

Agriculture in the Eastern Neighbours of the EU

Large Farm Enterprises in Russia and the Ukraine

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Agriculture in the Eastern Neighbours of the EU

- Rusting state farms? Or:
- New agricultural powerhouse of Europe?

- Russia, Ukraine (Belarus)
- Focus on Russia
- Difference Russia – Ukraine
 - Internal demand vs. Export (biofuel)
 - WTO
 - Infrastructure

- Roughly similar internal processes
- Beyond the statistics

Agriculture in Russia

- 'According to the recipe of our *babushka*'
- 'The milk of your childhood'
- 'Completely natural and from village origin'
- Wimm Bill Dann





‘Completely natural and from village origin’

Privatisation

- Privatisation:
 - of collective farm enterprises (*kolkhozes*) & state farm enterprises (*sovkhozes*)
 - Term: Large farm enterprises (LFEs)
 - Employees became shareholders & had the choice regarding their share:
 - take out & state private family farm
 - 'invest' in LFE (stay employee)

Private family farms



Private farms in Russia

Number and size of private family farms in Russia					
	1990	1995	2000	2005	2006
Nr of farms (x1000)	4,4	280,1	261,7	257,4	255,4
Average size (ha)	41	43	58	75	81

Problems of Soviet agriculture

- ‘labour on the field does not wait!’



Household plots



Expectations



Large farm enterprises



Agriculture in Russia: reality

- Wimm Bill Dann –
- Magnitude:
- Numerous dairies
- Other food factories
- Over 40 large scale farms
- 20,000 ha owned
- 250,000 ha rented
- Port infrastructure



Central questions:

- How is it possible that the large farms persist?
- What causes the drastic enlargement?
- To what extent are they a threat (or opportunity) for EU agriculture?





Particularities of RUSSIA –Former SU

- Reasons for enlargement
 - Soviet legacy
 - concepts: Big is beautiful (incl. subsidies)
 - Infrastructure: very large scale
 - Institutions: absent or large scale
 - Importance of networks
 - Lack human capital (incentive for scale)
 - Emergence of agroholdings IPOs
 - coincides with investor interest & discours



Forward Integration by LFEs

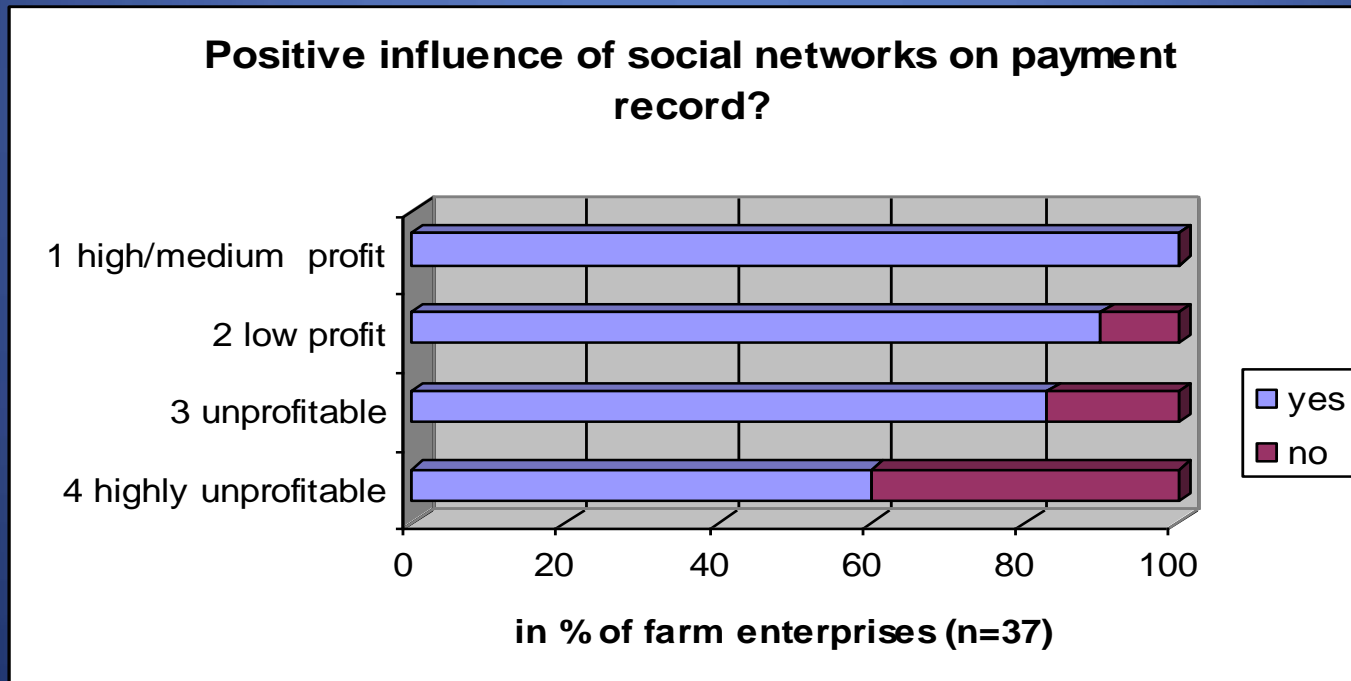
STORAGE, PROCESSING AND SALES CAPACITY OF LARGE FARM ENTERPRISES

Financial State	Cold Storage			Processing				Own Selling Outlets		
	Yes	No	(N)	Yes	No	Missing	(N)	Yes	No	(N)
1	7	6	13	8	3	2	13	6	7	13
2	4	8	12	3	9	0	12	2	10	12
3	3	10	13	2	9	1	13	0	13	13
4	0	5	5	0	3	0	3	1	4	5
Total	14	29	43	13	24	3	43	9	34	43

Source: Own survey

Profitability and Networks

- Profitable enterprises report
 - More often a positive influence on payment
 - Larger social networks



Outcome:



Russian agriculture as a threat to EU agriculture?

- ‘Russia’s Farming Revolution Could Kill Off US Agriculture Sector’
- ‘A Land Rush in Rural Russia’
- ‘Farming Makes a Comeback in Russia’



Problems hindering growth of agriculture in Russia

- Concealed bankruptcy of agroholdings
- Shortage of experienced managers and specialists (extension services, academics)
- Labour motivation & diseconomies of scale
- Volatility of prices & production

- Increase in internal consumption
- Livestock farming still far below EU level
- Increase of livestock, more internal demand for feed grains

Conclusions

- Huge potential, also for EU investors, BUT
- Very uneven growth (annually, regionally, specialisation)
- Lots of obstacles in terms of:
 - increase of quality products,
 - rural development

Thanks...

- ...for your attention.