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Land Reform and Farm Structure in the Former Soviet Union

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Market Report	Yr Ago	4 Wks Ago	6/10/11
Livestock and Products*, *Weekly Average			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight	$92.46	$113.60	$107.61
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb.	134.25	152.78	148.93
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb.	117.00	133.10	120.57
Choice Boxed Beef, 600-750 lb. Carcass	156.70	176.54	174.08
Western Corn Belt Base Hog Price Carcass, Negotiated	75.01	91.88	89.63
Feeder Pigs, National Direct 50 lbs, FOB	*	*	*
Pork Carcass Cutout, 185 lb. Carcass, 51-52% Lean	83.72	93.08	89.19
Slaughter Lambs, Ch. & Pr., Heavy, Wooled, South Dakota, Direct	135.50	189.00	210.12
National Carcass Lamb Cutout, FOB	318.82	406.30	408.35
Crops*, *Daily Spot Prices			
Wheat, No. 1, H.W. Imperial, bu.	3.22	7.50	7.59
Corn, No. 2, Yellow Omaha, bu.	3.35	6.76	7.67
Soybeans, No. 1, Yellow Omaha, bu.	9.60	13.45	13.62
Grain Sorghum, No. 2, Yellow Dorchester, cwt.	5.30	10.66	12.54
Oats, No. 2, Heavy Minneapolis, MN , bu.	2.27	3.44	4.05
Feed			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton.	150.00	140.00	140.00
Alfalfa, Large Rounds, Good Platte Valley, ton.	82.50	77.50	87.50
Grass Hay, Large Rounds, Premium Nebraska, ton.	*	*	*
Dried Distillers Grains, 10% Moisture, Nebraska Average.	94.50	208.50	211.50
Wet Distillers Grains, 65-70% Moisture, Nebraska Average.	35.00	80.50	76.00

*No Market

Land is a critical input for agricultural production. At the same time, land has long been seen as a store of wealth, an asset that may be held for a wide range of purposes and that may account for a significant share of a nation's resource stock. The way in which land is owned, used and transferred has varied over time and throughout the world. Laws and customs governing land ownership, use and transfer, are known as institutions, and are extremely important determinants of agricultural output. Insecurity of land ownership rights, for example, may reduce not only the incentive individual households have to make long-term land improvements, but also generate economic and social instability in people's lives.

This is the first of a series of three *Cornhusker Economics* articles on the nature of land institutions around the world, and the implications of various institutional arrangements for agricultural development. The focus of this article is on a particular institutional change, the transition from collective land ownership by the state to private land markets in the countries of the Former Soviet Union (FSU): the Baltic countries (Estonia, Latvia, Lithuania); the Eastern European countries (Belarus, Moldova, Russia, Ukraine); the Caucasian countries (Armenia, Azerbaijan, Georgia); and the Central Asian countries (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan).

During the Soviet era, agriculture was collectivized in large state and cooperative farms and there was no land market. Following dissolution of the Soviet Union, the newly independent countries began the transition from socialist to market economies. Part of the transition to the market economy included reconfiguration of the land resources, including changes in both property rights and land use patterns through land reform and farm restructuring (Lerman, et al. 2004). The newly independent republics had to figure out how to transfer ownership from the government to private households/farms.

The FSU countries approached land reform in various ways. Some republics moved rapidly from state-owned agricultural enterprises (and farms) and other forms of collectivization in agriculture, to private land ownership and open land markets. For example, Armenia, Georgia and Moldova moved rapidly toward complete privatization of land holdings, joined later by Azerbaijan and Kyrgyzstan (Lerman, et al. 2004). Belarus and most of the Central Asian countries decided to maintain the large collective farms of the Soviet era. Lerman, et al. (2004), argue that rapid transition towards individual holdings in these countries and in Russia and the Ukraine is "not feasible for social and political reasons" (p. 331).

The Baltic and Caucasian countries have made the most progress in terms of privatization and farm restructuring. In the Caucasian countries, private ownership is allowed and land is transferable. Agriculture in Armenia and Azerbaijan is based mainly on family farming, while Georgia has both household farms and larger farms that lease land from the state (Giovarelli and Bledsoe, 2001). The Central Asian countries pursue more socialist land policies, with few individual farms, and agricultural land mainly being controlled by large corporate farms. In Tajikistan, Uzbekistan and Turkmenistan, agricultural land remains state-owned and is not transferable (Lerman, 2005). After much debate, Kyrgyzstan (in 1999-2000) and Kazakhstan (in 2003) recognized private land ownership. Among the four Eastern European countries, only Belarus does not allow private land ownership.

The different patterns of land reform and land privatization in the FSU are summarized in Table 1 (on next page). It is interesting to note that the countries that have made the most progress in land reforms, such as the Baltic countries, have the highest political freedom; while the countries with the slowest reform have the least political freedom (Belarus and parts of Central Asia). Armenia, Azerbaijan and Turkmenistan have had the highest growth of agricultural production since the collapse of the Soviet Union, and the countries where privatization has not taken place or has been very slow, such as Belarus or Uzbekistan, have actually realized fairly strong agricultural growth. It is notable that the countries with the most liberalized land markets (the Baltics), have had negative growth of agricultural production. These countries have small agricultural sectors that may not be competitive with agricultural enterprises in other countries in the European Union, of which the Baltic countries are members, due to their geographic location. The table also presents data on poverty in the FSU, showing that Armenia, Moldova, Kyrgyzstan and Tajikistan have half or more of their populations below the poverty level.

It is interesting to contrast the Caucasian and Central Asian countries, all of which have large agricultural sectors but differ significantly in the extent of land privatization. Most of the countries in these two regions have experienced substantial growth in agricultural output. It appears that the four countries that were integrated into the Soviet Union later (the Baltics and Moldova), had somewhat less time under central planning of the economy and were able to liberalize their agricultural markets more rapidly. Contrary to expectations, institutional change does not appear to have a positive effect on agricultural growth. It should be noted, however, that changes in land institutions are still relatively recent, and it may be too soon to tell whether private land ownership will ultimately lead to healthier agricultural sectors. Lerman, et al. (2004) argue that "formal privatization and formal adoption of reform do not necessarily imply real change in farm operation and performance" (p. 334). Finally, other factors such as the conflict between Georgia and Russia, or geographic location may hide the impact of institutional change on agricultural output.

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Table 1. Land Reform and Agricultural Privatization in the Former Soviet Union.

FSU Countries	Land Reform Progress 1999*	Political Freedom Index**	Corruption Perception Index 2010º	Percent of Population Living on $2.15/day°°	Years Under Central Planning*	Ag Percent of GDP♦	Growth of Ag Production in Percent§	Economic Growth in Percent, 2007§§
Latvia	9	1.5	4.3	6.6	51	4.2	-21.2	10.0
Lithuania	8	1.5	5.0	3.1	51	4.3	-4.2	9.8
Estonia	8	1.5	6.5	2.1	51	2.5	-13.7	7.1
Armenia	8	4	2.6	43.5	71	22.0	62.2	13.7
Azerbaijan	8	5.5	2.4	23.5	70	5.5	48.6	25.0
Moldova	7	3	2.9	55.4	51	16.3	n/a	3.1
Kyrgyzstan	7	5.5	2.0	49.1	71	24.6	36.2	8.5
Georgia	6	4	3.8	18.9	70	11.0	-31.6	12.3
Ukraine	6	4	2.4	3.0	74	9.8	-8.7	7.9
Russia	5	5	2.1	18.8	74	4.2	-5.2	8.5
Kazakhstan	5	5.5	2.9	5.7	71	5.4	-2.3	8.9
Tajikistan	5	6	2.1	68.3	71	19.2	33.0	7.8
Turkmenistan	3	7	1.6	7.0	71	10.2	47.3	11.8
Uzbekistan	2	6.5	1.6	n/a	71	21.2	38.0	9.5
Belarus	2	6	2.5	1.0	72	9.0	11.4	9.8

*Source: Swinnen and Heinegg (2002). 1-2 represents systems still dominated by large scale state-owned farms, while 9-10 represents systems where land markets and private ownerships are in place. Information on years under central planning is also from Swinnen and Heinegg (2002).

** Source: Swinnen and Heinegg (2002). 1 representing the highest level of political freedom, 7 the lowest.

º Source: *Transparency International*, available at http://www.transparency.org/policy_research/surveys_indices/cpi/2010/results. The scale is 1 to 10, with lower numbers reflecting more corruption. The countries with the least corruption are Denmark, New Zealand and Singapore, with scores of 9.3. The U.S. and Canadian scores are 7.1 and 8.9, respectively.

°° Source: World Bank (2000); data for Uzbekistan is not available; countries were surveyed in 1998-1999; The value of $2.15 per day is one of the poverty measures used by the World Bank.

♦ Source: CIA (Central Intelligence Agency), 2010 estimates, available at https://www.cia.gov.

§ Source: Calculated from FAO (Food and Agriculture Organization of the United Nations) data on gross agricultural production, (available at http://faostat.fao.org/site/612/default.aspx#ancor) as the percentage change between the average values of the indices from 1992-1995, compared with 2006-2009.

§§ Source: World Bank data (available at http://databank.worldbank.org): 2007 chosen because it preceded the world economic recession that began in late 2008, resulting in negative growth for many countries.

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