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Yugoslavia's Small-Farm Potential

Mr. Peter Martin
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Wheelock House
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Dear Peter:

The key to developing Yugoslavia's agricultural sector must lie with the individually-owned private farms. This is evident to most of the more pragmatic planners and agriculturalists who study Yugoslavia, although theoreticians and ideologically-oriented economists here continue to hold to the ideal of achieving a socialized agricultural system with large, publicly - owned agri-businesses controlling most of the agricultural land and production.

Despite the official efforts to develop and expand the social sector, private farming continues to be the basis of Yugoslavia's food supply. Private farms in 1982 had 83 percent of the arable land, 87 percent of the livestock herd and produced 83 percent of the corn and 65 percent of the wheat. Given the importance of private farms in the economy, it's particularly unfortunate that Yugoslavia, in trying to achieve the goals of socialism, has consistently overemphasized the social sector at the expense of the private sector.

It's not hard to find evidence of this overemphasis. Even though the private farm sector contributed 11.8 percent of Yugoslavia's gross product, it received (in 1977) only 4 percent of total investment funds. Private farms also receive fewer production inputs than their share of output would warrant; for example, their share of mineral fertilizer is only three-quarters as large as their share of output. Land consolidation schemes (i.e. exchanging parcels of land to form contiguous units) exist for expanding and rounding out the holdings of the large social farms, but there's no simple legal mechanism that private farmers can use to bring together their fragmented holdings. Extension services, which primarily benefit private farmers, were dropped from the federal budget

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in 1965 and as a consequence, the number of extension centers have gone down from 400 to less than 80. Finally, every five-year plan calls for expanding the area farmed by the social sector by many thousands of hectares.

As a result of official neglect, private agriculture has developed an unhealthy structure, a structure that makes it difficult to generate an agricultural surplus. Outside the best farming regions in the northern part of the country, Yugoslavia's private farms have evolved into small, part-time farms, which provide mainly subsistence for the farmer's family. Relatively low prices of agricultural products and consequently low income-earning possibilities from farming have encouraged farmers to seek employment outside the farm, to farm their land therefore much less intensively, and discouraged their children from going into agriculture. This part-time nature of farming and the "ageing" of the farm population is widely recognized as one of the most serious barriers to modernization of the private farms. In spite of the exodus out of farming, however, individuals have been remarkably reluctant to relinquish their land. Rather, it's fragmented into increasingly smaller inherited tracts, and the pattern of under-use continues.

A major difficulty in improving and changing the situation is the general lack of information about what private farmers do and why. Most research is done by the individual republics, and there's no good farm survey covering the whole country. Thus the data are fairly good in developed republics, but the underdeveloped regions, where private farming potential is perhaps most under-utilized, have underdeveloped research institutions. One of the few continuing surveys of private farmers that includes underdeveloped areas is a survey of 3,000 farmers in Serbia that's conducted bi-ennially by the Institute of Agricultural Economics in Belgrade. On my visit there two weeks ago we discussed the problem of excessive diversification by farms-- they've found that not only does every one of Serbia's 19 regions produce the same mix of products, but that almost every one of its 720,000 farms does so as well. Not only does this lack of specialization make cultivation inefficient, but it's also hard for farmers to develop coordinated marketing strategies for such a broad range of products.

The reason they don't specialize, of course, is to hedge against the risk of price fluctuations, which have been very large from year to year. One of the most severe problems in recent years has also been in livestock production, where the ratio of feed prices to livestock prices has been too high, discouraging private farmers from raising livestock. Because the selling price of corn is set according

to the costs of production in the social sector, costs that are relatively high because of high overhead, the small farms end up selling all the corn that they grow rather than feeding it to their livestock. As a result, livestock production falls, and given that most of the livestock is in the private sector, the meat supply for the nation decreases.

It's clear in talking with individual farmers that if conditions were right, there is considerable potential for expanding production. Even under current circumstances, it's possible to meet farmers in every part of the country who are achieving production yields that are respectable not only compared with the social sector, but also as compared with western Europe. We met several farmers who were getting more than 5000 liters of milk per cow per year (as compared with a 1976-78 average for the social sector of only 4,314 liters), yields up to 7 tons per hectare for wheat and 10 tons per hectare for corn (as compared with social sector yields of only 4.8 and 5.9 tons per hectare, respectively). These progressive farmers are few in number, but if farm prices were more favorable, there are many others who would follow their lead, particularly if greater effort were made also to provide technical assistance and advice for improving yields.

One of the main barriers to exploiting the potential of the more productive private farm sector is the legal limitation on the amount of land a family can own. Under Yugoslavia's constitution, 10 hectares is the legal maximum, except in the mountain areas. The official point of view is that there's no point in removing this limit because the average land holding now is only 3.2 hectares, so farmers are already farming as much land as they want. However when talking to individuals and especially to the more progressive farmers who already own the maximum, a different picture emerges. These farmers are not only farming their maximum of 10 hectares, but are also renting up to 15 additional hectares, because renting is legal.

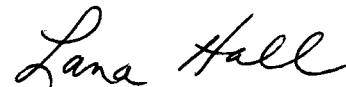
Sometimes individuals are reluctant to say outright that they would like to own more land, especially if their land has already been expropriated once. A survey in the Vojvodina province conducted by the Center for Marxist Studies and Research found that only 6 percent of the farmers surveyed would be interested in owning more than 10 hectares. But surveys done by universities have found substantially larger numbers of farmers who would like to expand beyond that. The difference in the findings may be because farmers are less willing to portray themselves as potential capitalists to representatives of the Party. I spoke to one director of a large cooperative in Croatia who felt that nearly all the members of his cooperative would like to own more than the legal limit, some

would like to expand to as much as 50 hectares.

It will be difficult to eliminate the 10-hectare maximum limit on land ownership, though, not only because doing so will require changing the constitution, but also because the market for land is so thin. Rather than selling their land, most farmers, even those part-time, would rather give it to their children to be used as weekend houses or for non-intensive production.

Because the supply of available land is so limited, what land there is on the market commands a very high price--the Institute of Agricultural Economics in Belgrade says that the price of prime agricultural land in the Vojvodina has gone up to \$3000 per hectare. It's doubtful that without some kind of an agricultural use law, enough land will come on the market to allow expansion of farm size. Even the farmers I talked to who had no direct heirs were planning to leave their property to someone in the family, even a distant relative, rather than put it on the market. It's obvious that in the "market socialism" of Yugoslavia, owning your own land still provides security and a sense of identity. But if Yugoslavia is to maximize the productive potential of its small farms, it must first encourage them to develop into commercial enterprises producing for the market.

Sincerely,



Lana L. Hall

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