

Micro-economic analysis of farm restructuring in Central and Eastern Europe: an overview of major results

Mikroekonomická analýza restrukturalizace zemědělských podniků ve střední a východní Evropě: přehled hlavních výsledků

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Abstract: The aim of this paper is to summarize the results of the EU Phare ACE research project P97-8158-R, "Micro-economic analysis of farm restructuring in Central and Eastern Europe", that tries to fill the gap of theoretical as well as empirical research into the implications of continuing and evolving farm restructuring in CEECs on the efficiency of the agricultural production sector and the development of rural areas by focusing on the economic decisions and perspectives of farm operators, asset owners and rural households. For this purpose, surveys among family farms and farm enterprises were carried out in 2000 in Albania, the Czech Republic and Slovakia.

Key words: farm restructuring, transition agriculture, rural development

Abstrakt: Cílem práce je shrnutí výsledků výzkumného projektu EU Phare ACE P97-8158-R „Mikroekonomická analýza restrukturalizace zemědělských podniků ve střední a východní Evropě (CEEC)“, jež se snaží vyplnit mezeru v teoretickém i empirickém výzkumu dopadů pokračující a rozvíjející se restrukturalizace zemědělských podniků v zemích CEEC na efektivnost zemědělské produkce a rozvoj venkovských oblastí se zvláštním zaměřením na proces ekonomického rozhodování a perspektivy zemědělců, vlastníků zemědělské půdy a majetku a venkovských domácností. V souladu s těmito cíli byl proveden v roce 2000 výzkum rodinných farem a zemědělských podniků v Albánii, České republice a na Slovensku.

Klíčová slova: restrukturalizace zemědělských podniků, transformace zemědělství, rurální rozvoj

INTRODUCTION

The development of rural areas in Central and Eastern European countries (CEECs) is influenced to a great extent by the restructuring of CEECs' agricultures: in some CEECs, the transformation of state and collective farms has resulted in massive lay-offs and rural unemployment, while in others agricultural employment has increased. While initial farm restructuring in CEECs was determined by the relevant legislation, in practice the emerging farm structures are the result of the motivations and constraints of the farm operators and the new owners of farm assets. While these considerations resulted in what one might term the "initial conditions" of farm restructuring, the actual farm structures in CEECs have evolved – and are still evolving – in ways dictated primarily by the economic situation of these new owners of farm assets.

The aim of this paper is to summarize the results of the EU Phare ACE research project P97-8158-R, "Micro-economic analysis of farm restructuring in Central and Eastern Europe", that tries to fill the gap of theoretical as well as empirical research into the implications of continuing and evolving farm restructuring in CEECs on the efficien-

cy of the agricultural production sector and the development of rural areas by focusing on the economic decisions and perspectives of farm operators, asset owners and rural households. For this purpose, surveys among family farms and farm enterprises were carried out in 2000 in Albania, the Czech Republic and Slovakia (see Beka et al. 2001, Bielik et al. 2001 and Divila et al. 2001 for individual countries). The project is a follow-up project to the EU Phare ACE research project P96-6090-R, in which similar surveys were carried out in Bulgaria, Hungary and Romania.

DATA COLLECTION

Surveys were designed to capture a representative cross-section of the country (as in the case of Albania) or one or two regions within the countries (as in the Czech Republic and Slovakia). The organization of these surveys involves (1) the development of survey instruments (a set of questionnaires) and (2) the design of the survey sampling procedure.

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The *survey instruments* were assembled in a modular way to capture: (1) the background of the household members (age, employment, etc.) or farm; (2) the performance of the agricultural enterprise (land ownership and use, agricultural production, assets, inputs, financial situation); (3) the household's or farm's non-agricultural activities and income; (3) the household's or farm's intentions and perceived constraints to increase agricultural production and/or non-agricultural income; and (4) the environment of the household or farm (social, infrastructure, rurality, etc.).

The *survey sampling procedure* involved a two stage selection of family farms. First, villages were selected with probability proportional to size. Second, a fixed number of farms was selected in each village. Farm enterprises were selected randomly from a national list. Due to cost limitations, the surveys were carried out in typical regions in the Czech Republic and in Slovakia, while the survey is national in Albania. Hence, the survey is only representative for the entire country in the case of Albania. These procedures resulted in the following samples:

- 1 232 farming households in Albania,
- 400 registered (RIF) and 200 unregistered (NRIF) family farms and 105 farm enterprises in the Czech Republic, in the regions Brno and Jihlava (both in the South East),
- 412 registered family farms and 150 farm enterprises in Slovakia, in the regions Nitra and Žilina.

FAMILY FARMS

Farm organization

Most farming households have 3 to 5 family members. However, in Albania also a relatively high amount of large families (>5 members) can be found. In the Czech Republic and Slovakia, core families (1–2 members) are more likely (Table 1). Albanian farming households are not only larger, they are also younger. While in the Czech RIFs, 23% of all household members are younger than 36, in Albania 61% is younger than 41.

About half of the household heads spends more than three quarters of their time on their own farm (with the exception of the Czech NRIF). Albanian household heads are somewhat more likely to work off farm than Czech and Slovak household heads (Table 2 and 3).

Following Eswaran and Kotwal (1986), Tritten and Sarris (2001) have classified respondents according to their location on the “agricultural ladder”, with landless workers at the bottom and specialized farm managers at the top. First, Tritten and Sarris found unemployment to be very high in Albania. Second, not surprisingly, Czech and particularly Slovak farmers have reached a higher position on the ladder compared to Albanian farmers. Respectively 18% and 9% of all Slovak and Czech family farms operate with hired labour, compared to only 1% in Albania (Table 4).

Table 1. Average household size

	Albania	Slovakia	Czech Republic	
			RIF	NRIF
1–2 members	10	33	25	36
3–5 members	56	54	62	51
5+ members	34	11	13	13
Total	100	100	100	100

Source: country surveys

Table 2. Time spent on the farm by household head (% of total sample)

	Albania	Slovakia	Czech Republic
0% of total time	26	16	7
0–25	6	7	17
25–50	13	15	18
50–75	9	2	2
75–100	46	59	56
Total	100	100	100

Source: Tritten and Sarris 2001

Table 3. Time spent on non-farm job by household head (% of total sample)

	Albania	Slovakia	Czech Republic
0% of total time	57	66	62
0–25	14	5	1
25–50	14	9	8
50–75	8	8	13
75–100	7	12	15
Total	100	100	100

Source: Tritten and Sarris 2001

The position on the agricultural ladder is determined primarily by access to capital which can be proxied by the amount of land owned. It is therefore no surprise that Albanian farming households own much less land than Czech or Slovak. In their paper, Tritten and Sarris (2001) econometrically show that land has a statistically significant effect on the position of rural households on the agricultural ladder in Albania. Also human capital variables, such as age, gender and education, play a significant role in Albania. Land is also significant in Slovakia, but not in the Czech Republic where only non-land assets contribute to the explanation. These results suggest a hierarchy of improvements that are necessary for rural development. First, improvements in human capital have to be made. Human capital is not a problem in the Czech and Slovak Republic, but it is in Albania. Second, once

Table 4. Classification of respondents according to location on the “agricultural ladder” (% of total sample)

	Albania	Slovakia	Czech Republic
Unemployed	24	10	7
Worker	1	5	0
Part-time farmer	40	21	37
Full-time farmer	32	39	46
Full-time farmer with hired labour	0	17	9
Farm manager with only hired labour	1	1	0
Hybrids*	2	7	1
Total	100	100	100

*The category “hybrids” includes all categories that are theoretically impossible.

Source: Tritten and Sarris 2001

investments in human capital have been made, the functioning of the land market needs to be improved. This is required in both Albania and Slovakia. Third, the capital and machinery markets need to be improved which are required in all three countries. Later on, it will become clear that the next step is to address the working of output markets, once farmers are able to produce a surplus that can be marketed.

A specific feature of most transition countries is that individual farmers can also spend part of their working time and resources on a production cooperative. Rizov et al. (2001) refer to these farmers as *hybrid farmers*. Albania is one of the few exceptions as production cooperatives have been destroyed in the beginning of the reforms. In the Czech Republic, 12% of the registered farmers, but two-thirds of the unregistered farmers, also work in a cooperative. They do so in all kinds of function, from worker to general manager, but most of them are member without any function. In Slovakia, where only registered farms were surveyed, about 13% of the rural households are also members of a cooperative.

Farm resources

Land

In the previous section, access to vital farm resources was mentioned as an important precondition for farmers to improve their situation, starting with land. Land was privatised differently in the countries under investigation. In the Czech and Slovak Republic, land was restituted to the pre-communist former owners, while in Albania, land was given to the rural population on an equal per capita basis. Hence, while the origin of the farm is obvious in Albania, the origin of farms is very diverse in other CEECs. For example, in the Czech Republic, 53%

of the registered farms were established on restituted land, 20% on household plots continued from the past, 13% by purchase of state land and 13% by other ways, such as inheritance.

The different ways of privatisation, combined with an embryonic land market, result in very different land endowments as well as land ownership and cultivation distribution. The distribution of cultivation depends first on the initial conditions as defined by the privatisation legislation. When governments decide to reconstitute land to pre-communist owners, the post World War II ownership distribution will shape the current one. In some countries, this distribution was more equal than in other. But farmers need not necessarily remain locked in these ownership distribution, as the working of the land rental and land sales markets can rearrange ownership as well as user rights towards the most efficient distribution.

On the one hand, Albanian agriculture is characterized by a relatively equal ownership and cultivation distribution, but with small land endowments, on average 0.89 ha. Only 7% of farms cultivate more than 2 ha of land. On the other hand, Czech registered farms cultivate on average 55 ha, but unregistered farms only 1.57 ha, suggesting a very unequal distribution. A quarter of the Czech RIFs have more than 50 ha. In Slovakia, the situation is similar as in the Czech Republic with the average acreage of 43 ha and 29% of all surveyed farms cultivating more than 25 ha.

An important difference between registered and unregistered farms is that the NRIFs own all their land, while most RIFs rent in additional land, some are even exclusively based on rented land. In the Czech Republic, only 30% of the cultivated land is actually owned. This suggests an active land rental market, which is less pronounced in Slovakia and virtually absent in Albania. What are the reasons for these differences? Earlier studies (e.g., Vranken and Mathijs 2001) suggest the following factors: (1) legal tenure insecurity due to unresolved restitution or privatisation, (2) the land market situation, as characterized by the presence of a large-scale cooperative that may hamper the land market, (3) off-farm opportunities that may provide an incentive to rent out land to others, or conversely, the lack of which boosts demand for land by unemployed. In addition, several other factors play a role, such as speculation.

Legal insecurity still seems a non-trivial factor in Albania and in the Slovak Republic, contrary to the Czech Republic where no disputes over land were reported. In Slovakia, 15% of the respondents feel insecure concerning the land they own. Most of them (49%) state that others claim their land, while 15% do not have an official ownership certificate, 10% experience land use restrictions and in 5% of the cases borders are not specified. Similar results hold for insecurity concerning rented land. In Albania, 7% of the households declare to have disputes related to the land they cultivate. Titling in only completed up to the last stage (registered certificate) in 13% of the cases. Most farmers do have an unregistered document, but 8% has no document at all.

The presence of a production cooperative, or other large-scale successor organisation, in the village influences the land market particularly in Slovakia, the country where most of these farms still persist. Both in Slovakia and in the Czech Republic, 72% of the respondents state that there is such a successor in their village. When asked about the reasons why they could not rent in additional land, 35% of the interested farmers state that they cannot find a landowner. Most former landowners prefer to rent out their land to the cooperative because this minimizes their transaction costs: boundaries do not have to be defined and land does not need to be physically withdrawn from the cooperative (see also Mathijs and Swinnen 1998).

Finally, off farm opportunities are an important determinant of land rental markets. Households with insufficient labour to cultivate the land rent out land. This can be due to health reasons, but also because of time spent in wage employment. It is indicative that the most active land rental market can be found in a country with a low level of unemployment and thus good off farm opportunities, that is, the Czech Republic. The land market is virtually absent in Albania, which is characterized by high unemployment and poor prospects for work. Most prospects are found abroad, by migration. In this case, young family members migrate to Greece or Italy, while their parents take care of the farm.

Non-land assets

Access to non-land assets is a serious problem in Albania resulting in a low degree of mechanization. Less than 50 percent of farms have simple stables for livestock and poultry. Only 30 percent have storehouses to keep animal feed during winter. This is related to the fact that before 1990, livestock and agricultural production was focused on large structures like cooperatives and state farms. According to the survey, only 2 percent of farmers own a tractor. The low level of agricultural machinery is hence a major problem in Albania. Particularly, the lack of machinery for precision sowing and other activities, such as irrigation and harvesting, is experienced as a problem by many farmers. As a result, only 59 percent of the farming households use mechanization for working the land; 22 percent use animals while 20 percent do manual work. In the other two countries, the situation is not so dramatic. In the Czech Republic, for instance, 90% of all farmers own at least one tractor, so that only 6% of the registered farms cultivate manually. 56% of the Czech NRIFs also own a tractor. Nevertheless, machinery services provided by large-scale farm enterprises remain a very important source of mechanization, suggesting substantial efficiencies.²

Marketing

Climbing up the agricultural ladder involves not only improved access to assets, it also implies increased market participation. Many farms in CEECs are subsistence oriented, that is, they produce only for their own household's consumption, while the marketing of potential surpluses is limited. They do so either because they have limited farm resources, or because the hurdle to take their surplus to the market is too high. In Albania, only 48% of all sampled households sell anything. A similar figure, 49%, applies to unregistered farmers in the Czech Republic. These concern small farms, often smaller than 1 hectare. Most registered farmers in Slovakia and the Czech Republic, respectively 74% and 85%, market their surplus.

Once the hurdle of taking surplus to the market is taken, however, the sale of produce is not guaranteed and meets with several problems as product markets are still far from functioning perfect. As an example, we analyse the statements of registered farmers in the Czech Republic. First, market information is not a problem, as 87% state to be well informed about prices. However, there is a problem of insufficient competition among buyers: 20% of the farmers state that there are not enough buyers, while 34% is even forced to sell their produce to a specific buyer. A further problem is that 65% experience frequent payment delays for the delivered products. Another fact that reinforces the weak position of farmers is that for 54% it is too costly to get their produce to the market. Finally, it must be noted that 79% of the farmers consider product quality standards imposed on them to be too high, suggesting their inadequate attitude toward quality.

The widespread answer to these marketing problems is the increased vertical coordination through contracts. Guaranteed sales are the most important reason for concluding a contract for output. Anecdotal evidence suggests that farmers integrate with downstream processors through contract farming to reduce transaction costs for inputs and technology. Gow and Swinnen (1998) noted that innovative contracts providing farmers with improved materials, advice and better access to credit were offered first by processors taken over by foreign groups, who wanted to ensure the supply of raw materials of high enough quality. Vertical coordination along the production chain hence is an important strategy to tackle the situation of imperfect and missing markets that is so characteristic for transition economies.

Finance and income

Investment behaviour as well as indebtedness differ greatly among the different samples, and seem a good

² Particularly in crop farming, owning machinery is superior to renting machinery services. For example, at harvest timing is crucial to obtain a maximum yield. When services have to be hired, many farmers face sub-optimal harvests. This is one of the explanations why in crop farming, worldwide, the family farm is the superior organizational form in agricultural production (Allen and Lueck 1998). Refer to Mathijs and Vranken (2001) for empirical proof from Hungarian agriculture.

reflection of working conditions and prospects. The highest rate of investment can be found in the Czech Republic where more than three quarters of all farmers have made an investment last year. In Slovakia, only half of the sample invested, in Albania only 14%. The main source of investment is own funds. Loans are predominantly informal in Albania (90% from friends and relatives), while in the Czech Republic one third of loans is from relatives and another third from banks. Credits from suppliers or processors are very limited. In general, farmers are not indebted: only 7% of Albanian and 8% of Slovakian farmers have outstanding loans. However, a quarter of the registered farmers in the Czech Republic have outstanding loans, suggesting a much more active credit market (Table 5).

Table 6 shows the orientation of investments for registered and unregistered farms in the Czech Republic and for farmers in Albania. Despite the very different conditions, investment orientation is very similar: most investments are in livestock and in children's education. Registered farmers in the Czech Republic invest more in machinery and buildings, suggesting that they specialize more than the unregistered farmers. The establishment of non-agricultural business is very limited.

According to households' own assessment, poverty in rural areas is widespread in all countries. To have just enough or less for bare necessities is reality for 74% of rural households in Albania, 58% in Slovakia and 35–40% in the Czech Republic. In Albania, 40% state they have not enough for bare necessities, while this figure is relatively small in the other two countries (7%). It is interesting to note that unregistered farmers judge their situation slightly better than registered farmers, probably because of their higher involvement in off farm jobs (Table 7).

These results can be cross-checked with the results in Table 8 that shows how farmers would spend some unexpected additional money. In this way, the severest constraints to rural households can be unfolded. In Slovakia, only 4% of respondents would spend their money on food, 5% on cloths; in the Czech Republic, no one would buy these items. This suggests that the results for the registered Czech farmers are somewhat too pessimistic. The results further show that about 60% of the Czech and Slovak registered farmers would invest in items related

to agricultural production, and particularly machinery and land. Among non-agricultural uses, house improvement stands out. Most unregistered Czech farmers would spend their money on non-agricultural uses. Further, Czech unregistered farmers are more likely to invest in livestock and less in land. The establishment of a non-agricultural business would interest very few farmers.

When asked about the most profitable perspective, 47% of the Czech registered farmers and 41% of Slovak farmers answer agriculture, figures that are lower than what would be expected from the previous table. Employment abroad is mentioned by respectively 18% and 22%. Very few Czech unregistered farmers seek their future in agriculture: 13%, exactly the same figure as in Table 8. In Albania, emigration is widespread: almost 20% of the respondents have family members living abroad.

To conclude, we address the question how the situation has changed, particularly compared to the beginning of the reform in 1989. Results here are surprisingly optimistic, as most would have thought that the situation in the rural areas has deteriorated greatly. For only 13% of

Table 6. Orientation of investments (% of all investments)

	Czech Republic		Albania
	RIF	NRIF	
Agricultural machinery	19	3	6
Trees, plants	8	8	15
Livestock	25	45	22
Agricultural land	2	0	2
Non-agricultural land	1	0	3
Agricultural buildings	12	4	4
Processing technology	2	0	2
Non-agricultural business	1	1	1
Purchase of house	2	1	20
Improvement of house	10	19	
Car or lorry	6	3	11
Children's' education	10	15	9
Other	2	2	5
Total	100	100	100

Table 7. Own assessment of household's situation

	Albania	Slovakia	Czech Republic	
			RIF	NRIF
Not enough for bare necessities	40	7	7	1
Just enough for bare necessities	34	51	33	34
Enough for a decent living	13	38	58	64
Enough for a good living (no restrictions)	13	4	2	2
Total	100	100	100	100

Table 5. Incidence of investment and loans in %

	Albania	Slovakia	Czech Republic	
			RIF	NRIF
Share of total sample that invested	14	49	78	85
Share of those investing using loans	22	9	12	3
Share of total sample that has outstanding loans	7	8	25	3

Source: country surveys

Table 8. Use of additional sources when available

	Czech Republic		Slovakia
	RIF	NRIF	
Agricultural use	60	13	61
Land	33	15	21
Machinery	43	46	61
Livestock	5	15	4
Processing equipment	5	8	4
Buildings	13	8	6
Greenhouses	0	8	5
Non-agricultural use	23	69	29
Food	0	0	4
Clothing	0	1	5
Repair of house	43	58	37
Purchase of house	13	9	14
Car	9	10	16
Household appliances	17	19	7
Land	0	3	1
Childrens' education	17	14	16
Savings and other	17	9	9
Bank deposit	35	44	9
Home deposit	6	0	18
Non-agricultural business	24	22	23
Shares	6	11	16
Payment of loans	18	11	27
Other	12	11	7
Total	100	100	100

Table 9. Own assessment of household's financial situation compared to 1989

	Albania	Slovakia	Czech Republic	
			RIF	NRIF
Much better	11	11	7	1
Better	57	46	31	26
The same	19	26	31	45
Worse	10	12	23	26
Much worse	3	5	8	2
Total	100	100	100	100

all rural households in Albania and 17% in Slovakia, the situation is worse than before, while 68% in Albania and 57% in Slovakia judge the situation now to be better than in 1989. In the Czech Republic, rural residents were not so lucky: about a third is worse off, while another third is better off (Table 9).

FARM ENTERPRISES

Most farm enterprises surveyed are agricultural production cooperatives, 80% in Slovakia and 41% in the

Czech Republic, and are direct successors of the communist collective farms. Limited liability companies take up respectively 36% and 17% of the sample in the Czech Republic and Slovakia, joint stock companies, 23% and 1%. Farm enterprises are generally large: half of the Czech enterprises employ more than 50 permanent workers, while this is 58% in Slovakia. It is noteworthy that in Slovakia the amount of direct successors to collective farm is double as high as in the Czech Republic. True *de novo* enterprises are relatively limited: 21% in the Czech Republic and 11% in Slovakia (Table 10).

In the Czech Republic, the three forms of legal entities can be clearly distinguished with the following profiles:

- Joint Stock Companies are the largest farms: they have 474 shareholders, employ 122 full-time workers and cultivate 1 837 ha. The high amount of shareholders and the fact that 84% of the members are silent suggest complex decision-making processes.
- Cooperatives are the intermediate group: they have 199 members, employ 82 full-time workers and cultivate 1 472 ha. The amount of shareholders here is not as high as in the joint stock companies and 67% of the members are silent
- Limited liability companies are the smallest farm enterprises: they have 7 partners, employ 30 full-time workers and cultivate 876 ha. There are virtually no silent members, that is, ownership and management coincides completely.

Man/land ratios are considerably higher in cooperatives and joint stock companies than in limited liability companies, suggesting that the initial over-employment that characterized the original structures has not been fully solved.

Table 11 shows the ownership structure of farm enterprises in both countries. A surprisingly large share of farm enterprises owns shares in other firms. In the Czech Republic, the differences between organizational forms can be noted. Almost half of the cooperatives own shares of input suppliers, while more than half of the joint stock companies own shares in food processors. Limited liability companies are less likely to own stock in other firms. This suggests that the restructuring of the old collective structures resulted quite often in a holding structure with subsidiaries both in agriculture and up-

Table 10. Way of establishment (% of total sample)

	Czech Republic	Slovakia
Direct successor of a collective farm	33	64
Direct successor of a state farm	5	3
Based on former members of a collective farm	34	18
Based on former employees of a state farm	7	3
Based on land restitution	4	1
Other	17	10

Table 11. Ownership structure of farm enterprises

	Other farms	Input suppliers	Processors	Other firms	Total
ownership of respondents in other firms					
Czech Republic					
Cooperatives	23	45	29	26	81
Joint stock companies	48	39	57	26	87
Limited companies	24	8	14	5	41
Slovak farm enterprises					
	29	17	11	16	73
ownership of other firms in respondents					
Czech Republic					
Cooperatives	2	–	–	–	2
Joint stock companies	22	9	9	9	35
Limited companies	–	3	–	8	11
Slovak farm enterprises					
	4	13	4	7	28

Table 12. Services provided by farm enterprises to individual farmers (% of total sample)

	Czech Republic				Slovakia
	cooperatives	joint stock comp.	limited comp.	total	
Machinery	93	96	76	87	71
Repair	64	52	27	48	35
Inputs	43	35	24	34	36
Storage	21	22	5	16	23
Food processing	7	13	5	8	11
Marketing	14	17	3	11	5
Credit	2	4	0	2	8
Extension	7	26	3	10	7
Administration	2	4	3	3	9
Food services	57	83	38	56	65

Table 13. Expectations concerning the solution of old debts

	Slovakia	Czech Republic
The state	22%	19%
Future profits	57%	70%
Foreign investors	–	4%
New shareholders	6%	4%
No settlement	4%	4%
New loans	8%	–

and downstream. Hence, although we do not know the extent of the ownership, there is still a strong horizontal and vertical integration. The reverse gives a very differ-

ent picture with far less firms owning stock in the surveyed farms, suggesting dominance in the ownership of the individual partners, members or stockholders. In Slovakia, there is more two-way integration of agribusiness firms, and also foreign firms are found as owners of some of the surveyed farms.

An important consideration concerning the restructuring of farm enterprises is their transformation of agricultural production cooperatives into service firms, providing all kinds of services to (mostly) individual family farms, but particularly where scale economies are important, such as marketing, input provision, and credit (Deininger 1995). A first indication is to look at the extent of non-agricultural activities. In the Czech Republic, 29% of the cooperatives, 52% of the joint stock companies and only 16% of the limited liability companies report non-agricultural activities. The most frequent non-agricultural activities are industry including food processing, providing various services and sale activities, especially the sale of own processed products.

A picture of the services provided by farm enterprises to individual family farms is provided in Table 12. Two results stand out: almost all farm enterprises provide machinery services and limited liability companies provide much less services than the other organisational forms. While no enterprise responded to have health and kindergarten services, features typical of communist collectives, more than half of the cooperatives and almost all of the joint stock companies provide food or restaurant services. The activities in which cooperatives are expected to play an important role, such as marketing, credit and input provision, are relatively weak except for input provision. Also farm enterprises have problems with marketing their produce. For example, in Slovakia, payment delays are mentioned as the most important constraint for expanding agricultural activities by 53% of the farm enterprises.

As most farm enterprises are descendants of collective and state farms, they are burdened with three categories of debts: (1) old pre-reform debts taken over from previous coops or state farms during the transformation; (2) transformation debts (e.g. the transformation shares of non-members of cooperatives); (3) new debts – bank credits (also with state guarantee). In the Czech Republic, up to 27% of farm enterprises carry old debts, in Slovakia one third. In both countries, the majority of farmers think that they will have to cover these debts themselves with future profits (Table 13).

CONCLUSIONS

The surveys carried out in Albania, the Czech Republic and Slovakia have revealed that farm restructuring has been carried out very differently, and that the conditions and requirements for further development also differ greatly among the countries. Particularly the situation in the Albanian rural areas is not very promising, characterized by high unemployment, emigration and poverty.

Nevertheless, the Albanian rural population is relatively young and in all countries more rural households declare to be better off than not, compared to their situation before the reforms.

Apart from different initial conditions – as Albanian agriculture was at a lower level of technology and development from the start – a first major difference in reform between Albania on the one hand and the Czech and Slovak Republics on the other is the destruction of large-scale structures in the former. Large-scale farm enterprises play an important role in the provision of services to Czech and Slovak small-scale farmers, particularly machinery services. Such arrangements seem optimal in the medium run to tackle imperfect capital markets, that are linked to a great extent to imperfect output markets. Insufficient competition in the product markets leading to payment delays and forced sales reduce the working capital of farmers and thus the incentive to invest and to enlarge. Innovative contracting may solve these problems, but policymakers should take caution that competition is not endangered.

A second major difference between the countries is how land was (re)privatised. Contrary to the Czech and Slovak Republics, the Albanian reform has targeted the whole population, mainly because agriculture represents a much higher share in total employment. There is no doubt that this is good for equity in the beginning of the reforms. However, due to a lack of sustainable off-farm opportunities, Albanian rural households hold on to their land and a land market does not develop. While titling and settlement of conflicts still play a role, developing off-farm opportunities is the only way to make the Albanian land market to start working. In the Czech and Slovak Republics, land rental markets do exist, but they are still limited. Many farmers cannot find additional land for their farm. Conflicts are virtually absent in the Czech Republic, but not in Slovakia. However, an important reason for the malfunctioning of the land market is that large successor farms exert some oligopolistic power, as absentee landowners prefer to rent their land to these farms to minimize their transaction costs.

While large-scale farm enterprises play a beneficial role in providing some services that are not yet fully developed in the market, they do not play a dominant role for those services that are provided by cooperatives in the West, mainly the marketing of produce. Bottom-up initiatives of farmers joining together to establish a marketing cooperative is more likely to occur. This eliminates one of the reasons why large-scale farms should still exist. However, the large-scale successor farms in the Czech Republic and Slovakia show a complex holding structure that suggests that they are embedded firmly in up- and

downstream sectors. Hence, it is unlikely that they will disappear in the medium run.

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