EASTERN EUROPE, THE FORMER SOVIET UNION AND WORLD AGRICULTURAL MARKETS

Ivan Roberts Jayantha Kottegé Graeme Tie

ABARE RESEARCH REPORT 93.18



Contents

Summary		1
1	Introduction	15
2	Political and economic changes in the region	19
	Characteristics of the system that existed before the reforms	19
	Reform measures required for the operation of a free	
	market economic system	21
	Progress toward reform	29
	Impediments to reform and economic restructuring	40
3	Agricultural trade in Eastern Europe and the former	
	Soviet Union: a historical perspective	42
	Agricultural trade of the former Soviet Union	44
	Agricultural trade of Eastern European countries	53
	Recent developments in the agricultural trade of	
	Eastern Europe and the former Soviet Union	59
4	Agricultural production and consumption in Eastern	
	Europe and the former Soviet Union	65
	The organisation of agriculture	65
	Production of farm products	66
	Consumption of agricultural commodities in Eastern	
	Europe and the former Soviet	75
5	Developments and reforms in agricultural policy	79
	Eastern Europe	80
	The former Soviet Union	96

6	Key factors influencing Eastern European	
	agriculture	103
	Economies of large scale production	103
	Land market and property rights	105
	Monopoly power of upstream and downstream industries	105
	Product mix	106
	Agricultural support	106
7	Impact of potential Eastern European entry to the	
	European Community	109
	Factors which could facilitate entry to the European	
	Community	110
	Factors which could hinder entry to the European	
	Community	111
	Likely effects of entry to the European Community on	
	agriculture in Eastern Europe	112
	A quantitative assessment of entry of certain Eastern	,
	European countries to the European Community	117
8	World agricultural markets and developments in the	e
	former Soviet Union	128
	Factors affecting supply	129
	Factors affecting demand	131
	Foreign exchange earnings and agricultural imports	139
	Economic cooperation and trade among former Soviet	
	republics	141
	Implications for commodities	143
9	Conclusions	152
A	ppendixes	
A	General representation of the operation of a centrally	
	planned economy	151
В	An empirical description of historical Soviet grain import	
	behaviour	156

Re	References			
Box				
1	Modelling framework	120		
Fi	gures			
Α	Former Soviet Union: profile of agricultural and energy trade	48		
В	Former Soviet Union: terms of trade with market economies	. 49		
C	Australian wool exports	63		
D	Former Soviet Union: harvested area, production and average yield	71		
Ta	bles			
1	Progress of reforms in Eastern Europe and the former Soviet Union	30		
2	Changes in output of Eastern European countries and the former Soviet Union	31		
3	Major temperate agricultural products: world imports, imports by the former Soviet Union and net trade by the EC-12	43		
4	Net imports by the former Soviet Union as a percentage of total world imports	44		
5	Eastern Europe and former Soviet Union: population and production, consumption and trade in major agricultural commodities	45		
6	Contribution of the former Soviet Union to changes in world imports (excluding intra-EC trade) of major	4.0		
7	temperate zone agricultural products Changes in volume of world imports and imports by the former Soviet Union between the early 1970s and the first half of the 1980s	46 47		
8	Changes in imports by the former Soviet Union and in external trade by the European Community	47		

9	Imports of agricultural products by the former Soviet	
	Union in 1988	5 1
10	Volume of EC exports to the former Soviet Union	52
11	Eastern European countries: value of exports and imports	
	of agricultural products and of food excluding fish	54
12	Eastern European agricultural exports to the European	
	Community	56
13	Eastern European agricultural imports from the European	
	Community	57
14	EC exports to Eastern Europe and the former Soviet Union	
	as a percentage of total EC exports: selected major	
	agricultural items	58
15	Agricultural arrangements and agreements between the	
	EC and Eastern European countries	60
16	EC agricultural trade concessions for Hungary and Poland	
	agreed in 1989	60
17	Wool imports by Eastern European countries	62
18	Average size of holding in Eastern Europe, the former	
	Soviet Union and the EC-10, 1985	66
19	Land endowment per person in Eastern Europe, the former	
	Soviet Union, the United States and selected Western	
	European countries	67
20	Agricultural production in Eastern Europe and the former	
	Soviet Union	70
21	Grain yields and fertiliser use in Eastern Europe and the	
	former Soviet Union	72
22	Animal numbers (all classes of farms) in the former	
	Soviet Union	74
23	Consumption of animal and vegetable products in 1984–86	
	in Eastern Europe, the Soviet Union and selected Western	
	countries	76
24	Consumption of livestock and vegetable products in	
	Eastern Europe and the former Soviet Union	77

25	Indexes of prices received by farmers for agricultural	
	products, prices paid for agricultural inputs and prices	
	for industrial products in Poland	82
26	Index of ratio of prices received for major agricultural	
	products to prices paid for farm inputs in Hungary	86
27	Relative prices received by farmers for major agricultural	
	products	112
28	Simulated effects on world market prices of entry by	
	Poland, Hungary and the Czech and Slovak Republics	
	to the European Community	123
29	Estimated effects of entry by Poland, Hungary and Czech	
	and Slovak Republics to the European Community on the	
	value of Australian production and exports	125
30	Soviet republics: estimated surplus/deficit situation for	
	selected commodities	136

x