Continuity or not?

Family Farming and Agricultural Transformation in 20th Century Estonia

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Preface

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Food is important. Just as important, however, are discussions and good company. The lunch table may have been severely reduced, but it still functions as a melting pot for those who want to discuss just about anything. Thank you Jesper for being the defender of the table.
My appreciation further goes to all my friends within the Baltic University Programme network, and to Vladimir Vanyushyn for his kindness and help with Soviet statistics. When I began to write this thesis Anu Mai Kõll introduced me to some of her scholarly contacts. During some days in Tallinn in 1998, Jaak Valge at the Estonian National Archive and Anu Nestor at the Academy of Science Library helped me to find “butter related” files. I am grateful to you both.

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To

Monica, Lisa and Teodor
THE ATTACHED PAPERS


INTRODUCTION

Background

This thesis explores the agrarian development in 20th century Estonia and the role of family farming during three major agricultural transformations. Even though these transformations have constituted relatively lengthy processes, the most radical changes have taken place within a time-span of 10-15 years during the initial phases of the interwar independence (1918-40), the Soviet period (1940-91), and the regained independence after 1991. Owing to this long-term perspective, parts of the reasoning will take us back to the late 1850s when the national awakening was initiated, which formed the preparations for independence and integration into a capitalist economy for the agrarian dominated Russian-Baltic provinces to which present day Estonia belonged up to 1918.

The four papers forming this thesis take the departure in the situation appearing in Estonian farming as outcomes of the profound economic, political and legal alterations that characterise the post-Soviet transformation process. In order to fully understand this process of far-reaching institutional and structural change, this thesis argues that it is necessary to apply a comparative and historical perspective, which takes into account the impact of legacies from the different periods. The pervasive forces of the economic, political and legal changes, carried out in the 20th century have depended on the specific preconditions that existed at the time of the radical shifts. In spite of some similarities, each transformation therefore has its own distinctive traits. The agricultural transformations carried out in the post-Soviet states and in East-Central Europe since 1991 are examples of this. Palpable changes in the institutional framework, due to legislation and political shifts, and the structural effects on property and ownership relations as well as on agricultural production in general, thereby become important to consider. Two visible structural changes occurring in Estonia between 1992 and 2002 were the decrease in agricultural production and export. The share of agriculture in GDP fell during this ten-year period more than three times and agricultural exports decreased threefold.¹

The thesis will consequently use the notion transformation instead of transition since the former term is more suitable for a long-term historical approach and also takes into consideration the uncertain character of profound societal changes such as the one imbedded in post-Soviet development. One such change is agricultural transformation, which is based on extensive alterations in the agrarian property relations, production structures, as well as in the associated processing facilities and services. This is a visible pattern in Estonia’s 20th century development.

A keyword for the post-socialist agricultural transformation is decollectivisation, which comprises the conversion or dissolution of Soviet-style kolkhozes and sovkhozes and the transfer of land to individually operated farms through restitution. In Estonia, restitution implies a repossession of the land and property that was nationalised and expropriated in conjunction with Soviet annexation in 1940. This

re-privatisation of land and farmsteads into the hands of legitimate owners has, in
East-Central Europe been denoted “the myth of reversible history”, referring to
the assumption that “forty-five years of communism were a kind of black hole”
that could be filled with something different.2

Besides the several societal changes affecting the agrarian property relations in
20th century Estonia, the radical and decisive shifts have also affected markets,
trade and economic integration. Since the end of the First World War, Estonia has
been quickly thrown between different economic-political systems and legal
environments. From the perspective of the small state’s dependence on trade and
reliance on a few markets, the upheavals in the early 1920s, after World War II, and
not least the fall of the Soviet Union, Estonia’s long-term economic development
has been significantly affected.

A specific long-term issue in Estonia concerns the role of family farming and
its survival throughout the Soviet period. The tens of thousands small-scale farms
that have been recreated after 1991 constitute a kind of peculiar feature. Restitution
is based on the property relations that existed in 1939, when 140 000 family
holdings possessed on average around 24 ha of land each. More than 1/3 of these
farms had less than 10 ha of land, and thus a large share of the farms under
restitution belonged to this category. In 1994, more than 90 percent of the
farmland was rented out on short-term basis. Restitution was lined with legal
impediments, not least numerous compensation issues, since much land could not
be restored with the same interwar boundaries.3 The peculiarity was, however, not
restitution in itself. Restitution aimed at a repossession of previously expropriated
property, and thus the process was in line with the political ambitions of erasing
Soviet legacies and to establish historical justice.4 However, restitution tended to be
an isolated legal issue, associated values that were different from those of the
‘extreme’ liberal economic principles ruling most other areas of the post-Soviet
transformation policies. While political compliance was shown to the uniform
policies supplied by international advisors from the IMF, the World Bank and the
EU, there was no coherent agricultural policy formulated until the end of the
1990s.

Since 1991, Estonia has applied an extremely liberal trade policy, which
opened the country to an inflow of highly subsidised imports of foodstuffs from
European Union surplus production.5 The peculiarity is that this was done in a time
when Estonia’s Eastern markets almost vanished and the import regulations

2 Fowkes (1999), p. 119 refers to a quotation by Conte, E, & Giordano, E., “Sentiers de la ruralité
5 In contrast to Latvia and Lithuania or Poland, Estonia did not use any protective measures
between 1991 and 2000. Free imports of foodstuffs gave a direct impact from the changes in
world market prices on milk, meat vegetables and grain. The custom duties imposed in 2000 only
had a marginal effect since it concerned countries that were outside the EU and not had signed a
applied by the EU hindered a corresponding Estonian food export. Most recreated farms have thereby been reduced into pure subsistence units. Estonia’s post-Soviet agricultural transformation is a glaring contrast to the otherwise highly emphasised principles of economic efficiency and market orientation in the contemporary political discussions. However, the question is whether there were any alternatives available to restitution in 1991. As a response to this question, a historical perspective can at least offer the experiences of previous – although not identical – transformations during periods of profound and quick shifts. Due to the role of legacies, patterns of both continuity and discontinuity can therefore be found, which help to structure the analysis of this long-term and comparative study.

Outline of the thesis
In this introduction of the thesis, the background perspectives in four papers are systematized. Each paper constitutes both a freestanding study as well as a piece of the larger picture. The introduction embracing the thesis will thus synthesise and discuss the major findings of the papers and analyse less elucidated perspectives in order to form a more coherent picture of the complex relations appearing in the post-Soviet agricultural transformation process.

The first paper compares the development and performance of the interwar land reforms in Estonia, Finland and Bulgaria. The second paper explores the roots and development trends of the Estonian agricultural co-operative association in relation to the Nordic countries, Bulgaria, and the other two Baltic States. The third paper focuses on the development of Estonia’s interwar agricultural export performance, in particular that of butter exports, and how these exports were affected by the worldwide depression in the 1930s and understood in contemporary Sweden. Finally, the fourth paper explores the role of private plots and subsistence holdings, with the ambition to link the small-scale farming ideals of the interwar period with the outcomes of restitution in the post-Soviet transformation. If these four papers were compressed into one major conclusive sentence this would be:

Despite the fundamentally different ideological and economic-political doctrines that have directed the agricultural transformations in 20th century Estonia, perceptions of agricultural land in symbolic terms, rural lifestyle and small-scale agriculture as the ideal model for production have been preserved even though both producers’ co-operative associations and export markets were impossible to restore after the societal changes brought forward by the large-scale and centralised ambitions of the Soviet planned economy.

Thus, in the light of regained Estonian independence, the symbolic role of land and land ownership seem to have been more important than purely economic efficiency aspects. In order to support the analysis presented at the end of this thesis, the Appendix sketches a set of figures, which places Estonia’s long-term relations in terms of agricultural production and markets in a 20th century European context.
Estonian agriculture in history and research

In Estonian historiography, land and peasant agriculture are well-known themes. The policy of restitution applied during the post-socialist transformation process, outcomes of decollectivisation, and property changes can only be understood in the light of previous transformations and societal upheavals. In the major historical works on Estonia and the Baltic States, peasants’ life, agrarian property and production issues such as the manor system, land reforms or collectivisation are often treated in association with the societal changes taking place under different rules. From an agricultural perspective, Kahk & Tarvel (1997), mainly pay attention to the conditions from the medieval period through to the 1940s. Raun (1991) focuses especially on the societal development from the national awakening in the second half of the 1800s on, up to the 1990s. von Rauch (1995) has a similar outline but uses a comparative Baltic State perspective. The approach of Misiunas & Taagepera (1993), is somewhat different, since they focus on the socio-political changes in the Baltic States during the years of dependence, the Soviet period. Here, however, the ambition is specifically to present an overview of sources with agrarian focus, which can serve as an introduction to this study.

In a modern overview, Kuddo (1996) has clarified the role of land and rural values in post-Soviet Estonia. He has explained the choice of restitution and the complications brought forward by this reestablishment of historical justice and “payment of suffering from the past.”

“Rural life represents more than just a sector of the economy and a place to live for thousands of people. In Estonia and in many other societies, the rural lifestyle is traditionally considered as the foundation of national identity, of culture, of tradition, and even of language.”

A unique long-term synthesis, which contributes to the understanding of these relations - the Estonian peasants’ apprehensions of various societal processes from the early 1800s to the 1990s - is Abrahams & Kahk (1994). Abrahams (1996 and 2002) further elucidates comparative aspects on both the post-socialist agrarian development Estonia as in several parts of East-Central Europe, not least aspects on family farming. A major comprehensive study, based on interviews, focusing on the process of decollectivisation in a kolkhoz in southern Estonia, is Alanen et al. (2001). This study gives in dept understanding of the complexity of decollectivisation in a micro perspective and also provides insights into the strategic

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6 Kuddo, p. 167.
issues surrounding decollectivisation.\textsuperscript{8} In the appendix chapter, the designer of the Farm law of 1989, Tamm (2001) describes the work leading to the re-establishment of private farming and private property. This gives a good overview of the eventful years of agrarian changes in conjunction with regained independence until 1996, but it also makes a contrast to the study by Alanen et.al.\textsuperscript{9}

A valuable long-term perspective on the agrarian development in Estonia and the interwar agricultural transformation is Kõll (1994), who focuses on the background and implementation of the interwar land reform, the growth of agricultural co-operative associations and export orientation. This study covers the essential characteristics of the peasant development after the national awakening in the late 1850s. In Kõll & Valge (1998), the interwar perspective is maintained while the analysis explores economic policies, industrial development and economic nationalism. In a recent publication, Kõll (2003) has elucidated the initial Soviet period and the persecution of Kulaks that preceded the forced collectivisation and deportations in 1949.\textsuperscript{10}

A relatively extensive article applying a long-term perspective on the rural changes in Estonia after 1991 is Unwin (1997). He focuses on the restructuring of post-Soviet farming and its relation to the interwar property relations. Written at a time when the situation in agriculture was most insecure and restitution had slowed down, Unwin particularly emphasises the lack of a rural policy and rural development strategies in the post-1991 development.\textsuperscript{11}

Based on the theme of ‘Baltic States’, the Swedish Royal academy of Agriculture and Forestry published an edited volume, André (1999), which presents an overview of long-term agricultural development, but mainly concentrates on the development after 1991 and e.g. the significant legal changes.\textsuperscript{12}

A number of Swedish doctoral dissertations in the agricultural sciences and social geography, published in the last few years also deserve mention. Hellström (2002) explores changes in the agricultural landscape on the island of Hiiumaa 1850-2000. Her study shows the impact of several agricultural reforms as reflections of the altered institutional framework, different regimes and their central policies from the second half of the 19\textsuperscript{th} century to today.\textsuperscript{13}

In her dissertation, Hedin (2003) has studied the restitution process and land ownership in the former Swedish settlement areas of Estonia after 1991. Her thesis, based on inquiries, shows a difference between the conception of land among

\textsuperscript{8} In this sociological study, where interviews constitute a large share of the sources, the different opinions and internal struggles that appeared in conjunction with the reconstruction of Estonian agriculture after 1991 are described. The study also includes a good overview of the impact of different agricultural policies applied since the 1940s. However, the economic relations are weakly explained in favour of the actors’ behaviour and apprehensions of the post-Soviet changes. Alanen et.al. (2001).


\textsuperscript{11} Unwin (1997), pp. 103-104.


\textsuperscript{13} Hellström (2002), p. 13.
those living abroad and those remaining in Estonia. The former group had a symbolic and experience-rational view on the land use while those still living in Estonia tried to preserve a use value in spite of the gloomy market. Properties near the coast were also more demanded for restitution since these had an alternative potential for future use. Another recent dissertation, Grubbström (2003), also focusing on the Swedish settlement areas of Estonia, but studying the initial agrarian reforms from the formal abolishment of serfdom in 1816 up to the end of the first republic 1939. Her perspective is mainly directed towards the survival of Estonian-Swedes as an ethnic group during these more than 100 years and how they were affected by the first land sales up to the interwar land reform as compared to ethnic Estonians

### Objective and delimitations

The objective of this thesis is to analyse Estonia’s long-term agricultural development in the 20th century, with specific emphasis on three transformations and the influences on the post-communist development in the 1990s. Based on the four papers, which form the basis for this thesis, family farming and small-scale production makes a common theme. This is visible throughout the 20th century, not least in the post-Soviet development after Estonia regained independence in 1991.

In a long-term perspective the thesis therefore explores the effects from previous institutional and structural changes, specifically alterations in the property relations and the production structure. The different studies concern the previous role of family farming, the organisation of associated agricultural activities, and the long-term reorientation of markets. In the final part of this introduction the implications from the 20th century transformations on the post-Soviet agricultural transformation process are analysed in terms of continuity and discontinuity patterns. Three major areas deserve specific elucidation:

- **Perceptions of markets and the role of agricultural production**
- **Changes in the agrarian property relations**
- **Organisation of agricultural production and the role of agricultural co-operation**

However, in analytical terms, these areas cannot be fully separated due to the intertwined character of market and property relations as well as organisation of production. Furthermore, it is beyond the reach of this thesis to fully describe the historical development of non-agrarian relations in 20th century Estonia. The focus is on the specific issues that are essential for exploring the outcomes of the post-Soviet transformation and family farming in a long-term perspective. Although the four different papers are closely linked, both chronologically and thematically, they are each focused on their respective objectives. Therefore, this introduction provides an additional dimension to the different studies and presents a synthesis.

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of the long-term explanations to Estonia’s agricultural development and transformations in the 20th century.

A basic overview of the structure of the thesis is presented in Figure 1, which shows how the analytical part of the introduction embraces the four papers by focusing on the relations described in the three boxes, which are compatible with the three major areas that were specified in the objective above. Below the three boxes, condensed descriptions of the content and timeframe of each article are presented. It can be said here that the theme of the fourth paper, the private plots and subsistence holdings, is the one that connects the first three papers and legitimises the approach of the long-term analysis in the introduction.

Figure 1. Overview of the thesis

CONTINUITY OR NOT?

PERCEPTIONS OF MARKETS AND THE ROLE OF AGRICULTURAL PRODUCTION

CHANGES IN THE AGRARIAN PROPERTY RELATIONS

ORGANISATION OF AGRICULTURAL PRODUCTION AND CD-OPERATION

Paper 1.
Land reform as a means for creating social stability and viable Family Farms
(Late 1800s to 1939).

Paper 2.
The rise and fall of a co-operative movement: a comparative perspective
(1860s-1940s).

Paper 3.
Agricultural export performance: the small state perspective
(1918-39).

Paper 4.
Private plots and subsistence holdings in Estonia since the 1940s
(1940s-2004).
Method

A Comparative Perspective

All four papers forming this thesis apply a long-term comparative perspective in which different institutional and structural patterns are analysed. The essential topic for all studies is Estonia, which as a country comprises most characteristics of the general post-socialist development. Due to annexation in 1940, Estonia is also a post-Soviet state and thereby carries both the interwar experiences of statehood as well as the experiences of being an integral part of the Soviet Union for almost fifty years, a pattern shared with Latvia and Lithuania. After independence in 1918, the three Baltic States were confronted with a similar set of problems. This was also the case after independence was regained in 1991, when the three states shared the problems of adjusting to a new international environment, the search for renewed relations in trade, and not least the profound reorganisations of property relations, which have been major issues in the previous 20th century transformations.

This thesis acknowledges the fact that the Baltic State concept has a tendency to sometimes obscure more than it explains. As a concept, the Baltic States can from time to time fit into a general East-Central European context, depending on how we define the area. Foremost, however, the Baltic States fit the denotation former planned economies, which will be used when referring to the group of countries that were subjugated to the Soviet system. In spite of the fact that the Baltic States share the historical fate of being part of the same processes in the 20th century and the fact that many similarities exist in terms of geographical reach and population size, the endeavour here has been to avoid a focus totally devoted to a Baltic State perspective.

The notion Baltic States often tends to overshadow the huge differences that exist between the three countries in terms of language, culture and ethnic composition. Furthermore, there are several distinctive features in their 20th century development, which have influenced the directions taken after 1991. Lithuania is the only one out of the three that experienced statehood prior to 1918. In economic-political terms, the Baltic States have also applied different policies and have been oriented towards different markets. In fact, the economic links between Estonia, Latvia and Lithuania were insignificant at the time of the regained independence. Estonia’s linguistic closeness to Finland has also meant a strong Nordic orientation since 1991, which to some extent was the case in the 1920s and 30s as well. Beside their “similar parameters”, as Ruutsso (2002) has denoted the

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16 The former planned economies here include East and Central Europe, the Balkan countries, and the Post-Soviet states. In this categorisation Estonia, Latvia and Lithuania can fit into East or Central Europe due to their interwar independence, geographical location, historical connections, and cultural characteristics. However, fifty years as Soviet republics and two hundred years as Tsarist provinces prior to 1918 have also influenced the development.

shared historical destiny, the Baltic States “perceive their countries as being quite
different, and use also historical argumentation to support this vision”.18

To what extent the Baltic States’ interwar independence, previous historical
links and clear-cut internal linguistic differences matter, remains an open question.
It may, however, illustrate the problems of generalisations such as “Eastern
Europe”. We therefore need to address attention to the comparative perspective as
such.

According to Skocpol & Somers (1980) the comparative method has three
different and distinct logics: macro causal analysis, parallel demonstration of theory and
contrast of contexts.19 Here, it is the contrast of contexts that is considered to bring
forward the most interesting results since it focuses on the uniqueness of the
particular cases. Contrasts are as important as similarities, since they can reveal
patterns of more unexpected character as both unique and common features,
which help to formulate new questions.

The comparisons in this thesis concern both different periods and different
countries. This is, on the one hand, due to the various characters of the
transformation processes associated with different rules, and on the other hand the
specific preconditions that have been present in each transforming society at the
time for the quick economic and political changes. Various country specific
comparisons are foremost elucidated in the first three papers, in which the interwar
period is in focus. In the fourth paper, however, the comparative perspective is
more applied on the different periods from the late 1940s up to the present. Even
though some comparisons are made with other former Soviet republics, Estonia’s
agricultural development within the framework of the Soviet system and after the
regained independence in 1991 is the main focus.

The comparative cases are to be found either in Northern Europe or within
the area, which the League of Nations expert in the 1930s denoted the agrarian
reform-zone,20 stretching from Finland in the north to Greece in the south. Hence,
instead of applying a general Baltic comparison the nearby Nordic countries,
Bulgaria and Soviet-Russia have been chosen as suitable comparative cases for the
different studies. Needless to say, the Baltic States perspective cannot be fully
avoided due to the three states’ shared historical destiny and geography.
Nonetheless, by focusing the comparisons on other countries rather than on Latvia
and Lithuania, the long-term agricultural co-operative development, issues related
with land reforms, and competition in agricultural export, can be understood from
different angles. The relative differences, between Sweden, Finland, Estonia and
Bulgaria, in economic development during the interwar period or the different co-
operative build-up from the late 1800s, are factors that can be discussed from such
comparisons. It is also fruitful to contrast Estonia’s position and integration in the

20 This zone included Finland, Estonia, Latvia, Lithuania, Poland, Czechoslovakia, Hungary,
European economy as a newly independent state and agricultural exporter in the 1920s and 30s with the situation appearing after 1991.

As is shown in the appendix, which aims at supporting the concluding analysis, the long-term and comparative perspective can also elucidate the contrasting features of Estonia’s agricultural market relations from the 1920s onward. By moving from the position and influence of the interwar state and the agricultural co-operative associations via the different economic and political reforms or setbacks that characterised the Estonian Soviet Socialist Republic from the 1940s up to the Gorbachev era, it is possible to see the different agricultural transformation processes as contrasting periods. In the late 1980s this meant the start for a new process because of the different institutions in relation to the interwar independence. This is the basis of a discussion in terms of continuity and discontinuity, which can displace previous established points of views and apprehensions of the international relations that the country faced, either as an independent interwar state, as a Soviet republic or as the re-independent republic from 1991. Concepts as dependence and interdependence facilitate to structure such an analysis.

Sources
This thesis is based both on primary and secondary sources and interviews. The Swedish primary sources are collected from the Swedish National Archive (Riksarkivet), Statistics Sweden (SCB), the Swedish Co-operative Union’s Library and Archive (KF arkiv och bibliotek). The primary sources used from outside Sweden are collected from The Estonian National Archive (Eesti riigiarhiiv), Academy of Science, Statistical Office Estonia and European Union statistics (Eurostat). In addition, parts of the statistics are collected from on-line data published by Statistical Office Estonia and Eurostat.

Specific ideas have also been discussed with both Estonian and non-Estonian scholars in order to test the relevance of certain issues, not least those elucidated in the fourth paper and in this introduction. In addition, the vast numbers of studies, produced by the last ten years of profound research, derived from both Swedish and Estonian archives as well as field studies have provided to new sources of both qualitative as well as of quantitative character. As far as the quantitative data are concerned, the use of Soviet statistics has been limited. This is due to problems associated with compilations when using the different data for which there are weak compatibility. Furthermore, reliability and validity is questionable and the frequent lacunae deserve specific expertise, which lies beyond the reach of this thesis. These issues are discussed further in the fourth paper.

Interviews for this thesis
During my first visit to Estonia in 1996, I met with six farmers representing five households in order to interview them and exchange ideas. The aim was to get a
basic understanding of the situation in contemporary Estonian agricultural production and to see how the independent farmers — five years after independence — had adjusted to the new situation. An advisor to the Tartu Farmers’ Union made the selection for my pilot interviews, which all took place in Tartu County. The interviewees are hereafter, denoted as informers. In retrospect, the basic structure of my thesis was very much formed by the outcomes of the first interviews and the supplementary trips in the Estonian countryside. Despite some slight alterations due to the development in agriculture, scholarly publications and the need for delimitations, the major outline of the thesis has remained. However, it is only in the fourth paper that oral sources have been explicitly used, even though many of the talks I had with different scholars and peasants during my journeys indirectly have contributed and helped to structure the other studies.

In 2001 and 2004 I returned specifically for interview purposes. Four out of the five households were still available. I used a set of basic questions through which several issues, concerning agricultural production in the past and at present were narrowed down and we thus continued where we left in 1996, with focus on the long-term changes both from the perspective of apprehensions of agricultural policies as well as the material/mechanic progress. All informers were — with one exception — former kolkhoz members or sovkhoz employees. Four out of the five were also still active in farming. In one case, the ownership of the farm has shifted from mother to son, but both still live on the farmstead and participate in daily work. My interviews therefore concerned two generations in one of the four households. As far as the sample is concerned, it is important to stress that the interviews cannot represent more than the six voices heard. No in depth interviews were conducted and no tape recorder was used. In this sense the method was to be compared to a snowball: previous interviews gave incentives for new discussions, which were based on a simple sheet of questions and from the general issues a specific discussion took on in each case. My interviews thereby formed additional sources that elucidated the period from the 1950s onward. This is usually referred to as oral history, a method, which has been questioned for a number of reasons.

A note on oral history
Any sources used in academic work, written or oral, need to be scrutinized and questioned. With regards to oral sources, there has been discussed among scholars what these sources actually represent, to what extent they can be used and for what purposes. An additional issue is also how oral history is created. For this reason, since one of the studies forming this thesis is partly based on oral sources, these issues need to be methodologically discussed.

21 Jaanika Ilves selected the farmers and interpreted during interviews in 1996. Interpreters in 2001 and 2004 were Kristian Nilsson and Evald Mikkel.
22 For a far more advanced study based on ‘snowball sampling’, see Alanen et al. (2001), pp. 4-6.
23 A good overview of this discussion, the development of oral history and issues related to reliability and representation, is Thor (2001), pp. 325-344, and Thor & Hansson (2003).
An issue, which, according to Thor (2001), seems to have been less discussed, is the relation that is created between the scholar and the informer. Thor asks how both subjects, the informer and the scholar, are affected by the moment when they meet and how the final result is formed by this moment. She denotes this as “the inbuilt ambivalence” of oral history caused by on the one hand, what the historian hears (the oral sources) and, on the other hand, how the historian uses these words when writing the text.24

Following Thompson (1998), both the objectives of oral history and its outcomes can be misused. It can be “a means for transforming both the content and the purpose of history”.25 This is of course, far from the ambition of this thesis. My interviews have aimed for additional insights in specific issues. Still, the question of the objective of history has a specific relevance in the post-Soviet or post-socialist context. I would probably have met severe difficulties in collecting the same information in the early 1960s or 70s as that I gathered just a few years ago. Twenty or thirty years back my questions would have been different too. To speak freely is easy nowadays in comparison with the 1960s! On the other hand, due to the fact that human memories tend to be short-term and selective, the relevance and completeness of the given picture must be discussed.

In her studies of stories from the Gulag camps, Sherbakova (1998) discusses the problems of memories. “For the Soviet regime, memory itself was intrinsically a serious threat. The entire history of the past, and above all of the revolution and the civil war was rewritten and mythologized”.26 On the other hand, she continues, all the memories of repression may also be due to the all the reminiscences brought back by media, “as if the past was always known and remembered”.27 Thus we must be aware of the role of time and context, knowing that the specific environment always offers certain answers that are dependent upon how freely people can speak or how they remember the past. In other words, did they have any means to help remember specific events and to what extent are people’s memories in fact selective?

Here, oral history is seen as a useful complement to the written sources, since it allows for supplementing the long-term transformation issues with the insights and perspectives revealed by those specifically affected by the policy shifts. It is however – in this thesis - hard to see oral sources as something more than supplementary information. When the informers told me about the different apprehensions of the development in Soviet farming and the role of private plots in Soviet agriculture, they however, elucidated several issues that I would hardly have reached otherwise. This makes oral history methodologically and scientifically meaningful. In fact, my informers pointed out interesting phenomena and referred to specific events that I was able to explore further – and thereby also find points of agreement with - in written sources. Hence, both the statements of my

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informers and studies performed closer in time to the events we discussed strengthened my arguments. Thereby some of the problems with oral history, either as collective or selective memories - or as constructions were avoided.

When an informer told me something specific, which I could relate to stories told by others or to literature, I asked him or her for clarification. One such example was an interview in 2001 when T.H. described the obscure boundaries between kolkhoz farmland and the private plots and the impacts this had on the food production system in the Estonian Soviet republic. He said that people just did not want to see their former land being diminished, especially when they still lived on the same farmstead as before. This perception seems to have been most influential and also distinguished the Estonian republic - and possibly the Latvian and Lithuanian too - from other parts of the Soviet Union.28 Similar opinions were revealed in at least two other interviews after I raised the issue on how they perceived the boundaries between private plots and kolkhoz land. In this regard the interviews had a snowball effect. One interview gave input for the focus of the second and so on. Thus it is interesting to note that even though not all of my informers had the same insights in all issues I wanted to discuss, they showed - using their micro perspective on, e.g. production on private plots – a rather good concordance with several previous studies of Soviet agriculture. Later, I was in fact able to find statements, similar to those from my informers, in other studies.29

THE TRANSFORMATION CONTEXT

Today, it is not controversial to claim that the post-socialist transformation processes are long-term and in many cases – in spite of profound achievements - far from concluded. Besides the historical, cultural, and linguistic divergences that are present in the transforming societies, they also represent a wide variety in terms of population size, and geographical reach, not to mention the differences in their natural resource bases and economic development. Still, the euphoria in conjunction with the fall of communist regimes seemed to reduce the influences of these nation specific factors.30

29 One example is an interview with C.L. in February 2004. She claimed that the size of the kolkhoz members’ private plots in Estonia was never reduced in conjunction with Khrushchev’s policies in the late 1950s, as it was supposed to be. Another example was the conversion of her kolkhoz into sovkhoz in 1970. This should have meant a reduction in the size of the private plot – at least by half – but this did not happen. Support for this can be found in Wädekin (1983), p. 314.
30 Transformation depends on a number of factors highly connected with institutional legacies, but also ethnic issues and geo-politics. Each post-socialist society has faced - and still face - a set of both general and unique problems. The scale of changes in the transformation process are so unique, so many and simultaneous, not least “the destruction of an existing economic system in coordination with the construction of a new one.” Murell (1991), pp. 3-4.
When transformation issues are discussed it is natural, firstly, to consider the big differences between the former planned economic system and the one that is supposed to develop as a result of economic, political and legal changes in the post-socialist years. However, there are historical aspects, which need to be analysed in order to fully understand the full scope of the changes that took place in the aftermath of the eventful years 1989-91. From the perspective of agriculture, this e.g. implies that the institutional and structural changes carried through in the interwar period were influenced by the conditions that preceded independence.

The achievements made between 1918 and 1940 further affected how people adjusted to the Soviet policies after annexation in 1940. In a similar fashion, the long Soviet period up to 1991 fostered specific behaviours, and adaptations to the planned economic realities, which must be taken into consideration, when the post-Soviet development is analysed. The role and influences of different legacies on the post-socialist societies, not least the experiences from previous reforms, are here considered as crucial. From the perspective of agriculture, this implies that the institutional and structural changes carried through in the interwar period were influenced by the conditions that preceded independence.

Transformation or transition
Prior to 1989/91, there were several examples of attempts to introduce market-oriented reforms in the former planned economies. In the Soviet Union Khrushchev put more emphasis on pricing reforms after 1958, and in Hungary, minor property and pricing reforms started in the late 1960s. More salient reforms, however, had to wait until the late 1980s when Gorbachev’s policies in fact spurred the introduction of market related transactions. Still, these reforms were limited by explicit legal hindrances, such as property restrictions, until the one-party system broke down and the post-socialist transformation - also denoted transition - process, took on.

After the victory of the Polish Solidarity movement in the elections of 1989, and the fall of the Berlin Wall, the path for a future prosperous development based on a swift transition seemed to be set. But within a few years – in conjunction with the regained Baltic independence and the dissolution of the Soviet Union - the

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31 The nomenklatura was the political elite approved by the Communist party.
32 In this regard Poland may be an exception due to the constant Political battle after 1980. In the other parts of East-Central Europe and the former Soviet Union the opposition was quite effectively silenced. See Fowkes (1999), p.12.
33 Goldman (1995), pp. 179-180
etymological distinction between transformation and transition and the associated policies formed the basis of an intense scholarly debate. Advocates of a ‘swift’ transition, in favour of the big-bang approach or chock therapy strategy, had formed the policy recommendations given after 1989. The recipe was a uniform strategy, a blueprint for transition. While those referring to transformation claimed the unknown end of such a reconstruction process, the transition economists had their goals set: macro-economic stabilisation, mass privatisation and price liberalisation. But these measures needed to be legitimised in societies where most institutions associated with market-economy, democracy, and rule of law were absent. In this group advisors from the International Monetary Foundation (IMF) and the International Bank for Reconstruction and Development (IBRD) together with several distinguished Harvard scholars participated.

However, the blueprint was also questioned. Fisher & Gelb (1991) meant: “Because the reform process is both complex and intertwined with political factors — especially the shift towards representative democracy — and because there are substantial differences among the reforming countries, no single detailed roadmap can guide the way to the new systems.” Stark (1992) described the failure of the socialist system as due to the belief in ‘grand design’ of a similar kind as the one proposed by advocates of a quick transition. When most international advisors proposing a smooth transition lacked general knowledge on the specific history of the respective planned economies, apprehensions that there was a kind of an institutional void to be filled was spread instead of understanding that the ruins of communism - in each specific case - constituted the ground for the new system.

The transition approach has therefore, according to Teichova (2000), implied that the magnitude and complexity of the post-communist changes have been oversimplified. In her opinion the post-socialist transformation process is one of systemic character, similar – yet not identical - to the one carried through when the Soviet system was spread into East-Central Europe after World War II.

A major aspect, which was less discussed in the years 1989-91, was that of the structural effects - of the policy recommendations supplied by many foreign advisors - on specific sectors of the former planned economies. The large agricultural sectors constituted one such specific area.

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34 The radical structural reforms partly rested on empirical results from economic stabilisation programs in Latin America, which were merged with historical analogies and catchphrases. In this regard there were obvious differences between proponents of the application of a blueprint, versus those in favour of a gradualist approach claiming the uniqueness of, not only the post-socialist development, but even the role of the specific preconditions and existing impediments in each planned economy. A more thorough insight in the transition proposition is given by Åslund (1992), pp. 24-39 and for the opposite strategy see Gerner, et.al. (1995), pp. 207-215. For a set of Catch Phrases that have been used, see Wedel (2001), pp. 21-22.


38 See Teichova (2000), pp. 4-5.
Agriculture and transformation

During the first post-Soviet years, social scientists paid little attention to the complexity associated with agricultural transformation issues. A majority of the early, so-called transition studies concentrated on privatisation policies and strategies, macro-economic stabilisation and the impact of alterations of the legal and political environment in the former planned economies. The role of agriculture in this process was often given marginal attention. Nonetheless, in his recommendations for a radical shift, one of the most well known advocates of the big-bang approach Åslund (1992), warned that an overly hasty privatisation of Soviet style agriculture, would create rural unemployment and pressures on urban areas. He even feared that subsistence farming would replace the large-scale units since export of foodstuffs from the East would meet the highly protective West-European markets.

An early study, discussing the structural problems associated with the dissolution of Soviet-style farming, was Brooks et.al. (1991), which showed that agricultural production in the stylised East European economy in the late 1980s employed roughly 25 percent of the workforce and contributed to 20 percent of GDP. Due to the absence of property rights, distorted retail food markets, the poor incentives for work, and high costs of production, they concluded that: “agricultural transition is an essential part of the stabilization and adjustment in East and Central Europe because agricultural sectors are large and food is important”. But these circumstances could from the outset make the former planned economies appear quite similar.

Regional surveys such as the often-quoted study by van Arkadie & Karlsson (1992), not only pinpointed the economic implications of political independence in the three Baltic States but also elucidated a set of general and specific problems associated with the transformation process. In the Baltic States case a major problem was e.g. to withhold functional relations in trade with the former Soviet Union, both for the access to agricultural inputs as well as export markets while simultaneously carrying through property reforms and decollectivisation.

If the transition or transformation debate is somewhat outdated nowadays, the last ten years of research concerning agricultural transformation in the former

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39 Nørgaard actually discusses historical aspects on the Baltic agricultural sectors. See Nørgaard et.al. (1996), pp. 134-139. A good overview on the post-Soviet macro-economic development and the transition to market economy in the Baltic States, but with limited attention given to agricultural transformation issues, is Haavisto (1997).

40 Even though this was not more than marginal reasoning, his views were quite exceptional for the first generation of transition literature. See Åslund (1992), p. 78.


42 Van Arkadie & Karlson (1992), pp. 3-4 & 293-94.
planned economies have been different. Numerous publications are available as results of various research projects among agricultural economists, economic historians, historians, sociologists, and anthropologists. Several anthologies based on the works of well-known scholars both in the east and west, have included comparative studies and country specific orientations since the mid 1990s.

There seems to have been a general shift in scholarly opinions on the post-socialist agricultural transformation. Judging from the development in agriculture compared to the respective economies as a whole, the performance of the reorganised farming systems were in general lagging far behind. The specific OECD overview of Estonian agriculture (1996) is a good example of a publication in which the problems of post-Soviet agriculture - as macro-economic reform, restitution, decollectivisation, and market outlook – are merged with more long-term institutional perspectives.

The World Bank report by Csaki and Nash (1998) further pinpointed the complexity of agricultural transformation in the comparisons between East-Central Europe and the Former Soviet Union. Large differences were shown in terms of the progress of reforms, but a general conclusion was that the process was said to be “considerably more complicated and complex than originally expected and results of the reform process to date have only achieved a part of those original expectations.” The status of agricultural reform was measured in six categories with scores from 1 to 10. Estonia was the leader in price and market liberalisation (10), one of the two leaders when the institutional framework was measured (9), and in terms of rural financing somewhere in the mid section (7). However, Estonia was the weakest in terms of land reform and restitution in comparison with East-Central Europe and Latvia and Lithuania (6). In the same comparison only Romania was weaker than the Baltic States in terms of agro-processing & input supply (7). This illustrates that some areas of the agricultural transformation were advancing much more rapidly than others. Not surprisingly, the most far-reaching transformations in all countries including the former Soviet Union republics had taken place in the price and market area, which was the major focus of attention in the transition recipe. Thus, while Estonia was fourth - after Hungary, Slovenia and Czech Republic - Latvia and Lithuania had succeeded better with land reform issues. The explanation is that the post-socialist agricultural transformations carried through were based on different strategies for decollectivisation and re-privatisation. Thus, the outcomes have been different. But this difference in

44 See e.g. Part I, which draws attention to how the development after the 1940s has affected Estonian agriculture. Review of Agricultural Policies – Estonia (1996), pp. 33-60.
outcomes is also due to the preconditions in each specific case and, as has been empirically observed: “Important changes in agricultural reform policies during transition are closely related to political changes”.47

In a study based on extensive fieldwork, Wegren (1998) analyses the Russian agrarian reforms after the collapse of the USSR and the role of the state. Here the previous Soviet reforms and agricultural policies are thoroughly studied. He also discusses continuities from the past when he, for instance, shows how difficult it was for the Russian kolkhoz members after 1992 to become independent farmers when the bureaucratic and hierarchic structures were able to obstruct the plans of potential independent farmers.48 Wegren shows that several failures in rural Russia in the 1990s were due to state mismanagement, such as the poorly designed reforms. The makers of the reforms and the advisors from the West had further totally misunderstood the relationships that they were supposed to change. The reform legislation deliberately created a “limited income potential” and the emphasis on egalitarianism was essential. However, as Wegren shows, the agrarian reforms and legislation were supposed to solve a number of economic shortcomings, but when the reforms were implemented, they turned into become political issues.49 Wegren continues: “Emphasis on egalitarianism and collectivism in the rural sector predated the Soviet period”. “Thus in a broader context reform behaviour must be understood as resulting from continuities in political culture on the part of those who govern and those who are governed.”50

If we combine this discussion with the general ‘transition’ debate, reform policies cannot be isolated from the fact that history matters. Fowkes (1999) has explained that the communist system as a starting point can easily be understood. However, the end point, based on capitalism, and free market fully governed by democratic institutions, is an ideal type; not least since the Western system, which the former planned economies are entering, is not static but rather in a state of changes.51 This illustrates how the post-Soviet transformation processes affect not only the former planned economic societies. Implicitly it also bring to the fore the need for new and functional external contacts and relationship, as it did after World War I and II when radical political shifts cut-off e.g. existing relations in trade and exchanges but also created new solutions and new forms of integration.

We need to take into account that the political relationships in the transforming societies reflect a wide range of economic expectations, hopes present among policy-makers as well as among different groups of the citizen. Since the large-scale Soviet agriculture, based on kolkhozes and sovkhozes, were integrated units, which functioned more as local municipalities, it is reasonable to assume that rural citizens in the peripheral parts of Estonia have experienced severe

48 Although the comparison is not made, this is reminiscent of the peasants’ problems of leaving the Russian ‘mir’ before the Stolypin reforms 1906-11. Wegren, (1998), p. 150.
49 Wegren (1998), pp. 228-231
51 Fowkes (1999), pp. 3-4.
disadvantages after 1991 when this kind of infrastructure and associated services broke down as outcomes of decollectivisation.52

INSTITUTIONAL CHANGE AND PROPERTY RIGHTS

Property rights and land related activities

Agricultural transformation creates far-reaching effects on the agrarian property relations and the associated production activities. When changes concerning the ownership of agricultural land are analysed, the notion of property rights is therefore essential. Property rights also constitute a huge research area, characterised by profound scientific debate between scholars representing different disciplines and schools of economic thought.53 The intention here is not to contribute to this debate, but rather to discuss relevant aspects of property rights that enhance the understanding of issues related to the agricultural transformation context.

Property rights function as an instrument of society. This is a fundamental institution, which includes consent from fellowmen as well as “convey the right to benefit or harm one-self or others”. Harm can entail the owner of a piece of land producing more or better products than a competitor.54 It is, however, necessary to make clear what the different rights entail. Property rights do not presuppose a system based on private property. Rather they constitute a bundle of rights, stretching from access or use rights to ownership rights to a specific resource, but most importantly, they legitimise the relationship between the person/persons who dispose a resource and those affected by this use. Property rights are therefore dependent on the specific context in which they are exercised. This implies that both time and space determine the significance of the notion.55

As far as land is concerned, property rights thus range from restricted use rights, lease-holding agreements through to exclusive ownership rights, which are legally codified in laws, documents and customs. In this regard the 1920s was a period of upheavals. If property rights can be seen as an instrument of the society the peasants constituted a social force. In her vast study of the interwar land reforms in East-Central Europe, Warriner (1939) stated that: “The post-war land reforms greatly strengthened the peasants everywhere, transforming large numbers of labourers into owners, even in Rumania, creating an independent peasantry.”56 In the previous parts of empires where these land reforms took place, ownership rights therefore contributed to major changes of the property relations.

The Estonian land reform of 1919-26 - in contrast to the slow property changes after 1850s – entailed a radical change in the ownership structure through

53 A discussion of this debate can be found in Granér (2002), pp. 17ff.
55 See the historical overview presented in Widgren ed. (1995), where the unifying theme of all chapters concerns the long-term changes and implications of different property rights to land related issues.
56 Warriner (1939), p. 25.
the expropriation of, not only Baltic-German estates, but in fact all land. The redistribution that followed, was from 1926, onwards, crowned by full ownership rights. In this sense the pre-independent tenant peasants and landless, took control of one of the most valuable resources Estonia possessed. Ownership rights also constituted the basis for both mortgage loans and land transfers. It further gave incentives for long-term improvements such as land amelioration and pipe draining. The division of land among peasants thus constituted the fundament for continuing institutional changes as co-operative growth and the build-up of relevant supportive structures.\textsuperscript{57}

When Estonia was annexed in 1940, private ownership of land was immediately abolished through nationalisation. In the Soviet Union, two forms of ownership relations were applied. One was \textit{socialist ownership} and the other was \textit{personal ownership}. A household could keep personal belongings such as the necessary tools and things needed for production on the private plots. All assets and productive resources were, on the other hand, state property.\textsuperscript{58} The absence of private property rights to land turned the property relations concerning the private plots into a specific semi-private environment. Operative management of land was handed over to the plotholder from the State, i.e. property could be used but with specific restrictions. There were thus no open rights for the plotholder. Land could not be sold, except for sanctioned transfers of users right within the household. Still, the system allowed for exclusion, as long as cultivation was based on single management, since the plotholder was also in charge of the income derived from the plot. From a production perspective, a two-sided control system was applied based on \textit{external} and \textit{internal control}. The former depended on how the specific institutional environment restricted the plotholder and his relations with other actors. The latter referred to the plot holder’s own investments in land, such as fences, fertilizer for improving the soil quality or other types of inputs.\textsuperscript{59}

A major problem associated with restitution of land and assets after 1991 is the fact that many assets cannot be recreated in their former shape since they have simply vanished. This concerns both land and buildings. Different types of maintenance – or the lack of maintenance – also turn restitution into a kind of lottery or a process characterised by numerous compensation issues.\textsuperscript{60} The post-Soviet agricultural transformation in Estonia must therefore be understood in the context of the aspirations to restore the property relations that existed at the time for Soviet annexation in 1940. The numerous small-scale family farms appearing after 1991, which to a large extent resemble the previous property relations, are thereby the result of recreated property rights. It is therefore impossible to examine the post-socialist agricultural transformation in isolation from the general transformation process, since it is the outcome of explicit rules associated with legal

change. This indicates the need of a historical, comparative, and institutional approach.

**Institutional change**

According to North (1990), “institutions are the rules of the game” or the “humanly devised constraints” that form the incentive structure of societies and economies. Institutions reduce uncertainty by providing structure to daily life. Institutions consist of formal constraints such as laws, constitutions, and codified rules and informal constraints, such as customs, norms, values and sanctions. Although institutions reduce uncertainty and give structure to the interplay of organisations, less appropriate or effective institutions can exist. Throughout history rapid formal institutional changes have been made, but these have met a slow process of adaptation, in the informal constraints, which are sluggish by nature.

The incentive structure that can be derived from the institutional settings imposes restrictions on organisational policies and goals. Organisations can be seen as outcomes of the formal and informal institutional restrictions. They will reflect the opportunities provided by the institutional setting and have specific goals, which can be altered from time to time. Thus it is relevant to see the build-up of organisations as a way of coping with the institutional environment and searching for a particular strategy in order to respond to the demands from its constituents. In the long run, organisational changes become expressions for different pressures. This contributes to institutional change and the formation of new organisations. If organisations can use the opportunities within a society and introduce new settings they become successful, perhaps by forming a network. Institutions may thus reduce transaction costs, but not necessarily for all participants. A strong organised network can even raise transaction costs since any exchange is dependent on adequate and sufficient information. Whether an individual organisation or actor can find gains from an altered institutional framework will depend on the available information, which is never complete.

The role of institutions within a specific national context can, according to Whitley (1994), be divided into two different categories: *social background institutions* and *proximate institutions*. While the former permeates all economic activity, through the reproduction of specific cultural patterns, they also indirectly affect the latter. The proximate institutions are more related to the functioning of the market and

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61 North (1990), p. 3
62 North (1990), pp. 3-5.
63 North (1990), pp. 6-7.
64 There are various interpretations of transaction costs; however, in this context it is necessary to treat transaction costs as a part of the total cost for production. It takes resources to define and enforce exchange agreements and therefore transaction costs can be seen as a critical determinant of economic performance. See North (1990), p. 98.
are shaped by policies, aiming at delivering dynamism to the gap left by, e.g., cultural heritage.\textsuperscript{66} Still, it is reasonable to assume interdependence between these two institutions since they interact and contribute to both stability and change within a specific political system. In this regard the perspectives of both North and Whitley can thus be merged.

The state is an important unit in the analysis. Here, it is seen as the decisive force in concluding international agreements and treaties and thus creating the formal institutional restrictions. The state thereby constitutes the platform, where different organisations or actors meet. In general, it is possible to see the state as a single unit as regards its influence. However, from time to time it is reasonable to assume that there will be different opinions and agendas delivered by various ministries e.g. in charge of foreign affairs or agricultural policies. Therefore we need to let parts of the competing interests be elucidated as a struggle between organisations on different levels. This reasoning can also be seen in the appendix, in the figure describing the interwar relations, where the diminishing influence of the co-operative associations in Estonia during the 1930s was due to the increased state control after the depression. Likewise, the Soviet period implied that Moscow took over the role of the previous Estonian government. What was left was a minimum of influence, but the less rigid policies under Khrushchev gave back some space for influence to the Estonian republic.

While the Estonian state was more of a single unit during the interwar independence, the relationship were thus more complicated after 1940 due to the loss of independence and subjugation to the Soviet Federation. Moscow was thereby forming the formal restrictions, but the Estonian Soviet Government occasionally had the opportunity to have a relatively large influence, and this must be taken into account. In a wider perspective, still referring to the figure in the appendix, the surrounding world has changed tremendously since Estonia’s first period of independence 1918-40, not least with regard to trade and the rules set up within the framework of international organisations.

The formal restrictions are, e.g. the rules of the game set up on a national level during the different periods by the different governments. These governments will meet international organisations such as the Soviet-led CMEA trade network, GATT or the EU. Likewise, the informal restrictions are the specific culture or codes of conduct that are present within different institutional settings. This implies that previous experiences are influencing specific perspectives and behaviour among the actors. Each period may therefore carry on specific patterns that are due to the previous institutional setting.

Looking back on the last decade of post-socialist transformation reveals that it has had a deep impact on all aspects of society in the former planned economies. From a structural point of view it has affected ownership and production, which in turn are outcomes of the introduction of institutional changes such as property and privatisation reforms. All this also necessitated the build-up of new relations in

trade. From the horizon of institutional change transformation has meant a total upheaval in the economic, political and legal fields. Each of the quick shifts has, in North's terms altered the rules of the game and brought forward changes among the associated organisations. This is illustrated further in the appendix.

In the profound reorganisation of agricultural production taking place during the various transformations, the build-up of relevant institutions has been decisive for the performances of the different farm units. Any producer has needed to adapt to various institutional settings, both on a national as well as on an international level. This is obvious when comparing the quick formal changes since the interwar independence up to today. Each of these transformations has been circumvented by different conditions for participating in the international community, such as trade, and has offered specific opportunities.

ORGANISATION OF AGRICULTURAL PRODUCTION AND MARKETS BEFORE 1991
Scrutinising the long-term agricultural development shows how intertwined e.g. the changes in the agrarian property relations and in structure of production have been with the general transformation process, both during the interwar period as well as in the post-Soviet years. After the national awakening in the late 1850s perceptions of individual ownership to land, linked with the idea of ‘land to the cultivator’ became a key issues. The symbolism surrounding agricultural land and small family based production realised during the interwar independence explain the aversion shown towards large-scale Soviet style agriculture.67

Agricultural production in Estonia deviated from the general Soviet-Russian context due to different institutional legacies. While the interwar period in Soviet-Russia was characterised by revolution, Civil War, nationalisation, forced collectivisation and the introduction of a command economy, national independence in the Baltic States in 1918 led to profound economic and political changes in a different direction. The radical Estonian land reform (1919-26) ended, as in the case of Latvia, the long subjugation to Baltic-German landlords and through expropriation of the baronial estates a class of peasant proprietors were created, which prior to the Soviet annexation numbered around 140 000.68

The peasant family farms, averaging 24 ha per unit, provided the basis for the successful producers’ co-operative associations in the 1920s and 30s. State support for the co-operative organised export of butter and meat, enhanced successful marketing in Western Europe until the worldwide economic depression and the authoritarian political development began. Co-operative growth and export orientation were however, stimulated in the late 1800s due to the increasing demand in the St. Petersburg area. The interwar co-operative growth did not have a corresponding demand to rely on. Trade with Soviet-Russia was aggravated by the

68 See paper No. 1.
revolutionary development and, not least, the planned Soviet economy. Instead, it was the joint forces of the government, the co-operative associations, and the peasants themselves that formed the basis for the export orientation: “a supply-push strong enough to give them a foot-hold in the markets of Western Europe.”

Two incommensurable systems

Soviet annexation in 1940, forced Estonia into a different system of trade. Through nationalisation of land, followed by forced collectivisation and full subjugation to the planned economic production, the conditions for agricultural production became totally different. So did also the conditions for trade. In the aftermath of the Soviet Union refusal to ratify the Bretton-Woods accords and the decision not to join the IMF in 1946, and the Marshall Aid Program 1948-51, two incommensurable forms of integration developed. While the installation of Soviet friendly regimes in Eastern Europe created an expanded sphere of Soviet influence, the U.S. strategy of containment aimed at keeping Soviet influence within the borders of Eastern Europe and preserving the role of U.S. influence in European and World affairs. In the foundation of the CMEA (Council for Mutual Economic Assistance) the Soviet Union had a major role in terms of co-ordination of economic planning and foreign trade.

State involvement was a precondition for the Soviet planned economy, and if a rapid increase in agricultural production was one of the most immediate concerns among governments in Post-War Europe, the Soviet Union was on the same track. But while Western Europe’s agricultural productivity development was rising due to relatively higher investments in mechanisation, and already returned to the pre-war levels around 1949/50, Soviet agricultural production did not increase as fast as

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71 If the foundation of NATO in 1949 and the Warsaw Pact in 1955 were signs of sustained military confrontation the development towards the EC and CMEA became the economic corresponding force. The Treaty of Rome followed a step-wise process from the Marshall Aid, through its administrative body the OEEC and the foundation of the CSCE in 1951, in 1957. The East European economic integration was initiated after the Soviet Union had forced the satellite states to decline the offer of taking part in the Marshall Aid Programme and after the installation of Soviet friendly regimes 1945-48. In this sense the Berlin Crisis (1948-49) and the division of Germany constituted a watershed for the East-West relations. Both the Polish and Czechoslovak governments had to reverse their plans since they already had accepted the invitation of the Marshall plan. See van Ham (1995), p. 24.
72 CMEA: The Council for Mutual Economic Assistance was established in 1949, but activated foremost after 1955. The aim was to coordinate and promote trade and to fulfil a similar role in Eastern Europe as the Marshall Aid did in the West after the Soviet denial for Eastern Europe to take part in the relief and aid program launched by the US government in 1948. Initial members of the CMEA were the Soviet Union, Poland, Hungary, Czechoslovakia, Bulgaria and Romania. Albania joined in 1949, DDR in 1950. van Ham (1995) pp. 35-38.
industrial production. A European trend was in fact that agricultural production grew faster than industry production until 1959.\footnote{Tracy (1989), pp. 217-18 and Wegren (1998), p. 36.}

In post-war Western Europe, various national regulations have been in force affecting the production and trade of foodstuffs, not least the CAP (Common Agricultural Policy) after 1957. Even though the Soviet Union and CMEA-sphere represented a different form of integration, based on co-ordination of economic planning and production, and a high degree of barter trade, features of planning have evidently been present in West European development as well. The main difference, besides the involuntary association of the CMEA, was the overall planning, which meant a centralised and state-directed transfer of resources and inputs between various activities, and the absence of a convertible currency. For the Soviet republics and CMEA states this created a specific dependence on the transfer of Soviet resources and raw materials, which was exchanged with manufactured goods on a bilateral basis.

Even though the CMEA sphere, from the 1970s onward, searched for increased international cooperation, the economic conditions created by bilateralism, and the Soviet mode of production, hindered this openness. In this regard there was no economic correspondence to the aspirations on political and ideological internationalisation.

**Problems of dissolving Soviet agriculture**

Forced into the planned economic production system, Estonia nonetheless, became the top agricultural producer of the Soviet Union from the early 1960s. However, the republic became totally dependent on federal inputs and marketing. In the stagnation period, from the late 1960s, increased agricultural investment helped to maintain this position. From the late 1970s and throughout the 1980s the rural areas attracted more people both because of the need of labour and the better conditions for living. The Estonian kolkhoz leaders were able to use federal investment, not only for agricultural purposes but also for the construction of – in a Soviet perspective - attractive housing. However, throughout the 1980s, the access to larger private plots also encouraged households to settle down in rural areas.\footnote{See paper No. 4.}

Due to the inbuilt problems of large-scale Soviet farming, and not least the distorted relative prices, the changes that appeared in conjunction with *perestroika* and *glasnost* in the late 1980s, helped to spread the myth of the profitability of small-scale production.\footnote{Tamm (2001), p. 411.} But as it turned out, it was impossible for the small-scale semi-private farms or private plots to continue to operate without the surrounding planned economy as a major supplier and market. After independence the whole agricultural infrastructure system broke down.
Successful decollectivisation needs to be combined with measures that facilitate production.\textsuperscript{76} If the aspired or intended farm structure is one of small-scale family farms, this requires backup from an institutional infrastructure, which can supply necessary means for production, e.g. in the form of producers’ co-operative associations that can enable the small-scale producers to make use of the advantages of scale. However, to restore what was built up in the 1920s has proved far more complicated than initially anticipated. A major problem with restitution is, e.g. that many kolkhozes and sovkhozes were integrated production units, not suitable for division into freestanding shares. To divide assets belonging to large-scale farm units is hard. When this is performed in association with the reconstruction of obsolete property structures - as in the case of Estonia – it shows that the post-Soviet agricultural transformation has been guided by political and ideological motives rather than economically efficiency criteria.\textsuperscript{77}

Many rural people had great expectations in the late 1980s, when the first reforms allowed for private farmers to begin on kolkhoz and sovkhoz land. However, these farmers were often not the original owners, which in the post-1991 development have led to numerous compensation disputes.\textsuperscript{78} Furthermore, the restitution process starting from 1991 was not co-ordinated with decollectivisation. Restitution was a nationally directed legal process, while decollectivisation was to be conducted on a local level. Thereby a situation appeared after 1991, where the big tractors, harvesters and combines ended up as the possessions of small-scale farmers for whom the cost of fuel and spare parts exceeded the net incomes from their land.\textsuperscript{79} Under conditions characterised by quick shifts, the division of agricultural real capital as land, machinery, cattle, and buildings is thus not easily solved.

In 1989, 330 kolkhozes and sovkhozes, averaging more than 3000 ha per unit formed the basis for Estonia’s agricultural production, which from a marketing perspective relied on the Soviet demand. Independence in 1991 followed by the currency reform in 1992, however, quickly altered these relations.\textsuperscript{80} Estonia also met a different European system than the one they were forced to leave in 1940. This was especially palpable in agricultural trade. Protectionist policies had been applied all over Europe due to the depression in the 1930s, but it was still possible to access national markets by concluding bilateral agreements. After the dissolution of the Soviet-bloc there was no corresponding route of access to the European Union’s markets for non-members. Bilateral agreements had to be concluded, foremost with East-Central European countries or with other former Soviet republics that had achieved independence, and these states were producers of similar products.

\textsuperscript{76} Rabinowicz & Swinnen (1997), pp. 3-4.
\textsuperscript{77} Rabinowicz (1996), pp. 20-23 & 144-45.
\textsuperscript{78} Kuddo (1996), p162.
\textsuperscript{80} See paper No. 4.
Estonia’s choice of strategy in the 1990s has deviated from that of most other former planned economies in the sense that a very liberal trade regime has been applied. On the one hand this has lead to substantial foreign direct investment in industrial production, but on the other hand this has done nothing to agricultural production. Most post-Communist countries have in fact applied a certain amount of protective measures due to the relative size of - and dependence on - agricultural production. In addition, if the transformation of the agricultural production system had been guided by principles associated with efficient production units, the recreation of obsolete property relations through restitution would have needed support from policies that facilitated both land transfers, and the build-up of refinement and marketing. However, in Estonia the trend was for many years the opposite. These issues will be further discussed in the concluding analysis.

Table 1. Operating and non-operating holdings in Estonia 1991-2001

<table>
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<tr>
<td>-5</td>
<td>164</td>
<td>576</td>
<td>659</td>
<td>818</td>
<td>1634</td>
<td>3490</td>
<td>2901</td>
<td>4941</td>
<td>6269</td>
<td>8798</td>
<td>10790</td>
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<tr>
<td>5.1-10.0</td>
<td>244</td>
<td>894</td>
<td>1040</td>
<td>1298</td>
<td>1827</td>
<td>2898</td>
<td>3644</td>
<td>5865</td>
<td>7147</td>
<td>8980</td>
<td>11078</td>
</tr>
<tr>
<td>10.1-20.0</td>
<td>581</td>
<td>1881</td>
<td>2269</td>
<td>2823</td>
<td>3750</td>
<td>5272</td>
<td>6364</td>
<td>9545</td>
<td>11446</td>
<td>13744</td>
<td>16161</td>
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<tr>
<td>20.1-30.0</td>
<td>539</td>
<td>1499</td>
<td>1804</td>
<td>2191</td>
<td>2721</td>
<td>3574</td>
<td>4299</td>
<td>6216</td>
<td>7247</td>
<td>8474</td>
<td>9707</td>
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<td>30.1-50.0</td>
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<td>1511</td>
<td>1811</td>
<td>2090</td>
<td>2488</td>
<td>3175</td>
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<td>6380</td>
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<tr>
<td>50.1-100.0</td>
<td>213</td>
<td>631</td>
<td>784</td>
<td>879</td>
<td>1027</td>
<td>1273</td>
<td>1574</td>
<td>2347</td>
<td>2677</td>
<td>3152</td>
<td>3742</td>
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<tr>
<td>100.1-</td>
<td>17</td>
<td>17</td>
<td>45</td>
<td>54</td>
<td>66</td>
<td>85</td>
<td>140</td>
<td>238</td>
<td>280</td>
<td>360</td>
<td>526</td>
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<td>2339</td>
<td>7009</td>
<td>8412</td>
<td>10153</td>
<td>13513</td>
<td>19767</td>
<td>22722</td>
<td>34671</td>
<td>41446</td>
<td>51081</td>
<td>60895</td>
</tr>
</tbody>
</table>

Source: Statistical Office Estonia

Table 1 and Figure 2, are based on the same data and support each other since the table gives the absolute figures of the operating and non-operation farm holdings. Figure 2, shows how the relative distribution of land has changed between 1991 and 2001. In table 2, however, farms possessing more than 100 ha cannot be distinguished since they only constituted between 0.6 and 0.9 percent during the ten-year period. The number of farms possessing less than 10 ha of land increased throughout the period, except for a slight reduction in relation to other farm sizes in the years 1996 to 1997. Most remarkable, however, is the almost fourfold increase in the numbers of farms possessing less than 10 ha, i.e. subsistence holdings, after 1996.

There is also a quantitative factor to consider. During the first years after 1991, restitution was a slow process and the market situation did not encourage land transfers. After 1996, however, the government increased the efforts on concluding more restitution and compensation cases. For some time these measures led to an increase in the numbers of farms possessing more than 5 ha, but also since the relatively better market outlook spurred land transfers. People in
possession of smaller units thus sold their land on to larger farms, foremost around 1996 to 1997. This was at the time when there were hopes for a recovery of the Russian market. However, between 1997 and 2001 the smallest farms – as a group - increased again from 2 901 to 10 790. Farms between 5-10 ha increased from 3 644 to 11 078 in the same period. This was due to both new concluded restitution cases as well as less sales because of the gloomy market outlook after the Russian financial crisis.

Figure 2. Relative distribution of operating and non-operating holdings in Estonia 1991-2001

Source: Statistical Office Estonia

CONTINUITY AND DISCONTINUITY
Perestroika and glasnost, in the second half of the 1980s, led to important institutional and structural changes, which have had a specific impact on the post-socialist agricultural transformation process in Estonia. The basis for these changes, were to be found in on the one hand, the deficient performance of Soviet agriculture, and, on the other hand, the experiences from production on private plots and reorganisation of farm work towards family based units. The brigade-contract system was first introduced on a very limited scale during the reign of Jurij Andropov, in 1982, but was closely observed by Michail Gorbachev (the chief of agriculture in the Central Committee) who brought these ideas further on.81 The agricultural reforms, which grew out of these ideas, started in the Baltic-Soviet republics and by 1987-88 the first reform farms were created. Up to independence roughly 2000 reform farms were established. Private property was, however,

inconsistent with Soviet law. After independence in 1991 decollectivisation was therefore initiated.

In the years 1987-91 several patterns can be found that may be considered as important from the perspective of continuity and discontinuity. At first, the changes began in a time of unrest, characterised by a search for alternatives. Secondly, reforms had been a constant theme in Soviet politics, but most of them failed, since they were not always approved by the most influential within the Communist Party. Finally, because of the mix-up of different legacies and perceptions, in the aftermath of the eased conditions after Brezhnev’s death and introduction of perestroika, the internal Soviet development was marked by contradictions. All this fostered specific behaviour, which presumably influenced the choices made in conjunction with the regained Estonian independence.

From the perspective of agricultural transformation these patterns of continuity and discontinuity will be analysed in three major sections, which however are not fully separated. In order to support this discussion, the appendix can explain the important features of the development by using a set of figures, which places Estonia’s long-term relations in terms of agricultural production and markets in a 20th century European context. From the appendix it is possible to see the shift and specific types of relations that developed from the period of first independence. In terms of continuity and discontinuity it is interesting to discuss this development from the viewpoints of the peasants, agricultural production, the Estonian state and the international community.

Changes in the agrarian property relations
As far as the property relations are considered, the tremendous growth of small-scale farm holdings in re-independent Estonia after 1991 represents continuity with the interwar family farms. Restitution has recreated a farm structure, which at least up to around 2001 was comparable to the interwar structure. While the interwar peasants obtained property rights in 1926, the same process is not fully concluded in post-Soviet Estonia due to several related factors. One reason is due to the mix-up between Soviet law and present law. The reform farmers 1988-91 obtained eternal leases to their land, which later was claimed by the legal owners that used restitution after 1991 as a means to get back their property.

This survival of small-scale farming is not solely explained by the fact that the official policies have been directed towards erasing Soviet legacies by means of restitution. The Soviet period also provided a shelter for small-scale farm activities in the form of private plots, which became both a substitute for the loss of private farming after nationalisation as well as a transmitter of the interwar family farming ideals. This is an obvious pattern of continuity. As it was explained by Abrahams, (1994), the experiences from the work on private plots helped: “in an important way to keep people ready for the re-emergence of private farming and, as their
hectarage increased during the late 1980s, they diverted labour and commitment away from the collective sector”.82

If we take this development into the context of the setbacks due to Soviet annexation in 1940, which was followed by land reform (maximum restrictions) increased taxes in 1947, deportations and forced collectivisation 1948-50,83 the aversion to large-scale farming can be understood and merged with the perceptions of the 19th century.

It is also possible to see a gradual development of property rights due to the specific autonomous development under the reign of Khrushchev, which was followed by Brezhnev’s justification of private plots. This is indicated in the appendix by the smaller USSR banner covering the Estonian Soviet republic. Against the decrees from Moscow, Estonia also withheld the size of private plots even when kolkhozes merged into sovkhozes. This in fact prepared for a development that deviated from the other Soviet policies on centralisation, specialisation and concentration that characterised the Brezhnev era. When private homes, instead of high blockhouses, were built in the countryside in the 1980s, this meant that more people would in the future have the possibility to have houses attached to agricultural land.

The continuity pattern here is therefore represented both by the survival of the family farm as a production unit, in spite of the Soviet system’s aspiration on large-scale production, and by the gradual – but rather informal - adjustments in property rights that allowed for preservation of family farming ideals even within the planned economy. These ideals were preserved on the private plots for many years but transmitted into the pre-independence reform holdings that preceded restitution, and then maintained as subsistence holdings and small farms.

Organisation of agricultural production and agricultural co-operation
One palpable feature of present-day Estonia is the absence of a resurrected co-operative movement. The co-operative idea has been distorted by Soviet connotations, such as the co-operation within kolkhozes, which embedded few of the principles associated with the co-operative ideals. This can illustrate a specific transformation problem implying that the Soviet period’s strong emphasis on collective principles instead led to strong feelings and perceptions of individualism, even before 1991, since the final years led to expanded production on private plots. In contrast, there was a profound growth of co-operative associations in the 1920s, which also must be seen in relation to the economic integration needed in many new nations that had been parts of the dissolved empires.84

The adjustment to the demands from consumers in Europe needed a reorganisation of both agricultural production and its related upstream and downstream industries.\textsuperscript{85} Up to the worldwide economic crisis in the late 1920s Estonian producers succeeded through specialisation and commercialisation of export production, based on the strong triangular relationship between the Estonian agricultural co-operative associations, the government and the family farmers.\textsuperscript{86}

In a long-term perspective, there was some continuity between the first independence and the Soviet period since both systems - though using totally different methods - supplied the farms, small-scale or large-scale, with an institutional structure for processing, refinement and services. In the 1920s and 30s, the strong co-operative producers' associations and state support and credits were available. After the loss of both national independence as well as the loss of independence for the co-operative associations, the Soviet structure supplied the kolkhozes and sovkhozes - even the private plots - with similar services.

A major discontinuity in the post-Soviet development is therefore the loss of co-operative ideals, which partly can be explained by the fact that even if the Soviet system supplied inputs and services for the agricultural sector, the production on private plots went into a different individualistic direction. People became used to taking the car to the market and spending hours selling their produce. The family became a production unit, which used the common resources from the kolkhoz but chose to marketing on an individual basis, which generated more money than other types of work due to the distortion in pricing between input and output prices. From this perspective it can be explained why the resurrected farmers in the 1990s complained about the reduced returns. Cheap imported products were available, while fuel, fertilizers and seed had to be bought with hard currency. In this environment, subsistence producers grew rapidly in numbers. Land was not even possible to sell due to a lack of legal documents, and marketing was aggravated by low demand, cheap imports, and double Russian tariffs on Estonian goods.

The pattern of continuity is here illustrated by the individualistic attitudes in production that were evidently present in the interwar period as well as after 1991. But in the 1920s and 30s individualism was merged with the necessity to co-operate in refinement, purchases and sales, since the surrounding markets were impossible to conquer without the support of a strong organisation. The 1930s, however, slowly turned the co-operative organisations into the hands of the state, which was responsible for the bilateral agreements. A similar case was the Soviet period, which offered more 'secure' markets. There were no alternatives to plan fulfilment, but this could also partly be managed through individual efforts on the private plots, which gave better return for the household, when the produce was sold on the kolkhoz markets. Thus peasants learned for many years that small-scale production

\textsuperscript{85} Upstream industries here refer to the manufacturers and suppliers of inputs, e.g. seed, fertilizers, machinery, etc. The downstream industries are, e.g. dairies and slaughter houses that process and market milk and meat products.

\textsuperscript{86} See Paper No. 1.
was efficient, not least in the 1980s when the demand was huge and foreign competition was absent. What can be regarded as discontinuity is therefore probably the fact that peasant’s in the 1920s had to adjust because they were producing in a highly competitive environment. In the 1930s, markets were shrinking and they were forced to adjust to state control of export production, while the force used by the Soviet system from 1940 onward did not – in spite of collectivisation – contribute to a change of attitudes, such as support for co-operation in Soviet terms. Kolkhoz members and even sovkhoz workers rather chose to leave the co-operative idea, since the system supplied incentives for – although limited - individualism.

**Perceptions of markets and the role of agricultural production**

It is striking that in some aspects, the last ten years of the interwar period have more in common with the Soviet period than the Post-Soviet development. This is obvious from the perspective of trade and state involvement in export, particularly agricultural export, not to mention the reach of the State in general. Even in international terms, due to trade regulations, this seems to represent more continuity. The international environment that appeared after 1989/91 thereby represents more of discontinuity due to the fall of the Berlin Wall and the dissolution of the Soviet Union and CMEA. Ironically, these new institutional preconditions came almost simultaneously with the deepening European integration, which again meant new institutional arrangements, not least as far as agricultural production and agricultural trade were concerned. See appendix.

The Estonian government realised in the early 1920s that an industrial recovery was impossible, due to the break with Russia. But then the co-operative organised export production of meat and butter showed alternatives. The role of the State was crucial from the first day of independence and state involvement was nothing new. But the first 12-14 years of independence was a rather short interlude when liberal economic principles seemed to fit.

Estonia’s preconditions for trade became less favourable from the late 1920s due to the increased dependence on bilateral agreements and specific markets that developed. This led to centralisation and an increased role of the state in organising and controlling the export sector and by means of import-substitution trying to overcome the loss of market shares. For the Estonian peasant producers, which had searched and strived for integration with the West, and to overcome a developmental gap after 1918, Estonia’s relative position had been positive since the Baltic provinces were the most industrialised parts of the Tsarist Empire.

As in other parts of East and Western Europe, the Depression created widespread discontent. The previous Tsarist system had been both centralised and led by a strong executive power and as early as in the late 1920s, when the first signs of the Depression appeared, state involvement in the economy increased due to the many indebted co-operative and private enterprises and the aggravated conditions of trade. The Estonian state became a strong executive power in
comparison with the many weak coalitions, which up to 1933 had left office, foremost due to internal struggles. One major outcome, besides the increased state involvement, was that the Depression fostered new bilateral relations in trade.87

Under the period of authoritarian rule in 1934-38 the economy was organised along corporative principles with profound state supervision in all sectors of production, not least the export sector. The productive forces were subjected to profound governmental control for the purpose of the national welfare.88 Another example of this was the agriculturally dominated Bulgaria, which in the first years of the 1920s was the most obvious case where the corporatist ideology was put forward based on rural/agrarian values.89

Up to the depression, the conditions for trade were from the Estonian perspective relatively interdependent. However, state intervention and a turn towards dependence - through bilateral agreements in a time of shrinking markets - altered these conditions in the 1930s. The Soviet annexation in 1940 thereafter rapidly forced Estonia to become fully integrated with - and dependent on - the Soviet market, which after 1945 expanded further in East-Central Europe. Estonia was thus subjugated to the All-union division of labour and forced collectivisation in the late 1940s totally transformed the agricultural production system and its related activities. From the mid 1950s on, the expansion of agricultural production and markets was therefore totally led by, and dependent on, Soviet demands through the CMEA. With the altered opportunities that came after the end of the Cold War and the fall of the Soviet Union, the step-wise integration of former planned economies in WTO and, not least, the enlargement process of the European Union, a different kind of dependence has appeared. This can be seen from the perspective of altered rules of the game.

With the introduction of a planned economy in the 1940s and the reorientation of trade towards the Soviet Union, Estonia had therefore already experienced state-led export orientation and dependence on few markets. The lack of multilateral agreements in the 1930s and the neo-mercantilist tendencies visible in e.g. export preemies, pointed to autarchic solutions. The Soviet system of trade and production, within the CMEA-sphere was in fact very much directed towards similar principles on economic nationalism and a wish to become independent of the existing world market by pooling the productive resources within the CMEA.

In the early 1990s, however the European markets were not as open as in the early 1920s. Furthermore, the short-term period available for adjustment among the former planned economies since 1991 can be compared to the corresponding development in Western Europe after 1950. The EU member states have used various protective means for the development of their welfare states and not least, different protective measures for their agricultural sectors. The harsh and relatively successful macro economic adaptation, which Estonia has carried out since

88 See Kõll & Valge (1998), pp. 56ff
89 Bell (1977), pp. 59-61.
independence has however, not resulted in equal performances in all sectors of the economy. The agricultural development is therefore to a large extent dependent upon the future market conditions and quotas within the EU. From the Estonian point of view, the weakened role of the state since the late 1980s and the corresponding increased dependence on the international environment, especially the EU, constitutes an important change. Especially after independence in 1991 this pattern is deviating from the first ten years of interwar independence. While the Estonian state has step-wise diminished its influence in agricultural issues the impact of the EU has therefore expanded.

The development since 1987 is illustrative. Through independence and currency-reform the whole market situation was changed since the previously cheap Russian farm inputs were to be paid for in hard currency. Total agricultural production therefore underwent a steep decline of around 50 percent between 1989 and 1994. After 1995, the export of Estonian foodstuffs to Russia actually recovered temporarily, despite the fact that in 1994 Russia had imposed a specific tariff on Estonian goods. In 1997, entrepreneurs therefore saw excellent prospects for reclaiming the former markets, which in fact had been an initial hope in the early 1920s as well. The general decrease in demand, declining imports of inputs and the Russian financial crisis has brought down the share of agricultural products in total Estonian export from 17.5 to 5.8 percent between 1992 and 2000.

In comparison to the interwar period when the state was active in agricultural issues and supported the expansion in refinement industries and export, which to some extent continued during the Soviet years as well, the post-Soviet development forms a major discontinuity. At first, due to the different role of agricultural production, since the loss of the Russian markets roughly has meant a 50 percent reduction of agricultural production. Secondly, because the first ten years after independence were characterised by several parallel processes, such as reconstruction of agricultural production, property relations, and the simultaneous exposure to foreign competition, while at the same time Estonia did not have access to the European markets. This pattern has no previous correspondence. However, the Estonian membership in the European Union from May 2004, and thereby full access to EU funding, might well imply that after more than 60 years, Estonian butter and meat will start to retake the markets they lost in 1939. Thus, even if Estonia will probably maintain a smaller agricultural sector than during the Soviet period, the competitive forces are there. The youngest of my informers told me that he had no illusions about being supported by the government in the future. He said, and his mother agreed, that: “the hard liberalisation had created severe elimination in the last ten to twelve years, but now, I am prepared and can see some better days ahead”. Within the forthcoming EU membership in mind he did

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91 Ministry of agriculture - Estonia
not have any doubts about the fact that he would be one of the successful in the future.

SUMMARY OF THE PAPERS

PAPER I
The Intervar Land reforms in Estonia, Finland and Bulgaria:
A Comparative Study

This paper compares the development and performance of land reforms in three newly independent states, which aimed at solving similar problems of agrarian and socio-economic character, in societies where rural poverty, land hunger and revolutionary tendencies prevailed. The basis for this study is to be found in the aftermath of World War I and the Russian revolution when profound land reforms and land redistributions were carried out in an area stretching from Finland in the north to Greece in the south. Land reform is here seen as a redistribution of land, carried through under state control for the benefit of family farm units and necessitating improvements in the institutional environment of agricultural production. Due to the differences in pre-reform ownership structures, population densities, ethnic composition and land surplus, the outcomes became quite different. Factors as radicalism, equality, and viability, show that these land reforms must be seen in relation to the specific historical context in which they were carried through.

Beside the introduction of ownership rights, the comparison points to how the redistribution of land and property to various extents were merged with reforms aimed at overcoming obstacles to development arising from the agrarian structure. In Estonia the land reform implied the end of Baltic-German landlordism. A majority of peasants became owners of the land they previously had cultivated. In the Finnish case there were no large estates or ethnic landlord class to expropriate, but vast numbers of smallholding crofters versus larger farmers, where the former cultivated to small areas and were burdened by increasing rents. In Bulgaria, land redistributions had started in the 1870s. A main problem was however, the vast numbers of dwarf-holdings of less than 2 ha, which had appeared as an outcome of the rapid population growth and splits through inheritances. The Bulgarian case was therefore more of a zero-sum game but merged with specific agrarian ideological aspirations towards an agrarian state.

Expropriation of land was almost unconditional in Estonia, which was the most radical example of the three. Still, the Finnish redistribution of land after the Civil War in 1918 was also radical from the perspective of the right-wing government’s decision in 1924 to adopt the law Lex Kallio. However, in a time of increasing Bolshevik support among the many landless, tenant peasants, and crofters, it would have been impossible for any government to neglect this issue. In Bulgaria, radicalism in the sense as it was applied in Estonia and Finland was weak,
due to the low number of large estates available for expropriation. Bulgaria’s aspiration towards the creation of an agrarian state was more radical. The equality principle, applied in Estonia mainly concerned equal sizes of land from the perspective of viability. In Finland this had further implications since land and forests were complementary resources. But in Bulgaria, where both land and forests were scarce resources, this could not be solved, especially due to the agrarian ideological aspiration increasing the pressures on land. In terms of viability, the Estonian case strived towards farm units that could support a family with two horses.93 The average farm-size was 23.2 ha in 1929.94 The Finnish land reform carried similar features to the Estonian but the viability principle only concerned certain settlers. Due to this, and due to the lack of a general land expropriation, the average farm-size in both Finland and Bulgaria deviated from the Estonian case. In Bulgaria, a viability principle was, however, applied too. The notion of ‘Labour Property’ implied that everyone should have enough land to provide work for his family and be self-supporting. But at the time of the overthrow of Stamboliiski’s government in July 1923 only 1/3 of the expected areas had been transferred.95 Whereas Finnish farmers also obtained forest as a complement, much of the land obtained by the Estonian peasants was not suitable for a plough. In Bulgaria the small dwarf-holdings remained throughout the interwar years.

PAPER II
Lantbrukskooperationen i Estland. Framväxt och problembild i Baltikum med utblickar till Norden och Östeuropa under mellankrigstiden och idag. (Agricultural Co-operation in Estonia. Development and problems in the Baltic’s, the Nordic countries and Eastern Europe from the interwar period up to the present).

From the mid 1800s onward, co-operative ideas spread from Great Britain and Germany, through Northern Europe, via Poland and Scandinavia into the Russian-Baltic provinces. At this time however, institutional hindrances such as Tsarist law did not allow for any formal legal co-operative activity. The period of Russification from the 1880s up to around 1905 aggravated the co-operative development. This not only took part in the Baltic-Russian provinces, but in Finland as well. Still, in the same way as in the Nordic countries it was useful for small-scale peasant producers to join force and establish societies on an informal basis, this was to become decisive after independence when a new institutional framework was built. Danes and Finns working in Estonia contributed to the spread of co-operative ideas and at the time of independence the co-operatives became extremely important. In contrast to Sweden and Denmark, there were strong central organisations established at an early stage of the co-operative development and a

93 This notion of a viable holding can be traced back to the reforms of the late 19th century when peasants were given the right to buy land. Köll (1994), p. 25, p. 43.
further contrast was the fact that the state was much more influential from the start.

The specific relations that developed in Estonia in the 1920s between the different actors, the peasants, the co-operative associations (here foremost denoting co-operative dairies) and the state can be described as a triangular relationship. This was built on supportive functions, trust and influence — horizontally as well as vertically. The government supplied credits to the co-operatives associations and to single peasants from 1924 on. In this perspective the state was both an actor as well as the organisation that in a legal sense created the rules of the game. Individual peasants saw incentives to join and get access to more modern methods, advisory services and education supplied by the co-operatives. As a group the peasants were influential in politics. They formed the backbone of the co-operatives and constituted a large share of the electorate, and they also had profound influence on current politics as well as on the specific co-operative society they belonged to.

But the triangular relationship began to change during the Depression when the rules of the game were altered. Due to the restrained markets and the application of protectionism — and later centralisation under the authoritarian rule when the butter export monopoly was introduced in 1936 — peasants’ influence was lost. The development was similar in neighbouring Latvia and Lithuania, where the rise of authoritarianism also created monopolies. In Bulgaria the co-operative movement was more integrated into the state structures from the start.

Government intervention was a way to manage the Depression in Estonia, but it also paved the way for further intervention. The agricultural co-operative associations lost their economic autonomy and influence and became ruled from above, and in the corporative economy these associations became one type among all others. In accord with the nationalist ideology that was put forward there was an emphasis of extracting local raw materials, which did not clash with the previous policies on self-sufficiency. Peasants lost their influence on the co-operative movement to the state and the absence of free elections meant that the government could not be challenged. At the same time it was necessary for the peasants to stay within the co-operative associations in order to have a market, so that the associations became a kind of force exercised by the state. The state had thereby already taken charge of the co-operative structures.

When the Soviet Union annexed the Baltic States in 1940, the Co-operative associations in Estonia were squeezed further and subjugated to nationalisation and centralisation. This was the end of a system, which in the 1920s was relatively successful through the application of “one man one vote”, but in the 1930s gradually fell under state control and during the 1940s was re-shaped in the form of large-scale co-operative farms. The post-Soviet problems of re-building co-operative structures in farming must therefore be understood primarily from connotations to the Soviet agricultural production system.
The aim of this paper is to explore how Sweden viewed interwar Estonia’s agricultural export orientation, in particular from the perspective of butter export. The primary question thus concerns interpretations of the market development. Sweden and Estonia were, for example producers and exporters of similar products such as meat and milk. But both Sweden and Denmark regarded the Baltic markets as marginal – or as a temporary substitute at best. Yet, for the Swedish agricultural machinery export, Estonia was an important market. Doubts were nevertheless voiced about whether agricultural production could be sustained after the radical land expropriation.

In retrospect, both land reform and the work performed by the spontaneously developed co-operative associations were preconditions for a successful export strategy. Many foreign governments and investors also viewed the Baltic States as a possible entrance to the promising Russian market, e.g. for the export of agricultural machinery. There were also far-reaching hopes in Estonia with regard to this possible transit trade. After 1923-24 this ambition seemed less reasonable due to the development in the Soviet Union. When the government shifted from fruitless industrial recovery to the supply of capital for agricultural export production in 1924, the butter export had already proved its position. It was the most important factor to redress the negative balance of trade. Butter continued to be the most important export product through the 1920s, since the conditions in general were well suited for dairy farming. This was the cornerstone of the Denmarkization strategy. Even though Sweden and Denmark were involved in rescuing Estonia by means of relief-credits, there were also dual perceptions in the 1920s. Some of these views, however, underwent changes in the 1930s when Estonian butter export proved to have the quality required for rewarding prices in several international exhibitions.

The economic depression and the protectionist policies applied all over Europe definitely affected the Estonian Denmarkization strategy. In the late 1920s the butter export started to turn from a general German dependence towards a British dependence, due to the depression and the abandonment of the gold standard in 1933. A policy of self-reliance was applied, which in the period of authoritarian rule from 1934 onwards meant that the government intervened further in co-operative affairs. In 1936, all dairy export was centralised as a means for the government to rescue some of the co-operative dairies, which – due to the restrained markets – were on the verge of bankruptcy. They had invested heavily during the good years, but were unable to manage the deep economic losses from the Depression.

In spite of the economic crisis and the domestic problems of authoritarianism, Estonia did to some extent succeed in the shift from the protected Russian market towards finding new export markets in Western Europe. This was achieved at a
time when the market expansion was characterised by severe competition and sudden restraints. Swedish perceptions seemed to have been somewhat mixed, involving both protectionist apprehensions as well as trade specific arrangements based on the role and use of the Swedish relief-credits. Starting from the aspirations to conquer the Baltic market, via the need for Estonia’s import of agricultural machinery, Sweden also noted the quality improvements in the Estonian butter export, which were interpreted as signs of the ability to adaptation to that, which had been questioned in the early 1920s.

**PAPER IV**

*Indispensable Small-Scale Farming? Exploring the Role of Private Plots and Subsistence Holdings in Estonia since the 1940s*

In the large-scale Soviet agricultural production system, the private plots had a specific and important role. Throughout the existence of the Soviet Union these tiny units of 0.3-0.6 ha per family, not only supplied a large share of the foodstuffs consumed within the rural households, but even for the urban populations. Several scholars have elucidated the shortcomings of the large-scale Soviet farming and the relative productivity of the private plots. This study, applies a long-term and institutional perspective, focusing on exploring the role and function of private plots and subsistence holdings in Estonia from the 1940s up to 2003. In this regard the focus is in as much on the development within the Estonian kolkhozes and sovkhozes. The study analyses how the previous independent peasants adjusted to the changes from 1940 onwards, through forced collectivisation and the various shifts in regulations concerning private farm activities up to regained independence and restitution after 1991. In addition to literature and various statistical publications interviews have been used as a supplementary method for clarifying specific issues related to the role of private plots.

After 1960 Estonia developed into the most productive agricultural producer within the Soviet Union. The relatively superior performance of Estonian kolkhozes, sovkhozes and private plots is therefore analysed from the perspectives of institutional legacies. This points to the role of different experiences among the Estonians (and assuming also among Latvians and Lithuanians) compared to those in most other parts of the Soviet Union. But the Baltic Soviet republics could also be seen as experimental areas for intensive farming based on the infrastructure advantages that developed, foremost during the interwar independence. Estonia’s agricultural performance during its fifty years as a Soviet republic was dependent on specific institutional preconditions and legacies that were not fully destroyed by the planned economic period.

One specific feature that is emphasised in this paper is the link between the independent interwar family farms, the Soviet private plots and the restituted small-scale farms after 1991. From the perspective of the skills and ideals that were present in the interwar independent farming system, adaptation to collectivisation
and the general Soviet mode of production was slow but gradual. After the Great deportations in 1949s, which deprived Estonia and its Baltic neighbours of a great deal of human capital, a slight change was visible in the aftermath of Stalin’s death. During Khrushchev’s decentralisation reforms in the late 1950s, native Estonians were able to replace the Moscow trained kolkhoz and sovkhoz managers, which led to better utilisation of available resources as well as better power to convince Moscow to supply more federal investment. Estonian kolkhozes and sovkhozes were able to neglect some of the most stupid orders from a – still, very much - centralised system. Educational advantages had already been established in the 1920s and 30s. When further efforts were into training and of agricultural specialists, Estonia seemed to advance further.

There was no reduction of the size of private plots taking place in association with Khrushchev’s reforms in the late 1950s. Neither were there any reductions when kolkhozes were merged into sovkhozes in the 1960s and 70s. Judging by Soviet statistics, Estonia surpassed all other republics in dairy and meat production, which had been the competitive edge and direction for specialisation since the interwar years, but much more pronounced from the 1960s. This created a heavy dependence on imports of fodder and proteins from other republics. In the stagnating economy of the 1980s, Estonian agriculture continued to develop by means of new work-organisations and by considerable investments, which Moscow supplied at any cost. To what extent the relative productivity was caused by better management or better preparations when demanding investment is hard to judge, but there were conditions in the rural areas, which attracted people and thereby created a migration back into the countryside from the late 1970s. In the 1970s and 80s, the private plots became more important due to the shortages of foodstuffs in urban areas. Many Estonian used the possibility to sell in the nearby Leningrad market and obtained substantial money incomes, which by far exceeded the kolkhoz salaries.

My interviews indicate that the rural people developed a specific behaviour, which were crucial for the reconstruction of farming taking place in the final years of Gorbachev. The myth of small-scale production on private plots also gave incentives for reconstruction towards private farms within the planned economy. The Baltic States became agrarian laboratories for the Soviet reorientation in food-production. However, after independence in 1991, when the private plots and the new small-scale restituted farms lost the cheap inputs and supply from the federal Soviet sources, these were to be solved by means of hard currency trade. Simultaneously, the Russian export markets vanished and the Western markets did not approve the phytosanitary standards that Estonian production offered. This forced most small-scale farmers into subsistence production. The lack of appropriate machinery, insufficient investment capital and finally exposure to the cheap and subsidised imports from the EU countries, gave no alternatives for those lacking alternative ways of earning their living. Therefore many farms cultivated tiny shares of the land that they in fact had access to through restitution, which as a
process has been much harder to solve in legal terms than initially anticipated. Only in recent years does the trend seem to have been broken, due to the new EU regulations, which may offer better possibilities for land transfers and efficient production units.
ESTONIAN SUMMARY (EESTIKEELNE KOKKUVÕTE)


Antud integreeritud töö eesmärgiks on analüüsida eelnevate pikaajaliste institutionaalsest ja struktuurialast arengute mõjusid ja pärandit postsovetlikule põllumajanduslikule siirdeprotsessile taasiseseisvunud Eestis peale 1991. aastat. See puudutab eelkõige peretalsid puudutavaid ideid ja rolli ning järjepidevuse ja järjepidevuselise võimalikke tuvastatavaid mustrid: Turgude ja põllumajandusliku tootmise rolli tajumine; Muutused agraarsetes omandisuhetes; Põllumajandusliku tootmise ja koostöö organiseerimine.

Väitekirja põhiolemus väljendub põllumajandusliku transformatiioni mõistes, mis tuleneb ekstensiivsetest muudatustest agaarssetes omandisuhetes, tootmise struktuurides ning sellega seotud töötlemise ja teeninduse aspektides. Täiendav võtmesõna on dekollektiviseerimine, kolhooside ja sovhooside moodustamise ja laialisaatmise protsess, maade tagastamine läbi restitutsiooni protsessi, mida tuntakse ka 'põöratava ajaloo müüdi' kujul.

Lähtuvalt väikeste riikide turust sõltuvuse ja piiratud turgudele toetumise perspektiivist on murrangulised arengud 1920-ndate alguses, II Maailmasõja järel, ning eriti peale Nõukogude Liidu kadumist, oluliselt mõjutanud pikaajalisi majanduslikke arenguid Eestis. Antud väitekirja keskne teema on seotud perekondliku põllumajanduse rolli ja selle kestimisega läbi Nõukogude perioodi. Uurimus rühutab kiitamist, mis on seotud väikesemahuliste farmide taastekkimisega 1939. aasta omandisuhete baasil, kuna restitutsiooni protsessiga kaasnesid mitmed legalised probleemid. Kõige omapärasem on asjaolu, et restitutsiooni puhul oli tegemist isoleeritud legaalse probleemiga, mis ei assotsieerunud nendel väärtusnormidega, mis olid seotud 'ekstreemsete' liberaalse majandusprintsipiidega enamusel teistes postsovetliku Eesti siirdeprotsessi


Eesti valitsusele sai 1920-ndate aastate alguses selgeks, et industriaalne areng endisel tasemel polnud eraldumise tõttu Venemaast enam võimalik. Samal ajal oli alternatiiviks ühistute baasil organiseeritud liha ja vör eksport. Riigi roll oli iseisvumise esimesest hetkest ülioluline ning sellises riigi osaluses polnud midagi
uudset. Kuid tegelikult olid esimesed 12-14 iseseisvuse aastat pigem lühikeseks vahelduseks, kes liberaalsed majanduslikud põhimõtted tundusid paremini sobivat. Eesti positsioonid kaubavahetusele muutusid alates 1920-ndate aastate lõpust vähem soodsateks, kus järk-järgult arenes välja sõltuvus bilateraalsest lepingutest ning spetsiifilistest turgudest. See viis omakorda tsentraliseerimisele ning riigi kasvavale rollile eksporti sektori organiseerimisel ja kontrollimisel ning läbi impordi asendamise meetodite püüetele kompenseerida kaotusi välisturgudel.


liikmed on kasutanud kaitsemeetmeid oma heaoluriigi arendamiseks ning oma põllumajandusliku sektori kaitseks. Eesti taasiseseisvumisele järgnud karm ning suhteliselt edukas makromajanduslik adapeerumine ei ole siiski olnud omade kõigile majandussektoritele. Sellest tulenevalt on Eesti põllumajanduse areng suurel määral sõltuv järgnevate turutingimustest ning Euroopa Liidu kvootidest.
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Interviews

T.H: Former kolkhoz chairman. Cultivates 120 ha of land, foremost oats, barley and oil-seed.

C.L: Former Sovkhoz administrator, retired but lives on the farm, which is now run by her son.

C.R: Son of C.L. Recently ended dairy farming. Cultivates 90 ha of land for silage, barley and ray. Supplies additional machinery service for other farmers in the nearby villages.

R.V & P.V: A couple, former foresters on a sovkhoz. Cultivates around 10 ha out of a total of 35 ha land, which is foremost used for strawberries, raspberries and some fruit trees.

O.R: A successful co-operative entrepreneur working with seven other farmers. He cultivates around 70 ha of land, foremost used for potatoes and some cabbage. Potatoes are processed into different qualities and sold on weekly, negotiated prices.
APPENDIX

The appendix ahead aims at supporting the discussion on continuity and discontinuity based on the three themes presented in the objective and delimitations.

- Perceptions of markets and the role of agricultural production
- Changes in the agrarian property relations
- Organisation of agricultural production and the role of agricultural co-operation

For the reader the Appendix sketches a set of figures, which places Estonia’s long-term relations in terms of agricultural production and markets in a 20th century European context.

Explanations to appendix

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<tr>
<td>1.</td>
<td><img src="image1" alt="Diagram" /> Interdependent relations in agricultural trade. This was e.g. the case during the first ten interwar years.</td>
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<tr>
<td>2.</td>
<td><img src="image2" alt="Diagram" /> Direction of bilateral trade or (when only one arrow is used) trade is fully directed by e.g. the Soviet Union or Nazi-Germany. The size of arrows are related to the size of trade Equal size of arrows implies a relatively equal exchange Different size of arrows implies unequal exchange</td>
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<tr>
<td>3.</td>
<td><img src="image3" alt="Diagram" /> Thin arrows express less significant trade. Smaller arrows = less trade</td>
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<td>4.</td>
<td><img src="image4" alt="Diagram" /> Grey section represents the Estonian State The size of the white section refers to the role of peasants cooperative associations or other forms of independent business related or civic organisations.</td>
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<tr>
<td>5.</td>
<td><img src="image5" alt="Diagram" /> The size of the banner represents influences, either of the USSR, Nazi Germany or the EU. The size of the banner shows the degree of external pressures exerted on Estonia. When the banner fully covers the figure (as 1944-58) it thus indicates full economic and political control.</td>
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Agricultural markets, market forces and the State: Estonia’s East-West relations 1919-1944

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<tr>
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<td>Great Britain and Germany</td>
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<td>DEPENDENCE</td>
<td>1929-40 Increased State involvement and control of Co-operative associations</td>
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<tr>
<td>Protectionist policies applied all over Europe. World-wide depression</td>
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<td>WAR</td>
<td>1940-41 Soviet annexation and occupation = Political transformation: ESSR + Stalinist constitution Nationalisation of land and assets</td>
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<tr>
<td>German expansion in the East No trade with Western Europe</td>
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<tr>
<td>WAR / DEPENDENCE</td>
<td>Nazi German interlude 1941-44 Soviet administrative changes remain</td>
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<td>Reorganisation of trade for Nazi German needs Subjugation</td>
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<td>Full Soviet control re-established. State controlled co-operatives. Forced collectivisation, deportation</td>
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<td>THAW EEC Insensitive trade</td>
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<td>Increased republic influence through Sovnarkhoz reform. Federal investments increase Mergers of kolkhozes</td>
<td>Post-Stalinism + The thaw Expansion of CMEA-market Soviet division of labour Dissolution of MTS.</td>
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<td>Reorganisation of farm work Mergers/concentration towards sovkhoz</td>
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| EAST-WEST CONTACTS RE-ESTABLISHED | 1988-91 | IME-proposal  
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Preparations for independence  
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