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## CZECHOSLOVAKIAN AGRICULTURE IN TRANSITION

von

Ladislav KABAT\*

Newly born democracies in Central and Eastern Europe are faced with many problems. The broad and deep political changes and their economical and social impacts have created consequently a lot of practical problems, which need exact and clear legislative solution and support. Despite some differences this is true in all countries of the former eastern block.

In the last few years Czechoslovakian society has been faced with new kinds of problems. The November 1989 "velvet" revolution and broad public consensus have been replaced by sharp struggles for a new economic order for a market oriented economy. The existing and financing political parties are offering their "exclusively" best scenarios for transformation processes. The political intolerance and reluctance to accept the compromise approaches are typical of our current domestic political scene.

The above mentioned problems are especially visible in agriculture. This branch of our national economy, because of its specific historical development, is becoming undoubtedly the most important area of struggle between our past, present and future. It is not easy to understand this without having some historical background and being aware of some crucial periods in the history of Czechoslovakian agriculture.

Taking this into account, it should be emphasised that during the last 45 years, Czechoslovakian agriculture has passed through several different historical periods. Very soon after the second World War the new, left oriented regime organized the large-scale land reform (1946 - 1947). The base for this was created when many of the original larger land holdings were partially or totally expropriated without compensation. Their land was divided and given to peasants working on the land. It should be pointed out that this land reform had apparently the political dimensions. Consequently the first post-war election in 1946 was won by left oriented parties, in Bohemia by Communist Party.

After the communistic take-over in 1948, Czechoslovakian agriculture was strongly attacked by the political decision to reorganize it in accordance with the Soviet's "colchoze and sovchoze" pattern. Strong organizational measure had been taken in order to speed up the process of collectivization. Without doubt the period of the 50's and 60's was the darkest period, not only in the history of our agriculture, but in the history of our society as a whole. Basic human rights were ignored. Peasants and farmers were forced "voluntarily" to sign contracts with cooperative farms and to give up their ownership rights to the land. The land of those farmers who did not agree to join coops has been expropriated without compensation, too.

During the mid-sixties collectivization was generally completed. Czechoslovakian agriculture started its new period of development. The initial productive and economic performance of cooperative farms, as well as state farms, was poor. The main reasons were:

- total lack of ownership of the land
- strong centrally planned economy

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\* Prof. Dr. L. Kabat, University of Agriculture, 949 76 Nitra, Tschechoslowakei

- lack of market incentive tools for producers
- inefficient management
- lack of individual initiative
- state regulated price system
- strong state intervention policy
- neglecting of basic economic ... principle of comparative advantage
- no decision making space for managers of the farms.

It should be stressed that under the centrally planned economy all these phenomena were presented in special obscure and hazardous informal interference and decision by political institutions.

During recent years Czechoslovakian agriculture has employed about 10-12 % of the total labour force and contributed 6-8 % to the net national product. The official statistics based on accessible information show that agriculture during the last eighties was heavily subsidized with approximately 13-16 % of total national investment, Tab. 1.

Tabelle 1: The proportion of the agriculture in national economies in 1989

	% of GNP	% of Investment	% of Employment
Czechoslovakia	7.1	16.8	10.2
Bulgaria	13.3	5.8	13.4
Hungary	14.0	16.8	13.3
Poland	11.7	15.9	22.9
USSR	20.4	16.8	14.8
Belgium	2.6	2.4	2.1
Denmark	5.4	5.6	5.3
Italy	6.5	5.7	8.3
Netherlands	4.4	4.6	4.2
Germany	2.2	2.6	4.1
UK	1.6	1.7	2.2

These figures should be considered only as indicators, rather than real information. All of these have been derived from the existing price system under which the prices lost their economical meaning. The same should be said in connection with figures on the labour force employed in this sector. The hazardous social state policy forced the cooperatives and state farms to accept the special pattern or organizational and management structures which resulted in overstaffing and irrational patterns or employment.

In order to understand some current problems of the transitional period of Czechoslovakian agriculture it should be said that historically the development of ownership rights to the land and consequently the development of agriculture farms in the two parts of Austro-Hungarian Empire (Austria and Hungary) were significantly different. The results of this were that in Bohemia, which before the first World War was part of Austria, typical large scale farms were 50-100 hectares, while in Slovakia which was part of Hungary, family farms of that size practically did not exist. The typical size of such family farm was 2-5 hectares, with plots very rarely larger than one half of hectare.

It could be said that the concept of the family farm as generally understood in western countries was known only in Czech part of our country, while in less developed Slovakia land and farming very often had been considered only as one of the sources for additional family income.

The agricultural farms -- cooperatives and state owned -- became a typical agriculture enterprise since the 50ties. They cultivated more than 95 % of the total available land.

Some useful information is reflected in the development of the size and number of farms in Czechoslovakia between 1975 and 1991 given below.

	1975	1987	1991
State farms/number/	250	235	257
-Average size/hectares/	5648	6162	5727
Cooperative farms	2736	1658	3842
-Average size/hectares/	1548	2597	1108

The reasons for creating larger-scale farms, both state and cooperative, had apparent political background and these decisions generally undercut the competitiveness of Czechoslovakian agriculture.

**Table 2:** Current Situation with Private Farmers - to 1.1.1992 -

The cluster group	Number of farmers	Land used agriculture	ha in cultivation
0.1 - 2.0	861 353	69 939	240 762
2.0 - 5.0	6 242	9 046	19 380
5.0 - 10.0	1 479	6 242	11 457
10.0 - 30.0	453	4 517	6 421
30.0 -	51	3 642	7 831
Total	869 578	93 386	285 851

Despite all of the above problems the state and cooperative farms have been a main source of agricultural production in Czechoslovakia. In 1988 the proportion of these farms in total agricultural production was:

Cereals	96.3 %	Potatoes	84.5 %	Sugar beet	99.9 %
Fruits	51.0 %	Vegetables	53.0 %	Meat	83.8 %

The private farmers however have contributed significantly to rapid increase in production of fruits and vegetables.

Self-sufficiency in food products during the late eighties comparing Czechoslovakia with some other countries is given in Table 5.

Generally food consumption in Czechoslovakia was covered by domestic products to 97-99 %.

In 1990-91 many serious problems appeared in domestic agriculture. The reduced subsidies were reflected in higher food prices, generally 30-50 %, which has decreased the total consumption of these products. Final results are that many coops and state farms are not able to realize their food products. The surviving state monopoly in the food processing industry and distributing nets complicates the situation significantly.

There are many attempts on the part of producers to overcome these problems developing some basic processing facilities and entering market and potential consumers

directly. There is no doubt that such approaches are not a real solution and they could help only in short run perspective.

**Table 3:** The consumption of the main food products in Czechoslovakia in kg per inhabitant per year

Product	1980	1985	1989	1990
Meat	85	85.8	92.9	90.1
-beef	26.4	26.8	27.4	24
-pork	43.3	42.8	48.1	48
-poultry	12.1	11.7	13.4	14.1
Fish	5.2	5.3	5.5	5.1
Milk	228.1	248.4	257.4	252.1
Eggs	316	344	342	358
Sugar	37.5	35.4	39.5	41.0
Potatoes	76.1	78.3	81.1	82
Fresh:				
-Vegetables	65.6	74.8	81.4	83.3
-Fruits	55.6	56.6	67	65

**Table 4:** Self sufficiency indicators

	Cereals	Potatoes	Sugar	Meat	Butter	Eggs
Czechoslov.	96	98	132	101	110	101
Bulgaria	94	89	35	114	96	123
Hungary	110	110	110	120	85	112
Poland	84	114	114	107	99	107
USSR	92	98	98	97	101	97
Belgium	33	99	188	122	107	169
Denmark	96	100	164	319	316	117
Italy	71	97	80	73	58	97
Netherlands	24	90	80	184	358	168
Germany	81	90	110	85	125	168

**Tabelle 5:** Estimated consumption of some food products, in kg per inhabitant per year

Produkt	1991	1992-93	1995
Meat	79.7	83.7	84-86
-beef	14.5	19.3	19-21
-pork	43.9	45.1	45
-poultry	14.3	15.5	15.5
Fish	3.7	3.7	3.7
Milk	210	224	240
Eggs	349	363	357
Sugar	33.5	36	36
Potatoes	83	83	80
Fresh:			
-Vegetables	80	82	84
-Fruits	63	63.5	71

Recent, relatively high consumption of the meat, after the price liberalization in January 1991 is permanently declining as is shown in table 5.

As indicated above the changes in the structure and total volume of the consumption of the food products are falling down mainly due to increase in prices. There are many indications that especially young families with children are among the jeopardized groups.

The average price index and changes in the level of consumption of the main food products are shown in Table 6. Some selected indicators reflecting the last movements in prices of food items are shown below

Item	Quantity	June 92	Jan 92	Jan 91	Jun92/Jan91
Beef (good cut)	1 kg	64.04	66.86	88.50	0.72
Pork roast	1 kg	71.20	75.28	59.85	1.18
Salami	1 kg	75.51	75.41	84.70	0.89
Milk	1 l	7.96	7.93	6.18	1.28
Cheese	1 kg	80.27	79.05	78.78	1.08
Yoghurt	250 ml	4.13	3.91	3.94	1.04
Eggs	one	1.31	2.25	1.80	0.72
Butter	1 kg	79.01	83.16	84.82	0.93
Bread roll	one	0.79	0.74	0.78	1.01
Sugar	1 kg	15.02	14.84	13.39	1.12

**Table 6:** Price indexes and changes in different food commodities

Products	Price index	Average change in consumption in %	
		Currently 1991	Expected 1992-93
	1991/1990		
Meat	123.3	-25	-12.78
Poultry	131.3	0	10.
Fish	147-191	-30	-30
Milk	152	-23	-16.56
Eggs	135	-14.95	- 7.41
Potatoes	152	-17.79	-22.63
Fruits & Vegetables	135.79	-22.28	-14.64
Soft drinks	141.61	-20.67	-16.40
Beer	164	-14.13	- 3.79
Wine	119.3	-10.87	2.48
Alcoholic beverages	133	-11.4	- 2.61
Food Products-Total	137.03	-17.97	-11.29

The significantly lower consumption of food products causes severe problems for producers. The supply-demand surplus expected on market is given in Table 7.

**Table 7:** Supply - Demand surplus

Product	1991	1992/3	Estimation	1995
Meat (in 1000 t)				-
-beef	317	117		-
-pork	22	-		-
-poultry	22	500-660		41-55
Milk (in mil. of l)	1 291	500		46
wheat in 1000 t	1 223			

To solve the problems of current sharp inequality on the domestic food market many attempts and negotiations with EC countries as well as some others have been undertaken. Their results, however, are limited and not meeting the high expectations of home producers and distributors. Much more active and purposeful state agricultural policy for both, export and import of food products is needed. Current discussion on basic principles on future frame of home agriculture is too long, sterile and transparently politically run.

The political tendency to undercut the large scale farms, as a heritage of previous totalitarian regime, are too dangerous and having in mind the specificity of historical development of czechoslovakian agriculture cannot be considered as the best one.

For a long period, after the Communistic take-over in 1948 and after collectivization, the social status of agriculture and agriculture workers decline. The hard farm work with its big proportion of manual, poorly organized work and the lack of a qualified labour force, willing to accept the isolated country way of life, the society compensated by relatively good financial allowance. The average salaries in agriculture were comparable to those in other branches of the national economy.

**Table 8:** Dynamics of the average months salaries (in korunas)

Branch	1980	1981	1982	1983	1984	1985	1989	1990
National								
Economy	2701	2744	2807	2859	2913	2962	3222	3340
Industry	2778	2828	2906	2982	3035	3106	3359	3456
State Farms	2616	2662	2717	2819	2908	2967	3284	3452
Food Industry	2508	2553	2632	2732	2802	2852	3105	3234
Coop Farms	2616	2711	2735	2822	3107	3084	3599	3833

Relatively high living standard achieved in case of our farm labour force has a very serious and long lasting consequences.

Our research and interviewing have shown that agricultural workers are more interested in a subsistence "moonshine" operation to supplement their primary income than to manage risky commercial operation full time.

The newly introduced state subsidy policy - since 1991 - implemented as an incentive tool for small private farmers is dubious and too 'generous'. According this policy the private farmers with 2 to 10 hectares are subsidized on level of 50 % of their full production costs, farmers with more then 10 hectares are covered with 70 %. This approach, implemented in past however should be analyzed and evaluated in view of the real potential of the Czechoslovakian economy and should be also adjusted to general EC agricultural policy.



Despite the above mentioned supportive policy for private farmers there are still very few really interested and capable candidates willing to start their own farm business, see Tab. 2. This is especially true in Slovakia, where average family farm would be too small to be competitive and economically stable.

Of course the problem of the future of Czechoslovakian agriculture has to be discussed and serious measures to be implemented in accordance with new legislation - Bill on Land, Bill on Transformation of cooperatives and some others.

The new Bill on land was accepted by the National Assembly in September of last year. Its basic idea lies in the tendency to renew the ownership of the land for all owners of the land since 1948. The new ownership of the land for all owners of the land will solve also the farm workers/members of the cooperatives who entered coops without land. By this bill both, original owners as well as the nonowners/coopworkers are defined as co-owners of the coop's assets. The proportion of their property will be accounted based on labor force and land brought into the coops. Generally the formula 50-30-20 for dividing coops assets among the involved parties owners of the land, members of the coops, owners of the land, nonmembers of the coops and member of the coops, nonowners of the land has been accepted.

The second part of the Bill on land was discussed in National Assembly this January transforming cooperative and state farms into new farms or agricultural enterprises based on private ownership of the land. Any cooperative farm has to negotiate with all original owners of the land and to sign with them a new contract on using their land or return this land.

It is expected that the process of transformation will cause a total decrease in labour force employed on the cooperative and state farms. At least 20-30 % of the agricultural labour force will be released. This year about 100 000 - 150 000 agricultural workers are expected to lose their jobs.

Some expectations on the rapid increase of the significant privately run family farms are not realistic. Taking in account all facts it could be expected that the future forms of the agricultural enterprises will be represented by:

- cooperative farms
- share holding companies
- private family farms and
- different types of partnership.

General discussions in Czechoslovakia show that purposefully oriented and adopted agricultural economics does not exist. Political parties have not been able to find broadly accepted agreement on

- main current and future goals of agriculture
- its role in structure of the national economy
- philosophy of renewing the ownership rights
- process of transformation the cooperative and state farms (its form and content).

The last experiences with new agricultural policy, however, indicate that at least some pragmatic and rational aspects should be taken into account. The most important of them are:

- subsidy policy cannot support the poor, non-competitive producers
- subsidy policy and subsidy tools should be equal to any kind of entrepreneurship and ownership of the land
- general impact of the subsidy policy, especially its regional and ecological aspects, should be respected and utilized

- the role of the state in setting agriculture policy should be clearly defined
- the strategic and operative goals for productive agriculture should be defined (including the system of targeted prices and quotas)
- the transparent state policy for food export-import is needed.

There are also some new practical problems having political implications. These problems arise from different level of the production conditions in Czech and Slovak parts of our country. It has been decided to set aside from intensive use 31 % of total agricultural land or land in submarginal regions, where about 57 % of this land is allocated in Slovakia and 17 % in Czech part of our country. See following table:

Agricultural land in submarginal areas in percent

	CSFR	CR	SR
Agricult. land	31.0	17.4	56.3
Cultivat. land	21.0	13.3	38.6
Production of			
- cereals	18.6	11.5	38.0
- potatoes	33.9	15.6	92.2
- beef	26.4	15.2	56.2
- pigs	16.6	7.8	36.8
- milk	23.0	14.3	49.1
Sales	21.3	12.0	44.4
Subsidy	49.6	30.3	77.8
Fixed assets	28.1	17.7	53.8
Labour force	30.8	15.9	57.0

The practical implications of such programs, having in mind the existing high rate of unemployment in Slovakia has to be considered carefully.

Process of transformation to market economy is very complicated. Its political and economic framework has not been finally set up yet. The new political scene - result of Junes election is active and some important changes in domestic policy will occur very soon. It is our believe these changes will be positive and tending toward the European integration of democratic nations.

It is also expected that Czechoslovakian agriculture as well as entire economy will benefit from more intensive and systematic contacts with international markets. For this, however, many additional changes in legislation, information system, tax policy, bank and finance policy should be changed. Czechoslovakia has to apply the internationally accepted rules of market economy. We do hope that current Uruguay round of the GATT negotiations should also create more favorable conditions for fair international market with agricultural products.