsistence economy  
and barter as an  
alternative solution**

difficult to adapt the workforce and so the over-employment of the socialist era is continued. Here we can see one of the main reasons for the inadequate economic viability of large enterprises.

***A high price for security:  
gradual economic  
meltdown***

Social and economic networks represent, therefore, a buffer against the risks of transition. Frequently the formal social structures that collapse are replaced by informal ones, which obstruct the creation of new, efficient structures. These informal networks are based on social capital – the ability of people to get organised and to pursue common goals. Social capital is an important component of economic development, also of the countryside. In the cases described above, however, a negative side to social capital becomes apparent. Although these networks provide a buffer and may, in the short term, be economically rational for the individual, this occurs at the cost of a lasting economic development. Poor cost-effectiveness causes large businesses to get into debt and thus they are reliant on tax remission and other means of state support to balance their expenditures, while family holdings of the shareholders exploit the resources of the enterprises. If state subsidies are handed out according to the watering can principle this reduces the incentive for the businesses to run efficiently.

***Better utilisation of social  
capital and social  
networks***

The social capital that exists can also have positive effects. This particularly holds for a development policy which pursues a participatory approach. The latter is based on the assumption that the articulation of requirements and interests within the development – also in the regional development – leads to a higher level of target-attainment. Particularly within regional development there are intra- and interregional conflicts of interest, but also synergies. The more easily the different interest groups are able to co-operate, the sooner potential conflicts can be recognised, solutions found, and synergies utilised. This is of particular importance in sensitive processes such as land reform and reallocation, but also in the exploitation of specific potential for development in regions, based on their natural and institutional environment, history and the different interests of the people who live there. Finally, a development policy that is shaped by demand means a greater efficiency in deployment of resources.

***Labour market and social  
policy: forgotten or  
suppressed?***

The past decade has shown that transition has led to considerable social problems in rural areas. The causes of many of these can be found in the process of adaptation to job markets, and in the disappearance of the structure of social services, which under socialism was maintained by large agricultural concerns. In many countries of Central and Eastern Europe, those affected developed strategies that are economically inefficient. For this reason, political steps need to be taken which were obviously neglected during the process of transition. Social policy can relieve the negative consequences of the transition process and reduce risks. Employment policy must make the job markets more efficient and thus speed up the structural change. And yet employment policy should not merely be a question of satisfying demand in the sense of a state work-creation programme, but it should also value labour market supply policies more highly. Increasing human capital via training and further education, and promoting social capital, i.e. the combination of all those involved in a democratic process, improves the quality of labour market supply. They are thus important milestones on the road to a social market economy.

## The Polish Meat Industry en route to Efficient and Quality-Conscious Production

HEINRICH HOCKMANN AND AGATA PIENIADZ

When examining the performance of the transition economy of a country seeking EU membership, various aspects must be taken into consideration. Besides the starting conditions of the transition process and the options this provides for restructuring, one must also consider the changing interrelationships between market structures, market behaviour and product quality. The example of the Polish meat industry shows how diversified forms of co-ordination between different stages of a marketing chain influence the efficiency of transactions and can contribute to competitiveness.

Prior to the transformation in 1989/90, Polish agriculture was characterised by the predominance of small farm holdings. They had a low degree of specialisation, but contributed up to 70% to the marketable production of beef and pork. This agricultural structure has barely changed since: in 2000 there were more than one million farm holdings engaged in animal production, most of whom owned between 1-20 pigs and/or 1-3 cattle. Larger stocks could be found in the co-operatives, farms leased from the state, or in a few, specialised private enterprises. This agricultural structure causes considerable problems for the efficiency and productivity of the processing stages. In particular, larger processing firms have difficulties in obtaining sufficient quantities of decent raw materials at a competitive price.

Until 1989 most of the Polish meat industry was nationalised and dominated by combines (large state enterprises). Nevertheless, small-scale private farms were an important feature of the Polish socialist economic system. In 1988, there existed about 1,500 small co-operative factories, as well as about 1,200 small private businesses involved in slaughtering and meat processing. The liberalisation of private commercial activity since 1989 led to an expansion of the private sector. After ten years of transformation there are about 500 industrial meat-processing enterprises with six or more employees. Almost half of these have more than fifty workers and account for about two-thirds of the industry's turnover. In addition to the industrial firms it is estimated that there are more than 6,000 small producers. Given this market structure, even the largest businesses have not yet succeeded in securing a market share greater than 3%. The increase in domestic competition, which was initiated by the market entry of many new firms, had positive consequences for consumers, including a drop in prices of meat products, and an expansion and improvement of the range of these commodities. On the other hand the production capacity of processed red meat fell between 1995 and 2000 at an average level of 50%. Poor profitability and liquidity reduced the ability of firms to invest in restructuring.

If we assume that the future market structure will be comparable with that of Germany or France, the total sum of meat-processing firms in Poland would have to be cut by a third. Experts estimate that, as it is observed today, the largest group would still consist of small slaughterhouses and processing firms, but the dominant role would be played by about 200 large enterprises. The first wave of concentration took place in the middle of the 1990s. It occurred as a result of market correction processes (inefficient businesses dropped out of the market), business mergers, and

***An agricultural structure dominated by small businesses prevents the efficient supply of raw materials***

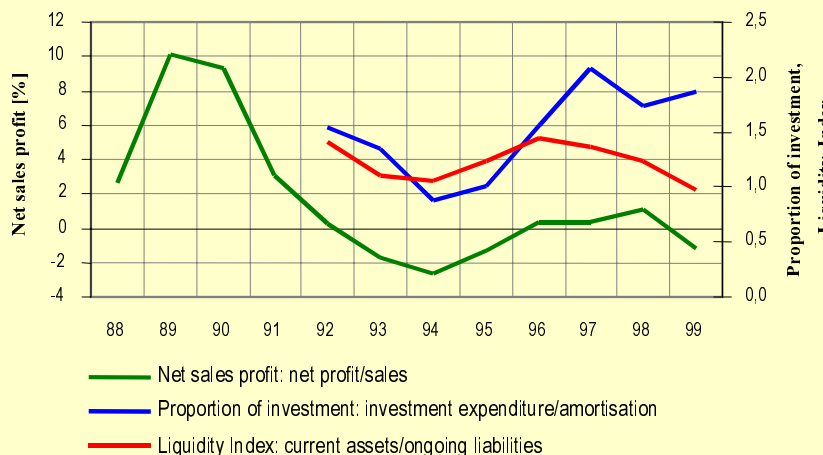
***Fragmentation of the meat processing industry intensifies competition***

***Consumers gain***

***Consolidation of the sector possible via concentration***

the concentration of capital i.e. the emergence of capital groups. The capital groups consist of large financially linked meat-processing enterprises and partners who are involved in the agri-food chain.

Figure 1:  
Economic indicators of the  
Polish meat industry



Source: Institute's own design on the basis of IERIGZ figures.

**Financial linkages:  
the way to more efficient  
production...**

**...and international  
competitiveness?**

At present there are five capital groups in the Polish meat market, producing 40% of the turnover of the meat industry. One can assume that the significance of these groups will increase in the future. An indication of this is that the capital groups have a three times investment rate than other enterprises in the sector. There may be many reasons for the competitive advantages of large interlinked economic units. These include economies of scale and scope (through co-operation in production), more rapid adoption of technological change, an easier implementation of more efficient organisational structures, a faster adaptation to changing consumer preferences and an easier adoption of the *acquis communautaire*. Furthermore, as production volume increases, the unit costs of establishing trade and quality brands will fall, as will marketing costs. The fact that foreign investors have acquired an ever larger share on the capital groups in the last few years can be seen as an indicator of their higher competitiveness compared to other types of organisation.

The existence of several capital groups and large enterprises also means that competition for prices, quality and service will intensify. Whether the activity of the capital groups will be successful depends also on the extent to which they are able to include agricultural production in their marketing strategies by means of vertical integration or co-operation. Promoting the production of high-quality animals in agricultural enterprises will be crucial in this regard.

High-quality products can only be produced by involving all stages of the marketing chain, from the acquisition of animals, via production, to sale. The fragmentation and a low degree of specialisation in Polish agricultural production leads to deficits in the rearing and feeding of animals and consequently to high production costs and deficiencies in quality. In addition, the large number of animal owners, deficiencies in breeding, as well as a poor transparency in the market for breeding animals prevent a rapid genetic improvement of the livestock. An indication of the low quality of the animal stock was made apparent by a random examination carried out in 1998, in which only about 30% of animals carcasses were classified as high quality by EU standards. By contrast, the figures for Denmark and the Netherlands were almost 100%.

***Unsatisfactory quality of animals***

Only few processing firms have taken steps to improve the quality of the purchased livestock. On July 1<sup>st</sup> 1996 a Polish norm was introduced which obliges the large processors, when purchasing pigs for slaughter, to examine the proportion of meat and fat according to the EUROP-classification and to differentiate between the purchasing prices correspondingly. However, experts estimate that in 1997 roughly 9% (183) of Polish slaughterhouses had the necessary equipment (often not EU-attested). Out of these firms 175 carried out the EUROP-classification, but only 21 differentiated their prices according to quality. The remaining 154 firms used the information for further processing, or for sale to the 'Agency for the Agrarian Market'.

***Activities to improve quality in agriculture...***

In the processing sector there is a high need to improve the technical provisions and the hygienic conditions of the firms. Experts estimate that about 30 businesses satisfy the requirements of the EU. These are almost exclusively the larger firms. 17 of these are allowed to export to the USA and the EU. According to figures from the Ministry of Agriculture only one third of the Polish slaughterhouses and meat processing firms could possibly meet the veterinary standards. The others still have to implement EU requirements concerning food legislation, the meat classification system, identification (proof of origin) and marking of animals for slaughter and labelling of products. Finally, buildings and technical equipment must also meet EU environmental standards. The necessary investment to implement the EU requirements and regulations, however, can only be made in a limited fashion. This is mainly due to the small capital resources of the firms and the limitations on the capital market. For this reason the Polish government is offering support in 2000, in the form of preferential credits, particularly for meat and milk production. A precondition of receiving credit is long-term integration into domestic agricultural production controlled by contracts.

***... and in the processing sector are only working slowly***

In spite of some advances in the last decade, the progress of the Polish meat industry towards efficient and quality-conscious production is by far not complete. The establishment of internationally competitive structures is important to Poland's future accession to the EU. In this context, the development of efficient firms sizes in agriculture and processing has to be emphasised. In addition, EU membership requires an acceptance of the EU quality norms. This in turn will strengthen the obligation to implement measures of business restructuring. The increasing awareness of the Polish consumer regarding the consumption of high-quality products will also foster the adjustment processes.

***Business restructuring must go further***

***Quality production necessitates co-operation at all stages of the marketing chain***

The desire for high quality in sufficient quantity, and for well co-ordinated delivery of raw materials makes the large processing firms, in particular, enter into new forms of co-operation. These range from various contractual options between farmers and processors and co-operation within a capital group, to the establishment of subsidiaries, partly by outsourcing rearing farms and wholesale firms in the case of highly vertical integrated meat enterprises. However, only if the firms succeed in generating capital for the required investment to increase the efficiency of production, organisations which minimise transaction costs could be implemented. Additionally, more efficient modes of exchange within the entire chain of production and marketing will increase the capacity of the businesses involved and thereby improve their international competitiveness.

***Legal regulations will adjust the market***

Small businesses have the greatest difficulty in implementing the EU quality standards. Particularly in the first years of transition their low investment expenditure allowed them to benefit from cost advantages. The adoption of new laws and stricter quality control accelerates the disappearance of these businesses from the market as, due to a lack of capital, they cannot carry out the necessary investment. The increase of inspections relating to tax and labour laws is further eroding the remaining cost advantages of small businesses.

That does not mean, however, that the small, local business sector has no chance of survival, or no longer any importance. Even in western countries many small businesses, which maintain themselves successfully by addressing niches in the meat market, exist side by side with large industrial firms. Traditional technologies, unique taste and the trust of local customers are just some of the strengths of small commercial firms. Keeping small enterprises in the markets is not only important to ensure competitiveness; it is also of considerable significance for the development of rural areas in Poland. Competition is a source of innovation and training for management skills, it puts pressure on prices and costs, and it improves the range and the quality of products.

It is therefore incumbent on Polish industrial policy to ensure that the framework of the meat processing industry allows the continued existence of heteromorphous structures. The aim should be a sector in which many small businesses have the potential to exist along with large industrial ones. The restructuring processes must be supported in such a way that producers receive sufficient remuneration, both in the short and long term.







## The IAMO – a Brief Portrait

The IAMO was founded in 1994 to monitor the transition process of the agricultural and food economy in the countries of Central and Eastern Europe. A non-university research centre, it is a member of the 'Gottfried Wilhelm Leibniz' academic network. The aim of the Institute is to establish how a thorough and socially balanced transition in the agricultural and food sector can take place. There is a high demand on research due to the great complexity of changes in the former centrally administered economic and social systems, which have no historical precedent.

The main tasks of the Institute are research into agricultural development in Central and Eastern European countries in transition, and the education and development of German and foreign scholars. The IAMO also sees itself as a forum for debate and for the dissemination of information on issues relating to the agricultural and food sector in this region. By this the Institute promotes the development of networks within the academic community. Like all the WGL institutes the IAMO has to undergo regular appraisal by an independent commission, which inspects the Institute's work in the context of its aims. The evaluation carried out in 2000 came to the conclusion that, in general, the IAMO achieves 'good to very good academic research' and therefore the Institute will continued to be given unconditional support.

Even ten years after the start of the reform process, the agricultural and food sector continues to have a central importance in many countries in transition. This can be seen by the comparatively high proportion of the population involved, or by its contribution to GDP. In many ways agriculture acts as a catch-all for those out of work as a result of restructuring in other sectors. This trend, and the lack of alternative job opportunities or social welfare system, has in many places forced the changeover to an extensive subsistence economy. It has helped cushion social hardship in the transition process, but it has also meant that the agricultural and food sector still has a long path of reform and restructuring ahead of it. In all areas of the economy and society transition must be advanced rapidly. Out of consideration for the special importance of the agricultural and food sector - particularly with regard to the development of the countryside - this area must be promoted, targeting the elements of greatest importance. A primary goal of the reform efforts must therefore be to stabilise the agricultural and food sector of the CEEC. This is of particular importance when one considers the growing disparity between rural and urban areas, the threat of urbanisation, or in relation to domestic political stability, which is critical for the progress of reform. Furthermore, the efficiency or competitiveness of the agricultural and food sectors in the reforming countries is essential for their inclusion in world markets, particularly as many CEEC have traditionally been net exporters of agricultural products. The creation of a competitive agricultural and food economy is of special importance for those countries who wish to join the EU in the coming years.

Halle is a very important place for research into agriculture. Besides the IAMO, an agricultural faculty with a long tradition has its home here. In the agro-economic sphere it has particularly devoted itself to the process of transition in new federal states of Germany. It organises annual conferences for colleges. For these events, interdepartmental and suprainstitutional work groups studying the agriculture of Central and Eastern Europe, and the economic and social science of

***Aims and core tasks of the IAMO***

***The agricultural and food sector in transition***

***The Research Centre at Halle (Saale)***

farming, are set up with the participation of IAMO researchers. The PhD seminar and the agro-economic colloquium are also organised jointly. The following representatives from politics and economics spoke at the colloquium during the Winter semester of 2000-2001: Dr. I. Zopf, Thuringian Ministry for Agriculture, Nature Protection and the Environment; Prof. Dr. R. Lattimore, Herriot-Watt University, Great Britain; Dr. A. Balmann, Humboldt University, Berlin; Prof. Dr. A. Heißenhuber, Technical University of Munich-Weihenstephan; D. Behme, Deputy Chief Editor of the agricultural newspaper 'Ernährungsdienst'; Dr. Ch. Lippert, Technical University of Munich-Weihenstephan; Dr. R. Plankl, Federal Research Institute for Agriculture, Brunswick-Völkenrode; Prof. Dr. H. Jochimsen, Chamber of Agriculture Schleswig-Holstein; Dr. P. Mehl, Federal Research Institute for Agriculture, Brunswick-Völkenrode; Prof. Dr. P.-M. Schmitz, Justus-Liebig University, Giessen; and G. Beger, Federal Ministry of Food, Agriculture and Forestry. As members of the agricultural faculty, the heads of department of the IAMO are included in the teaching and committee work of the faculty.

The Institute also has close relations with the Faculty of Economic Science at the Martin-Luther University in Halle-Wittenberg (MLU) and the An-Institute for Co-operatives, which was founded in 1998. Together with the chair for International Economic Relations at the Faculty of Economic Sciences and the Institute for Economic Research the IAMO organises the *Central and Eastern European Seminar*, which discusses the work of the three institutes. The seminar provides new stimulus for further co-operation. The variety of joint projects at the centre in Halle makes it possible to use previous findings concerning the process of transition in Eastern German agriculture for research work on the development of the agricultural and food sector in Central and Eastern Europe.

#### ***Joint projects with other university institutions***

The IAMO works together with faculties of agriculture and economic sciences from other universities, particularly those in Berlin, Bonn, Hohenheim and Göttingen. The IAMO and the Institute for Agro-economics at the Catholic University in Leuven, Belgium, maintain a varied exchange of scientific information. There are also a large number of links to agro-economic chairs and institutes at agricultural colleges and universities in Central and Eastern Europe. These include the Universities of Szczecin and Warsaw in Poland; the Agricultural University in Nitra, Slovakia; the University for Economic Sciences in Budapest, Hungary; the Thracian University of Stara Zagora; the University for the National and Global Economy and the College for Economics in Sofia, Bulgaria; the State Agricultural University in Sumy, Ukraine; and the University of Ljubljana in Slovenia.

#### ***Joint projects with non-university institutions***

The numerous contacts with non-university institutions are also very important for the IAMO's work. There are joint projects with the Institute for Business Economy, and the Institute for Market Analysis and Agricultural Trade Policy at the Federal Research Institution for Agriculture (FAL) in Brunswick-Völkenrode, the ASA Institute for Sector Analysis and Political Consultation GmbH in Bonn, the Institute for Agricultural Technology Bornim e.V. in Potsdam-Bornim, and the Institute for Regional Geography in Leipzig. In Northern and Western Europe the IAMO's partners are: the Agro-economic Research Institute (LEI-DLO) in the Hague, Netherlands; the Agro-economic Research Institute in Helsinki, Finland; and the Austrian Federal Institute of Agro-economics in Vienna. Relationships with non-university institutions in Central and Eastern Europe enrich the

IAMO's research. One could mention here the Technical-Agricultural Academy in Olsztyn, Poland; the Research Institute for Agroecconomics at the Russian Academy of Agricultural Sciences in Moscow, Russia; the Northwest Institute for Agroecconomics in St.Petersburg-Pushkin, Russia; the State Agricultural Academy in Kostroma, Russia; the Institute for Transition Economics in Moscow, Russia; the Research Institute for Agricultural and Food Economics in Bratislava, Slovakia; the Research Institute for Agroecconomics in Prague, Czech Republic; the Institute for Agroecconomics at the Academy of Agricultural Sciences in Kiev, Ukraine; the Research and Information Institute for Agroecconomics in Budapest, Hungary; and the Institute for Agroecconomics at Minsk in Belarus.

September 2000 saw the fourth lot of students complete the two-year postgraduate course 'Local and Environmental Agriculture in the Transition Countries' which leads to a 'Master of Agricultural Science' degree (M.Agr.Sc.). This postgraduate degree has been run jointly by the Martin-Luther University and the IAMO since 1995. Contact with students from Central and Eastern Europe has been of great benefit to the tutors and other staff at the IAMO. These students bring specific knowledge of the agricultural and food economy of their own countries, and often permit access to scientific and statistical sources in their native languages. The aim of the postgraduate course is to give the students a professional qualification that will allow them to help shape the restructuring process of the agricultural and food economy in the countries of Central and Eastern Europe. The course makes it possible for particularly gifted students with an interest in a further academic degree to work at the IAMO. Three students who finished the course are currently working on their theses at the IAMO. In accordance with the recommendations of the Scientific Council concerning international Agricultural Sciences, it is planned to replace the Masters degree with a postgraduate course with a socio-economic orientation, which focuses on 'Agricultural Sciences in Central and Eastern Europe'.

Promoting the next generation of academics is one of the key tasks of the IAMO. The Institute supports research projects which will lead both to PhD and to the qualification needed to teach at university. At present eight PhD students are supervised at the IAMO, half of whom come from Central and Eastern Europe (H. Biesold, E. Dolud, A. Kancs, A. Nedoborovsky, G. Peter, M. Petrick, A. Pieniadz, P. Voigt). Five others are doing their doctorates as external students (J. Adler, F. Geissbühler Tschentscher, J. Kielyte, J. Sauer, E. Winter). In the last couple of years five staff were awarded their

### ***Postgraduate study in agricultural sciences***



***PhD students***

doctorates (S. Brosig, K. Elsner, A. Fock, D. Saktina, J. Wandel). As part of postgraduate training the IAMO, together with the Institute for Agricultural Economics and Agricultural Rural Development at the Martin-Luther University in Halle-Wittenberg, holds a regular PhD seminar. While working on their theses the students present their framework, methodology and (provisional) conclusions two or three times in the seminar. In the winter semester of 2000-01 alone, seven research students' presentations are planned.

Co-operation with other research institutes was supported in 2000 by many study visits from foreign colleagues. The IAMO's new home provides ample space, which was used principally by academics from the CEEC. The following visitors worked at the IAMO in 2000:

### ***Visiting Scholars at the IAMO***

Dr. J. **Varga**, University of Economics, Budapest, Hungary, 28/1 – 11/2/2000

J. **Élias**, University of Economics, Budapest, Hungary, 28/1 – 11/2/2000

R. **Kiss**, University of Economics, Budapest, Hungary, 28/1 – 11/2/2000

P. **Csillag**, University of Economics, Budapest, Hungary, 10/3 – 15/3/2000

B. **Stren**, University of Economics, Budapest, Hungary, 10/3 – 15/3/2000

A. **Bolchoeva**, Voronezh University, Russia, 10/4 – 10/5/2000

Prof. Dr. D. **Epshtein**, Northwest Institute for Agroecconomics, St. Petersburg-Pushkin, Russia, 13/6 – 8/7/2000

Dr. Ph. V. **Shaikin**, Timiryazsev Academy, Institute of Agriculture, Moscow, Russia, 13/6 – 8/7/2000

Dr. S. **Gerasin**, Russian Institute for Agricultural Problems and Computer Science, Moscow, Russia, 16/7 – 13/8/2000

V. **Uvarovsky**, Institute for Economics in the Process of Transition (IET), Moscow, Russia, 16/7 – 13/8/2000

Dr. **Andrushina**, Russian Academy of Agricultural Sciences, Pan-Russian Research Institute for the Economics of Agriculture, Moscow, Russia, 9/8 – 25/10/2000

Dr. L. **Michailova**, Sumy Agricultural University, Ukraine, 7/9 – 28/9/2000

Prof. Dr. A. **Revenko**, Ukrainian Academy of Sciences, Institute for Economic Prognoses, Kiev, Ukraine, 14/9 – 22/9/2000

T. **Matveicheva**, Timiryazsev Academy, Institute for the Sustainable Development of Rural Areas, Moscow, Russia, 23/10 – 24/11/2000

Prof. Dr. R. **Lattimore**, Herriot-Watt University, Great Britain, 8/11 – 10/11/2000

Dr. Zs. **Varga**, University of Economics, Budapest, Hungary, 12/11 – 16/11/2000

Prof. Dr. sc. (Econ.) N. V. **Chepurnykh**, Timiryazsev Academy, Institute for the Sustainable Development of Rural Areas, Moscow, Russia, 12/11 – 24/11/2000

Prof. Dr. S. **McCorriston**, Exeter University, Department of Business and Economics, Devon, Great Britain, 13/11 – 15/11/2000

N. **Mosashvili**, Georgian Organisation for Computer Science in Agricultural and Food Economics and in Environmental Questions (GAIAFE), Tbilisi, Georgia, 15/11 – 29/11/2000

Dr. S. **Bojnec**, Ljubljana University, Slovenia, 15/11 – 3/12/2000

A. **Boroutski**, Northwest Institute for Agroecconomics, St. Petersburg-Pushkin, Russia, 20/11 – 17/12/2000

Dr. L. **Pitlik**, University of Agricultural Sciences, Gödöllő, Hungary, 22/11 – 29/11/2000

Prof. Dr. G. **Varga**, Research Institute for Agricultural Economics, Budapest, Hungary, 22/11 – 29/11/2000

E. **Hollosi Kalmar**, West Hungarian University, Faculty of Agricultural Sciences, Mosonmagyaróvár, Hungary, 22/11 – 29/11/2000

M. **Czakó**, Debrecen University, Hungary, 22/11 – 29/11/2000

Dr. V. **Zinovchuk**, Ukrainian State Academy of Agroecconomics, Shitomir, Ukraine, 23/11 – 30/11/2000

A. **Elekes**, Institute for Business Teaching, Budapest, Hungary, 24/11 – 29/11/2000

Prof. Dr. C. **Forgacs**, Budapest University of Economic and Administrative Sciences, Budapest, Hungary, 25/11 – 28/11/2000

G. **Babócsay**, Agricultural AG Törökszentmiklós, Hungary, 25/11 – 29/11/2000

I. **Farkas**, Institute for the Protection of Plants and Soil, Tanakajd, Hungary, 26/11 – 30/11/2000

Dr. Z. **Hollósy**, Georgikon Agricultural Faculty, Keszthely, Hungary, 26/11 – 30/11/2000

Dr. E. **Majewski**, Warsaw Agricultural University, Poland, 26/11 – 30/11/2000



Prof. Dr. K. **Mazurski**, Wroclaw Polytechnic College, Poland, 27/11 – 29/11/2000

Dr. V. V. **Rau**, Russian Academy of Sciences, Institute for Economic Prognoses, Moscow, Russia, 4/12 – 21/12/2000

R. **Romashkin**, State Lomonosov University, Faculty of Economics, Chair of Agroeconomics, Moscow, Russia, 4/12 – 17/12/2000

***Selected externally-funded projects***

The evaluation report by the Scientific Council recommended that the IAMO should work harder to acquire external funding, and that political consultation work should be further developed while maintaining the Institute's high academic level. Two projects that were begun last year demonstrate that the IAMO is well on the way to meeting both these recommendations. The first project, entitled 'The applicability of the restructuring of agricultural enterprises in Eastern Germany to the transition process in Central and Eastern European Countries', is being financed by the state of Saxony-Anhalt. It brings together experts and decision-makers from the new states of Germany and countries in transition. In the second project, 'The network of independent agricultural experts for the EU applicant countries of Central and Eastern Europe', staff at the IAMO are undertaking co-ordination and consultancy work for the European Commission.

The first of these projects is being jointly carried out by the Institute for Agroeconomics and Agricultural Rural Development at the Martin-Luther University in Halle-Wittenberg and the IAMO (project leaders: Dr. Jürgen Heinrich and Dr. Ludger Hinners-Tobrägel). Taking the experiences of transition in Eastern Germany (a focus of research at the university in the last few years) as a starting point, the aim is to examine the extent to which this knowledge can be applied to the countries of Central and Eastern Europe, to support the process of restructuring there. The joint research capacity and the combination of the particular experiences of both institutes are permitting a rapid and systematic analysis of this topic.

*Copy success – avoid mistakes*

Two workshops held as part of the project (see below) with agricultural experts from the new federal states of Germany, Poland and Hungary demonstrated amongst other things that the learning process between the countries involved is not one-way. The new federal states of Germany can also benefit from the experiences of its eastern neighbours. This partnership should make it possible to prevent past mistakes in one country from occurring again in another. It should also allow the universal applicability of positive developments to be tested and help these to be spread throughout the region. The results of the study will be presented and discussed in the coming year at a joint conference of the university and the IAMO with scholars from Eastern and Western Europe. Further information about this project can be obtained from the IAMO's web site.

*A network of independent agricultural experts*

At the end of 2000, the agricultural directorate of the European Commission established a network of independent agricultural experts. This network consists of more than 20 specialists on particular countries (two to three experts per applicant country) and an advisory committee ('Advisory Body'), headed by Professor Klaus Froberg. Professor Monika Hartmann, Dr. Steffen Abele, Dr. Peter Weingarten (all IAMO) and Professor Alan Matthews (Trinity College, Dublin) are also members of this committee.



The task of the committee is to advise the European Commission on matters relating to development in agricultural and rural areas in Central and Eastern Europe. It also co-ordinates the relations between the European Commission and the country experts. It draws up specialist reports based on the work of the country experts. Findings relating to the topics 'The structure of agricultural businesses', 'The state of agricultural incomes', 'Subsistence agriculture' and 'Rural areas' were discussed in Brussels in December 2000 with representatives from the Commission.

For the IAMO, conferences and seminars represent an important form of scientific exchange with foreign experts from Eastern and Western Europe. Discussions of questions relating to the restructuring of the agricultural and food sector also strengthen the relationships that already exist. In this way one can isolate the priorities within the transition process and thus the research activity at the IAMO can be focused correspondingly.



**Conferences and Seminars**

At 'Green Week 2000' in Berlin the IAMO organised a symposium as part of the 7<sup>th</sup> East-West Agricultural Forum, entitled 'Subsistence production in the agriculture of Central and Eastern Europe'. Academics from Central and Eastern Europe, as well as Germany, discussed the reasons for the emergence of the subsistence economy in transition countries and the perspectives on this type of economy. The event was opened with a critical assessment of the positive and negative economic aspects of the subsistence economy. Its function as a social buffer and a source of income (by utilising the work force which cannot be employed outside of the business) was juxtaposed with the risks which such autarkic systems present. These risks are also compounded by poor technical equipment and the small size of the businesses, as can be seen in Southeastern Europe, for example. The interplay between subsistence economies and large agricultural enterprises, taking Russia as an example, was also illustrated. In this case it is clear that small family businesses can benefit in many ways from symbiosis with large firms. This interplay extends from the obtaining of materials – often as payment in kind for services provided – to the transferral of financial debts onto the big firms, who in turn can benefit, due to 'flexible budgets' from state debt relief. The situation in Russia is quite different from that in Bulgaria, on the other hand, where small subsistence farms exist alongside large market-oriented businesses. This dualism complicates the introduction of a consistent agricultural policy.

*Green Week 2000*



*IAAE Congress 2000*

At the end of the symposium all participants were agreed that many questions in this area are still open, both on a theoretical level, and with regard to practicable political recommendations. For this reason, the topic of subsistence economy will be dealt with again in a seminar to be held in Halle in May 2001.

From 13 to 19 August, the 24<sup>th</sup> Congress of the International Association of Agricultural Economists (IAAE) took place in Berlin. With the title 'The agriculture of tomorrow: incentive systems, institutions, infrastructure and innovations', about 1,000 participants from 83 countries came to exchange information. The following topics were given particular consideration: the globalisation of the agricultural and food economy, improved market incentives in transition countries, research in agriculture, technological development and environmental farming. Research findings were presented in a variety of ways. As well as plenary sittings, there were also small-scale presentations, for example discussion groups and mini symposiums. The

IAMO's poster exhibition and computer demonstrations were also used to present research findings. The IAMO was also represented at this international congress by contributing ten papers.

*Agriculture and rural areas*

'Agriculture and rural areas – outsiders in the transition process in the countries of Southeastern Europe?' This was the topic of the international agricultural conference which took place from 24 to 26 September 2000 in Leipzig, organised by the Institute of Regional Geography and the Southeastern Europe Society, with help from the IAMO. Central to the discussion between experts from Eastern and Western Europe was the multifunctional role of rural areas, but also the change in significance of agriculture as an economic factor. The conference emphasised once again that the agricultural sector has the decisive role for the course of the transition process in rural areas of the countries of Southeastern Europe. Although this cannot be proven economically, it is reflected in social structures which, in spite of radical changes in the political climate, are very clearly marked by tradition. These structures are bound to the past experiences of traditional agrarian societies in these areas and in some cases show considerable inertia. In some countries, however, developing trends are emerging which indicate a change in thinking. Signs of this include a

diversification of employment possibilities in rural areas via the utilisation or reactivation of existing potential, and the first efficient enterprises in spite of unfavourable conditions.

Together with the Institute for Agroeconomics and Agricultural Rural Development at the University of Halle, two workshops were organised as part of the project 'The applicability of the restructuring of agricultural enterprises in Eastern Germany to the transition process in Central and Eastern European Countries'.

*Ten years of business restructuring*

The workshops, which took place on 7 November and 27-28 November 2000, were each attended by about 40 people. The discussions focused on the topics of institutions, the promotion and financing of agriculture, and reactions to adjustment of agricultural enterprises to the changing conditions. Whereas the first workshop drew experts from the areas of financing, agricultural administration, consultation and research from the new states of Germany, the second workshop was chiefly attended by Polish and Hungarian agroeconomists.

The participants of both events deemed that the creation and maintenance of a workable legal system was a necessary condition for avoiding unpredictability in business decisions. Opinions were clearly divided on the capacity to promote certain agricultural structures, and the value of doing this. With reference to the experiences in the new federal states of Germany, it was concluded that it was inadvisable to promote businesses using size or type as a factor of differentiation, with the aim of maintaining and increasing the economic viability of agricultural enterprises. The socio-political contribution of the agricultural sector was also highlighted, however. The effects on employment resulting from the continued existence of family plots or sideline businesses meant that this type of business ought to be particularly valued.

For 2001 the following events are already planned:

Like every year, the IAMO will be represented at the 'Green Week' in Berlin and will convey its research findings. As part of the East-West Agricultural Forum in 'Green Week' the IAMO is organising a seminar on 19 January 2001 entitled 'The adoption of EU production and product standards: the effects on the competitiveness of the agriculture and food economy of the applicant countries'.

In all countries in transition there is a considerable need for investment, both to increase work productivity and to improve the quality of the products. It is also important that damage to the environment which results from the production of foodstuffs is avoided, or reduced. The aim of this seminar is to emphasise how the maintenance of quality standards at all stages, both in the production of agricultural raw materials and of foodstuffs is an important requirement for joining the EU. The seminar will also discuss ways in which the necessary investment can be secured.

At the beginning of May, a seminar under the patronage of the European Association of Agricultural Economists (EAAE), entitled 'Subsistence agriculture in Central and Eastern Europe: how can the vicious circle be broken?' will take place in Halle. Its goal is to examine ways in which subsistence farms can be developed further into market-oriented enterprises. Subsistence agriculture is a widespread phenomenon in Central and Eastern Europe. It offers a basic supply of food in rural

*The vicious circle of subsistence agriculture*

areas of transition countries plagued by unemployment and social breakdown. Although in the short term it represents a wholly rational survival strategy, in the long run subsistence agriculture means foregoing prosperity through trade and specialisation and being prone to crisis, as the market cannot overcome shortages in supply. There is still a poor body of knowledge about this form of agriculture. For this reason the seminar will deal with the experiences of subsistence agriculture in developing countries, with institutions that are necessary for further developments of the systems, with models for analysing the systems, and with political measures that can help solve the problem. It is expected that experts from Central and Eastern Europe, and from the EU, will attend the seminar.

*Technological and economic development*

Together with the Bornim e. V. Potsdam Institute for Agricultural Technology, the IAMO will hold a workshop on 2-3 July 2001, entitled 'Approaching Agricultural Technology and Economic Development of Central and Eastern Europe'. The aim of the conference is to consider the interaction of agro-economic and technological problem areas, which until now have largely been studied separately for Central and Eastern Europe. Through this, it is hoped that new theoretical, methodological and empirical insights can be gained.

During the processes of transition a variety of enterprise structures and sizes developed in the agriculture of Central and Eastern European Countries. The future structure and size of businesses depends considerably on the land and capital markets. Their workings decisively influence investment opportunities for mechanisation and automation. This poses the question of which machines and equipment should be produced and used to ensure efficient production, and how their use should be organised – e.g. having one's own farm machinery, sharing machinery within a group, or contracting out the work.

**Publications**

The staff at the IAMO publish their findings in specialist journals, monographs, collections of essays and discussion papers. A complete list of publications can be found on the IAMO's web site ([www.iamo.de](http://www.iamo.de)).

*Discussion Papers*

PETRICK, M., DITGES, C.M.: Risk in Agriculture as an Impediment to Rural Lending – The Case of Northwestern Kazakhstan, *Discussion Paper No. 24*, 2000.

POGANIETZ, W.R.: Russian Agri-Food Sector: 16 Months after the Breakdown of the Monetary System, *Discussion Paper No. 25*, 2000.

WEBER, G., WAHL, O., MEINLSCHMIDT, E.: Effects of EU Eastern Expansion in the Agropolitical Sphere on the EU Budget, *Discussion Paper No. 26*, 2000.

WAHL, O., WEBER, G.: Documentation of the Central and Eastern European Countries' Agricultural Simulation Model (CEE-ASIM Version 1.0), *Discussion Paper No. 27*, 2000.

PETRICK, M.: Land Reform in Moldova: How Viable are Emerging Peasant Farms? An assessment referring to a recent World Bank study, *Discussion Paper No. 28*, 2000.

WEINGARTEN, P.: Book review: Beckmann, V. (2000): Transaction Costs and Institutional Choice in Agriculture: Between the Market, Hierarchy and Co-operation, *Discussion Paper No. 29*, 2000.

BROSIG, S.: Household Type Specific Food Demand Behaviour in Hungary, *Discussion Paper No. 30*, 2000.

UVAROVSKY, V., VOIGT, P.: Russia's Agriculture: Eight Years in Transition – Convergence or Divergence of Regional Efficiency, *Discussion Paper No. 31*, 2000.

In the series of *Studies on the Agricultural and Food Sector in Central and Eastern Europe* the IAMO publishes monographs and conference reports which deal with agro-economic issues of Central and Eastern Europe. Seven conference volumes and two monographs have already appeared in the series. The following six studies were published in 2000:

***Studies on the Agricultural and Food Sector in Central and Eastern Europe***

STEPHAN BROSIG, The Private Demand for Food in the Transition Process in the Czech Republic and Poland.

ACHIM FOCK, Integrating Estonia into the EU: Quantitative Analysis of the Agricultural and Food Sector.

PETER TILLACK, FRAUKE PIRSCHER, Competitiveness of Agricultural Enterprises and Farm Activities in Transition Countries (also available in Russian).

WITOLD-ROGER POGANIEZ, ALBERTO ZEZZA, KLAUS FROHBERG, KOSTAS G. STAMOULIS, Perspectives on Agriculture in Transition: Analytical Issues, Modelling Approaches, and Case Study Results.

PETER TILLACK, EBERHARD SCHULZE, Land Ownership, Land Markets and their Influence on the Efficiency of Agricultural Production in Central and Eastern Europe.

In its *Annual Reports* the IAMO provides information about the academic work of the Institute, the current work of its staff, events in which the IAMO have participated, collaborations and projects, as well as personnel and financial details. Additionally the IAMO presents itself to a broader public with its IAMO Jahreszahl series, which also appears annually. As well as giving information on the IAMO's tasks, goals and ways of approaching problems of transition in Central and Eastern Europe, this aims to provide an overview of the current situation and the expected developments in these countries.

***Other publication series of the IAMO***

The multilingual IAMO web site gives a broad overview of the Institute's work. Visitors to the site can find general information concerning the aims, tasks and organisational structure of the Institute.

***Web site***

The web site announces the regular events, conferences and workshops, and gives a summary of previous events. The Institute's publications are listed in full. *Discussion Papers* and IAMO 'Jahreszahl' can be downloaded straight from the web site. Current press releases, which are published by the Scientific Information Service, can be found in the 'Press' section.

Detailed information about the specific research work of the Institute can be found on the 'Staff' page. There you will find a list of all staff with their current research topics. Those visitors to the site who wish to know more can contact the staff via email.

The 'Library' page offers the opportunity to carry out online research via OPAC.

The IAMO web site is currently being thoroughly revised. This is already complete for the majority of pages. New sections have been added. The 'News' page gives a brief overview of news and makes searching easier. From now on the Institute's projects can be found with a more detailed description in their own section.

A visit to the web site is highly advisable.



*The Academic Advisory Council of the IAMO*

The IAMO is a public foundation. It is made up of the Foundation Committee, the Directorate and the Academic Advisory Council. In order to be able to cover a broad spectrum of areas of agro-economic research, the Institute was divided into three academic departments:

- External Environment for Agricultural and Policy Analysis; head of department and managing director of the IAMO - Prof. Dr. Klaus Froberg;
- Agricultural Markets, Marketing and World Agricultural Trade; head of department – Prof. Dr. Monika Hartmann;
- Structural development of Farms and Rural Areas; head of department and deputy managing director – Prof. Dr. h.c. Peter Tillack.

The heads of these departments, together with the head of the department of

- Administration and Support services, Hannelore Zerjeski,

form the directorate of the Institute. This collegiate body manages the Institute's business and directs the long-term research and development planning of the IAMO. In the past few months, co-operation with the Academic Advisory Council and Foundation Committee has been greater than usual, as these two bodies worked particularly hard to help prepare for and carry out the Institute's appraisal.

Weekly *departmental meetings* concentrate discussion at the Institute and ensure the exchange of information on organisational and academic issues. Those matters which are of significance for the whole Institute are also discussed at *Institute Assemblies*. All staff can therefore contribute in many ways to the formulation of objectives and to decision-making at the IAMO. Associated with the postgraduate study at the Institute, the two *Methodical Groups* currently running – 'Modelling' and 'InterviewPosing Questions' – provide internal forums for the discussion of theoretical-methodological questions. The five *Interdepartmental Working Groups* which deal with the library, electronic information systems, evaluation, public work and publications are of great importance to the IAMO and increase the efficiency of its output.

The entire spectrum of agro-economic research is required to analyse the process of transition of the land and food economy. The IAMO does not have the capacity, however, to cover this wide diversity. For this reason it concentrates on specific areas. Both thematically and in terms of content, however, these areas deal with the most important problems. Research at the IAMO is in the long term geared towards three main concepts: *institutions, integration and rural areas*. These give a thematic and spatial limit to the areas under study. For the long-term work of the Institute the following criteria were used to select research areas: political relevance, acceptance and applicability of the findings, feasibility and long-term effects of the research projects.

### ***Institutional Structure***

### ***Co-ordination at the IAMO***

### ***Aims of academic work***

Within the framework of medium-term research planning until about 2005, the Institute will be concentrating on the following research areas:

1. Reorientation of agri-food policy
2. Development of the markets in the agri- food sector
3. Interregional integration
4. Development of rural areas
5. Risks and financial markets
6. Restructuring of agricultural enterprises

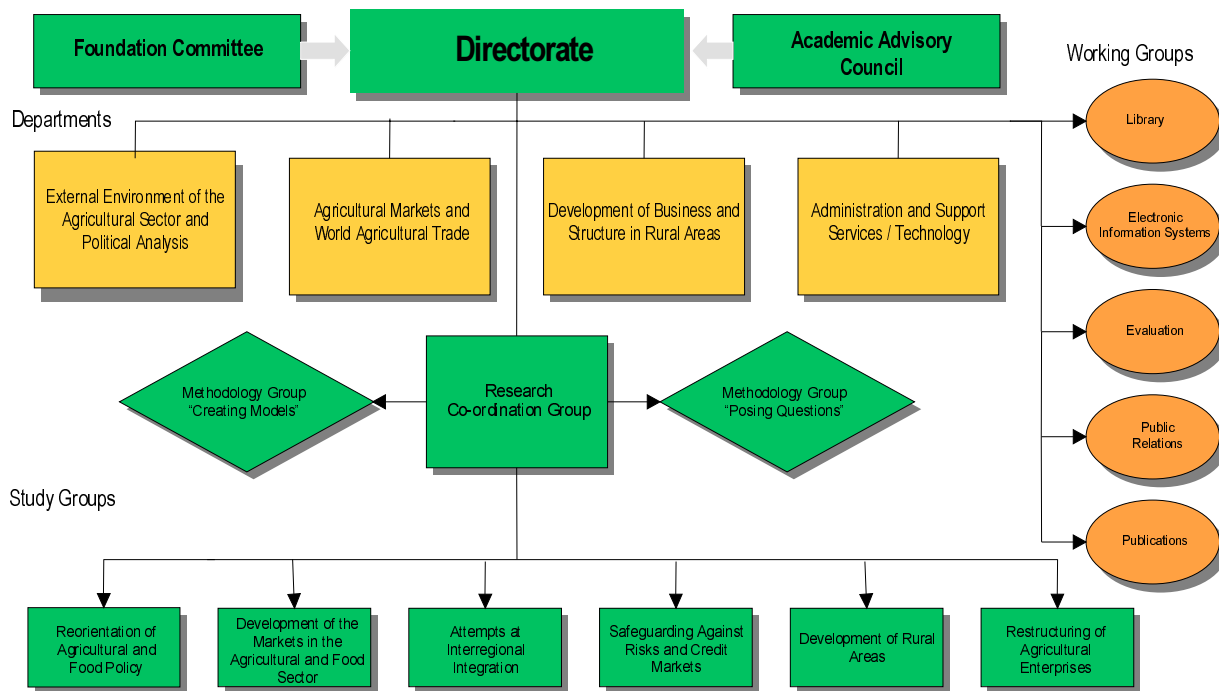
These research areas each have a dedicated research group, headed by a well-qualified member of staff. Together with the heads of academic departments, the research group leaders make up the research co-ordination group, which was established in 1999. Its tasks are to select new research projects, organise interdepartmental research activity, plan academic events, and to stimulate further academic training for the Institute's staff.

### ***Support services***

Academic work at the IAMO relies on efficient support services. The IT staff work on the continuous development and maintenance of the Institute's hardware and software, continually making sure that it is up to date. Interdepartmental working groups co-ordinate services and optimise their use for research activity. Through the *public relations* and *publications* working groups, staff at the IAMO give details of the work at the Institute and present research findings. The electronic systems working group co-ordinates the establishment and maintenance of a database relating to the agricultural and food sector of the transition countries in Central and Eastern Europe. The *library* working group helps ensure that the acquisitions and organisation of the library is oriented towards research requirements. This includes increasing the stock which gives particular consideration to new media.



## Organisational Chart of the Institute for Academic Development in Central and Eastern Europe



## How to find us

### *By train*

Leave the station by the main exit and follow the signs to the tram stop 'Riebeckplatz/Hauptbahnhof'. From here trams 5 and 5E go in the direction of Heide. Alight at 'Weinbergweg' (about 20 minutes from the station). The Institute is on the left-hand side of the road on the site of the former Russian garrison.

### *By car*

Take the A14 from Schkeuditzer Kreuz (A9 Munich-Berlin) to the Halle-Peißen exit and then take the B100 to Halle. Follow the signs to 'Zentrum' until you reach the four-lane city highway. Follow signs to Halle-Neustadt. Passing Riebeckplatz stay on the highway. After Saalebrücke turn into Martin-Luther-Universität/Weinbergweg. At the fork in Weinbergerweg go straight on and finally turn left into the barracks area and look for the IAMO sign.

### *By plane*

Halle/Leipzig Airport is 20km from Halle. From there bus number 300 leaves for Riebeckplatz/Hauptbahnhof every 60 minutes. Read the 'by train' advice to find the way from there. Bus 300 also takes you to the Hallmarkt from where you can take trams 5, 5A and also 6 towards Heide. Alight at 'Weinbergweg'.

