

# RADIO FREE EUROPE *Research*

## COMMUNIST AREA

EE & USSR: Agriculture

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### FORWARD CONTRACTING OF FARM PRODUCTS:

#### ROADBLOCK TO PROGRESS

The process of securing agricultural products from the collective farms has been as perplexing a problem to solve equitably in the Communist countries as the issue of achieving high and stable yields in the agricultural sector. In the absence of a market economy and ready surpluses of foodstuffs, a centralized system of procurements, in which compulsion and rigidity were the dominant forces, was established and soon became a blocwide phenomenon in Eastern Europe. In recent years, in the wake of economic reforms, some revisions of the procurement system were introduced. But the stature and power of the procurement agency, an organ of the state, and what the Czechoslovak authorities now describe as a supra-enterprise agency, have not been materially circumscribed.

The central concept in the marketing of farm products in the Comecon countries is that the state conducts the procurements in a "planned, centralized" manner. In the GDR, Rumania, Czechoslovakia, the USSR a single procurement agency (supra-enterprise agency) has the responsibility for the organization, collection, and distribution of state purchases of farm products. State processing agencies and some consumer cooperatives also handle a share of the marketings in some countries where selected products are not contracted directly; they also buy products which are in surplus in a particular region.

But the primary and nearly universal means of purchasing products from the farms are by delivery contracts between the state purchasing agencies and the operating farms. Almost 100 percent of the state procurements in Bulgaria, Rumania, CSSR, 90 percent in the USSR, 83 percent

in Hungary, and 60 percent in Poland are now accounted for by contractual agreement.<sup>1</sup> 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 acquired by the state in this manner. In Hungary about 3 percent of the deliveries are tax payments for land use by the cooperatives and individual farmers. In Poland compulsory deliveries account for about 10 percent of the total purchases. For the future, however, marketing contracts will become the purchasing instruments and compulsory deliveries, long associated with Stalinist orthodoxy, will gradually disappear.

The distribution of the marketing quotas among the operating farms is one of the most controversial issues in socialized agriculture. This is because the procurement agency is a state agency, not on a cost accounting basis but directly supported by the state budget. They are not directly concerned with a farm's financial condition and its decisions are not directed at improving a farm's balance sheet. They set quotas by commodities for each area, and each farm, based on the central plan directives. Such quotas are set by volume not value of products and this procedure dictates the kind of crops grown, the area of each, the cropping rotation, even determines a farm's profitability. While the number of indicators varies by countries, even if only one or two marketing quotas are set, as in Czechoslovakia, as long as they include grain deliveries there is little opportunity for farm management to exercise autonomy in the scope of its operating decisions. For a certainty, there is a degree of bargaining over quotas between the farm and the procurement agency at the local level. Such bargaining has become incorporated in the Czechoslovak and Bulgarian systems. Yet in practice the negotiations can scarcely be carried out on an equal partner basis, as the powers of the state agency are so dominant and extensive that it behooves a farm to cooperate and comply with the suggestions of the agency as the latter controls the distribution of farm inputs, such as fertilizer, seed, building materials, and in some cases determines the credit and financial assistance to the farms. Against such formidable economic power farm management generally acquiesces, however grudgingly, to the decisions of the supra-enterprise agency.

The rationale of the distribution of the marketing quota by a state agency among farms is rarely revealed by the regimes. Given the national plan requirements, quota allocations follow such criteria as the history of a farm's delivery performances, the size of the area farmed, inherent fertility, available inputs, prices, and the level of managerial skills among management. Annual fluctuations of the weather are great imponderables,

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





farms by the supra-enterprise agency the new policy gives small comfort to the peasantry in that "formal approaches" will not be tolerated and that contractual agreements be revealed after thorough discussion between farm officials and the agency in estimating the potentials of each farm for delivery of specified farm products.

It is apparent from the selective account of the Ukrainian Procurement agency that the new policy of forward contracts over several years is a regressive step for the development of the farms. They will be committed over time to a rigid adherence of an imposed cropping system, investment decisions, and production functions. Nor will an enterprising farm be able to move freely into special crops where price or supply incentives make for profitable production. Thus a farm with detailed compulsory targets for grain, sugar beets, potatoes, vegetables, etc., could not, for example, cut back 20 hectares and substitute a profitable crop, as strawberries, for a local market demand. Unlike the Hungarian, Czechoslovak, and Bulgarian models, where procurement quotas are set for a few commodities, the Soviet schedule calls for all principal farm products to be regulated by precise targets. Such a policy would signify no change from the long established practice of determining productive farm operations "from above."

The origin of the regressive procurement measures may be traced to the emphasis on profitability in farm production, higher labor productivity, and specialization. Faced with such problems many farms began to sell part of their products at local markets and shipping outside the regions even before fulfillment of their obligations to the procurement agencies. Although the March (1965) Plenum had reduced moderately the marketing quotas for the farms, it substituted a policy of premium prices for above-quota deliveries, but apparently these concessions have not been effective in directing all the marketable produce to the state.

In substance, the Soviet model is a regressive deviation from the new approaches to the procurement problem of a supra-enterprise agency inherent in a socialized agricultural system. The Bulgarian, Hungarian, and Czechoslovak versions of a modified system of procurements are a marked improvement in the order of state purchases of farm products and portend well for continued decompression or "partial de-politization" within the socialized order of agriculture. However, as long as a single, major marketing target remains in force through the power of a supra-enterprise agency there can hardly be any real freedom in farm planning and decision-making in Eastern Europe and the established order of centralized administration will remain a fixed feature of restraint in cooperative farming development.