TITLE: THE 18TH BRUMAIRE OF BORIS YELTSIN: Agrarian Reform, Macroeconomic Policy and Rural Political Interests in Post-Soviet Russia

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Executive Summary

This paper surveys the evolution of, and current issues in, the Russian agrarian reform, systematically examining the institutional framework, the national-policy-making institutions, finance, local privatization, the effects of the reform from 1991 to the present, and prospects for the future. It argues that the agrarian reform, like any social change, requires political support first of all. Although the steps that have been carried out so far have been relatively little noticed and their coherence is likely to be largely retrospective rather than intentional, change in the Russian countryside, and changes in the country’s political economy overall, have now progressed to the point where further transformation is unavoidable and some noticeable shifts are likely to take place quickly, although it will take years for the transition to be completed -- if, indeed, any change of this magnitude can ever be called “finished.” The great danger for the Russian reform, and Russia’s future overall, is the recoalescence of a unified rural bloc which is opposed to reforms. If that can be avoided, then the prospects for rural change in the medium and long-term are good.

Unless the reemergence of a "rural bloc" can be prevented, Russia’s transition to democracy and the market will fail. It will create neither a new stratum of democratically-inclined private farmers nor incentives for all farmers to provide abundant, lower-cost food and fiber for the country. Successful agrarian reform in Russia requires addressing structural problems in the farms’ economic environment. Doing that, in turn, demands an understanding of the particular economic and organizational structure of the Russian countryside and the political interests, and interest groups, Soviet rural institutions have created and support. There may be only one best economic policy in a given situation, as the grand theorists of macroeconomics assert, but if that policy is doggedly adhered to until it has no political appeal at all, and no supporters outside of foreign advisors and Moscow elites, then the best could indeed become the worst enemy of the better.

There is no doubt that Russian agriculture is not in good shape. Whether or not it is in worse shape than the rest of the economy is harder to determine. Former Chernomyrdin advisor Andrei Illarionov may be right to point out that so far agricultural production has fallen less than industrial production. He is right to note that in recent years Russian grain crops have been steady at around 100 million metric tons annually. Much of the decline in production so far has been in the livestock sector. The fall in livestock has meant a real shift and deterioration in Russians’ average diet, but given that Russians ate far more meat than citizens of other countries with a comparable standard of living, at least some of that fall represents an adjustment to the end of policies which favored livestock products at the expense of other consumer goods. Those unproductive herds consumed vast amounts of low-quality feed, much of it imported wheat. If Russia will really be able to get by in 1994 without major
grain imports, as Zaveriukha, Chernomyrdin and Yeltsin have claimed, then the fall in livestock numbers will be the major reason. Since livestock-raising is a cyclical industry, the herds can eventually be rebuilt once the great shake-out has finished.

The decline in agricultural investment, which means that farms have been living on stocks of accumulated capital goods, and the continuing shortage of production credit must eventually have an effect even if payments arrears are again cancelled out across the economy this year as they were in 1992. There is some evidence that this year really will see an agricultural crash. In January and February 1994, Russian agriculture received only half as much gasoline as it did in the same period in 1993, and only about 45% as much diesel fuel. Fuel shortages will make it impossible to get the crop in the ground. Again, if those difficulties affected mainly marginal farms, or caused every farm to withdraw their worst land from production, they would not necessarily be causes for alarm, since great reductions in the area of land sown could have small effects on the overall volume of food and fiber produced -- if the worst land goes out of production first. But it is particularly hard to judge that, and given the surviving system of distributing inputs evenly to everyone, such an economically-rational result is far from guaranteed.

Until a new market-oriented credit system is put in place, few farms are likely to be successfully broken up, since it will be impossible for the new owners to purchase the items they need to run their farms. Without a source of agricultural credit and worked-out mechanisms for land mortgages, farmers will have no way to raise money for production costs, let alone find the investment capital to reshape the countryside into a patchwork of smaller private farms or build the housing, roads, and other infrastructure they desperately need. These needs make agricultural privatization much more difficult than its urban cousin.

Finally, policies which can prevent the destruction of the independent farmers' movement or its absorption by the old agrarian interests are absolutely necessary. If such a coalition forms, as it threatened to do during the December 1993 elections because the Russian leadership forgot that for their countrymen, too, "It's the economy, stupid" -- and that not paying off one's contracts is remembered -- then the overall agricultural sector will remain powerful enough to prevent any real macroeconomic reform from occurring until Russia is finally bankrupted. Government support for farm division is a hopeful sign of movement, but the Yeltsin regime is too weak to push its policies onto a large segment of society if that group is united against it. That fact too is hopeful, in a perverse way, since it means that no new "roll-out" of a centrally-ordained policy like Stalinist collectivization is possible. But the need for careful coalition-building means a policy of small steps, not grand initiatives.
The 18th Brumaire of Boris Yeltsin: Agrarian Reform, Macroeconomic Policy and Rural Political Interests in Post-Soviet Russia

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Introduction

Russians spend a disproportionately large amount of their time and money providing themselves with food. Average Russians and their political leaders frequently claim to be worried that a harvest failure might result in famine. No one seems able to forget the riot in a food line that sparked the February 1917 revolution or the victims of Nikita Khrushchev’s attempt to increase retail food prices -- peaceful demonstrators shot by the army in Novocherkassk in 1962. This fixation on urban food supplies and food politics makes Russia resemble a third-world country.

But Russia is a first-world country in the political weight and organized influence of its rural population. At the beginning of 1992 more than a quarter of all Russian Federation citizens, some 39 million out of a total of 149 million people, still lived in rural areas (Goskomstat Rossii, 1992, pp. 20, 21). Far from all of those people are directly employed in agriculture, but when the countryside does poorly, all rural residents suffer to some degree. No elected government can afford to ignore such a large share of its voters for long, and so no economic reform policy that does not win some degree of support in the countryside can be implemented by a democratic Russian government.

This paper surveys the evolution of and current issues in the Russian agrarian reform, systematically examining the institutional framework, the national-policy-making institutions, finance, local privatization, the effects of the reform from 1991 to the present, and prospects for the future. It argues that the agrarian reform, like any social change, requires political support first of all. Although the steps that have been carried out so far have been relatively little noticed and their coherence is likely to be largely retrospective rather than intentional, change in the Russian countryside and changes in the country’s political economy overall, have now progressed to the point where further transformation is unavoidable and some noticeable shifts are likely to take place quickly, although it will take years for the transition to be completed -- if, indeed, any change of this magnitude can ever be called "finished." The great danger for the Russian reform, and Russia’s future overall, is the recoalescence of a unified rural bloc which is opposed to reforms. If that can be avoided, then the prospects for rural change in the medium and long-term are good.
The Agrarian Bloc

The Russian agricultural lobby may be even more influential than corresponding groups in Western Europe and the United States because it has frequently been able to act as an organized bloc. The "Agrarian Deputies" faction was sometimes the largest and always one of the most anti-reform groups in the Congress of People's Deputies dispersed by tank shells in October 1993. Rural voting patterns in the April 1993 referendum and December 1993 elections show the rural population is generally opposed to Gaidar-style reform. Before December 12, it appeared likely that the countryside's self-proclaimed political party, the Agrarian Party of Russia, would be one of the largest organized factions in the new State Duma. They did not do as well as many observers had feared, gaining only about 10% of the overall national vote. The APR parliamentary faction is only the fourth-largest. But rural votes that did not go to the agrarians apparently went mainly to Vladimir Zhirinovskii's Liberal-Democratic Party of Russia, no supporters of Yeltsin or reform (Davidheiser, 1994). Moreover, the APR has worked closely with deputies from the Communist Party of the Russian Federation in order to make good on their pledge that the new parliament would "be even worse than the last one" from the viewpoint of advocates of market reform and democratization (Kuznets, 1993). The nominations for State Duma speaker demonstrated the closeness of the APR's alliance with the Communists. APR chairman Mikhail Lapshin was nominated for speaker by the Communist fraction, while Ivan Rybkin, the eventual winner universally identified in the Western press as a "communist," was nominated by the Agrarian Party's fraction.

Yet there was a time when the old RSFSR parliament, and most of the "agrarian deputies," apparently voted for change in the countryside. A major package of agrarian reform legislation passed the Russian Congress of People's Deputies at a special session in December 1990. The distinction between state and collective farms — thin in practice since the 1960s — was formally eliminated as state farms were given their production assets. The government has given up title to almost all agricultural land. The big farms have been made to reorganize themselves, giving individuals the legal right to take a share of the large farm's land and property to set up on their own. People who split off from the big farms or moved into farming from the cities have set up more than a quarter-million family farms. Most agricultural processing has been privatized.

As the reform unfolded in 1991-1993 the Agrarian Deputies fraction in the Russian Congress of People's Deputies became increasingly loud and intransigent in its opposition to
further change. But why did the substantial body of representatives of the "best" and most
conservative farm managers go along with the reform in the first place? Then, having accepted
it, why did most of them come to reject it, so that their leaders wound up supporting the 1991
anti-Gorbachev coup attempt in 1991 and the "parliamentary" side against Yeltsin in September
and October 1993? The survey of the development and prospects of the Russian agrarian
reform presented in this article suggests three reasons.

First, the institutions of command agriculture have generated and supported a unified
agricultural bloc in Soviet and Russian politics. The agrarians thought that the reform would
strengthen that bloc’s autonomy and cohesiveness. State-guaranteed farm wages, differentiated
purchase prices and targeted investment rewarded the highest-cost producers. Once the
communist party declined, the successful farm managers who had been allowed to organize to
speak for the regime could pursue their own interests, adapting the command agricultural
system to strengthen their control over their own farms and the whole countryside. But they
misjudged the attractiveness of reform. The 1990 reform legislation, which they had accepted
because of its potential benefits, threatened to break up the large farms while taking away
some of their state-provided resources for the new, competing family farmers.

Second, the elite representatives of the agrarian bloc conceived of "reform" in narrowly
production-oriented economic terms. The provision of new resources to existing rural
institutions would, they believed, increase efficiency and output. The agrarians voted for a
"land" reform, changes only in land ownership and tenure, which they thought would benefit
them by cementing their control of the land with juridical ownership rights while
simultaneously finally eliminating local party organs’ control over their farms. Reformers
proper, however, assumed that the land reform implied a much broader agrarian reform --
alterations not only in land tenure arrangements, but also in the whole socio-economic
organization of the countryside. Macroeconomic changes would gradually transform the
existing collective farms because the farms would be unable to withstand market competition.
A new middle class of independent, property-owning market farmers would develop. Once
those socio-economic changes had occurred, and only to the extent they had, Russian
agriculture would become as productive and efficient as it could and should be. These new
"kulaks." moreover, would become the principal social support of a democratic political
system in the countryside. As they flourished, the old agrarian bloc would be splintered by the
growth of new social forces.

Third, the agrarians largely did not believe that fundamental reforms were really needed.
The agrarians often spoke as though the state’s pockets were bottomless, and the only problem
was improving the organization of the conveyor by which those endless resources were to be transferred to the village. The architects of reform, many of whom were professional agricultural economists, had a clearer sense that state resources were finite, and that only agrarian reform could free up capital and labor for use in other sectors of the economy. It is unclear whether or not most farm managers, especially those who had been most successful under the old system and so tend to take leading roles in organizations representing "rural" interests, understand even now that the command system can no longer be restored (Van Atta, 1993). Many "local notables" do clearly understand that delaying the completion of the reform process is very much in their interest, because the period of uncertainty allows them to appropriate valuable collective property for themselves. Either way, they have little interest in seeing agrarian reform progress.

The formal success of the agrarian reform, the macroeconomic changes instituted by the Yeltsin-Gaidar government in early 1992, and the increasing opposition to agrarian reform in 1992 and 1993, mean that the old system no longer works but a market economic environment for the farms has not yet developed. The horrendous inflation of the past few years and the danger of hyperinflation mean that the Russian macroeconomy must be stabilized. But macroeconomic reform carried out with little concern for its political implications in the countryside threatens to recreate and strengthen a unified rural bloc. The new individual farmers are finding their interests increasingly aligned with the old large farms, rather than with the macroeconomic reformers and advocates of tight state credit. Without any alternative source of capital, private owners can only demand state subsidies and protectionist policies just as their former bitter enemies, the farm chairmen, have been doing.

Unless the reemergence of a "rural bloc" can be prevented, Russia's transition to democracy and the market will fail. It will create neither a new stratum of democratically-inclined private farmers nor incentives for all farmers to provide abundant, lower-cost food and fiber for the country. Successful agrarian reform in Russia requires addressing structural problems in the farms' economic environment. Doing that, in turn, demands an understanding of the particular economic and organizational structure of the Russian countryside and the political interests, and interest groups, Soviet rural institutions have created and support. There may be only one best economic policy in a given situation, as the grand theorists of macroeconomics assert, but if that policy is doggedly adhered to until it has no political appeal at all, and no supporters outside of foreign advisors and Moscow elites, then the best could indeed become the worst enemy of the better.
Agriculture generally becomes less important as a country develops economically. The growth of industry and the movement of people from countryside to city leaves rural backwaters, important for food supplies but otherwise ignored and shriveling. The creation of modern infrastructure lessens the importance of any particular area as a food supplier, for modern industry and transportation can shift food and agricultural raw materials over long distances with relative ease. Technological changes and the classically-competitive nature of the farm business have caused agricultural overproduction and farm interests' demands for political regulation of the market.

Stalin justified the establishment of collective farms in the early 1930s as a way to avoid the destruction of village society by the transformation of agricultural land into a commodity and market-generated social differentiation. His analysis of the situation was probably both incorrect and cynical. But it justified intensified state control over farm labor, both on the farm and in moving to industry. It vastly increased the administrative and social division between urban and rural areas already familiar from Tsarist Russia -- Nikita Khrushchev's much later proposal to split provincial party committees into urban and rural segments only followed Stalin's logic to its organizational conclusion. Most importantly, collectivization provided a convenient mechanism for administratively allocating agricultural production between countryside and city. The central authorities established a strict hierarchy of food-supplies favoring Moscow, republican capitals, and other major cities in which consumer prices had no relationship to production, transportation and marketing costs. "Marketed" production was taken from the fields directly to storehouses in district center towns or large cities to be doled out to processors or retailers as needed. Instead of developing a national market in agricultural products, farms were encouraged to produce all their own needs. Farmers were given little or no incentive to increase output, so that productivity per person remained low. Agricultural work was a moral burden, not an economic activity. Farmers were to grow food because it was their duty to feed the nation, not because they were paid for it or chose to engage in that activity.

Soviet agrarian arrangements express the policy preferences and drive for power of the coalition within the Bolshevik party which supported Stalin in his rise to power and then made the Stalinist system operate. Like any other complex organization, the collective and state farm system and the vast bureaucracy which runs it reflects "the interests, strategies, and compromises of those who exercise political power" (Moe, 1989). The original goal of the
kolkhoz system was political. Economic development, increases in agricultural output, mattered less to the regime than ensuring political control. The collective farms were a system of power masquerading as economic organizations.

The Stalinist coalition that developed the kolkhoz system no longer exists, destroyed, in large part, by the dictator himself. But the rural institutions established then to dominate the peasantry and keep the workers politically quiescent by providing the cities with cheap food endure. They have generated and supported political actors who have an enormous stake in the continuation of the existing system.

From the beginning, the collective or state farm was much more than just a production unit. It also served as social community and local government. Rural soviets rapidly declined in influence in relation to the farm authorities, since the kolkhoz managing board (in reality, its chairman) controlled the budget for schools, clubs, roads and similar facilities while rural soviets had virtually no funds to carry out their work. Residence permits and internal passports were issued to, and held by, the farm authorities in order to prevent the peasants from leaving without permission. Farms have dictated where their members can live, giving them building lots and household plots on which to grow their own food and keep a little livestock. Much of the farmers’ real earnings have come not in cash, but in work clothes, free meals, and other in-kind payments either openly given or stolen as a matter of right. Their "private" plots produce much of the country’s high-value, labor-intensive crops such as vegetables, in large part because the farm management winks at the theft of inputs and working time from the collective.

The chairman controls the lives of his farmers: he chooses whether or not to provide them with transportation to the city when they get sick, he can evict them at will, and he and his subordinate bookkeepers and brigadiers can assign the farmer good-paying or poorly-paid jobs or simply cheat him of his pay. The chairman’s taste in cultural activities determines what kind of amateur groups will be formed and whether or not a church can be opened or restored (Govorukhin, 1990). A dictatorially-inclined chairman -- and the job tends to make even the most democratic managers dictatorial -- can impose his own punishments and even jail people with little opposition or review (Sokolov, 1988). Even now when they have their own internal passports, villagers are formally prevented from moving to major cities by the retention of the residence permit (propiska) system. (Ironically enough, Moscow mayor Luzhkov harshly reimposed propiski, allegedly to control urban crime, after the "victory" over parliament in October 1993.)
In return for his powers, his superiors and subordinates both expect the farm manager will make the farm operate, see to everything and keep the roads in good repair. Running a kolkhoz is a killing job in which four hours of sleep a night for years on end is normal and heart attacks seem to be the most frequent way the good, long-term chairmen leave. Good chairmen, however, like the good landowners in other societies they resemble, can derive enormous social prestige as well as considerable wealth from being seen to care for their workers and do a good job.

The farms now also provide their rank-and-file members with a considerable range of psychic and economic payoffs. Until the mid-1960s, Soviet farmers had little share in the benefits, such as job security and guaranteed earnings, that socialism's welfare measures brought to the urban population (on social welfare measures as a strategy for increasing the Soviet regime's political support, see Breslauer, 1978a; Breslauer, 1978b; Hauslohner, 1987; Connor 1988). In the minds of Soviet leaders, these guaranteed welfare measures were offered in exchange for political quiescence, providing a kind of "social contract" between rulers and ruled. Leonid Brezhnev's decision to greatly increase the resources given to the countryside extended the social contract to the countryside. Rural welfare measures are still meager in comparison to those provided in Soviet cities or those offered by the "safety net" in most developed capitalist countries. But the security and benefits provided by the existing farms to an increasingly aged and low-skilled rural population are real, and much greater than they used to be.

The Brezhnev regime's decision to greatly increase rural capital investment was avowedly intended to buy greatly increased urban food supplies and raise abysmal rural living standards. But much of the Brezhnev-era investment also fuelled the creation of local patronage networks. Local officials, especially farm managers, were always subject to party discipline and possible removal at the whim of their superiors. But the Brezhnev-era "stability of cadres" policy greatly reduced personnel turnover and gave many local and regional officials effective lifetime tenure in their posts. Under communist rule, local officials could use the new funds to shore up their positions as long as they held their jobs. "Good" farm managers often invested part of the largesse in their superiors, ensuring their own tenure as they shared the booty.

The Brezhnev-era transformation of agricultural policy had a larger political effect. Collective farm institutions had originally been designed to control the peasantry. By the late 1970s, however, the farms were benefiting from the Soviet system's ability to mobilize urban and military-conscript labor to help them. In some years, as many as 120,000 city people were
mobilized to help with the harvest just in Moscow oblast' (Chuprin, 1993). Vasilii Starodubtsev, head of the USSR Peasants' Union, justified his decision to join the 1991 putsch against Gorbachev by saying that without the state's assistance to mobilize extra labor from the cities, the farms would be unable to harvest and the country would starve. The titular head of the State Committee for the State of Emergency (GKChP), then-Soviet Vice President Gennadii Yanaev, announced at the committee's press conference that their first priority was saving the crops—clearly by driving urbanites into the field to gather them (Mann, 1991).

Rather than collective farms controlling the countryside for the benefit of the cities, by the late 1980s the collective farms were strongly influencing the cities by holding their food supplies hostage. The contemporary agrarian lobby, with its unceasing demands for more state money and repayment of the "debt to the village," draws on this shift in institutional power as well as society's collective guilt over the past wrongs of collectivization and Stalinist exploitation of the countryside.

Agrarian reform threatens the rural population's painfully-won gains of the past two decades. Individuals may admit that the political purpose for which the kolkhoz system was established has long been achieved. Many of them understand how it hinders economic improvement, and not all agrarians agree with the actions of their leaders. But most of them cling to and defend their own positions within those outmoded structures, frustrating reform by tenaciously defending their particular, often individually very reasonable, interests.

Both rank-and-file kolkhoz peasants and their managers must be convinced of the necessity and ultimate benefits of change, and given real incentives to embrace it, before reform can work. Just as the peasants resisted collectivization in part because they were asked to give up known certainties for insubstantial promises, so now many collective- and state-farm peasants, and their managers, fear to lose what they have for equally airy guarantees of future benefits from marketization and privatization. As the breakdown of the system has progressed, chairmen seem to have become more hysterical in their demands on the system as the pressure from below has mounted. or, alternatively, they have simply given up. Most collective farm peasants have responded to the collapse by increasing demands that the existing system work better by getting a better chairman or making the state pay its debts.

Some Russian "democrats" are fond of arguing that nothing is left of the rural population but the old, the infirm, the alcoholic, and the congenitally lazy. There may be some truth in this claim, of course, given the horrors the village has endured in this century and the skewed system of development which have made moving to the cities highly attractive. The logical conclusion of such an argument is that all Russians are like their rural compatriots, and, as one
post-December election commentary argued, the Zhirinovskii vote was a result of the Russian people’s inability to handle democracy (Radzhikovskii, 1994). The obvious implication, that democracy should be limited for the “people’s” own good, is, at the least, an odd conclusion for a "democrat" to reach. A more subtle argument, and one which should fit better with the "democrats’" claimed views -- though one that requires making an empathic leap to understand the peasants' position, something many urban Russians have great difficulty in doing -- suggests that rural institutions and the incentives they offer have done much to shape the peasantry, so changed institutions will likely help to elicit different behavior. Given existing incentives, it has been perfectly rational for most collective members, and their bosses, to work badly. Until the institutions and the incentives they provide change, most of the peasants and their bosses will continue to do what rational behavior in an irrational institutional context requires.

The Administrative Structure of Command Agriculture

Soviet Russian farms have been part of a unitary economic organization run on command by central authorities and optimized to allow the authorities maximum control of production and products. Because it was a unified system, the particular institutional structure -- the names of the ministries and their official organizational charts -- have been relatively insignificant. Constant organizational tinkering changed little in how central and regional authorities controlled farm operations or what workers did in the fields. As a result, administrative reorganizations had little effect on productivity.

The Communist Party ultimately controlled agriculture through an "agricultural department" at each level of the administrative pyramid. Under party domination, day-to-day operations of Soviet agriculture were managed by two major institutions: a ministry or set of ministries which handled inputs and production, and another group of agencies which handled procurement, processing, and delivery to urban consumers. The major agency for production management has usually been called the Ministry of Agriculture. The principal procurement agency has often been called simply the "Ministry of Procurements."

This basic division between production and procurement has been repeatedly rearranged. At some times input supplies have been handled by a separate agency. Procurement and processing of non-grain crops has sometimes been done by the Ministry of Agriculture, sometimes by a crop-specific procurement agency, and sometimes by a Ministry of the Food Industry. In addition, the network of state-run consumers' cooperatives (Tsentrsoiuz) have
handled some procurements, in particular purchases from peasants' household plot output, as well as distributing consumer goods in the countryside.

In 1985, the USSR Gosagroprom was created to unify all these agricultural agencies (Theen, 1988). But even then the division between production and procurement remained -- the grain procurement agencies were not made a part of the "superministry." So coordination of the entire agricultural production chain, from "upstream" input production to "downstream" marketing and ultimately retailing, still fell not to the Minister of Agriculture, but to a deputy or first deputy chairman of the Council of Ministers responsible for the entire sector.

Devolution of decision-making authority from the Moscow center to the regions and enterprises caused the unified agricultural management system to break up after 1987 (Krueger, 1993, shows that the same unintended consequences of decentralization appeared in industry). At the end of that year, agricultural administrative agencies were transferred by decree to "self-financing" and cost accounting ("Tsentralkomitet-, 1987). In practice, the change did not mean that farm administrative agencies were not financed by the state budget, but it did mean that the state had given away much of its already-limited ability to control what happened to the money it appropriated for agricultural administration as well as the farms' profits, if any. Two years later, the USSR Council of Ministers abolished Gosagroprom and its subordinate agencies, providing instead for the creation of "voluntary" agroindustrial "unions" or associations at each level (USSR Council of Ministers, 1989). At the all-union level, a State Commission on Food Supplies, with lessened management powers, was established by the new Congress of People's Deputies. In 1989, a great part of available funds, and responsibility for most agricultural procurements, devolved from the center to the republics. There a smaller version of the former all-union bureaucracy continued to operate as it always had. For instance, the Russian republic preserved its Gosagroprom until August 1990, when it once again became the Ministry of Agriculture (RSFSR Council of Ministers, 1990). Effectively, in place of one set of centralized agencies managing agriculture, after 1989 the USSR had fifteen, one for each of the union republics.

Economic reform complicated agricultural administration still further. As early as 1991, the agencies that had provided agricultural inputs or handled its outputs, such as the former Ministry of Grain Products, which became the Federal Contracting Corporation Roskhleboprodukt ("Russian Grain Products"), were "privatized" as "corporations." Although these newly private enterprises were still nominally state-controlled through government ownership of a majority of their shares, this kind of privatization not only served to transfer the assets to the bosses but also made them less amenable to control of their operations by the
state's agricultural administrators. The operations of these corporatized ministries seem to have changed very little, however. Roskhleboprodukt continues to carry out the same functions and retains its monopoly. An attempt to further reform it -- and bring it back under government control -- at the end of 1993 treated the "private" corporation exactly as a Ministry would be ("Ukaz Prezidenta," 1994).

This shifting of authority "up and down" the hierarchy was not much different from what had happened during several previous attempts at "economic reform." In the post-Stalin period, the Soviet system had repeatedly reacted to overcentralization by decentralizing, only to swing back toward the opposite extreme a few years later (Schroeder, 1979; Schroeder, 1983). But this time the system really did fly apart as a result of the Communist party's loss of control and the consequences of the failed coup of August 1991, so that responsibility for agricultural decision-making and procurements was broken up even more widely. By the 1993 agricultural year about half of all investment and other funds, and about half of the volume of agricultural produce, were disposed of by the oblast'-level governments.¹⁶

Gennadii Kulik, no great friend of agrarian reform, served as the last RSFSR Agriculture Minister. His position vanished during the governmental reorganizations in late 1991. A December 1991 decree on agricultural administration refounded the Ministry of Agriculture and apparently unified all agricultural agencies under it ("O reformirovanii, 1992). The reformer Viktor Khlystun was transferred from Goskomzem (see below) to head the reorganized Ministry of Agriculture at the end of the year. However, his staff of deputy and first deputy ministers, as well as subordinate personnel, were inherited wholesale from the previous regime. Day-to-day agricultural management was (and as of this writing remains) the direct responsibility of Khlystun's first deputy minister Vladimir Shcherbak.¹⁷ So the reform-minded minister was very far from controlling even his own agency, let alone potential bureaucratic competitors. Moreover, within a short time agencies were again being spun off from the Ministry.

Rather than appointing a new deputy prime minister to coordinate Russian agriculture, President Boris Yeltsin attempted to rid himself of his increasingly troublesome vice-president Aleksandr Rutskoi by giving him "personal charge" of the land reform at the end of January 1992 ("Ukaz Prezidenta," 1992). Rutskoi understood his brief as including all of agricultural policy, but he had no formal power to order other agricultural agencies to do his bidding. To gain control, Rutskoi set up a separate Federal Center for land and Agrarian Reform which claimed the powers of the Agricultural Ministry (Van Atta, 1993b). For the next year, two central agencies simultaneously attempted to manage Russian agriculture. During that period,
Rutskoi increasingly came to oppose reform because he believed that the collective farms, inefficient though they might be, had to be supported because only they could feed the country, a view which fit nicely with his general move toward a political alliance with "red-brown" opponents of Yeltsin. So Rutskoi's statements as the top official in charge of agriculture, the official Ministry of Agriculture policy line articulated by Khlystun, the practical policy implemented by his subordinates in the Ministry of Agriculture, and the plans and recommendations of the Federal Center increasingly diverged.

The post of deputy prime minister for agriculture was formally recreated in late June 1992. At that time, "an appointment [was] expected within the next two days" (Interfax, 1992). But none was made for eight months. President Yeltsin finally appointed Aleksandr Zaveriukha to the vacant deputy premiership in February 1993. Zaveriukha, a member of the agrarian deputies faction in the RSFSR Congress, was a professional agricultural manager who had been head of the Orenburg oblast' agricultural administration until shortly before his election to the Congress in 1990. Although First Deputy Premier Vladimir Shumeiko claimed that Zaveriukha had to be approached several times before he would accept the job ("Klub 206," 1993), his appointment was entirely unexpected. He was generally understood to have been Rutskoi's choice, and it was widely asserted that his appointment represented a victory for the Agrarian Union, whose parliamentary caucus had by then become closely allied with the Vice President ("Zvezdniy," 1993). Rutskoi apparently hadn't known the nominee very long, however, probably having met him for the first time during a visit to Orenburg oblast'.


The central agricultural administration was reorganized yet again in January 1994, when responsibility for food processing returned to the Ministry of Agriculture (Kolokoltseva and Volkov, 1994), which was accordingly renamed the Ministry of Agriculture and Food Supplies (Rossiiskie vesti (March 10, 1994), p. 7). The purpose of that change was to place all agricultural administration in one agency ("Ocherednaia," 1994). The recentralization undoubtedly represents the agricultural sector's overall response to the unhappy experience of divided authority between the Federal Center and the Ministry of Agriculture (the agrarians supported Rutskoi's national politics, but everyone chafed under the dual management), but it seems unlikely that organizational tinkering can do much to help Russian agriculture now. For instance, despite the issuance of a Presidential ukaz concerning its reform, it is not clear how, or whether, the government will reassert control over the "private" Roskhleboprodukt.
Agricultural Finance

About 13 percent of Russia’s GDP, and hence about one quarter of public expenditure, goes to various types of credits and financial transfers to the agricultural sector. That overstates direct state support for agriculture proper since it includes the costs of physical infrastructure, schools and pensions. But the expenditures’ volume and their relative ineffectiveness mean that until the transfers stop, or are redirected to be used more efficiently, economic reform cannot advance very far.

Until Gorbachev’s perestroika reforms took hold after 1987, although producers’ goods such as agricultural inputs and most farm produce had values denominated in rubles, their distribution was actually accounted in physical units. Payment for farm inputs and state purchases of farm produce (all but a small percentage of marketed field crops and livestock products went to the state) were done by accounting transfers through the banking system. Bank approval, and an allocation order from a planner for the physical item to be purchased, were needed before an enterprise or farm could withdraw funds from its bank account. Even then, in most cases, the bank would simply debit one account and credit another to carry out the transaction rather than actually giving the farm management cash. Accounts were kept in rubles, but, unlike the consumer and labor markets where currency circulated, these rubles were purely bookkeepers’ fictions. (Accordingly, Soviet and Russian usage distinguishes between cash, or "personal money" [nalichnye dengi] and accounting units, so-called "impersonal money" [beznalichnye dengi]).

Unlike Western systems, where many different financial instruments besides cash and coin may be part of the money supply, Soviet practice sealed off the flow of "impersonal money" among producers from the circulation of funds among consumers. The annual production credit any farm needs for the time between the moment when inputs must be purchased and the crop planted and the later moment when the crop can be harvested and sold, was never really "money" at all, since it involved accounting transfers in a giant shell game among state-controlled agencies. Similarly, longer-term investment credit reflected administrative allocation of resources to agriculture, not any measure of market value. Such "credits" could be and were routinely forgiven the farms, since in any event the state was simply shifting "money" from one pocket to another. The important concern was not the volume of credits, which always evened out over time or could be written off with the stroke of the government’s pen, but the volume of physical output. Financial flows followed from, and were determined by, the production plans.
Although central planning has largely broken down, the agricultural financial mechanism still works as it did under the old system. Funds for agriculture are allocated and distributed through a hierarchical process, shown schematically in figure three. (The process is essentially the same for each branch of state industry, although most others have moved somewhat further away from dependence on state resources than agriculture.) Based on the plan for physical output they receive from the Ministry of Agriculture, production enterprises determine their annual needs for credits by category of expenditure. The requests are then aggregated by the district and province subunits of the Ministry of Agriculture and communicated to the Ministry in Moscow. (Figure four presents one farm's request for credit in the fall of 1993.) 21 The Ministry of Agriculture collates all the requests and sends them to the Ministry of Finance. There all requests for government funds from all state-owned enterprises and collective farms are summarized and, in consultation with the Ministry of Economics, which plans physical outputs, the Ministry of Finance determines how the available financial resources (always less than the requests, of course), should be allocated. The consolidated plan for financial allocation (the draft budget) goes to the national government, the Council of Ministers, which in turn presents the budget to the parliament (before September 1993, the Supreme Soviet, now the Federal Assembly) for enactment into law. After parliamentary approval, the Council of Ministers directs the Ministry of Finance to work out detailed allocations for each industrial branch based on the budget's overall appropriations. The Ministry of Finance then requests the Russian Central Bank to release credits to the banks which serve each branch of the economy. Those banks, in turn, distribute credits to each individual enterprise with the approval of the appropriate branch ministry.

Credits to agriculture are handled by a state-owned agricultural bank. Before the USSR broke up, this was the Agroprombank (literally the "Agroindustrial bank"). 22 Now the Russian Agricultural Bank (Rossel'khozbank) handles most agricultural financial flows ("Postanovlenie," 1991a and 1991b), although the agricultural banking system has now broken up into several territorial monopolies as a result of local or regional branches' secession from the Rossel'khozbank network. The Nogin raion, Moscow oblast', Rossel'khozbank incorporated as a separate commercial bank doing some lending in other parts of that province. The Rossel'khozbank branches in several southern oblasts seceded completely, becoming "Kompleksbank" in Saratov and "Kubinbank" in the Krasnodar krai. Whatever the bank's name, however, all these banks are descended directly from a single government-sponsored bank. Although all these banks have been nominally privatized, each one retains its structure (generally one branch office per raion) and effective monopoly over agricultural banking.
transactions in its own regions, including issuing of government-backed credits and their
collection. Rossel'khozbank would almost certainly fail if it were not propped up by the
flows of government credits it administers.

Until 1987, all revenues from all sales throughout the economy were at the disposal of
the central government. So long as the planners knew the size of the overall economy, they
could allocate resources so that credits, and goods, were available as needed. The system never
worked very well, but because the whole economy effectively formed one vast enterprise
within which prices could be set at planners' whim, no very large imbalance between income
and receipts, or the demand and supply of physical commodities, ever appeared. Constant
shortages of almost everything and the general use of "expediters" and bribery to obtain scarce
items indicated that in practice there was a substantial imbalance between supply and demand,
of course, but those facts could be ignored by the planners as "distortions" of a basically sound
system.

Once reforms really began to allow individual ministries and enterprises some
independence in determining what to produce, with what inputs, at what price, however, so
that the government no longer controlled all income and expenditures, the planned amount of
funds to be disbursed, and the actual funds available, could no longer be made to balance by
administrative command. The Council of Ministers "solved" the imbalance by decreeing that
more money should be printed. But since no more real goods were produced as the supply of
money increased, the value of the ruble declined. It took more and more credit to "buy" the
same physical commodity.

The first reaction to this inflation was to increase state subsidies. Since the 1930s, the
Soviet and now Russian state has paid compensation to farms and processors for the difference
between the controlled price they are paid for their product and the actual cost of production.
As production costs began to rise, the difference between the controlled price and production
cost increased, requiring greater state subsidies. After retail prices for most items were
decontrolled at the beginning of 1992 the difference rose so fast that enough state subsidies
could no longer be appropriated -- or the transfers done quickly enough -- to keep the system
going. As a result, farms which were first in line at the bank on the day each month when
subsidy funds were posted got the subsidy. Those enterprises less quick on their feet did not.

In any event, since the subsidies were effectively "cost-plus" transfers, the amount
expended on them became so large the state could no longer support it. So the demand for
further price decontrol, including decontrol of basic foodstuffs such as bread, grew. The floor
prices and subsidy amounts were centrally determined but paid by regions from funds redistributed by the central authorities. Since, when there were insufficient funds for the center to redistribute the promised amounts, richer or poorer regions were able to maintain or supplement subsidies to varying degrees, price differences between regions, and the danger of arbitrage, grew. Regions that were able to finance lower retail prices, such as Tatarstan and Ul'ianovsk oblast', were rationing controlled-price items by late 1992.25

The subsidies could and should be eliminated by a combination of price decontrol and high-cost producers moving out of the high-cost products, that is, a more rational regional specialization of production. But the system of required state deliveries of agricultural produce still in force in 1992 and 1993 gave farms little choice about what to produce. As they always had, the plans required every farm to produce a little bit of everything. Although farm-gate prices were (and are) still controlled, however, prices for most farm inputs have been freed, and farm suppliers have taken advantage of the fact to raise prices to what seem to Russian farm managers to be unconscionable levels -- and are certainly several times higher than they were. Since the price differentials between input prices and the state-controlled output prices continued to grow, farms had little choice but to grow what the planners wanted in return for "compensation" for the high-cost of inputs. So the farms, despite the economic reforms, were still not free to produce what they thought best.

Given the required state deliveries, the need to maintain employment and services on the farms, and the growing disparity between input prices and producer ones, the farms found themselves increasingly unable to finance investment or production out of retained earnings after 1991. In the absence of any other source of funding, they turned to the state, requesting greater and greater appropriations of state funds for investment and development.

Figure one breaks out various kinds of government appropriations for agriculture, including production credit, investment credit, and price subsidies. The approximately twenty targeted-program appropriations, mostly created to serve particular constituencies by the former Supreme Soviet, include funds for the Russian federal programs for "Support for private farmers," "Russian Bread," "Sugar," "Vegetable Oil," "Fish," "Baby Food," "Fertility," "Revival of the Russian Countryside" and others. These funds are supposed to come directly from the national budget.

Rural housing, community-facility, public utility, local road, processing-plant and land improvement construction projects are to be financed by a combination of the local budget, the building agency's or individual's own funds, and state (federal) investment credits (Ogarkov, 1993). Much of the funding for upkeep of such "social sphere" projects also comes from the
farms, as does some of their employees' pay. All of these funds, including the local budgets, which involve the reallocation of funds collected by the localities by central authorities, are ultimately state expenditures, although they may or may not show up in the country's formal budget. So the "agriculture" budget bears much of the burden for supporting infrastructure and social services which in other societies would be directly state-supported. According to sources in the Russian Federation Ministry of Agriculture, about 20 percent of the whole agricultural budget represents such quasi-governmental expenditures.

Many government programs for supporting agriculture provide for concessionary (below-market) interest rates. The interest rate subsidy is to be provided by government repayment to the lending bank of the difference between the market rate at which the lending bank purchases its funds from the Central Bank of Russia and the concessionary rate to be charged the farmer. When government funds to cover the interest rate subsidy are not paid to the banks on time, lending banks charge the borrower the full, market interest rate. If and when the compensation payment from the Central Bank is received by the lending bank the borrower may have the excess interest repaid. If the Central Bank's rate for funds increases, so does the interest the borrower pays on her loan. But given the high inflation, the ruble value of the delayed payment does not repay the farmer for the entire overpayment. Except for a government resolution forgiving all debts in a given category, there is no mechanism for extending payment deadlines if, for instance, the state fails to promptly pay a particular farm for required deliveries. So no borrower can be sure of the interest rate which he or she has to pay for a loan. In addition, the standard penalty for a missed loan payment is a doubling of the interest rate on the next payment. So no farm can be sure of the real cost of the funds which it needs to maintain production. In the absence of a predictable (even if very high) interest rate, no farmer can evaluate the risk involved in borrowing money.

Because of the way agricultural funds are distributed, competition among various lines of production and differing regions is minimized as long as agriculture receives all the money it asks for. When it doesn't, the natural response is a struggle with other branches of the economy rather than an attempt to redistribute resources within agriculture. A secondary response, since it has become increasingly clear that the state lacks the resources to actually fund all the programs for which appropriations have been made, is to attempt to insure that agricultural appropriations become part of the "protected" budget, those items which are to have a priority in receiving scarce funds.

As enterprise freedom increased, more and more of the "impersonal," state-credit accounting rubles became truly monetized, leaking into the "personal," or cash, money supply.
Russian enterprise managers explain that impersonal bank account funds can be converted into cash-in-hand and withdrawn by providing a sympathetic bank official with a small percentage of the transaction's value. The low, state-subsidized interest rates on agricultural credits made them attractive for other purposes, and, as hyperinflation has made turning a quick profit in trade the only reasonable investment, more and more of the concessionary credits have certainly been diverted to other purposes.

So the attempt to reform agricultural finance part way, without finally cutting the farmers off from the state, has led to much of the sector's financial difficulties. Market prices and the elimination of the sharp boundary between consumer, labor, and producers markets have monetized flows that were only formally "money" before. The attempt to retain state controls over production, and the tendency by all concerned to treat the financial flows as though nothing has changed -- that is, the halfway reform -- has led to the agricultural sector's financial chaos. But those difficulties also developed because the original expectations of the reformers about the creation of a land market as an alternate source of financing have been frustrated by political opposition from the agrarian bloc.

**The Agrarian Reform**

About 28% of annual capital investments went to the countryside throughout the 1980s. Led by Egor Ligachev, conservatives at the Second USSR Congress in December 1989 had demanded even more money for the countryside, and agrarian lobby leader (and later August 1991 junta member) Vasilii Starodubtsev had even demanded that all state investment be redirected to repay the country's "debt to the village." These demands met increasing resistance because the expenditures were not seen to have improved food and agricultural raw material supplies and competing demands for the resources became ever stronger as the Soviet economy weakened.

In June 1990, the first Russian Congress of People's Deputies resolved that the issue of revitalizing the countryside and improving agricultural productivity should be examined at a special session of the Congress ("Postanovlenie," 1990). The deputies, many of whom were local officials and farm managers bitterly opposed to any change in the system of collective and state farms, supported the resolution because they expected to use the session as a wedge to further increase government subsidies to the countryside. Many of the deputies at the First RSFSR Congress supported discussion of the agricultural question because they believed they were lobbying for more money.
Many of these "reformers" argued that they should be allowed to charge the state whatever they wished for their produce, even as they expected that state subsidies for their inputs, and subsidies for consumers, would be continued.\textsuperscript{30} The 1990 crop was a good one, but in part because of the already-evident effects of the breakdown of command-agricultural administration, there were large losses during the harvest. In the fall of 1990, fears of food shortages could be, and were, also played up by both sides in the agrarian reform debate as arguments for their position. Fears of starvation led to promises of international aid to feed the population for the first time since World War II. A Soviet transport plane brought the first food aid from Germany to Moscow on November 29, 1990, as the second RSFSR Congress was discussing land reform (Radio Liberty NCA, 1990; Kinzer, 1990).

The Second (extraordinary) RSFSR Congress of People's Deputies, called as a result of the First Congress' resolution, opened on November 27, 1990. Its initial agenda included just two main items: land reform and overall economic stabilization and reform.\textsuperscript{31} The Law on Land Reform explicitly abolished the state monopoly on land ownership in the Russian Federation, providing that a land division (nadelenie) was to occur, with individuals and all types of legal entities able to hold land on lease directly from the local soviet or from collective or state farms, with lifetime use-rights, or as private property (with the right to resell only to the state). Land denationalization was to be done by the local soviets, the RSFSR State Committee on Land Reform (Goskomzem), the Ministry of Agriculture and Food Supplies, and the Ministry of Forestry, "with the participation of other interested ministries and departments." Goskomzem, specifically created to carry out the reform on the basis of land-use administrations in the Ministry of Agriculture and headed by the former rector of the Institute of Land Surveyors, Viktor Khlystun, was to be the lead agency in this work.\textsuperscript{32}

Since the farm managers and their allies in parliament controlled the existing farms and other institutions in the countryside, few of them had any objection to taking control of the nation's farmland, a change which reinforced their own power and further freed them from domination by the state. The Congress amended article 12 of the Russian constitution to give state farms' property to the labor collectives, effectively transforming them into collective farms.\textsuperscript{33} So ended the legal distinction between state and collective farms that had existed since the 1920s, although it had become almost purely formal since all collective farms were ordered to introduce guaranteed wages and pensions in the 1960s.\textsuperscript{34}

The real issue, however, was not formal ownership of the land and production facilities, but their control. The collective farms occupied effectively all the country's arable land. Inputs and equipment could be gotten only from monopoly suppliers legally permitted to sell only to
economic entities with an account in the state agricultural bank -- collective and state farms.
The standard farm rules provided that members, or families wishing to leave the farm had no
inght to a share of the collective assets or farm land, even though the collective farms, as
"cooperatives," had been created in the 1930s by the "voluntary" union of peasant lands and
equipment. Pensions and other social benefits were also administered by the farms for and to
their members, so that leaving the farm also meant losing one's retirement income. Indeed,
until the late 1960s, peasants were not even allowed to hold their own internal passports, the
basic Soviet identity document without which it was difficult to travel and impossible to obtain
legal employment or housing off the farm.

The basic thrust of the reform forces, therefore, was not the denationalization of land but
providing a way for families to secede from the large farms with a share of the farm's land
and production assets to set up their own family farms.\textsuperscript{35} They would have full property
rights (including the right to free purchase and sale) over the production assets they received,
but would not necessarily own the land. The key legislation in the package of measures
prepared for the Congress was the "Law on the Peasant Farm" which gave individuals and
families the right to leave the kolkhoz and sovkhoz with a share of the communal land and
assets, set up their own independent farms, and organize associations to provide services or
even to work the land in common. A small group of agricultural economists organized by
Vladimir Bashmachnikov, then a staff member in the CPSU Central Committee's
Socio-Economic Policy Department, wrote the original Law on the Peasant Farm.\textsuperscript{36} Their
draft first appeared in early July 1990.\textsuperscript{37}

The peasant farm law provided that a separate "conditional share" of land (uslovnyi
zemel'nyi pai) and non-land assets (uslovnaia imushchestvennaia dolia) should be determined
for each adult on the farm, including retirees. The size of each "conditional share" depended
on how long the individual had worked on the farm and the total amount he or she had
earned.\textsuperscript{38} Shares were to be determined for the whole farm, but neither lands nor capital
assets were actually to be generally distributed unless the farm voted to dissolve itself, creating
an "association of peasant farms" in its place. If the farm did not vote to liquidate completely,
individuals and families were to have the right to receive physical shares on demand, however.

This right to leave with a share of farmland and assets was hotly contested before and
during the Congress. The "official" draft version of the Peasant Farm Law contained two
versions of the crucial article outlining the process by which farmers who wished to leave the
collective could receive their land and property shares. The procedure taken from the AKKOR
draft provided that conditional shares could be redeemed for land and capital assets on demand.
The version of the same article proposed by the RSFSR Supreme Soviet's Agrarian Committee required a vote of the general meeting of all the farm's workers to allow an individual to leave. Since such general meetings were and are commonly considered creatures of the farm leadership, this provision gave the farm management veto power over an individual's desire to leave as well as the selection of the particular plot of land and assets the person could receive. The law on the peasant farm was eventually passed with the right to obtain physical shares of land and assets on demand, but the determination of what land and what physical items would be given out as the share was left to the farm's general meeting. There have been widespread reports of marathon meetings and bitter wrangles as the peasants fought over who should receive what physical assets.

It was clear that the land share each individual would receive would not be large enough for a viable farm. Since everyone had worked to create the national wealth which was now being redistributed, everyone on the farm had long since earned their shares. Moreover, the land and property shares would be the major source of income for former farm members too old to work. Since in developed Western agriculture there are far more people involved in serving the farmers than there are people actually involved in plowing the land and milking the cows, however, the size problem did not bother the supporters of reform. Let the pensioners, the teachers, and the other non-farmers either lease or sell their land shares to individuals who intended to work it. By this process of redistribution the need of the elderly and the young for a steady income, formerly provided by the kolkhoz from its own funds, would be met, and commercially-viable farms would be assembled.

The RSFSR Supreme Soviet had adopted the Law on the Peasant Farm, essentially unaltered. But the larger Congress of People's Deputies at first refused to confirm the legislation unless the introduction of free purchase and sale of agricultural land was delayed. So the land reform legislation included a ten-year waiting period from the moment the land property was acquired during which the plot could be sold only to the local Soviet. This measure was justified by fears that all the land shares would be bought up cheaply by urban speculators. This "moratorium," and a provision for amending it either by a vote of the Congress of People's Deputies or by a national referendum, were added to the Russian Federation Constitution at the Congress.

The land-sales moratorium created an enormous land-assembly problem for would-be family farmers since it meant that it would be much more difficult for them to buy or purchase shares from other former farm members. The moratorium was a compromise forced by the ideological opposition of some deputies to private land ownership. Supporters of the peasant
farm law assumed that the moratorium was relatively harmless. It would, they apparently thought, be fairly easy to get the constitution amended and the moratorium removed. In November and December 1990 adoption of a new constitution was considered imminent. Yet just amending the existing constitution to allow land sales turned out to be far more difficult than the reformers expected. As the effects of the land reform and peasant farm laws, and the overall economic reform, became more obvious, opposition to any constitutional change within the parliament hardened. By the Sixth Russian Congress in April 1992, a solid bloc of more than 400 voted against allowing private land ownership. To overcome that opposition, Democratic Russia and the Peasant Party of Russia began to organize to collect signatures for a national referendum on land ownership. They successfully obtained one million signatures, leading the December 1992 Congress session to legalize purchase and sale of housing and garden plots (but not agricultural land) in hopes of defusing the referendum movement. However, the growing constitutional crisis of 1993 overtook the land referendum, which eventually was held as the April 25, 1993, referendum on the President and Parliament. Each succeeding presidential decree on land reform since 1990 has reaffirmed the right of land purchase and sale, with increasingly loose restrictions. But presidential decrees are subject to parliamentary confirmation, and are not supposed to contradict the constitution, giving any local leader ample reason to ignore the President’s decrees allowing land sales. Only the new basic law adopted at the December 12, 1993, referendum finally did away with the constitutional prohibition.

The reformers also made a second compromise at the Second Congress of People’s Deputies in December 1990. The Congress had been called in order to improve conditions in the agricultural sector and, implicitly, to demand more state subsidies. The Congress accordingly passed a motherhood-and-apple pie general statement on agrarian reform. This "Program for the Revival of the Russian Countryside" included the outlandish promise that an amount equal to 15 percent of the country’s annual national income would be spent on agriculture and rural development. One Russian knowledgeable about the maneuvering explained this promise away in an interview by saying that "there are laws that you have to pass that you know can’t ever be implemented." The law certainly has not been put into effect, and the agrarian lobby has repeatedly screamed betrayal because the Russian government has failed to provide legally-obligated investment funds. In retrospect, the tactic may be understandable, but it has helped to contribute to a sense that the letter of the law does not matter and that uncomfortable legislation need not be obeyed which has hardly contributed to the country’s stability.
The provisions for farm division in the Law on the Peasant Farm were voluntary. But, as the struggle over the right to leave the farms at the Second RSFSR Congress and the language of that Congress' resolution on the land reform program, which provided that the reform would be generalized at a second stage, suggested, the law's provisions would be generally applied. They quickly began to be, as unprofitable and low-profit farms were required to reorganize in 1991. Then, at the end of 1991, Yeltsin issued a decree requiring that all farmland should be denationalized, becoming the property of the farmers, by the end of March 1992. All farms should reorganize and recharter, completing that process by the end of 1992. A subsequent Council of Ministers resolution provided that each collective farm had to choose one of four options for reorganizing ("Postanovlenie Pravitel'stva," 1992; see also "Rekommendatsii," 1992; "Polozhenie," 1992). The choices were:

**Liquidation.** The farm could vote to go out of business entirely, selling the capital assets to any one willing to buy them and the land to the state. No farm seems to have taken this option until the very end of the reorganization period, perhaps because the weakest farms were the last to reorganize. Weak farms may have hesitated to reorganize because the tax service charged them for the privilege of re-chartering. At least, according to a farm chairman in Torzhok raion, Tver' oblast', the raion tax inspection wanted 10% of his farm's declared capitalization [ustavnoi fond] to legalize its reorganization.

**Become a "subsidiary farm."** This variant of pure liquidation was preferred by policy-makers because it kept the farm workers employed and the land and assets in production. The farm could sell itself as a unit to a strong industrial enterprise. It would then be a constituent part of the factory, with agricultural workers paid wages just as all other employees of the enterprise were. The idea also had some appeal to very large industrial enterprises because it provided them with a sure source of food supplies for their other workers.

**Form an association of peasant farms.** All land and assets could be physically divided up and given to the farm members, who would then begin private, presumably family, farming. This model, which seemed to be "full decollectivization," has also rarely been followed. In practice, most farms which have physically divided up their assets have either split into several smaller units of approximately the same size which are still essentially collective farms, undoing the "kolkhoz amalgamation" drive of the early 1950s, or formed several different-sized units, from small family farms to one or more large farms which are still run by the old farm management in more-or-less the traditional way.
Create a new joint-property agricultural enterprise. Farms could reorganize to become:

- a limited-liability partnership (tovarishchestvo ogranichennoi otvetsvennosti, abbreviated as TOO);
- a "joint-stock" society (aktsionernoe obshchestvo, or AO); or
- an agricultural production cooperative (a state farm could turn itself into a collective farm).

Although there were and are legal differences among the three collective-property forms, in practice all three meant that the new entity’s members signed over their conditional land and property shares, without physically demarcating or identifying them, to a new legal entity in which each peasant received shares of stock. These forms, therefore, were the least changed from the old collective or state farms.

In response to a firestorm of criticism, in early 1992 the government added a fifth option, allowing a farm to retain its existing form, to this list. Farms which chose to retain their status were still required to take over the land as "group" property and reregister (go through the reorganization process). Many of those farms did not conduct even a "conditional" determination of land and property shares.

Experimental farms, seed-producing farms, and others were exempt from the reorganization requirement. By the end of 1992, about 80 percent of all farms required to had reorganized. By the time the (extended) deadline expired in March 1993, effectively all collective and state farms had reorganized, most becoming some kind of joint-property farm. (Figure two summarizes the farm reregistration data.) Although this meant little or no change in the day-to-day farm work, and the peasants never saw their physical shares of land and capital assets, completion of the registration process meant that the Russian state no longer held title to the farmland. It had been "denationalized," if not quite "privatized."

In addition to the reorganization and division of existing farms, the 1990 Russian land reform legislation provided a second mechanism for the establishment of individual farms. The law on the peasant farm and subsequent acts provided that any qualified individual -- qualification being shown by farm work experience or successful completion of a relatively short "farmer’s course" at an agricultural school -- could receive a share of vacant or unused land on request to the local authorities. This mechanism was intended to allow people who had grown up on farms but then moved to a city to return and repopulate the village, as well as providing for migrants from now-independent areas of the Soviet Union and officers forced to take early retirement by steep cuts in the size of the military to begin farming. Since the land for these "newcomers" was to be taken from waste land or existing farms, these new
farmers have frequently not been very popular with long-time local residents. They are often suspected of planning not to farm, but simply to hold their land until it can be sold for suburban housing or other purposes.\(^5\(^8\)

**Local Opposition to the Agrarian Reform**

The reform met enormous, and ingenious, local opposition.\(^5\(^9\) Many farms refused to include all their land and assets in the fund for determining conditional share sizes, either by selling some of it on the side or simply insisting that some plots and facilities should remain "collective." Although the law specified that farm-leavers were to be given plots of average quality in average locations, they in fact generally received the worst, most distant, land. The legally-specified period for acting on a request for share division has been routinely violated. Farms almost universally refused to given physical assets out to farmers, insisting that they had to be preserved for the good of the whole. Instead, farm-leavers received, if they were lucky, the cash equivalent of the asset share’s book value—at December, 1991, prices. As inflation ate up the ruble, this sum became laughably small, of course. Finally, although Yeltsin’s December 1991 ukaz supposedly allowed members of a reorganized farm to freely lease, and, with restrictions, sell their plots to one another, any attempt by would-be farmers to assemble larger holdings by lease or purchase were refused legal recognition. In some places, pensioners who attempted to lease their plots to individual farmers who wished to work them were told that the benefits they continued to receive from the central farm administration would be instantly ended if they did so. The right to sell or lease one’s land share was reaffirmed in principle, and supposed to be confirmed by the issuance of a legal deed to the property, in the October 1993 land reform decree. But reports in the winter of 1993-1994 suggested that local authorities continued to resist attempts by peasants to use their nominal sales rights.

**Local "Upstream" and "Downstream" Privatization**

Agrarian reform involves much more than land tenure and farm organization. Farmers depend on input suppliers and agricultural service agencies to get their crops produced and an array of transportation, storage, processing and marketing enterprises to get their crops to market.

The privatization of local branches of the input dealers, processors, and so on that serve agriculture fell to the State Committee on Management of State Property (Goskomimushchestva
or GKI). Established only in mid-1991, six months after the land reform legislation was adopted, GKI did not really begin operations until early 1992 as a result of heated governmental debates over whether and how general privatization should be done. Once it got down to work, GKI identified local supply and processing agencies as priority targets for privatization along with urban retail facilities. However, the time lag between the beginning of land reform and the adoption of privatization, combined with the urban, industrial focus of GKI and the growing perception among reformers in 1992 that "rural" meant "anti-reform" resulted in poor coordination of GKI's rural privatization efforts with the work of Goskomzem and the Ministry of Agriculture.

The rules for privatizing input supply, service, procurement and processing enterprises provided that a firm could be denationalized in one of four ways:

1) by forming a joint-stock company which sells its shares openly (or, as a food processor, only to producers of its raw material);
2) by selling the enterprise at auction;
3) by liquidating the enterprise and selling its assets at auction; or
4) by selling an already-leased-out enterprise to a private purchaser.60

Reliable current data on the extent of privatization of rural service and procurement enterprises is unavailable. Interviews with farmers suggest that most enterprises have been formally privatized. In any event, all agrarians dislike and fear GKI's method of operating, largely because they view it as a city-dominated enterprise unwilling to take their fears of outside-dominated monopoly seriously.61 GKI is stubbornly refusing to allow farms and farmers to acquire controlling -- and, some interviewees have said, any -- interests in privatized district supply and processing plants on concessionary terms. Since the farms had little cash, they have often been unable to buy these facilities.62

GKI argued that farms had no special rights to the enterprises that served them. In order to attract investment, the state committee argued, the facilities should be sold to the highest bidder. Moreover, giving farms special consideration in supplier and processor privatization would just encourage the existing agrarian elite to take over these strategic enterprises in the name of the collective but in fact for themselves. Just as GKI has opposed "worker" buy-outs of industrial enterprises, preferring national voucher auctions to spread the wealth and reduce the former nomenklatura's stake in national property, so, they argue, there is no reason to encourage the rural elite to enrich itself further by taking over the processing and supply plants. This is not a market solution. Let the farms buy the plants in competition with everyone else if they want them.63

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GKI's position on upstream and downstream privatization, however, tends to discourage farm breakup. Because Russia has a relatively small number of supply, repair, transportation and storage facilities, each designed to serve a particular hinterland as a local monopoly, the agriculturalists feared losing control of their vital "partners" to non-agricultural interests. Perhaps more importantly, GKI's refusal to concede rural interests priority in acquiring local farm services makes the farm managers hold on to their farms more doggedly. In contrast, the Chinese land reform, which all sides in the Russian debate seem to take as a baseline, allowed and encouraged local cadres to take over the processing and supply plants, first because it was assumed that they were likely to be best at running them -- and if not would go broke and out of business -- and secondly because it meant they had no reason to oppose parcellization of the agricultural land and the recreation of independent farms which would then be able to increase production. The October 27, 1993 decree discussed further below requires that GKI allow shares in plants which have not yet been privatized to be bought entirely by peasants and other rural people, for vouchers or on other concessionary terms. This may help to defuse opposition to reform, although it makes even more urgent the creation of competitive input, credit, and processing/transportation/storage markets in the countryside. In many areas, moreover, those facilities have already been privatized, so that the change may have come too late to be helpful. GKI's intransigence also has certainly helped anti-reform rural interests define the situation as one of "city versus countryside" so that potential rural allies of reform are in danger of being lost.

The Organization of Agrarian Political Interests

Like every other branch of the economic bureaucracy in the old Soviet Union, the agricultural management bureaucracy acted basically as an "institutional interest group" in struggles with other interests. As the foregoing discussion indicated, the planning and financial mechanisms created a "cost-plus" system which discouraged innovation and evened out geographic, climatic, and other regional variations which would otherwise tend to pit regions, and farms specializing in particular products, against each other. An infrastructure designed to promote "efficient" monopoly and the hierarchical organization of the whole agricultural sector up to its head and chief advocate in the government, the deputy prime minister, also contributed to the solidarity of the agricultural sector. That basic structure remains. But it has now been transformed into three closely-cooperating, supposedly non-governmental organizations, the Agrarian Union of Russia, the Agroindustrial union, and the Trade Union of
Workers in the agroindustrial Complex. These organizations cooperate closely with the Agrarian faction in parliament (both old and new) and have joined to create what is supposedly a mass-based political organization, the Agrarian Party of Russia.

With the exception of the trade union, which was the sectoral union responsible for administering benefits and "representing" agricultural wage-earners even before perestroika, the other organizations have come into being in large part to oppose the land reform and in particular to counterbalance the influence of the family-farmers' interest group, the Association of Peasant (Family-Farmer) Farms and Agricultural Cooperatives of Russia, usually known by its Russian acronym, AKKOR (for a more detailed early history of these groups, see Van Atta, 1991).

AKKOR, organized by a group of agricultural economists and reform-minded farm chairmen in mid-1989 with the assistance of the Izvestiia publishing house, aimed to become the major representative of private farmers by creating them. It has been extraordinarily successful in this endeavor, establishing a network of branch organizations in every constituent unit (province or republic) of Russia and in almost all individual rural districts. AKKOR has also taken on a number of government functions, in particular acting through the "Russian Farmer" fund which it controls to distribute the government's targeted credit for peasant farmers. This activity has made it anathema to large farm managers, who see AKKOR as taking away part of the funds they should be getting, while leaving it vulnerable to charges of favoritism and corruption from disappointed loan applicants -- of whom there are a great many, since the farmers' support funds come with a substantial state interest-rate subsidy.

Some founding members of AKKOR, dissatisfied with its narrow focus, split off from it in late 1990 to form the Peasants' Party of Russia, intended to have a broader, "class" program to aid the peasantry. The PPR chairman, Yuri Chernichenko, is a well-known member of "Democratic Russia" and probably the conservative rural lobby's favorite enemy. However, his party has suffered at least one further split, when agricultural economist Vassiliy Vershinin founded the Peasant-Democratic Party of Russia. With perhaps 600 members, few of them farmers, the PPR is significant only as a vehicle for the views of its chairman, Chernichenko.

The Agrarian Union, by contrast with AKKOR and its radical brethren, aimed to speak for all of agriculture but in fact was from its initiation the creature of the successful farm chairmen. Its officers at the oblast' level are normally either the head of the local agricultural administration or a deputy. (The "unofficial" AKKOR heads in most regions effectively function as deputies of the agricultural administration heads as well, however.) The Agrarian
Union has attempted to take on the same functions of distributing functions and negotiating for its constituency that AKKOR has. The Agrarian Union’s politics can best be described as reactionary. The Union’s chairman, Vasilii Starodubtsev, was jailed for his participation in the August 1991 coup. The Union became moribund for almost two years after that. Its second Congress, in June 1993, reorganized the Union in time for many of its members to actively support the parliamentary side in October, 1993. Paradoxically, however, following a promise made by Prime Minister Chernomyrdin to the Union’s second congress, its chairman, Starodubtsev, has enjoyed the status of a counselor to President Yeltsin -- whom he tried to arrest two years previously.

The Agroindustrial Union of Russia largely duplicates the Agrarian Union in purposes and goals. Founded in 1992, it clearly was an attempt to get around the stigma attached to the Agrarian Union after the coup. It also includes "upstream" and "downstream" organizations and is the designated representative of the agrarian sector in the Tripartite commission (of government, industry, and agriculture) established in 1992 in an attempt to strengthen the Russian government by importing Western European-style "corporatist" bargaining among social sectors and the government (see Van Atta, 1993c, p. 203). However, until recently the Agroindustrial Union, too, has been relatively inactive (Soskov, 1994).

In 1992, the trade union of agroindustrial workers came to speak for agriculture. It organized a series of strikes in late 1992 and again in 1993 demanding on-time payment for products. Delegations of its leaders met with the government in the name of agriculture (Peresonin, 1992).

The most active representatives of agricultural interests during the life of the Congress of People’s Deputies were grouped in the Agrarian Union parliamentary fraction. Although it had no formal connection with the extra-parliamentary body, the two Agrarian Unions overlapped in personnel and outlook.

The agrarian deputies parliamentary faction had organized even before the First RSFSR Congress of People’s Deputies began. More than 200 deputies gathered in the conference hall of the hotel "Rossia," in May 1990, agreeing that the "supply of foodstuffs to the population was the most important social and political task to be solved by the new RSFSR government."65 It provided much of the impetus for the December 1990 Congress session on land reform. But the fraction, led by Mikhail Lapshin, simultaneously a leader of the National Salvation Front and the Communist Party of the Russian Federation, became increasingly conservative, finally providing much of the support for the fractious anti-Yeltsin congresses of 1993.
AKKOR’s success with grass-roots organizing out from the center, the organizational infrastructure of the trade unions and the Agrarian Union, and the perceived need of the Agrarian Union parliamentary deputies to expand their base and mobilize support for their position, led leaders of all the conservative agrarian groups to join in calling for the creation of a mass-based Agrarian Party of Russia. Like the Agrarian Unions, this party took upon itself the task of speaking for all of agriculture, but, unlike them, it was to be a mass organization. The party held its first congress in February 1993. It is unclear to what extent it has succeeded in organizing real grass-roots support in the countryside, although its elite members allowed it to mobilize quickly to gather qualifying signatures for the December ballot.

The details of the organizations, however, may matter less than the way in which all of them except AKKOR and the PPR share much the same leadership, declared interests, and political position. Given their close relationships with influential officials in the Ministry of Agriculture (the APR held its extraordinary October 1993 nominating congress in the Ministry, and First Deputy Minister Shcherbak was on its party list for the December elections along with Zaveriukha ("Kandidaty," 1993)), the Agrarian Union/Agroindustrial Union/Agroindustrial Complex Workers’ Trade Union truly seem to be continuing the sectoral solidarity they inherited from the Ministry’s former role as “institutional interest group” defending agriculture. The Ministry’s political functions, like its economic ones, have formally been privatized, but so far the new “private” organizations are acting very much as did the old state one. Only the farmers’ movement offers a wedge to split the solid front of agricultural interests.

The First Results of Agrarian Reform

The formal mechanisms for state regulation of agriculture have so far remained largely the same since 1990. The system of required deliveries of produce to state agencies has been retained. The mobilizational techniques for getting the harvest in, refined in earlier years, continue. In 1992, a temporary coordinating committee ("shtab") including most major officials involved with agriculture was set up to organize the national mobilization for the harvest. Muscovites and military units were sent out to help with the harvest. Annual harvest resolutions continued to provide special wage funds for agricultural workers and earmark fuel, spare parts, and consumer goods for agriculture as incentives to the farmers.

But the weakening of administrative levers caused by decentralization and the decline of the party was already noticeable by the time the Second RSFSR Congress of People’s Deputies
met in late 1990. In 1990, the Russian government attempted to encourage above-plan deliveries by promising farms special hard-currency "checks" in return for extra produce. Premia for above-plan deliveries were not new, but backing them with hard currency was. (The idea, originally proposed by the economist Nikolai Shmelev in 1989, was to give Russian farmers the hard currency that would otherwise go to farmers abroad for grain imports (Whitlock, 1989).) The "Harvest-90" scheme failed, however, as farms were never paid for their checks and much of the money the Russian government appropriated for foreign purchases of consumer goods to exchange for the checks disappeared (Utitsin, 1993). Whatever the rights and wrongs of this murky affair, this attempt to use economic incentives rather than administrative coercion to make farmers deliver their harvest to the state again taught the countryside that government promises of economic rewards for cooperation with government procurement agents were worthless. The procurement situation seemed to worsen even further in 1991, as a truly bad harvest combined with the collapse of the Soviet Union to make the food situation seem very difficult to policy-makers (Hahn, 1993).

In 1992 the Russian government was forced to bargain with the organized agricultural producers in order to obtain the harvest. To insure the support of one important interest group for its reform policy, the government signed a formal agreement with AKKOR in early February, 1992. The organized private farmers contracted to voluntarily deliver 25% of their produce in return for subsidized state inputs. They demanded the input guarantee because, until 1992, individual farmers had been exempt from state delivery quotas for five years after they began operations. Then, at the beginning of that year, President Yeltsin had unilaterally imposed a 25% procurement quota on private farmers, disregarding earlier legislative promises. AKKOR resisted, and the government compromised. In mid-summer the Russian government concluded an agreement with the Agrarian Union by which the government guaranteed large farms inputs, subsidies and concessionary terms on state investments in return for promises to deliver production on time. A likely part of the agreement was the release of Vasilii Starodubtsev from investigative detention in June 1992, six months before other accused coup plotters were freed.

So the large and small farms’ organizations gained government recognition of their right to speak for their constituencies. Equally importantly, the government demonstrated that it would or could not unilaterally impose delivery plans on the farms. From now on the government and farm organizations would be bargaining, on more-or-less even terms, over harvest deliveries. The farm managers had taken another long step towards establishing their
independence of state control while further cementing their power over their own farms by obtaining government recognition of their organization.

The agreements by themselves did not end the farmers' unrest. In mid-June the government released some 600 billion rubles in credit for the farms to get their harvesting done. A month later subsidies for livestock products were increased for the second time in four months. On August 12, 1992, the Russian government raised the price it paid for grain from 10,000 to 12,000 rubles a ton. By November, the effective price, depending on the region and the quality of the grain, reached as much as 20-25,000 rubles a ton. The substantial grain-price increases, plus a later government promise to compensate farms for all the increased fuel costs associated with harvest work, effectively bought the harvest, suddenly turning around lagging state grain procurements. The large emissions of money to finance the price increases, although they were held up and pared down by the Ministry of Finance and the Central Bank, further angering farmers, helped fuel a new surge in inflation.

In 1993 the "state orders" became "futures contracts" ("f'iuchersnye s'delki, really "forward contracts," not "futures"). In return for a promise to deliver crops in the fall, the government obligated itself to provide production credit and supplies in order to get the crop in the ground, as well as paying a 50% advance for the crop. Otherwise the system remained much as it had been.

Farms, however, never very solvent, were increasingly dependent on the state for production credit (short-term funds to pay for expenses until the harvest has been sold) as a result of the continuing price imbalance and the accumulating nonpayments problem. An early February 1993 report, for instance, indicated that farms had available in their bank accounts and existing credit lines only 240 billion of the 640 billion rubles estimated to be needed for the spring sowing.

But the farmers' organizations were now strong enough to demand, and receive, a voice in the shaping of prices for their basic products from the very beginning. On February 25, the Ministry of Agriculture, Roskhleboprodukt, the Agrarian Union and AKKOR signed an agreement specifying that the government would pay an average of 28,000 rubles per ton of grain, reportedly about 2.5-3 times higher than the previous year's price. The price had been raised from the government's initial offer at the insistence of the Agrarian Union, and the contract specified that the price would again be considered (and, clearly, raised to account for inflation) in midsummer. The parliament weighed in for higher prices, passing a "Law on Grain," designed to ensure both food supplies and farm profitability, which provided for new state subsidies and assistance to grain producers as well as offering profitability guarantees for
all grain producers.\textsuperscript{78} By late summer, the agreed price for a ton of third-class soft wheat had reached 65,000 rubles, and a ton of first-class hard wheat was to bring its producer 95,000 rubles.\textsuperscript{79}

By mid-summer 1993, however, it was clear that the state could not meet its obligations to the agrarian sector. Good weather led to a bumper crop. Inflation, growing crime, and regional particularism fragmented the procurement system as each constituent Russian republic, krai or oblast' adopted its own policy of regulating, subsidizing, or completely freeing retail food prices and wholesale prices for agricultural inputs. Simultaneously the system of distribution, credit and payments broke down. The good harvest in 1993 brought the problem to a head. The state contracted for output in advance, but the inflation-conscious government failed to appropriate the money to make good on the contracts. Bumper crops in many places left farms with overproduction they could not sell. Although many would have preferred to hold on to it, the lack of on-farm processing and storage, and the severe cash shortage in the countryside, meant that farms eagerly sought to sell their crops. But in many cases they could not.

The monopoly food processors, unable to sell their products for the accustomed price and with the distribution channels destroyed, began to unilaterally cut prices paid to farmers for their contracted deliveries. For instance, in late June 1993 Orenburg dairy plants announced that they were cutting their prices to suppliers for raw milk. The traditional market for their butter, Moscow and St. Petersburg, was now taking only one-quarter the usual amount, so the plants could not sell their product (at the same time, they complained, imported butter was being dumped at prices with which they could not compete).\textsuperscript{80} But there were no reports of processors cutting the prices they charged to wholesalers and retailers in order to clear out stocks before the products spoiled.\textsuperscript{81}

In 1993 the government, through the Ministry of Economics (which set economy-wide output targets) and the Ministry of Agriculture (which set them for its farms and enterprises) planned to produce a physical volume of agricultural produce deemed adequate to meet the country's needs. It promised to provide farmers with production credit at the time they signed delivery contracts with state procurement agencies, "forward contracting" for a harvest not yet planted. But the government did not have the financial resources to cover the promised volume of credits, so that farmers did not receive much of their production credit, or got it very late. By the end of the year, only about 35\% of the funds appropriated in the various budget drafts had actually been released to agriculture. In other words, the government ordered a volume of production -- based on an estimate of the physical amount needed -- from its farmers about
three times greater than it had the funds to pay for. In many areas the local collective and private farms had a bumper year, producing several times the volume of produce the local procurement agencies had funds to purchase or warehouse space to store. Procurement points either refused to accept farmers' produce at all, leaving it rotting on the farms under the open sky, or accepted it for storage, mixing it with other farms' crops and sending it on to be processed, while giving the farmers only IOUs. By the end of 1993, the government, through the grain monopoly Roskhleboprodukt, owed farmers, big and small, more than 700 billion rubles for grain already delivered. At the beginning of 94, total debts to all farmers for all delivered produce amounted to 2.3 trillion rubles. But the farms themselves owed 1.8 trillion rubles to their input suppliers. With even payments for crops purchased routinely arriving in their bank accounts only two to three months after the crops had been delivered, farms were unable to pay their debts and facing punitive interest increases. The inevitable result was a round of debt forgiveness for the farms, which owed for their production credits, by extending their repayment term for another year. Given inflation, that extension effectively wrote off the farms' debts.

Given inflation, the delay in paying for produce meant that the state was using its monopoly power to cut the price farms really received for their produce, in that way countering the producers' demands for higher prices. But this maneuver, conscious or not, cost the government credibility it could hardly afford to lose in the countryside. Whatever might be thought of the way in which the government set the price it promised to pay, it is hard not to sympathize with farmers' demands that they be paid for produce which they grew in response to a government order. Nor, in a society where the sanctity of contracts is hardly an accepted principle, does it seem to be a good precedent to break faith with a large part of society as did the government's withholding and delay of payment for the 1993 harvest.

The crisis in harvest payments, and the need to raise retail prices to consumers (of course a wildly unpopular political move), were major reasons for the timing of President Yeltsin's forcible disbanding of parliament on September 25, 1993. The day Yeltsin issued his decree disbanding parliament, the state buy-down of interest rates for agricultural credits (covering the difference between the market rate and a nominal one, most recently 27%) ended. State credits for agricultural investment and special programs, for which the appropriations had been far from fully covered by financial distributions in any case, dried up. The government later announced that it could not, and would not, pay as much as farmers had been promised for this year's crop.
Consumer subsidies were attacked as well as the parliament building. The centrally-decreed and supported subsidy on the retail price of bread was eliminated as of October 15. Although it improved the central government’s finances, however, this move did not immediately improve the country’s economy. Regional authorities frequently maintained subsidies as long as they could (Vylegzhanin, 1993). Local preservation of subsidies allowed the population more time to adjust to the changes but also offered a golden opportunity to arbitrage basic food products among regions. The likely, although impossible-to-document, result was the stiffening of the trade barriers already in place between many oblasts and kraia and even among many raions, further breaking down already weak central government authority.

Yeltsin’s October Ukaz

Without fixing agricultural financing, no further economic reform was possible. That goal could only be achieved by finally creating a free market in agricultural land, which in turn required overcoming resistance to letting people leave the big farms with real land and property shares. So after the “October events,” a set of amendments to the Law on the Peasant Farm, designed to correct the abuses and remove the obstacles to redistribution that experience had demonstrated, which had been circulating in the government at least since the summer of 1993, was quickly updated and expanded by a small team of agrarian economists huddling with newly-reappointed Economics Minister Yegor Gaidar after the October 3-4 battle. The result was a presidential ukaz aimed at creating a land market in the Russian countryside.

The October 27 ukaz provides that peasant farmers have legal title to their land and property shares and that the conditional shares can be traded like any other securities. The ten-year moratorium on land sales by individuals is revoked. To avoid the delay of precisely demarcating individual land shares, at GKI’s insistence the decree also provided that plots could be surveyed and marked off after they had been sold. Asset shares must be paid in kind (a physical good like a tractor) or in monetary equivalents subject to indexation for inflation.

The ukaz stipulated that as of January 1, 1994, there would be no more compulsory state purchases of agricultural produce. Although the state will continue to buy much more of the nation’s crops than in any Western market economy because so much of the processing and retailing of food is still state-related, those purchases are now to be on a market basis. If the ukaz means what it says (and compulsory deliveries of produce to the state have been abolished before, with no effect but a name change), then the economic environment of agriculture has
now been freed, so that farm output is on the same market basis as the supply of farm outputs. This should allow the terms of trade between industry and agriculture to equalize, so that agriculture will no longer suffer from high, uncontrolled prices for production inputs coupled with low, regulated prices for its output.

First deputy Minister of Agriculture Shcherbak said the October decree did not require additional legislation or regulations in order to take effect soon after it appeared (Gavriliuk, 1993). However, many local authorities dragged their feet in its implementation. Since the new Duma would have to confirm all of Yeltsin’s decrees issued during the interregnum from October 1993 to January 1994, this caution made some sense. In addition, some fourteen or fifteen additional documents implementing the ukaz, including procedures on bankruptcy and land mortgages, were to be issued. As of this writing, they have not been. One Russian source reports that all these documents, except one somewhat changing the structure of the grain procurement monopoly Roskhleboprodukt, are now effectively dead.89

Neither the disbanding of the Congress of People’s Deputies nor Yeltsin’s ukaz ended resistance to further change in the countryside. Farmers were not being paid for what they had already produced and delivered to the state. The sudden end of low-interest government financing threatened mass bankruptcies in the countryside and imperiled the 1994 crop for lack of production credit for sowing. The discontent showed up in the December elections, which the pro-reform "Russia’s Choice" bloc lost despite initial expectations of winning in a walkover. Political realities forced a hasty resumption of state payments to agriculture. Even Yegor Gaidar, no longer in the government but still the leader of the "Russia’s Choice" faction in the Duma, voted for paying agricultural arrears in January 1994.90 The most determined advocate of restricting the money supply by cutting off agricultural credits, Finance Minister Boris Fedorov, was driven from the government that same month. The agrarian deputies and their allies in the State Duma again began to discuss the need for huge new capital investments in the countryside. Yet it remained clear to everyone that the Russian state could no longer support huge rural expenditures. In the wake of the "October events" and the December election, the need to reform agriculture loomed more starkly than ever.

The Prospects for 1994

There is no doubt that Russian agriculture is not in good shape. Whether or not it is in worse shape than the rest of the economy is harder to determine. Former Chernomyrdin advisor Andrei Illarionov may be right to point out that so far agricultural production has
fallen less than industrial production. He is right to note that in recent years Russian grain crops have been steady at around 100 million metric tons annually. Much of the decline in production so far has been in the livestock sector. The fall in livestock has meant a real shift and deterioration in Russians’ average diet, but given that Russians ate far more meat than citizens of other countries with a comparable standard of living (Sedik, 1993), at least some of that fall represents an adjustment to the end of policies which favored livestock products at the expense of other consumer goods. Those unproductive herds consumed vast amounts of low-quality feed, much of it imported wheat. If Russia will really be able to get by in 1994 without major grain imports, as Zaveriukha, Chernomyrdin and Yeltsin have claimed, then the fall in livestock numbers will be the major reason. Since livestock-raising is a cyclical industry, the herds can eventually be rebuilt once the great shake-out has finished.

But the decline in agricultural investment, which means that farms have been living on stocks of accumulated capital goods, and the continuing shortage of production credit must eventually have an effect even if payments arrears are again canceled out across the economy this year as they were in 1992. There is some evidence that this year really will see an agricultural crash. In January and February 1994, Russian agriculture received only half as much gasoline as it did in the same period in 1993, and only about 45% as much diesel fuel ("Statistika: Sel'skoe khoziaistvo," 1994). Fuel shortages will make it impossible to get the crop in the ground. Again, if those difficulties affected mainly marginal farms, or caused every farm to withdraw their worst land from production, they would not necessarily be causes for alarm, since great reductions in the area of land sown could have small effects on the overall volume of food and fiber produced -- if the worst land goes out of production first. But it is particularly hard to judge that, and given the surviving system of distributing inputs evenly to everyone, such an economically-rational result is far from guaranteed.

The possibility that things in the countryside have stretched about as far as they can, although impossible to demonstrate beyond a doubt, is the best explanation for some early indications that resistance to the shutting-down of unprofitable farms and the division of many others is at last beginning to be overcome, so that the Russian agrarian reform may now be able to move on the changes in formal arrangements to beginning the long process of actual reorganization. The first reports of the pure liquidation of unprofitable large farms have now appeared in the press ("Krasnyi oktiabr" prikazal," 1994). Interviews in November and December 1993 suggested many other farms and farmers were in similar shape -- although again it is unclear first how much of the complaining was politically motivated, and second,
whether or not the farmers who are caught in the financial squeeze are necessarily the ones that would fail under similar circumstances in a better-functioning market economy.

A necessary part of the shaking out of unproductive farms is their reorganization into smaller, more manageable units and the shedding of excess labor. The Law on the Peasant Farm and subsequent national legislation were designed to facilitate this reorganization, and there seem to be some farms in most areas of the country that have divided into several units. Prime Minister Victor Chernomyrdin's recent approval of the experiment in farm reorganization being done in Nizhni Novgorod oblast' suggests that the Russian government is now willing to push the process further.

The Nizhni Novgorod experiment, undertaken with financial assistance from the US Agency for International Development and the British "Know-How Fund" by the International Finance Corporation and the Agrarian Institute of the Russian Academy of Agricultural Sciences, involved the division of six former state and collective farms located in various parts of Nizhni No

Too much should not be made of the sheer novelty of the Nizhni experiment, however. The international manpower and finance were applied within the framework of the recommendations for farm division published by the Russian Ministry of Agriculture in January 1992 ("Rekommendatsii," 1992). Even the auction idea, though not the all-important implementation procedure, was suggested in the Russian regulations as a way to divide farm land and property. The Nizhni experiment carried out the ideas, showing that it could be done. Equally importantly, as Vasilii Uzun, the Russian economist most closely involved with the experiment pointed out, the IFC's experience indicated that farm restructuring required first of all a good deal of time and effort (he suggested that carrying it out throughout the whole country could take up to twenty years) and the sympathy both of the farmers involved and the authorities (Orlov, 1994). Uzun emphasized that farm division should be done when and where there was good local reason for doing so.
The new production units set up as a result of the division will clearly have to work themselves out further. On the "Pravdinskii" sovkhoz, the first farm divided by the IFC team, the new independent farms mostly followed old production units. Several of those units are unlikely to be any more viable as independent entities than they were as parts of a larger organization. Nor did any of the divisions result in the family-farm model suggested, in various ways, by the experience of Chinese agrarian reform or Western practice. The farms that resulted in Nizhnii Novgorod were still large-group farms. It is likely that eventually family farms will become dominant there, too, but for the moment what has emerged are organizations in between the old Soviet collective farm and the Western family-owned and operated style of farming.

Despite those caveats, however, developments in the spring of 1994 give reason for hope as well as worry. The immediate future in the Russian countryside may be hard, but the very harshness, caused by the impact of macroeconomic policy and the quiet success of the formal changes in farm organization already effected, suggest that many rural dwellers are coming to understand the necessity of further change. If they can be helped to make those changes, rather than left to respond to the appeals of demagogues who promise easy solutions by a return to the old system, then the reform will succeed.

Conclusions

Despite that guardedly optimistic prognosis, until a new market-oriented credit system is put in place, few farms are likely to be successfully broken up, since it will be impossible for the new owners to purchase the items they need to run their farms. Ironically, in past times, inputs could only be gotten with a planner's approval. Now they are often freely available --if one has the money to buy them. But without a source of agricultural credit and worked-out mechanisms for land mortgages, farmers will have no way to raise money for production costs, let alone find the investment capital to reshape the countryside into a patchwork of smaller private farms or build the housing, roads, and other infrastructure they desperately need. These needs make agricultural privatization much more difficult than its urban cousin. Who owns the factory makes little difference to the worker so long as he remains employed. But farms which can survive under a market system will have to be structured quite differently than the kolkhozy and sovkhozy. The farms do not have to be, and probably will not be, all family units. Large group farms which work more efficiently than those in Russia are familiar in Western practice, although they still may be less efficient than smaller, owner-operated units.
But creating either kind of new farm will require reshaping the Russian countryside. Simply changing formal ownership is only the first, and technically easiest step in a long process.

Simply cutting out all government support of "agriculture," moreover, is impossible. Many state payments go for things which are governmental expenses in market economies, such as the construction of rural infrastructure, schools, and post offices. Much of the "production credit" is really a thinly-disguised welfare payment to elderly rural residents. Since those marginal farms often support a disproportionately old and unskilled population, the state will have to quickly devise ways to take over and improve social welfare measures once done by the farm administrations. As the farm managers lose the power and authority their huge farms gave them, the creation of new local governments will become an urgent task.

The only practical way to change the subsidy system is from the bottom, by helping to create market "islands" in which agricultural production is relatively independent of government financing. President Yeltsin's October 27, 1993, decree lays the basis for the use of land as collateral for agricultural credit. If free local and regional markets can be assisted to develop, then farms can restructure under the influence of market forces and be weaned away from the existing subsidy system. Careful redirection of existing funds, for instance to explicitly provide a "safety net" for workers whose farms cannot survive in a market environment, can also aid in this process. In the short term, the total amount of financing needed by agriculture may decline little, but such redirection at least will make clear that financing is needed to support a restructuring, during a transition period, not eternally.

Although almost all farms were nominally profitable (using Marxist accounting methods which ignore capital costs) last year, many marginal farms, and marginal land on almost all farms, will likely be taken out of production. Although the unit cost of production and the amount of resources employed will decline as a result, so may overall food supplies for a time. Paradoxically, the success of reform may be demonstrated by spot shortages of food as the restructuring proceeds. Western and Russian donors should be prepared to help under such circumstances. Aid should not be confused with dumping, however. Every American who talks to Russian farmers quickly becomes familiar with their complaint that US supplies of surplus grain and dairy products are driving their goods off the market, so that American "aid" is retarding the agrarian reform.

There is no developed market economy in which agriculture functions without some form of state regulation and subsidies. The precise forms of regulation and subsidy are the result of historical accident and the varying political influence of different social groups. However, in all cases the regulations and subsidies exist in a dynamic environment, constantly challenged
and changing. This is the stuff of usual politics. As the process of reform in Russia continues, Russian citizens and policy-makers will need to become used to the idea that reforms are never "finished," and that debates about proper policy are endless because the situation is always changing.

Finally, policies which can prevent the destruction of the independent farmers' movement or its absorption by the old agrarian interests are absolutely necessary. If such a coalition forms, as it threatened to do during the December 1993 elections because the Russian leadership forgot that for their countrymen, too, "It's the economy, stupid" -- and that not paying off one's contracts is remembered -- then the overall agricultural sector will remain powerful enough to prevent any real macroeconomic reform from occurring until Russia is finally bankrupted. Government support for farm division is a hopeful sign of movement, but the Yeltsin regime is too weak to push its policies onto a large segment of society if that group is united against it. That fact too is hopeful, in a perverse way, since it means that no new "roll-out" of a centrally-ordained policy like Stalinist collectivization is possible. But the need for careful coalition-building means a policy of small steps, not grand initiatives.

The principle of all successful land reforms is that reform is done for and by the peasant, not to him (Prosterman and Hanstad, 1993, p. 185). Failure to garner rural political support as the reform proceeds raises the possibility that, like the French peasants of whom Marx wrote a century ago, and the German farmers of the late 1920s, Russian agriculturalists will become fertile soil for the appeals of a populist who claims to represent the interests of the whole nation in order to cement his own dictatorial power. Vladimir Zhirinovskii is no more and no less a "clown" than Napoleon III. "Napoleon the little" rode to power on rural votes. So could a "Vladimir the liberal-democrat." The result is not inevitable, but ignoring Russian rural realities make it more likely.
<table>
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<th>Type</th>
<th>may involve interest-rate buydown?</th>
<th>term</th>
<th>recipient of funds</th>
<th>funds requested by</th>
<th>fund source</th>
<th>funds allocated by</th>
<th>funds channeled through</th>
<th>funds paid out</th>
<th>repayment frequency</th>
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<tr>
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<td>yes</td>
<td>&lt; 1 year</td>
<td>farms</td>
<td>Ministry of Agriculture</td>
<td>central govt. appropriation</td>
<td>MoA/AKKOR</td>
<td>when released by</td>
<td>MinFinbanks</td>
<td>monthly</td>
</tr>
<tr>
<td>Procurement credit</td>
<td>loans</td>
<td>yes</td>
<td>&lt; 1 year</td>
<td>procurement agencies</td>
<td>procurement agencies</td>
<td>central govt. appropriation</td>
<td>MoA</td>
<td>when released by</td>
<td>MinFinbanks</td>
<td>monthly</td>
</tr>
<tr>
<td>Capital Investment</td>
<td>loans/grants</td>
<td>yes</td>
<td>1-5 years</td>
<td>farms/procurement enterprises</td>
<td>Ministry of Agriculture</td>
<td>central govt. appropriation to regional government</td>
<td>MoA</td>
<td>when released by</td>
<td>MinFinbanks</td>
<td>monthly</td>
</tr>
<tr>
<td>Capital Investment</td>
<td>loans/grants</td>
<td>yes</td>
<td>1-5 years</td>
<td>farms/procurement enterprises</td>
<td>Ministry of Agriculture</td>
<td>central govt. appropriation to regional government</td>
<td>MoA</td>
<td>when released by</td>
<td>MinFin, banks</td>
<td>monthly</td>
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<tr>
<td>Targeted Investment programs</td>
<td>loans/grants</td>
<td>yes</td>
<td>&gt; 1 year</td>
<td>farms/procurement enterprises</td>
<td>Ministry of Agriculture</td>
<td>central govt. appropriation to regional government</td>
<td>MoA</td>
<td>when released by</td>
<td>MinFinbanks</td>
<td>monthly</td>
</tr>
<tr>
<td>Grants-in-aid to local government</td>
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<td>no</td>
<td>1 year</td>
<td>regional/local govt.</td>
<td>regional/local govt.</td>
<td>central govt. appropriation to regional government</td>
<td>higher-level govt.</td>
<td>Gosbank</td>
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<tr>
<td>Farm-gate price subsidy</td>
<td>grant</td>
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<td>1 year</td>
<td>farms</td>
<td>farms/processors</td>
<td>central govt. appropriation to regional government</td>
<td>MoA</td>
<td>when released by</td>
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<td>Consumer price subsidy</td>
<td>grant</td>
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<td>1 year</td>
<td>processors</td>
<td>processors</td>
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<td>when released by</td>
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<td>monthly</td>
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FIGURE II

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<th>5/15/92</th>
<th>7/1/92</th>
<th>10/1/92</th>
<th>1/1/93</th>
<th>3/1/93</th>
<th>7/1/93</th>
<th>10/1/93</th>
<th>1/1/94</th>
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<td>All reorganized kolkhozy and sovkhozy</td>
<td>7079</td>
<td>8331</td>
<td>10590</td>
<td>19719</td>
<td>22200</td>
<td>23400</td>
<td>23798</td>
<td>24344</td>
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<tr>
<td>retained their status</td>
<td>3237</td>
<td>3664</td>
<td>4515</td>
<td>6990</td>
<td>7500</td>
<td>7900</td>
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<td>324</td>
<td>308</td>
<td>328</td>
<td></td>
<td>311</td>
<td>272</td>
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<tr>
<td>limited-liability partnerships</td>
<td>1523</td>
<td>2803</td>
<td>3773</td>
<td>8551</td>
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<td>11338</td>
<td>11493</td>
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<tr>
<td>(closed joint-stock companies)</td>
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<tr>
<td>ag. cooperatives</td>
<td>327</td>
<td>411</td>
<td>608</td>
<td>1662</td>
<td>1953</td>
<td>1861</td>
<td></td>
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<tr>
<td>ent. subsidiary farms</td>
<td>221</td>
<td>245</td>
<td>296</td>
<td>347</td>
<td>412</td>
<td>424</td>
<td></td>
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<tr>
<td>associations of peasant farms</td>
<td>581</td>
<td>612</td>
<td>881</td>
<td>748</td>
<td>972</td>
<td>936</td>
<td></td>
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<tr>
<td>sovkhozy, reregistering as kolkhozy</td>
<td>251</td>
<td></td>
<td></td>
<td></td>
<td>227</td>
<td>237</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other</td>
<td>1080</td>
<td>1099</td>
<td>1349</td>
<td>2062</td>
<td>2171</td>
<td>2273</td>
<td></td>
<td></td>
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<tr>
<td>reorganized as percent of all farms</td>
<td>33%</td>
<td>41.6%</td>
<td>77%</td>
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</table>

Source: Roskomstat, unpublished.
Flow of Agricultural Subsidies in Russia

Council of Ministers

Supreme Soviet

Ministry of Finance

Central Bank of Russia

Ministry of Agriculture

Russian Agricultural Bank (Rossel'khozbank)

Input Supplier

Farm

Processor

Confirmed budget

Approved allocation of resources for entire economy

Request for release of credits (funds)

Total allocation for entire branch

Credit for entire branch

Allocations for individual farms/enterprises

Request for individual enterprise

Credit for individual enterprise

Request for individual farm

Credit for individual farm

Credit for individual enterprise
### Расчет

построено хозяйств и предприятий сферы ведения департамента сельского хозяйства и продовольствия администрации Краснодарского края в централизованных кредитных ресурсах на осуществление мероприятий по проведению уборки урожая, осеннего сева, закупку плодовощной продукции, картофеля, конопли и шерсти в 1994 году по предприятию сельского хозяйства плодовощоза "Джубский", Тупсинского района

<table>
<thead>
<tr>
<th>Наименование материально-ресурсов и продукции</th>
<th>Единицы измерения</th>
<th>Объем закупаемых ресурсов и продукции</th>
<th>Единицы измерения</th>
<th>Стоимость, Единицы измерения</th>
<th>Расходы, руб.</th>
<th>Вес, руб.</th>
<th>Цена, руб.</th>
<th>Вес, руб.</th>
<th>Цена, руб.</th>
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</table>

1. Горючее - смазочные материалы:
   - Сензнак
   - Дизельное топливо
   - Масла моторные
   Итого: 0,090

2. Минеральные удобрения
   - Азотные
   - Фосфорные
   - Калийные
   Прочие
   Итого: 0,003

3. Пестициды
   33 тн. 0,020

4. Семена сельскохозяйственных культур зерно
   тнс. т

5. Котельное и печное топливо
   - Мазут
   - Уголь
   Итого по топливу 0,050

6. Семена полимеризованная
   тнс. т

7. Шпагат

8. Запасные части:
   - АТЭ, РТЭ, подшипники
   - Автомобили, агрегаты, машины
   - Оборудование
   - Аккумуляторы
   Итого по запасным частям: 0,020

9. Ремонт сельскохозяйственной техники 46
### FIGURE IV cont.

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<tr>
<td>зерноуборочные комбайны</td>
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<tr>
<td>другие комбайны</td>
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<td><strong>Итого:</strong></td>
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<th>млрд. руб.</th>
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<th><strong>12. Приобретение зернофуражей - технологическими комплексами</strong></th>
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<tr>
<th><strong>13. Закупка плодово-ягодной продукции и картофеля</strong></th>
<th>тыс. т.</th>
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<td></td>
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<th><strong>14. Закупка шерсти</strong></th>
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<tr>
<td><strong>15. Закупка льна и конопли</strong></td>
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<table>
<thead>
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<th><strong>16. Прочие материалы и оборудование</strong></th>
<th></th>
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</thead>
<tbody>
<tr>
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Всего требуется ассигнований 0,333 из них будет возмещено:

- за счет собственных средств хозяйств 0,133
- за счет кредитных ресурсов коммерческих банков

требуется централизованных кредитных ресурсов 0,200

в т.ч. по месяцам:

<p>| | |</p>
<table>
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<tr>
<td>I</td>
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<td>II</td>
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<td>VII</td>
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Руководитель: 

Гл. бухгалтер: 343258
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RSFSR Council of Ministers’ resolution "Voprosy Ministerstva sel’skogo khoziaistva i prodovol’stviia RSFSR [Matters of the RSFSR Ministry of Agriculture and Food Supplies]," (August 3, 1990), Sobranie postanovlenii pravitel’stva RSFSR, no. 1 (January 1991), pp. 2-4.


Tokareva, Elena, "V Nizhnem zemliu delili amerikantsy [In Nizhnii Novgorod the Americans divided the land]," Rossiiskaia gazeta (October 28, 1993), p. 3.


"Tsentr’nyi Komitet KPSS i Sovet Ministrov SSSR printali postanovlenie ‘O perevode predpriiatii i organizatsii sistemy gosagroprom SSSR na polnyi khoziaistvennyi raschet i samofinansirovanie’ [The CPSU Central Committee and USSR Council of Ministers have adopted a resolution ‘On the transfer of the enterprises and organizations of the USSR Gosagroprom to full economic accounting and self-financing’]" Vestnik agroprom, no. 52 (December 25, 1987), pp. 1-3.


USSR Council of Ministers resolution "O korennoi perestroike ekonomicheskikh otnoshenii i upravleniia v agropromyshlennom komplekse strany [On a fundamental reconstruction of economic relations and administration in the country’s agroindustrial complex]," (April 5, 1989), as published in Pravda (April 12, 1989), p. 2.


Notes

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1 In the April 1993 referendum, "areas that are more rural and agricultural tended to vote against" Yeltsin (Clem and Craumer, p. 495).

2 Two days before the election, an important agricultural official in Moscow with impeccable "democratic" credentials predicted to the author that the agrarians would take as much as twenty percent of the vote.

3 Following the initial organization of the new Duma, the radical reformist "Russia's Choice" had the largest number of deputies, with 75 registered. Second was the "New Regional Policy" group, a coalition of members from the autonomous republics' territorial districts, with 66, then Zhirinovskii's Liberal-Democratic Party of Russia with 64, then the Agrarians with 55 and the Communist Part of the Russian Federation with 45 (Sobianin, et al., 1994).

4 Three years after the reforms were initially promulgated, Vice President Rutskoi's chief assistant on agrarian policy, Nikolai Radugin (1993), explained that he opposed land reform precisely because its proponents aimed at the creation of a new middle class in the countryside, something he did not want to do. By mid-1993, of course, very little was left of Rutskoi's previous "pro-reform" orientation in part because his advisors had come to understand what the "reform" implied and so declared it a failure (Radugin, 1992).

5 For a published description of this process, see Filippov 1993. The author has been told many similar stories of asset-stripping.

6 This increasing commonality of interests is shown by the defection of a number of well-known, if malcontent, individual former leaders of the "private farmers' movement," most importantly Vasilii Vershinin, ousted chairman of the Moscow oblast' farmers' association, to the APR (he was given the twentieth spot on the APR's party list) and perhaps more significantly, by the organizational decision by a number of local branches of the private farmers' association (AKKOR) to support the Agrarians in the December elections. See Shcherbakov, 1993; Toropina, 1993; "Kandidaty_, 1993.

7 This political purpose is clearly shown by Stalin's revision of the draft Politburo resolution on collectivization which was eventually issued on January 5, 1930. The eliminated paragraph provided that "the degree of success of work in the area of collectivization will be evaluated by the party Central Committee not only on the basis of the growth in the number of families [khoziaistv] united in the collectives, but first of all based on by how much one or another district will be able to actually expand sown areas, increase yields and improve livestock-raising on the basis of collective organization of the means of production and labor." (Nemakov, 1966, p. 100). Without such a yardstick, of course, communists' performance was judged simply by how many peasant families they induced to sign up for the new collectives, by whatever means.
Unlike the Western European "social contracts" which inspired this analysis, however, the Soviet social contract was one-sided: the regime gave benefits as a gift to a population in which no independent groups were allowed to organize, let alone speak for and discipline broad strata of the population independently of the state.

On relative levels of rural and urban welfare measures, see Wegren 1991. The fact that rural welfare levels never reached the urban ones, however, does not prove either that the regime did not intend to provide equal benefits in principle, sometime, nor that those benefits were not a real improvement over previous rural standards and so served their purpose of demonstrating the regime's success in providing material benefits, thereby claiming to justify its rule to the villagers.

Hough, 1971, suggests that most farm chairmen and directors have served short periods in the post-Stalin era. There are no recent systematic data available on farm managers' time in office. Anecdotes from the press indicate that most managers continued to spend only two or three years in any one position before 1991. But biographies of successful farm managers suggest that they have spent extended periods, up to thirty years, running their farms. It would be very useful to know what, if any, changes in selection and tenure of farm managers have occurred since the end of party nomenklatura authority over them.

See his comments at the GKChP press conference, as broadcast on Cable News Network (August 19, 1991).

For instance, model kolkhoz chairman Arkadii Aidak (1991) disavowed Starodubtsev after the coup, and former USSR Supreme Soviet Agrarian Committee chairman Arkadii Veprev, whose "Nazarovskii" sovkhoz was widely praised in the Brezhnev era, served as post-coup administration head in Krasnoiarsk krai until forced to resign by a heart condition.

For a post-December 1993 election version of this argument, see Afanasyev (1994).

For a striking story of one farm where the manager purposely let things run down in order to obtain more state aid, see Quinn-Judge (1990).

The Russian terminology made clear that the party agricultural department [sel'skokhoziaistvennyi otdel] was different from the local and provincial agricultural administration [upravlenie sel'skogo khoziaistva], a subunit of the agricultural Ministry. Since the breakup of the USSR, however, the English words "Department" and "Administration" have been borrowed into Russian, further confusing this seemingly simple distinction. Many provincial agricultural administrations [upravleniia], such as the one in Moscow oblast', have renamed themselves "Departments of Agriculture" [Department sel'skogo khoziaistva] using the borrowed word. And the former provincial and raion executive committees, the standing state administrative bodies, have become "Administratsiia." This is confusing because in English the local governor is formally the "Head of Administration," while his subordinate responsible for agriculture is the "Head of the Agricultural Administration."

Based on author's interviews in Moscow and with oblast'- and raion-level officials in Tatarstan, Saratov oblast' and Krasnodar krai.

The official ministry organization chart, issued in mid-1993, shows all territorial branches reporting to Shcherbak, who then reports to Khlystun.

This author was in the hall at the AKKOR Congress where Prime Minister Chernomyrdin announced the appointment. The gathering was thunderstruck, particularly since no one had ever heard of, or knew anything about, the new man. A member of an AKKOR delegation which went to see Rutskoi that evening on other matters told me the next day that the Vice President had claimed credit for the appointment. According to this source, Rutskoi, who had found the private
farmers not very receptive to his comments supporting collective and state farms on the Congress
previous day, claimed he had gone to see Yeltsin that evening with the Zaveriukha nomination
and asked to be relieved of the thankless task of agricultural oversight.
19 On the day the appointment was announced, Rutskoi told a reporter that Zaveriukha’s son ran
a private farm. In fact, as the correspondent quickly ascertained, Zaveriukha has two children,
both daughters (‘Znakom’tes’, 1993).
20 Complaints by managers of "rich" farms that they could not spend their farms’ money
without bank permission, as well as reports of banks refusing to give managers enough cash even
to meet their payrolls, were common.
21 The head bookkeeper of the Krasnodar krai agricultural administration, asked if farms ever
asked for more credit than they needed, said of course they would not, since they know there is
not enough to go around. Nor did she do more than simply sum all the raions’ requests and pass
them along to the Ministry in Moscow. Author’s interview in Krasnodar, December, 1993.
22 The agricultural bank had analogues in other branches of the economy such as the USSR
Promstroi bank, which handled industry and construction. Many, if not most, of the new Russian
"commercial" banks are actually "privatized" versions of these economic-sector enterprises, still
drawing most of their funds from the flow of state monies to finance their sectors of the
economy. Except for the former state savings bank, Sberbank, none of these enterprises derives a
significant portion of its capital from individual deposits.
23 Attempts to set up regional "peasant banks," drawing their funds from the government credits
targeted to individual farmers, have had some success but the volume of those banks’ business is
still too small and too localized for them to offer serious competition to the Rossel’khozbank
system in most rural areas.
24 At least, that is how one Moscow-area kolkhoz economist told the author he made certain his
farm got its due subsidy payment each month. Interview in Moscow, February 1993.
25 Tatarstan began bread and dairy rationing in October 1992, shortly before the author visited
the republic. I have been unable to determine just when Ul’ianovsk did so.
26 For instance, a rural schoolteacher I interviewed on a Saratov "agricultural partnership" in
December 1993 reported that her family was still receiving its annual ton of grain from the farm
for its private stock. Now the grain was theoretically payment for their leasing their property and
land shares back to the farm, but for her that was a purely legal distinction of no practical
consequence.
27 Interviews with individual farmers and farm bookkeepers in June-July and
November-December 1993 revealed a good deal of confusion about interest rates and repayment.
The most common story suggested that an equal share of the total principal and the simple
interest on the entire amount borrowed is due each month. Thus, given the late November, 1993,
interest rate of 210% charged for funds by the Central Bank of Russia and a legally-mandated
3% for the originating bank, a 120,000 ruble loan for production credit would be repaid in 12
monthly installments of 10,000 (principal divided by 12) plus 21,300 (213% of the total sum
divided by 12), or 31,300 rubles each.
28 The RCB raised its rate from 140% to 170% on July 14, 1993, and to 210% on October 15,
1993. These changes certainly lagged behind the inflation rate, but from the point of view of a
farm borrower, they added to the uncertainty of borrowing.
29 According to participants in the Fuqua School Management Training program for CIS
Managers interviewed by the author, Stephen Crowley and Ellen Hamilton.
At least, this is the most plausible reading of RSFSR Agrarian Committee chairman V. Agafonov's critical support of the Iavlinskii economic reform plan at a session of the RSFSR Supreme Soviet the day after the deputies had demanded that wider publicity be given to a resolution allowing farms to sell more of their produce to the general population. "Nadezhda na rynok," Sovetskaia Rossiia (September 11, 1990), p. 2, and the introduction to "Postanovlenie Soveta Ministrov RSFSR: O Rashirenii prav proizvoditelei skoroportiashcheisia sel'skokhoziaistvennoi produktsii na ee realizatsiiu za nalichnyi raschet i ispol'zovanie poluchennykh denezhnykh sredstv," ibid., p. 1.

"Postanovlenie S"ezda narodnykh deputatov Rossiiskoi Sovetskoi Federativnoi Sotsialistichekoi Respublikii: O povestke dnia vtorogo (vneocherednogo) s"ezda narodnykh deputatov RSFSR, (November 27, 1990), p. 9 in Zakony i postanovleniya, priniatye vtorom (vneocherednym) s"ezdom narodnykh deputatov RSFSR, 27 noiabria-15 dekabria 1990 goda (Moscow: Izdanie Verkhovnogo Soveta RSFSR, 1991). Other resolutions in the same collection, however, show that the Congress formally expanded its agenda to talk about problems of abuses of draftees in the Soviet military and the preparation of the new union treaty.


V.Ia. Uzun, "Last month for a peasant to decide if he wishes to become a land owner or to reject this right," Izvestiia (January 13, 1993), p. 4, as translated in FBIS-USR, no. 20 (February 25, 1993), pp. 57-58 at 58.

Not all state farms accepted ownership of their assets from the state, however, leading to later legislation regulating such "unreconstructed" farms.

Poor translations from Russian often cause trouble here. In Russian, any economic enterprise, whether farm or factory, is a "khозiaistvo." Agriculture is "селскoe khoziaistvo." But farms are often called simply "khозiaistva," which is literally rendered as "enterprise," confusing the distinction between farm and factory. In addition, as in English, the term "peasant farm" (kreст'ianskoe khoziaistvo) carries the connotation of backward, subsistence farming. So supporters of the reform resurrected a pre-revolutionary linguistic borrowing, adopting the term "farmer's farm" (fermerskoe khoziaistvo) based on the English "farmer," to describe a large, modern, market-oriented but family-owned and operated farm. According to Vladimir Bashmachnikov, censors would not permit the use of "fermerskoe khoziaistvo" in the press until late 1990, further confusing the issue. Despite its name, then, the "Law on the Peasant Farm" was intended to promote the creation of American-style, family-run, market farms.

Uzun credits Bashmachnikov with initiating the drafting work. Author's interview.

The "Statute" on kolkhoz and sovkhoz privatization adopted almost two years later changed these provisions by requiring that land shares be equal for everyone and allowing the farm general meeting to exclude workers in the "social sphere" (schools, hospitals, etc.) from receiving a property share ("Polozhenie," 1992a).


For instance, peasants on the "Belaia dacha" kolkhoz, Glinka raion, Smolensk oblast’, which the author visited in November 1993, had spent two years attempting to divide up the farm. The militia had been called in several times to break up fights over the division.

"Postanovlenie S’ezda narodnykh deputatov RSFSR: O programme vozrozhdeniia rossiiskoi derevnii i razvitiia agropromyshlennogo kompleksa [Resolution of the RSFSR Congress of People’s Deputies: On the program for the revival of the Russian countryside and the development of the agroindustrial complex]," Sovetskaia Rossiia (December 5, 1990), p. 3.


Aleksei Emel’ianov, "Do not do it wrong, Russia! In what kind of 'wrapper' is the idea of a referendum on the land question being presented, and what does it in fact contain?" Sel’skaia zhizn’ (February 4, 1993), pp. 1-2, as translated in FBIS Daily Report: Central Eurasia, no. 20 (February 25, 1993), pp. 64-67 at p. 66.

I base this judgment on a number of conversations over a period of years with Vladimir Bashmachnikov.


Deputies who voted against the crucial amendment were listed in "Who Didn’t Give Land to the People," Argument i fakty, No. 15 (April 1992), pp. 1, 8. The list is translated in FBIS-USR, no. 60 (May 20, 1992), pp. 32-42.

"Postanovlenie S’ezda narodnykh deputatov RSFSR: O programme vozrozhdeniia rossiiskoi derevnii i razvitiia agropromyshlennogo kompleksa [Resolution of the Congress of People’s Deputies of the RSFSR: On the program for the revival of the Russian countryside and the development of the agroindustrial complex]," Sovetskaia Rossiia (December 5, 1990), p. 3.

The Parliamentary Agrarian Committee, which worked out and verified the implementation of the laws on the social development of the countryside and "On the priority supply of the agro-industrial with material-technical resources" certainly took those laws as seriously as they took the Law on the peasant Farm. For a complaint about the laws’ non-fulfillment, see N. Radugin, "Ternisty put’ k vozrozhdeniyu sela [The difficult path to revival of the village]," Zemlia i liudi, No. 13 (March 27, 1992), p. 3. Radugin later became Vice President Rutskoi’s principal staff member for agrarian policy issues.

RSFSR Law on Land Reform.

"Ukaz Prezidenta Rossiiskoi Federatsii: O neotlozhnykh merakh po osushchestvleniu zemel'noi reformy v RSFSR [Decree of the President of the Russian Federation: On immediate measures to realize the land reform in the RSFSR]," Rossiiskaia gazeta (December 31, 1991), p. 3.

author’s interview, June 1993.

52 RF Government resolution "O khode i razvitii agrarnoi reformy v Rossiiskoi Federatsii," (March 6, 1992), reported in "Ofitsial'nyi otdel: Pravitel'stvo Rossii o razvitii agrarnoi reformy," Krest'ianskie vedomosti, No. 12 (March 17, 1992), p. 3.

The September 1992 "Polozhenie o reorganizatsii" explicitly required this, although Uzun, "Last month," claims that many farms which retained their status refused to take the land. The later preparation of special legislation for state farms which did not own their land, some of which the author observed in February 1993 in Moscow, suggests that some farms did indeed refuse their land (although that legislation also applied to farms which were exempt from reorganization).

54 Aleksandr Petrikov, "Land Reform: Let the peasant speak," Rossiiskaia gazeta (January 30, 1993), p. 3, as translated in FBIS Report: Central Eurasia, no. 20 (February 25, 1993), p. 71, reports that 40 percent of farms that retained their status conducted no division. Again, this is contrary to the September 1992a "Polozhenie," which gives all farmers the unconditional right to receive land and property shares and withdraw from their collective or state farm.

55 "Perechen sel'skohoziaistvennykh predpriiatii, ne podpadaiushchikh pod deistvie postanovlenie Pravitel'stva Rossiiskoi Federatsii ot 29 dekabria 1991 g. No 86 'O poriadke reorganizatsii kolkhozov i sovkhozov' [List of agricultural enterprises not affected by the Russian Federation government resolution of 29 December 1991 'On the procedure for reorganizing collective and state farms']" p. 27 in Reorganizatsiya kolkhozov i sovkhozov. Private farmers interviewed by the author commented that a great many farms in some areas of Russia had managed to get themselves classified in one of the exempt categories.


The idea of turning retired military officers into farmers seems strange at first glance. But the Soviet army had few career non-commissioned officers, relying instead on commissioned officers for what NCOs would do in the West. So there are a great many officers to retire now that the armed forces are being reduced. Moreover, proponents of the idea say former officers are skilled, used to managing complex undertakings, and often highly entrepreneurial, just the kind of people who would make good farmers.


This discussion is based on the author’s interviews with many Russian farmers and agricultural officials in October-November 1992, February 1993, and June-July 1993.
The press paid increasing attention to military units' use in agriculture during 1990-1993. However, it is unclear whether this reflected their increasing importance as a source of manual laborers for the farms (as traditional mechanisms to mobilize urban dwellers for the same purpose disintegrated) or simply more open discussion of a subject formerly forbidden in the press.

68 Stephen K. Wegren, "Two Steps Forward, One Step Back: The Politics of an Emerging New Rural Social Policy in Russia," The Soviet and Post-Soviet Review, Vol. 19, Nos. 1-3 (1992), pps 1-51 at pp. 8-9, incorrectly implies that the July 1991 resolution on this subject, intended to "give farmers something to buy" as an incentive for their work, was a departure from past practice. In fact such resolutions have appeared annually since the early 1930s.

69 "Dogovor o vzaimnomy sotrudnichestve Pravitel'stva Rossiiskoi Federatsii s Assotsiatsiei krest'ianskih (fermerskikh) khoziaistv i sel'skokhoziaistvennykh kooperativov Rossii (AKKOR) podpisan 12 fevralia 1992 goda," Krest'ianskie vedomosti, No. 8 (February 18, 1992), pp. 1, 3.

73 "Ofitsial'nyi otdel: Postanovlenie Pravitel'stva Rossiisko i Federatsii: Ob uvelichenii dotatsii na produktsiiu zhivotnovodstva," Krest'ianskie vedomosti, No. 31 (August 4-10, 1992), p. 2.
75 The details of how state procurements were to be carried out in 1993 are specified in Sbornik dokumentov i materialov po voprosam formirovaniia federal'nykh i regional'nykh fondov zerna i maslosemian v 1993 godu (Moscow: Federal Contracting Corporation "Roskhleboprodukt," 1993).
76 Sel'skaia zhizn' (February 4, 1993).
77 Interfax in English, 1625 GMT (February 25, 1993), as reproduced in FBIS-SOV, no. 37 (February 26, 1993), pp. 22-23.
80 Russian TV "Vesti," 20:00 Moscow time, June 26, 1993.
81 The head of the procurement office of the Glinka raion, Smolensk oblast', agricultural administration suggested to me that this "irrational" behavior of the raion’s slaughterhouse had two possible sources: either the local processors expected that the government would come through with subsidies so that retailers could pay the asking price, or they hoped that some "mafiosi" types would pay the asking prices in order to sell the meat at a high profit in some region of the country currently enduring a shortage.
87 Among those known to have worked on the ukaz under Gaidar’s direction were Aleksandr Kalinin, head of the agroindustrial department in the apparatus of the president, Evgenia Serova,
an academic agricultural economist now serving as advisor on economics policy to the Minister of Agriculture, and Vasilii Uzun, another academic economist who served as the chief Russian economist in the design of the US AID/International Finance Corporation farm privatization pilot project in Nizhnii Novgorod (see below).


90 According to a close associate of Gaidar’s. Personal conversation.

91 Andrei Illarionov, "Experts: Reforms haven’t wrecked the economy: They have laid the groundwork for stabilization," Segodnia (February 9, 1994), p. 3, as translated in CDSP, vol. 46, no. 6 (March 9, 1994), pp. 20-21.

92 The following description is based on a visit to one of the farms involved in November 1993 and a variety of discussions with participants as well as the IFC’s own publicly-available documents.