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# AGRARIAN REFORM AND SUBSISTENCE AGRICULTURE IN RUSSIA<sup>1</sup>

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## 1 SOVIET INSTITUTIONAL HERITAGE OF RUSSIAN AGRICULTURE<sup>2</sup>

Three of the most important Russian agrarian institutions are the subsistence household farm (personal auxiliary farm), the collective farm, and the district administration.

Before collectivisation, the Russian peasant farms were primarily subsistence farms. Each peasant farm had two types of land plots: a farmstead plot and field plot(s). After 1917 the land belonged to the state but the village community possessed the land around the village and distributed and redistributed field plots between households according to the numbers of people in the family ('eaters'). Collectivisation did not totally liquidate subsistence peasant farms; it collectivised field plots and diminished the number of animals allowed for each household to a subsistence minimum. For most of the Russian peasant households, the number of personal animals kept by a family did not diminish because before collectivisation they kept just this subsistence minimum<sup>3</sup>. Later, in order to underline the priority of the work on collectivised fields and auxiliary character of the work in household farms, the latter were called Personal Auxiliary Farms (PAF). Stalin started the mass collectivisation not exclusively for ideological reasons, but rather for a pragmatic purpose of

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<sup>1</sup> This paper is based on the PhD dissertation of the author (YEFIMOV 2002).

<sup>2</sup> An analysis of the "dependence path" of the Russian agriculture is made in (YEFIMOV 2001, 2002).

<sup>3</sup> The most important legislative act concerning Soviet agriculture (Standard Statute of Kolkhozes of 1969/1980) determined the limits for household farms in the following way: farmstead plot – 0.5 ha, one cow with a calf younger than one year, one head of fattening cattle younger than two years, one sow younger than three months or two fattening hogs, ten sheep or goats, bees, poultry and rabbits. The average Russian peasant farm as it was just before the collectivisation is characterised in the Table 1 of the Appendix.

extracting resources from the countryside, which was primarily subsistence-oriented<sup>4</sup>.

The subsistence character of Russian peasant farms before and after collectivisation is their "genetic" feature. M. SAHLINS (1972) generalised survey results for Russia undertaken at the beginning of the last century<sup>5</sup> as the "Chayanov rule", according to which "the bigger labour capacity of a household, the less its members work efficiently" because their aspiration levels are low and correspond to a subsistence minimum. My surveys in collective farms of Northern Kazakhstan in 1996-1997 and in Samara province in 1997-1998 witnessed a subsistence-orientation of rural dwellers. They indicated the same number of animals in their PAF answering two different questions: 1. How many animals it is necessary to keep in your PAF just to survive? 2. How many animals it is necessary to keep in your PAF in order to live well? If I tried to convince my respondents that a bigger number of animals would increase the well-being of the family they reacted by saying that if they had more animals they would have to work too hard.

The nature of the institution of collective farms (*kolkhoz*) cannot be understood properly without PAF. The PAFs are the direct continuation of Russian peasant subsistence farms from the pre-collectivisation period. Before the 1960's, the PAF were the only source of survival for Russia's rural population. Even during the most favourable stages of the post-collectivisation period, the share of PAF in incomes of members of collective farms did not drop below 20%<sup>6</sup>. This helped to provide enough potatoes, vegetables, meat, milk and eggs to them. In the 1990's, this share increased in many former collective farms up to 100%. Currently, this is almost the only source for many rural families. The Russian collective farms have never been, and are still not agricultural enterprises (businesses). They served as state control mechanisms of the distribution and usage of agricultural products, and at the same time as mechanisms of survival for the rural population (resources of collective farms could be used for PAF only by members of collective farms). In the 1990's, the first function of collective farms almost disappeared and the second drastically increased. PAFs as subsistence household farms are known to be unable to exist without links with a large neighbouring farm. That is where (often unofficially) most of the fodder for personal livestock comes from. In case of a real, not imaginary privatisation, an end will be put to this situation. Animals of typical PAF are fed not from farmstead plots (0.25 ha – 0.5 ha), but from collective farm produce. A typical PAF would need a 'field plot' of 3 ha – 6 ha to feed them<sup>7</sup>. The rural

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<sup>4</sup> See the Table 2 of the Appendix.

<sup>5</sup> See Tables 3 and 4 of the Appendix.

<sup>6</sup> See Table 5 of the Appendix.

<sup>7</sup> A French agricultural economist 40 years ago aptly described collective farm – household farm relations in the USSR: "Un kolkhozien qui a, comme c'est le cas au Kouban, une vache, deux jeunes bovines, une truie et

dwellers accept it because the work on collective fields is totally mechanised and the most of the work in PAF is manual.

The connection between subsistence household farms and a *kolkhoz/sovkhov* was not limited to receiving feed only. *Kolkhoz/sovkhov* was more than a workplace for countrymen; it was the habitat. It provided a great variety of services. It is now increasingly hard for *kolkhoz/sovkhov* (or former *kolkhoz/sovkhov*) to do so due to a lack of money.

There is a myth about the efficiency of PAFs. They often say that PAFs occupy 3% of agricultural land and produce more than 50% of the volume of the agricultural production of the country. As we have just remarked, the livestock in many PAFs is fed by forage produced in collective farms. The leading role of PAFs in some sectors of crop production is explained not by higher yields (in 1998 yields of potato in PAFs were 9.6 t/ha and in collective farms – 9.7 t/ha), but by the fact that collective farms occupy, for certain crops (for example potato), less land than PAFs. The increase of the share of PAFs in Russian agricultural production comes primarily from the drop in production of collective farms. The growth of PAF production in 1998 in comparison with 1990 was 12.6%, but the livestock production in PAF 1998 decreased by 10% in comparison with 1990. This decrease is determined by the dependency of the PAF livestock production on collective farms fodder production, which have now weaker potential than before. In the 1990's, the subsistence character of PAFs became stronger than before. In 1991, 28.5% of potatoes produced by PAFs were sold on the market; in 1998 they sold only 10.2%. The same tendency is seen in PAF livestock production: meat – 30.1% in 1991, and 22.4% in 1998; milk and dairy products – 25.1% in 1991 and 18.3% in 1998<sup>8</sup>.

Sometimes, opinions are raised that the PAFs serve as a school for private farming for members of collective farms. I do not share this opinion in the case of Russia. The PAF experience, where most of the work is done not by men but by women, does not suit private agricultural businesses for several reasons. First of all, the PAFs are not agricultural businesses but subsistence farms and the family consumes most of its produce. Owners of PAFs are not used to making transactions about inputs and outputs of their farms. They 'take' inputs from collective farms. In the past, they also sold their products to the collective farm, but now most collective farms have stopped this practice. Now, intermediaries coming to the village buy, at a very low price, most of the PAFs

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six porcelets et une cinquantaine de poules, n'utilise pas seulement une parcelle de 0.25 hectare, mais aussi la surface nécessaire pour nourrir les animaux puisque les aliments du bétail lui sont fournis en nature par le kolkhoze. On peut dire que son exploitation couvre effectivement de 3 à 6 hectares suivant la qualité du sol. On retrouve tout à fait la consistance des petites exploitations de subsistance en France." (DE CHOMBART LAUWE 1961, pp. 140-141).

<sup>8</sup> These judgements are made on the basis of the Russian official statistics (see Tables 6 – 12 of the Appendix). It is necessary to take in account that their exactness could be doubtful.

products oriented for sale. Many trials to create marketing and other types of co-operatives for the owners of PAFs have failed. The primitive technologies used in PAFs are incompatible with competitive businesses.

In their current form, the agricultural enterprises essentially remain Soviet *kolkhozes/sovkhozes* (collective state farms), whatever one calls them (partnerships, co-operatives, joint stock companies, etc.). These large-scale farms are not efficient because of diseconomies of scale and, not least, because of the inefficient property structure, where workers and pensioners of the farm own the farm on a quasi-egalitarian basis. These old-fashion Soviet-type agricultural enterprises tolerate and even need the agrarian administrative system. On the other hand, this administrative system would automatically lose most of its power upon the radical reform of agricultural enterprises.

A very significant difference between the management in Soviet agriculture and that in Soviet industry was its direct stewardship by communist party committees at regional levels. The first secretary of the district (*rayon*) communist party committee was the main decision maker in this branch of the Soviet economy. The district's department of agriculture helped him to make decisions, but never made them in his stead..

Current district administrations coming to substitute the "Party and Soviet organs" with the help of their departments of agriculture fulfil, in many respects, the same functions as in the Soviet past, among them: the distribution of subsidies and inputs provided in credit (fuel, fertilisers, and seeds). In many cases, these credits, as in Soviet times, are not paid back. Because most of the agricultural enterprises are bankrupt and their current bank accounts are blocked, district administrations participate in the development of financial schemes to provide cash for collective farms.

## **2 OBJECTIVES AND LEGISLATION OF AGRARIAN REFORM IN POST-SOVIET RUSSIA**

The objective of post-Soviet agrarian reform in Russia was transition to western-style agriculture. Two legislative acts provided the basis of this reform: the Decree of the President of Russian Federation of December 27, 1991, "On urgent measures of accomplishment in land reform in the Russian Federation" (PASHOV 1999), and the Resolution of the Government of Russian Federation of December 29, 1991 "On the rules of the reorganisation of collective and state farms" (PASHOV 1999).

The Decree of the President provided that the state and collective farms were obliged in 1992 to undergo reorganisation. They were to put their juridical status in conformity with the Law "On the enterprises and entrepreneurial activity", in which such forms of enterprises as collective farms and state farms

were not stipulated. The local bodies of the executive authority were recommended to ensure the control of realisation of the right of the members of collective farms and workers of the state farms for an unobstructed exit from these farms for the creation of private peasant farms. The collectives of *kolkhozes* and *sovkhazes* using the land with the right of permanent use according to this Decree had to take the decision before March 1, 1992 on transition to private individual, collective-shared and other patterns of ownership. The local administrations had to supply the citizens becoming the proprietors of land appropriate certificates on the land property rights. The Decree laid under obligation the heads of collective and state farms to allocate land shares to the workers and members of their families within one month from the date of submission of the application for the creation of a peasant farm. The property shares were also simultaneously with land shares. In the case of delay with the allocation of land and property shares, the heads of farms were fined at a rate of three monthly salaries by local bodies of the Committee on land reform and land resources. The same Decree granted peasant farms the right of land mortgage in banks, and banks were allowed to allot credits under the land mortgage.

The provisions of the Decree of the President were developed in the Resolution of the Government. In addition, the Resolution contains norms which were not present in the Decree. So, by this Resolution, collective and state farms were authorised to transfer objects of the social sphere such as residential houses, inter-farm roads, energy supply systems, water-supplies, gas supplies, telephone lines and other objects to the property of the Rural Councils. The Resolution envisaged such radical measures as the liquidation of collective and state farms, which had no financial resources for servicing the debt of wages and credits. According to this Resolution, they had to be announced insolvent (bankrupts) by February 1, 1992 and the liquidations and reorganisation had to take place during the first quarter of 1992.

It is interesting to note that two months after the publication of this Resolution, an important update was introduced to its text, which cancelled the compulsion for collective and state farms to put their status in conformity with the Law "On the enterprises and entrepreneurial activity". They were allowed to stay collective state farms if approved by assemblies of their labour collectives, and if the former juridical form of managing decisions about preservation of the land was fixed to them according to the current legislation. In practice, no collective farms declared bankruptcy.

Agrarian reform, the frame of which was determined in the Decree of the President of December 27, 1991, and the Resolution of the Government of December 29 of the same year, did not proceed according to the prescriptions the President and the Government. The Decree and the Resolution were either

not executed at all, or were executed only formally by changing signboards without any essential or real changes in the functioning of agrarian institutions of the Soviet type.

The Decree of the President of the Russian Federation of October 27, 1993 "On regulation of land relations and the development of agrarian reform in Russia" (PASHOV 1999), was to substitute and act instead of the absent radical land law. Following the idea of its authors, it should have loosened the deadlock of agrarian reform in Russia. Among other things, this Decree provided that the proprietors of land shares have the right, without the consent of other joint owners, to assign a land lot in kind for management of a peasant farm, which they can mortgage and lease. They can also use it for the extension, up to the established norm, of a plot used for a personal household farm. This Decree allowed the proprietors of land shares, without the consent of other proprietors, to sell land shares to other members of the collective, and also – and it was a serious innovation – to other citizens and legal persons for agricultural production.

At this time, an experiment in the Nizhniy Novgorod province was undertaken with technical assistance from the International Finance Corporation of the World Bank. Within the framework of this experiment, auctions for the sale and purchase of land shares and property shares took place inside some farms (IFC 1995). The government approved this experiment in the Resolution of April 15, 1994 "On the practice of agrarian transformations in the Nizhniy Novgorod province" (PASHOV 1999). A little later, on July 27, 1994, the government accepted a new Resolution "On reforming the agricultural enterprises taking into account the practice of Nizhniy Novgorod province" (PASHOV 1999). The rules of realisation for auctions distributing land and property inside farms for the reorganisation of agricultural enterprises were supplemented into this Resolution.

On 1<sup>st</sup> February 1995, in the Resolution "On the procedure of realisation of the rights of proprietors of land shares and property shares" (PASHOV 1999), the Government approved two documents enclosed in this resolution. They were "the Recommendations for preparation and issue of the documents about the right to land shares and property shares" and "the Recommendations about the order of disposal of land shares and property shares". These recommendations concretised the provisions already stated in the earlier accepted resolutions of Government on the agrarian reform.

In 1996 it had already become clear that agrarian reform in Russia, as determined at the end of 1991 in the Decree of the President and Resolution of Government, had failed. The Decree of the President of March 27, 1996 "On the realisation of the constitutional rights of the citizens for land" (PASHOV 1999) is an implicit confession of it. It repeated once again what was already stated in

the Decrees of 1991 and 1993, but which was not actually realised, and clarifications of the previous norms were offered so that they at last would begin to work.

All above-mentioned legislative acts are founded on a certain theoretical basis. This basis is liberal neo-classical economic theory. According to this theory, an economy and its sectors, including agriculture, consist of independent actors: producers and consumers. All these actors produce, consume, buy and sell. Producers maximise their profits and consumers make their choices according to their consumer preferences. No structure or institutional framework (rules) for transactions between actors are envisaged in this theory<sup>9</sup>. Advocates of the neo-classical theory believe that those market structures or institutions are created rapidly by the introduction of new rules providing maximum freedom for these transactions<sup>10</sup> or even by themselves in the process of transactions. The most important statement of the neo-classical theory is the following: if both types of actors (producers and consumers) make decisions in such a way as described above, then the market forces ('The Invisible Hand') inevitably establish so-called equilibrium prices and bring the allocation of scarce resources to the most efficient actors. From the point of view based on this theory, an initial allocation of resources among actors does not play an important role because market forces will change the situation rapidly in favour of the most efficient actors. Besides, in the liberal neo-classical theory, there is no state, and many advocates of this theory believe that the less state, the better.

Agrarian privatisation in Russia was executed on an egalitarian basis. It meets the criteria of justice, but it does not at all exhibit the criteria of efficiency. But the authors of land reform legislation did not worry about that because they were neo-classical economists. They estimated that the most important thing is the right of owners of land and asset shares to buy and sell them. According to them, the inclusion of this right into legislation is sufficient to start a process of creation of viable agricultural enterprises on the land of former collective and state farms, with the subsequent concentration of land and other assets in the hands of the most efficient farmers. The reformers did not pay any attention to such an institution as PAF.

An alternative to the neo-classical approach is the institutional approach. Actors in this theory are not independent and are not only producers and consumers. Instead, the state is one of the most important actors. Transactions between these actors are not spontaneous and are structured by formal and informal rules (institutions). The introduction of new legislation (formal rules) does not automatically change human behaviour. Informal rules rooted in traditions can

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<sup>9</sup> Many neo-classical economists think that these transactions are spontaneous.

<sup>10</sup> This point of view is shared not only by neo-classical economists but also by many lawyers (PROSTERMAN and HANSTAD 1999) and political scientists (WEGREN 1998).



continue to determine human behaviour and new formal rules can be rejected or not followed, or their application distorted, especially if they contradict interests of actors. The new legislation needs to be enforced (NORTH 1990).

### **3 IMPEDIMENTS TO RUSSIAN AGRARIAN REFORM IN THE 1990'S**

We think that the current state of the Russian agrarian reform is a direct result of ignoring the nature of agrarian institutions inherited from Soviet times and the application of a liberal neo-classical approach in the law making process<sup>11</sup>. The most important problem which presents impediments to agrarian reform is the role of collective farms as the mechanisms of survival for rural communities.

Rural dwellers understand very well that if former collective and state farms were substituted by real private enterprises, then they would lose the only source of survival they have: PAF or Subsistence Household Farm (SHF). They also understand that only a minority of them could create agricultural businesses and the majority would lose access to fodder from collective farms and would not be employed in the new private agricultural enterprises. That is why they resist any transformation of their collective state farms. They resist not as individuals, but as a community. So members of the community who wish to create private enterprises are under pressure from the community worried about subsistence household farms. Agrarian reform legislation provided rural dwellers with a very powerful tool for this resistance: privatisation of collective state farms by members of these farms on an egalitarian basis<sup>12</sup>.

Egalitarian land distribution and the absence of alternatives to collective farms' survival mechanisms is the second impediment for agrarian reform in Russia. My multiple interviews with members of collective farms prove that they consider their land share certificates not as certificates of the right for decision-making and dividends, but as certificates of their membership in the community for which the collective farm is a survival mechanism. They expect from the collective farm just the continuation of support for their PAFs and some other services, as was the case before the 1990's. For rural dwellers, to sell land shares means psychologically and administratively to be excluded from the community, and it is impossible for those who continue to live in the village

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<sup>11</sup> The same conclusion can be made concerning agrarian reforms in other former Soviet republics (YEFIMOV 1997).

<sup>12</sup> French sociologist HENRY MENDRAS 25 years ago foresaw a transformation of Soviet collective farms into a producer of fodder for household animals in the case of the transfer of decision-making power to their members: "Aujourd'hui (1976) le kolkhoze comporte une exploitation collective fréquemment consacrée à la culture des céréales facilement mécanisables... tandis que les lopins individuels des kolkhoziens sont spécialisés dans les cultures maraîchères et arboricoles et dans l'élevage... Si la coopérative est gérée par l'assemblée de ses membres, une tendance naturelle se manifestera chez ces derniers d'utiliser l'exploitation collective au profit de leurs cultures et de leurs élevages individuels, et notamment de nourrir leur bétail avec des céréales détourné de la production commune..." (MENDRAS 1995, p. 54).

(the absolute majority). Even when a collective farm is dismantled, and in this way the economic basis of the village community is disorganised, villagers look to be attached to some new community (sub-community of the old one) using their land shares. A pensioner perceives the leasing of her land share by a private farmer not really as a land transaction but as her affiliation to a community where the private farmer is the chief. The vital necessity for rural dwellers to be affiliated to a community for the provision of resources for their households and the role of collective farms as economic and organisational basis of the community is the main cause of the absence of land shares market. Workers of collective farms continue to work on these farms in spite of the fact that they are not paid for months and sometimes years. They do so in order to have access to the resources of the farm to maintain their PAF – the most important factor of their survival.

The last but not least impediment to agrarian reform is the absence of a sufficient number of candidates prepared for private farming activity. The authors of the Russian agrarian reform legislation did not ask themselves who would become a private farmer cultivating his own land. They thought that a sufficient number of candidates prepared for private farming activity already existed in villages and cities. At the beginning of the 1990's, 3/4 of the creators of private family sized farms were city dwellers. Many of them left their farms quite rapidly. A large amount of money provided to them by the Russian government in the form of soft credits did not bring many results. After ten years of the private farming experience in Russia, empirical evidence says that the most efficient owners of private family agricultural businesses are former managers, especially chairmen and directors, of collective state farms. This is partially the result of their affiliation with local informal business and administrative networks, but it is also due to their entrepreneurial capacities, including communication. Ordinary members of former collective state farms are usually unable to run a business farm because of their insufficient educational, and more generally, cultural background. The requirements for private farmers in Russia to be successful are higher than in Europe because of a more complex and difficult to manage business environment, and because of the absence of adequate advisory services for private farmers.

From the point of view of the medium- and long-term perspectives, maybe the most important mistake of Russian agrarian reform policy and legislation is the conservation of the orientation of agricultural education and training for a collective farm system. A very important part of the modernisation programmes of agriculture in European Union countries was always agricultural education and training. It is possible to say that Russia has already lost almost 10 years in making progress in this domain.

Surveys undertaken by the author between 1997-2000 in seven Russian provinces among rural civil officers, farms' heads, collective farms' workers, and also among professors and students of agricultural universities and colleges have revealed that the majority of those who are connected with agriculture share a common set of ideas and beliefs of a mythical nature. The most important statements of the dominant agrarian ideology oriented to support the inefficient Soviet style agricultural system are the following:

- The state must control and finance agriculture as well as buy a large share of agricultural production, and supply to farms a large share of their needs for inputs;
- Land is the people's public good, and cannot be sold or purchased;
- In the West, private property is not important, and most Western farmers are tenants;
- Russians have worked in collectives for centuries; they are collectivists; they can work only in collective farms;
- Large collective farms are potentially more efficient than family farms because they can more successfully use the achievement of technological progress;
- In the West, family farms are disappearing and large corporate farms produce most of the agricultural production;
- The cause of non-profitability of collective farms is the disparity of agricultural and industrial product prices and the absence of sufficient support of agriculture by the Russian government;
- All forms of farm enterprises, collective farms under different juridical forms, family farms, personal auxiliary farms, must be equal in rights and require support from the government.

It is quite easy to refute all these statements.

#### **4 INCOMPATIBILITY OF CURRENT DOMINANT RUSSIAN AGRARIAN INSTITUTIONS WITH A MARKET ECONOMY**

The incompatibility of current Russian agrarian institutions with a market economy comes from the economic inefficiency of collective farms and universal theft and corruption as inherent features of the current Russian agricultural regime.

The economic inefficiency of collective farms was obvious in the Soviet period when these farms were plunged into a favourable environment of the state control-input supply-output procurement. In the Soviet period, collective farms were low yield and/or high cost farms, but all of a farms' losses were covered by the state. Now that the state is no longer the only owner of all branches of the Russian economy, it is unable and unwilling to do so. Weak revenues of urban

dwellers and the presence on the market of cheap imported food do not allow farm gate prices to grow. So collective farms are condemned to non-profitability. An immediate consequence of this non-profitability is the degradation of farm machinery and equipment. The latter creates the situation that the collective farm is able to produce minimally just to provide fodder to household animals. In this way the whole branch is becoming subsistence-oriented.

In the Soviet period, three main institutions of the collective state farm system (collective farms, household farms and regional administrations) had coherent interaction between themselves. In pre-reform Russia, rural inhabitants lived to a large extent by producing food in their subsistence household farms. The livestock of household farms was fed by fodder produced in collective farms. Collective farms were obliged to follow their "first commandment": "to hand over grain (and other produce) to the state". The owner of all farms was the state and regional authorities, as representatives of the state in the region, controlled as much as they could the functioning of farms. Key decisions concerning farms were made not on farms but at the regional (district) level by communist party bureaucrats. But at the same time, regional authorities organised input supplies to farms and output procurement from them. All levels of authorities were responsible for the results of farms' functioning towards their superiors. Theft and corruption took place at that time, but could not surpass a certain level because of the existence of strong hierarchical control systems.

The situation radically changed when Russia undertook transition to a market economy. The communist party, as a ruling core of the Russian society and economy, has disappeared. At the same time, all collective state farms have been formally privatised. The Soviet state was a bad owner of farms, but with the beginning of the transition, the collective farms were left without any owner at all. Afterwards, these farms were plunged into an unfavourable, and inadequate for them, environment of a market economy. Private traders, private farmers, household owners, all of them took advantage of the absence of a real owner of collective farms. Private traders buy farm products at a lower price than the market price by bribing the farm director. Private farmers 'buy', for a bottle of vodka, the fuel from a tractor driver of a collective farm. Practices which previously existed in the Soviet Union, '*nesunstvo*' (taking), or of stealing (taking) fodder for household (personal auxiliary) farms' animals from collective state farms – have assumed a larger scale than before. Regional (district and province) authorities are no longer responsible for the results of a farms' functioning towards their superiors. They also take advantage of this situation and of the absence of real owners of collective farms to enrich themselves through large-scale corruption. They get bribes from private

companies and force collective farms to accept unprofitable conditions of input supplies and output sales. In this way, all three main institutions of the state/collective farms' system – collective farms, household farms and regional (district and province) administrations – are involved in illegal activities which destroy Russian agriculture.

Collective farms and personal auxiliary farms connected closely with the former together makeup the dominant agrarian structures in Russia. The preservation of these structures in the market economy environment inevitably contributes to the degradation of the Russian agriculture, its growing primitivism, and increasing orientation to self-consumption by the village population. It is becoming inevitable because of the increasing wear of engineering inherited from the Soviet times. The latter provokes a gradual decrease of cultivated surface. Not only are poor lands abandoned. During my recent survey in the Kursk and Rostov provinces (black soil areas), local experts told me that 1/3 of agricultural land is not used and official statistics hide it by including it in the category "fallow". At the same time, these experts witness that this unused land is not accessible to the people outside of collective farms.

## **5 A WAY FROM THE DEADLOCK**

The standstill in Russian land reform can be explained by a tacit but strong resistance to reform not only from the agrarian bureaucracy, but also from the totality of the rural population. They understand that the majority of them will not be employed by commercially-oriented agricultural enterprises and with real privatisation by efficient owners, they will lose access to resources that maintain their SHF – the only source of their survival.

In order to find a way out from this deadlock, it is necessary to divide business and social support functions. Business farms do not have to fulfil social functions. These functions should be exercised by special non-commercial organisations. Forms of these organisations could be agricultural consumers' co-operatives and municipal enterprises. The establishment of agricultural consumers' co-operatives or municipal community support enterprises in each village might help to solve the above-mentioned problems.

Agricultural consumers' co-operatives and municipal community support enterprises should be created to execute the following functions:

- Production of fodder, including green pastures and a free supply of fodder to SHF in the minimum quantities required for one rural family;
- Production of food grain, bread baking and a free supply to countrymen at predetermined norms;
- Supply (for fee) of fodder to personal farms above the amounts supplied free of charge;

- Delivery of paid services for selling SHF produce;
- Transport and other paid services for members of the community;
- Financial support of certain social infrastructure facilities.

Subsistence household farms and agricultural consumer co-operatives (municipal community support enterprises) that back them are not the most efficient forms of organisation for agricultural production. The creation of agricultural consumer co-operatives (municipal community support enterprises) is a forced measure required in order to mitigate the difficulties of efficient market transition experienced by the countrymen. It also creates opportunities for the more painless implementation of real privatisation and restructuring of former *kolkhozes/sovkhozes* when efficient private agricultural commercial ventures are created on their lands not being used for the organisation of agricultural consumers' co-operatives or municipal community support enterprises. In this case the rural community will be far less resistant to the creation of private enterprises because there is a guarantee of free fodder supply for the community members' SHF by agricultural consumers' co-operatives or municipal community support enterprises.

Some calculations show that approximately 1/3 of the land of former *kolkhoze/sovkhoze* (depending on density of population and soil fertility) is necessary for the creation of such agricultural consumer co-operatives (municipal community support enterprises). This also corresponds to expert estimates made by certain heads of collective farms in the Samara province that 1/3 of the resources of the collective farm serves to support the SHF. In fact, in many other provinces of Russia, especially in the non-*chernozem* zone, the share of resources used to support the SHF is approaching 100%. A rational organisation of agricultural consumers' co-operatives or municipal community support enterprises does not need all the collective farm's land. Much land would remain for the creation of real private agricultural enterprises, including business-oriented family farms.

Current Russian legislation permits the creation of such agricultural consumers' co-operatives in each village by every family wishing to join in the consumer co-operative of the village contributing a part of their land and assets shares. Similar procedures can be applied for the creation of municipal community support enterprises by giving this part to local administration. Every version of the community support enterprise has its pluses and minuses, however, especially taking into consideration the ongoing difficulties in Russia of the self-organisation of rural dwellers; the version of municipal enterprise therefore has more chance for success.

If the choice is made in favour of a consumer co-operative, then the following principles must be applied:

- The chairman and the director of the co-operative are different persons. The first one is a representative of the community with the task to supervise the functioning of the co-operative in the interests of its members. The second is a professional manager employed by the co-operative;
- Members and workers in consumer co-operatives are, in principle, also different persons. Members of the co-operative have rights for free and paid services irrespective of whether or not they work in the co-operative. Workers of the co-operative are much less numerous than members and can, in practice, be employed from outside of the community;
- A consumer co-operative is not a profit-oriented organisation. Such co-operatives don't have to pay income tax because their income is returned in one form or another to its members. Special favourable tax conditions must be created for this kind of enterprise.

Fixed assets of agricultural consumer co-operatives and municipal community support enterprises can be created to a large extent by assembling a part of land and assets shares of community members. Working capital should be provided by the State under the form of gift and soft credits.

We suggest that Russian legislators enact a special law on the communal rural community support enterprise and to make necessary amendments to the law on agricultural co-operation concerning specific consumers' co-operatives described above.

In order to create favourable conditions for the emergence of efficient private farming businesses on the lands left over on collective farms after the organisation of agricultural consumer co-operatives or municipal community support enterprises (2/3 of agricultural lands), adequate legislation and institutions must be put in place.

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## APPENDIX

**Table 1: Average Russian Peasant (Household) Farm in 1924/1925**

	Number of Persons in the Household	Agricultural Land, ha	Arable Land, ha	Horses	Oxen	Cows	Total Cattle Converted in Adult Units
<b>Zone of Consumption</b>	6.01	6.5	3.46	0.98	0.00	1.69	3.73
<b>Zone of Production</b>	6.10	9.46	7.68	0.92	0.09	1.19	3.51
<b>North-Caucasus</b>	6.05	10.3	7.35	1.06	0.92	1.64	5.63

Source: CHAYANOV (1928, p. 199).

**Table 2: Table from Nemchinov's Memorandum to Stalin (1928)**

	Grain Production		Marketable Grain		% of Marketability
	Mln. Puds	%	Mln. Puds	%	
<b>Before the War</b>					
Landlords	600	12.0	281.6	21.6	47.0
Kulaks	1,900	38.0	650.0	50.0	34.0
Middle/Poor Peasants	2,500	50.0	369.0	28.4	14.7
Total	5,000	100	1,300.6	100	26.0
<b>After the War (in 1926/1927)</b>					
Sovkhozes/Kolkhozes	80.0	1.7	37.8	6.0	47.2
Kulaks	617.0	13.0	126.0	20.0	20.0
Middle/Poor Peasants	4,052.0	85.3	166.2	74.0	11.2
Total	4,749.0	100	630.0	100	13.3

Source: STALIN (1952, p. 194).

**Table 3: Chayanov's Survey of 1910 in the Volokolamsk District of Moscow Province**

Eaters/Workers Ratio	1.01 – 1.20	1.21 – 1.40	1.41 – 1.60	1.61 – ∞
Production per Worker in Rubles	131.9	151.5	218.8	284.4
Number of Working Days per Worker	98.8	102.3	157.2	161.3

Source: CHAYANOV (1966).

**Table 4: Chayanov's survey of 1912-1913 "Production per worker in rubles"**

Eaters/Workers Ratio	1.00 – 1.15	1.16 – 1.30	1.31 – 1.45	1.46 – 1.60	1.61 – ∞
Starobelsk District of Kharkov Province	68.1	99.0	118.3	128.9	156.4
Vologda District of Vologda Province	63.9	79.1	84.4	91.7	117.9
Velsk District of Vologda Province	59.2	61.2	76.1	79.5	95.5

Source: CHAYANOV (1966).

**Table 5: Share of Incomes from PAFs in Households' Incomes of Kolkhozes' Members**

1970*	1980*	1980	1985*	1985	1990	1991	1992
35.1	27.5	25.1	26.2	21.8	21.5	30.0	41.6

Note: \* data for the USSR.

Source: Russian Federation in 1992, Goscomstat, Economy of the USSR in 1988, Goscomstat.

**Table 6: Parts of Different Types of Farms in Russian Agricultural Production, in percent**

	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
"Agricultural Enterprises"	76.9	73.7	68.8	67.1	57.0	54.5	50.2	49.0	46.5	38.7	40.3
Households' Farms	23.1	26.3	31.2	31.8	39.9	43.8	47.9	49.1	51.1	59.2	57.2
"Peasant Farms"	0	0	0	1.1	3.1	1.7	1.9	1.9	2.4	2.1	2.5

Source: Agriculture in Russia, Goscomstat (1998, 2000).

**Table 7: Distribution of Agricultural Lands Between Different Types of Farms, in percent**

	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
"Agricultural enterprises"	98.4	98.1	91.2	85.2	82.8	82.4	81.7	81.4	80.4	83.7	81.9
Household Farms	1.6	1.8	2.6	4.0	4.2	4.4	4.7	4.7	4.9	5.4	6.0
Personal Gardens	0.2	0.4	0.7	0.8	0.9	0.9	0.9	0.8	0.8	0.8	0.8
Personal Auxiliary Farms	1.4	1.3	1.9	3.0	2.6	2.7	2.5	2.6	2.7	3.0	2.8
"Peasant Farms"	-	0.1	0.6	3.1	4.6	4.8	5.0	5.2	5.7	6.6	6.9
Communal Pastures*	-	-	5.6	7.2	7.7	7.7	8.3	8.3	8.4	4.0	4.9

Note: \*Author's estimates.

Source: Agriculture in Russia, Goscomstat (1998, 2000).

**Table 8: Personal Auxiliary Farms (Rural Household Farms)**

	1985	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Number, Millions	15.7	16.3	17.1	19.3	16.6	16.6	16.3	16.3	16.4	16.0	15.5
Middle Size, ha	0.2	0.2	0.27	0.35	0.35	0.37	0.36	0.36	0.36	0.4	0.4

Source: Agriculture in Russia, Goscomstat (1998, 2000).

**Table 9: Evolution of Production Indices of Household Farms**

	Previous Year = 100%						Year 1990 = 100%				
	1990	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999
Potatoes	103	120	97	97	85	100	176	171	166	141	141
Vegetables	95	129	99	103	99	113	260	270	270	270	300
Meat	104	96	98	98	99	96	112	110	108	106	104
Milk	102	100	100	99	100	100	122	122	121	121	121

Source: Agriculture in Russia, Goscomstat (1998, 2000); Agricultural activity of households in Russia, Goscomstat (1999).

**Table 10: Herd Size in Household Farms, Thousands of Heads**

	1990	1995	1996	1997	1998	% in National Herd	
						1990	1998
Cattle Total	9,866	11,394	10,901	10,425	9,919	17.3	34.8
Cows	5,235	6,705	6,483	6,238	5,979	25.5	44.4
Pigs	7,076	7,556	7,246	6,963	7,393	18.5	42.9
Sheep	13,584	11,030	9,426	8,487	4,339	24.6	54.7
Goats	2,510	2,398	2,214	2,073	1,951	87.1	91.0
Horses	274	765	799	827	820	10.5	45.5
Rabbits	3,692	1,437	1,250	1,116	1,065	80.3	92.8
Poultry*	195	161	151	143	139	29.5	39.0
Bees**	2,771	3,107	2,911	2,837	2,887	61.5	82.0

Notes: \* in millions of heads, \*\* in thousands of beehives.

Source: Agricultural activity of households in Russia, Goscomstat (1999).

**Table 11: Comparison of the Evolutions of Yields in Household Farms and National Average Yields**

	Households' Farms					National Average Yields				
	1990	1995	1996	1997	1998	1990	1995	1996	1997	1998
<b>Potatoes, c/ha</b>	113	120	116	113	96	104	117	114	111	97
<b>Vegetables, c/ha</b>	148	161	154	151	147	167	148	145	147	141
<b>Beef, kg/head</b>	188	156	151	156	161	121	93	88	96	103
<b>Pork, kg/head</b>	300	202	191	195	202	118	99	96	109	120
<b>Milk, kg/cow/year</b>	2,582	2,388	2,412	2,462	2,558	2,731	2,153	2,144	2,239	2,381

Source: Agriculture in Russia, Goscomstat (1998, 2000); Agricultural activity of households in Russia, Goscomstat (1999).

**Table 12: Comparison of Evolutions of Marketability of Household Farms and Agricultural Enterprises (Former Kolkhozes/Sovkhozes), in percent**

	Households' Farms					"Agricultural Enterprises"				
	1991	1995	1996	1997	1998	1991	1995	1996	1997	1998
<b>Potatoes</b>	28.5	12.2	10.2	10.0	10.2	42.9	32.5	34.7	38.7	43.5
<b>Vegetables</b>	16.7	8.8	8.8	9.5	9.5	92.2	71.3	73.8	72.0	83.0
<b>Meat</b>	30.1	23.0	23.2	22.9	22.4	97.4	100	100	100	99.8
<b>Milk</b>	25.1	18.4	18.4	18.3	18.3	90.4	78.8	78.3	80.3	78.5

Source: Agriculture in Russia, Goscomstat, 1998, 2000; Agricultural activity of households in Russia, Goscomstat (1999).