

AGRICULTURAL DEVELOPMENT PROBLEMS AND POSSIBILITIES IN BALTIC COUNTRIES IN THE FUTURE

FINNISH-BALTIC JOINT SEMINAR
SAKU ESTONIA 1993



MAATALOUDEN TALOUDELLINEN
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Abstract: Agricultural economists from Finland and Baltic countries had their fourth seminar in Saku, May 31-June 1, 1993. The seminar was organized by the Estonian Research Institute of Agriculture. This publication includes presentations given in the seminar or summaries of them.

Topic of the seminar concerned the agricultural development problems and possibilities in the Baltic countries in the future. This topic was chosen because the transition of agriculture in Baltic countries is in the phase, where lines of changes are visible and the need for collaboration within agriculture and agricultural markets in Europe and worldwide is increasing.

Presentations from the host country dealt with the perspectives in the Estonian agriculture, income policy, prices and consumption of agricultural products and family farming as a part of the society.

Latvian presentations examined principles of the new agricultural policy, targets in income policy, forecasting the demand and supply, grain markets in Latvia.

Lithuanian economists examined the situation of agrarian reform, economic and social factors in agriculture, world market policy options and implications, forecasting the agricultural development and production regulation.

Finnish presentations concerned the experiences of the land reform after the war and its implications on the farm structure in Finland, importance of bookkeeping for profitable farming and the role of statistical data in planning agriculture.

Index words: Agricultural policy, land reform, producer prices, consumption, Estonia, Latvia, Lithuania, Finland

Edited by Tellervo Sallinen
Photos by the participants of the seminar

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Director Valdek Loko (on the right) from the Estonian Research Institute of Agriculture presented the current situation and perspectives on Estonian agricultural policy. Beside Mr. Olli Rantala from the Finnish Agricultural Economics Research Institute.



The fourth Finnish-Baltic joint seminar took place at the Research Institute of Agriculture and Land Improvement in Saku in the Republic of Estonia from May, 31 to June, 1 1993.

COURSE OF DEVELOPMENT OF PRIVATIZATION OF JOIN-STOCK AND LIMITED LIABILITY COMPANIES IN 1992

ROBERTS ZILE

Latvian State Institute of Agrarian Economics
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After March of 1992 which was the deadline for all the collective and state farms for changing their legal form and being registered as a company of some type, these enterprises entered the second stage of privatization.

During this stage a shareholder of a company could alienate, by paying with his shares, any single or combined item from the inventory list he wished to acquire (see Figure 2.). The shareholders could also freely trade their shares among themselves. Within a month's time after public notification other shareholders could also apply for the same objects, and often the new owner was determined in the auction (see Figure 1.). The company had no rights whatsoever to alienate the object for actual privatization.

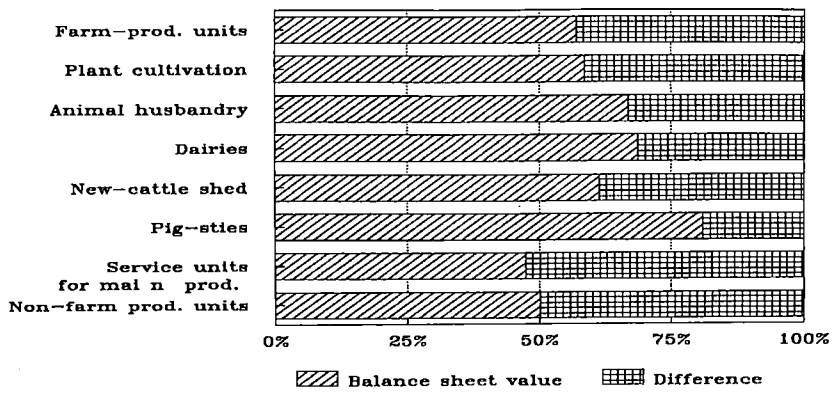
Thus by October 1992 about 15% of companies' assets were actually privatized. According to unofficial estimates by Statistics Committee, by January 1, 1993, 25-30% of companies' assets might already be privatized.

By October several companies had undergone liquidation, and the large enterprises had ceased to exist as legal entities. The agricultural producers in these pagasts are individual full-time farmers, part-time farmers, service enterprises on cooperative basis (mechanical stations, grain-driers etc.) owned by farmers, as well as some limited liability companies owned by few members. In most cases the latter are the owners of middle-size livestock-farms.

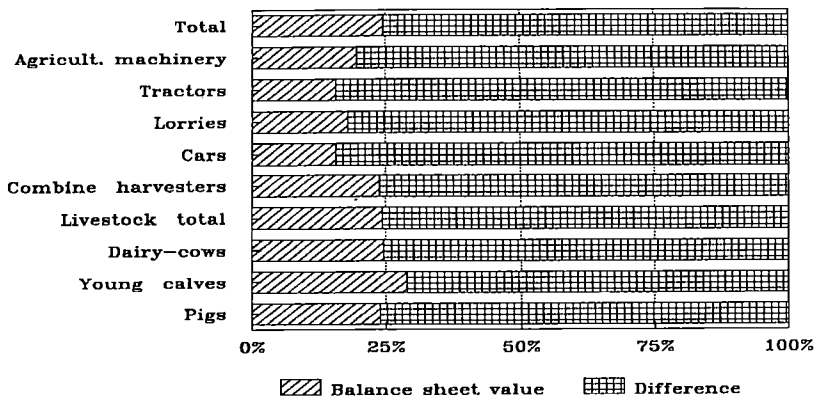
There have been some instances when from the large livestock-farms empty buildings remain and livestock is sold separately, but this can be explained by the decrease in purchasing power of population; and it is difficult to sell agricultural products at the price that would cover production costs.

The objective of the former collective-farm privatization law was, starting from July 1, 1991, to distribute the production units and other assets of these large enterprises between individual farmers, other entrepreneurs and farmers' cooperative service associations. This was planned to happen within 2 to 5 year period, and would entirely change the structure of agricultural production in Latvia.

The main principle to be pursued during this process was to encourage and accelerate private entrepreneurship in each pagasts. An effort was made to preserve the production potential (the large livestock-farms, mechanical workshops etc.) of the former collective farms. Much attention was paid that the principles of social justice and publicity be observed.

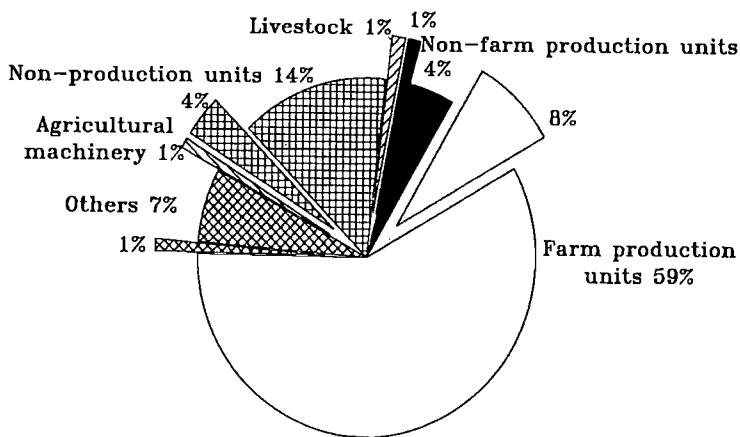


Integrated units



single fixed assets and units

Figure 1. Structure of Closed Auctions Prices.



09.10.92

Figure 2. Structure and Dynamics of Privatization in Latvia.

Since July 1, 1991, the course of events was influenced by:

- 1) The procedure of land reform, which slightly changed due to changes in the political situation. In general, this slowed down a little the pace of privatization of collective-farm assets;
- 2) The rapid growth of inflation rate in the period from December of 1991 to December of 1992 (there are no official data available, but for agricultural inputs the prices have increased 50 to 100 fold). This definitely accelerated the privatization process: the shareholders, under a psychological stress, were compelled to obtain property with their shares. The prices, of course, rised respectively;
- 3) The changes in economic environment due to market development: free prices, the change of price structure between different groups of commodities, a chaotic government protectionism in agriculture etc. All this slowed down the privatization of collective-farm assets, because all the agricultural producers found it difficult to market their products (the demand for Latvian foodstuffs considerably decreased in Russia and in other CIS countries);
- 4) The pace of actual privatization in agricultural production was much quicker than the pace of privatization in its input and output enterprises and in trade. This was of adverse effect to privatization because a private entrepreneur, and, above all, an individual farmer, had to face state monopolies (the privatization of input and output enterprises noticeably moved from the standstill at the end of 1992);

According to yet unofficial statistical data by the end of 1992, the number of livestock in Latvia has decreased if compared to the 1991 data. In 1992, there are :

milk cows..... 91% of 1991 data
 cattle , total..... 81%
 pigs..... 69%
 poultry..... 52%.

We have drawn conclusions that the following circumstances, enumerated according to their sequence, influenced this development.

- 1) The marketing problem caused by the increase of price to agricultural products, the loss of Eastern markets. It might be worthwhile to remind that during the period of centralized planned economy the following flow-chart worked in Latvia: imported concentrated feed - meat export. When the system collapsed, difficulties with feed for pigs and poultry appeared.
 - 2) State processing enterprise and the lame attempt to "liberalize" prices. Combined with the awkward payment system and banking system, it caused a 2 to 6 month delay in payments to farmers and agricultural production companies for their products.
 - 3) The high price the state paid to grain-producers, which in 1992 created a situation that livestock-farming was unprofitable.
 - 4) Privatization of joint-stock companies' and limited liability companies' assets, which like any structural change, at the first moment causes a decrease in production.
- Anyway, a decrease to such extent in livestock production is not dramatical for Latvia. This means that the structural and ownership changes in Latvia are not put in jeopardy. The future projections for privatization in agriculture might be as follows

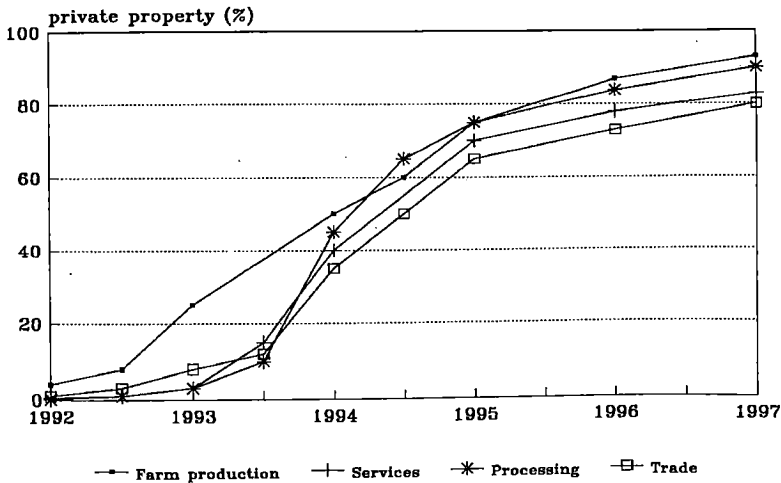


Figure 3. Ratio of private property in branches of agribusiness.