

ISSN 1020-1211

CENTRAL AND EASTERN EUROPE AGRICULTURE IN TRANSITION

7

Organization and management of agricultural services for small farmers of Eastern Europe

Report of the workshop



Food
and
Agriculture
Organization
of
the
United
Nations

ISSN 1020-1211

CENTRAL AND EASTERN EUROPE

AGRICULTURE IN TRANSITION

7

Organization
and management
of agricultural
services
for small farmers
of Eastern Europe
Report of the workshop

Sofia, Bulgaria
27-31 May 1994

RURAL DEVELOPMENT ORGANIZATION 12/94

FOOD AND AGRICULTURE ORGANIZATION OF THE UNITED NATIONS
Rome, 1994

The designations employed and the presentation of material in this publication do not imply the expression of any opinion whatsoever on the part of the Food and Agriculture Organization of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries.

M-60
ISBN 92-5-103591-1

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying or otherwise, without the prior permission of the copyright owner. Applications for such permission, with a statement of the purpose and extent of the reproduction, should be addressed to the Director, Publications Division, Food and Agriculture Organization of the United Nations, Viale delle Terme di Caracalla, 00100 Rome, Italy.

© **FAO 1994**

TABLE OF CONTENTS

| | | Page |
|---------|--|------|
| 1 | INTRODUCTION | 1 |
| 2 | HIGHLIGHTS OF THE PAPERS | 2 |
| 2.1 | Synthesis paper | 2 |
| 2.2 | National cases | 3 |
| 2.2.1 | Bulgaria | 3 |
| 2.2.2 | Estonia | 4 |
| 2.2.3 | Latvia | 5 |
| 2.2.4 | Lithuania | 6 |
| 2.2.5 | Poland | 7 |
| 2.2.6 | Former East Germany | 8 |
| 2.2.7 | Romania | 9 |
| 2.2.8 | Albania | 10 |
| 2.2.9 | Greece | 10 |
| 3. | CONCLUSIONS AND RECOMMENDATIONS | 11 |
| 3.1 | General points regarding the transformation of agriculture | 11 |
| 3.1.1 | Conclusions | 11 |
| 3.1.2 | Recommendations | 11 |
| 3.2 | Organization and management of delivery systems | 12 |
| 3.2.1 | Conclusions | 12 |
| 3.2.2 | Recommendations | 12 |
| 3.3 | The roles of the public and private sectors in the provision of services | 13 |
| 3.4 | Specific agricultural services | 13 |
| 3.4.1 | Research, extension, education and training | 13 |
| 3.4.2 | Input supply services | 14 |
| 3.4.3 | Specific agricultural services | 14 |
| 3.4.4 | Processing and marketing | 14 |
| 4. | PROPOSED FOLLOW-UP ACTIONS | 16 |
| ANNEX 1 | LIST OF PARTICIPANTS | 17 |
| ANNEX 2 | PROGRAMME OF THE OMASEE WORKSHOP | 19 |

1. INTRODUCTION

The Workshop on *Organization and Management of Agricultural Services for Small Farmers within the Context of Evolving Political and Economic Structures in Selected Countries of Eastern Europe* (OMASEE) was organized as a part of Regular Programme activities of the Rural Development Organization Unit in the Human Resources, Institutions and Agrarian Reform Division (ESH) of FAO. It was a follow up to the OMASEE case studies carried out in 1993 in six Eastern European countries - Bulgaria, Estonia, Latvia, Lithuania, Poland and Romania.

The main objective of the Workshop was to identify approaches to improve the organization and management of agricultural services and input supply systems on behalf of small-scale farmers.

In more concrete terms, the objectives of the Workshop were:

- to discuss the results of the OMASEE case studies in the light of specific national experiences and the expertise of the participants;
- to review the most recent developments in the agricultural sector of Eastern European countries and to exchange results of studies and experiences, including the experiences of those countries which were not covered by the case studies, but which were represented at the Workshop;
- to formulate a strategy and policies to strengthen and improve development and management capacity and efficiency of services and institutions in support of rural development; and
- to formulate directions for follow-up activities.

2. HIGHLIGHTS OF THE PAPERS

2.1 SYNTHESIS PAPER

In the synthesis paper it was stressed that there were two processes of transformation proceeding in parallel. One was the reform of agriculture *per se*, and the other was the restructuring of the system of agricultural services, and that these two processes were interrelated.

The region was subdivided into three sub-regions according to the characteristics of the reform process and the starting, or pre-reform, situation.

The report emphasized that it was practically impossible to give a general definition of *Small Farmer* in the context of Eastern European agriculture. Such a definition would be complex because of the many different criteria that have been used. In the case studies, however, each country used an operational definition that reflected their national realities.

It was emphasized that currently the market for agricultural services was influenced by two main factors. On the supply side, in many countries of the region, there was poor provision of services and lack of skill in operating under market conditions. From that point of view there was a large margin for improvement. However, demand has been restricted by the low profitability of farming and decreasing farming incomes.

The report stressed ongoing changes in small-scale farmers' attitudes towards suppliers of services. At the time of writing, most services still came from state-owned units, or parastatal companies. This resulted in a limited choice of alternative suppliers. However, trust in state-owned companies has been gradually decreasing, one reason for which has been the bureaucratic management principles which still dominated their operations, and which were leading to poorer quality of services. According to farmer opinion, input supply and many other agricultural services should in future be provided by the private sector. Only services that are funded from the state budget, or which require some government control, should remain state owned.

Discussion

Discussion focused on national similarities and differences in agricultural reforms. It was stressed that at the current stage it was important to analyse general characteristics. This would help to formulate the main orientations for strategy and policy, starting at the regional level and later extending to sub-regional and national levels. It was felt that there was a general need to collect material to sensitize public opinion and to influence governments towards the establishment of concrete programmes and projects for small-scale farmers.

2.2 NATIONAL CASES

2.2.1 Bulgaria

Three reports were presented on Bulgaria. They dealt with land reform and the emerging farm structures; supply of agrochemical services; and supply of mechanization services.

The first report updated the case study, and stressed the difficulties created by the massive but relatively slow changes in agricultural land ownership and farm structures. Politically, Bulgaria opted for total restitution of land to owners or their heirs as they were after the land reform of 1946. This restitution was accompanied by a provision in the Land Law for liquidation of all collective farm structures inherited from the previous system. This liquidation consisted of allocation of non-land assets to eligible owners, based on their contribution to the ownership of collective farms during the process of collectivization and their labour contribution. Stable post-reform farm structures had not yet developed, because both land restitution and liquidation of collective farms proved difficult and time consuming. Only a few farmers had yet received legal title giving them full ownership of land. This created a problem in identifying the small-scale farmer group and in designing an adequate delivery system to reach that group.

The paper on agrochemical services emphasized the factors restricting demand: lack of incentives to use agrochemicals because of the practise of allocating land on a temporary - one year - basis until legal ownership is defined; big increases in relative prices of agrochemicals; and a lack of financial resources in the hands of new, private farmers.

In order to develop a national policy in the field of agrochemicals, a National Centre for Plant Protection, Quarantine and Agrochemistry was created by the Ministry of Agriculture. Many Bulgarian and foreign private companies are active in the sector, dealing mainly with marketing of pesticides.

The paper focusing on mechanization services presented a case study of the adjustment of a state-owned enterprise to the agricultural reforms and the developing markets.

Discussion

The discussion focused on:

- the need to speed up and complete the land reform process;
- the possible danger of land fragmentation and creation of a large number of small, subsistence farms; and
- the urgent need for the creation of farmers' organizations, based on voluntary membership, participation in decision making, and the fostering of an entrepreneurial spirit.

2.2.2 Estonia

The paper discussed the importance of three laws passed after the start of political and economic changes, namely the Law on Peasant Farming, the Law on Land Reform, and the Law on Agricultural Reform. It was stressed that in the post-reform period the system of state-owned enterprises for agricultural services had collapsed.

The role of the Estonian Farmers' Union has been increasing. It was established in 1989 as an organization of the first 200 small-scale, private farmers, and had a twofold objective, i.e., to restore small-scale private farming and to protect the interests of small-scale farmers.

Particular emphasis in the paper was put on the restructuring of education and training, and the creation of extension services. Various free training programmes funded by foreign donors became available to farmers. More than half of the former Estonian local agricultural centres were closed down, while one-third were re-organized into local development centres, funded by county governments or the Farmers' Union. The Farmers' Union had plans to re-organize one agricultural school into a training and advisory centre for farm consultants.

Different channels for provision of agricultural services were available. At the beginning of 1993, services provided by *kolkhozes*, *sovkhazes* and the state-owned enterprises were the norm. By the end of 1993, most agricultural input supply companies had been privatized. Private enterprises emerging from the privatization programme took over the market share of the state-owned companies, *kolkhozes* and *sovkhazes*. By May 1994, private channels of input supply were dominant.

According to expert opinion, the most urgent improvements were needed in the fields of credit, training and advisory services, animal breeding and veterinary services.

Discussion

Discussion focused mainly on the question of whether conditions were favourable for the viability of private farms. It was pointed out that the first wave of private farmers in Estonia were successful because they paid only partially for production factors. These farms were created under the old system. With subsequent reforms and changes in prices, it became more difficult for small-scale farmers to make a profit.

2.2.3 Latvia

The core of the paper addressed the impact of privatization on different agricultural services. It stressed the dramatic changes in ownership of enterprises providing services. Five years ago, almost all services were delivered by state-owned enterprises. The only exception was a small portion of services provided by *kolkhozes*. By the time of writing, there were no state-owned enterprises at all in some service sectors.

An interesting example was given of privatization in processing, in particular in the dairy sector. In 1992, the ownership of milk collection units and dairy processing enterprises was transferred to the dairy farmers' cooperative associations. In 1993, large-scale dairy processing enterprises were privatized by a process of transformation into joint-stock companies, with dairy farmers' cooperative associations as the main shareholders.

However, the role of cooperatives in some services remained small. The reason for that being mainly psychological, as farmers preferred to operate individually after decades of collective farming. There was a need for provision to farmers of information regarding the potential benefits of cooperation in the field of agricultural services.

The input-output price squeeze has limited the demand for services. This has been coupled with delayed payments to farmers for output sold, as well as with difficult access to credit due to high nominal interest rates (60% in 1994).

It was argued that, irrespective of the current problems associated with the development of markets, the situation in agriculture would stabilize, and Latvia might adopt policies typical of the Nordic countries, including protectionist policies bringing about consolidation at the small-scale farmer level.

Discussion

Discussion focused on two main topics.

- Differentials in the speed of privatization. The farming sector was compared with the processing and marketing sector. In general it has been shown that privatization has proceeded faster in farming. In some sub-sectors of processing industries there has been good progress toward privatization, but in others the process has not proceeded rapidly.
- Quality of primary and processed products, and whether they could meet the export standards set by more developed countries.

2.2.4 Lithuania

The paper pointed out the main changes in the Lithuanian economy and in farmers' attitudes. These changes included the separation of the Lithuanian economy from the former Soviet Union, the creation of new economic agents based on private ownership of land and capital, a more flexible response of individuals to market signals, and a gradual democratization in all sectors of social life.

Privatization in agriculture developed in two directions: land restitution, and privatization of agricultural enterprises. As a result, new farming structures have been created, determining new requirements in the delivery system. The new farming structures could be classified into three groups:

- (i) Individual farms, usually of 2 to 3 ha, created on land allocated to the rural population. To begin with, farmers lease the land, but there has been ongoing discussion about full privatization of such land.
- (ii) Family farms, created mainly on restituted land.
- (iii) Various forms of collective farming, partnerships, and farming companies. They have been created as a result of privatization, usually by breaking up existing farms into smaller units.

The paper stressed that the target group for the delivery system for small-scale farmers in Lithuania are the family farms.

During restructuring, the system of agricultural services was subjected to privatization, decentralization, narrower specialization, and the substitution of economic relations with the customers for previous administrative relations.

Supply of agricultural services was organized at different levels. At local level, agricultural services were provided mainly by partnerships.. A small portion of services was provided by cooperatives and municipalities. Some services were supplied by individuals and small firms with no specific fields of activity. They used temporary market conditions and their reliability had been low. At the district level, services were supplied by public and private companies capable of providing services otherwise lacking at local level. However, services were not adequate because of the financial difficulties of companies, the small volume of services demanded, and the substantial distances from the producers. Companies dealing at national level required an intermediary in order to reach farmers. Such intermediaries could be their district branches, farmers' unions, or cooperatives.

The demand for services has been adversely influenced by large increases in relative prices of inputs.

Discussion

The discussion focused on two main points:

- the impact of macro-economic factors on demand for services; and
- ways to speed up farmer cooperation in services.

2.2.5 Poland

The paper stressed the necessity for a strategy for developing agricultural services. It also dealt explicitly with the question of the target group of the delivery system. In Poland, family farms accounted for 80% of agricultural land and more than 80% of gross agricultural output. Farming was classified into three subsectors according to the main source of income.

- (i) Social, with income coming mainly from social funds (pensions).
- (ii) Pluri-active, with agricultural income less than one-third of total income.
- (iii) Commercial.

Each of these three subsectors had a different attitude towards agricultural services. The demand for services in the social farming subsector was relatively high because funds (cash) were available that would not normally be invested in machinery or other equipment. The pluri-active farm subsector organized some services within the farms, and partially paid for services. At the time of writing, the commercial farm subsector was the weakest customer of agricultural services, because these farms tried to be self-sufficient in services.

It was stressed that, because of price squeezes, there was a limited market for commercial services in Poland and it was expected that it would remain limited in the short to medium term.

It was argued that the creation of a system for agricultural services should not be an end in itself, but rather an instrument to support the creation of family farms and to promote changes in rural employment and in rural economy.

In general, rural development becomes more important during the transition to a market economy as the agricultural sector shrinks. It is then necessary to introduce alternative, non-agricultural development. The system of agricultural services is an important element in rural development, and the processes of creating small-scale farmers, small businesses, and agricultural service structures in rural areas are interrelated.

Discussion

Discussion concentrated on the macro-economy and on subsidies.

- The macro-economic situation in the region, with a few exceptions, has been unfavourable. During the post-reform period there was a drop in GDP, in gross agricultural output, and in real income. The income disparity increased between those households whose main source of income was agricultural activity and those deriving their income mainly from non-agricultural activities. This situation has had an adverse effect on the effective demand for agricultural services.
- On the problems of subsidization of agriculture, it was stressed that it was better to support the development of infrastructure rather than to give direct subsidies to producers.

2.2.6 Former East Germany

The paper pointed out that the situation in agriculture in eastern Germany was not directly comparable to trends and developments in the agricultural sector of other Eastern European countries. One reason for this was the increasing conformity and a growing competitiveness of eastern German farms within the agricultural system of Germany as a whole and in the European Union (EU).

Despite the process of creating new farming structures on the basis of former cooperatives and state farms, farming in the former East Germany was still dominated by large-scale enterprises.

In the field of agricultural services, the paper focused on the restructuring of input supply. Input supply in the former East Germany was in the hands of large, state industrial complexes. Restructuring of this sector involved two driving forces, cooperatives and private trading firms. Both had had a long tradition in Germany, and cooperatives have been established for both supply and marketing functions.

The existence of large-scale farms means that they increasingly buy inputs directly from the producer or from wholesale suppliers, and sell produce directly to the processing firms.

After re-unification, and the consequent inclusion in the Common Agricultural Policy (CAP) of the EU, the ratio of agricultural produce prices to input prices has become more unfavourable for agricultural producers in eastern Germany. In particular, there was a large increase in labour costs.

The paper presented a comparison of overall returns and profits of farms in eastern and western Germany. It showed that eastern German farms generally had not reached the level of total returns per hectare obtained in western Germany. This was mainly due to the differences in labour costs in the livestock subsector.

The overall conclusion drawn in the paper was that farming and input use in the former East Germany have adjusted well to the new economic conditions.

Discussion

Discussion focused on some aspects of CAP and different farming structures in the EU.

It was stressed that it is necessary to have strategies and detailed policies for the agricultural sector, but that they should be subject to regular review. One of the negative aspects of CAP has been that it has existed for about 30 years without substantial revision, while conditions in the agricultural sector have changed fundamentally at both intra-community and international market levels.

2.2.7 Romania

Two papers were presented on Romania: one focusing on agricultural reforms and the other on restructuring of agricultural services. It was shown that the radical transformation in agriculture resulting from the process of privatization has not led to positive results because of a lack of market behaviour of economic agents, the continuation of strong government intervention and its paternalistic approach, a lack of competition, and a lack of institutions for a land market.

The outcome of the process of land restitution has been the creation of a large number of subsistence farms. In 1993, 41 % of agricultural land consisted of farms with an average size of 2.6 ha. It appeared, therefore, that, in the case of Romania, land reform alone could not resolve the problem of creating viable farms; a favourable economic background was also necessary for the creation of efficient commercial farms.

Agricultural services were mainly provided by the Ministry of Agriculture and state-owned enterprises. Information was transferred up and down from the Ministry of Agriculture to state farms and to the Ministry employees in agricultural centres at communal level. It has become clear that the new private farmers had a great need for extension services. In particular, they needed advice on management, book-keeping and production technologies. They also had to learn from the best practices of other farmers.

The two papers made several proposals for restructuring of information and extension services at the national, regional and communal levels. It was stressed that, while there existed a strong consensus between farmers, policy-makers and trainers about the need for advisory services, there was no consensus regarding the organization and financing of such services.

Moreover, the privatization of services which were still a state monopoly constituted a special and important problem. The arbitrary transfer of all services to the private sector appeared to be an unreasonable step. The public sector should continue to assume responsibilities for those services for which the private sector cannot provide an efficient service.

Discussion

Two topics were the subject of most of the discussion:

- organization of agrochemical services at village and regional levels; and
- the potential role of agriculture as a buffer during the economic crisis following reforms, thereby offsetting some of the contraction in other economic sectors.

2.2.8 Albania

The case of Albania was briefly presented. Emphasis was placed on the improved supply of agricultural machinery. During the discussion it was stressed that the first wave of land privatisation implied allocation of land - without a restitution element - to people employed in agriculture. This led to a fast first wave of transformation to private operation. Subsequently, former owners started to reclaim their ownership rights. This situation could bring about long-term disputes over land ownership.

2.2.9 Greece

As Greek agriculture developed under conditions of strong public sector and governmental interventions, some of the Greek experiences could be of importance for Central and Eastern European countries.

In Greece, both private and public sectors have operated in the field of agricultural services. It was stressed that some services have been totally or predominantly provided by the private sector. This was especially the case for input supply and processing. Agricultural credit has been in the public sector because it has been the monopoly of the Agricultural Bank. Extension services have mainly been organized by private agents, supported by some programmes of the EU. Training has been mainly organized by the Ministry of Agriculture and the cooperatives. In general information has been provided by public institutions.

The cooperative movement in Greece was set up by the state in the second decade of this century. It was indirectly controlled by the state, strongly politicized and did not really serve farmers' interests. The creation of an Agricultural Bank in the 1920s was in support of the cooperative movement and the policy of government intervention in the agricultural sector.

Greek farmers were strongly supported by several programmes, including tax exemption and debt cancellation. At the time of writing, however, their productivity was about 50% of the EU average.

Discussion

Discussions revolved around tactics for transition.

- It was suggested that the Central and Eastern European countries develop clear strategies and policies for the transition period. This implies the setting up of goals and designing the necessary steps, taking into account the specific situation in each country; there is no general solution that is valid in or for all countries.
- The pros and cons of shock therapy versus gradual transition were discussed. It was stressed that there are always social costs in developing the economy. The crucial problem for Central and Eastern European countries is not so much whether to adopt shock therapy or a step-by-step transition, but rather whether the path of transition would be decided with democracy or without.

3. CONCLUSIONS AND RECOMMENDATIONS

3.1 GENERAL POINTS REGARDING THE TRANSFORMATION OF AGRICULTURE

3.1.1 Conclusions

The overall macro-economic situation in the region, with a few exceptions in 1993, was still unfavourable for the development of the agricultural sector and its related services. Due to the ongoing massive reforms, the agricultural sector in the region faced strong uncertainties.

During the post-reform period there has been a drop in GDP, in gross agricultural output, and in real income. Income disparity increased between households whose main source of income was agricultural activity and those deriving income mainly from non-agricultural activities. This situation has had an adverse effect on the effective demand for agricultural services.

Following price liberalization, input and output prices have had different rates of growth. In general, as output prices grew slower than input prices, the terms of trade changed so as to be adverse to agriculture. This decreased the use of inputs and encouraged a change to more basic and labour intensive agricultural technologies.

In some countries, the land restitution process has led to the creation of a great number of small, often subsistence, farms, some of which are not much different from the pre-reform subsidiary (personal) plots. They continue to be strongly dependent for services on former centrally planned structures. Political decisions have been made that the pre-reform cooperatives and state farms be subject to privatization or liquidation. This has increased the importance of the need to establish an alternative system for the supply of agricultural services to small-scale farmers.

While a considerable portion of agricultural land has been allocated for private ownership, technical and legal procedures are cumbersome and slow, leading to delays in the provision of final title of full ownership to land. This means that only a small proportion of farmers have yet received legal title to their land.

The consequences of the prolonged land restitution procedures are detrimental to the agricultural sector. Land markets are developing only slowly, so they are not yet effective agents for efficient re-allocation of land resources. Farmers' access to credit is limited by lack of collateral. There has been little in the way of incentives and limited possibilities for investments. It is difficult to identify the group of 'real' farmers. This impedes the process of restructuring the delivery system, which is a crucial factor in sustainable rural development.

3.1.2 Recommendations

Under conditions of unsettled prices and a big cost-price squeeze, government support to farmers in the field of agricultural services is necessary.

It is of fundamental importance to complete the land reform process. This implies an explicit priority for land restitution within the policies of reforms; concentration of human and financial resources; enforcement of procedures based on the Land Laws; search for consensus to simplify procedures; removal of all administrative barriers to owners wanting to reclaim their land, or to lease or sell it; creation of conditions in favour of a land market; provision of legal advice; and encouragement of local, village-level, initiatives for settling disputes and completing the restitution process.

In order to overcome the potential problems that could arise from very small-scale farming, the creation of different forms of organization for farmers should be supported. These organizations should be based on voluntary membership, participation in the decision-making process, and entrepreneurial management principles.

The creation of viable farming units is important in the overall solution of the problems of agricultural sector. The units should be based on technical and economic parameters, as well as on social acceptability.

3.2 ORGANIZATION AND MANAGEMENT OF DELIVERY SYSTEMS

3.2.1 Conclusions

Due to decades under centrally planned systems, there is an disproportionate reliance placed on central control and government intervention. Farmers' initiatives and their potential for participation in a decentralized decision making process is underestimated. Sometimes they have been left out of the scope of the national agencies responsible.

Rural development becomes more important in the context of transition to a market economy, as the agricultural sector is generally shrinking. Here, the creation or expansion of the agricultural services sector offers the possibility to diversify rural activities and create employment opportunities in the rural areas.

During the transformation process in rural areas, small-scale farmers, small businesses and agricultural service structures emerge simultaneously and are interrelated.

3.2.2 Recommendations

(i) *Internal coordination* A holistic and systemic approach to rural development should be adopted, taking into consideration all interrelationships.

The development of agricultural services and of small businesses should be treated together in the context of rural development.

Effective internal coordination between all agents involved in the delivery system should be encouraged as necessary in order to replace the former command-driven management structures.

(ii) *Decentralization* Decisions should be taken at the level where problems are best known, and where the appropriate expertise and motivation exist.

(iii) *Participation* All interested groups should be fully involved in rural development and in delivery systems. They should discuss, exchange information, sensitize public opinion and influence governments to establish concrete programmes and projects for small-scale farmers.

In order to encourage farmers to organize in a way that will allow them to participate fully in the decision-making process regarding the delivery systems for services, the necessary conditions will have to be created. In order to make such participation possible, decentralization will be crucial.

3.3 THE ROLES OF THE PUBLIC AND PRIVATE SECTORS IN THE PROVISION OF SERVICES

Where there is a market failure or a common public interest, the public sector should assume responsibility for providing the necessary services. Especially during the transition period, the role of the public sector might become important in several areas, including research, education, extension, information, quality control and rural infrastructure.

3.4 SPECIFIC AGRICULTURAL SERVICES

3.4.1 Research, extension, education and training

(i) *Conclusions*

During the transformation, many small-scale farmers have emerged in the countries of the region. These farmers lack experience in making independent decisions and in reacting rationally to market forces. The previous connections that these farmers had with the former state farms and state enterprises - both upstream and downstream - are disintegrating. In these circumstances there is a great need for research, extension, education and training.

In all countries of the region there are established systems of publicly funded research institutions, agricultural schools and universities. However, these systems are no longer adequate under the changed circumstances, and will require fundamental restructuring in order to satisfy the needs of farmers in a market-based economy.

The hard budget constraints and the new requirements make it difficult to continue with research being funded from only public sources.

Activities in research, extension and training have concentrated on production technology and management, while important areas - notably in marketing and social research - have not been sufficiently covered.

(ii) *Recommendations*

Research programmes should be directed more towards analysis of the urgent and pressing social and economic problems brought about by the restructuring of the agricultural sector during the transition to a market economy. A review of research programmes and of educational and training curricula is needed.

Extension should focus more on the farmers' own objective of how to increase income, and not simply on the problem of how to increase production.

While research is predominantly carried out in public institutions, this may not necessarily be the case for extension and training. Provisions should be made to place at least a part of extension services and training programmes on a commercial basis.

In order to improve research and education, conditions should be created for reorienting and training existing specialists and helping them to improve their professional standards. Appropriate policies for career development should be established accordingly.

International organizations could play an important role in assisting staff training in service entities and institutions.

3.4.2 Input supply services

(i) Conclusions

Privatization of input industries and trading enterprises *per se* is not always sufficient to satisfy the input demands of small-scale farmers.

Sometimes, input supply is provided by individuals and small firms, who are not specialized and with little experience. At present, they exploit temporary market conditions, give services to farmers only occasionally, and are often unreliable.

Other than at the local level, farmers do not have adequate information about alternative input supply channels.

(ii) Recommendations

Cooperative movements should be supported that are set up with the aim of improving input supply for the farming members.

Adequate policies and regulations should be adopted for health and safety standards concerning agricultural inputs.

3.4.3 Rural financial systems and agricultural credit

(i) Conclusions

Farmer access to credit has been restricted due to high interest rates caused by high inflation rates; the widespread lack of title of full ownership to land; low profitability; the unwillingness of commercial banks to lend money to farmers because of the perception of high risk; a lack of skills in preparing and evaluating agricultural projects; and poorly developed systems for agricultural credit supply or rural banking.

Agricultural insurance systems are either nonexistent or not yet well established.

(ii) Recommendations

The options for establishing credit cooperatives or mutual funds in rural areas should be assessed.

The option of creating and developing specialized institutions for agricultural credit should be assessed.

A system should be set up to provide state guarantees on loans to farmers during the transition period in order to share the risk in case of defaults between farmers, banks and the state, and thus improving access to credit by small-scale farmers.

The option of creating special insurance systems for agricultural production activities should be investigated.

3.4.4 Processing and marketing

(i) Conclusions

In most Eastern European countries, the restructuring of the agricultural marketing and processing sector has proceeded slowly and has not reached that level of competition necessary for it to function efficiently. In some countries, the former state enterprises still have monopolistic or monopsonic market powers. In other countries, the monopolies have been removed, but new structures have not yet emerged to replace them and so an unproductive vacuum exists.

(ii) *Recommendations*

Privatization in the downstream sector should be speeded up by facilitating the various legal procedures, particularly that of valuation, which makes little sense due to the unstable economic conditions and lack of skills to determine expected future returns.

In order to reduce the market powers of the former state-owned monopolies, it is necessary both to remove barriers to new entrants and to minimize protection of processing and marketing enterprises from domestic and foreign competition. Appropriate policies should be introduced, together with their respective institutions and procedures if required.

Processing and trading activities should only be restricted to the extent necessary to ensure compliance with regulations and controls associated with health, safety and environmental standards.

The establishment of market institutions should have a high priority, in particular the creation of a market information system, and grading and quality standards, taking into consideration requirements in export markets.

Farmers should be encouraged to organize themselves into marketing cooperatives and, wherever feasible, to establish cooperative processing units in rural areas.

4. PROPOSED FOLLOW-UP ACTIONS

The participants in the workshop concluded that there were both national differences and similarities in the pace of the agricultural reforms. This applied to the political perception of land ownership and farm structures, privatization in upstream and downstream sectors, as well as the development of delivery systems. In view of the national differences, in-depth studies of agricultural systems *in toto* should be conducted at the national level.

It was acknowledged that the dynamism of change was diminishing, and that joint research would be necessary in order to formulate recommendations for revitalizing the reform processes.

Taking into account the process of privatization that was under way, an increasing importance should be attached to the activity of the private sector in delivery systems for small-scale farmers, and particularly in input supply.

Farmers' organizations and service cooperatives in the region were still embryonic. A special study of their developments should be conducted in order to disseminate positive experiences, and to propose a range of possible options as alternatives to producer cooperatives.

Having in mind the variable nature and quality of the national information systems in the region, national primary sample surveys should be conducted in order to give an insight into the provision of services, the organization and management of delivery systems, and the conditions for farmer participation in the decision-making process.

A research network should be established involving Central and Eastern European countries. It would serve to support research in the field of agricultural service systems and rural development, and would create a tool for developing a joint framework of analysis and for exchanging results of national studies. It was proposed that the Food and Agriculture Organization of the United Nations (FAO) should be asked to support such a research network, and to facilitate research and promote exchange of research findings through the network. In order to expand contacts and to maintain future exchanges on common issues in rural development organization, FAO should examine the possibility of facilitating regular meetings of the national institutions concerned.

ANNEX 1**LIST OF PARTICIPANTS****ALBANIA**

Mrs Teuta Kacani
 Ministry of Agriculture and Food
 Tirana, Albania
 Fax: [INT] + 355 42 279 24
 Tel: [INT] + 355 42 245 03

BULGARIA

Dr Dimitar Slavov
 Director
 Institute of Floriculture
 1258, Negovan
 Sofia, Bulgaria
 Fax: [INT]+ 359 2 394816
 Phone: [INT]+ 359 2 394639

Mr Natchko Pehlivanov
 Manager
 BULAGRO Ltd.
 7-9, Zeleno Darvo Str.
 Lozenetz

1421 Sofia, Bulgaria
 Fax/tel: [INT]+ 359 2 66 44 22
 Tel: [INT] + 359 2 65 94 68

Prof. Ranguel Trendafilov
 Director
 Institute of Agricultural Economy
 Blvd. Tzar Boris III, 136
 1618 Sofia, Bulgaria
 Fax: [INT] + 359 2 562 805
 Tel: [INT] + 359 2 562 808

ESTONIA

Professor Mati Tamm
 Institute of Rural Development
 Estonian Agricultural University
 Tuglase 13
 P.O. Box 189
 Tartu EE240, Estonia
 Fax: [INT] + 372 7 421981
 Tel: [INT]+ 372 7 421753

Mr. Rayko Roussinov
 Director
 Agrotercomplect Ltd. 25-A, Septemvriitzi
 Str.
 Chirpan, Bulgaria
 Tel: [INT] + 359 416 60 52

Dr. Sofia Davidova
 Agricultural Policy Analysis Unit
 Ministry of Agriculture
 Sofia, Bulgaria
 Tel/fax: [INT] + 359 2 51 73 87

Dr. Stefcho Draganov
 President
 Agrohimatech Ltd.
 P.O. Box 223
 1618 Sofia, Bulgaria
 Fax/tel: [INT]+ 359 2 56 66 62

Mr. Yako Sranchev
 Farmer
 12, Krayna Str.
 Chirpan, Bulgaria
 Tel:[INT] + 359 416 33 53

GERMANY

Professor Dr Eberhard Buchholz
 Bundesforschungsanstalt für
 Landwirtschaft (FAL)
 D-38116 Braunschweig, Germany
 Fax: [INT]+ 531 596 367
 Tel: [INT]+ 531 596 566

GREECE

Professor Marios Nikolinakos
 Director
 Institute for the Study of the Greek
 Economy (IMEO)
 5, Stournara Str.
 GR-106 83 Athens, Greece
 Fax: [INT] + 30+1 363 2225
 Tel: [INT]+ 30+1 3640061

LATVIA

Ms Rota Snuka
 Latvian State Institute of Agrarian Economics
 14, Struktoru Str.
 LV 1039 Riga, Latvia
 Fax: [INT]+ 371 8828127
 Tel: [INT]+ 371 2 553370

POLAND

Professor Tadeusz Hunek
 Polish Academy of Science
 Institute of Rural and Agricultural Development
 Nowy Swiat 72
 00330 Warsaw, Poland
 Fax: [INT]+48 22 266371
 Tel: [INT]+ 48 22 399829

Mr Ahghel Burghila
 Director
 Dept. for Private Agriculture
 Directorate for Rural Development,
 Reform and Legislation
 Ministry of Agriculture and Food
 Blvd. Carol No. 24, Sector 3, ET. 2, CAM. 146
 700300 Bucharest, Romania
 Fax: [INT]+40 1 6149462
 Tel: [INT]+ 40 1 3120274

Mr L. Montesi
 Senior Officer
 Rural Development Organization
 Human Resources, Institutions and
 Agrarian Reform Division
 FAO
 00100 Rome, Italy
 Fax: [INT] + 39 6 52253152
 Tel: [INT]+ 39 6 52254723

ITALY

Ms Cristina Lion
 Istituto Superiore di Scienze e Tecnologie
 per lo Sviluppo Aldo Moro (STESAM)
 Via C. Rosalba 10/47E
 70124 Bari, Italy
 Fax: [INT]+ 39 80 5044388
 Tel: [INT]+ 39 80 5044126

LITHUANIA

Mrs Albina Aleksiene
 Lithuanian Institute of Agrarian Economics
 V. Kudirkos 18
 2600 Vilnius, Lithuania
 Fax: [INT] + 370 2 61 45 24
 Tel: [INT]+ 370 2 62 40 62

ROMANIA

Dr Dinu-Stelian Gavrilescu
 Deputy Director Institute of Agrarian
 Economy
 St. Walter Maracineanu 1, Sect. 1,
 Room 306
 70 510 Bucharest, Romania
 Fax: [INT]+40 1 3122650
 Tel: [INT]+ 40 1 6148404

FAO

Dr S. Schlingloff
 Associate Professional Officer
 Rural Development Organization
 Human Resources, Institutions and
 Agrarian Reform Division
 FAO
 00100 Rome, Italy
 Fax: [INT] + 39 6 52253152
 Tel: [INT]+ 39 6 52254732

ANNEX 2

PROGRAMME OF THE OMASEE WORKSHOP

Friday, 27 May 1994

13:00 - 22:00 Registration and accommodation of participants

Saturday, 28 May 1994

8:00 - 9:00 Breakfast

- Welcome address by the Executive Director of the Open Balkans Association, Sofia
- Introduction by the representative of ESH Division, FAO, Roma

9:30 - 10:30 Presentation By Ms A. Aleksiene, Lithuania, of the synthesis report on OMASEE case studies

10:30 - 11:00 Coffee break

Session Chair: Dr Tadeusz Hunek

11:00 - 12:00 *OMASEE executive summary - The Bulgarian case*, by R. Trendafilov, Bulgaria
Discussion

12:00 - 13:00 *Problems of agrochemical services in Bulgaria*, by D. Slavov, Bulgaria
Discussion

13:00 - 14:00 Lunch

Session Chair: Dr Ranguel Trendafilov

14:30 - 15:30 *Organization of agricultural services within reconstruction of the national economy in Estonia*, by M. Tamm, Estonian
Discussion

15:30 - 16:30 *Situation and main problems in the agricultural services system in Latvia*, by Ms R. Snuka, Latvia
Discussion

16:30 - 17:00 Coffee break

17:00 - 18:00 *OMASEE - The case of Lithuania*, by Ms A. Aleksiene, Lithuania
Discussion

Sunday, 29 May 1994

7:30 - 8:30 Breakfast

Session Chair: Ms Albina Aleksiene

8:30 - 9:30 *Economics and management of services for small farmers. Grass-roots level approach - the case of Polish agriculture*, by T. Hunek, Poland
Discussion

9:45 - 11:00 *The case of Greece*, by M. Nikolinakos, Greece
Discussion

11:00-11:30 Coffee break

11:45 - 12:10 *Crisis of services facing the impact of structural developments in Romanian agriculture*, by D. Gavrilesco, Romania
Discussion

12:10 - 12:30 *Current issues regarding the role of public and private agricultural support services in Romania and the privatization process*, by A. Burghila, Romania
Discussion

13.30 - 15:00 Lunch

Session Chair: Professor Eberhard Buchholz

15:00 - 17:00 Overall discussion
17:00 - 18:00 Dinner
18:00 Departure for Sofia
19:00 Opera concert, National Palace of Culture

Monday, 30 May 1994

7:00 - 8:00 Breakfast
8:00 Field trip to Plovdiv and Chirpan
19:00 Dinner in Chirpan

Tuesday, 31 May 1994

9:00 - 10:00 Breakfast

Session Chair Mr L. Montesi (FAO)

10:00 - 10:30 *Creation and functioning of private farm associations in Albania*, by Ms T. Kacani, Albania
Discussion
10:30 - 13:00 Conclusions and Recommendations
13:00 - 14:00 Lunch
14:00 - 16:00 Conclusions and Recommendations (continued).
Closure of the meeting
16:00 - 19:00 Town visit to Sofia
20:00 Dinner

Wednesday, 1 June 1994

8:00 - 9:00 Breakfast
Departure