Russian Private Farms

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Multiform character of Russian agricultural economy and society

The Soviet agriculture always combined collective or state farms and individual plots. The latter were claimed by Russian population. People required their subsidiary agriculture for elementary survival under both socialism and its withering and collapse.

The pluralism of economic forms always strengthens in Russia's times of troubles and restructuring, when new economic structures meet the old and the whole economic system and division of labour etc. experience transitional crises. In the early 20th century, four basic forms took place: landlord estates, peasant small-scale farms, capitalist ones and first cooperatives. After 60 years of centrally planned economy, Russia came back to its pre-revolutionary structure, i.e. to the following forms: (1) *large estates, mostly collective now*, the successors of either *kolkhoz* or *sovkhoz*, (2) agricultural latifundiums (*holdings*), with a number of collective farms, food processing enterprises, marketing facilities etc., (3) *small individual plots* of rural and even urban population, and (4) *commercial private farms*. In fact, the structure is more comprehensive, and its classification can be only conventional, as the official indicators are too far from economic and social reality. Very often there is no clear boundary between, to say, an individual plot and a small-scale private farm or between large private and a collective one.

After the long period of oppression, private agriculture in the 1990s has got legal chances to develop. Peasants may have their choice between several opportunities:

- one can work in his small household but combine this with a job in a collective farm, somewhere else, or with being unemployed (irrespective of age);
- one can leave from a collective farm with one's share of land or to use the latter in order to increase the size of one's plot (up to 5 hectares, without registration as a farmer enterprise). It was supposed to be a transitive form from an individual household to private farm;
- one can take all one's land share and a share of common collective property and register one's farm, and receive additionally some land from the local *fund of land redistribution* or buy some land shares from the neighbours.

Despite such a liberal legislation, private farmers make only 2% of the total number of rural households.

Table 1. Russia's structure of agricultural production (%), cattle and land in 1990 and 2003.

Type production	Collective enterprises		Household Plots		Private Farms
	1990	*2003*	*1990*	*2003*	*2003*
Total production	***74,0***	***38,0***	***26,0***	***58,0***	***4,0***
Grain	99,7	84,0	0,3	2,0	14,0
Vegetables	70,0	17,0	30,0	80,0	3,0
Milk	76,0	46,0	24,0	51,0	3,0
Meat	75,0	44,0	25,0	54,0	2,0
Cattle head	83,0	54,0	17,0	43,0	3,0
Pigs	82,0	50,0	18,0	47,0	3,0
Sheep and goats	72,0	28,0	28,0	61,0	11,0
Arable land	98,0	82,0	2,0	6,0	12,0

Source: *Agriculture, Hunting and Forestry 2004.*

Some other 2% 'privatized' their whole land share or a part of it. The overwhelming proportion of rural population (96%) preferred to combine daily/journey-work with personal farming. Anyway, small householders, both rural and urban, are much more powerful agricultural producers in contemporary Russia than farmers and even the large enterprises (see table 1), despite their modest resources and due to their number (35 to 40 millions according to different estimations).

Geography of private farms

Private farms and farmers appeared in Russia in the very early 1990s. Initially, these farms and farmers differed from individual agricultural households being official enterprises and «*juridical persons*». Beginning with1995 a farm could be registered as «*an enterprise without juridical formation*». However, farms still are regarded officially as enterprises, obliged to report the authorities and statistical bodies about their activities and pay taxes etc., while the individual householders don't have to pay any taxes at all, except for a quite symbolic land tax.

Private farms reached its numerical maximum of 280 000 in 1996. By the year 2000, their number fell down to 262 000. In 2001-2003 period, this number grew slightly up to 265 000, but in 2005 Russia counted again only 261 000 private farms. Obviously, about 260-270 thousands will represent the level that will be maintained in the next few years.

According to the official statistics, the average land size of a Russian farm is about 69 hectares. What seems to be much more important, over one half of the private farms (57%) has less than 20 hectares. Only 13% of farmers have large size plots (more than 100 hectares) and 6% has more than 200 hectares (Agriculture, Hunting and Forestry, 2004, p. 98). This fact affects the type of the private farm's activity and its specialization.

As it results in table 2, the number of farms grew rather fast in the first half of the 1990s, especially in Kaliningrad Oblast where it lasted up to the year 2000. In the second half of that decade in the early 2000s, their number decreased, primarily, in the areas of the heaviest rural depopulation (the North and Northwest of European Russia). On the contrary, Volga and Chernozem regions, and the Russian Caucasus in particular, have still attracted farmers. In Siberia, their number grew very quickly before, but the East began to lose farmers too soon, together with its population – mostly due to the migration outflow.

Table 2. Private farms by Russia's major economic region, 1993-2004.

Region	Dynamics of farms' number				Percentage	Average land size. in hectares	Farmers per 1 000 rural residents
	1993-1995	*1995-1997*	*1997-2000*	*2000-2004*	*2004*	*2004*	*2004*
North	127	90	88	85	1,2	41	3
Northwest	156	103	89	83	3,3	19	9
Centre	143	98	93	99	10,5	30	6
Volga-Vyatka	151	101	100	106	3,5	35	4
Central-Chernozem	122	90	94	109	4,5	105	4
Volga	134	97	96	96	12,3	164	8
North Caucasus	181	114	96	116	35,2	33	11
Urals	148	92	92	96	10,5	93	5
West Siberia	159	90	89	85	8,1	129	5
East Siberia	181	94	89	90	4,9	83	5
Far East	122	88	94	90	3,8	53	6
Kaliningrad Oblast	543	130	147	94	2,1	20	21
Russia	***153***	***100***	***94***	***100***	***100,0***	***69***	***7***

Sources: *Agriculture 2002: 192*; *Agricultural activity 1999:* 49-52, Small business 2004: 117-119, Population 2004.

The North Caucasus concentrates more than one third of Russia's farms. A quarter of them still are located near the Volga and the Urals. However, in the Caucasus, especially in its ethnic homelands (republics), farmers use less landmass than their colleagues in extensive grain areas of the Volga region, where the average private farm land area exceeds 160 hectares. These two regions, along with the Kaliningrad Oblast, are the most 'farmerized' zones

in Russia. In 2003, farmers used 18% of the total agricultural and 14% of the arable land. However the relatively large figures may look misleading. In today's Russia, farmers are not so numerous if compared with the peasantry mass. There are only 7 of them per 1 000 residents in rural areas (see the extreme right column of the table 2). Taken with their families, this proportion equals to roughly 2% of the total rural population.

The official data of private farming contribution to the national agricultural production cannot be considered reliable. First, farmers try to avoid or diminish reporting and taxation. Second, those who report their outputs, normally underestimate the volumes. The share of farmers is most substantial in grain production (see table 1). Saratov Oblast in Volga region, whose farmers provide it with 45% of grain production while many collective farms collapsed, is a leader (Agriculture, Hunting and Forestry, 2004: 283). Private farms compete with the collective in Kaliningrad, Chelyabinsk, Omsk and Kemerovo oblasts where farmers secure about 20% of grain. In many other regions their share is rather insignificant. This statement concerns potato and vegetable production to which farmers contribute only 2% and 3% correspondingly. According to statistics, farmers have a modest number of cattle, as it is often registered in their households and not in their official enterprises (when, for example, a husband is the farmer, and his wife owns the household plot and cattle).

Besides differentiation along the *North - South* and *West - East axes*, one can observe an essentially different proportion of private farmers between the suburbs and regions' peripheries. The authors calculated the number of farms per 1 000 rural dwellers in smaller administrative units (*rayons*) in Russia's European regions (*oblasts, krays and republics*) ranging them by distance from the regional capitals or, to be more exact, by zone of neighbourhood, counted orderly from these centres to remote peripheries, the so-called *glubinka*, or 'the middle of nowhere'**.** In Nonchernozem suburbs, farms are abundant due to the concentration of active population. However, the density of suburban population diminishes the farmers' share which is higher in semi-peripheral areas, mostly in the third rank neighbours of the largest city. Russian suburbs still dispose of huge agricultural enterprises, but they also experience the lack of land and high factual land prices. At the same time, large collective farms in *glubinka* either collapsed or made no profits. However, farmers are infrequent there because their survival is doubtful enough in quite real socio-economic desert of the Nonchernozem periphery. Thus, private farmers prefer the areas located between the suburban and the peripheral, and there must be no illusions about their ability to replace large collective farms from Russian *glubinka*. In these areas of long term depopulation, agriculture dies or has already died. Only in much healthier southern social environment farmers can be successful elsewhere including far peripheries.

Who they are

In order to understand Russian farms better, we would give an example of *rayon* in the Volga major region where farmers are the main land users (Nefedova 2003: 237-245). This is Lysogosky rayon in the middle of Saratov Oblast. Its farmers use over 100 000 hectares of land, while collective enterprises only about 25 000, and the individual households 12 000 hectares. New farmers there (as normally elsewhere in Russia) usually are former members of administration in large collective enterprises. They were the first who acquired their land shares and registered them officially as private farming land. Ordinary workers often followed them and took their shares of collective property and land (14.5 hectares /worker in average).

The reverse of this medal was the fact that the old debts of collective farms burden those who are still working in such enterprises. There was a way out: in order to get rid of these liabilities, some of the collective enterprises preferred a wholly re-registration as private farms without any real change. They even kept their huge areas (4 to 6 thousand hectares) and hundreds of workers. Now these *quasi-kolkhoz and quasi-private economic structures* occupy 1/3 of the total arable land that statistically, belongs to private farmers.

According to the statistics, there are 372 private farms registered in this *rayon*; however, only 270 of them report some production in their papers. Hence, at least one hundred of these owners are so-called farmers but occupy about 15% of the total farmers' area. This figure, if taken together with the quasi-kolkhoz share, indicates that only about one half of the land that statistical bodies attribute to farmers, is real private farming land in the *rayon*.

Types of farms

We suggest several basic types of modern Russian farms, only some of them real.

1. *Collective sham farms* created so as to clean up duties and arrears. They are not very numerous but very large and occupy a significant share of the farmer lands.

2. *Large private farms* organized by former chairmen and other kolkhoz or sovkhoz managers. They could privatize a good segment of the collective farm's equipment, involve their former workers in the 'farming process', exploit their old administrative links and contacts and represent a sort of a mini-collective farm with a similar administrative structure.

3. *Average-size farms that use waged labour* are the most widespread type. They employ some 10-20 workers and newly bought, constructed or rented technical equipment. Their land areas vary from several dozens to 1 000 hectares. However, they use to say that steady commercial production is always doubtful when less than 100 hectares. In southern grain producing areas, a farmer's require mounts to 500 hectares.

4. *Small farmers without permanent wage labour force* form the majority among real farmers. They manage a small farmland, their own family and temporary paid workers from outside. The bulk of such farmers balances on the verge of a loss, but there also are those who successfully find their niche in the market.

5. *Small non-market (false) farms* represent the majority of the total registered number of farmers being, however, 'invalid'. Their land is commonly out of use and production is not reflected, almost entirely, in statistical reports.

Our observations in key areas allow us to conclude that approximately the one third and up to the ½ of small farmers who use only the land shares belong to the 5th type. Each third farm survives somehow, but, anyway, they have either to unit gradually with the representatives of the same class or cede their land, other properties and, probably, labour to stronger farmers. Only one of four or five farms in the country continues developing and concentrating land.

Since small-scale farms constantly leave the scene, the average farmland area has grown from 42 hectares in 1992 up to 69 hectares in 2004 (Agriculture 1998, Agriculture, Hunting and Forestry 2004). Concentration of land and economic polarization inside the farmers' community is under progress.

Why farmers are so rare species in Russia?

At the early stage of Russian reforms many people believed that the market and peasant freedom would crush collective farms and their workers would become farmers soon. The later surveys showed that, after ten years of reforming and crisis, 80% of agricultural workers still preferred collective forms of production (Kalugina 2001: 57). *Small household plots of population have occupied the niche assigned initially for private farming.*

By the year 1990, individual subsidiary farming (now called holds of population) contributed about 25 percent to the total agricultural production while occupying only 2% of land. The share of household economy was especially great in potato sector (66%). Its share in other products fluctuated near 25-30% during the 1980s. In 2003, households already provided Russia with 58% of its agricultural gross output (see table 1). This figure includes over 50% of milk and meat, almost 100% of potatoes and 80% of vegetables (Basic Parameters 2004: 5-6). Comparing to the large enterprises, they maintained and even increased their livestock capital.

The individual sector in Russia did not transform into a West-like farm one regarded as small enterprises. At the same time, one could see a notable 'marketization' of personal plots. This is partly a question of classification, Russian legislation and statistics. For instance, in Germany many of such plots would be defined as farmer's according to the basic criteria, 50% of the aggregate profit or more received from agriculture (Zinchenko, 2002: 13). This makes us to state that the major portion of Russia's agriculture belongs to the nation's shadow economy.

On the other hand, the Western definitions, as well as workers' motivations, cannot be mechanically transferred on the Russian ground. Surveys in the late 1980s countryside revealed only 10-15% of those who wished to establish some private farm. Exactly these 10% left collective farms in the 1990s and formed a core of farmer movement. The overwhelming part of rural population hasn't been and still is not ready for economic risks and independence.

An amount of reasons that impede the development of private farms in Russia may be divided in two vast groups: "objective", or "external", and dependant on economic, legislative and other present Russia's conditions, and "subjective", or "internal", linked basically on the fundamental features of the appropriate population.

Economic and bureaucratic barriers to private farming can be classified as following:

1. *Organizational obstacles.* For Russian peasants, transition to real farming means, first, alienation of their land and property shares from a collective enterprise. This way they usually find a lot of fences set by the collective-farm and regional administrators.

2. No assistance from collective enterprises. Cases of co-operation between farmers and large enterprises are extremely rare. At the same time, being a collective enterprise member (worker or pensioner), an individual may widely use various kinds of enterprise supports for his small plot and shadow market activity. He is often paid by grain (forages for his own cattle) and by other natural products, and may rent the kolkhoz machinery etc.

3. Obligatory taxation and official reporting. Typical farmers have to pay taxes which normally exceed half of their revenues. The fear about bureaucracy is perhaps even a stronger factor. An individual plot holder pays much lower land tax and remains safe from any reports.

4. Rigid legislation and unfavourable economic conditions (taxation levels, expensive fuels and fertilizers etc., vulnerability of the property and so on). The main disadvantage, however, is the absence of any financial support, including credits available for private farmers.

5. Lack of equipment. Those who became farmers in the early 1990s could get tractors and other techniques at lower prices and due to cheaper credits. Then inflation made prices practically prohibitive. Villages do dispose of private tractors, former kolkhoz equipment, but the owners do not become farmers, keep instead their small plots and earn more cultivating the plots of their neighbours. *So technical equipment per se is not major factor of farm development.*

6. Absence of real co-operation systems and of branchy sale and service networks is a key problem for farmers as well as for other agricultural producers all over Russia.

All these factors, certainly, hamper transformation of individual household economy into real private farming. A small plot near the house is much easier to attend, and sometimes it is also more profitable. Let us imagine, however, that the most significant of the above listed obstacles suddenly disappear and ask, whether people in this case will be ready to establish private farms and face associated commercial risks.

The main distinction between individual households of population and private farming economies consists in the fact that the former requires an adaptive but passive economic behaviour. The latter claims much more active market tactics. This suggests the socio-psychological preconditions and human capital to be the most important regulators.

There are deep historical gaps between Russian and Western rural economies. Alexander V. Chayanov in the early 20th century put in the forefront a Russian peasant model in his «Organization of peasant economy». For Russian peasants, in his opinion, productivity and per capita income are less important then full employment of the family and than its common profit. Together with communal traditions, this affected motivations and generated steady neglect of personal labour productivity and efficiency of work (Chayanov, 1989). An experience of market managing could not appear during the Soviet era when Russian peasantry had been inverted in hired working force and practically lost the former skills of self-employment and independent managing.

Psychological restrictions are quite visible in those areas where renting of collective-farm land by private producers is widespread, for example in Stavropol Kray and Saratov Oblast. Why local residents in their majority do not try to rent these fields to cultivate vegetables, although both local administration and collective enterprises stimulate them reducing the rent payment and providing them with equipment etc.? Why the risk of this small business does not frighten the non-Russian migrants such as Koreans, Uzbeks, Turks or peasants from Dagestan?

The answer may be found either in different demographic and socio-economic stages or in different mentality which limits available individual opportunities of Russians. Nevertheless, 20 years of market transition were not in vain. Sociologists and psychologists have noted a tendency, clearly expressed in the last years, towards individualization of values and private initiative all over Russia.

Human activity and passivity have their geographical dimensions. They depend on natural conditions, distances from cities, depopulation and ethnic structures. In some regions people developed real commodity production based on the small household form.

There are numerous areas of individual farming specialized on tomatoes, cucumbers, onions and potatoes etc. for sale. Nevertheless, even there, population avoid an official status of farmer business and prefer to keep a mask of “personal subsidiary plot”. Factual shadow farmers can be rich and effective enough.

What did farmers bring to countryside?

Besides giving bright examples of ‘different economy’, the appearance of farmers in the Russia’s village affected its way of life. First of all, farmers are new employers. In the early 1990s, nobody wanted to work for farmers – the result of a long-term social levelling or of a false pride which did not allow people to be employed by their neighbours.

Now the concept «farmer (*kulak*) - labourer (farm man power) conflict» remained only in the Moscow high class salons located far from real life. Those who search for even short time work for farmers are in excess, because farmers pay more and more regularly than state and collective enterprises. The workers are often paid by grain (forages for their own cattle) and by other natural products.

Nevertheless, a farmer is, first of all, a businessman. His main purpose is to increase profit and reduce expenses. Due to higher efficiency of work and its better organization private farmers require more reduced labour. Where large enterprises have collapsed, all the farmers taken together couldn’t engage the same number of workers as the enterprise formerly did. As a result, there were problems of unemployment, particularly in remote villages.

During the long late Soviet times the relations between people and collective enterprises were based on large scale larceny. To steal anything from farmer is much more difficult and risky job. The farmer’s personnel do not steal at all, because 10-15 hired workers are always under surveillance and, moreover, they do not want to become redundant.

Occupying less labour force, farmers cannot support subsidiary plots of the total village population as large collective enterprises do or did.

The lack of informal traditional support for rural households under present conditions may be much more painful than any other negative effect when the local enterprise of a kolkhoz type disappears.

Conclusion

As it was shown, the majority of Russian farmers are fictitious. The lion’s portion of farmer’s production is contributed by relatively narrow farmer strata, i.e. by some 1/5 – 2/5 of their total number. The selection of stronger farms is under process, and weak ones die off or turn to an economy which is too similar to the individual subsidiary farming.

Low peasant activity hampers the growth of real farmers’ rows. Such an activity expresses itself rather in development of commodity household production of peasants. Successful private farmers are, as a rule, people well experienced in collective farm management.

The role of private farms in Russia depends on their specialization and geography. Their contribution is higher in the South where they raise grain and sunflower.

The distance from large cities is also important. If non-Chernozem suburbs are the best social and economic environment for collective enterprises and if individual plots are most important in remote zones, the best zone for farmers is the intermediate one.

Cooperation between farmers is the weakest link in their team. However, in regions with numerous farmers some special environment was created, and some sprouts of credit and sales cooperation appeared.

Suggesting jobs, new farmers are quite useful for countryside. They can replace the large enterprises as producers but cannot replace them in their role of a social institution because farmers use less labour force.

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