

# **20 years of transition in agriculture: What has been achieved? Where are we heading?**

## **Findings of the 2009 IAMO Forum in Halle June 17–19, 2009**

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The fall of the Berlin Wall in November 1989 was a decisive moment for the transition of former socialist countries to market-oriented economies. Since then, massive changes have taken place in the agri-food sector and in rural areas; these changes were driven by a variety of reform packages that aimed to liberalize markets, to foster land and farm restructuring through property rights reforms or to modify the institutions of exchange. Now, 20 years after, we can see that the degree and success rate in creating competitively oriented food and agricultural systems vary remarkably between the post-communist countries.

The Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO), in collaboration with the European Review of Agricultural Economics (ERAЕ) and the European Association of Agricultural Economists (EAAE), considered the 20th anniversary of the fall of the Berlin Wall as an opportunity to summarize the “lessons learnt” in the agricultural transition process and to outline future challenges for Central and Eastern Europe (CEE) and the former Soviet Union. The conference objective was to contribute to a better understanding of this process and to review and discuss the driving factors, effects and patterns of transition processes in the agri-food sector and the rural economy, and to reflect upon future perspectives of the food and agricultural systems.

Within four plenary, three parallel paper and two poster sessions, these objectives were reflected from various disciplinary and methodological perspectives. The scientific part of the conference was rounded off by a panel discussion that focused on the perspectives of agriculture in 2030 and was closed by a half-day study trip. The conference attracted more than 160 participants from over 20 countries.

Particular highlights were the two EAAE/ERAЕ Special Sessions on agricultural transition patterns and reform impacts, including the role of the agricultural economics profession in transition research. Choosing a macroeconomic perspective, Eugenia Serova (FAO) emphasized that transition per se is over, as no post-communist country is still planning to transit further to the market. Transition processes in the various countries took their own paths and there is no unified track or mechanism of transition in the 27 post-communist countries. Results are mixed and divergent due to a path plurality influenced by the countries’ different historical, economic, natural and cultural preconditions, as well as geopolitical factors or differences in endowments and financial availability. Csaba Csáki (Corvinus University of Budapest) compared the impacts of transition on rural development in a cross-country analysis between

New EU Member States (NMS) and the Commonwealth of Independent States (CIS) regions. Although regional differentiation is increasing, rural areas and their inhabitants can be identified as the losers of transition. Especially in rural regions of the CIS, poverty is a source of social tension, which is supported by the absence of a focused rural policy framework. Although Europe’s Common Agricultural Policy (CAP) provides a uniform framework, and despite the fact that resources for the NMS are increasing, the rural-urban gap is widening and agriculture is still not competitive enough due to a lack of entrepreneurship and integrated policies. Johan Swinnen (Katholieke Universiteit Leuven) pointed out that studying transition taught the (agricultural) economic profession insights on fundamental institutions and the conditions necessary for a market economy to function. He writes, “The basic result that economic optimality results when supply equals demand can only be achieved when more basic conditions regarding property rights, institutions of exchange are satisfied so that a supply may actually be produced – a condition our textbooks used to take for granted but which transition has learned is not obvious. The same lesson can be learned in many developing countries.” Stephan von Cramon-Taubadel (Georg-August-Universität Göttingen) approached the issue of transition from a rather different “output” perspective by analyzing the contribution of the professions to agricultural economics literature on transition issues and transition countries. Accordingly, this output is scarce. Only 2.3% of all articles published in 11 peer-reviewed agricultural economic journals since 1989 deal with these topics. Moreover, the international professional research network is highly fragmented, as only a few key authors are well-connected, establishing clusters and linking topics. Last but not least, only very few researchers active in Central and Eastern European institutions are visible in international agricultural journals.

Further key topics of the conference were the social and environmental impacts of transition, which have proven to be complex and dynamic. Indeed, they can still be identified, for instance in a high demand for reshaping institutional arrangements, e.g. for sustainable resource use. The success of institutional change depends strongly on the characteristics and objectives of the actors involved in respective transactions and which affect economic performance, distribution, ecosystem functions or land use trends in sometimes unpredictable ways. Thomas Sikor (University of East Anglia) provided insights on land reforms through three distinct village stories in Albania, Romania and Vietnam. Accordingly, property dynamics involve more far-reaching changes when it comes to the values attributed to objects,

the authority sanctioning rights and duties, and different landscape visions; due to dynamics and complexity, it is hard and sometimes dangerous to derive some general rules. Adapting a natural experiment approach, Daniel Müller (IAMO) explored land use change patterns around trans-boundary regions to illustrate the impacts of institutional changes and economic shocks, and showed that the large variation in initial conditions, reform policies, and post-socialist developments resulted in diverging local land use pathways. Moreover, he recommended the analysis of post-socialist land use change in border regions as one option to improve the understanding of country-specific land use change factors. Konrad Hagedorn and Volker Beckmann (Humboldt-Universität zu Berlin) argued that transition has created more opportunities than threats to the natural environment. They posit that a twofold transition towards markets and sustainability in CEE countries is feasible, though problems arise from different incentive intensities, time constraints and investment requirements. Especially in NMS, the EU is a successful driver for sustainable development. Restrictions were identified, e.g. in national lobbying activities, lacking participation or implementation capacities.

Ulrich Blum (Institut für Wirtschaftsforschung Halle) and Jan Hanousek (CERGE-EI, Prague) discussed transition from the view of the general economic profession. Blum referred to the “long shadow of real socialism” when he provided evidence that the economic gap between East and West Germany has not been substantially reduced in the last decade. Today’s main development constraints in East Germany were identified in the absence of firm headquarter functions, migration of highly-qualified human capital, and insufficient research and development activities. In his literature review, Hanousek questioned the efficiency and distributional effects of different privatization methods and their sequencing strategies. He concluded that privatization itself is no guarantee for improved firm performance. Important factors for unsuccessful firm restructuring are the type of private ownership, corporate governance, market access, and the legal and institutional system. Foreign ownership tends to have a faster and more frequent positive effect on firms’ performance than privatization to domestic owners.

Altogether, 24 further papers were presented in nine paper sessions focusing on selected aspects of transition drivers and outcomes. These sessions added detailed insights on, e.g. efficiency and productivity changes, aspects of internationalization and competitiveness, the role of governance and institutions, or changing factor markets. For instance, Štefan Bojnec and Laure Latruffe illustrated that farms’ technical efficiency in Slovenia is positively related to farm size, but negatively related to public support in pre- and post-accession. However, as Slovenian farms are still small-sized compared to farm structures in other EU countries, the authors conclude that productivity growth is not the only driving factor for structural change. Lajos Baráth and Heinrich Hockmann argued that total productivity change in Hungarian agriculture is strongly determined by techno-

logical change and technical efficiency change. They hypothesize that only the best-managed farms are able to utilize the positive effects of technological progress. The cross-country analysis of Supawat Rungsuriyawiboon and Xiaobing Wang showed that total factor productivity varies at different stages of transition. They argue that in light of future global demands, performance and efficiency improvements, along with continued technology transfer and adoption are still required for transition economies. Liesbeth Dries et al. presented, in their analysis of the Polish dairy sector, linkages between institutional changes and farm restructuring patterns in different stages of transition. EU accession has not only intensified restructuring processes, but has also created new barriers, e.g. by introducing milk quotas and restrictions on quota trading. Jan Falkowski et al. illustrated in their survey on farms’ performance in six CEE countries, that credit access could have a positive and significant impact on farm investments, but that regarding the factors of labour and land, no consistent pattern could be identified. Ladislav Jelinek et al. hypothesized that transaction costs, which originated from the previous regime still have to be considered as an important factor when answering the question of why agricultural land prices in the Czech Republic are substantially lower compared to many other EU Countries.

The final panel discussion, “Agriculture in CEE towards 2030: Where are we heading?” was moderated by Csaba Csáki. The panelists Monika Hartmann (Universität Bonn), Alex Lissitsa (Ukrainian Agribusiness Club), Michel Petit (Institut Agronomique Méditerranéen de Montpellier) and Harald von Witzke (Humboldt-Universität zu Berlin) discussed potential future trends and challenges of the agri-food sector. Of decisive importance will be the sectors’ ability to react to global trends such as rising consumer demands, increasing processing and technology standards, environmental demands, global competition and technological innovations. In this regard, food security and climate change will also be the global challenges of future years, no less so in CEE. The evolution of the CAP after 2013 will be an important factor for future development directions. In the end, agricultural productivity growth will be just one strategy to tackle these challenges. However, it is unlikely that this will lead to similar production systems and industry structures. Especially countries like Ukraine and Russia may develop very different strategies to exploit existing production and efficiency potentials than the EU. Moreover, a question of much more concern will be whether rural areas can participate in positive developments or whether they will fall even further behind.

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