

RADIO FREE EUROPE *Research*

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THE PROCUREMENT SYSTEM IN EAST EUROPE: ROADBLOCK TO FARM PROGRESS

The task of the state acquiring agricultural products from the collective farms and the peasantry has been as perplexing a problem for the Communist regimes to solve satisfactorily as creating a productive and stable system of agriculture. In the absence of a market economy and of surpluses of foodstuffs, a tightly centralized system of procurements, in which compulsion was dominant, was early established in all the Communist states in order to assure the government of the required share of produce. In most cases, the state extracted its due without consideration of the needs of the producers. In recent years, in the wake of the economic reforms, some revisions of the procurement systems have been instituted in most of the East European countries. Even the name of the system has been changed in the Soviet Union, where procurements were synonymous with the unpopular compulsory deliveries, marketings are now termed state purchases.

In all the Communist countries of Eastern Europe, the marketing of farm products is conducted by the state "in a planned, centralized manner." In the GDR, Rumania, and Czechoslovakia a single procurement agency has the responsibility for the organization and functioning of state purchases. Consumer cooperatives also handle a share of marketings in some countries where certain products are not contracted for directly; they also buy products which are in surplus production in a particular region.

But the principal means of procuring products from the farms are still through marketing contracts between the enterprises and the state purchasing agencies. Almost 100 percent of the state procurements in Bulgaria, Rumania, CSSR, 83 percent in Hungary, and 60 percent in Poland are

now accounted for by contractual arrangement.¹ Obligatory deliveries still exist in some countries mainly as a form of land tax. So, in the GDR, over 30 percent of the livestock, 28 percent of the milk, and 11 percent of the eggs are purchased in this manner. In Hungary about 3 percent of the farm deliveries are tax payments for land use by cooperatives and individual farmers. In Poland compulsory deliveries account for about 10 percent of the total purchases. The outlook, however, for this oldest form of extracting produce from the collective farms and peasantry is distinctly limited. Marketing contracts will become the purchasing investments in the future and compulsory deliveries, long tarnished with Stalinist ideology, will gradually fade away.

Determining the volume and kind of farm products each farm is to deliver to the procurement agencies is almost wholly the prerogative of the central agency and its subordinate offices. Such organs are state subsidized agencies and have no production other than the collection and distribution of farm products nor are they directly concerned with a farm's financial position. They set delivery quotas for each area, and each farm, based on the central plan figures. Such quotas are set in terms of volume not value of products and this has a direct impact on the kind of crops raised on each farm, the area of each crop, and the crop rotation system. Accordingly, the farms have little leverage to plan their own cropping structures so as to concentrate on the profitable crop or livestock sectors in their farming operations. Nor can the farm managers bargain on an equal basis with the procurement agency over market quotas and prices as the procurement agency is a state organ which is not on a cost accounting basis, and not responsible for a farm's financial position. Although bargaining no doubt takes place at the local level, the powers of the state agency are so dominant that it behooves a farm to "cooperate" and comply with the decisions as the agency often controls the distribution of farm inputs, as fertilizer, seed, building materials, and in some cases determines the credit and financial assistance to the farms. Under such conditions it is advisable for a farm to go along with the dictates of the agency.

The number of marketing quotas of different commodities set by the procurement organ varies from country to country. The major agricultural products are almost universally included. Thus, Bulgaria, in its agricultural reorganization of 1966, still kept five crops and all meats on the list of fixed delivery goals. Concessions

1) Ekonomika selskogo khozyaistva, No. 4, 1967, page 120.

were made in some vegetable and fruit crops. Even the new sales regulations enacted by the Hungarian government, to be effective in January 1968 and which allow a degree of free trade for the cooperative farms, set sales quotas for the farms on bread grains and for all livestock categories and livestock products.²

So the impact of supra-enterprise agencies in establishing sales quotas is a powerful force for conformity and a roadblock to achieving economic autonomy in farm management and decision-making. As long as a single compulsory sales target remains in force on the farms in Eastern Europe there can hardly be any real freedom in farm planning and decision-making and the established order of centralized administration will remain a fixed feature of restraint in cooperative farm operations.

A new deal in approaching the procurement problem that also envisages greater autonomy for the farms seems inherent in the Czechoslovakian model for agricultural management.³ The main features in the model have been fully analyzed elsewhere.⁴ The main features are the creation of district agricultural associations (DAA) to replace the production administrations. The DAA are to be formed gradually and on a voluntary basis, it will be a *khozraschet* organization financed by its members and will effect the vertical and horizontal integration of collective and state farms, MTS, agricultural purchase and supply firms and units of the food industry. At the outset, on paper at least, one type of supra-enterprise agency will be abolished and replaced by another, the DAA. As usual in such reorganizations the personnel of the new agency will be the same as the old agency so the infusion of new managerial attitudes will be rather minimal. Whether the Czechoslovakian version of revitalization or "depolitization" of agricultural management is the answer for a Communist order of an abundance in agricultural remains to be demonstrated.

New Horizons

Reform-minded economists in Eastern Europe and the Soviet Union, following the breakthrough in economic thinking of Liberman and his school in 1962, became vocal in attacking the centralized system of planning,

2) MTI, 7 July 1967.

3) Special supplement to Zemedelske noviny, 29 March 1967.

4) EERA Research report "Reorganization of the CSSR Agriculture and Food Sector," 29 April 1967, by Harry Trend.

procurement, and pricing of farm products. Leading the group of forward thinkers is the well known Soviet economist V.G. Venzher who, in the postwar period, crossed swords with Stalin when he proposed selling the MTS to the collective farms as a means of strengthening the kolkhoz system. Although Stalin publicly rejected the proposal in 1952 it remained for Khrushchev to activate the idea and in 1958 the MTSs were disbanded and their machinery sold to the farms. Thereafter Venzher's professional stature rose perceptibly and today he is perhaps the most challenging advocate of progressivism in agricultural economics. His ideas have been given some scope in the Soviet Union and they have seeped into East European thinking.

Venzher has contended that central state planning in many agricultural sectors is generally inefficient and particularly unsuited to collective farming. This is primarily the result of the Soviet policy of "planning from above." The relationship between the procurement organs and the farms was purely administrative rather than based on economic rationality. Venzher proposed reversing the procurement quota relationship: the agency should be given procurement quotas to fulfill, not the farms, and that the forces of the free market be allowed to determine prices. What he terms the forces of "peaceful competition" would even result in lower prices for consumers. Venzher does not specifically bring out the substance of his bold proposal but it is apparent he intends to break the monopolistic position of the purchasing agencies in the market place:⁵

The nature of collective farm production corresponds more to the order of a free price realization on the market for marketable produce. Hence the main regulator in economic relations between the state and the kolkhozy should be prices and the interplay of market forces.⁶ The nature of the kolkhoz system cannot tolerate any system of selling the commodity output except free sale.

Venzher lays stress on the "absolute observance of the principle of equivalence between the state agencies and the farms in their commodity-monetary relations on the

5) Komsomolskaya Pravda, 22 March 1966.

6) Selskaya zhizn, 22 September 1966.

market." This is a clear call for equal bargaining rights between the farms and the state in the context of a market based on the principles of free sale.

These are strong words but wholly in keeping with the courage of an economist who stood up to Stalin. While none of his main proposals has been implemented in Soviet policy, the seepage of his ideas into several of the East European Communist countries may well have been the source for some of the progressive measures in the Czech-slovak and Hungarian models of agricultural reform. The seeds of the free market idea and the proposal for ending the monopolistic power of the state procurement agencies have been implanted and, like his visionary call to sell the MTS machinery to the farms, could bear full fruit in due season.

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