

ACTUAL PROBLEMS OF THE STRUCTURAL REFORM IN BULGARIAN AGRICULTURE

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ABSTRACT

A structural reform is underway in Bulgarian agriculture. The aim is to bring the sector out of the grave crisis. The paper presents the main directions of the structural reform in the sector, basing on the analysis of its current situation:

- providing of due legislation;
- development of the land market and rent relations;
- development of operative production structures;
- regulating the functions of the administrative and branch organizations governing the implementation of the agrarian policy.

INTRODUCTION

Agriculture is a traditional branch for Bulgarian economy. At the end of the 90^{ies} about 28 % of the total number of employed in the national economy work in agriculture. During the last ten years the sector's share in the gross domestic product (GDP) varies within 13 - 27 %. That is due both to the crisis in agriculture and increased intensity of the rest sectors of economy.

The land reform in Bulgaria has already concluded and the agricultural lands were given back to their owners. About 2000 thousand persons in the country are landowners, 1800 thousand have subsistence farms and only 800 thousand of them are doing farming. About 400 thousand of them have commodity farms and rely entirely on these farms to provide incomes for their families. The rest 400 thousand people besides in their farms work also as hired workers.

At the present stage Bulgarian agriculture is too small-scale. The average property size is about 20-25 dka. The production plots are more than 20 million with average size of 3-4 dka.

Materials and methods

Under the present situation in the sector it is not possible to implement a modern farming. This call for a structural reform in Bulgarian agriculture.

The objective of this article is to outline the main problems of the structural reform in Bulgarian agriculture basing on the analysis of its current situation.

The structural reform implementation involves four major groups of factors:

- Development of operative production structures;
- Providing of due legislation;
- Development of the land market and rent relations;
- Regulating the functions of the administrative and branch authorities that govern the agrarian policy implementation.

For that purpose it is carried out an empirical of organization production forms in agriculture and the mechanisms of supporting and financing the sector.

To determine the efficiency of the operating organization forms some data about the major agriculture crops' yields are collected and processed.

Results and discussion

The plant-growing and animal husbandry branches are almost equally practiced in Bulgarian agriculture, notwithstanding the observed slight superiority of the plant-growing branch during the last years.

According to data of the National Institute of Statistics, tobacco production decreases mainly because of lost market positions in the CIS countries and other world

markets. Production of fruit and wine grapes also decreases due to destroying of almost half the vine and fruit massifs. However, at present many new vineyards and orchards are being created in the country.

Grain-production is also going down due to the low yields received as a result of worsening the technology and the low purchase prices of grain products during the different years.

The areas under potatoes and vegetables increase. After reinstatement of owners in their private farms they produce for self-sufficiency and offering for sale.

The areas of sunflower increased owing to the foreign trade liberalization.

At the present stage, in Bulgarian agriculture is necessary to sharply improve the technological level of production, mechanization, irrigation of crops, etc.

At this stage the following organization forms exist in the Bulgarian agriculture:

Private farms. At present there are more than 1200 thousand private farms in the country. They are established within the families' properties and mainly the members of the family work there. For some agronomic practices it is possible to hire additional labour.

Almost 90 per cent of production in agriculture are carried out on own land. The statistical data indicate the private farm as a main structure of farming in our country at the present stage.

Production cooperatives - for production of agricultural products. In Bulgaria there are still many production cooperatives. In some villages there are even 2-3 cooperatives. Many of these operate unprofitably. However, there are cooperatives that try to find out new market mechanisms and management approaches to realize profitable production. Now in the country there are 3200 producers' cooperatives with above 15 thousand members. They manage 51 % of the country's arable land. The average arable area size of these cooperatives is 4-5 thousand dka (400-500 ha). About half the member-cooperators are agricultural producers who live in the village and work in the cooperative. Many of them however live in the town and do not run farming.

The leasehold (rent) farms are another economic structure in the Bulgarian agriculture. Their average size varies within 200 dka and more than 100 thousand dka. The average arable area size is 6000 dka. Mainly In Dobrudja and North East Bulgaria there are such type farms that use the lands of 2-3 villages and the owners are used as hired workers.

These farms are specialized mainly in growing of grain crops: wheat, barley, sunflower and some corn. The production processes are entirely mechanized.

The leasehold farms run monoculture farming in the main and they provide employment for a few people and hence low incomes.

Because of the low farm land price at this stage, the rent that the tenant farmers pay to the owners is also low.

Credit cooperatives - established to credit their members with the funds necessary for production or other purposes. The main task of this type cooperative is to provide low interest rate credits for its members. The credit cooperative's funds may be own or borrowed. The own funds are being formed from joint-stock capital or objective payments and the borrowed ones may come from banks or other financial institutions. The private agricultural producers in our country have established also a credit cooperatives' federation that operates successfully almost ten years. The federation unites 33 credit cooperatives for South and North Bulgaria with aggregate membership of 10500 persons. About 20000 credits of total value almost 60500000 levs are lent at level of return 97 per cent.

Private farmers - physical persons and members of the credit cooperatives are usually users of the credits.

Supply cooperatives - organized to supply production resources - seeds, fertilizers, pesticides, fodder, fuels and so on to their members. They supply stuffs and different materials at lower prices and provide higher quality of the specialized supplies. In this way it is possible to cut down the production cost and achieve higher efficiency of production.

Cooperatives for different services. They offer mechanized services, such as ploughing, inter-row tillage, fertilizing, irrigation, harvesting, technical maintenance, etc. Membership in such cooperative provides services at lower prices, as well as timely and quality implementation of different farming practices. The members of these cooperatives pay in both entrance fee and differentiated payments according to the size of the service used.

Marketing cooperatives - they are established for providing successful and profitable realization of the cooperative members' produce. For this purpose the marketing cooperatives exert influence on the market through using the marketing mechanisms.

Depending on their functions, the marketing cooperatives are:

- Cooperatives for realizing the whole or a part of their members' produce;
- Cooperatives that gather, process, pack up and storage the produce;
- Cooperatives that have own production capacities and process the products to fully adapt them to the consumers' needs and requirements; they transport and deliver the

products at the shops, restaurants, social establishments, schools, etc.

The main objectives of the marketing cooperatives are:

- Effective marketing of their members' produce;
 - Influencing the market and the potential consumers to increase the demand of the products produced by the cooperative members;
 - Establishment and management of marketing channels;
- The larger and recognized marketing cooperatives specialize in realizing different products, such as grain, vegetables, fruit and so on and they establish own trademark.

The corporate forms of organization (companies) are another large group, widespread in the agro-business sphere. These forms are of personal and capital type.

The first type structures include physical persons (partners) who participate with movable, immovable property or some other capital in the partnership. The general partnerships consisting of a small number of persons - two or more physical persons who are doing business in a common firm are also spread. This form usually occurs when the landowners grow a greater number of crops, and for buying and using of specialized machines that the individual farmer can not afford himself.

The limited liability companies (Ltd), established by several persons responsible with their shares in the company's capital are too widespread. This form has the following advantages: clearly regulated rights and duties of the partners; each partner has exactly fixed share that is not salable in parts and exactly specified economic risk; cancellation of capital without existing risk for private property.

The limited liability company is a widespread form in the agro-business sphere in Bulgaria, mainly in the construction and equipment of large projects, such as: storehouses, fruit-stores, meat-processing enterprises, dairy farms, animal farms, stores, etc.

There are many cases when industrial firms, banks, insurance companies and financial institutions are attracted as partners.

With regard to providing legislation for implementing the structural reform in agriculture, the Parliament enacted: Law of the ownership and use of farm lands, Law of the cooperatives, Law for the rent; Law of support of the agricultural producers; Law for the duties and contracts.

All government and non-government forms of management in the sector have their exactly regulated functions.

Government organizations are The Committee of Agriculture and Forestry at the National Assembly, the Ministry of Agriculture and Forestry and the regional

agricultural departments.

Non-government organizations are the Chamber of Agriculture, the Union of agricultural production cooperatives, Association of private agricultural producers, branch unions and syndicates, etc.

The major approaches of development of agriculture and its preparation for integrating with the EU are included in the SAPARD program - a special program for accession. There are already established administrative structures for applying the program's elements. The funds are directed to improving the production conditions, preserving the natural environment, the rural regions' development, technical assistance, processing and marketing of agricultural and fish products, etc.

The minimum size of the investment cost per a farm is determined to 10-15 th. EUR and the maximum - to 500 th. EUR. The implication is that the SAPARD funding is intended for the intermediate size (for Bulgarian conditions) farms.

It makes impression that during the last year, 300 th. EUR are put to use by different projects. The funds are intended for buying agricultural machines, mainly harvesters and constructing storehouses for grain and industrial crops. These data suggest that only the large agricultural producers - leasehold farms, firms and cooperatives specialized mainly in production of grain and industrial crops have real access to the funds by the SAPARD program. A great part of the agricultural producers who need financial support remains out of the program. A main problem in implementing the SAPARD program is that the banks lay down onerous terms in granting credits. It is necessary to find out approaches to overcome that difficulty and thus to promote the least developed municipalities that need financial resources.

The average yields received in the private farms during

the last years (Table 1) show that the strong economic interest of the individual agricultural producer may lead to very successful results. At this stage however, it is very difficult to carry out agricultural production, because the lands of the individual producers are fragmented into a great number of small plots situated at different sites. The lack of funds is also an obstacle to observing of the modern production technologies. For the same reasons, there exists an inadequate level of mechanization, irrigation and other necessary agronomic practices.

One of the main problems of the structural reform in the Bulgarian agriculture is creating of large commercial type private farms.

At the present stage, the small private farms, some of which intended for self-sufficiency predominate in Bulgaria. However, the private farms are main producers of products for the market. They supply the market with milk, meat and meat products, vegetables, fruit, grapes and partially with chicken, eggs and grain products. These farms almost entirely provide the canning, wine-producing, dairy and meat-processing industries with raw materials. The private farms use most effectively the land and the production resources. With about 10 million decares, they produce much more production in value terms than the leasehold farms and cooperatives do together with 35 million decares.

The private farms are the main producers of agricultural products.

These farms however are not the organization structure adequate to the EU conditions, taking into consideration that Bulgaria is a candidate member for accession to the EU. That is why the country has the strategic task to create commercial type private farms, operating successfully in West Europe, North America and the countries with developed market economy, farms that have proved their

Table 1 Average yields received from some main crops (2001-2003 production seasons)

Crops	2001	2002	2003
Wheat	520	480	460
Forage barley	490	460	470
Corn for grain	760	730	800
Silage corn	730	700	780
Lucerne (alfalfa)	610	580	630
Fodder beet	4700	5200	3550
Peas - oats mixtures	1010	1050	980
Apples	1730	1600	1800
Wine Grapes	910	860	900
Plums	480	570	630

expedience.

The large commercial type private farm is a strictly differentiated form of managing the land and specific form of carrying out agricultural production.

The members of the family are who put their labour in these farms. The owner of the land and production resources is simultaneously a landlord, manager and worker.

CONCLUSION

Creating of such type private farms in Bulgarian agriculture is connected with several serious reforms:

The individual owners' fields now are small size and highly fragmented. It is necessary to re-allocate the land, which may become through enacting a Law of land consolidation and through developing the land market. At this stage, it would be very difficult to do re-allotment by lawful means, due the owners' psychological adjustment and social position in the Bulgarian village.

The land market is not yet developed because of the extremely low agricultural land prices notwithstanding there is a great deal of waste deserted land.

Through training and getting qualification it is necessary to form a highly skilled farmers' class in Bulgaria. For that

purpose, it must at a national level to work out programs and projects that to include a complete system of long and short-term courses and schools, as well as to provide funds necessary for their implementation; to subsidize the training of young people who will become farmers in agricultural higher educational institutions.

It is also necessary to develop the system for giving scientific and technological assistance to agricultural producers. A serious problem is providing of beneficial credits for running farming activity.

At a national level it should design, develop and pursue consistent agrarian policy directed to assisting and orientating the agricultural producers. All of that will contribute to gradually create successfully operating large-scale private farms in the country.

ACKNOWLEDGEMENTS AND REFERENCES

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