

“Excuse Me . . . I've No Machinery, No Money and No Market; How Do I Farm?”

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You are talking to a fifty-five-year-old man in rural Bulgaria who is to inherit 3.5 hectares of land scattered over three to ten lots. He has been a machinist/tractor driver for the state collective for the past twenty years. Before that he was a laborer of one kind or another on state farms. He remembers that in his youth members of his family were important farmers in their village, maybe even community leaders. He has children to whom he would like to leave something of value. His children now live in one of the big cities and are waiting for economic reform to un-employ them. The children think there is something waiting for them in the village. Land.

You are a retired American farmer on a volunteer consulting assignment in Bulgaria for the Volunteers in Overseas Cooperative Assistance (VOCA). VOCA is a private, U.S. non-profit firm specializing in providing consulting assistance to persons and groups

involved in agriculture and agribusiness the world over. VOCA's mission is to improve the livelihood of persons in the agricultural sector, and you believe you can use your thirty years of farming experience to good purposes in this area.

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Our farmer tells you he voted for reform and change in 1989. Now in 1994 he is living the reality of economic change: inflation and unemployment. But, he tells you, he has not yet realized

any of the benefits of reform that he understood would accompany the economic change.

“I want to make something of my land,” he says. “Please tell me how.” This is the question that many Bulgarians who live in the countryside are trying to answer. Westerners think they have part of the answer: business planning, organization of resources, and a step-by-step approach. However, making this work in the context of the political and social instability accompanying the process of economic transformation is trying to everyone, and leaves many would-be farmers still asking, “How?”

Bulgaria

Bulgaria lies in the eastern half of the Balkan Peninsula, bordering the Black Sea, and is famous in Europe for its beaches and ski resorts. The country's comparatively small territory contains a wide variety of plains, hills, valleys, mountain passes, and deep river gorges. High altitude plains and hills comprise almost 70 percent of Bulgaria. Ethnic Bulgarians make up the majority of the population, with nearly 10 percent of Turkish descent and another 3 percent of Bulgarian-Gypsy descent. The predominant religion is Eastern Orthodox; however, nearly 15 percent of the population is Muslim. Agricultural land covers 6.2 million hectares, or slightly more than half of the country's total area. About 4.7 million hectares, or 75 percent, is cultivated. Cereals cover a little more than half of the

cultivated area, around 25 percent goes to fodder and food crops, and about 10 percent to industrial crops. The roughly 10 percent of land area remaining goes to fruits, vegetables, and vineyards.

Until 1944, there were 1.8 million private farms (averaging approximately 3.5 hectares) in Bulgaria. Land holdings were consolidated beginning in 1946 with the Agrarian Reform Law which reached its height in the early 1980s, when there were over 2,000 state or collective farms managing nearly all of Bulgaria's agricultural land.

Process of Change

Privatizing Bulgaria's agricultural sector involves two processes: liquidation and land reform. Land reform means returning land to its original owners—or their inheritors—within historical boundaries. Liquidation applies to all the non-land assets of the state or collective farms. These assets are to be distributed according to shares owed to families for land or farm assets absorbed by the state farms, or based on an employee's time working for the state. Once in possession of the shares, people must use their shares to sort out the division of the state farms' non-land assets.

Why is this approach causing problems? First, the process is, not unexpectedly, extremely emotional and political, rather than being straightforward and businesslike.

Though around half the land was surveyed by the end of 1993, very few people (around 10 percent) actually had legal titles. One aspect of the problem is the frequency of contested survey results, which go to the courts. People's apprehension toward the future, combined with the need to pay more for the title than can be profitably made from the land in a year (or two) also contribute to the problem. This significantly deters people already struggling with inflation. Then there is the whole political nature of the process itself: who is in control, perceived favors, positioning by both the government and the international community.

A liquidation committee, whose members are politically appointed, oversees the liquidation of non-land assets. Often, the members lack the relevant skills to carry out their task. Furthermore, the committees have no deadline for completion of their work. Two years after their creation, most liquidation committees are still operating, adding to the debt of the former state enterprise. (And the decision about how to deal with the debt of the state farms is still unclear.)

The Changing Face of Agriculture

Traveling around the country it is obvious that someone is farming the land. Who?

Most often the "farmer" is the Liquidation Committee. If you are looking for energetic, young, enterprising people playing the role of "yeoman farmers," you've misunderstood the demographic situation in Bulgaria. The young people all live in the cities. Around three-quarters of the people involved in rural-agricultural activities are over fifty years old! Most of these people want a job and to maintain their welfare. They are not concerned with making a distinction between being a farmer and a farm laborer.

Aside from the liquidation committees, there are some other "private" initiatives, a "first wave of transformationists" if you will. These people mostly come from one or another of the following backgrounds: people from the old system who were agricultural leaders and want to retain their position; people who were involved in agriculture, though not as leaders, and who now see a role for themselves as leaders in the community; and people

who had little or nothing to do with agriculture before, but now see investment in agriculture as a profitable venture.

Groups one and two are organizing the “new” cooperatives. Most are organized by the first group, or former state farm managers, and are basically production cooperatives, aggregating the land of to-be-titled people, and employing as many of their former colleagues as possible. Often they are able to use contacts and friends in the liquidation committee, banks, state mechanization stations, and the agroprocessing industry to arrange machinery, ag-input services, and markets.

The new cooperatives organized by the second group do not have the “old connections,” and are struggling hard against the political intervention of the liquidation committees, the economic reality of tight credit, and unavailable supplies, services, and markets. They have a tremendous pride, though, in their efforts to build something which is not a replica of the state collective.

The third group often consists of individuals who had access to funding through either family savings or outside investors (usually family or friends living outside of Bulgaria). They bought machinery early on in the transformation period, and made investments in agricultural infrastructure and/or agribusinesses. Many of these people are the most outstanding examples of successful privatization in agriculture. Their example, though, cannot be duplicated because of their access to investment resources. The combination of economic reality, political involvement in agriculture, and the example of the first-wave transformationists has had an important impact on the general public, especially in fostering suspicion, confusion, and fear. These sentiments are having especially profound effect on the people struggling to get the second wave of ag-transformation underway, people just like our fifty-five old, would-be farmer. They are suspicious of the people involved in the transformation process. Nobody trusts anybody else due to Bulgaria's history of state control and the practices of the communist party over the last forty-five years.

The confusion is over what “transformation” means, and how the average person is supposed to benefit. Everyone can see what the previously described groups have been able to accomplish, and want the success of the first-wave transformationists. But how to get it? Most often people are expecting either the state or foreign investors to provide the investment resources available to the first-wave transformationists.

People undertaking the “second wave” are also frustrated with Western experts' recommendations to plan and take a step-by-step approach. Consultants pointing out examples of the success of this approach often receive a rejoinder to the effect:

He's got connections with the old guard, that's how he got his money, market, and machinery. . . . Oh, you don't understand, his family used to work with state security, therefore they can. . . . You're from America, you don't realize what communism is about, and she's a communist who is still working with them, that's why she's able to

With these phrases, our fifty-five-year-old future farmer dismisses all suggestions and recommendations. He is able to reduce agricultural transformation again to the simple formula: “Give me. Then I will show you.”

Finally there is the fear. We all understand how small rural communities are “fish bowls.” Everyone knows everything about anything. Add to this the fact that the average

person in the agricultural sector is near retirement age. What you've got is a group of people who see a few special interest groups succeeding with extraordinary resources, and see little or no such special assistance for themselves. The future looks dim. Under these circumstances, they are afraid of being left out of secret alliances and black market dealings. One way or another, they see themselves as losing. This adds to their frustration with the whole process of democratic and free-market transformation. Exasperated, our fifty-five-year-old future farmer asks again, "How?" Only now he may also be thinking that the old system was better, or that what the populist politicians and press are spouting makes sense.

Lessons

The perspective with which Western advisors are able to approach economic transformation in Bulgaria sets them apart from the social ramifications of the suspicion, confusion and fear of the process. Also Westerners know that no "Marshall Plan" is forthcoming for Europe. So advisors such as VOCA's farmer consultants sincerely believe that three approaches are critical to the success of the second wave of agricultural transformationists: business planning, organization and management, and a step-by-step approach.

For individuals with few or limited resources, the challenge is to overcome suspicion, confusion, and fear, and find other people in a similar position with whom they can combine resources to achieve some competitive advantage. The second hurdle is to organize and manage these resources to a productive end. To do that, the people must undertake more planning than the first-wave transformationists. This is where the business plan becomes important. Lastly, instead of trying to make a titanic leap and catch up with the first-wave transformationists, people must lay out a step-by-step strategy. In all three of these approaches, everything depends upon the individual's ability to identify a common basis for action with others, and making that commonality something upon which a business arrangement can be built; and the business plan, which is the key to organizing, managing, and using a group's limited resources.

The problem is that it is easy for VOCA farmers to give such advice and believe in it. It is harder and more trying for the average Bulgarian to implement. But there are success stories to justify their advice.

VOCA is working to support all manner of initiatives by Bulgarians in the areas of agricultural production, ag-services, and ag-processing. And through the media and seminars, VOCA's farmer volunteers try to make these successes and their examples known.

In the area of production, people are creating partnerships and associations that permit free entrance and exit of members, work on the basis of contracts between partners, promote bottom-up supervision and accountability—all principles of democratic associations. They are working with realistic goals and limited investment resources. Most important of all, they have survived their first year of operation, something most new businesses worldwide fail to do.

The demise of the large state industrial complexes have left numerous niche markets where enterprising individuals and groups are moving to establish themselves. The best example in this area is the dairy and meat industries. Consumers immediately recognize improvement in quality of the private vs. state products, and most private businesses sell out their products. If and when investment credit, bankruptcy laws, and state control of the

market place are changed, these entrepreneurs and their activities will really take off.

The Future?

The challenge for international organizations like VOCA working in Bulgaria with the “second wave” of agricultural transformationists is to identify and attract resources which the Bulgarians can take advantage of to ensure their success and viability.

That means soft credit for investment, secondhand machinery, and markets, to begin with. In addition, we must continue our work in consulting on management and operational principles and practices in the free market.

Finally, in response to our fifty-five-year-old, would-be farmer’s question, “How should I farm my land?”

“Sir, you have two options. One, you can wait for a miracle. Or two, you can take matters into your own hands, with a realistic approach to each issue, and a willingness to find non-political, practical ways to work with your neighbors.”