



LEIBNIZ INSTITUTE OF AGRICULTURAL DEVELOPMENT
IN CENTRAL AND EASTERN EUROPE

IAMO 2006

Leibniz Institute of Agricultural Development
in Central and Eastern Europe (IAMO)

www.iamo.de

Introduction

At the start of the 1990s the Scientific Council, prompted by the political, economic and social upheavals in the countries of Central and Eastern Europe (CEEC), already thought it necessary to recommend the establishment of an institute to monitor the processes of transition in the agricultural and food sector in these countries. For more than 11 years now, the Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO) has been successfully working on issues to analyse and monitor the development of agriculture and rural areas in Central and Eastern Europe.

IAMO, and its specialist research, which focuses on model-based policy analysis at sector and business level, agricultural institutions in the CEEC, the marginalisation of rural areas, and product and processing quality in the food chain, is unique in Germany.

In the interim evaluation report by the scientific advisory board, the Institute is praised for its balanced and innovative research strategy as one of the leading research institution in the field of transition processes in agriculture. IAMO is an important partner for our agricultural economy and also at the political level. I'd like to take the opportunity here to thank all staff at the Institute for the work they have done.

IAMO distinguishes itself by virtue of its first-rate knowledge of the development of agriculture and rural areas in Central and Eastern Europe. The countries of Central and Eastern Europe are happy to use the support, as they are aware of how reliable and scientifically based the research work is. Our agriculture is also well advised to make active use of this expertise. Because there is no doubt that, since EU expansion, German agriculture and the food economy will have to face increased competition. However, the whole of Europe will benefit from the enlargement of the EU internal market. It is this larger market that offers new and considerable opportunities for the

development of European and German agriculture and the food economy. It is of great advantage for all German agriculture that we have a partner from the agricultural sciences with such expertise.



Dr Hermann Onko Aeikins, secretary of state in the Ministry of Agriculture and the Environment in the state of Saxony-Anhalt

Besides its research activity the Institute, in cooperation with the Agricultural Faculty of Martin Luther University Halle-Wittenberg, also concentrates on the further education of academics in the countries of Central and Eastern Europe. And with its events, IAMO is not least an important forum for scientific discussion. IAMO thereby makes an important contribution to the culture of debate. Each year the Institute brings together executives from science, politics and agriculture in the IAMO Forum. By analysing current issues of agricultural policy, the scientific side makes a key contribution to policy advice. There is undoubtedly a need for it.

I look forward to continuing the close cooperation with the Institute in 2006, and wish for all those involved that they are engaged in interesting and successful work.

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Foreword

2005 was an important year for setting out IAMO's future. Two departments, *Agricultural Markets* and *Agricultural Policy*, now have new heads. By a change in statute, IAMO was renamed the Leibniz Institute of Agricultural Development in Central and Eastern Europe. We now officially acknowledge our commitment to the Leibniz Community and its task of performing strategic research and service relating to socially relevant topics at the highest level. To accommodate the changing issues of research, transfer of knowledge, and consultancy, a new mission statement has been formulated. Consequently, both the longer-term direction of academic work at IAMO, and the strategic orientation of the Institute will receive new impetus. In addition, the changeover to programme budgets has presented the first opportunity to develop the annual financial plan from an input-driven to an output-driven one. This unlocks new potential to anchor the Institute's undertakings in research, the transfer of knowledge, as well as funding and publication activity, both of which have recently enjoyed extremely positive developments.

An interim evaluation of the Institute by IAMO's scientific advisory board in December 2004 confirmed that the foundations are laid for such a future. In its evaluation report, the scientific advisory board concluded that the Institute had successfully adopted the recommendations made by the Scientific Council in the last full evaluation in 2000, which had also been positive. The advisory board's assessment was applicable to both research and management. The report noted in particular that "remarkable improvements had been made in a number of important areas, such as publications and funding."

Not only the increasing international competition in research, but also the current dynamism of political and

social processes of change present IAMO with new challenges. European agriculture is clearly operating in global contexts. The attempts to expand the EU towards the south-east are throwing up new questions.



Prof. Dr Alfons Balmann, executive director of IAMO

At the same time, transition is only partially complete in many eastern countries with high agricultural potential. IAMO's many years of experience in research into transition constitute a platform from which agricultural development characterised by structural collapses and economic and social imbalances can be understood and dealt with. IAMO will also increasingly be using its expertise to engage with the current political and economic changes in the EU, South-eastern Europe, Turkey, and Central and Eastern Asia.

The appointments of Prof. Dr Gertrud Buchenrieder and Prof. Dr Thomas Glauben as heads of department for *External Environment for Agriculture and Policy Analysis* and *Agricultural Markets, Marketing and World Agricultural Trade* promise to be an important stimulus

for further methodological-theoretical consolidation and for the orientation of IAMO's work. They replace the acting heads of department Dr Peter Weingarten and PD Dr Heinrich Hockmann, who will both continue to be deputy heads of department at IAMO. IAMO, the board of trustees and the scientific advisory board expressly thank Drs Weingarten and Hockmann for their work over the past three years. Both have had an important role in the continuing positive development of IAMO.

With her appointment as head of department at IAMO, Mrs Buchenrieder also became professor of *Policy and Institutions in Agriculture* at Martin Luther University Halle-Wittenberg. Mrs Buchenrieder studied general agricultural sciences at the University of Hohenheim and was awarded a Master of Science degree in agricultural economics at Ohio State University/USA. After she received her PhD in 1994, she was awarded her postdoctoral qualification in 2002 at the University of Hohenheim on issues of institutional economics relating to the development of financial markets in transition countries of Central and Eastern Europe.



Prof. Dr Gertrud Buchenrieder, head of the External Environment for Agriculture and Policy Analysis department, member of the directorate

In addition to her activity as an academic assistant at the Institute of Agricultural Economics and Social Sciences in the Tropics and Subtropics, Mrs Buchenrieder worked there as a college lecturer. She has great experience in teaching at colleges in Germany and abroad, including in Vietnam, Romania and Kazakhstan. She has a similar level of experience as an international consultant for the World Bank and the German Society for Technical Cooperation (GTZ), amongst others. Her research interests are rural credit markets, combating poverty and issues of institutional economics relating to rural development in transition and developing countries. Frau Buchenrieder has published her work in *Oxford Development Studies*, the *European Review of Agricultural Economics* and *Savings and Development*, amongst other journals.

Mr Glauben became head of department for *Agricultural Markets, Marketing and World Agricultural Trade* on 15 May 2005. This was linked to an appointment as professor of *Markets in Agriculture and the Food Economy and International Trade* at Martin Luther University Halle-Wittenberg.

After studying agricultural economics at the University of Kiel, Mr Glauben received his PhD in 1999 and postdoctorate in 2005. In 2001 his dissertation was awarded the prize for particular academic achievement by a young scholar by the Society for Economic and Social Sciences in Farming (GEWISOLA). In Kiel he worked most recently as an academic assistant at the Institute of Food Economics and Consumer Theory. He has also taught at Tirana Agricultural University (Albania) and at Kiel College. His academic work ranges from the field of agricultural and food economics, to transition and development economics, as well as industrial economics. Within these areas he focuses on questions of productivity development, market participation and integration, and methodological aspects and problems of agricultural structures in Europe and Eastern Asia. The journals in which Mr Glauben has been published include the

American Journal of Agricultural Economics, the Journal of Development Economics, the Journal of Agricultural and Food Industrial Organisation and in Yearbooks for National Economics and Statistics.



Prof. Dr Thomas Glauben, head of the Agricultural Markets, Marketing and World Agricultural Trade department, member of the directorate

During the above-mentioned introduction of programme budgets, the organisation of research was also restructured. After intensive discussion, the more than three dozen individual projects were bundled into ten working groups, which are divided between the four main areas of research. The increased level of communication in working groups counteracts potential fragmentation of research. Besides the positive effects of grouping, the increase in individual responsibility of the working groups allows efficient research management, oriented towards results. The topic fields of the working groups are:

- Supply, demand and trade effects
- Effects on structure, income, and the environment
- Social capital
- Institutional economics in rural development

- Organisation and management of agricultural enterprises
- Risk management and financing
- Rural development policy
- Household behaviour and household food production
- Supply chains
- Management, marketing, consumer behaviour

More detailed information on programme budgets and topic fields can be found in the 2004 annual report (www.iamo.de).

There were also changes in our educational programme that give an indication of IAMO's future. Summer 2005 saw the start of the "Agricultural economics" PhD course. The PhD course is being run jointly by IAMO with the agricultural and food economy institutes of the Universities of Berlin, Göttingen, Halle and Kiel, as well as the Federal Research Institute of Agriculture in Brunswick-Völkenrode. It is the first educational course in the field of agricultural and food economics to complement the research work of PhD students.

The ongoing ambitious developments in IAMO's work would be unthinkable without a highly motivated staff and active support from the German federal and state governments. At this point IAMO should like to thank the many committed staff members in the Federal Ministry of Food, Agriculture and Consumer Protection, and in the Ministries of Education and Cultural Affairs, and Agriculture and Environment of the state of Saxony-Anhalt. Thanks is also due to IAMO's board of trustees and the scientific advisory board for their many important ideas and suggestions. Without our being firmly embedded in the national and international academic community, our goals would be unachievable. For this reason the Institute would also like to thank our research partners here.

IAMO 2006 reflects both the subject areas the Institute's work focuses on, as well as its expanded geographical remit. Three articles deal with questions of the

development of rural areas. One of these considers the effectiveness of EU policy measures to support rural areas, using the example of the implementation of the Leader+ programme in Poland. A second article looks at the private provision of public goods for rural development, taking the Czech Republic as a case study. Large agricultural enterprises, in particular, that have turned themselves into joint-stock companies and limited liability companies have an important role here. A third article on rural areas discusses questions of the persistence of rural poverty in China. A pre-requisite for effectively combating poverty is knowing which population groups are affected by poverty only temporarily, and which permanently. Two articles deal with issues of the food industry and agricultural markets. One of these considers

aspects of quality and structural change in meat processing in Poland, Bulgaria and Romania. At the heart of this study are the effects of increasing quality levels on the food industry in countries with less developed infrastructure and economy. The other summarises the most important findings and resulting policy recommendations from the IAMO Forum 2005: "How Effective is the Invisible Hand? Agricultural and Food Markets in Central and Eastern Europe". A final article asks the question whether the relatively favourable economic development of Russia since 2000 is actually a result of government policy, or whether other factors have not played a more important role. The paper also examines whether the transition from planned economy to market economy has made progress.



Landscape in Kazakhstan

The development of rural areas in Poland: Leader+, a complement to traditional measures of agricultural policy?

ANDREAS GRAMZOW, PIOTR KROSNAK

There has been an increase in the disparity between rural and urban incomes in Poland since the beginning of the transition process. The main reason suggested for this is the very slow economic growth in rural areas by comparison with cities. Given that 93.4 % of Poland's territory is rural land, and that 38.5 % of the population live in these areas, the economic growth of these regions is very important for the development of the country as a whole. As in most Central and East European countries, Poland's rural economy is still very much dominated by agricultural production. 58.2 % of the entire rural population live in agricultural households, although only 20 % of these can cite farming as their main source of income. Moreover, there is a scarcity of jobs in rural areas: in 2004, 17.6 % of the rural population were registered as unemployed. In certain regions of north-eastern Poland this figure is even higher, rising to more than 35 %. For these reasons one must consider which political measures might help improve economic development in rural Poland and thereby accelerate a rise in incomes for rural households.

The agricultural sector in Poland is marked by structures of farm sizes that differ greatly from region to region (see fig. 1). Although the average size of the 1.85m agricultural enterprises is 7.5 ha, in the north and north-west (West Pomerania, Lubusz and Pomerania) where the former state enterprises were, there are farms with several thousand hectares. The larger size agricultural enterprises in Poland, with more than 15 hectares, make up only 10 % of all Polish farms, although they are responsible for more than half of total agricultural market production. For the most part, these businesses are well set up, have modern production technology, and are constantly investing in their enterprise structure. The south-east of Poland (Lesser Poland, Subcarpathia and Święty Krzyż) presents an altogether different picture. Here, the average farm size is smaller than 4 ha. In the main, these small family farms produce for their own consumption, while the owners often have a second employment or live off pensions or social benefits.

It had been hoped that EU accession, and the adoption of the first Pillar market and price policy instruments of the Common Agricultural Policy would bring about a rise in rural incomes. These policy measures are chiefly aimed at farms that can sell their products on the market. For smallholders in the south-east of Poland oriented towards subsistence farming, therefore, the adoption of market and price policy instruments will only have a

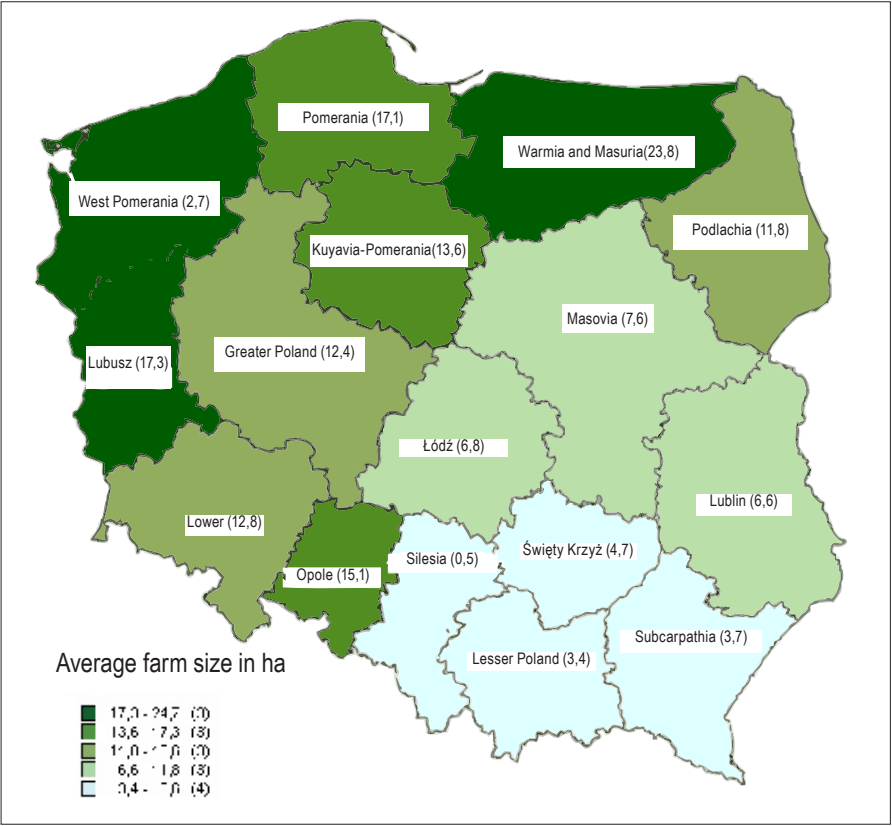
**Income differences
between town and
country on the increase**

**Heterogeneous structure of
farm sizes in Polish agriculture**

**Effects of European
agricultural policy on
rural incomes**

minimal effect on income. Higher production standards and stricter regulations following accession have also meant that small farms are often no longer able to fulfil the quality criteria set by purchasers. They are therefore unable to sell their products on the market. For the most part small farmers lack the necessary capital for new investment in production technology, or else their age and a lack of a potential successor to the farm means they see no reason to make any major investments.

Fig. 1
Average farm size (in ha.)
per Voivodship



Source: Polish Ministry of Agriculture and Rural Development, 2001.

**Effects of the second
Pillar measures on
small farmers**

Small farms were focusing their hopes on the measures to be introduced as part of the second Pillar. These include: Aid for semi-subsistence farms, compensatory payments for less favoured areas, financial support for adaptation to EU standards, and structural payments (pre-retirement measure). Financial support for semi-subsistence farms is chiefly aimed at

facilitating the access of small farms to the market. Farms with low economic potential can apply for an annual grant of 1,250 € in the first three years. To continue receiving this payment in the future, the farms must prove that they have succeeded in raising production levels. By 15 March 2005, 74,000 applications for the adaptation of production conditions to EU standards had been accepted. Apart from supplying their own share of the investment, those applying for the grant must have pre-financing of all investments. These conditions already exclude a large proportion of small farms from this measure, as their financial situation means they cannot guarantee pre-financing. The structural payments allow those farm owners who are ready to cease production and to either sell or lease their land to take a monthly pension which can exceed the normal agricultural pension by as much as 440 %.

Past experience shows that these second Pillar measures cannot, however, on their own ensure stronger and sustainable development of rural areas in Poland. Although the grants for semi-subsistence farms and support for adjustment to EU standards help enterprises in growth, these measures do not create new jobs in rural areas. Even the structural payments can only have a minimal positive influence on structural change (by July 2005, there were only 28,000 applications); what is more, they increase the proportion of those on pensions and social benefits in rural areas, currently already at 36.6 %.

Only the creation of new, non-agricultural jobs, therefore, can improve the economic situation in rural Poland. As the rural areas of Poland are very heterogeneous, political measures to strengthen the rural economy and to create new jobs must directly address the needs of the individual regions. On the advice of many Polish experts, and in addition to infrastructural measures and traditional instruments of agricultural policy, it was decided to adopt the Leader+ Community Initiative in a slightly altered form.

Leader is an acronym for "Liaisons Entre Actions de Développement de L'Economie Rurale" (relationships between initiatives to develop the rural economy) and it has existed within the EU-15 in a similar form since 1991. The main purpose of this policy has been to counter the problems of an aging population, migration from the countryside, and the further loss of jobs in rural areas. Since its introduction, Leader has developed in the EU-15 into a highly successful programme complementing traditional measures for the development of rural areas. As a result of these positive experiences, the policy is also being given greater consideration in the new finance and programme planning framework for the period 2007-2013 in the European Agricultural Fund for Rural Development (EAFRD). As a main focus of EAFRD, Leader is scheduled to receive a minimum budget share of five per cent, at least 2.5 % for the new member states.

Leader+ helps local action groups (LAGs) to formulate and implement locally initiated or endogenous development strategies. The inhabitants of rural areas are encouraged to solve regional problems by using existing potential and by involving local and regional

Leader+ as a complement to traditional measures

What does Leader+ do?

What are the aims of Leader+?

political units. The latter is known as the “Bottom-up approach”. The goal is to transfer more decision-making power from the national or inter-regional level to regional or local levels. Another characteristic feature of LAGs is the partnership principle. This is aimed at helping replace hierarchies in the decision-making process with mechanisms that involve all those concerned in shaping the project. In LAGs, therefore, representatives of local authorities, local businesses, and members of local associations work together in order to achieve synergy effects for their region.

The aim of the Leader+ measures is to develop strategies in the LAGs for a region, which are directed at the latter's strengths and its consequent potential. Using these strategies as a starting point, projects are then implemented that are co-financed by the EU. These projects can include measures which work on a general level, as well as helping targeted private enterprises in rural areas. In all cases, however, they should contribute to the sustainable development of the region, promote amongst the local population an identification with their area, and set a yardstick for others to emulate. The strategies must focus on one of the following:

- The application of new know-hows and new technology to increase the competitiveness of products and services in the region.
- The improvement of the quality of life in rural areas.
- The revaluation of local products, so as to facilitate the market access of small businesses, in particular, by means of collective measures.
- The valorisation or reassessment of the natural and cultural potential, including the increase in value of parcels of land in the common interest, which have been selected as part of the Natura 2000 programme.

Implementation of Leader+ in Poland

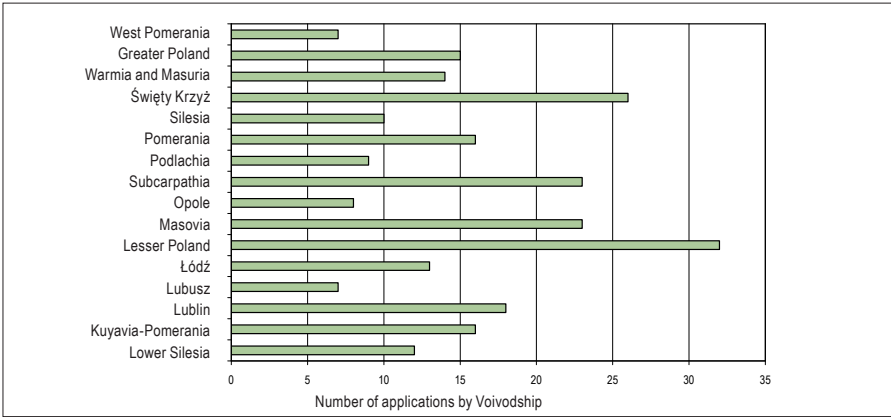
Leader+ was introduced in Poland in 2005. For the period of implementation (2005-2006) a total of 18.75m € (2.4% of the entire Polish budget for second Pillar measures) is available, 80% of which comes from the European Agricultural Guidance and Guarantee Fund (EAGGF), Guidance Section, and the rest from the Polish national budget. Leader+ is being introduced in Poland in two stages. The first stage should support the formation of local partnerships and speed up the creation of a development strategy specific to the region. There is also money available for information events and Leader+ workshops. For each LAG, 150,000 PLN (34,100 €) has been put aside for these purposes. By 31 December 2004, 249 local associations or communes had applied for these funds to implement Leader+. In October 2005, 127 local action groups had already had their applications accepted by the Foundation of Assistance Programmes for Agriculture (FAPA) and had signed a cooperation agreement with the Foundation.

After the first stage of forming LAGs and devising a regional strategy, the second stage will see the further publicising of Leader+ in the area, and attempts to involve the local population more closely in the implementation of measures to improve living conditions in

the region. This second stage of Leader+ implementation will take place in 2006. Interested partnerships, even those that did not apply for the first stage, now have the opportunity to apply for the second. Those LAGs that are successful will each receive 750,000 PLN (187,000 €) for Leader+ implementation in 2006.

Participation in the first tender varied greatly from region to region. A third of applications came from the three south-eastern regions of Lesser Poland, Subcarpathia and Święty Krzyż alone, while in West Pomerania and in Lubusz only seven associations or communes per Voivodship applied for Leader+ funds (see fig. 2). The reason for the strong regional differences seems in large part to be due to the very diverse historical development of different parts of Poland. During the 19th century an agrarian structure dominated by small-scale farms became established in south-east Poland. This remained in existence even under Communist rule. For almost two centuries, therefore, stable social structures were formed in the countryside with a high proportion of independent farmers, who had to take responsibility for organising the diverse economic activities of their households. These were favourable conditions for the development of social capital. The north-west of the country, on the other hand, is chiefly made-up of former German areas that after 1945 were newly settled by Polish citizens. The state enterprises that were established here on the Soviet model met their manpower requirements predominantly with former agricultural workers who came from all parts of Poland, and with refugees from the Ukraine. Both the low level of attachment to the enterprises and the dependent status as agricultural workers with low economic responsibility hindered the development of social capital. For this reason, social capital – which also manifests itself in local initiatives or associations – is very limited in the north-western regions of Poland by comparison to the south-east.

Great interest in Leader+ in south-east Poland



*Fig. 2
Number of applications for
Leader+ by Voivodship*

Source: FAPA.



Landscape in south-east Poland

Obstacles in national and local administration

For the most part, the first year of Leader+ implementation in Poland was seen as very successful by the participants. There are still many hurdles, however, that are very difficult to overcome in the short term. Above all there is the problem of hierarchical thinking, which after 40 years of strict centralism is still deeply rooted in national, regional and also local government. Many representatives of the authorities find it difficult to devolve responsibility for budget allocation for development measures from their administrative units, or to share this with local action groups. Authorities are often worried that the funds could disappear in the LAGs. To prevent this, conditions are laid down that represent additional bureaucratic hurdles for local initiatives.

Lack of interest in local initiatives

There are also hurdles for the implementation of Leader+ at the local level. Many inhabitants of rural areas are not used to making their own applications for funds to develop their

region, using their initiative, and actively working for the common good and their region. Also noteworthy is that many Polish landowners doubt that they are in a position to act on their own to make a contribution to the sustainable development of their region. Such considerations are also tainted by the negative connotations that the term cooperation still has as a result of 40 years of socialism.

Leader+ represents a great challenge for rural Poland as a whole, but it also offers enormous opportunities. In regions such as the south-east, where the majority of the population is dependent on agriculture, a sector with poor development potential, Leader+ offers an opportunity to develop other economic pillars. Initiatives already exist to promote rural tourism, ecological production and marketing of agricultural products, the creation of new educational institutions, and the improvement of the social and cultural infrastructure. All of these can be advanced and supported by Leader+. Even in the north of Poland, where agriculture is no longer the dominant economic force in rural areas, Leader+ allows other possible revenue sources to be explored. An example of this is the 870 km cycle route that has been created over the last few years by local initiatives using national and EU funds. In summer 2005 it attracted 35,000 tourists, thereby helping to increase the domestic product in this region. This example also shows that “bottom-up” measures such as Leader+ not only encourage cooperation within a region, but also across regions.

Creating new economic pillars in rural regions

EUROPEAN COMMISSION [NETWORK OF INDEPENDENT AGRICULTURAL EXPERTS IN THE CEE CANDIDATE COUNTRIES] (2004): The future of rural areas in an enlarged EU, Luxembourg.

Further literature



Small-scale farmers at work, south-east Poland

Why do agricultural companies contribute to rural development? Evidence from Czech agriculture

JARMILA CURTISS, VLADISLAV VALENTINOV

In Central and Eastern Europe, rural-urban disparities have been growing during the years of transition. Rural areas are characterized by notably lower income levels, low employment opportunities, problems of demographic structures with respect to age and education, low population density and underdeveloped infrastructure related to transportation problems, the lack of cultural, social and leisure activities, etc. (BAUM et al., 2004; HORSKÁ et al., 2004). The urgency of rural development issues in Central and Eastern Europe has motivated governments to adopt a number of policy instruments such as the Rural Renewal Program, support of Small and Medium-Sized Enterprises, or environmental programs. Although these instruments have been used relatively successfully, the rural problems persist and dictate the need to continue searching for other possible policy approaches. In particular, it is becoming increasingly clear that governmental action alone cannot provide an effective solution to a diverse set of issues related to the development of rural areas, which explains the necessity of greater reliance on partnerships between public, private and voluntary sectors and related bottom-up and participative approaches (PEZZINI, 2000).

From among the countries of Central and Eastern Europe, we turn our attention to the Czech Republic. There, about 38 % of the population live in rural areas and of those, roughly 44 % are involved in farming (IDARA, 2002). These shares, however, have significantly changed during the last 15 years. Between 1989 and 2002, employment in agriculture dropped by almost three quarters (from 376,000 to 140,000 employees). The provision of rural development services and in particular the maintenance of social infrastructure in rural areas were a traditional part of the activities performed by collective and state farms established during the socialist era. These were mostly attached to non-agricultural productions and activities carried out by these enterprises. The political processes and the initialization of market reforms in the Czech agricultural sector at the beginning of the 1990s caused important structural changes in the sector. The political processes aimed to restore small-scale private farming, and hence eliminate large-scale farming and the commercialization of agricultural production. In 2003, individual private farms whose average size was 29 hectares cultivated 27 % of the agricultural land. Over 70 % of agricultural land was thus still cultivated by large-scale agricultural companies; there are 2,990 legal entities with an average size of 1,006 hectares. Agricultural cooperatives farm on 28 % of the agricultural land and employ around 30 % of

Increasing rural development problems during transition

Structural changes contributed to the declining role of agriculture in rural areas

High ownership fragmentation causes high dependence of agriculture companies on their societal environment

Despite competitive pressure, some companies continue providing local public goods

Objective: To analyze the motivation of agricultural companies to provide local public goods?

Empirical analysis of 120 agricultural companies: Identification of characteristics influencing provision of local public goods

the labor employed in agriculture. The majority of agricultural enterprises are, however, commercial companies, mostly joint stock companies and limited liability companies.

An important characteristic of the Czech agricultural sector, which is important for our analysis, is the high fragmentation of ownership, which contrasts with the dominance of large-scale farming. This is the outcome of agricultural reforms which intended to individualize property rights and correct former injustices. At the beginning of transition, there were about 3.5 million landowners with an average land property of 1 hectare, and roughly the same number of claims to non-land assets. From these approximately 3.5 million restitution claimants, only 8 % were active in agriculture in 1995 and this share has since decreased. Today, more than 90 % of agricultural land is leased, while the remaining land is mostly cultivated by individual private farmers. This demonstrates a high degree of separation between ownership and production control, and thus a high dependency of agricultural businesses on land owners and shareholders that is, a significant part of the stakeholders in rural areas.

Not only the active changes in the farm structure, reduction of non-agricultural production, but especially the worsened economic situation of the privatized and transformed agricultural enterprises caused significant retreats from delivering the social and local public goods related to rural development. As a result, rural areas in the last decade have seen the aggravation of technical and social infrastructure such as public transportation, cultural activities and schools, accompanied by corresponding demographic changes. The saving measures in the companies' social policy particularly concerned contributions to recreation and boarding expenses, but most importantly the reduction of employment (HORSKÁ et al., 2004). Still, as our empirical investigation shows, some enterprises have, despite strong competitive pressure, continued providing costly local public goods and maintaining social infrastructure.

The important question in this context is: (a) What motivates agricultural companies to offer rural development-related products and services in the competitive market environment, and (b) Why are some enterprises more motivated than others? The objective of the paper is to identify, using the example of Czech agriculture, the economic forces which can lead to private provision of rural services. The main hypothesis is that the high ownership fragmentation and dependency of agricultural companies on land owners and shareholders motivates the companies to provide socially-beneficial activities. This hypothesis which builds upon the theory of organizational legitimacy will be empirically tested.

The data set used in the study consists of 120 agricultural companies from an extensive survey conducted in 2004 by the Institute for Agricultural Development in Central and Eastern Europe (IAMO) and by the Research Institute for Agricultural Economics in Prague (VUZE) in the Czech Republic. The survey concerned farms' activities which could directly or indirectly contribute to rural development, but which are not stimulated by policy instruments. This contribution concentrates on three variables – employment for social reasons (63 % of companies in

the sample), provision of publicly beneficial activities such as road and village maintenance, or boarding for employees and non-employees (77 % of companies in the sample), and organization of cultural activities (19 % of companies in the sample). Further variables which are analyzed in relation to the three variables for socially-beneficial activities represent the companies' ownership structure, stage of transformation and their production structure. Since many of these characteristics are expected to be mutually-correlated, they are first analyzed using principal component analysis. Only uncorrelated variables, which will represent groups of mutually-correlated variables, are used in discrete choice probit models that will identify farm characteristics which significantly influence the choice of whether or not to offer rural development-related products and services.

The results show that the probability of a company employing workers for social reasons increases with the increasing share of non-agricultural production in the companies' revenues, increasing managerial age and increasing differences in the owners' and managers' interests. The first determinant implies that labor employed for social reasons is employed in non-agricultural productions representative of larger-sized companies, rather than in agricultural productions. Furthermore, older managers seem to behave more pro-socially. Since it has been found by previous studies (see HORSKÁ et al., 2003) that companies' social and personnel policies are management driven, the last determinant of social employment, differences in the owners' and managers' interests, reflects a strategy of the management to legitimize its activities in the stakeholders eyes and thus win their support and secure their access to resources, in this case access to capital. In general, these results suggest that farms behaving pro-socially possibly contributes to the conservation of large-scale farming in the Czech Republic.

The importance of the owners' and managers' interest differences for the provision of local public goods is further supported by the probit models results, which demonstrate the significance of the effect of the differences in managers' and owners' interests on the probability of providing cultural and publicly beneficial activities. Furthermore, the findings disclose that the probability of organizing cultural activities and providing publicly beneficial activities is significantly positively correlated with the share of owners among employees, and negatively correlated with the average size of ownership shares, respectively. In other words, cultural activities, as a symbol and instrument of social cohesion, are mostly provided by companies that are assigned by a higher share of owners among the companies' employees. As results from the principal component analysis showed, this type of ownership is more characteristic for cooperatives and joint stock companies than for limited liability companies. The publicly-beneficial activities, on the other hand, are more likely provided by companies with highly fragmented ownership, which is to a large degree in the hand of farm external investors. These relationships suggest that the companies' ownership structure, which captures the

Companies employ workers for social reasons in non-agricultural production

Ownership structure of enterprises significantly affects the decision to engage in social and cultural activities

Companies provide local public goods to accord with stakeholders' values and thereby secure their access to resources

dependence of the management on the shareholders, significantly influences the choice of social and community-supporting policy instruments made by the management of the companies. There are tendencies to choose such instruments which address and reflect values of the critical stakeholders (shareholders) for the companies' operation. This suggests a strategy whereby the companies use social and publicly-beneficial efforts as an instrument for legitimizing their operation and existence, and possibly facilitating their access to resources and their negotiating position in further ownership changes.

In summary, this contribution has sought to investigate the motivation for private pro-social behavior and the provision of local public goods which underlie bottom-up and participatory approaches to rural development (here, the objective of the paper is repeated once again). The conclusion derived from the empirical results is that managers of agricultural enterprises are motivated by private benefits such as access to resources since the provision of social and local public goods occurred especially in situations where companies were highly dependent on stakeholders to enable their access to resources. The companies are led to produce local public goods in compliance with stakeholders' values and norms, which is expected to generate goodwill in the stakeholders, with positive economic consequences for the provider. The transition-specific fragmented capital and land ownership and its separation from the agricultural production control (management) is thus a fact which contributed to the preservation of the role of agriculture in rural development. The fragmented ownership likely played an important role in reducing the deterioration of rural areas in, characteristic for transition countries, the absence of political action that supports rural development. However, with onward structural changes in agriculture which have progressed in the direction of ownership concentration into managers' and/or few owners' hands, the role of agriculture in rural development will likely be reduced.

Enforcement of property rights of smallholders could maintain the agricultural sector's role in rural development

The policy implications of these results relate to the ability of governmental bodies to promote rural development by consciously including norms and values which favor undertaking rural development activities in the societal and institutional environment of agricultural enterprises. Strengthening the land and capital owners' relationship to their property and the enhancement of their property rights would increase the importance of the owners' role as actors in rural development. Enforcement of small holders' property rights and the conscious treatment of societal values which would strengthen the companies dependence on its societal environment, could transform governmental objectives into private sector concerns.

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Cultivated landscape formed by agriculture in the Czech Republic

The persistence of poverty in rural China

THOMAS GLAUBEN, THOMAS HERZFELD, XIAOBING WANG

“Our dream is a world free of poverty.” This is how emphatically the World Bank describes its task, its vision. The fight against poverty can thus be seen as one of the most important aims of the political agenda for development and transition. And yet the balance sheet of the progress made in combating worldwide poverty presents a sobering picture. At the turn of the millennium, more than one billion people in developing and transition countries were still afflicted by extreme poverty; that is to say, about a quarter of the population of these regions have to exist on less than a dollar a day. By and large there has been no discernible improvement over the past two decades regarding the absolute numbers of those in poverty. The slight drop in the proportion of those in poverty can be explained simply by the growth in the global population.

This general development masks enormous regional differences. While in sub-Saharan Africa, there are now around 60 million additional poor people and almost 50 % of the population lives in extreme poverty, the United Nations’ target of halving absolute poverty in eastern Asia by 2015 was already reached by the turn of the millennium. In China alone, the number of those in poverty has fallen from 250 million at the start of economic reforms at the end of the 1970s, to 100 million in 2000. The decisive factor in this reduction has been an annual economic growth of almost 10 %, which was kick-started by the reforms and has been continual over the intervening years.

In spite of this very positive overall development in the People’s Republic of China, there are still marked regional differences in the extent of poverty. As in the past, an enormous discrepancy in poverty still exists between rural and urban areas, as well as between the western and eastern provinces. Whereas in towns and cities the poverty rate has been less than one percent for more than a decade, around 15 % of the rural population as a whole still live in poverty. The rural poverty rate is significantly higher in the western provinces (almost 30 %) than in the booming coastal regions of the south-east, where fewer than 7 % of the rural population have to live off less than a dollar a day. All in all one cannot ignore the fact that, despite the impressive successes in the reduction of poverty, about 100 million people in China continue to be afflicted by extreme poverty and almost all of these live in rural regions.

In the relevant academic literature and socio-political forums there is lively debate about two major aspects of the development of poverty. First, there is much discussion about the causes

**Poverty – A sobering
global balance sheet**

**...yet significant progress
made in combating poverty
in China**

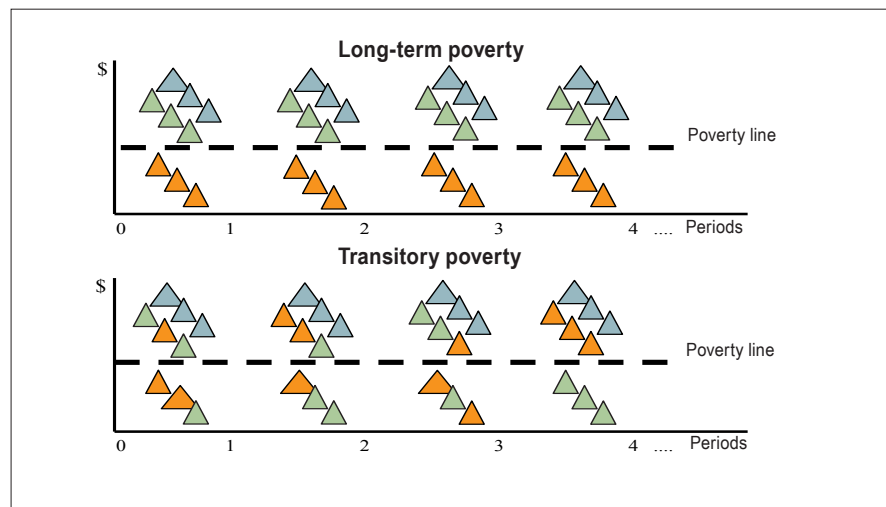
**...although a large propor-
tion of the rural popula-
tion still lives in extreme
poverty**

Is poverty a chronic, or only transitory state?

and consequences of poverty, and the strategies to combat it. There has also been lively argument about the most appropriate way to measure the extent of poverty. Inspired by SEN's seminal work from 1976 on the axiomatic foundation to measuring poverty, many authors have developed over the last 30 years a number of indices to show the extent of poverty in a society.

All these measures are statistical concepts; they ignore important dynamic aspects. What they have in common is that they describe more or less precisely the degree of poverty in a society. They give no information, however, about whether the poverty of those afflicted is temporary or chronic. That is to say, whether – as illustrated in fig. 1 – a certain proportion of social poverty is represented by long-term poverty amongst the same people (the orange symbols under the poverty line in the upper part of fig. 1) or whether different people at different times are in poverty only periodically (the orange and green symbols below the poverty line in the lower part of fig. 2).

Fig. 1
Long-term versus transitory poverty



Source: Own illustration (The colour triangles represent economic subjects of different population groups).

Different and specific strategies needed to combat chronic and temporary poverty

In both cases, long-lasting or transitory poverty, the current methods of measuring poverty, such as the proportion of poor people in the population as a whole (headcount ratio) or the normalised relative income gap (poverty gap) could show the same degree of poverty. Differentiating between persistent and temporary poverty, however, is important for two reasons. First, the evaluation of poverty in a society could produce very different findings, depending

on whether various individuals in that society are only temporarily poor, or whether the same people are affected by poverty over a longer period of time. If people are permanently in poverty, then social policies and/or long-term job market programmes are suitable mechanisms for reducing poverty. If, however, poverty is a transitory state, then clear problems exist in the inter-temporal balance of temporally variable incomes, and measures to stabilise short-term income swings seem appropriate.

Our paper enters the debate at this point and takes its findings from an ongoing study of the persistence of poverty in agricultural households in the south-eastern Chinese province of Zhejiang. The study is investigating whether poverty in this region is chronic or transitory, and the opportunities to “escape” poverty, or the risk of sliding into poverty. Also under examination is whether certain factors, such as household or household business attributes, and also regional conditions favour or hinder chronic poverty. On the basis of individual data collected annually from about 400 households and regional information from between 1995 and 2000, it is possible in the first stage of the study to identify the determinants of persistent poverty by means of an ordered probit model. In the second stage, a hazard approach will be applied to analyse econometrically the dynamics of the poverty risk over time.

Zhejiang, the region under study, is one of the richest Chinese provinces, so it is preferable in this case to apply a relative poverty line than an absolute one such as the World Bank’s “a dollar a day” poverty line. This analysis therefore focuses on a relative poverty line, defined by 50 % of the average income. For the period of the study, 40 % of agricultural households annually were in relative poverty. Of these, fewer than 10 % were permanently in poverty – that is to say for longer than four years – and more than 90 % had to cope with between one and three years of relative poverty during the period. These findings alone suggest that relative poverty in the province of Zhejiang is a transitory rather than chronic phenomenon.

As mentioned above, an ordered probit model was estimated for the econometric analysis of the connection between socioeconomic indicators of rural households (including size of household, age structure, education, type of employment, farm size, capital provision, business diversification) as well as regional characteristics (including unemployment rate, population density, extent of migration, topographical situation) and the probability of persistent relative poverty. The findings of the analysis suggest that larger households are more likely to be affected by persistent poverty, while a higher level of education amongst family members – as one would expect – reduces the risk of persistent poverty. Similarly, rural households with a higher capital provision on their farm have a lower probability of permanent poverty.

Many studies refer to the significance of “geographic poverty traps” in connection with the spread of poverty in rural China. The findings of this study also point to the significance of regional conditions as a cause of persistent poverty. Households situated in mountainous regions, for example, and where there is still a relatively high unemployment rate, tend to be affected by persistent poverty. By contrast, households in regions with a high migration rate

40 % of rural households in the province of Zhejiang live in relative poverty; less than 10 % are permanently poor

Larger families with little education are affected most by chronic poverty

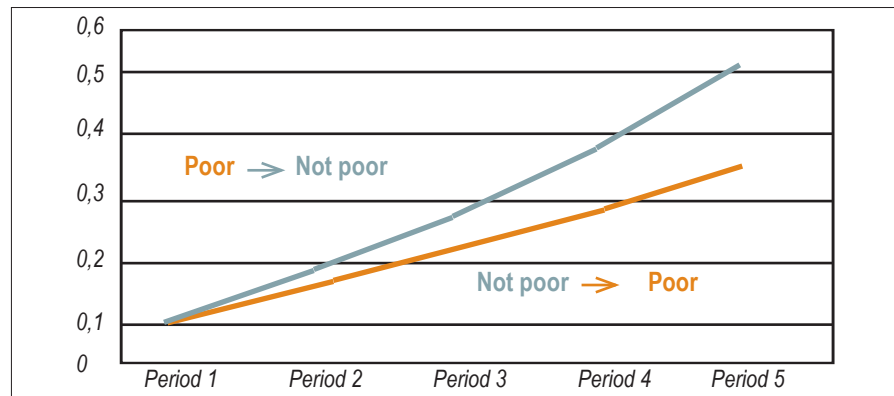
In mountainous regions with high regional unemployment poverty tends to be persistent

amongst the population are relatively less threatened by permanent poverty. This fact suggests that migrants, who for the most part earn comparatively high incomes in urban areas, pass back some of their income to their families remaining in the countryside. In this way they help support their families socially.

In addition to discovering which attributes of rural households and which regional conditions correlate with a higher probability of persistent poverty, it is also necessary – to achieve a targeted policy on poverty – to know which opportunities arise over time to “escape” the state of relative poverty. In this connection it is also interesting to learn how the risk of falling into poverty develops over time. This study approaches this question by means of a hazard approach. Without going into the “technical” details of the model approach here, it should be pointed out that by using the method one can determine the distribution of the risk rates of changing between the two states “poor” and “not poor” dependent on the length of each state. Figure 2 illustrates the findings of the econometric analysis.

The illustration demonstrates the following. First, the longer a family is in either of the two states – “poor” and “not poor” – it becomes more probable that they will change into the other state. That is to say the longer a household remains in relative poverty, the greater the chances it has to overcome this misfortune. On the other hand, affluent households have to fear that their risk of becoming poor increases with time. In both cases the empirical results point to a certain time dependency of the risk of change. Second, independently of the length of time in either of the states, the possibility of “escaping” poverty is always greater than the risk of becoming poor.

*Fig. 2
Risks of changing between
poor and not poor in rural
areas of Zhejiang province
1995-2000*



Source: Own calculations.

Note: The Y axis plots the risk rates of changing between the two states. The X axis shows the number of periods (years) that households spend in the respective states (poverty line <50 % of average income).

The initial findings of the ongoing study allow some conclusions to be made. In rural areas of the affluent Chinese province of Zhejiang, poverty appears to be less of a permanent state than a temporary phenomenon. The longer the period spent in poverty, so the chances of “escaping” it clearly rise. There is, however, a not insignificant risk of becoming poor. It is larger families in mountainous areas with comparatively high unemployment rates which tend to be affected by persistent poverty. Education and financial transfers within families seem to work against chronic poverty. The transitory nature of poverty suggests that it is the result of short-term swings in income. Consequently, measures that counter these and favour an inter-temporal stability of income might be successful. Even if rural poverty in many areas of China is predominantly temporary, there is nevertheless one long-term investment which is highly effective in combating poverty: The large-scale expansion of the education system. Many rural areas lack even elementary schools, not to mention secondary and tertiary institutions. A Chinese policy aimed at continuing to combat poverty should therefore attach great importance to education.

Good chances of escaping poverty, but also a high risk of falling into poverty

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Further literature



Traditional land use in Romania

Structural change in Polish, Bulgarian and Romanian animal product markets

AGATA PIENIADZ

The economic, legal and political adjustment processes necessitated by the enlargement of the European Union (EU) have had a considerable impact on animal production, both in the new member states and the acceding countries. Chiefly concerned are countries with a high restructuring demand in the areas of market and enterprise structures, as well as quality issues. Among them are Poland, an EU member since May 2004, as well as Bulgaria and Romania, which are scheduled for EU admission in January 2007. The area of food safety forms an integral part of Community law and has to be adopted by all states wishing to join the EU. Poland has already largely completed its adjustment process, whereas the two south-eastern European countries are about to face the most profound changes. The majority of the existing shortcomings should be remedied by their accession date.

Similar to the last enlargement round, the adaptation of EU hygiene rules for food of animal origin is one of the biggest challenges for the current pre-accession states. The EU regulations contain various obligations for construction, layout and equipment in enterprises (called structural requirements), and organisation of the production chain that necessitate extensive investments. To ensure the smoothest possible integration into the EU, transitional arrangements were agreed upon with Bulgaria and Romania, as it was applied to their forerunners. Thus, in Romania, transitional periods were granted to 27 enterprises in the meat industry and 27 firms in the milk industry until the year 2010. One indication of the large restructuring demand is that in 2004, only 4 of 561 registered Romanian slaughterhouses complied with EU standards. Another 14 enterprises intend to completely adapt themselves to Community law by 2007.

Bulgaria, in contrast, intends to fulfil all structural requirements by its accession date. The necessary measures will be supported within the EU's pre-accession SAPARD program. According to the Bulgarian Ministry for Agriculture and Forestry, 21 % of meat-processing enterprises (130) and 11 % of dairies (37) had been granted financial assistance under SAPARD at the beginning of 2005.

Experience from the new member states suggests, however, that shortly prior to accession, further enterprises in Romania and Bulgaria would probably have to apply for transitional periods or cease business activities altogether due to delays in their modernisation process. In Poland, for example, most frequently affected were meat-processing enterprises with high

Good quality improvement: A central element of EU politics

Adaptation of hygiene regulations in animal sector still on the agenda

Market cleansing processes in the acceding countries expected

Post- accession segmentation in meat-processing

Eastern-European large-scale firms increase activities in the EU market

Market niches are primarily by low-capacity enterprises

No wave of post-accession bankruptcies despite massive concerns

production capacities. The extent of the shortcomings in both acceding countries corresponds to the Polish pre-accession situation. Hence, delays in the adjustment processes at the firm-level in Bulgaria and Romania can be expected. It can also be suspected that structural changes in animal processing in the two countries will, after accession, progress similar to the current developments in Poland.

Adaptation to EU food hygiene standards and the increasing quality requirements of retail chains have led to considerable market cleansing processes and a general rise in quality levels in Poland. At the same time, market segmentation has taken place.

Most of the large-scale enterprises in the countries under review are approved for intra-Community trade. Among them are primarily firms with foreign investments, as well as a number of national private companies; in the milk industry also cooperatives. In June 2005 one out of five Polish meat processing firms (392) were licensed for trading within the EU pursuant to Council Directive 77/99/EEC. In the first year of membership, these enterprises were able to activate their growth potentials by increasing capacity utilisation and additional exports to the EU markets. Furthermore, the price rises for meat products after integration allowed those firms to gain higher processing margins and profits. A number of high capacity establishments is still in the transitional period and may sell its products only in the domestic market. The importance of this group has been gradually declining since accession, though in mid-2005 it corresponded to 10 % of Polish meat-processing enterprises (205 units). Even if progress in the compliance process is evident, EU-conforming production in the Polish meat market will only have been achieved after the cut-off date of the transitional periods, which is the end of 2007.

Low capacity enterprises can currently be distinguished into two groups in Poland: 1) Firms approved for sales in the whole domestic market, and 2) businesses licensed to directly sell in local markets only. Due to their limited capacities, many of the small-scale production units already exclusively supplied national or regional markets in the pre-accession period, so EU integration has not entailed any – or hardly any – trade restrictions for them. These production units meet the general safety regulations of Directive 77/99/EEC, as they are approved by means of simplified structure and infrastructure criteria to reduce administrative costs. Enterprises with national selling permits have maximum weekly slaughtering capacities of 20 animals or maximum meat production of 5 tons. In June 2005, about half (995) of all meat-processing enterprises were approved for domestic trading in the entire Polish market.

The second group of low capacity establishments build businesses with a license for exclusive direct selling in their local markets, i.e., their sales are mainly restricted to the district in which their production facility is located. The relevant law was passed shortly prior to Poland's EU accession and prevented the market exit of many smaller enterprises, since it entailed further easing of mandatory veterinary regulations. Amongst those firms were small

meat cutting and processing plants with maximum outputs of 4.5 tons per week (minced meat, regional sausages, etc.). Thus, 24 % of all enterprises (495) that were engaged in meat cutting and/or producing fresh meat and/or meat products in June 2005 were approved for exclusive direct selling in local markets. A similar structural or market segmentation is already found in Bulgaria (see Figure 1)

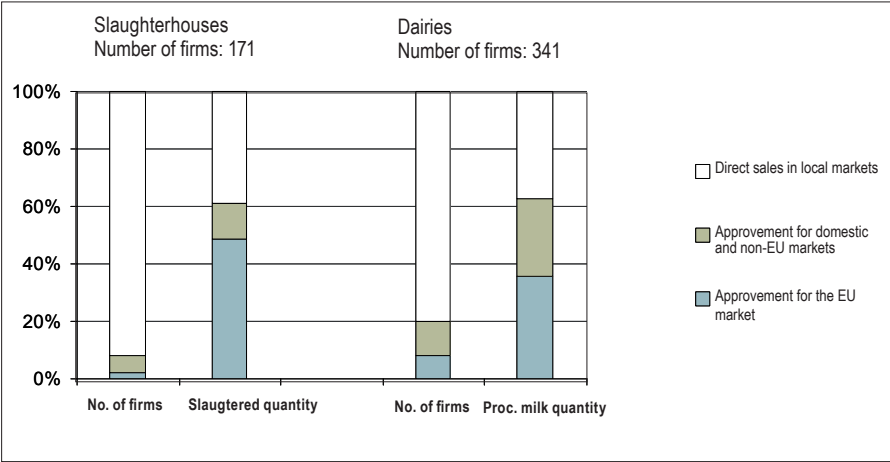


Fig. 1
Structure of Bulgarian milk- and meat-processing sectors in 2004

Source: Bulgarian Ministry for Agriculture and Forestry, 2005.

The adaptation of mandatory and private or voluntary quality standards entails changes in quality management organisation even by enterprises that only produce for local markets. Although small firms incur lower compliance costs while adapting to simplified EU regulations, they often face additional costs caused by relationship-specific investments that are necessary to satisfy the quality requirements of their direct purchaser. Local retailers and supermarkets are major customers of low capacity firms that have developed their own standards, and generally impose more demanding production requirements than the basic legal requirements, particularly for fresh meat. High transaction frequencies and product specificity prompted some transaction partners to conclude various supply contracts. In such direct relationships, enhanced monitoring, and the threat of direct and strong sanctions (losing the focal purchaser) limit opportunistic behaviour and facilitate cooperative adaptation, and hence the formation of efficient contractual or hierarchical structures at the local levels. It can be assumed that the close co-operation between retail chains and small providers will enhance the viability of the latter and result in largely maintaining the dualistic structure of the Polish meat market, where large- and small-scale enterprises coexist.

Integration-conditioned reorganisation in quality management

Maintaining the dualistic structure in the meat-processing sector

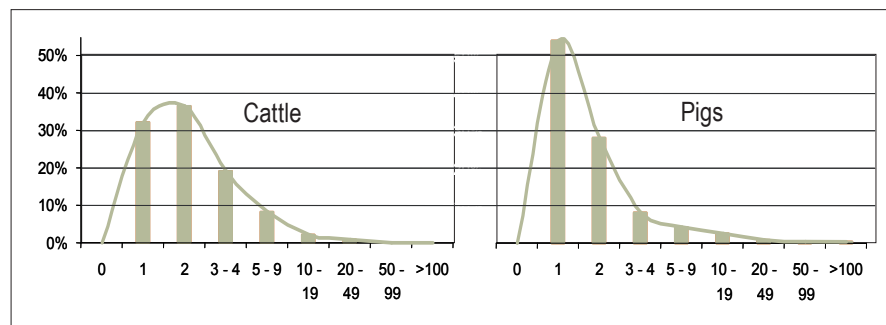
Large-scale enterprises promote vertical coordination in the value-added chain

Fragmentation in animal production impedes cost reduction and quality improvement

Of high priority in each national economy is the augmentation of competitiveness of the national value-added chain through cost reduction and quality improvement. This requires stronger integration of the involved production stages. While large-scale enterprise structures in poultry farming support the development of vertically co-ordinated chains, the fragmentation of cattle and pig production considerably hampers supply chain co-ordination – which holds for most Eastern European countries. In order to reduce exchange complexities, horizontal co-operation or mergers, especially among small- and medium-sized animal producers towards a generation of larger production units, are initially required. Efficiency increases of the whole processing chain will only be possible after this step. Strong fragmentation and a low level of specialisation cause problems, above all, for large meat-processing firms to find raw materials at low transaction costs, in sufficient amount and with adequate quality.

Livestock breeding in Romania and Bulgaria is extremely small-structured, even compared to the most fragmented EU members: Lithuania, Latvia and Poland. In 2002, there were more Romanian enterprises engaged in animal production than in all the other EU members together. The largest group was formed in Romania by subsistence and part-time farms of one to two animals, which was the case in 72 % of pig breeders (1.9 million) and 80 % of cattle breeders (1,1 million). The situation in Bulgaria is similar. Figure 2 shows the structure of Bulgarian animal production.

*Fig. 2
Structure of Bulgarian
animal production in 2004*



Source: Bulgarian Ministry for Agriculture and Forestry, 2005.

Above-average growth in full-time enterprises...

Part-time livestock breeding plays a significant role in Romania and Bulgaria, just as it does in Poland. For many small farmers, particularly in under-developed regions, livestock breeding and milk production are an important basis for maintenance and source of income. However, despite marked fragmentation, a gradual increase in average farm sizes can be observed in all structurally weak countries. Especially in the case of full-time enterprises, there is a general tendency towards forming less but larger units. EU integration is one of the driving

forces behind the dynamic development towards more competitive and sustainable agricultural structures. Due to quota arrangements and adaptation to EU standards, structural change is especially intensive in milk cow breeding. For example, in Poland the market is increasingly cleansed by the exit of small-scale dairy holdings. However, these farms rarely discontinue their production. Rather, they reduce their stock to one cow in order to ensure self-sufficiency. Relatively low incomes in rural areas, rising unemployment, as well as the increasing function of agriculture as a buffer for “redundant” labour forces from other economic sectors all contribute to the persistence of subsistence producers. It can be expected that Romania and Bulgaria will also not undergo any profound structural changes in this group, even though the trend towards enterprises with larger stocks will continue. Since the role of specialised large-scale enterprises is disproportionately increasing, a polarisation in the production structures in the considered countries can already be observed (confer Figure 3).

... and the importance of part-time farms for self-sufficiency...

... bring about polarisation of production structures in countries with developmental backlog.

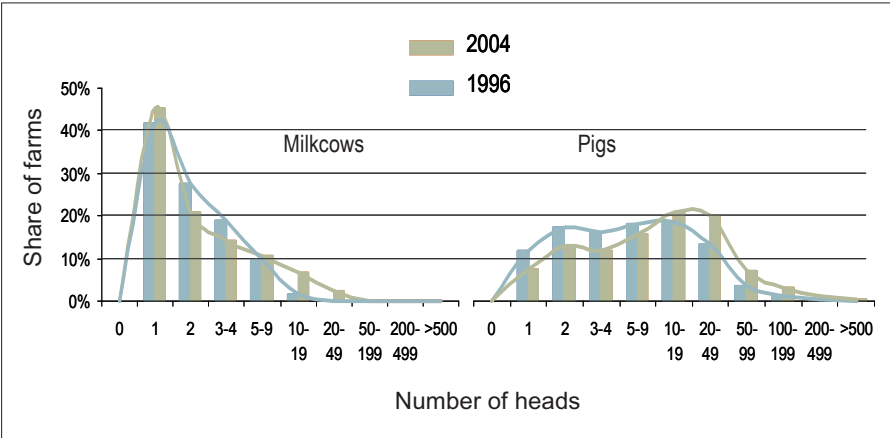


Fig. 3
Structural change in Polish animal production

Source: Statistical Office in Poland, 1997, 2005.

One opportunity for enhancing efficiency in the entire value-added chain in the agri-food sector in the reviewed, structurally-weak regions could be to augment the organisational level at the procurement stage. In this context, farmers can choose forms of collaboration from loose interest groups or producer organisations via networks to cooperatives. In particular, the group of small farmers is characterised by a specific economic and social situation which provides – at least theoretically – the preconditions of the emergence of homogeneous group interests, and thus collective action. However, the preparedness to use these opportunities varies strongly amongst the countries. While there are increasing cooperative efforts

**Strategy for countries
with fragmented agrarian
structures: Bundling
of forces wherever
possible**

in Bulgaria, organisational capabilities in Poland and Romania remain relatively low despite intensifying competition and stepped-up public support for organisational formations.

The behaviour in the two states is largely due to historical aversions to collective action or forced co-operation, with the willingness to collaborate within a cooperative being especially low. Consequently, cooperatives play only a marginal role in Polish and Romanian animal production – there have been hardly any established after the dissolution of their majority at the beginning of transition. Yet new forms of cooperation are gradually emerging: In Romania, e.g. so-called farmers' and family associations are being established, which co-operate in both the production and marketing of the produced raw materials. In Poland, a number of producer associations and organisations is being formed. Generally, a strengthening of these tendencies is expected as, on the one hand, competitive advantages can be gained through cooperative actions, and on the other, this trend is supported by institutional assistance within the EU (SAPARD, structural funds). The development of strong interest groups is a significant prerequisite for the implementation of sustainable development processes in the entire value-added chain for agricultural products.

**Parallels in structural
changes in Poland,
Bulgaria and Romania?**

Compared to the agricultural and food sectors in other member states, Poland, Bulgaria and Romania have several specific features that are rooted both in their histories and the starting conditions of the adjustment process. Due to the high level of fragmentation and the profound modernisation demand in the agri-food sector, parallels can be identified in their structural development pathway. It can be assumed that the dualistic structure in the production and processing of animal products will be largely maintained in all three countries.

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Agricultural markets in Central and Eastern Europe: The effectiveness of the Invisible Hand

HEINRICH HOCKMANN, STEPHAN BROSIG

This article summarises selected findings from the IAMO Forum 2005, which took place from 16-18 June 2005 in Halle (Saale). The subject of the Forum was: "How Effective is the Invisible Hand? Agricultural and Food Markets in Central and Eastern Europe". 140 experts from the worlds of science, business and politics discussed, in addition to individual studies, fundamental problems and perspectives of markets at all levels of the food chain in Central and Eastern Europe. What proved important for all the participants from 25 different countries was the close interlinking of theory and practice in the analysis of the situation and in demonstrating the need for political action.

The collapse of the centrally administered economic system created the need for a totally new organisation of the economic order and economic policy in the former COMECON states. This transition was oriented to a market economy as a system of decentralised coordination of economic activities, as the British philosopher and economist Adam Smith first put it, using the famous metaphor of the "Invisible Hand". The guiding instruments of coordination are relative prices and their fluctuations over the course of time. They function as signals which, like an invisible hand, influence the allocation of resources. Assuming that economic subjects have the possibility of acquiring the return on their activities, the orientation of individual decisions affects the price relations, so that the decentralised actions of individuals are coordinated in a way that results in an efficient use of resources and the greatest possible prosperity.

Adam Smith also pointed out, however, that such an ideal state with perfectly functioning markets can only be achieved if a whole catalogue of external conditions is fulfilled. These do not just include market structures, the quality of the communications and transport infrastructure, and the mobility of production factors and goods, but also the legal system in place and other institutions that determine transaction costs. Economic analyses often ignore institutions. This approach is justified as long as the framework of economic activity corresponds sufficiently with neoclassical economic theory. In a number of transition countries, however, scant regard for the fact that important preconditions for the "perfect" functioning of market institutions were lacking, led to mistakes in economic policy with catastrophic results. An obvious and extreme example of this was the proliferation of barter in Eastern Europe which continued into the 1990s as a reaction to an unsuccessful monetary and banking policy. The widespread substitution of non-monetary transactions for monetary ones clearly demonstrated that the external conditions of Smith's ideal state were far from being achieved.

**Inadequate external
conditions hinder market
efficiency in CEE**

As the creation of market institutions demands the wholesale restructuring of a society, a purely economic analysis cannot adequately capture the complexity of this process. What is needed is a broad look at the interdependence between markets and the socioeconomic context as a whole. Only in this way can the particularities and patterns of national developments, in spite of all fundamental similarities, be identified and analysed, and economic policy recommendations be made which are in tune with the prevailing conditions. This is also the case in Central and Eastern Europe. Comparative, descriptive analyses between individual countries are of particular importance in this regard.

Intense concentration in processing and retail

Even if different strategies suggest themselves from country to country for a market-oriented transition, there are some economic sectors, in which the laws of the free-market create the same pressure to adapt and a similar need for action in economic policy. One can see, for example, that concentration and specialisation in processing and retail have led to a convergence of structures in the food chain for agricultural structures between very different Central and East European Countries (CEEC). This structural change was accompanied by considerable investment by large, often multinational businesses. Concentration in the processing industry was accelerated by the fact that many small enterprises could not make the necessary investments to achieve harmonisation with the product and processing standards of the EU, and therefore had to exit the market.

Negotiating position of small agricultural producers becoming increasingly weak

The development in agriculture itself, on the other hand, was more heterogeneous than in the downstream sector. Although agricultural sectors were also subject to a pronounced structural change, there was scarcely any convergence of production structures between different transition countries. Even within states, such as the Russian Federation, extremely heterogeneous structures exist. The increasing market power of enterprises resulting from the concentration in processing and retail tends to weaken the position of farmers in the food chain. This is particularly true of small farms that cannot produce in sufficient quantities for large processors and dealers. One should also note that markets for carrying out transactions within the food chain are declining in importance, and are increasingly being substituted by more long-term contractual arrangements as an instrument of coordination.

Information asymmetries lead to high costs in many CEEC

Institutions that are reliable and adapted to the current situation help reduce imbalances, but they cannot prevent the emergence of high transaction costs. The main cause of these are pronounced information asymmetries, which exist in many transition countries due to high information costs. Institutions have to take this problem into account in order to be able to function at all. In such conditions, transaction costs are inevitably higher than in a state of full information assumed by neoclassical theory. An institutional framework which corresponded exactly with neoclassical assumptions would be doomed to failure, however, in the conditions prevailing in Central and Eastern Europe. When information asymmetries between economic subjects are so pronounced, there is large scope for opportunistic behaviour. By exploiting information advantages an economic subject will be able to exert "market power" over his

transaction partner. The result is that a large proportion of the return from the transaction will be transferred to the partner who has market power. This also means that the incentive of the other partner to carry out transactions will be reduced. The number of transactions actually completed will then be significantly lower than the number of possible ones. The emergence of properly functioning and active markets will be impeded, if not prevented. This is a problem that the less developed eastern states of Central and Eastern Europe, in particular, have to deal with.

The extent to which this danger exists is partly dependent on the insecurity surrounding the transaction, as well as the frequency of transaction. The specificity of investments is also crucial. Those investments which are adapted to the particular demands of certain transaction partners are labelled highly specific. By being tied to a specific purpose they are pretty much inflexible, and only partly suitable for alternative uses. Greater insecurity and a higher specificity of transactions mean higher transaction costs. The frictions which are caused in such situations can have the consequence that the market does not represent an efficient instrument for the coordination of economic plans. The job is then to choose a form of coordination that makes it possible to reduce transaction costs. The market transaction costs hitherto discussed result from the fact that economic subjects make their decisions only in consideration of their purposes. Correspondingly, a better distribution amongst the transaction partners of the costs and profits of a transaction can mean that, with reduced transaction costs, there is an increase in the number of transactions. In this context, contracts and vertical integration are typically mentioned. These forms of coordination avoid insecurity costs. There are, however, transaction costs to be considered for items such as additional bureaucracy. This also means that the decision over the optimal form of coordination must be seen as an assessment of different types of transaction costs.

This is the context in which one should understand the clearly decreasing importance in the CEEC of markets as an instrument of coordination in the food chain. Increasing concentration and specialisation in processing, as well as a change in consumers' demands regarding food require a considerable level of specific investments at all stages along the food chain. Only with these will it be possible to achieve the necessary production and process quality, volumes of delivery, and reliable logistics. The returns on these investments tend to be higher the more closely the transaction partners coordinate their decisions and achieve the corresponding contractual negotiations over the exchange of goods and production factors.

Besides transaction costs, the choice of coordination form and market outlet for agricultural products is also influenced by the size of agricultural enterprises. Because of their production volumes, large businesses are in a better situation to develop direct trade relations with wholesalers and processors. Even if no formal contract is signed, these relations can last in the long term so long as they prove beneficial for all those involved. With small businesses, particularly where there is a large amount of subsistence production, farmers generally do

**Vertical integration
replaces market
coordination**

**In many CEEC markets
becoming increasingly
insignificant as coordi-
nation mechanism**

Markets at individual stages on the food chain poorly integrated

not have such opportunities. The chief marketing outlets for these producers are local markets or other farmers. A major reason for this is the high collection and transaction costs that central collection would bring.

One cannot judge the efficiency of markets merely by their significance as instruments of coordination in comparison to contractual agreements or vertical integration. An assessment can also be made directly on the basis of market results. Studies to this effect are based on the notion that, in properly functioning markets characterised by competition, changes in supply and demand are reflected in price changes. Such price adjustments should not only be visible in the observed product or factor markets themselves; they should progress to other, interlinked markets. This applies to agents at different stages of the food chain, vertically as well as horizontally, i.e. over space. It is thus to be expected that all participants in a food chain demonstrate corresponding reactions to adjustment. Since the beginning of the transition process, we have seen diverging developments between producer and consumer prices. This suggests that there is only a small degree of integration between markets at different stages of the food chain. For some products there are decreasing processing and marketing margins; for others the margins are increasing. Reasons for this remain unclear, although technological progress, high demands on the degree of processing, wage increases, frequency of market entrance and departure, and market power, amongst others, have been cited as causes for this heterogeneous development. Assuming that these influences have remained relatively constant for the period under examination, the price relations between vertically linked markets can be taken as an indicator of the functioning capacity of the markets.

Market power of processing and retail at the cost of the consumer

IAMO also repeatedly identified and analysed vertical price relations for the different food chains in Central and Eastern Europe. Although one can detect a clear influence of free-market mechanisms on pricing, one cannot exclude frictions in the coordination due to market power and transaction costs. Price adjustments in the food chain are often asymmetrical, therefore. Higher production costs in agriculture and the consequent price increases at the producer level are for the most part passed on to consumers in the form of higher retail prices. If producer prices fall, on the other hand, there is no drop in the consumer prices. Processing and retail benefit far more from a drop in their purchasing prices than from higher market tension. These findings correspond with the hypothesis that concentration in processing and retail allows these stages of the food chain to exert market power. It is hard to judge the extent to which all this equates to a need for action in economic policy. If the efficiency of exchange is used as the only evaluation criterion, one must first seek the reasons for the emergence of business concentration and market power. If it is the result of superior competitiveness of a business, there is a large risk that policy intervention regarding competition will reduce market efficiency. On the other hand, intervention can achieve an improvement in allocation if market power originates from institutional barriers to market entry that are not justified economically.

The transmission of price changes to the different stages of the food chain is also an indicator of whether vertically differentiated markets will return to a balance after initial shocks. With free-market coordination this tendency should not be seen as inevitable. Particularly in phases of high price volatility it was often impossible to identify a mechanism that would have brought a system of prices into a balance. When creating an economic policy, therefore, it is important to consider that price rigidities are not least the result of economic policy intervention in the market. Correspondingly, a change of policy also leads to changes in the equilibrium prices. One cannot exclude the possibility, therefore, that frequent changes in policy will raise the volatility of prices, resulting in a considerable reduction in planning security. It follows that economic policy should be oriented towards guaranteeing long-term stability of the economic and institutional environment. In this way economic subjects gain planning security, which in turn has a positive effect on the efficiency of economic coordination.

Besides developments in existing markets, even 15 years after the beginning of transition there is still the problem that there are no markets for some important areas in several CEEC. It is noticeable that, in some countries, markets for certain agricultural production factors have either simply not evolved, or have only been able to develop marginally until now. This is particularly the case for the land market in the countries of the Commonwealth of Independent States.

The efficient use of land has a great importance for the development of agriculture and rural areas. A land market which enables the transfer of the resource from unprofitable to profitable enterprises must be seen as an absolute prerequisite in this respect. In many countries

Inconsistent state pricing policy undermines planning security

Land markets barely developed in the CIS



Discussion at the IAMO Forum 2004

**Russian land transfer law
hinders buying and selling of land**

of Central and Eastern Europe there is a lot of catching up to do with regard to land transfer – the mobility of this factor between businesses has remained limited until now. This explains why there are enormous differences in land productivity in the CIS countries between enterprises with similar natural conditions. Only about half of agricultural enterprises in Russia, for example, operate at a profit. Why here is there no movement of the land to those farmers who could utilise it in a highly productive way? It should be worth it for the latter to lease additional land at prices that would make it more financially attractive for less efficient businesses to lease out their land than to farm it themselves. What are the reasons that such a transfer towards balance does not take place, that the land market in Russia functions poorly?

The distribution of land has a fundamental influence on the distribution of personal income in rural areas. For this reason land law was, and still is, an extremely relevant socio-political topic. The distribution of land is judged very differently by representatives of differing ideological viewpoints, particularly because there are fears of an unjust or economically “unsound” distribution of property with this factor, and because worries exist about the loss of national sovereignty that could occur if land is sold to foreigners. In spite of different reforms, therefore, a land law has evolved in Russia that considerably hampers the buying and selling of agricultural land. The laws established bureaucratic obstacles which severely restrict the freedom of action of (actual and potential) market participants. The time and money spent in land transactions is very considerable. There are great problems associated with the fact that the majority of property titles issued during the privatisation of state land from 1991 onwards are merely certificates denoting a certain share. This means that they refer to a certain percentage of the land owned by the former state farm, but not a particular piece of land listed in the register. Selling or leasing a piece of land separately from the other shares of the same former state farm thus requires, in addition to the legal processes of property transfer, a large amount of geometrical work. If the owner of the land cannot find the money for this procedure, the legal successor to kolkhoz will remain the only possible user of the land, without competition. The lack of competitors gives it market power and generally means that it receives the land for a relatively low lease price. Likewise, the very low price that the owners, for the same reason, can get for selling their shares makes this option unattractive to them, too, and thus reduces activity on the land market.

**Subsistence farming
limits availability of
agricultural land**

Apart from these bureaucratic obstacles to buying and selling land, the late development of the land market can also be explained by a long period of legal insecurity. The regulations associated with land ownership have only been clearly defined since a law relating to land trading came into force in 2003. Amongst other things, this new land law still limits the right to private sale, however; it generally provides for a preferential entitlement of the state to buy land, as well as a ban on the purchase of land by foreigners. Issues of social security, for many Russian families, play an important role in the decision not to sell their land, or to



Participants at the IAMO Forum

lease it out long term. During the crisis of transition, which in many rural areas has taken the form of an economic collapse, only a family's own land plot offers the assurance of being able to translate their work into the production of food. Even if labour and land productivity are comparatively low, this security holds families back from selling their land. In this way the amount of available land, and thus land market activity, remain low.

A key reason for the stagnation of the land market is the deep-seated reservation of the Russian people regarding the private ownership of land. Experts on the Russian situation interpret this as a relic of Communist ideology with its reservations towards the private ownership of production factors. On the one hand this attitude exacerbated the resistance of individuals to buy or sell land; on the other it was a key reason for the fact that it took more than a decade to issue a law on trading land in Russia.

Reservations against private land ownership still widespread

In the case of the Russian land market the invisible hand has had relatively little effect until now. The main reasons for this have been the hesitant introduction of a clear legal framework and unnecessarily stiff bureaucratic hurdles that complicate the exchange of land between persons. The retention of land ownership for reasons of social security would gradually decline, if other systems of security or income opportunities arose and could be used as an alternative to land ownership. Although state initiatives and regulations in the area of security systems could be helpful, ultimately a broad economic development is necessary to overcome the stagnation in the development of the land market.

Further literature

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Russia on an Upturn: Yes, But...?

PETER VOIGT

For about six years Russia's economy has been in a pronounced period of growth, with the gross domestic product growing at rates of up to ten percent. As this has coincided with President Putin's tenure, he was soon made out to be the father of the upturn. There are, however, an increasing number of people who give Putin's government relatively little credit for the upturn, in view of, for example, the favourable price development for Russia of the international markets for raw materials (especially for crude oil and gas). These voices instead criticise Putin for having missed a historic chance of substantially restructuring the economy and the state given the current budget surpluses, some of which have been enormous. Looking at the current economic upturn in Russia, and its consequences, the following question arises: To what extent can this be explained by the expected economic recovery after a decade of decline? Or are the most recent rates of growth mainly a result of external influences, such as a favourable development in oil prices, and so neither long-lasting and an inevitable consequence of transition (first downturn then upturn), nor "home-made" in the sense of successful government action?

The analytical basis of this paper is provided by the findings of an IAMO study on the transition process in Russia and a number of investigations that have expanded on this. The development of productivity and efficiency in the Russian economy have been used to approximate the progress in transition as, in theory, these ought to develop positively during the crossover from planned economy to market economy. In this respect the change in the total factor productivity (TFP) corresponds to the general development of economic productivity, while the change in technological efficiency (TE) corresponds indirectly to successes in the progress of transition (removing the causes of inefficiencies created by the planned economy). The orientation of technological change shows, moreover, long-term economic potential. The following diagram illustrates some selected results. In the diagram, industry and agriculture are represented separately so as to show the extent to which the current Russian upturn is a uniform trend affecting the economy as a whole. In fact there are clear differences between industry and agriculture, both in the general trend and with regard to regional patterns at the district level. This highlights the low degree of sectoral integration of agriculture in the Russian national economy, and also reveals – already at the sectoral level – that Russia's overall economic growth rates are not based on a homogeneous upward trend.

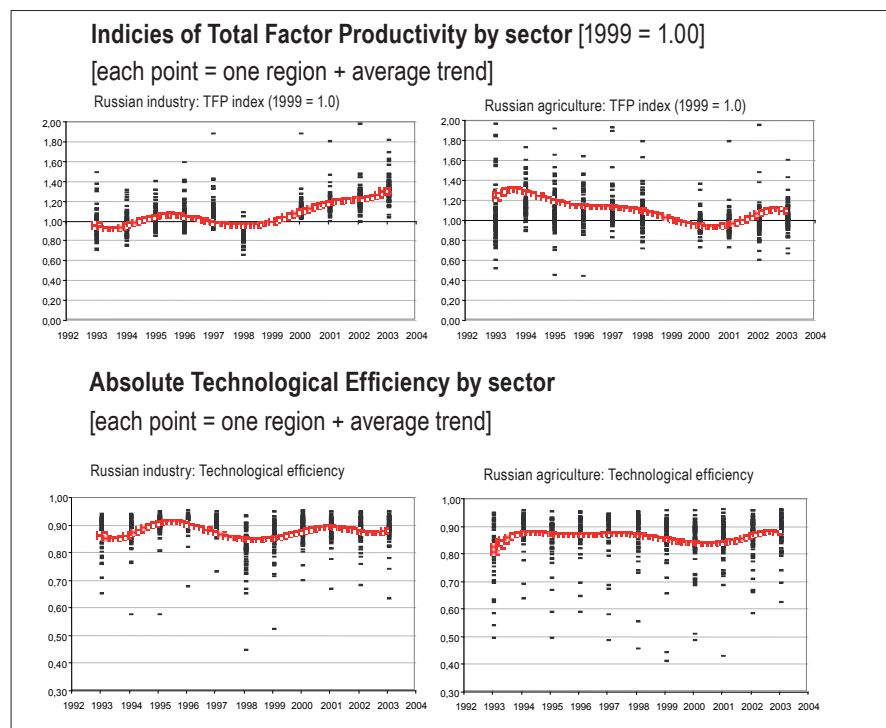
Putin's tenure: Cause for praise or criticism?

Russia's current economic growth: What is behind it?

Progress in transition: How can it be measured empirically?

Sectoral differences, little integration

Fig. 1
The progress of transition:
Stylised phases



Source: Own calculations and data based on sectoral stochastic frontier models.

Agriculture uncoupled from upturn?

The sectoral TFP trends represented in the diagram reflect in their dispersion the short-term effects of TE changes and of economies of scale; in their direction they reflect the short-term effects of technological change (positive or negative). For industry at least, it is possible to define separate, stylised phases of transition: First productivity and TE developed negatively, triggered, on the face of it, by transition-related adjustment shocks. This was followed by a phase of increasing values, driven by the effects of liberalisation, but in the course of time more than offset by hyperinflation and demonetisation of the economy which, because of the increasing incidence of barter and currency crisis, led to renewed decreases. Since 1999 the TFP of Russian industry, at least, has been rising again. At the outset that was probably due, in the main, to "Window of Opportunity" effects; later to technological progress as well. By contrast, agriculture showed a downwards TFP trend until 2000. Although this was reversed afterwards, it has remained behind the growth rates and evident pattern of industry.

What can be inferred from the current growth path? An economic upturn produced by the effects of transition would have to show similarly increasing TFP and TE values. Yet neither in industry nor in agriculture has there been a lasting increase in the average TE value. The reversal of the TFP trend is far more due to positive economies of scale as well as to technological progress. The latter should be welcomed unequivocally, and can be adjudged a part success of the Russian government, which was clearly successful in creating the necessary environment for it to occur. Unfortunately, it is also an indication that the current overall economic growth in Russia has not been produced by significant progress in the actual process of transition (see TE trend), at least not until now.

Besides sectoral differences there is also considerable regional disparity. Clearly some districts were able to achieve development levels well above the Russian trend. Examples of this can be seen in the agricultural TFP in Astrakhan, Belgorod, Kirov, Mordovia and Rostov-on-the-Don (all more than 20 % above the overall Russian trend 1993-2003). Others, on the other hand, were significantly below average, e.g. Murmansk, Kamchatka and Sakhalin. The individual development paths are also very varied. For instance, some regions like Moscow, which already in 1993 was above the Russian average, were able to increase their figures even further. Others, such as Kamchatka and Sakhalin, kept their TE value constantly at an average level, but suffered from a substantially negative technical change, which led to slumps in TFP. Others again, like Belgorod, increased TFP by a (recovery) rise in TE. In this respect it is almost impossible to establish trend patterns that are generally applicable. Instead one sees growing disparity, and occasionally even disparity between the regions. Thus, if one compares the regional per capita gross product (normalised to the Russian average) for both industry and agriculture to the corresponding annual TFP rates of change, then one finds no significant relation for regions with above-average productivity. For marginal regions, on the other hand, there is a clear tendency towards under-proportional TFP change. This suggests that well-developed regions tend to maintain their position or to develop further, while "stragglers" – in a regional comparison – stagnate or (as is particularly the case with agriculture) fall further back. Especially with regard to regional integration in Russia, this appears to be an alarming phenomenon.

This regional disparity, along with the recognition that those regions cited as positive or negative examples for trends in agriculture predominantly follow the same patterns in industry, suggests that it is primarily the particular environment at a regional level that determines the progress of transition. By comparison the role of central government is minimal, while the supply or global market price of certain raw materials probably have only a limited effect.

On the other hand the positive regional examples, in particular, imply that the general framework conditions set by Moscow for regional development and individual accomplishment of the transition process – whatever might have been stated to the contrary – did not inevitably

Interim success for Putin, but transition process not yet complete

Positive and negative examples at the regional level

Evidently no clear trend; instead disparity and increasing divergence

Upturn not for all; tendency for marginal regions to fall further back

Determinants of regional disparity: Different individual environments

Need for action and policies? Who is being addressed?

have to be accompanied by institutional barriers and corresponding economic decline. Rather, the key to individual success in the transition process seems to be at the regional or local level. The disparity between the regions highlights the fact that the influence of central government on shaping regional transition processes may well have been comparatively slight. First, this puts Putin's contribution to the upturn into context, and second, it is a further indication that Russia as a whole – given the many regions with under-average or even negative development trends – is still some way away from a successful completion of the transition process.

This throws up the question of whether political action is needed and who should be its corresponding beneficiaries. In the analysis outlined at the beginning of this paper, this question was examined for the year 2000. It was possible to identify a number of factors leading to the success of regional transition, such as the status/thoroughness of reform, degree of regional openness, human capital etc., from which one can directly conclude that the need for policy is overwhelmingly at the regional level. On the other hand there were only some instances where there was a need for direct action by central government, most obviously with regard to those aspects providing a general framework (integration, balancing between regions, ...). It is conceivable that a "homemade" genesis of the Russian growth process, as outlined in the introduction, in which an economic upturn was based chiefly on successful government action combined with induced free-market stimuli, would be the engine of current growth. However, this upturn would have had to have been started at the local and regional, rather than central level.



Billboard

There is no doubt that since 2000 a lot of legal regulations in Russia have been reworked, and some laws have been introduced that give direction. This has clearly contributed to the general economic stabilisation and can thus be seen as essential for the current growth path. Changes include the introduction of land markets, the attempt to reform federalism with the aim of greater regional cohesion, and the reduction in asymmetries of status between regions within the federation. To this end the framework for regional development marked out by Moscow has been expanded. Nevertheless it has had little effect on the bottlenecks of political reform at a regional level, which have been identified as decisive for the current progress of transition. Since 2000 little has changed in this respect. At best, therefore, Putin's government was able to create conditions necessary for sustainable upward trends, but these were not sufficient on their own. Such an assessment is not intended to belittle the interim successes, but to put them in context.

Overall one can conclude, therefore, that Russia's current growth has not really resulted from general progress in transition on a broad basis, or from substantial political reform, but is largely due to the fact that, in times of increasing global demand for raw materials, Russia possesses huge supplies and the opportunities for exploiting these. The economy as a whole can be driven by an economic revival in the energy sector. In this respect, the potential for growth that would result from real progress in transition – this 20 years after the beginning of glasnost and perestroika and in the 15th year of the Russian Federation's existence – has not yet been exhausted.

If the expected positive effects of transition in progress actually occur in (hopefully) the near future, a sustainable growth path could be established which would exceed the growth rates that are currently determined by economic trends. As the current developments in the global market for raw materials, which are so favourable for Russia, might at some point be reversed again, there is an urgent need to accelerate the transition process. Russia's current budget situation offers a certain scope for policy.

A very general point to make about the progress of transition is that it has two dimensions; that is to say there is a parallel restructuring of economy and society. In spite of all regional responsibility for the respective development paths, therefore, there is also an increasing need – made recently more urgent – for the central government to act, as Russia is currently on an unpromising course towards democratisation and establishing the rule of law. Although a certain political and economic stability has taken hold under Putin, it is also true that authoritarian power structures and the concentration of power in the presidency have been reinforced, freedom of the media and press have been gradually restricted, and justice is being again/further instrumentalised for political purposes, as the Kodorkovsky case made quite plain. Even those undertakings hitherto cited as positive, e.g. the reform of federalism, appear from time to time not to go far enough, or to be insufficiently targeted

Stimuli from progress within the federal framework

Problems and stagnation at regional level not overcome

Engine of growth runs on oil and gas: Effects of economic trends rather than political or transition success

Call for reform: There is scope for it, so the time is right

Need for action at all administrative levels

Russia on an upturn; why say 'but'

Which direction is Russia heading in: The key question...

in their implementation. An example of this is the appointment of regional governors, which is now the responsibility of the president. The fact that the governors are no longer given a direct mandate by the electorate sits uncomfortably together with, and can hardly be justified by, a democratisation process. This is true even if, on the other hand, there has been an emphasis on the importance of the regional level for progress in transition. Whether Russia will develop all this further in the future, and whether the positive effects of transition noted above will actually occur, depends not least on what happens in Moscow. In this respect President Putin has a considerable influence on Russia's current development path, even if it is an indirect one.

With regard to the title of this paper – “Russia on an Upturn: Yes, But...?” – it must be stated that the BUT does not refer to the upturn itself, but to the aforementioned cause of current growth. Clearly, this is neither due to extensive successes in the transition process, nor to a stimulus provided by specific government activity. Instead, it appears that short-term economic effects in the raw materials and particularly the energy sector are responsible for the current economic upturn. Consequently, Russia has not yet exhausted its actual potential for growth. Gaidar goes even further, describing the current upturn as “recovery growth”. He argues that the decline and recovery of the Russian economy during the course of transition are a single inseparable process, whose potential for further continual growth he sees as largely exhausted. Even if the prospects for Russia's growth appear somewhat bleaker from this viewpoint, it only underlines the importance of substantial progress in the transition process.



View of Moscow

The question mark in the title of this paper refers to the issues of whether the current opportunities for a wave of reforms will actually be exploited, and whether sustainable impulses for growth of the Russian economy will result from this. These opportunities exist thanks to the high market prices for raw materials; the federal budget has surpluses and Russia is consequently in a very advantageous position. An answer to the question is yet to be found. If Russia could exploit its own growth potential, one might expect growth rates to continue at the current level, or even higher, over a longer period of time. Perhaps then a future article, looking back at 20 or more years of the transition process in Russia, might add some "phases of transition" to the ones outlined above. And why might it not mention a prospering economy with rising trends which perhaps could be called the Putin era?

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Further literature



IAMO building

IAMO – A brief portrait

Since 1994 IAMO has been monitoring, and giving advice on, the development of the agricultural and food economy in the countries of Central and Eastern Europe. Since its foundation it has belonged to the “Leibniz Gemeinschaft” as a non-university research centre. For this reason it is now called the Leibniz Institute for Agricultural Development in Central and Eastern Europe. IAMO works closely together with the Martin Luther University Halle-Wittenberg, particularly with the Faculty of Agriculture. IAMO’s aim is to establish a scientifically founded knowledge base for successful development, both economically and socially, in the former socialist countries of Central and Eastern Europe. In its work IAMO focuses on the agricultural and food sector and the development of rural areas.

In most of the countries of Central and Eastern Europe, the agricultural and food sector retains a high economic and social importance. In spite of great efforts and many successes, transition has only been partly achieved. Given the lack of alternative employment opportunities and failing social security systems, agriculture quite frequently serves as a “net” for labour released from all sectors of the economy. The result of this is extensive subsistence farming. The development of competitive structures is blocked. In Central and Eastern Europe we are witnessing an increasing development gap between successful and stagnating regions, between and within individual countries. The eastern states, for example, have only partially been able to fulfil their agricultural potential. Many rural areas are afflicted by marginalisation, which leads to poverty, flight from the land and an ageing population. It is necessary, therefore, to deal with the effects of transition in all areas of the economy and society, paying consideration to the particular significance of the agricultural and food sector – especially regarding the development of rural areas – so that it can receive targeted support. Measures to develop rural areas must extend beyond agriculture, however, and create job opportunities in other sectors.

At the same time, the global challenges of competition, environmental protection and technological progress, which are emerging as a result of international processes of political and economic integration, are becoming ever more important for the states of Central and Eastern Europe, as well as the transition countries to the east. The agricultural and food economy, and the politics of the expanding EU are also affected directly by these developments. The structural change needed to survive in the enlarged market and the implementation of the complex Common Agricultural Policy represent a great challenge to the new member states of the EU and the candidate countries. With IAMO’s new mission statement, the geographical framework of research is expanding. IAMO is concerned with the agricultural development – currently marked by fundamental change, structural change,

IAMO’s aims and core tasks in a changed environment

The agricultural and food sector in the process of transition and development

and considerable economic and social imbalance – of the expanded EU, candidate countries and the transition countries of Central and Eastern Asia. The expansion of the EU increases the dynamism of agricultural development in those countries preparing for accession, or those who have already joined, as well as in the old Union itself. The great complexity and interconnection of the processes of change and transition in the global regions listed above demands a large amount of research.

Besides research, IAMO is intensively involved in the education and training of students from Germany and around the world. IAMO also sees itself as a forum for debate and a source of information on issues relating to the agricultural and food sector in the regions noted above. For this reason the Institute promotes the development of networks within the academic community both at home and abroad.

Institutional structure

IAMO is a public foundation. It is made up of the board of trustees, the directorate and the scientific advisory board. Executive director of IAMO is Prof. Dr Alfons Balmann. In order to be able to cover a broad spectrum of areas of agro-economic research, the Institute is divided into three academic departments:

- External Environment for Agriculture and Policy Analysis; *head of department is Prof. Dr Gertrud Buchenrieder (née Schrieder),*
- Agricultural Markets, Marketing and World Agricultural Trade; *head of department is Prof. Dr Thomas Glaben,*
- Structural Development of Farms and Rural Areas; *head of department is Prof. Dr Alfons Balmann.*

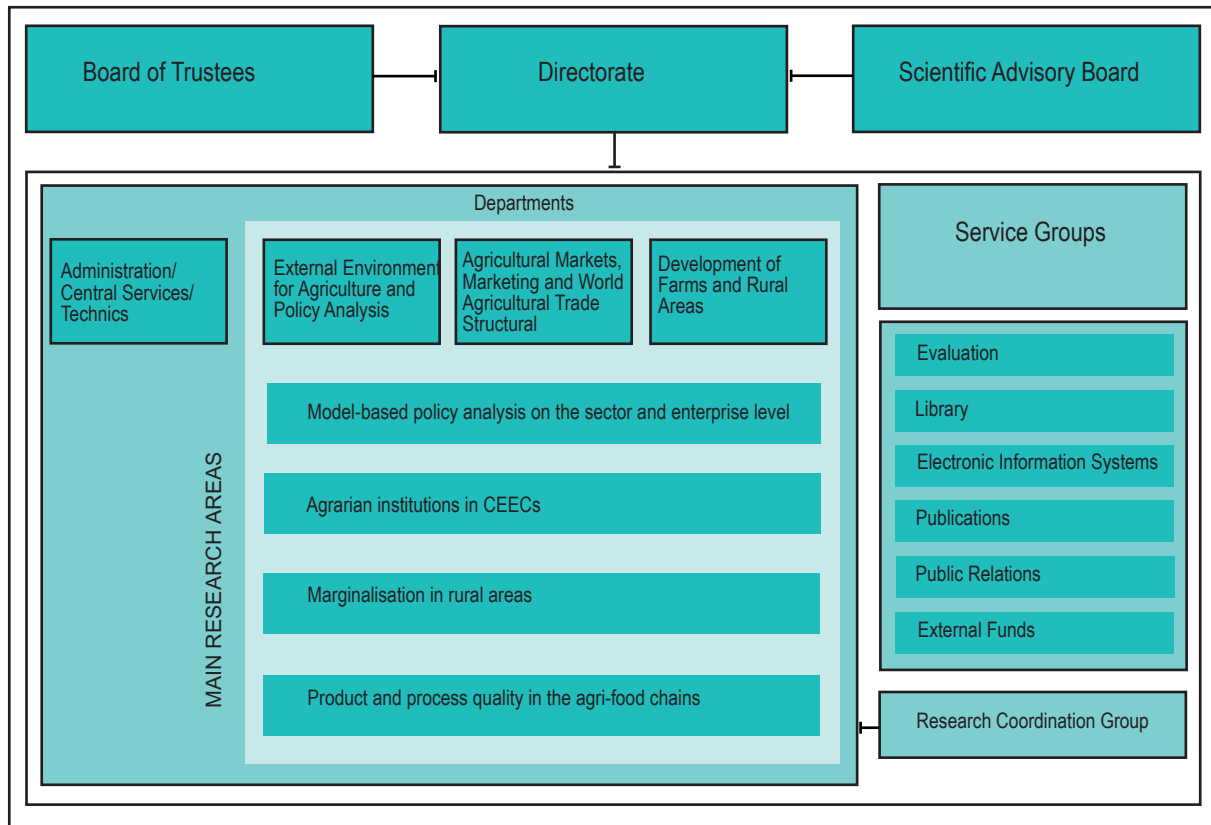
The executive director, the heads of the academic departments, and the head of the department of

- Administration and Central Services, *Hannelore Zerjeski,*

form the directorate of the Institute. In co-ordination with the board of trustees, this collegiate body manages the Institute's business and directs the long-term research and development planning of IAMO. The scientific advisory board advises the directorate and the board of trustees on academic matters and carries out a regular evaluation of the Institute's work.

As of 1/1/2006, the following individuals were members of the board of trustees: MinDirig. Dr Joachim Welz (Chairman; Ministry of Education and Cultural Affairs of the state of Saxony-Anhalt), Dr Hermann Otto Aeikens (Vice-chairman; Ministry of Agriculture and the Environment of the state of Saxony-Anhalt), MinDirig. Dr Jörg Wendisch (German Ministry of Consumer Protection, Food and Agriculture), MinDirig. Dr Manfred Lückemeyer (German Ministry of Consumer Protection, Food and Agriculture), Prof. Dr Stephan von Cramon-Taubadel (Georg August University Göttingen), Prof. Dr Peter Michael Schmitz (Justus Liebig University Gießen), Prof. Dr Hans-Joachim Solms (Martin Luther University Halle-Wittenberg), and Dr Franz-Georg von Busse (CEO of LEMKEN GmbH & Co. KG).

Organisation chart of the Leibniz Institute of Agricultural Development in Central and Eastern Europe



The research centre at Halle (Saale)

Cooperation with university institutions

As of 1/1/2006, the following were members of the scientific advisory board: Prof. Dr Stephan von Cramon-Taubadel (Chairman; Georg August University Göttingen), Prof. Dr Peter Michael Schmitz (Vice-chairman; Justus Liebig University Gießen), Prof. Dr Heinz Ahrens (Martin Luther University Halle-Wittenberg), Prof. Dr Ernst Berg (Rhineland Friedrich Wilhelm University Bonn), Dr Tomáš Doucha (Research Institute for Agro-economics VÚZE, Prague), Prof. Dr Konrad Hagedorn (Humboldt University in Berlin), Prof. Dr Michael Kirk (Philipps University Marburg), Prof. Dr Ewa Rabinowicz (Swedish Institute for Food and Agricultural Economics SLI, Lund, Sweden), Prof. Dr Eugenia Serova, (Institute for Transition Economics IET, Moscow, Russia).

Site of one of the great traditional German universities, Halle has a long and fruitful tradition in almost all areas of science. The institutes of the Martin Luther University, the non-university Max Planck, Fraunhofer, Leibniz and Helmholtz institutes, in addition to numerous younger ventures undertaking research projects in the science and innovation park, create a good basis for a network of training, research and practice. IAMO is part of the complex of scientific activity and expertise that has developed here.

IAMO's work is closely tied up with the agricultural faculty of the Martin Luther University Halle-Wittenberg (MLU), specifically with the Institute of Agricultural Economics and Regional Planning. The heads of IAMO's academic departments take part in MLU's teaching and committee work. Individual connections also strengthen the links between MLU and IAMO: Prof. Dr Heinz Ahrens from the Institute of Agricultural Economics and Regional Planning is a member of the scientific advisory board, while Prorektor Prof. Dr Hans-Joachim Solms is a member of the board of trustees. Last year a DFG application for a graduate lecture course "Agriculture without Subsidies" was submitted by IAMO in collaboration with seven professors from three institutes.

IAMO also works closely with faculties of agriculture and economic sciences from other universities, particularly those in Berlin, Bonn, Hohenheim and Göttingen. We have a large number of links with agro-economic chairs and institutes at agricultural colleges and universities in Central and Eastern Europe. These include: In Poland, the Agricultural University of Warsaw; in Russia, the Timiryazev Academy in Moscow; in Ukraine, the National Agricultural University of the Ukraine (NAUU) in Kiev, and the National University "Kyiv Mohyla Academy" in Kiev; in Kazakhstan, the Agricultural University in Astana; in Belarus, the Agricultural University in Grodno; in Slovakia, the Agricultural University of Nitra; in Hungary, the Corvinus University in Budapest, and Gödöllő Agricultural University; in Bulgaria, the University of National and Global Economics in Sofia. IAMO also exchanges a wide range of scientific information with Imperial College at Wye (Great Britain), the Institute for Agro-economics at the Catholic University in Leuven, Belgium, and Wageningen University in the Netherlands. In the USA there are also close contacts with Pennsylvania State University and the University of Wisconsin in Madison.

The numerous contacts with non-university institutions are also very important for IAMO's work. We work together with the Institute of Farm Economics, of Rural Studies and the Institute of Market Analysis and Agricultural Trade Policy (MA) at the Federal Agricultural Research Centre (FAL) in Brunswick-Völkenrode, the Leibnitz Centre for Agricultural Landscape and Land Use Research (ZALF) in Müncheberg, the Max Planck Institute for Social Anthropology in Halle, and the Institute for Regional Geography (IfL) in Leipzig. There are close relations with many non-university research institutions in Central and Eastern Europe. Of note here are: In the Czech Republic, the Research Institute for Agro-economics in Prague (VÚZE); in Slovakia, the Research Institute for Agricultural and Food Economics in Bratislava (VÚEPP); in Hungary, the Research and Information Institute for Agricultural Economics in Budapest (AKI); in Russia, the Pan-Russian Institute for Agricultural Problems and Computer Science; in Ukraine, the Institute for Agro-economics at the Academy of Agricultural Sciences, and the Research Institute for Statistics in Kiev; and in Kazakhstan, the Research Institute for Agribusiness and Rural Development in Almaty. IAMO's partners in Western and Northern Europe are: In France, the National Research Institute for Agriculture (INRA) in Rennes, and the State Engineering College for Agricultural Sciences in Paris-Grignon (INA-PG); in Ireland, the Ashdown Food Research Centre; in Austria, the Austrian Federal Institute of Agro-economics in Vienna; in Sweden, the Swedish Institute of Agricultural Economics (SLI) in Lund; and in Denmark, the Danish Institute of Agricultural Sciences, Tjele.

IAMO's strong integration into the German academic community of agricultural economics is also underlined by the fact that, in October 2005, Dr Peter Weingarten was appointed executive director of the Society of Economic and Social Sciences in Farming (GEWISOLA). Accommodating the headquarters of the GEWISOLA offices, IAMO now has an important function in building and strengthening networks within agricultural economics in Germany.

From 29 August to 17 September 2005, the fourth summer school took place on the topic "Agriculture in the Transition Process". It served as an advanced course for the participants of the summer school in Kiev in July 2002 on the same topic. In 2003 and 2004 the school took place in Chisinau (Moldavia) and Minsk (Belarus). The summer school was organised jointly by staff from the Institute for Agricultural Economics and Regional Planning (IAA) of the agricultural faculty at the Martin Luther University Halle-Wittenberg, and from IAMO, with financial support from the DAAD (German Academic Exchange Service). As in previous years, Prof. Dr Michael Grings and Dr Jürgen Wandel (IAA) were in charge of the event. On the Ukrainian side, the National University of the Ukraine in Kiev (NAUU) provided helpful logistical support. In total, 19 young managers from the agricultural and food sector, agricultural administration and agricultural colleges took part in the seminars which concentrated on the subjects of the "Marketing of Agricultural Products" and the "Development of Rural Areas". Professors Ahrens, Grings, Tillack and Wagner, as well as

Cooperation with non-university institutions

**Dr Peter Weingarten
executive director of
GEWISOLA**

**Summer school
"Agriculture in the
Transition Process"**

Supporting young academics

GEWISOLA prize for best dissertation won by IAMO member of staff



Dr Kathrin Happe

*Start of PhD course:
"Agricultural economics"*

Doctors Wandel and Weingarten were responsible for the teaching. In view of the positive experiences of the past three years, we intend to run the summer school on "Agriculture in the Transition Process" again in 2006.

One of the three core tasks of IAMO is to help develop the next generation of academics. In particular, the Institute supports the study for doctoral and post-doctoral degrees. Many dissertations are supervised at IAMO. Several members of staff are writing their post-doctoral decrees. Last year an IAMO member of staff successfully defended her thesis. Kirsti Dautzenberg's thesis title was:

"Factors of success for agricultural enterprises with crop cultivation in Saxony-Anhalt – An empirical analysis."

For her dissertation "Structural, efficiency and income effects of agricultural prices – An agent based analysis of the region of Hohenlohe in Southwest Germany", Dr Kathrin Happe, an IAMO member of staff, received the annual prize for distinguished academic achievement by a young academic from the Society of Economic and Social Sciences in Farming (GEWISOLA). The chairman of GEWISOLA, Prof. Dr Dr h.c. Dieter Kirschke, noted in particular the work's contribution to the further development and application of agent-based modelling, a new branch of agro-economic research.

As part of its educational programme, IAMO holds a regular seminar for doctoral students together with the Institute of Agricultural Economics and Regional Planning at the Martin Luther University, Halle-Wittenberg. The seminar serves as a forum for discussing research questions, methodological approaches and results. The agricultural economics coffee gatherings at IAMO also provide the opportunity to discuss early, often provisional findings.

From 11 to 13 July 2005 IAMO held the third doctoral and postdoctoral workshop on agricultural development in Central and Eastern Europe. The workshop, organised by Dr Martin Petrick and Dr Jarmilla Curtiss, gave 15 doctoral and postdoctoral students of different nationalities from seven research institutions in German-speaking countries the opportunity to present their projects to an audience of about 25 academics. The range of topics included questions of rural development, analyses of agricultural trade, and agricultural management. Participants particularly welcomed the chance for a substantial formal and informal discussion of their own research plans – an opportunity which rarely arises – and the high quality of the papers.

2005 saw the start of the doctoral study course devised together by agro-economic institutes of several German universities, the German Research Institute for Agriculture (FAL) and IAMO. The PhD course "Agricultural economics" offers the first structured programme to complement the research of doctoral students of agricultural and food economics in Germany. The systematic teaching of fundamental theory and method should further increase the

quality of education and the students' efficiency in working on dissertation topics. PhD study forms the third stage of a consecutive programme of study, following Bachelor's and Master's degrees in agriculture, food and the environment. The doctoral study course will be run jointly by the Agricultural and Food Economics Faculty of the Christian Albrecht University in Kiel, the Faculty of Agriculture and Horticulture at the Humboldt University in Berlin, the Leibniz Institute of Agricultural Development in Central and Eastern Europe, Halle, the Agricultural Faculty at the Martin Luther University Halle-Wittenberg, the Faculty of Agricultural Sciences at the Georg August University in Göttingen, and the German Federal Ministry of Agriculture (FAL), Agro-economic department, Brunswick. The PhD course is based on a modular system. Professors and staff at IAMO are organising the following modules: Efficiency and Productivity Analysis I and II, Household Behaviour, Applied Industrial Organisation and Agent-based Modelling.

Support for young academics is not limited to doctoral students. Two postdoctoral students at IAMO are currently on long research and teaching visits in Ukraine and the USA. Dr Alexej Lissitsa is working for 6 months on a project financed by the DFG and BMELV – a theoretical and empirical examination of the competitiveness of Ukrainian businesses. The visit is tied to a job teaching “Efficiency and Growth in Agriculture of Transition Countries” as part of the “Master of Business Administration in Agriculture” course at the National Agricultural University of the Ukraine in Kiev. Dr Martin Pendrick received a ten-month research grant from the DFG to carry out research into methodological problems of evaluating policies for development of rural areas as a Visiting Scholar at the Department of Agricultural and Applied Economics at the University of Wisconsin in Madison (USA). Central to this work are concepts of measuring and evaluating the efficiency of institutional regulations in rural areas, so that an understanding of institutional economics can be made useful for applied policy problems. First it looks at how a theory design expanded to include institutional aspects does not only permit better explanations of economic phenomena, but also can feed normative recommendations into policy discourse. Second, it investigates which econometric methods are suitable and necessary to empirically underpin analyses of institutional economics.

In July 2005 Dr Peter Weingarten was offered a professorship for “Agricultural policy and market theory” at Weihenstephan College. He decided to continue his work at IAMO and so declined the offer.

Our links with other research institutes were also strengthened in 2005 by a large number of study visits made by foreign academics. The following guests worked at IAMO:

O. Perekhoshuk, National Agricultural University of the Ukraine, Kiev, Ukraine,
01.01.-30.09.2005

M. Ramanovich, Institute of Agricultural Economics, Minsk, Belarus,
03.01.-22.08.2005

Supervision of postdocs at IAMO

Visiting academics at IAMO

M. de Vegt, Dortmund University, Information Technology Department, Dortmund,
03.01.-07.01.2005

Y. Yahshilikov, private scholar, Samarkand, Uzbekistan,
05.01.-04.04.2007

P. Liubetski, Belarus State Agricultural Academy, Faculty of Business and Law,
Gorki, Belarus,
7.01.-30.03.2005

E. Karmambaev, Hohenheim University, Hohenheim,
01.02.-04.02.2005 and 30.05.-01.06.2005

Dr S. Parkhomenko, National Agricultural University of the Ukraine, Kiev, Ukraine,
1.02.-30.09.2005

V. Melnychuk, National Agricultural University of the Ukraine, Kiev, Ukraine,
07.02.-30.04.2005

B. Bota, Astana Agricultural University, Astana, Kazakhstan,
20.02.-03.04.2005

Dr S. Rungsuriyawiboon, Chiang Mai University, Chang Mai City, Thailand,
01.03.-31.05.2005

Dr O. Luka, National Agricultural University of the Ukraine, Kiev, Ukraine,
12.03.-23.04.2005 and 23.07.-30.08.2005

V. Anpilogova, Agricultural Timiryazev Academy, Moscow, Russia,
12.03.-12.06.2005 and 19.11.-24.12.2005

L. Brinzan, Banat's University of Agricultural Sciences, Faculty of Agricultural
Management, Timisoara, Romania,
20.03.-30.05.2005

Prof. Dr T. Kussaiynov, Astana Agricultural University, Astana, Kazakhstan,
20.03.-03.04.2005

Dr I. Vinogradova, University of Consumer Cooperation, Faculty of International
Cooperative Movement, Moscow, Russia,
01.04.-01.07.2005

N. Zinych, Institute of Business, National Agricultural University of the Ukraine,
Kiev, Ukraine,
01.04.2005-30.03.2006

A. Lobianco, Ancona University, Ancona, Italy,
08.04.-22.04.2005

T. Gagalyuk, National Agricultural University of the Ukraine, Kiev, Ukraine,
11.04.-31.08.2005

Prof. Dr M. Bülbül, Ankara University, Disapi/Ankara, Turkey,
19.04.-21.04.2005

Dr V. Ossipov, Russian Institute of Agrarian Problems and Informatics (VIPI),
Moscow, Russia,
09.05.-31.07.2005

O. Kovtoun, National Agricultural University of the Ukraine, Kiev, Ukraine,
15.05.-27.05.2005

J. Pencáková, Research Institute of Agricultural Economics (VÚZE), Prague,
Czech Republic,
01.06.-15.07.2005 and 26.09.-05.10.2005

Dr A. Kobzev, International Finance Corporation, Agribusiness Development Project,
Kiev, Ukraine,
05.06.-19.06.2005

Dr N. Svetlov, Agricultural Timiryazev Academy, Moscow, Russia,
09.06.-18.06.2005

Z. Bakucs, Hungarian Academy of Sciences, Institute of Economics, Budapest,
Hungary,
15.06.-25.06.2005

Dr I. Fertő, Hungarian Academy of Sciences, Institute of Economics, Budapest,
Hungary,
15.06.-25.06.2005

M. Muntyan, National Shevtshenko University, Institute of International Relations,
Kiev, Ukraine,
01.07.-31.08.2005

I. Dzehtsiarevich, Grodno State Agricultural University, Grodno, Belarus,
03.07.-16.07.2005

E. Vöneki, Research and Information Institute for Agricultural Economics (AKI),
Budapest, Hungary,
15.07.-17.09.2005

Dr M. Rizow, Institute for International Integration Studies, Trinity College, Dublin, Ireland,
28.07.-30.07.2005

A. Mykhaylov, National Agricultural University Sumy, Sumy, Ukraine,
03.08.-31.08.2005

Dr M. Brady, Swedish Institute of Agriculture and Food Economics (SLI), Lund, Sweden,
05.09.-09.09.2005

Prof. Dr J. Loy, Christian Albrecht University in Kiel, Kiel,
28.09.-05.10.2005

Dr J. Meyer, private scholar, Neuenkirchen,
03.10.-05.10.2005

E. Epelstejn, Institute of Agriculture, Department of Agricultural Economics and
Management, Perm, Russia,
04.10.2005-31.07.2006

Dr A. Takun, Institute of Agricultural Economics of the National Academy of Sciences,
Minsk, Belarus,
07.10.-31.12.2005

T. Medonos, Research Institute of Agricultural Economics (VÚZE), Prague,
Czech Republic,
17.10.-16.12.2005

Prof. Dr V. Zinovchuk, State Agro-ecological University, Shitomir, Ukraine,
29.11.-19.12.2005

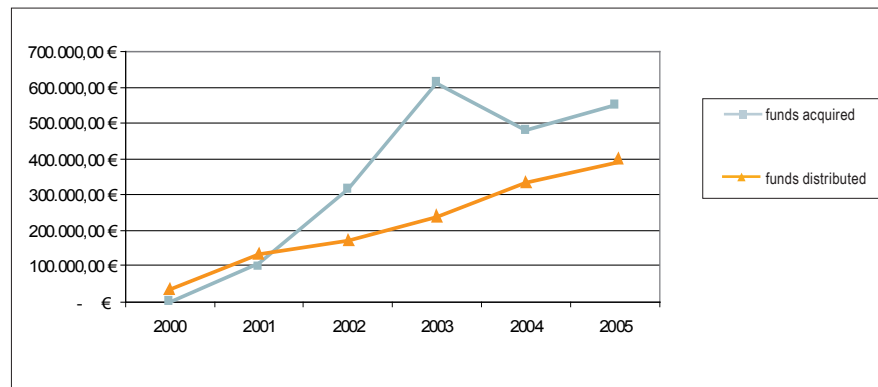
Selected externally funded projects

The following graph shows the development of external funding that has been acquired and distributed since 2000. Funding has been ordered by the year in which it was granted. The graph clearly illustrates the increase in externally funded research at the Institute.

In 2005, eight funded projects got underway at the Institute. In addition to the two grants for research and teaching visits outlined above, there were five new research projects and funding for an ongoing project. Below is a summary of the funded projects currently ongoing at IAMO.

Fig: 1

Development of funding
acquisition



Source: IAMO's internal statistics.

Note: The calculations for 2005 are interim figures.

As part of the Marie Curie Grant “The structures of civil society governance in promoting rural development” Dr Vladislav Valentinov is working on developing a theoretical framework, based on organisational economic principles, for influencing rural development through civil society. Various approaches to the development of rural areas – policy measures, common initiatives or even agricultural production – are seen as different governance structures, each of which is subject to its own incentive mechanisms and transaction costs. The efficiency of each governance structure is determined by its specific transaction costs in solving particular problems of rural development. Working on the basis of this theoretical and methodological approach, empirical studies of the governance structures in rural areas of eastern Germany and Ukraine are planned for 2006.

Civil society and rural development

In cooperation with 14 other institutions from twelve countries under the leadership of the Scottish Agricultural College (SAC) in Edinburgh, Henriette Stange, Sabine Baum and Dr Peter Weingarten have been working since the beginning of 2005 on the Study of Employment in Rural Areas (SERA), funded by the European Commission. The aim of the twelve-month project is a detailed analysis of the demographic development and employment situation in rural areas of the European Union, but also including Bulgaria and Romania. This analysis will help in the development of the new EU strategy for rural development. IAMO is analysing employment in the agricultural sector on the regional NUTS-3 level (c. 1,300 regions). The findings show the great regional differences in the importance and structure of agricultural employment within the EU 27. In almost all regions agricultural employment is decreasing, and a significant decline is expected in the future. This underlines the need to create new employment opportunities in rural areas. With the help of six case studies in Central and Eastern Europe, an analysis was made of the effects of the introduction of the Common Agricultural Policy (CAP) on employment in the new EU member states. It was carried out by partners in the countries concerned, but coordinated and evaluated by IAMO. In comparison with general effects of EU accession and macroeconomic factors, the influence of the CAP on employment must be considered slight.

Employment in rural areas of the EU

The reforms of the Common Agricultural Policy of the EU mean a reduction in market intervention and a further liberalisation of agricultural markets. To maintain the efficiency, competitiveness and sustainability of food chains for agricultural products, those working

Communication in European food chains

within the chains must be sufficiently prepared for the changes. The increased coordination between producers, processors and distributors represents an opportunity to use the reform to develop businesses and relations with consumers on a long-term basis. Dr Mirka Bavarova and PD Dr Heinrich Hockmann are both involved in the FOODCOMM project, which started in March 2005. The theoretical parameters were formulated in the first part of the project. For this, various approaches from the fields of microeconomics, business and management theory, socio-cultural economics and communications theory were used. The theoretical framework established the role of communication and economic relations within food chains for the competitiveness of a chain, and identified factors that influence the relations and communication between partners in the food chain. The second part of the project involved a closer analysis of selected food chains from various EU countries. IAMO focused on the food chain for bread in Germany. Data was collected by means of a survey of experts from different branches of the industry (one representative each for wheat production, milling, baking and selling). The following question was of particular interest: How do you consider the intensity and quality of business relations and of communication in the food chain for bread? It was shown that the importance of long-lasting relations and intensive communication is currently on the increase. This is partly a result of the need to ensure traceability, but also a consequence of the CAP reform and the liberalisation of the Agri-food markets. Both are processes that result in more intense competition. For 2006 the plan is to present both the theoretical framework and the findings of the second part of the study as project reports to the EU Commission. The reports will also be published on the project web site on the Internet (www.foodcomm-eu.net), where other detailed information about the FOODCOMM project can be found.

The project "Transition of family farms in the PR China", supported by the German Research Community (DFG), is being carried out by Prof. Dr Thomas Glauben and Xiaobing Wang. Very broadly, its aim is to analyse the behaviour of economic adjustment of agricultural households during the drastic economic and agro-political reforms of the last 25 years in the PR China. One aspect of the project is focusing on analysing the behaviour of rural households on the labour market. The other facet of the project is a study of the development of income distribution, and in particular of the persistence of poverty in China's rural regions. More specifically, a sub-project is concerned with the dynamics of decisions relating to labour market participation of agricultural households on the basis of a multi event duration model. A second sub-project applies a hazard approach to make an econometric evaluation of the duration that households spend in particular income segments, and the change of households between income groups. The project is focusing specifically on low income groups and is thus making a contribution to the identification and explanation of chronic poverty.

The decoupling of direct payments from production is a key element of EU agricultural reform. The aim of the IDEMA project (The impact of decoupling and modulation in the Enlarged Union: A sectoral and farm level assessment), which began in 2004, is the development of methods and techniques to allow a comprehensive analysis of the effects of decoupling on the agricultural sector in the expanded EU. In addition to the consequences of decoupling at regional and sectoral level, the study also focuses on environmental effects. The project is being coordinated by the Swedish Research Institute of Agricultural Economics in Lund. The nine project partners include: Imperial College London (Wye College), the Czech Research Institute of Agricultural Economics (VÚZE), the Lithuanian Research Institute of Agricultural Economics (LAEI), the Research Institute for Agricultural and Food Economics of the Slovak Republic (VÚEPP) and INRA in Rennes, France. The investigation of the effects of decoupling is taking place on three levels: An analysis of strategic decisions made by farmers using surveys, the simulation of agro-structural development in selected regions, and the analysis at sectoral level. Under the leadership of Dr Kathrin Happe and Prof. Alfons Balmann, IAMO's contribution is on the second level, using the agent-based simulation model AgriPoliS to simulate the processes of structural adjustment in eleven regions of the EU. In 2005 the corresponding empirical adjustment of AgriPoliS to the respective agricultural structures in the regions was undertaken in close cooperation with regional partners. AgriPoliS was also extended to include new important components. The first model calculations for a selection of regions concerning aspects of income, structure and efficiency are now complete. Consequently, an initial comparison between regions of the effects of decoupled direct payments is now possible.

Decoupling of direct payments

Another project of the EU's 6th research framework programme involving IAMO is dealing with the development of methods to assess the effect of political measures on the multifunctionality of agriculture. The MEA-Scope project (Micro-economic instruments for impact assessment of multifunctional agriculture to implement the Model of European Agriculture) is being coordinated by the Leibniz Centre for Agricultural Landscape and Land Use Research (ZALF) in Müncheberg. With a total of eleven partners from seven countries within the EU, the project has a broad regional basis. The approach is also highly interdisciplinary, taking in such different subjects as agricultural economics, soil science, ecology and geography. The aim of the project is to develop analytical tools to enable an assessment of the effects of agricultural production and agricultural policy on the many and diverse functions of agriculture in rural areas. To cover the important current aspects of multifunctionality (environment, socio-economics, landscape, and agricultural structure), a composite model is being developed, consisting of the agent-based model AgriPoliS, the economic/ecological model MODAM (Leibniz Centre for Agricultural Landscape) and the business material flow model FASSET (Danish Institute of Agricultural Sciences). Since the start of the project IAMO has worked, under the leadership of Dr Kathrin Happe, on expanding the AgriPoliS model to include many new components,

Multifunctionality of agriculture

*Crop insurance in
Kazakhstan*

such as heterogeneous local conditions, landscape indicators and the consideration of different production intensities. The composite model is being applied to seven regions in the EU. The empirical data sets needed for this were created in close cooperation with regional partners.

The project funded by the Volkswagen foundation, “Crop Insurance in Kazakhstan: Opportunities for Building a Sound Institution Promoting Agricultural Production”, is entering its final phase. During a workshop on 27 October 2005, Dr Raushan Bokusheva and Olaf Heidelberg presented empirically relevant project findings at the Kazakhstan Ministry of Agriculture. There was a broad range of participants, including policymakers, representatives of regional administrations, representatives from the World Bank, professional organisations, insurance businesses, academics, farmers and journalists. The findings met with a very positive response. At present a study is underway to see how recommendations emanating from the project can, in cooperation with the World Bank, be developed into an economically sustainable crop insurance in Kazakhstan.

*Comparative
competitiveness of east
German agricultural
enterprises*

As part of a three-month DFG project, Dr Alexej Lissitsa and Dr Sergej Parkhomenko, with the help of Andrea Rothe, used efficiency and productivity analyses for Saxony-Anhalt to investigate the competitiveness of east German agricultural enterprises. Two aspects of the project are of particular note. First, an efficiency analysis was carried out using a non-parametric, deterministic combination of processes: Data Envelopment Analysis and Malmquist Productivity Change Index. Second, the project’s goal was to determine the strategic potential for success of the enterprises. Evaluations were carried out of how far businesses are able to strengthen their position, implement new ideas and overcome business crises. As one of the established instruments of strategic management, the Balanced Scorecard was applied in the project.

*Marie Curie project for
the “Modern agriculture in
Central and Eastern Europe”
series of events*

Under the leadership of the Humboldt University in Berlin, and in close cooperation with other German and Central and East European partners, a Marie Curie project of the EU was obtained for conferences, summer schools and training courses aimed at the further education of young academics on the topic “Modern agriculture in Central and Eastern Europe – Methods for the analysis and management of rural change” (MACE). IAMO is part of an international consortium composed of 11 partner institutions. The series events is being coordinated by the Humboldt University in Berlin, while IAMO is responsible for – amongst other things – organising and running two international conferences, and is also participating in two summer schools in Prague and Warsaw.

**Conferences and
seminars**

For IAMO, conferences and seminars represent an important forum for the exchange, both nationally and internationally, of scientific knowledge. The lectures and discussions, as well as the informal contacts on the fringe of these events, help forge new relationships and strengthen existing ones. The contact between experts and decision-makers from politics and the food economy frequently provides an important stimulus for the task of restructuring the agricultural and food sector.

The number of papers given by IAMO academics at international conferences and symposiums has continued to rise over the past few years. For example, at the Congress of the European Association of Agricultural Economists (EAAE) in August 2005, which takes place every three years, eleven of the papers given and ten of the posters involved staff from the Institute.

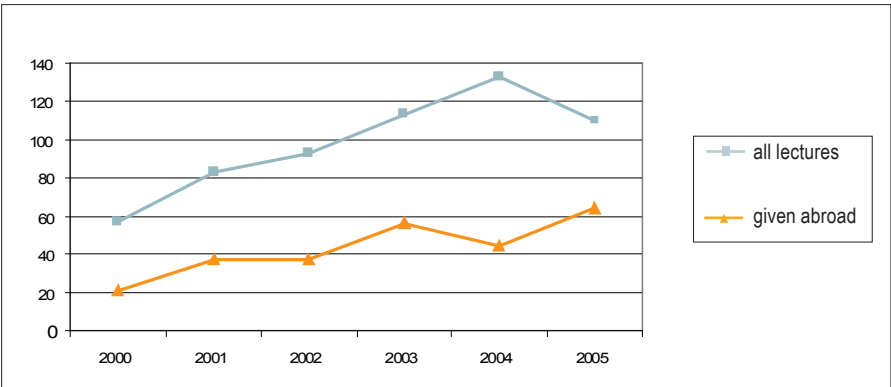
As in previous years, IAMO organised an “Agricultural policy symposium” as part of the 12th East-West Agricultural Forum at Green Week 2005 in Berlin. Under the topic “Rural areas in Central and Eastern Europe: Opportunities and challenges”, six specialist lectures formed the basis for discussion of the experiences and need for future action for the new EU states, Germany and Russia. Representatives from ministries, science, the World Bank and non-governmental organisations all took part in the discussion. Rural areas in Central and Eastern Europe are still dominated by agriculture. There is a large (and increasing) gap in the level of development between the city and the countryside. Experiences of measures for rural development and bottom-up initiatives are still limited.

The demographic change, with declining birth rates and partial migration, directly threatens peripheral rural areas. During the symposium, there was consensus over the notion that the creation of non-agricultural jobs should have priority in the development of Central and Eastern Europe besides encouraging a competitive agricultural sector. In this it is important to aim for an integrated, pan-sectoral approach and to develop participative structures. Reports were given on the first concrete successes of local partnerships in Poland.

The third IAMO forum took place from 16 to 18 June 2005. The topic of the event, organised by PD Dr Heinrich Hockmann and Dr Stefan Brosig, was “How effective is the Invisible Hand? Agricultural and food markets in Central and Eastern Europe.” Discussion on the first

Agricultural policy symposium at Green Week 2005

IAMO Forum 2005



*Fig. 2
Development of IAMO lectures*

Source: IAMO's internal statistics.

Note: The calculations for 2005 are interim figures.

day focused on recent developments in the analysis of food markets. Plenary and working group sessions took place on the following subjects:

- Pricing,
- Coordination within the food chain,
- Dynamics of retail structure,
- Marketing and competition,
- Agricultural factor markets,
- Institutional requirements for exchange and trade.

The second day was structured to give representatives from science, politics and business a forum for the mutual exchange of information. The IAMO forum was rounded off with an excursion on the third day to the Sachsenmilch milk-processing enterprise in Leppersdorf near Dresden. In the Germany-Poland-Czech Republic triangle, practical aspects of coordination – some of which cross borders – between farmers and processors, as well as between processors and retailers, became clear.

Renowned experts from Germany and abroad took part in the forum. The main speakers included representatives from science (Prof. Csaba Csaki, Corvinus University Budapest, Hungary; Jill Hobbs, University of Saskatchewan, Saskatoon, Canada; Prof. Zvi Lerman, Hebrew University, Jerusalem, Israel; Prof. Johan F.M. Swinnen, Catholic University, Leuven, Belgium), from politics and associations (Aidan O'Connor, EU Commission, Food and Veterinary Office, Dunsany, Ireland; Dr Alexander Kobzev, International Finance Corporation, Kiev, Ukraine; Dr Ulla Treitel, ZMP, Berlin), and from business (Dr Dietrich Pradt, Industrieverband Agrar, Frankfurt/Main; Yulia Romanova, Ukrainian Union of Dairy Enterprises, Kiev, Ukraine).

Besides the main speakers, there were 25 papers presented for discussion. About 35 posters were displayed in the poster presentation. The conference languages were English, Russian and German. More than 140 people from 25 countries took part in the forum. All the papers are contained in the conference volume, which can be downloaded from the Internet at <www.iamo.de/dik/sr_vol31.pdf>.

*Workshop on the
competitiveness of east
German agriculture*

On 6 July 2005 IAMO hosted a workshop on the topic "Competitiveness of east German agriculture – Economic viability, efficiency and liquidity of agricultural enterprises". The 30 participants from a variety of institutions in Saxony-Anhalt discussed, in the context of increasing criticism of agricultural subsidies, specific aspects of the agricultural structure and agricultural businesses in the new German states. All the speakers argued that east German agricultural enterprises are facing huge challenges. A look at the structural change

completed in the last decade showed, in spite of all efforts, overall a rather hesitant adaptation to the changed political and institutional environment. In general, the average level of business efficiency seems to have fallen. The reasons for this development are the extreme weather conditions of the last few years, an increase in the price of materials, but also investments for the purchase of land. The decision to buy land, which is often necessary, ties up an enormous amount of capital, with the result that necessary investments in buildings and machinery are put off. This investment hold-up is likely to cause problems for numerous businesses over the coming years. Given the marked reduction in EU agricultural handouts expected in the future and the typically high share of foreign capital in east German enterprises, high factor payments will see a significant number of the enterprises get into liquidity problems.



IAMO staff at Agritechnica 2005

For Agritechnica 2005 IAMO, with the support of the German Agricultural Society (DLG) and the Federal Ministry of Food, Agriculture and Consumer Protection (BMELV), organised a symposium on the topic "Into structural change with a strategy – Confront changes in policy, markets and competition proactively". Prof. Dr Alfons Balmann dealt with structural change in agriculture both in Germany and Central and Eastern Europe.

Agritechnica 2005

Dr Alexej Lissitsa presented the concept of benchmark analysis. Taking practical examples from central Germany and Ukraine he demonstrated how benchmark analysis can have a lasting influence on strategic decisions and strategic management. A third lecture by Dr Jon Hanf looked at the verticalisation and globalisation of the agricultural and food economy with a focus on the strategic implications for agricultural enterprises. Two further papers discussed the strength of consultancy training in the Russian Federation, and the consultancy of agricultural businesses in Ukraine.

Preparations for several important events to take place in 2006 have already begun.

Agricultural policy symposium at Green Week 2006

For the 13th East-West Agricultural Forum during Green Week 2006, IAMO is involved in the preparations for two supplementary events which will take place on 13 January 2006. The Institute is organising an agricultural policy symposium on the topic "Opportunities and risks in the food chain of the agricultural and food economy". At the heart of this subject are the effects of the – by European standards – ever closer links between primary agricultural producers, processing enterprises and retail establishments. Together with the FAO and the GFA Consulting Group GmbH, IAMO is also planning a forum on the topic: "Turkey: A partner in the agriculture and food sector – Chances and challenges for Turkey and the European Union". High-ranking representatives from science and politics, as well as the FAO, intend to discuss expectations, risks and future opportunities for agriculture and rural areas in Turkey from the perspective of EU membership.

IAMO Forum 2006

As in previous years, the IAMO Forum 2006 will represent the most important academic event of the year. It will take place from 29 June to 1 July at IAMO in Halle. The main topic is: "Agriculture in the Face of Changing Markets, Institutions and Policies – Challenges and Strategies". Central to this topic are the relations between agriculture and the downstream sector within the value chain for agricultural goods and foodstuffs, and the influence of policy changes on the relations between individual players. Information relating to the next IAMO Forum can be found on our web site (www.iamo.de).

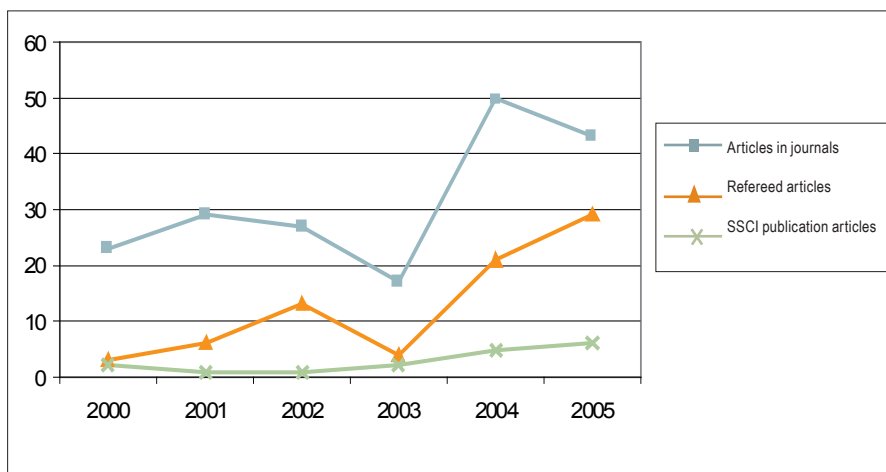
4th Young Scientists workshop

In September 2006 the Institute, under the leadership of Prof. Dr Gertrud Buchenrieder and Dr Raushan Bokusheva, is holding the 4th Young Scientists workshop on agricultural development in Central and Eastern Europe for PhD and postdoctoral students.

Publications

IAMO staff publish their findings in scientific journals, monographs and anthologies and discussion papers. A complete list of publications can be found on IAMO's web site on the Internet (www.iamo.de).

The following graph represents the development of the number of publications since 2000. Besides a general increase in publication activity, there has been a particular rise in the number of refereed articles presented in journals. According to interim figures for 2005, the number of refereed published articles rose to 29. Six of these articles have been published in journals that are listed in the Social Science Index (SSCI).



Source: IAMO's internal statistics.

Note: These are interim figures for 2005.

Each year the research coordination group selects the best published and refereed article written by IAMO staff. This year the chosen paper deals with the efficiency and productivity of Ukrainian agriculture in the transition process. The paper written by Dr Alexej Lissitsa and Prof. Dr Martin Odening (Humboldt University, Berlin) examines the efficiency and total factor productivity (TFP) of Ukrainian agricultural enterprises in the course of transition to a free market. The efficiency analysis was carried out using a Data Envelopment Analysis. Changes in total factor productivity were calculated with the help of the Malmquist Productivity Change Index. On average, TFP fell between 1990 and 1999 by 6 % annually, or by 42 % in total. The chief reason for the reduction in TFP can be found in the significant drop in technical efficiency. At the same time there are marked differences between individual enterprises, leading to a bimodal distribution of efficiency. This suggests a variance with regard to the deployment of resources. The heterogeneity between businesses has increased dramatically over time. Using a Tobit regression it became apparent that business size, business form and starting conditions have a significant influence on the technological efficiency of Ukrainian farms.

The Discussion Paper series continued in 2005 with the following publications that can all be downloaded free in PDF format from the IAMO web site (www.iamo.de):

Fig. 3
Development of articles
published by IAMO staff in
journals

Best published article

LISSITSA, A., ODENING, M.:
*Efficiency and total factor
productivity in Ukrainian
agriculture in transition,*
Agricultural Economics,
Vol. 32, pp. 311-325

Discussion papers

- EINAX, C., LISSITSA, A., PARKHOMENKO, S. (2005): Getreideproduktion in der Ukraine – Eine komparative Analyse von Produktionskosten, *IAMO Discussion Paper No. 79*, Halle (Saale).
- IVACHNENKO, O., LISSITSA, A. (2005): Информационно-консультационная служба в аграрно-промышленном комплексе России на примере Омской области [Informations- und Beratungsdienste in der russischen Landwirtschaft – Eine Fallstudie vom Oblast Omsk], *IAMO Discussion Paper No. 80*, Halle (Saale).
- ROTHE, A., LISSITSA, A. (2005): Der ostdeutsche Agrarsektor im Transformationsprozess – Ausgangssituation, Entwicklung und Problembereich, *IAMO Discussion Paper No. 81*, Halle (Saale).
- ROTHE, A., LISSITSA, A. (2005): Аграрный сектор Восточной Германии в переходном периоде – Исходная ситуация, развитие и основные проблемы, *IAMO Discussion Paper No. 82*, Halle (Saale).
- CURTISS, J., PETRICK, M., BALMANN, A. (Hrsg.) (2005): Beiträge des 3. Doktorandenworkshops zur Agrarentwicklung in Mittel- und Osteuropa 2005, *IAMO Discussion Paper No. 83*, Halle (Saale).
- SVETLOV, N., HOCKMANN, H. (2005): Technical and economic efficiency of Russian corporate farms: The case of the Moscow region, *IAMO Discussion Paper No. 84*, Halle (Saale).
- MELNYCHUK, V., PARKHOMENKO, S., LISSITSA, A. (2005): Процесс формирования рынка сельскохозяйственных земель в Украине, *IAMO Discussion Paper No. 85*, Halle (Saale).
- MELNYCHUK, V., PARKHOMENKO, S., LISSITSA, A. (2005): Creation of agricultural land market in Ukraine: Current state of development, *IAMO Discussion Paper No. 86*, Halle (Saale).
- ROTHE, A., LISSITSA, A. (2005): Zur Wettbewerbsfähigkeit der ostdeutschen Landwirtschaft – Eine Effizienzanalyse landwirtschaftlicher Unternehmen Sachsen-Anhalts und der Tschechischen Republik, *IAMO Discussion Paper No. 87*, Halle (Saale).
- BROSIG, S., YAHSHILIKOV, Y. (2005): Interregional integration of wheat markets in Kazakhstan, *IAMO Discussion Paper No. 88*, Halle (Saale).
- In the series of “Studies on the Agricultural and Food Sector in Central and Eastern Europe” IAMO publishes monographs and conference proceedings that deal with agro-economic issues in Central and Eastern Europe. All publications from volume 21 onwards can be downloaded from the internet free of charge <www.iamo.de/dok/sr_vol###.pdf>. Until now in the studies-series 15 conference proceedings and 17 monographies have been published. In 2005 the following volumes were published:
- BROSIG, S., HOCKMANN, H. (Hrsg.) (2005): How Effective is the Invisible Hand? Agricultural and Food Markets in Central and Eastern Europe, Vol. 31.
- DAUTZENBERG, K. (2005): Erfolgsfaktoren von landwirtschaftlichen Unternehmen mit Marktfruchtanbau in Sachsen-Anhalt – Eine empirische Analyse, Vol. 32.

In its *Annual Reports* IAMO provides information about the academic work of the Institute, the current research activity of its staff, events in which IAMO has participated, projects, joint projects, and personnel and financial details. The “IAMO annual ” series, to which this publication belongs, also provides an introduction to the Institute and it is published in English and Russian as well. Aimed at a wider public, it gives an overview of IAMO’s work, and of the current situation and expected developments in the countries of Central and Eastern Europe.

News and information about events, publications and other important matters relating to the Institute’s work, are provided by the *IAMO Newsletter*, which since 2004 has been sent out by email several times a year. Those interested can subscribe to the German edition at <www.iamo.de/html_seiten/news.htm>, or the English edition at <www.iamo.de/web_englisch/html_seiten/news.htm>.

Over the last year, the IAMO web site <www.iamo.de> underwent technical changes. Our new Internet presence is based on the Open Source Content Management System TYP03. Amongst other things it is now easier to update the contents of the web site, as IAMO staff can independently revise their individual pages and publications lists. Consequently we hope to keep the site more up to date. In addition, our new-look web site should come closer to achieving the goal of maximum accessibility. The advantages of an accessible-to-all, standard compatible web site are, *inter alia*, improved access for all users, easy maintenance and smaller file sizes.

From the home page, which gives information on *News*, *Events* and *New Publications*, users can access the categories *Institute*, *Research*, *Events*, *Publications* and *Portal*.

The *Institute* menu leads to information about IAMO’s core tasks, institutional structure, staff and library. Via the *library page*, online searches of the library catalogue can be made using OPAC. Current job vacancies can also be found via the *Institute* menu. The *Research* menu leads to information about current research projects, giving details of the staff involved, and select publications

The *Events* menu provides details of the annual events either organised by the Institute, or in which IAMO is taking part. These include the IAMO Forum, the PhD workshop, as well as seminars and workshops on a variety of possible topics. Conference participants can find out about the programme and speakers in advance and view papers that have been submitted.

The online service of the web site also provides access to all in-house publications. The new edition of this “IAMO Annual” series, therefore, can be downloaded in full and in several languages, as can all the *Discussion Papers* and the *Annual Reports*. The same opportunity now also exists for all volumes from the series “*Studies on the Agricultural and Food Sector in Central and Eastern Europe*” appearing from 2004 onwards. All publications by members of staff can either be viewed in the complete publication list, or directly on the individual staff pages.

Other in-house publication series

Web site

The *Portal* menu contains a comprehensive and structured collection of links. It provides access to external web sites with information and statistical data on political, macroeconomic and agricultural questions for European countries and those of the CIS. The links are ordered under the headings Library, Research, Indicators, National statistical offices, Ministries of Agriculture and other data sources. The review of information available on the Internet accessible via the indicators is particularly user-friendly. In this option, data is interlinked by category. The user no longer needs to know which web site contains the desired information. They can search for specific data and will automatically be taken to the site of the relevant institution.

Coordination at IAMO

The weekly departmental meetings at IAMO have proved to be an efficient means of communication. In these meetings academic and organisational matters are discussed. The regular Institute assemblies offer a forum for discussing matters at interdepartmental level. They allow all staff to contribute in a variety of ways to decision-making at IAMO. The six interdepartmental working groups deal with certain ongoing tasks or those that crop up periodically. These groups are: *Library, Electronic information systems, Funding, Evaluation, Public relations* and *Publications*.

Academic agenda

Current research at IAMO revolves around three main concepts: *Institutions, integration* and *rural areas*. These give a thematic and spatial limit to the areas under study. But even within this restricted focus, the analysis of the development of agriculture, the food economy, and rural areas in Central and Eastern Europe is a task that calls on the entire spectrum of research in agricultural economics. The same is true of our increasing concern with the expanded EU, the accession candidate countries and the Central and Eastern Asian transition countries (for more details see the foreword). IAMO does not have the capacity, however, to cover this wide diversity. For this reason it selects specific areas; the Institute



The Weinberg campus

focuses its work on certain topics for a period of about six years. We consider that these deal with the most important problems. For the medium-term work of the Institute, the following criteria were used when selecting areas of research: Political relevance, urgency of the problems, acceptance and applicability of the findings, feasibility and long-term effects of the research projects. When selecting and devising new research projects the designated research areas act as a guide. They guarantee the coordination of work across departments and ensure that synergy effects are utilised.

The medium-term research agenda currently covers four areas of research:

1. Model-based policy analysis at sector and business level,
2. Agricultural institutions in CEECs,
3. Marginalisation in rural areas,
4. Product and process quality in the agri-food chains.

To help ensure efficient research management, the four areas are divided into ten topic fields, or teams (more details on this in the foreword). The contact for each research area and their topic fields is a fully qualified academic. Above the topic fields and departments, the Research coordination group acts as the overall organisational unit for research activity. It offers a forum for dealing with issues that affect all staff members, such as the development of a common identity.

Academic work at IAMO relies on efficient support services. The IT staff are constantly developing, as well as maintaining and updating the Institute's hardware and software. Interdepartmental working groups coordinate services and optimise their use for research activity. Via the *public relations* and *publications* working groups, IAMO staff are involved in the process of publicising details of the Institute's work and communicating research findings. The *electronic information systems* working group co-ordinates decisions regarding the provision of computer software, and deals with the establishment and maintenance of a database relating to the agricultural and food sector of Central and Eastern Europe. The *library* working group helps ensure that the collection and organisation of the library are geared towards research needs. The *funding* working group examines the organisational and administrative-technical aspects of externally funded projects, and seeks to maximise the use of the experiences gained so far for the benefit of the Institute. In preparation for evaluations of IAMO by its scientific advisory board or by the Leibniz-Gemeinschaft, the *evaluation* working group supports the directorate by organising the necessary documentation and by arranging the inspection by the evaluation committee.

Central services

How to find us



By car

From the south: Take the motorway A9 (Munich-Berlin) to Schkeuditzer Kreuz. Then take the A14 in the direction of Halle/Magdeburg and leave at the Halle-Peißen exit. Follow the B100 to Halle until you reach the outskirts of the city (traffic lights at Dessauer Brücke). Get into the right-hand lane and turn left still following the B100, to “Zentrum” (centre) and Magdeburg. Turn immediately to the right onto the B6 in the direction of Magdeburg, leave this at the next exit (Zoo, Wolfensteinstraße) and follow the signs to Universitätsklinikum Kröllwitz. Carry on straight along Wolfensteinstraße (underpass, several traffic lights, Reilstraße/Große Brunnenstraße crossing) until you reach Burgstraße. Turn right (you have no other option) and at the next crossroads (“Zum Mohr” restaurant, Burg Giebichenstein) turn left and follow the main road over the Saalebrücke. Once over this bridge turn right, go right again under the bridge and continue along the river embankment. Turn left at the next crossroads into Weinbergerweg towards the University, and follow the road until the next set of lights. Drive straight on into Walter-Hülse-Straße. IAMO is the building on the right-hand side. Now turn right into Theodor-Lieser-Straße and you are in front of the IAMO.

From the north: Leave the A9 at the Halle exit (AS 13) and take the B100 towards Halle. See “From the south” for further directions.

From the north-west: Coming from Magdeburg take the A14 (direction Leipzig or Dresden) to the Halle/Peißen exit and then take the B100 to Halle. See “From the south” for further directions.

From the west (on the B80): Follow the B80 to the Rennbahnring crossroads and follow the signs to Peißnitz/Kröllwitz. After about 1.5 km, turn left into Blücherstraße at the second set of traffic lights at the ice rink – Direction “Heide-Süd”. Follow Blücherstraße to the end, then turn right into Theodor-Lieser-Straße. IAMO is in the first building on the right-hand side.



By train

Leave the station by the main exit and follow the signs to the tram stop “Hauptbahnhof”. From here take tram number 5 or 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 as you get out.



By plane

Leipzig-Halle Airport is 20km from Halle. A shuttle train runs to the main station. Read the “by train” advice to find the way from there.



Publisher's note

IAMO's publications also include the series of in-house *Discussion Papers*, the series *Studies on the Food Sector in Central and Eastern Europe*, and the Institute's *Annual Report*

Photos

Hermann Onko Aeikens (p. 5), Alfons Balmann (p. 9), Gertrud Buchenrieder (p. 10), Agnieszka Borkowski (p. 54), Kirsti Dautzenberg (p. 60), Andreas Gramzow (pp. 18, 20), Olaf Heidelberg (pp. 12, 32, 50, 52), Alexej Lissitsa (pp. 43, 45), Amanda Osuch (p. 11), Henriette Stange (p. 71), Claudia Straka (p. 76)

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