

Rural Transformation in Ukraine: A Sustainable Model?

After the disintegration of Soviet power in 1991, Ukraine hoped to regain its former status as the “breadbasket of Europe.” In the ensuing years, the introduction of economic reforms in the countryside included efforts to restructure collective and state farms and privatize agricultural land. What are the implications of these new property rights for rural populations? And what are their repercussions for sustainable development in Ukraine?

The transformation of collective and state farms in post-Soviet Ukraine involved two steps: the reorganization of collectives to create private forms of ownership and management; and the allotment of land for the creation of smaller private farms. The first step involved the allocation of land and non-land assets to workers on former collectives; the second distributed land from district land funds to qualified

applicants who passed through a lengthy bureaucratic process and, often, waited many months or years to receive land. More often than not, restructuring and share allocation left collectives intact, with workers leasing their shares for a nominal price to the former collective or state farm where they continued to work. Over time, private farming, which began as a political movement of “independent” growers, increasingly came to include former heads of collective and state farms who re-registered collectives under a new name, appropriating management of farm assets for themselves.

Land privatization and farm restructuring in Ukraine

Unlike other areas of post-socialist Europe, where land privatization centered on restitution to its most recent previous owners, Ukraine aimed to distribute land to those

who had worked it during the last decades of the Soviet period. This meant that agrarian reforms sidestepped a great many potential conflicts over past patterns of ownership. However, despite the relative administrative ease of apportioning land in this fashion, a number of factors contributed to the failure of agrarian reforms to bring benefit to most rural residents. These included disadvantageous pricing and subsidy regimes, a lack of long-term credit at reasonable rates of interest, and a shortage of appropriate technology.

These and other conditions made it difficult for Ukrainian producers to generate profit during the critical years of reform or to pay dividends to shareholders. The policies of both the *Kravchuk* and *Kuchma* governments, meanwhile, increased the power of farm directors, who used the reform period to consolidate their control over land and other farm assets (*Johnson and Minton-Beddoes* 1996, p. 264; *Pugachov and Van Atta* 2000). That increased control constrained allotment of land for private farming, enabling former collectives to collect monopoly rents.

The end result of enterprise restructuring and land privatization for most rural people has been a facade of ownership, a sort of post-Soviet Potemkin village: the existence of property rights on paper, but limited real opportunities to make use of those rights, and labor incentives that are less robust than before reform (*Allina-Pisano* 2007). While rents on land shares have climbed in areas near urban centers, those same places have seen shrinking share sizes, as local bosses appropriate land nominally belonging to worker-shareholders for their relatives and friends. At the same time, as in the Russian agrarian reforms of



Photos: dpa/picture-alliance

Photo 1: Vineyards on the Crimea peninsula

the same period, most rural people have little choice but to remain where they are. Labor mobility is limited by the fact that access to housing infrastructure and social services often depends on membership in a former collective (Lindner 2007).

Most rural people who have seen an improved standard of living during the reform period belong to one of two groups: those who, like their counterparts during industrial privatization, were positioned to take advantage of instability in property relations and political power; and those whose sources of income are not tied primarily to new property rights.

These general tendencies notwithstanding, Ukraine's agrarian reforms in the post-Soviet period did produce countrywide variation in the organization of labor and land resources. Today, in some villages, restructured agricultural enterprises continue to function much as Soviet collective and state farms did. In others, collectives have broken apart completely, and those villagers who remain engage in household production supplemented by jobs in urban areas and a remittance economy. Some rural areas have functional social services and energy and transportation infrastructure, while the residents of other areas are isolated, living without basic services such as health care and regular bread delivery.

This variation is not, by and large, defined by the much vaunted putative "divide" between eastern and western Ukraine. Historical trajectories of property rights regimes in the eastern and western regions of the country differ a great deal, with regions in the west governed by Austro-Hungary early in the 20th century and absorbed into the Soviet Union only in the post-World War II period, and regions in the east under Romanov and then Soviet rule. However, variation in the post-Soviet period is evident primarily at the very local level, from village to village, rather than from east to west. Thus, neighboring villages might, in the words of farm work-

ers in eastern Ukraine in 2006, have "everything in order" or be "completely devastated." As others have observed, such local variation is evident in agrarian reform outcomes elsewhere in Eastern Europe (Verdery 2003, p. 13).

Local variation, with maintenance of large-scale agricultural production in some areas, and land fragmentation in others, was largely a product of local business and state elites' engagement with reform policy. Where district and village officials actively worked with farm directors to block allotments to shareholders, provide access to credit and inputs, maintain livestock holdings, and continue providing social services to worker-shareholders, large-scale agriculture was preserved. During the first decade of post-Soviet reform, such efforts often were hidden, relegated to sub-rosa cooperation among land officials and farm elites who publicly articulated support for land reform (Allina-Pisano 2004). Where such strategies were not in evidence, and where powerful private farmers did not emerge to step into the breach, the collapse and disintegration of former collective and state farms resulted.

The reconfiguration of rural space

In contrast to Soviet collectivization, which reshaped the countryside with major transformations in the spatial arrangement of villages and fields, land privatization in Ukraine produced only a limited reconfiguration of rural space. Reformers in Ukraine and other former Soviet states regarded agricultural privatization as a reversal of collectivization, but they made little effort to reorganize rural space to accommodate the planned change in land tenure practices. Furthermore, the limited reconfiguration of space that did occur neither increased transparency, nor improved prospects for private, household production.

Privatization changed the formal ownership structure of agriculture in Ukraine, but it did little

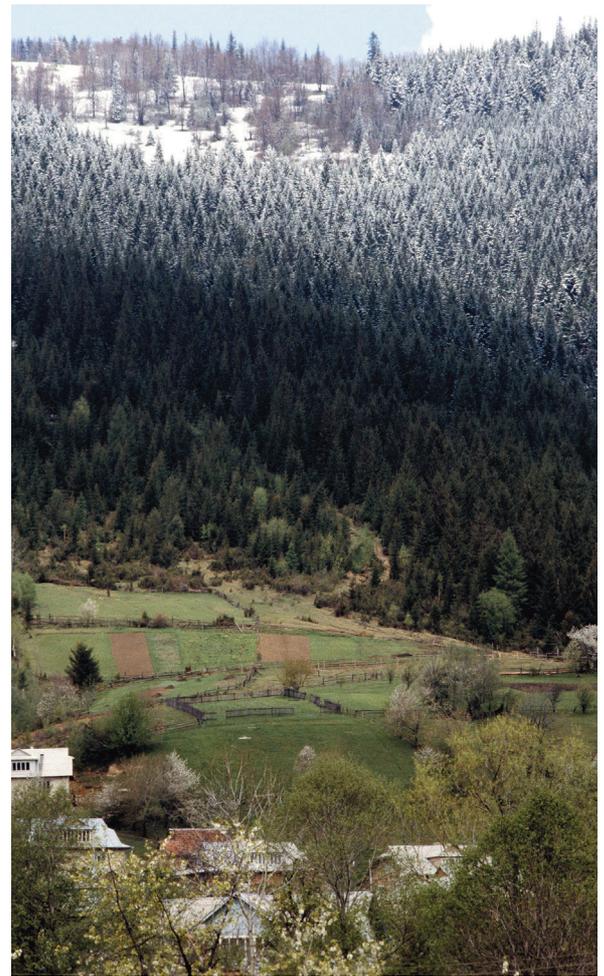


Photo 2: A remote village in the Carpathian Mts., western Ukraine

to construct the new roads and byways rural people would need to reach their land, or to develop the farm or public transportation infrastructure to support a new rural economy. Although privatization policy specified the division of the vast fields of collective and state farms into parcels of 2–5 hectares each (depending on the land endowments of individual administrative districts), many people in rural Ukraine continue to live in Soviet-era housing clustered at the edges of farms of hundreds or thousands of hectares.

The lack of financial and infrastructural support for substantive, deliberate transformation of rural space has meant that people who now farm plots of land in the fields of former agricultural collectives do so without electrical power or irrigation systems, and often without appropriate machinery. Their plots may be several kilometres from their homes, in the middle



Figure 1: Ukraine and the Agricultural Geography of Europe

Source: translated and modified from "Seyditz. Projekt Erde" Weltatlas. Braunschweig 2005, p. 94

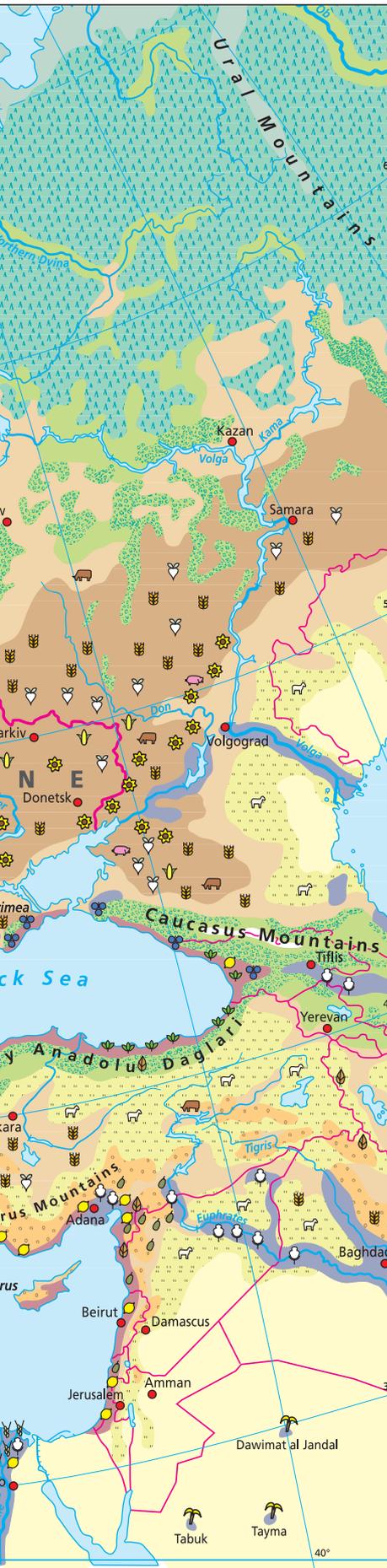


Table 1: Livestock holdings in Ukraine (1000s of animals)

	Cattle		Pigs	Sheep and goats
	Total	including cows		
1990	25,194.8	8,527.6	19,946.7	9,003.1
1995	19,624.3	7,818.3	13,945.5	5,574.5
2000	10,626.5	5,431.0	10,072.9	1,884.7
2005	6,902.9	3,926.0	6,466.1	1,754.5
2006	6,514.1	3,635.1	7,052.8	1,629.5
2007	6,175.5	3,346.7	8,055.0	1,617.3

Source: State Statistics Committee of Ukraine (www.ukrstat.gov.ua)

of monoculture fields, accessible only on foot, or along unpaved roads (*Photo 1* and *2*). Because most rural people do not have motor transport, the lack of improvement, and indeed decline in public transportation further complicates the task of private cultivation. For these reasons, many former members of collective farms and workers on state farms saw little point in taking their individual land and cultivating the reorganized, but still collectively organized enterprises.

Public and private space

As in other countries of Europe formerly under communist rule, during the agrarian reforms of the 1990s, even as some farm directors engaged in asset-stripping, farm workers engaged in informal privatization of collective assets, dismantling and removing farm infrastructure that could be used or sold (*Creed* 1995, p. 860; *Verdery* 2003, p. 293). Farm machinery often ended up, in the words of one farm worker in eastern Ukraine, in the hands of “those who were closer to the tractors.” Where former state and collective farms were dissolved, combines and tractors made their way from machine parks on collective farms to enclosed village courtyards, where they are visible only to the neighbors. This arrangement offers some advantage for villagers, as it may help them elude the gaze of state tax

authorities and other, less formal agents of extraction who thrive in post-Soviet space (*Humphrey* 2002).

This movement of farm assets from public to private space would appear to indicate progress for liberalizing economic reform. However, such a change also means less transparency within the agricultural sector itself: an accurate assessment of villagers’ access to machinery is now more difficult to obtain. This is significant because access to machinery is a key determinant of success for household as well as large-scale agricultural production. If formerly, agricultural collectives plowed household plots as a social entitlement, now villagers themselves pay for the service, and its timely execution is of crucial importance. If plowing is not completed in the fall, before the ground freezes, it must be done immediately after the spring mud firms; this narrow window raises the risk for missing optimal times for seeding crops. The shift from collective to private use of tractors thus provides some villagers opportunities for capital accumulation. However, the movement of machinery from public space into private courtyards also masks a mechanism by which rural inequality is reproduced or intensified.

Additionally, the unplanned transformation of rural space near cities has restricted people’s access to land in and around villages. This type of change has

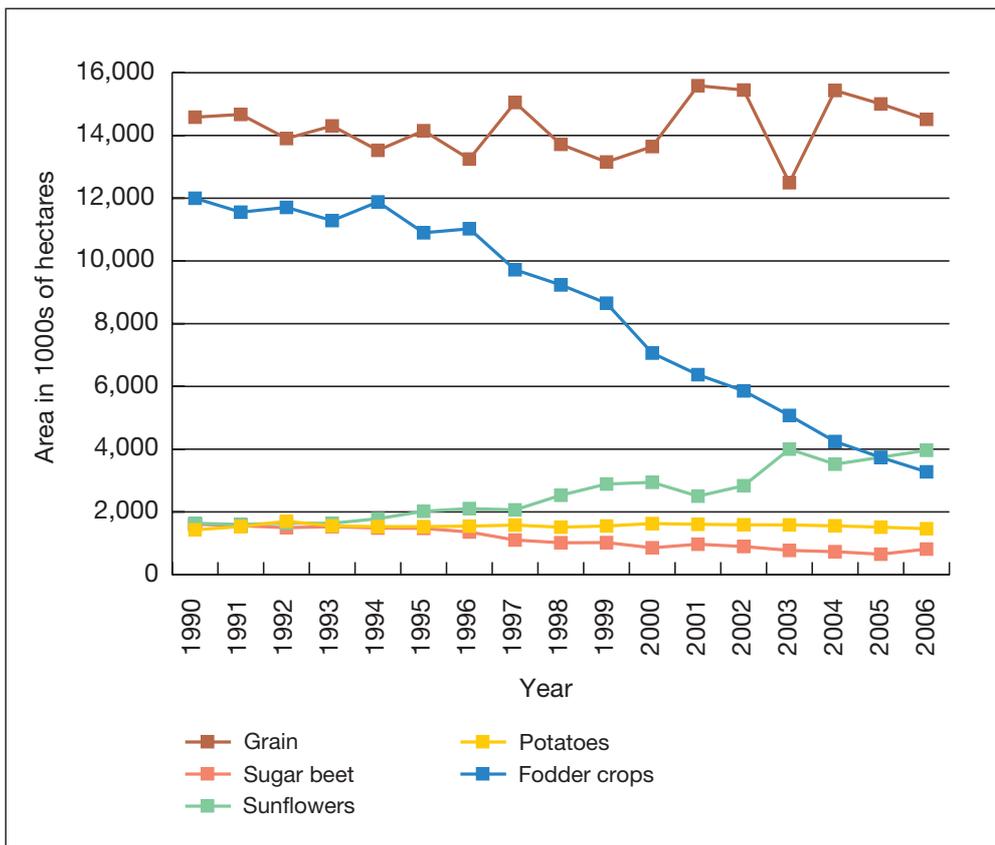


Figure 2: Cultivated area of major crops in Ukraine, 1990 to 2006

Source: www.ukrstat.gov.ua

been observed elsewhere in Eastern Europe, including the Russian Federation (Pallot and Nefedova 2003). Land scarcity is not a problem everywhere in Ukraine: in some areas, remote fields now lay unused by human beings and are reverting to steppe. However, where villages are within easy reach of cities, the modest summer homes of urban residents, as well as the luxury homes of people who profited from industrial privatization, increasingly encroach upon land and byways used by rural people to graze household livestock, to cut hay for livestock, and for fishing and trapping.

Furthermore, in western regions of the country, the accession of Ukraine's neighbors to the European Union has resulted in the remilitarization of border zones, limiting access to land villagers were able to use during the 1990s. In other words, household production has been central to the survival and success of some rural areas during the post-socialist period, but urban growth increasingly

threatens to limit the access to land rural producers need to support that production.

Challenges to sustainable agriculture

In Ukraine, restructuring of the agricultural sector was accompanied by other economic reform policies, including trade liberalization, imposition of budgetary discipline, and lifting of price controls. These policies, together with the economic crises engendered by the dissolution of the Soviet Union, created immediate problems with lasting effects on rural communities and prospects for sustainable agriculture.

Early in the post-Soviet reform period, economic liberalization resulted in price regimes that discouraged large-scale livestock husbandry. For example, as domestic wool prices dropped under pressure from cheaper imports, flocks of sheep disappeared from many parts of Ukraine. In many rural districts, former collectives drastically culled their herds of

cattle and other animals (Table 1), in some cases outsourcing milk and meat production to households. This short-term solution had serious effects for grain, vegetable, and other crops, as farms lost their only affordable source of fertilizer. Many farms have since been unable to reestablish livestock holdings, and dairy farms stand empty.

In the dairy sector, households have largely compensated for the loss of animals on former collectives, and dairy cows provide critical sources of income for many rural residents. However, the conditions that are necessary for viable household dairy production may not be sustainable over time. First, households that keep cows require easy access to pasture, but common pasture areas are increasingly threatened as some large-scale agricultural enterprises recover from the economic crises and reclaim pasture land, and as building continues at a fast pace in rural areas near large cities. Second, household livestock husbandry requires constant labor: at least one healthy family member must remain at home all of the time to pasture, milk, and otherwise care for animals, and this places burdens on rural families' labor resources and mobility.

A second threat to long-term sustainability stems from progressive deterioration of soil due to intensive cultivation of certain cash crops that, because of their nitrogen-leaching properties, normally should be planted only once every several years. In areas of the country that have managed to avoid land fragmentation, annual land leases to individuals interested only in short-term profit has led to the serial sowing of sunflower on large swathes of territory (Figure 2). This "barbaric cultivation of sunflower," as one district state official in eastern Ukraine described it in 2006, is relatively profitable in part due to the subsidized production of grain and other crops elsewhere in Europe.

Such practices are predominant in areas without developed land

markets, where worker-shareholders have no opportunity to make responsible choices about how their land will be used. Instead, they have little choice but to lease their land shares to the former chairman of the local collective, now the head of his own private enterprise, who may or may not sublease fields to outsiders who have no stake in the long-term health of the land. This situation of monopoly rents has been observed in other countries of post-socialist Eastern Europe, including Bulgaria (Meurs 2001, p. 91) and has been accompanied by similar shifts in cultivation practices, as cash-strapped farmers or opportunistic short-term leasers turn to unsustainable reliance on cash crops (USDA 2006).

Political implications of economic change

The failure of economic liberalization to spur development in the Ukraine countryside resulted, somewhat paradoxically, in greater political freedom for rural people. The agrarian reforms of the post-Soviet period did not bring about the intended widespread creation of smallholder commercial farms, seen as crucial for the development of an independent rural middle class, nor did reform itself improve the productivity of former collective and state farms. However, the weakening of some rural institutions through agrarian reform arguably has brought about an opportunity for greater autonomy at the ballot box.

For several years, from the late 1990s until after the second round Presidential elections of 2004, the persistence of large-scale, collectively organized forms of agricultural production made possible a high degree of political manipulation in the Ukrainian countryside. Particularly after President Leonid Kuchma's decree of December 1999, which strengthened the hand of directors of former collective and state farms, farm directors in some regions were able to control how many of their employees voted. This was the case in part

because of the "company town" nature of agricultural collectives, in which paymasters and local political leaders were often the very same individuals. During Kuchma's second term, local state officials frequently threatened farm directors with lost access to subsidized inputs if they did not deliver votes for incumbents (Allina-Pisano 2005). They sometimes were able to leverage their control over salaries to demand votes for incumbents, and electoral manipulation was further possible because agricultural enterprises continued to be sole providers of many social services in the countryside. Under such conditions, directors were able to communicate to farm employees that a failure to support particular candidates could result in exclusion from transportation services, infrastructural improvement projects, or even bread deliveries.

The political geography of the Ukrainian countryside has changed since the voter manipulation that characterized national elections around the turn of the millennium, leading to massive popular "Orange" mobilizations of 2004. Where large-scale farms have disintegrated, or where short-term, "pirate" directors have stripped farm assets, those enterprises no longer provide social welfare services characteristic of the Soviet system. In such cases, farm directors' opportunities to control the ballot box have likewise receded, as farm workers have little incentive to comply with requests "from above" to vote in a particular way.

It remains to be seen whether, given the economic challenges that rural communities in Ukraine face, this relative political freedom will be sustainable in the longer term. With the shift from farm directors' intensive control over labor in the Soviet period to their greater discretion in using land resources today, Ukraine's fertile soil may yet prove attractive ground for investors, even as rural people continue to struggle to make ends meet. ■

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