

# The Heavy Price of Belarusian Agriculture

Belarus is one of the world's top 10 butter producing countries.

However, such an achievement comes at a price – every year the agricultural sector in Belarus requires at least \$750m on average in government subsidies. This is more than the Belarusian army, police force, health care sector and education budgets all together, according to the Polskie Radio

Today, even in Belarus not many people are aware that the main share of the Belarusian agricultural sector is composed of cooperative farms or so-called agricultural enterprises.

Contemporary Belarusian cooperative farms are the legacy of the "kolkhoz" – a collective farm that formed the basis of agricultural politics in the Soviet Union for its entire existence. Belarus is the only country in the world that has retained such a system. More than 60% of such collective farms do not generate any profit.

## Belarusian agricultural renaissance

For more than 20 years, the Belarusian agricultural sector has existed in a limbo state. While current decision makers talk about the necessity of reforms, collective farms continue to function according to the pattern established during the Soviet era. Between 2001-2006, some collective farms were renamed "agricultural enterprises" but the essence of the command economy and governmental subsidies persisted.

collective farms have been renamed "agricultural enterprises" but the essence of the command economy and governmental subsidies persisted

Today, despite being called cooperatives, large scale Belarusian farms have little cooperation or local decision making powers. The workers don't see themselves as owners, but rather as hired temporary employees. Their performance quality reflects low wages. Farm management is not locally elected, but appointed from the neighboring political district. Moreover, almost none of the managers are specifically educated and the management turnover period can be as little as one year.

Critics of contemporary collective farms see such agricultural politics as old-fashioned. According to economist Mihail Zaleski, current decision makers, and Lukashenka in particular, can't seem to think outside the pattern set by the agricultural encyclopedia from the Stalin era. Industrialization of the agricultural sector remains a priority for the Belarusian government, while in Europe it is rather a result of corporatization and agricultural-industrial integration.

□the size of an average collective farm in Belarus is 100 times bigger than those in Europe

The Belarusian government currently thinks according to the motto 'the bigger, the better.' Today, the size of an average collective farm in Belarus is 100 times bigger than its European counterpart and the average size is around 22 thousand hectares. Given current scaling and management problems, it is clear that such agricultural enterprises are be unprofitable. Even enormous subsidies from the Belarusian state are not enough to assure the efficiency of such giants.

# The financial drain

Around \$43.8bn have been invested into the agricultural sector in Belarus over the last five years.

At the annual agricultural celebration "Dagynki", in 2014, Lukashenka admitted that the country invests around \$2bn into the agricultural sector yearly. At the same time, 60% of agricultural enterprises would fail without governmental support. Around 1/6 of collective farms in Belarus generate losses that are greater than the financial investments poured into them.

Despite all the investment into giant agricultural enterprises, they are suffering from a declining workforce and lack of adequate technical equipment. For example, in the collective farm of the Biaroza district in the Brest region, harvest machine drivers were only able to work every other day due to broken or unavailable equipment during the summer months.

□Salaries in the farms can be as low as 25\$ a month during the low season

Salaries in the farms can be as low as 25\$ a month during the low season, while the highest recorded salary is about 350\$ for narrow specialists in the agricultural sector. An average milkmaid in the Biaroza district works for 60\$ a month in the winter season, despite the fact that the workday starts as early as 4 am and ends late at night.

Accordingly, the number of people living in villages and working for agricultural enterprises has decreased from 29,9% to 24,9% over the last 10 years. Around 620 thousand workers have left their workplaces to seek employment elsewhere. Those who remain generally have troubles with alcohol and are not able to find a job anywhere else. To combat such a decline,

the Belarusian government has even attempted to run campaigns to attract foreign workforce, primarily from the former Soviet republics.

So where does the money go? In 2013 one hectare of agricultural land incorporated into the collective farm required \$110 of donations. At the same time, private farmers received only \$28 per hectare.

Experts think the problem lies in a lack of comprehensive privatisation processes which would allow for better, smaller scale management and more effective resource allocation. Moreover, there is another larger scale problem: the Belarusian government is reluctant to grant private land property rights and can currently revoke them at any time.

The second problem is that such agricultural enterprises have high debts. Nobody wants to acquire a farm when the cost is so much higher than theoretical profits. Today, the debt of agricultural enterprises is about 1.7 times higher than the average income they make. It would be rational to allow privatisation for a nominal cost, for example at a fixed basic amount that today equals roughly \$10.

## **The future of the Belarusian agricultural sector**

One solution attempted by the Belarusian government was to 'attach' the farms to industrial units or business enterprises. However, that also didn't work out very well: the most successful farm "Agra-Kuhtichi" curated by Belarusbank, Belarus's largest commercial bank, made only about \$90,000 in profits a year. The least successful of the three attached farms "Agra-Navatar" made only about \$9,000. Recently, the bank refused to curate any agricultural enterprises.

According to most experts, it is impossible to adapt current agricultural enterprises to a market economy. The farms have to downsize and acquire local leadership and participation investment. Economist Mihail Zaleski is sure that sooner or later privatisation will occur, but its results might be far from ideal.

In the worst-case scenario, large agricultural farms would become private property of higher level functionaries in a way reminiscent of feudalism rather than contemporary enterprise.

One of the biggest problems in the agricultural sector development today is that all decrees and decisions are taken in Minsk, far away from the land. Lack of comprehensive agricultural sector reforms is dragging the whole country's development down and does not permit proper capital accumulation.

Following the successful examples of neighbouring countries' agricultural transformations, such as Poland, Belarus could be on its way to an economic revival.

*Maryia Rusak*

---

## **Why Belarusians Refuse to Work in Agriculture**

Post-Soviet mass discourse often portrays Belarus as a country of villagers. A big deal of that comes from the image of president Lukashenka himself. He has been director of a farm in Eastern Belarus before going into high politics and is famous for his obsession with agricultural issues. This, however, did not help Belarus farming to turn into a thriving

industry.

On 28 November, Belarus parliamentarians hosted deputy prime minister Michail Rusy. He presented plans for agricultural development and voiced some major problems of the sector. It becomes evident that the absence of reforms turned agriculture into a very unattractive place work destination.

### **An Everlasting *Kalhas***

Belarus agricultural sector remains largely unreformed since Soviet times. Collective farms, or kalhas (kolkhoz in Russian), is the main production unit in agriculture. Kalhas operates as a state-owned enterprise which usually employs workers from nearby villages.

In the Soviet Union, kalhas was not only the centre of rural economy, as practically all social life of rural community revolved around it. Belarus leadership chose to preservation the Soviet rural economy and community. However, it turned absolutely unattractive for Belarusians today.

Initially Lukashenka regime was not supporting private farming and today it makes less than 2% of Belarus agricultural production. The kalhas system, on the contrary, have been considerably subsidised despite significant losses. With the decline of Belarusian economic model, traditional support of Soviet-style collective farms becomes virtually impossible.

In recent years Belarus attempted to implement some regional policies to support rural development. The government launched a number of national programmes: State Complex Program for Development of Regions, Small and Medium Urban Settlements (2007-2010) and State Program for Revival and Development of Rural Areas (2005-2010). The programmes aimed at fostering economic development and attracting workers to the countryside.

Although some sound measures were introduced, like tax reductions for firms operating in rural areas, little hope for real changes. Two decades passed since the need for transformation became evident, and the current policy tools are unable to change deeply entrenched negative trends.

### **Growing Problems of the Sector**

On 28 November, Belarus deputy prime minister Michail Rusy reported to the newly selected parliament. The subject of discussion was Belarus agricultural sector. Rusy presented ambitious plans for modernization of the sector by 2015.

Meanwhile, he admitted a number of serious problems that exist in agriculture today. Notably, he mentioned that “the problem of personnel able to implement large-scale transformations in agricultural sector has become crucial in recent years”.

Indeed, for Belarus youth agriculture seems the least desirable sector of employment. First, farming offers lowest salaries compared to other sectors of employment.

It makes only 65% of the average national salary, while in industry it averages 120%, finances – 190%, public administration – 125%, education and health – 75%. Of course, the rates depend on the economic condition of various kalhas. While richer ones (which are not a common case) can afford paying higher wages, the poor kalhas practically keep their workers in poverty. A monthly salary lower than \$200 is not rarity in Belarusian villages. People cope by managing small kitchen gardens of their own or raising a couple of pigs.

sometimes workers do not have day-offs, because they have to replace their drunk colleagues or simply because the staff is scarce

Second, most kalhas have poor managerial capacity. Soviet-style management, rudeness, contempt for initiative keeps

young graduates and specialists away from villages. Moreover, farms offer very unattractive labour conditions. For instance, sometimes workers do not have day-offs, because they have to replace their drunk colleagues or simply because the staff is scarce.

Third, rural settlements offer very poor infrastructure of culture and entertainment. Libraries with a dozen of old books present the sole element of cultural and social life. Village club serves as the only entertainment place for youth, where they can relax after a hard workday engaging in drinking and fighting. Often though, the culture exists only around the local store, where villagers buy [cheap alcoholic beverages](#) and usually consume them right on the spot.

No wonder the youth move to urban centres looking for education, employment and fun. A special policy of mandatory two-year employment in public sector for graduates does not work either. Most of them leave villages after finishing the period and often use various tricks to escape it altogether.

But the problem concerns not only the youth. As Rusy admitted, agricultural workers started to seek employment and migrate to neighbouring states, particularly to Russia.

Paradoxically, in many villages of Eastern Belarus most men work in Russia and not in the local economy. They come home for a while to see their families and provide them with money, and then head for another period of work in Russia. This mode of economy favours neither households nor Belarusian economy in general. The government, however, seems unable to resolve the problem and prefers not to raise it publicly.

### **Globalisation Pushes for Reform**

Addressing the parliament last month, Michail Rusy announced a rather ambitious goal of the program of rural development till 2015. According to it, government is planning to invest \$7.5

bn in modernization of agricultural sector till 2015.

The policy of financial support of collective farms will shift from general subsidies to loans by business-plans. Average salary in agriculture will rise to BYR 8 m (almost \$1,000) by means of rapid increase in economic effectiveness of production. Today's salary in the sector varies from \$200 to \$400 depending on profitability of klahas.

This modernization rhetoric comes from an obvious fact, which Belarus leadership tried to deter for so long. Belarus becomes more and more involved in global economy through integration projects and therefore has to engage in stronger competition. The situation turned especially nasty when Russia joined WTO this year, being in Customs Union with Belarus simultaneously. Belarus was not ready for such developments at all and now has to catch up fast.

Russia consumes more than 80% of Belarus farming production. While other Belarusian production loses traditional markets, food remains a stable due to enormous needs of Russian megalopolises. Now and then, farming products appear in the middle of trade scandals between Belarus and Russia ("milk and sugar wars" for example).

Such an export strategy advantages Belarus producers, as they export at prices several times higher than domestic market can offer. However, it is Belarus population who end up being disadvantaged, because better quality products are going abroad and what remains is sold locally.

The plans of government are costly and ambitious, officials operate with numbers and figures and promise unprecedented growth. Yet the thing is that without a complex regional policy which targets all aspects of human life people will not come to work on the land.

*Vadzim Smok*

---

# **Dazhynki Festival: Belarusian Tradition or Lukashenka's Propaganda?**

Seventy years ago, on 4 October 1942 German authorities organised Dazhynki festival in Minsk. It was the first time the festival took place in Belarus with the highest level of state support.

On 21 September 2012 Aleksandr Lukashenka was opening a Dazhynki festival in Gorki, a small town in Eastern Belarus. Dazhynki is a traditional Eastern European celebration of completion of the harvest season. The Thanksgiving Day or Harvest festivals can be regarded as Western equivalents to Belarusian Dazhynki.

But today only Belarusian authorities celebrate it with such pomp. For Lukashenka, it is not just a holiday but also an important political show.

Lukashenko uses Dazhynki to demonstrate how much he supports agriculture. Belarusian towns compete for the right to host the holiday, as Dazhynki remains the best opportunity to improve their wellbeing.

## **Huge Costs for The Budget**

State-level celebration of Dazhynki takes place in a new town every year. The state provides huge financial subsidies for urban reconstruction in the framework of the holiday. Comprehensive reparation works start a year before Dazhynki. The authorities build new roads, remove old and place new

tiles, renovate residential buildings. Thus, it is not just an honour for local officials and residents to host Dazhynki, but also an opportunity to improve the welfare of their area.

The 2012 host of the festival is Gorki. The town with the population of 34 thousand people received around \$110 mln for reconstruction. The money went mostly to refurbishment of roads and railway stations, construction of a 3D cinema and an amphitheatre.

Also, the local authorities refurbished Gotki Agricultural Academy, where Lukashenka used to study. They also built an Ice Hockey Palace, which has become an important element of Lukashenka's Belarus.

Of course, there was not enough money for a proper refurbishment for everyone. The authorities promised several town residents to repair their houses before Dazhynki. The houses looked as if they went through a war – there were holes in the floor and cracks in the walls.

The residents of the houses complained that there was an urgent need to change water pipes and sewers. The authorities really got down repairing, but they did not conduct the work they promised inside of the houses. Instead of that, the workers painted the houses from the outside, replaced the windows and cleaned the area. It was more important that the building looked nice from outside.

### **Struggle for the Right to Host Dazhynki**

Belarusian towns compete for the right to host the holiday to receive additional funding. Each year a real “war” for the right to host the festival starts among the Belarusian officials class. Traditionally, the festival takes place in small towns, but now, after the financial crisis, big cities are also trying to get funding.

Previously, government appointed Rahachou as the host of the

festival in the upcoming year. Today Rahachou remains a rather neglected town even by modest Belarusian standards. However, the Homel Regional Executive Committee was able to negotiate with Lukashenka to ensure that the following Dazhynki would be held in Homel.

Rahachou civil society activists community collected 2,500 signatures for returning the right to be Dazhynki host town. The attempts were in vain, but the authorities promised that they would fix Rahachou the following year anyway.

### **How the Regime and the Opposition Perceive Dazhynki**

Dazhynki in Belarus is not simply an agricultural festival, but also a political one. On the one hand, the Belarusian regime is trying to show how much it cares about the Belarusian village. On the other hand, independent media often mock the rural grandiosity of the event. Interestingly, both sides are right here.

Lukashenka really loves Belarusian village. As a former director of a state-owned agricultural farm, he believes that the Belarusian village can be successful and he helps it. However, Lukashenka appeared to be stuck in his own past and simply refuses to see a reform path in the agricultural sector.

Independent media notice that just pro-regime musicians sing at Dazhynki in Belarus and the main aim of the event is to promote Lukashenka. The festival itself looks more like a drunken orgy for ordinary people and has little in common with Western festivals.

This year's Dazhynki was held on September 21-23, during the parliamentary election. In order to settle the guests of the festival, the authorities decided to expel students from the dormitories for a few days.

University authorities "strongly encouraged" students to vote

on the first day of early voting and go home. The result looked amazing – 71% of voters in the area where dormitories were located voted 6 days before the primary election day.

## **The Untold Story of Failing Belarusian Agriculture**

Certainly, it is good that the authorities reconstruct cities, care about the prestige of agriculture and keep Belarusian traditional holidays. However, the grand pomp of the festival amid backwardness and poverty of Belarusian village looks out of place.

During 2001-2011 the Belarusian authorities spent \$40 billion on agriculture. Despite massive subsidies, even the subsidised Belarusian export production often remains more expensive than in Western Europe. Weak material and technical base and high energy consumption do not allow Belarusian agricultural workers to make cheap products of high quality.

Although the state may provide [free housing](#), people in villages have to struggle surviving on low salaries and [suffering from alcoholism](#). A monthly salary lower than \$190 is not rarity in Belarusian villages.

The main problem of agriculture is the lack of reforms and nearly complete dominance of state management. Today the Belarusian village has not improved much in comparison with the village of the former Soviet Union. Private investor still remains a rarity in Belarusian villages.

Rather than seriously dealing with these problems Belarusian authorities prefer to organise expensive political shows to create an appearance of wellbeing.

*Ryhor Astapenia*

---

# PM Myasnikovich Reveals Collapse of Belarusian Agriculture

In 2011, Belarus lost more than a quarter of its cows. Prime Minister Mikhail Myasnikovich, revealed this sad fact a week ago. He was bluntly exposing his country's illusory economic successes at a meeting with his colleagues. One of the core myths of Lukashenka's regime is its ability to maintain a viable agricultural sector. The truth is that the agricultural sector in Belarus is highly inefficient and barely survives only thanks to gigantic state subsidies.

The government has been trying to preserve the Soviet *kolkhoz* system of collective farming and at the same time to ensure national food security. But now, a top official in the regime has admitted that the government's Rural Revival Program implemented in recent years has been a huge failure. Despite Lukashenka's initiatives such as 'the revolution in pig farming', Belarusian agriculture currently needs not only huge subsidies but also new technologies and markets.

## **Belarusians Want to Buy Food, Not Grow it on Weekends**

'Over the [last] year we have lost 381,000 cows, or 28.7 per cent of the total,' said Myasnikovich on 31 January 2012.

Many of those cows were purchased from abroad which makes the loss particularly damaging. How could so many cows die? The main reason was simple: a poor diet.

It took the Ministry of Agriculture several days to come up with some explanation for the lost cows. Yesterday the Deputy Minister Nadziya Katkaviec announced that the cows had not 'died' but were culled to produce meat, as though this could justify the terrific scale of losses.

Belarusian agriculture has been in dire straits for decades. Even huge funds assigned by the government to support agriculture do not compensate for the perverse logic of state plans with fixed output targets. As one expert, Kanstancin Skuratovich, notes on [nmnby.eu](http://nmnby.eu), agriculture is an untrustworthy partner that threatens the whole Belarusian economy.

The authorities like to skew the statistics to make bad things look better. Some years ago, the government set the task of producing 6m tons of grain. Already at that time the experts doubted the necessity of this increase, because it would force the farms to give up production of other cash crops. As a result, the output targets and corresponding production of grain have risen each year, while the production of other commodities has fallen. In 2011, official statistics claimed that Belarus was producing a stupendous 10m tons of grain. But experts were very skeptical about the accuracy of this figure.

Agricultural production in Belarus reached its peak in 1990. Since then, the rural population has declined by more than a quarter, especially those of working age. Currently around 25 per cent of the Belarusian population lives in rural areas. This outflow reduced private production of vegetables, fruits, milk, and meat. At the same time, the urban population has increasingly renounced the old Soviet habit of producing some food for subsistence by working on their *datchas*. The urban dwellers no longer [grow their own potatoes](#) as they used to do in the past.

In a country with the largest per capita consumption of potatoes in the world, decline in potato output is a serious problem. The negative results of agricultural support for grain are becoming more egregious. Last August, Alexander Lukashenka stated that the government would provide less subsidies to agriculture than in the past. But with more [Russian subsidies](#), he could reconsider his decision.

## **Revolution in Pig Farming**

Lukashenka used to start each new campaign to revive agriculture with bombastic slogans with references to Soviet traditions. In the mid-2000s, he launched a campaign to build 'agricultural towns' throughout the country. While this involved urbanization of larger villages, it also kept agricultural wages at about 40 per cent below the national average wage. Focus on agricultural towns also left agricultural management reform untouched.

In 2004, Lukashenka ordered the sale of all bankrupt collective farms to private or state firms. He argued that added investment would revive the farms. That resulted in the coercive handover of impoverished farms to firms that support them only to avoid punishment by the state. Even the National Bank of Belarus was ordered to manage its own *kolkhoz*.

In 2009, Lukashenka publicly launched a 'revolution in pig farming' by establishing pig farms on par with the latest Danish and Dutch standards. Like most campaigns by the Belarusian regime, the undertaking ended in silent failure. Indeed, under Lukashenka, Belarus has lost 720,000 hectares of arable land – more than 10 per cent of the total available.

## **Can Belarus Export Food to the EU?**

Prime Minister Myasnikovich recently reminded the government about the tasks set by the president to export \$7bn worth of agricultural commodities by 2015. According to the Agriculture Ministry, that means that potato exports by 2015 should increase 14 times from the current level. However, the current acreage allotted to potato fields can produce only about 1m tons of market quality potatoes, just enough for the domestic market. In order to export, it needs more fields, and of course, more investment.

The same equation applies to cattle breeding and dairy products. At 70kg per capita, meat production in Belarus has

failed to return to the levels of the 1990s. That means there are few export opportunities. Export opportunities for dairy products are also limited; indeed, recent increases in dairy exports have constrained domestic supply. Of course, Belarus can also sell its rye and sugar abroad. But it has much more to import than export, like wheat, seafood, and vegetables. That means it can hardly use agricultural exports to boost the export performance of Belarus.

Belarusian agriculture, if properly managed, can feed the country and export its surpluses. The climatic conditions are no worse than in Denmark or the Netherlands. The leaders of the then newly established Belarusian Soviet Republic in the 1920s aimed to make Belarus the world's major agricultural producer alongside Switzerland or Denmark. Stalin and his successors stifled this goal and [murdered](#) its proponents. But it still has merit today.

One of the best ways to achieve this would be to open European markets to Belarusian products, including agricultural commodities. Most of them – 89 per cent – are currently exported to Russia. It could coincide with more European investment and technology transfers into Belarusian agriculture.

At the moment Belarus has negligible investments in agriculture with two of the most successful projects being implemented (somewhat ironically) by Israel and Iran. Foreign investments and new technologies could seriously boost production. Reviving agriculture, in turn, would help relieve the national economy of and cure the negative trade balance.