

FINAL REPORT

FARM REORGANIZATION PHASE II
Contract No. EPE-0014-I-00-5075-00; Task Order #3

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For:
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

July 18, 1996

EXECUTIVE SUMMARY

At its conclusion, the FARMS II farm reorganization project had met or exceeded all of its objectives, with the following highlights.

- Administrations of fifteen oblasts and 71 raions have been trained in farm reorganization procedures. All administrations established Work Groups to direct farm reorganization in their regions.
- A farm reorganization curriculum was developed for agricultural institutes in each of the 15 oblasts, and faculty from each institute were trained in farm reorganization. The institutes organized follow-up seminars to train mainly farm specialists and managers. A total of 1436 people received instruction in the course of FARMS II.
- During the project 294 farms began reorganization. Of these, 50 completed the process before the end of Chemonics' activities, creating 386 new enterprises and adopting a variety of reorganization paths such as break-up, splitaway, or internal restructuring of the farm.
- An original series of TV documentaries was produced for Russian Channel 2 television which received wide praise in the national press.
- Post reorganization support work was conducted in all fifteen oblasts. Activities included developing new marketing channels and devising business plans for reorganized farms. In order to assist local administrations, Chemonics performed studies on the economic impact of reorganization and the effects of the transfer of social services, as well as an evaluation of what happened to people let go in the course of reorganization.

Data gathered from pilot farms reorganized in FARMS I--including figures showing these farms running average profits of 3.4 percent, compared to average losses of 23.6 percent registered by their predecessors the year before--suggest that FARMS II will have a clear positive effect on farm performance down the road.

However, the most immediate--and potentially also the greatest long-term--benefits of the project cannot be measured in terms of farms reorganized or individual farm performance improved. Rather, the most important contribution of FARMS II has been that it has led to the creation of a constituency for rural reform the weight of which is going to be felt for years to come.

Part of this constituency represents officials at all levels of the Russian government, in federal, regional and local administrations who have developed a full commitment to farm reorganization despite a shifting political environment in the country. Chemonics noted a growing realization among these administrations that farm reorganization is an unavoidable necessity which cuts across political lines and needs to be supported. In this context the Work Groups are increasingly acting as centers pushing for reform within local administrations. The following are just some examples of pro-reform initiatives which are due in large measure to the activities of the Work Groups.

- Several oblasts, including Vologda and Smolensk, have established special funds for the support of reorganized farms.

- Many raions exempt newly reorganized farms from paying taxes and registration fees, while oblast administrations have paid for services such as land and property assessment fees necessary for reorganization to move forward.
- Oblasts such as Bryansk have established separate working groups to find ways to support peasant farms and other reorganized entities.

The new constituency also includes members of farms, who, through the process of reorganization, have gained a much greater appreciation of their rights and the possibilities for using their land and property productively. These people are now devoted to their land, realize the importance of being able to work for themselves without interference from above, and see their own unrestrained energy as the key to their future. It is these many people who are going to become advocates of further market reform as they insistently protect their newly-gained rights.

Administrations at all levels have endorsed FARMS II and expressed strong interest in seeing the project continued. This position reflects a realization that there is likely to be increasing pressure from farms for reorganization assistance. At the same time, the project has been praised as corresponding well to Russian conditions and psychology.

Various high profile requests for the continuation of the project have been made. In May, Deputy Prime Minister Alexander Zaveruykha directed an official request to US Vice President Gore. This followed a February message to USAID's Moscow office from deputy Agriculture Minister Ogarchok. Many of the participating oblasts and raions have also petitioned the Ministry of Agriculture to keep the project going.

Possibilities for Further Farm Assistance Activities

Any continuation of FARMS should have two fundamental objectives.

The first would be to address policy and regulatory issues that were identified during FARMS II as the main constraints to the proper functioning of fair competition and the development of the agricultural sector under market conditions. These distortions include the presence of monopolies in the food processing sector; price fixing tendencies among buyers of agricultural goods; irrational and burdensome tax regulations; transportation bottlenecks and others. The project would develop practical and targeted proposals to combat these disruptive forces, to allow for real and healthy competition which will give the sector the full benefits of a market economy.

The second objective is to strengthen the pro-reform constituency that has been formed during the FARMS II project, for which the contractor would provide a variety of functions. One such function would be to encourage the organization of associations of members of newly-reorganized farms which would push reforms that benefit the farms, including resolving the bottlenecks described above, and become a voice on other issues such as the transfer of the social sphere to local administrations. These associations would be created initially at the local level in FARMS II oblasts but would eventually lead to the establishment of an association at the federal level. In addition, the contractor would work with raion and oblast

Work Groups to identify and develop initiatives that would create a climate conducive to reform so that the efforts of the farmers and their associations can make progress.

The project should also aim to provide some level of continued consultation services in farm reorganization to FARMS II oblasts, in order to meet the requests of the local administrations and keep the strong momentum generated in the current project going.

Furthermore, the teams would seek to ensure that appropriate farm reorganization procedures and technology are available to farms in other areas of the Russian Federation, largely by encouraging Ministry of Agriculture supervised institutes to provide instruction to their sister institutions in those oblasts.

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APPENDICES

I. INTRODUCTION

Between November 1994 and June 1995, Chemonics International implemented the project entitled Farm Reorganization - Phase I (FARMS I) to reorganize farms in four oblasts of the Russian Federation. FARMS I succeeded in completing the reorganization of 14 farms in Vologda, Kaluga, Pskov and Saratov oblasts. In the process, two key objectives were attained. For one, all the knowledge and experience of farm reorganization accumulated in FARMS I, including legal underpinnings, was merged into a three-volume Procedures Manual on farm reorganization. In addition, by the end of the project Chemonics had in place an experienced team of Russian farm reorganization specialists who could pass their knowledge on to other practitioners.

FARMS II, which began at the end of August 1995, represents the continuation of the pilot program. It was an eleven-month, \$6 million project designed to take advantage of the farm reorganization procedures developed in FARMS I to expand activities to a much broader number of farms in 15 oblasts.

The new project had several key features based on ideas developed in FARMS I. They are as follows.

- The best and most efficient way of promoting farm reorganization is to have the process led by local administrations, inasmuch as it is unfeasible for international donor organizations to accomplish all facets of farm reorganization themselves. The pivotal body to lead the process should be the raion Work Groups for farm reorganization, which would work directly with farms, and oblast Work Groups, which would direct farm reorganization at a higher policy level. For farm reorganization to succeed on a large scale, it has to be directed by Russians, not foreigners. For this reason, the project had a strong training component, to provide instruction to a sufficient number of raion Work Group personnel, as well as other active practitioners.
- In order for farm reorganization to become self-sustaining, there had to be a repository of expertise in farm reorganization which would be able to provide instruction and consultation in this area once Chemonics had ended its presence in the respective oblasts. The optimal entity to fill this role were local agricultural institutes. For this reason, an integral part of the project was to create an independent capacity to teach reorganization within selected local institutes, which would cooperate with the Chemonics teams throughout FARMS II.
- The project was based on freedom of choice. Oblast and raion participation was voluntary, while only those farms which really wanted to reorganize were given assistance. Furthermore, all reorganization options available under Russian law were offered, not just one specific path was promoted.

Although officially under the tutelage of GKI, FARMS I had relied above all on daily contact with the Ministry of Agriculture (MOA) and its personnel in the regions. FARMS II continued to seek the close involvement of the MOA, and this involvement was underscored at the outset by the MOA's co-sponsorship, along with GKI, of the conference to introduce FARMS II to representative of oblasts which were candidates to participate in the project.

FARMS II had the following five principal deliverables.

1. Training of administration personnel. To train members of newly created raion and oblast farm reorganization Work Groups in 15 oblasts selected by Chemonics. Across all regions it was expected that at least 45 raion Work Groups would be active (average of three per oblast). Chemonics would provide all necessary instruction in the first half of the project, and then tack on post-training assistance, largely consultation support and cooperation with the Work Groups as they went about reorganizing farms in the second half of the project. As part of this task, equipment such as computers, printers and copiers were transferred to the Work Groups to facilitate their activities.
2. Establishment of Training and Consultation Capacity Within Local Institutes: To train faculty members of 15 selected local agricultural institutes, one in each of the oblasts where Chemonics was active. As with the Work Groups, this training would take place in the first part of the project. After that, the institute would be assisted in developing a curriculum for farm reorganization and rendered consultation support in undertaking activities related to farm reorganization, including organizing follow-up seminars and participating in practical farm reorganization. Institutes would also receive equipment.
3. Farm reorganization: To consult with oblast and raion Work Groups in the second part of the project as they went about reorganizing farms. By the end of FARMS II it was expected that 225 farms would begin the reorganization process, and that at least 50 of these farms would have completed reorganization.
4. Post-Farm Reorganization Assistance. To provide both marketing and social sphere services that would be of assistance to farms completing reorganization in both FARMS I and II. This was an addition to the Chemonics tasks by USAID in November 1995. It was decided that, on the marketing side, Chemonics would research the marketing system and find new buyers and distributors into which newly reorganized farms could tap. On the social services side, the Chemonics specialists would undertake various studies to provide recommendations to local administrations as to how to handle social service transfer in the future.
5. Public Affairs. To run both a public education campaign, which would raise public awareness and support for farm reorganization, and a farm information campaign, which would run concurrently with Chemonics' farm reorganization activities and provide information that encourages the process.

Chemonics's work with regard to each of these deliverables is described in the following sections.

II. ESTABLISHMENT OF REORGANIZATION CAPABILITY WITHIN LOCAL ADMINISTRATIONS

In order for farm reorganization to be carried out effectively, a center within each regional administration had to be created which would be the focal point for farm reorganization. It was decided that the best option would be to help the administrations to form and organize Work Groups for farm reorganization both at the oblast and raion level, and it was to these bodies that Chemonics devoted its resources in order to boost their capabilities.

The raion Work Group leads farm reorganization at the local level. It is the principal source of support for the reorganizing farms, especially the inter-farm reorganization commission, which is made up of farm members and performs most of the nuts and bolts operations such as inventory of property. The oblast Work Group gives overall guidance to the reorganization process in the oblast, while acting as a focal point for efforts to develop a policy environment that promotes farm reorganization in the oblast.

In general, both raion and oblast Work Groups consist of between 3 and 6 members. Usually the largest number of members is drawn from the local Department of Agriculture, although Work Groups also include personnel from the local Committee for Management of State Property, Land Committee, and other interested parties such as the local agency in charge of registration of new entities.

A. *Selection Process*

Oblasts: FARMS II took place in 15 oblasts. Three of these oblasts were Vologda, Kaluga and Saratov, which had participated in the pilot program, inasmuch as Chemonics already had developed contacts and experience working with farms in those areas. They would serve as regional bases, "hub" oblasts from which Chemonics operations could expand into other "satellite" oblasts. Moscow was selected as a fourth hub oblast in order to take advantage of the fact that the Chemonics head office was based there, and in order to have a project presence in farms around the nation's capital.

The process of selecting the satellite oblasts participating in FARMS II officially began with a conference jointly organized by the GKI and the MOA and held in Moscow October 21st. This conference brought together representatives from 23 oblasts of European Russia (including all four hub oblasts), and was meant to introduce the project and serve as an initial test of the oblasts' interest. At this meeting, Chemonics made a detailed presentation of the main elements of the project and its structure.

Based on this meeting, Chemonics team members visited all 19 oblasts which had given preliminary indications of interest in participating. The primary objective of this visit was to gauge the real degree of support for farm reorganization within each oblast and to determine more closely the administration's attitude to farm reorganization and land reform, inasmuch as the oblasts would be expected to play an active role in planning and leading the process of reorganization. The following criteria were used to determine which oblasts would participate in the project.

- Willingness to undertake farm reorganization.
- Resources to devote to farm reorganization.
- Pledges on the part of the administration to provide some kind of postreorganization assistance to farms, including exempting them from the payment of registration fees or reviewing ideas for writing off some of the debt of agricultural enterprises.
- Statements of interest from individual raions and farms in the oblast.

As a rule, the oblasts were initially sceptical, but once Chemonics laid out its system and methodology, interest in the project grew. The oblast administration above all appreciated the fact that the USAID/Chemonics approach stressed freedom of choice as to which reorganization path a farm should follow. In addition, officials preferred the approach because it did not require an auction to determine allocation of assets, as in the IFC model. As a result, the oblasts began to see the Chemonics model as more effective than that of the IFC, and their interest in participation grew accordingly.

In the end only three oblasts contacted were dropped because officials there either showed only a lukewarm attitude to reform, or were most interested in direct investments in their regions. These three oblasts were Penza, Tambov and Yaroslavl.

It should be noted that care was taken not to pick oblasts where the IFC was active. However, in the case of one oblast which had been slated to work with the IFC--Voronezh--oblast officials on their own contacted Chemonics, expressed their preference for the USAID/Chemonics approach and requested to participate in FARMS II. Eventually, Voronezh was selected after approval for this step was received from USAID, GKI and the MOA.

Final choices are shown in Table 1. The decision as to which satellite oblasts would fall within each region was based on considerations of logistics and distance.

TABLE 1: FARMS II Oblasts.

Hub	Kaluga	Moscow	Saratov	Vologda
Satellite	Bryansk	Ivanovo	Lipetsk	Arkhangelsk
Satellite	Smolensk	Vladimir	Samara	Kostroma
Satellite	Tver		Voronezh	Leningrad

Raions: Following selection of oblasts, and in the midst of the initial round of training, Chemonics began the task of raion selection, which went from early December to late January. Initial contact with interested raions was made in a variety of ways representing a comprehensive effort to find the most suitable raions for the project. The majority of raions were introduced to Chemonics at a general meeting organized by the oblast. At other times oblast officials designated an initial list of raions which they thought would be good candidates for the project. Firm specialists then had one-on-one meetings with raion representatives, for the most part heads of the agricultural departments. In some cases, for example Rtischevskii and Dergachevskii raions in Saratov oblast, the head of administration himself intervened to request assistance in reorganizing certain farms. Finally, Chemonics specialists contacted additional raions where farms communicated interest in reorganizing.

The most important consideration in agreeing to work with a raion was the presence of farms willing to reorganize. As a result, contacts and selection of farms began concurrently. Initially Chemonics planned to base selection of raions mainly on the number of local farms ready to reorganize. However, the Chemonics specialists soon found that in some cases the number of farms was small, but the type of reorganization path which the farms proposed was interesting. In other cases relatively few farms expressed interest but the raions showed enthusiasm. The specialists considered they should train these raions for a time when the farms' attitude towards reorganization had matured.

As a precondition for participation in FARMS II, the raions had to demonstrate their commitment to farm reorganization by forming Work Groups. In the process Chemonics specialists ascertained that the raion had sufficient technically competent personnel—for

example, in accounting—to be able to work their way through the common tasks of farm reorganization, such as inventory.

Under agreements with Chemonics, the raions committed themselves to the following.

- To provide assistance in resolving questions related to the reorganization of farms.
- To cooperate with Chemonics in implementing the project.
- To create a Work Group for farm reorganization, with the participation of interested raion agencies.
- To send their personnel for instruction at the Chemonics seminars.
- To provide Chemonics with a working area in the administration.

Enthusiasm on the part of raions for the project was unexpectedly high. Initially the firm had planned to work with a maximum of 60 raions. However, so large were the numbers of interested raions that a total of 71 eventually signed agreements and participated in the project. Chemonics decided it was not in the interest of the project to exclude raions until its specialists had seen how committed the raions were in practice to undertaking farm reorganization. Because there was a limit to the equipment that could be delivered, the firm established two categories of participation: 60 raions, those with the most or most interesting farms received not only training in the seminars, but also equipment. The rest received training only, and the reorganization teams assisted them only on particular farms that were of interest.

It should be noted that an average of three to four farms participated in each raion. It was foreseen that these farms would serve as examples to others in the area. Other raions submitted a large number of candidates. For example, in Mosalskiy raion (Kaluga oblast) the head of the administration personally petitioned Chemonics to help reorganize all farms on the raion's territory, citing the fact that farm reorganization was an unavoidable necessity to stimulate an upswing in the raion's economy.

Table 2 shows a breakdown by oblast of the raions which signed an agreement with Chemonics. Attached as appendix A are the names of all of these raions and the date in which they formed their raion Work Groups.

B. Training

Chemonics training sessions for oblast and raion Work Groups took place between late November 1995 and late January 1996. Altogether 20 separate five day seminars were held, at which 496 members of oblast and raion Work Groups were trained in all facets of farm reorganization. All seminar trainees had to pass a written test, which provided assurances that they were knowledgeable of the reorganization process.

Another 92 Work Group officials were trained in the follow-up seminars organized by the institutes (described in the next section). These individuals were mainly officials of Work Groups in raions which signed up late for the project and had not taken part in the Chemonics seminars. As a general rule, once new raions had been trained in the follow-up seminars Chemonics agreed to work with them on specific farms.

A summary of the total number of persons trained throughout FARMS II is contained in Tables 4 and 5 on pages 10 and 11.

TABLE 2: Raions Participating In FARMS II

Oblast	Number of raions which participated in FARMS II	Number of raions which received equipment
Kaluga	5	4
Moscow	3	2
Saratov	7	7
Vologda	5	5
Bryansk	8	4
Smolensk	7	5
Tver	3	3
Ivanovo	7	5
Vladimir	5	5
Lipetsk	2	2
Samara	3	3
Voronezh	4	4
Arkhangelsk	5	5
Kostroma	4	3
Leningrad	3	2
TOTAL	71	60

C. *Participation in Farm Reorganization*

Once training was concluded, the remainder of the project, about five and a half months, was devoted to farm reorganization. In accordance with the Task Order, the oblast and raion Work Groups took the lead in working with the reorganizing farms, while Chemonics personnel played the role of expert assistants and consultants to the raion and oblast Work Groups.

Chemonics action in support of the Work Groups began with assistance in setting up the new body's organizational structures. After that, the Chemonics and Work Group personnel worked as a joint team, although, as might be expected, the Work Groups deferred to the Chemonics specialists as experts during visits to the farms. Through the farm reorganization period the Chemonics team constantly provided advice to the Work Groups on a variety of questions--legal, organizational, and technical--relating to the farm reorganization process.

The accomplishments of both the raion and oblast Work groups are discussed below.

Raion Work Groups

The raion Work Groups became a critical part of the local reorganization campaign and the successful results described in the farm reorganization section of this paper. Although most of the very basic tasks of farm reorganization, such as inventory and decisions relating to the allocation of farm assets, were carried out by the inter-farm commission for farm reorganization (consisting of farm members), the raion Work Groups played a fundamental role in directing the process, and as a source of technical know-how.

The raion Work Groups provided constant assistance to the farms. Once it was decided to work with a particular farm, the raion Work Group would assign one of its members to be the principal expert in charge of reorganizing that farm. The firm specialists and those of the raion Work Groups would then travel to the farm for the initial visit. Subsequently, every time there was a critical phase in the process, such as a general meeting to decide on the transfer of assets, the raion Work Group would be present. The people visiting the farms alongside Chemonics usually were the main economists of the local Department of Agriculture. At other times it was a representative of the Land Committee. Whenever there was a discussion regarding a big change, such as break-up or split-away of large numbers of

people, multiple members of the Work Group would take active part in that meeting. On matters such as inventory, often the specialists would go by themselves to visit the farm, without the presence of the Chemonics team, or summon farm managers to their offices.

The raion Work Groups made invaluable contributions at critical moments of the reorganization process as follows.

- Often, farms had a general idea of what they wanted to accomplish through reorganization but were unsure how to attain these objectives. For example, farm members knew they wanted to break up, in order to make operations more manageable, but did not know into how many parts the farm should divide. The raion Work Groups provided rational, concrete and often highly imaginative proposals by which the farms could realize their goals.
- The Work Groups also contributed their expertise at critical moments. For example, at the Dyomschino farm in Smolensk oblast, once it became clear that the farm members could not on their own put together the starting balance for each of the new enterprises being formed, the raion assigned its own accountant, who spent three days on the farm, working out the delicate operations that needed to be done. The raion experts were especially busy during the inventory of non-land assets, the most time-consuming part of the reorganization process.
- The raion Work Groups frequently served to resolve disputes. Whenever a stalemate developed, the raion Work groups would tell the farms how important it was for them to reach a decision. Sometimes they also gave their advice in arbitration of disputes among farm members, particularly in the distribution of assets.

Virtually all raions have indicated they are eager to continue reorganization of farms after the end of the FARMS II project. The main constraint appears to be a lack of means of transportation. The Department of Agriculture, which represents the backbone of most Work Groups, in many raions only has one car at its disposal, and this is usually reserved for the Department head. During the project the Chemonics specialists usually shared their vehicles with members of the Work Groups on their trips to the farms.

Oblast Work Groups

In theory, the oblast Work group was designed to play an oversight and policy-oriented role in the farm reorganization process. In practice, however, the oblast Work groups undertook a wide range of functions. Some took a hands-on approach by directly working with the raion Work Groups, meeting every week, and assigning members to supervisory trips throughout the oblasts. Such was the approach adopted, for example, in Voronezh, Ivanovo and Vladimir, where a member of the oblast Work Group travelled with the Chemonics consultants virtually every week. Other oblasts were closer to their envisioned role, holding regular meetings at which the Chemonics specialists would brief them on the schedule of reorganization, and looking for initiatives to boost farm reorganization within the oblast administration.

In Ivanovo, among other oblasts, the activity of the Work Group was such that on several occasions members attended key meeting at the farms themselves, to demonstrate their support for the process and to encourage the farm to make a decision. It was also typical for the oblast Work Group to weigh in where a particularly thorny issue was threatening to disrupt reorganization of a particular farm. The oblast also used its experts to consult with those raions the specialists of which lacked sufficient technical capabilities. For example, they frequently consulted with the raions on tax and accounting matters.

On certain occasions it was the oblast Work Group which took the initiative to have the local institute conduct follow-up seminars for farmers, in order for these people to understand the

process completely before reorganization actually began. The oblasts paid the local institutes for these seminars.

The oblast Work Groups played a key role as trouble-shooters, as illustrated in the following examples.

- An obstacle that many farms encountered in the process of reorganization was the fact that, in order to carry out a proper inventory of property, they had to hire the services of professional appraisers, who would determine the market value of buildings and other large items. Sometimes the farms paid for these services, but other times they simply lacked money for this purpose. In such cases the oblasts took it upon themselves to pay for the services, thus removing what was a potential Gordian knot that could have stopped progress in its track.
- Some oblast tax authorities attempted to charge taxes on the value of the land transferred. The Oblast Work Groups are taking a leading role in preventing this practice which could dissuade farms from reorganization.
- Some officials of raion administrations resisted registering large peasant farms, claiming that they could only include family members. The Oblast Work groups demonstrated to the raions that these ideas were incorrect under Russian law. In the end, all such large peasant farms which came out of the process during the project were accepted for registration.

Perhaps the greatest long-term contribution of the Oblast Work groups is that many of them have become centers of support for land reform within the administration, actively trying to obtain various privileges for reorganized farms. With members that include Oblast Vice Governors, the Work groups have been highly successful in bringing attention to the plight of the reorganized farms and the need to help them. The following are some specific examples of success.

- Smolensk and Vologda created special funds for the support of reorganized farms. This Smolensk fund is established from a special sales tax. The Vologda fund will derive most of its capital from excess revenues from the privatization of industrial enterprises.
- In Vladimir oblast, there is a draft proposal to grant reorganized farms a host of benefits, including exemption from most registration fees and a five year grace period in which they do not have to pay most important taxes.
- The head of Kaluga Oblast issued a regulation instructing the Finance and other Departments to allocate necessary funds to ensure the full implementation of Yeltsin's land decree, which makes it easier for individuals to take their land and leave the farm.
- Bryansk Oblast created a program for assisting the development of peasant farms, and for this purpose has created a commission headed by the first Deputy Head of the Agricultural department.

III. INSTALLING A FARM REORGANIZATION CURRICULUM WITHIN LOCAL INSTITUTES

Chemonics' assignment was to install a farm reorganization curriculum in a local educational institute in each of the 15 participating oblasts. Chemonics would train faculty from these institutes, and subsequently cooperate with them in organizing seminars on farm reorganization. It was planned that at the conclusion of the project these institutes would continue to deliver regular seminars on farm reorganization (an average of two per year) for new raions which decided to reform farms on their territory. It was also expected that they would serve as a source of expertise on farm reorganization which would be used by the oblast and local administration officials, as well as by farms undergoing the process.

A. *Selection*

Early on in the project, Chemonics made the decision to focus its work on those Schools and Institutes for Higher Qualification working under the Russian Ministry of Agriculture. Several key factors influenced this choice, as described below.

- These entities are geared towards training professionals, and were thus considered the most appropriate forum for the Chemonics seminars.
- Inasmuch as they are connected to the MOA, their selection strengthened the project's cooperation with the MOA. In addition, it was foreseen their work would be supported by the MOA's resources.
- These Institutes and Schools had the right mix of specialists (law, accounting, taxes) that could mesh well with expertise in farm reorganization. The institutes also could utilize the personnel of the Department of Agriculture on a part-time basis.

Table 3 shows a list of the participating institutes. It should be noted that no institute was chosen in Lipetsk oblast. This was because the local MOA school had relatively few resources, and the oblast had a tradition of relying for its instruction on the institute in the neighboring oblast of Voronezh, which was regarded as more of a regional than an oblast training center. Therefore, Chemonics used the Voronezh school to handle its work in both Voronezh and Lipetsk oblasts, although the Lipetsk school faculty did receive training. In addition, the school selected in Samara was the only case where Chemonics picked an institute that was not part of the Ministry's system, again largely because of a lack of adequate facilities at the Ministry's institute.

B. *Training*

In order to give the institutes immediate experience in teaching farm reorganization, Chemonics implemented its instruction in several stages. Initially, the institutes in the hub oblasts of Kaluga, Saratov, Moscow and Vologda were trained. The faculty of these institutes then participated with the Chemonics specialists in training the regional oblast Work groups as well as the institutes in the satellite oblasts. Subsequently the satellite institutes conducted the seminars for the raion Work Groups in their respective oblasts.

A total of nine separate training sessions were held for the faculty of the institutes. For the most part the format and content was virtually identical to that of the training received by the raion administrations.

Considerable attention was paid to quality control of the seminars. All attendees received a written test. Those institute faculty members who would be teaching also had to undergo an oral discussion with Chemonics experts, in order to ensure they were completely comfortable with the material they had assimilated. It is expected that additional seminars organized by the institutes will be on a fee basis, and that competition will represent the best assurance of their quality.

TABLE 3: Institutes Selected.

	Official Name of institute
Kaluga	Kaluga Oblast Training Center
Moscow	Moscow Institute for the Preparation of Rural Entrepreneurs (Balashikha)
Saratov	Saratov Regional Institute for the Preparation and Higher Qualification of Agribusiness Complex Workers
Vologda	Vologda Institute for Preparation and Higher Qualification of Agribusiness Complex Workers
Bryansk	Bryansk School of Management for the Agribusiness Complex
Smolensk	Smolensk Affiliate of the Russian Engineering Academy for Management and Agro-Business
Tver	Tver Institute for Preparation and Higher Qualification of Agribusiness Complex Workers
Ivanovo	Ivanovo Institute for Preparation and Higher Qualification of Agribusiness Complex Workers
Vladimir	Vladimir Oblast School for Management of the Agribusiness Complex
Samara	Samara State Agricultural Academy
Voronezh	Voronezh School for Higher Qualification and Agribusiness
Arkhangelsk	Arkhangelsk School for Higher Qualification of Agribusiness Complex Workers
Kostroma	Kostroma Affiliate of the Academy of Agribusiness and Management of the Russian Federation
Leningrad	Academy of Management and Agribusiness for the Nechernozem Region of the Russian Federation (Saint Petersburg)

C. *Post-Training Activities*

The most important contribution of the institutes to the process of reorganization was their organization of follow-up seminars. Under the agreement between Chemonics and the institutes, they were not expected to hold programs in farm reorganization until calendar year 1997. Nevertheless, they launched into this task immediately.

A total of 25 follow-up seminars were held in the course of FARMS II. Most of them were at the initiative of the institutes themselves. Others were instigated by the Oblast Working Group. In general they complemented Chemonics' own seminars and farm reorganization activities, because they were directed mostly to farm managers and specialists who had not been the target audience in the original seminar series and members of newly created Work Groups in other raions.

In addition, many of the institutes began to take an active role in farm reorganization. This was done primarily to increase their hands-on practical experience in farm reorganization, so as to have a much deeper understanding of the process. Among other activities the institutes did the following.

1. Set out to reorganize an individual farm.
2. Consulted on their own with farms seeking to reorganize outside the framework of the project.
3. Accompanied Chemonics specialists on their working visits to farms, and acted as members of the consultation teams.

4. Participated in the oblast Work Group, taking an active role in planning the farm reorganization campaign and in developing policy initiatives.

TABLE 4: Seminars During FARMS II

	Institute	Seminars Organized by Chemonics	Number of Attendees	Seminars Organized by Institutes	Number of Attendees
1	Kaluga	3	80	1	21
2	Smolensk	1	35	2	94
3	Tver	1	28	1	22
4	Bryansk	1	46	1	16
5	Moscow	2	32	2	28
6	Vladimir	2	61	4	105
7	Ivanovo	2	60	2	57
8	Leningrad	1	17	1	21
9	Kostroma	1	33	1	50
10	Arkhangelsk	1	77	3	84
11	Vologda	3	122	3	90
12	Saratov	3	70	1	17
13	Samara	1	27	2	82
14	Voronezh	1	26	1	35
	Totals Taught	23	714	25	722

**TABLE 5: INDIVIDUALS TAKING PART IN FARM REORGANIZATION SEMINARS
DURING FARMS II**

Regions	Number of Attendees				
	In all	Including			
		Institute Faculty	Members of Oblast Work Groups	Members of Raion Work Groups	Farm Leaders and Specialists
Moscow	343	34	54	79	177
Kaluga	352	25	23	159	145
Saratov	257	33	12	129	83
Vologda	484	35	17	128	303
Totals	1436	127	106	495	708

Most recently, the institutes are beginning to find another important niche as post-reorganization consultants to the newly organized farms. Already a few of the institutes have begun to make up business plans and sensitivity analyses for those entities that resulted from FARMS II reorganization.

TABLE 6: Institute Practical Participation in Reorganization During FARMS II

Institute	Description of Activity
Saratov	Participated in oblast Work Group.
Moscow	Participated in oblast Work Group; consulted with farms considering reorganization in Kolomno raion; preparing business plans for two reorganized farms in Moscow.
Vologda	Reorganized Organizer farm in Kirillovskiy raion. Working with another farm still in the process. Currently preparing marketing studies and business plans for Organizer.
Smolensk	Reorganizing farm still in the process in Demidovskiy raion.
Tver	Consulted with farms seeking to reorganize in Lekhoslavskiy raion.
Ivanovo	Prepared business plans for two reorganizing farms; participated in oblast Work Group.
Vladimir	Worked directly with Chemonics specialists in Gus-Khrustalnyi, Murmanskii raions; also participated in oblast Work Group.
Samara	Participated in oblast Work Group.
Voronezh	Conducted reorganization alongside Chemonics specialists in four raions of oblast; also participated in oblast Work Group. Currently preparing work plans for reorganizing farms.
Arkhangelsk	Conducted reorganization alongside Chemonics in Velskiy raion.
Kostroma	Conducted reorganization alongside Chemonics in four raions of oblast; also participated in oblast Working Group.
Leningrad	Participated in oblast Work Group

Chemonics personnel assisted the institutes in whatever area requested. The firm's specialists attended virtually all of their seminars, and delivered some lectures. Chemonics also gave them tips on how to organize the seminars effectively. Furthermore, where the institute was doing farm reorganization on its own, the specialist teams consulted with them on any issues they confronted--legal, technical and others.

D. Overall Assessment of Institutes' Activities

By the end of the project Chemonics concluded that its choice of institutes had been excellent. The institutes in general went far beyond expectations in terms of their willingness to begin running courses on their own, in getting involved in the whole reorganization process, and in seeking to bolster their theoretical knowledge with practical farm reorganization experience. In addition, they also served as a critical avenue by which to consolidate the link between the project and the MOA.

A key factor which accounts for the high level of activity displayed by the institutes is the fact that they view farm reorganization services as a potential source of income, as demand for reorganization services almost certainly will be increasing over the next few years. Chemonics encouraged them in this regard, because payments for the lectures or consultation

services is a primary avenue by which to guarantee the quality of instruction. In fact, the institutes have already begun to receive contracts for their programs. A total of Rub. 95 million has already been earned in fees paid for mainly by regional administrations as follows.

TABLE 7: Institute Earnings

Institute	Contract Sum	Customer	Action
Vologda	Rub. 30 million	Kirillovskiy raion	Teach raion WG
Vologda	Rub. 8 million	Ust-Kubinskiy raion	Teach raion WG
Kostroma	Rub. 29 million	Kostroma oblast	Teach farm managers and Ostrovskii raion WG
Kaluga	Rub. 5 million	Kaluga Oblast	Teach farm managers
Arkhangelsk	Rub 9 million	Arkhangelsk oblast	Teach three raion WGs and farm managers
Leningrad	Rub. 7 million	Leningrad Ag. Dpt.	Teach Viborg raion WG
Leningrad	Rub. 7 million	Viborg raion	Teach local farms
TOTAL	Rub. 95 million		

It is apparent that the institutes are interested in becoming full-service centers in farm reorganization providing their services on a commercial basis. As a result, this feature of FARMS II is one that is likely to have a very lasting impact.

IV. FARM REORGANIZATION ACTIVITIES

Chemonics' assignment was to have by the end of the project 225 farms that had entered the process. According to USAID criteria, a farm enters the process when it takes three steps.

- Holds a general meeting at which a proposal to reorganize is approved;
- Forms a reorganization commission; and
- Puts together a reorganization plan.

During the course of the project, Chemonics found that these procedures were not always needed for a farm to begin reorganization. In cases where a section of the farm split away, and the original farm continued to exist, the three steps defined above are not required by Russian law. During FARMS II 59 entered the process without these steps by submitting a request for a splitaway.

In addition, USAID set the task of having at least 50 farms which would finish reorganization during the project. According to USAID criteria, the process was complete when the farms allocated land among the new enterprises and documentation for registration of these new enterprises was submitted to raion authorities.

According to the Task Order, the raion Work Groups trained in the Chemonics seminars would spearhead the drive, with Chemonics acting in a support/consultation role. As described in section 2, the Work Groups went about their task with dedication and energy, leading to success in meeting all deliverables.

A. *Entering the Process*

Chemonics teams found substantial interest in farm reorganization across the 15 oblasts, with many farms ready to listen to their options and consider the prospect of reorganizing. Thus, farm directors came to meet with the Chemonics specialists through the raion administrations, either in large general meetings of all interested farms, or in one-on-one interviews with the Chemonics specialists. At these meetings they showed some reservations about what reorganization entailed, but when they realized that they had freedom of choice as to what reorganization path to follow, their readiness to try the process increased.

In general, wherever a farm expressed a willingness to reorganize and the raion was prepared to assist it, Chemonics recommended that work be initiated there—the firm's specialists rarely excluded working with any farms, although they did advise the Work Groups where difficulties might occur that could bog down the process. Several of these reasons are the following.

- Legal problems, such as large numbers of individuals claiming to be excluded from shareholder lists.
- Only a small minority of members interested in reorganization, meaning that a motion to begin reorganization might fail at a general meeting.
- Unrealistic expectations of farm reorganization by managers and specialists.

By the end of the project Chemonics specialists and the raion Work groups had initiated contact with over 320 farms. Of these, 294 farms entered the reorganization process. Chemonics worked not only with farms within selected raions—on occasion the firm received requests from the Oblast Work group to assist farms outside these raions. The specialists complied with these requests as time permitted.

Listed as Appendix B are the names of all farms entering the reorganization process during FARMS II, grouped by oblast and raion. Table 8 shows the breakdown in the number of farms by oblast.

TABLE 8: Farms Entering Reorganization Process During FARMS II.

Oblast	Total
Kaluga	32
Moscow	17
Saratov	28
Vologda	25
Bryansk	24
Smolensk	33
Tver	14
Ivanovo	15
Vladimir	24
Lipetsk	8
Samara	15
Voronezh	16
Arkhangelsk	18
Kostroma	13
Leningrad	10
TOTAL	294*
Deliverable	225

*Note: 59 farms entered the procedures without a general meeting.

Under Amendment I to the FARMS II Task Order, Chemonics was supposed to have concentrated its farm reorganization activities in the four hub oblasts. However, this objective was only partially achieved--the hub oblasts had some of the highest numbers of farms entering the process but it cannot be stated that most farms reorganizing were in these oblasts. The reason why Chemonics was unable to concentrate its work was that the decision to go ahead with reorganization lay with the farms themselves. There was no additional incentive to do so in hub oblasts than in satellite oblasts. To refuse assistance to the many farms which wanted to reorganize in the satellite oblasts simply to conform to a project amendment was impossible to explain to the oblast administration.

The farms had a variety of reasons for undertaking reorganization. The most common reasons for the initial push were the following.

- The desire of a certain group of energetic minded individuals to break out of the collective and strike out on their own. This was especially the case for those farms on the verge of bankruptcy, where members had not been paid for months.
- A very common reason for reorganization was to improve performance. Some of these farms opted to remain as a single unit, but instituted internal restructuring measures, such as cutting the number of voting shareholders, or introducing profit centers to determine which parts of the farm are working better than others.
- Large farms often decided to break up because farm managers acknowledged they could not manage areas that were virtually unreachable or which had been artificially created. In these cases the farm would divide up into units concentrated around separate villages which in the past had existed as separate farming units.

B. The Reorganization Process

Several observations can be made about the reorganization process as a whole. For one, farms generally took a long time to decide to go ahead with reorganization. This was of course to be expected, since reorganization is a major decision directly affecting the livelihood of the farmers. As a result, the raion and Chemonics specialists had to display a lot of patience, as the farms frequently put off meetings in order to reconsider decisions. These delays occurred often after the farm had approved the decision to reorganize at its general meeting.

The process was very dynamic as the conflicting aims of various groups had to work themselves out. Often, the farm opted for one reorganization path, then switched to another if the first was impractical, in order to find the best solution for all concerned.

As expected, the project met some obstacles to reorganization at the farm level. The following were the most important.

- The poor financial situation of the farm, with heavy debt, was a factor inhibiting reorganization. For example, in order to undertake reorganization certain professional services were required, such as the use of an evaluator to assess large items such as warehouses. As discussed previously, the oblast sometimes footed the bill in order to push the process along. In addition, because most farms had large debt, they often were reluctant to let peasant farms break out, because they thought they were being unfairly saddled with the remainder of the debt, even though the peasant farms were ready to leave behind some property, to which they otherwise would have been entitled, as payment.
- The uncertain political atmosphere also presented difficulties. During most of the project, a Communist victory was a clear possibility, and some farm managers thought that if they could just hold out until July, a Communist government might grant them subsidies.

On the positive side, the publication of President Yeltsin's land decree in March gave considerable impetus to farm reorganization. The principal way by which it encouraged reorganization was that it allowed owners of land shares to withdraw or sell these plots without the consent of other members of the collective. It also permitted the inclusion of an individual's land share into his private garden plot, which meant that small farms could be created without registration or payments of taxes. In the course of FARMS II, some members did use their land shares to add to their private garden plot.

The reorganization process consists of a number of defined stages. Briefly they are as follows.

1. **The information campaign**, to let farm members learn about the process and their rights.
2. **The general meeting**, to make a decision to go ahead with reorganization. At this point the pivotal reorganization commission is created and a reorganization plan put together.
3. **Update of stockholders lists**, to determine who is entitled to farm land and property.
4. **Inventory of land and property**, to ascertain the existence and state of the assets and to assign realistic values to them. Based on the inventory, the total pool is formed, and individual shares calculated.
5. **Delivery of certificates**, with the value of shares of each individual.
6. **Establishment of lots**, in preparation of the division of property and land.
7. **Filing of bids** for land and property by new organizations.
8. **Division of land and property**, mainly by agreement, auction type procedures or even lottery.

9. Preparation of **starting balance sheets** for new enterprises.
10. **Registration** of new enterprises.

Virtually all allocation of assets was by agreement. Generally, representatives of each of the enterprises being created met with the inter-farm reorganization commission informally and went through the inventory lists, picking out those non-land assets they wanted based on the number of shares each enterprise had. Usually there were few disputes because most break-up/splitaways were based on territorial or production specialty principles, and therefore it was clear who would be allocated what asset. Where disputes did arise over a single item, the specialists would try to find mutually agreeable exchanges, i.e. one group would give up an asset it expected to receive, in order to get the item under dispute. Division by agreement was found to be highly effective—in the end, among the farms that finished reorganization during the project, there was only a single case, Vishnevskoye in Ivanovo oblast, where resort was made to auction-type procedures. The Chemonics approach eschews auctions, because it has been found that auctions are psychologically traumatic for Russians, who view them more as a bankruptcy proceeding, where farmers' property and lives are auctioned off to the highest bidder, than as a means to realize an effective distribution of property among new enterprises.

Distribution of land was less problematical than the division of assets, except where large numbers of peasant farms/enterprises were splitting away, in which case a detailed determination of who got what plot was required. In cases where peasant farms were breaking off, the rest of the farm often sought to give them some of the worst pieces of land. The reorganization teams would then take the lead in ensuring that the peasant farm received an average tract of land, in order to comply with the law on this point.

Establishing a starting balance for new enterprises is a technically demanding task, which farm personnel sometimes were unable to do. For this reason, the raion Work Group personnel, with assistance from Chemonics specialists, would go in and do the work themselves.

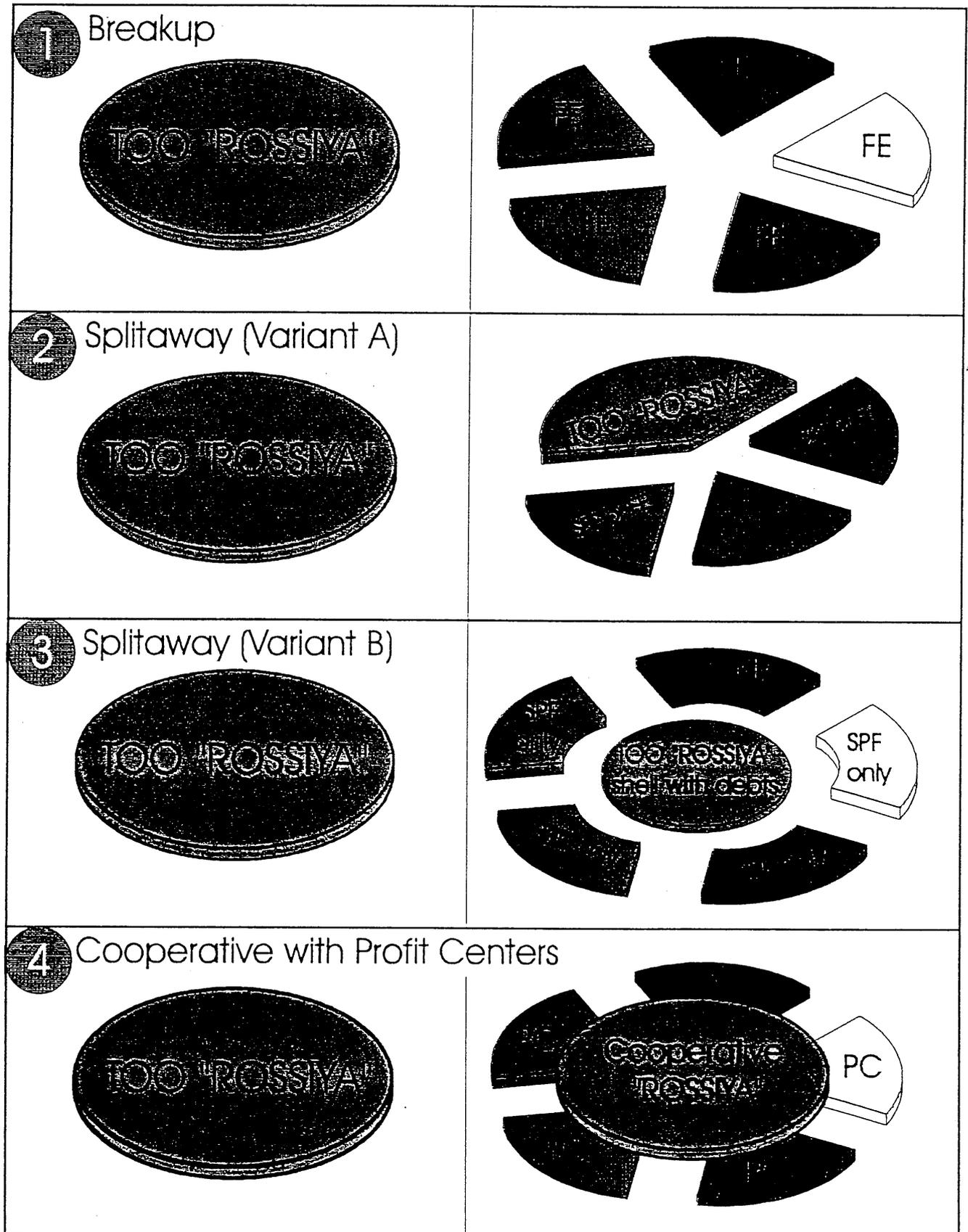
It should be noted that reorganization is becoming a continuous process, with no determinate end. For example, during reorganization one peasant farm would split off, followed two weeks later by another, and then another. Even in these cases in which reorganization has been complete, one can expect further evolution, either through break-ups or mergers.

C. Choice of Reorganization Path

By the end of the project, a total of 50 farms had completed reorganization according to USAID defined criteria, i.e. accomplishing the physical distribution of property and submitting documents for registration for all those enterprises emerging from the process. Of these, splitaways of peasant farms and enterprises predominated, with 27 cases, followed by complete break-ups of the farm (12 cases), internal restructuring with such measures as the introduction of profit centers (5); and cases where individuals split from the farm to join other, financially more healthy farms (6). The following are descriptions of these organizational forms.

1. **The break-up (razdeleniye):** The original farm breaks up into a number of units (either enterprises or peasant farms) which divide up all land and assets among themselves. Once the break-up has taken place the original farm ceases to exist, and the successor farms must also divide up the debt and assume responsibility for their respective share of it.
2. **The splitaway (videleniye), first variant:** A number of enterprises or peasant farms split away from the original farm. The key difference from a break-up is that the original farm

MOST COMMON REORGANIZATION PATHS



FE - Farming Enterprise

SPF - Small Peasant Farm

PC - Profit Centers with business assets

continues to exist after the splitaway, and retains in most cases the majority of workers, land and assets.

For the most part, it is peasant farms which split away. Unlike enterprises such as cooperatives or partnerships, peasant farms are not legal entities under Russian law and therefore can more easily separate themselves without having to assume the debt of the previous enterprise. Those peasant farms splitting away often give the original farm some portion of their assets in exchange for which they are freed of all debt obligations. The original farm thus remains solely responsible for the entirety of the original debt.

In several cases peasant farms created a user cooperative, which is an association of legal organizations that is created to serve its member-organizations in limited ways. The user cooperatives are usually created to manage the non-divisible fund, those assets that should not be divided because they are needed by all. In the FARMS II cases the cooperatives also provided marketing services and supplies to the peasant farms and were thus a way for smaller entities to give themselves mutual support.

3. **The splitaway, second variant:** Here, all shareholders of the original enterprise break away to create peasant farms only. In order to gain flexibility on debt repayment, they leave behind the original farm entity functioning as a shell to deal with creditors. The only assets left in the shell are the pledged collateral. This arrangement benefits the peasant farms because it allows them to begin operations debt free, and furthermore, a creditor would only be able to reach the pledged collateral, and not any other assets which the peasant farms would hold (these other assets are often more substantial than the pledged collateral). If some of the pledged collateral is needed by the newly formed peasant farms, they can enter a rental arrangement with the original farm shell where the rental fee is minimal. This variant was used only after approval by the local administration, inasmuch as it is basically a way off writing off debt, which, for the most part, is owed to the local and Federal administrations.
4. **The splitaway, third variant, increasing the private garden plot (lichnoye podsobnoye khosiaistvo):** In some cases a splitaway does not result in the creation of peasant farms or enterprises. Instead, individual members splitting away use land and assets allocated to them in the reorganization process to support production on their own private garden plots. Most garden plots are used to rear livestock, but are too small to produce enough feed for the animals. While the individual farmer may use some of the land and other assets received as a result of reorganization to add to his/her garden plot, he/she often will rent the rest back to new cooperatives and agricultural enterprises in exchange for feed and other inputs. This arrangement enables the holder to expand significantly the marketable surplus produced on his/her garden plot. The strategy is helping to make the garden plots an intrinsic part of the farm economy, as they complement and add to the marketable production taking place on the neighboring agricultural enterprise. President Yeltsin's land decree issued in March has encouraged this form of reorganization by making it possible for a land shareholder to take his share of land from the collective and add it to his/her garden plot. This could not be done prior to the land decree's passage.
5. **Splitaway to join another farm:** In these cases, a large group of shareholders takes their land and property shares to leave what is a dying farm, to go to another which is performing better. Often, it is pensioners who pull their land out and pass it to the neighbouring farm for rent. Chemonics worked with these cases, because they represented clear examples of the migration of land and resources to more efficient producers with better perspectives, and allows the shareholders to get the best deal for their shares.

6. **Internal restructuring with introduction of profit centers (preobrazovanie s vnutrennim khozrashchetom):** Some farms opt to remain as a single unit, but undertake key internal changes to make management more efficient. In many cases, for example, the number of voting shareholders is slashed. Those left out, usually pensioners, become associated members, who rent their land to the farm but are excluded from decisionmaking.

Under this scenario, the original farm may create internal profit centers which function as independent farms, but are not registered as legal separate entities, because otherwise all transactions between them would be subject to taxation. A protocol of transfer of assets to these profit centers is signed in order to fix the distribution of property in lieu of registration. The administration of the original farm remains as a management unit for the profit centers.

Creation of profit centers is viewed as an intermediate step from which three possible long term results could emerge. 1) The enterprise could remain the way it is. 2) A break-up could ensue. Profit centers facilitate a complete division by identifying which parts of the farm are being subsidized by the others, thus giving an incentive to the more efficiently functioning profit centers to make a complete break. 3) The profit centers could become legal subsidiaries. Under this scenario, the subsidiaries would be debt free and the management unit would be in charge of the collateral.

Table 9: Number of Farms Completing Reorganization by Oblast

Oblast	Number finishing reorganization within FARMS II project
Kaluga	2
Moscow	2
Saratov	10
Vologda	4
Bryansk	3
Smolensk	6
Tver	2
Ivanovo	3
Vladimir	4
Samara	4
Arkhangelsk	6
Kostroma	2
Leningrad	2
TOTAL	50

Various factors influenced the choice of reorganization path (break-up, splitaway form, internal restructuring) as follows.

- Wherever disputes arose, there was more likely to be a splitaway, as this path could be undertaken without approval from other farm members.
- The choice of form was often dictated by considerations as to how the farms could legally avoid or delay repayment of their debt, as well as ways to minimize their tax burdens.
- A break-up was especially common where territorial-based units had become accustomed to working on their own.
- Where the reason was simply to improve economic performance of a farm, the choice of path was uncertain, sometimes the farm decided on making internal structure changes, other times it opted for a break-up or splitaway to bring fresh leadership to the fore.

At the end of the main body of this report is an Annex with short narratives of what happened in the case of each of the 50 farms that completed reorganization during FARMS II, with a description of the structural changes that were realized and a few peculiarities about the reorganization process on each farm. In addition, while all farms received a full range of services, the narrative singles out those aspects of the process where—in each case—the reorganization teams—composed of personnel from both Chemonics and the Work Groups—spent a disproportionate share of their time.

D. Choice of Legal Form

In all, 386 new enterprises resulted from the reorganization of the 50 farms. Among these, two types of organizational entities predominated, peasant farms (345) and cooperatives (35), representing the choice of about 98 percent of these new enterprises. The reasons for their popularity differed.

Peasant (or Family) Farms: Traditionally peasant farms were relatively small organizations in terms of the number of participants, centered around a family unit. However, many of the peasant farms that resulted from FARMS II were of a different breed, larger groups of individuals united by common business interests, thus underscoring a recent trend in this type of organization, since there are generally no legal restrictions on size or relationship of farm members.

The peasant farm is an entity where members hold land and property in common. They are personally liable for the debts of the enterprise, and as a result, those who opted to create peasant farms were generally risk-takers.

Several reasons accounted for the popularity of the peasant farms. For one, peasant farms are not legal entities under Russian law. As a result, procedures for exiting a farm are more simple. For example, to create a peasant farm one does not need the approval of the other members of the collective. Second, a peasant farm does not inherit the debts of the former collective, and so can start debt free in exchange for leaving behind a certain portion of the equipment to which it otherwise is entitled. Another reason was that some benefits, such as pensions and healthcare, are still maintained for members of a peasant farm. Debt considerations also played a role—when a break-up takes place the law requires that creditors be notified. In a splitaway of a non-legal entity this is not necessary. As discussed in the previous section in several cases the farm broke up into peasant farms, leaving a shell behind to deal with debtors and manage the collateral.

Cooperatives (artel): By far the most popular of the collective ownership forms, largely due to the more flexible management style it provided. In the cooperative only worker members are permitted as decisionmakers, with dividends allocated according to amount of work. This form thus resulted in a tighter management, because pensioners could only participate as associate members, with no voting rights, and were thus excluded from any management role (on Russian farms it is common for pensioners to outnumber the workers.) Furthermore, the cooperative form was seen as promoting personal initiative by basing payments on amount of work done.

Members of the cooperative are not personally liable for the debts of the enterprise, and this was an attractive feature for the more risk adverse members of the farm, since the enterprise generally had to inherit the debts of the former farm in the process of reorganization.

It is important to note that Chemonics specialists wrote into the charter a guarantee of the right of each member to leave the cooperative with one's plot of land. This right is not intrinsic to the cooperative form.

Three societies of limited responsibility (Russian acronym OOO), akin to the Western concept of a corporation, and three kommand partnerships, close to the American version of a limited

partnership emerged from the FARMS II process. The OOO was generally not favored because of its lack of management flexibility (all shareholders retained voting rights, including pensioners). The kommandit partnership was not popular, because it presented its potential members with a dilemma, either relinquish decisionmaking by becoming a junior partner, or be responsible, as a general partner, for the debts inherited by the partnership.

In many cases where there was a splitaway, the rump farm opted to retain its original form, rather than undergo a transformation.

Following is a list of the new enterprises formed as a result of FARMS I classified by legal form.

TABLE 10: Farms Completing Reorganization During FARMS II.

Name	Oblast	New enterprises formed	Land area of new entities (Hectares)
<u>SARATOV REGION</u>			
1. Demyasskoye	Saratov	1 peasant farm (PF) (29 shares)	638
2. Prudovoye	Saratov	1 PF (16)	326
3. Vostochnoye	Saratov	2 cooperatives (553)	17305
4. Mordovoye	Saratov	1 PF (9), 82 shares to preexisting PF	1763
5. Bukatovskoye	Saratov	1 PF (200), 68 shares to preexisting PFs	4306
6. Komarovskoye	Saratov	1 PF (97)	1814
7. Volnovskoye	Saratov	22 PF (22)	166
8. Bratstvo	Saratov	1 PF (45)	371
9. Zernovoye	Saratov	1 PF (20)	440
10. Luganskoye	Saratov	6 PF (12)	125
11. Partizan	Samara	52 PF (236)	4007
12. Kondurcha	Samara	2 cooperatives (496)	12180
13. Frunze	Samara	1 cooperative (252)	2534
14. Berezovskiy	Samara	1 cooperative (434)	9154
<u>KALUGA REGION</u>			
1. Gruzdovskoye	Kaluga	4 PF, 1 cooperative (173)	4421
2. Dolgovskoye	Kaluga	1 OOO; 5 private garden plots (226)	4153
3. Iskra	Bryansk	5 PF (50)	477
4. Imeni Lenina	Bryansk	1 PF and 9 individuals (26)	93
5. Iput	Bryansk	3 cooperatives, 1 PF (635)	1599
6. Voskhod	Tver	1 PF (23), 9 shares to preexisting coop	170
7. Smena	Tver	3 PF (58)	2781
8. Budyanskoye	Smolensk	2 cooperatives (346)	3941
9. Imeni Kalinina	Smolensk	3 PF (50)	450
10. Gorodok Bogatirevo	Smolensk	4 PF (4)	75
11. Rassvet	Smolensk	4 PF (72)	3939
12. Imeni Nakhaeva	Smolensk	2 PF (17)	99

13. Dyomshchino	Smolensk	3 cooperatives, 1 user coop (221)	1850
<u>MOSCOW REGION</u>			
1. Vishnevskoye	Ivanovo	2 cooperatives, 1 PF (358)	2841
2. Voskresenskoye	Ivanovo	1 cooperatives (145)	1556
3. Savinskoye	Ivanovo	4 cooperatives (358)	4907
4. Torgashino	Moscow	1 PF (11), 48 shares to preexisting OOO	188
5. Steblevo	Moscow	1 joint stock company (31), 561 shares to preexisting coop.	2960
6. Timushev	Vladimir	1 kommandit partnership, (22)	148
7. Znanya Truda	Vladimir	1 cooperative (181)	464
8. Kirzhakskoye	Vladimir	4 PF, 1 OOO (524)	4636
9. Ilyinskoye	Vladimir	1 kommandit partnership, 1 coop.	2255
<u>VOLOGDA REGION</u>			
1. Petrovo	Vologda	11 PF (40)	215
2. Truzhenik	Vologda	Cooperative with 8 profit centers (341)	1951
3. Organizator	Vologda	Cooperative with 10 profit centers (469)	2680
4. Pravilny Put	Vologda	Cooperative with 2 profit centers (146)	853
5. Yakushevskoye	Arkhangelsk	83 PF (115)	633
6. Druzhba	Arkhangelsk	1 PF (15)	230
7. Bestuzhevo	Arkhangelsk	1 PF (26), 99 shares to preexisting PF	784
8. Tavrenskiy	Arkhangelsk	100 PF (237)	1546
9. Fominskoye	Arkhangelsk	4 PF (30)	175
10. Imeni Lenina	Arkhangelsk	3 PF (44)	503
11. Rassvet	Kostroma	1 PF (12)	106
12. Bokovo	Kostroma	15 PF (61)	584
13. Kapshinskaya	Leningrad	1 cooperatives, 1 kommandit partnership, 5 PF (184)	538
14. Zarya	Leningrad	10 cooperatives (32)	53
TOTALS		345 PFs, 35 coops, 3 OOO, 3 kommandit partnerships	109,990

E. Land Use

Based on the experience of the new enterprises resulting from the reorganization of the 50 farms that finished the process, it can be said that two forms of land use predominated, with little exception.

A majority of shareholders (53 percent) opted either to put their shares into the founding capital of a new enterprise, or to contribute the right of use to this founding capital. It reflects above all the fact that the peasant farm was the most popular legal form adopted. The members of the peasant farms were in most cases the owners themselves, and it was natural for them to contribute their land plot to the peasant farm.

The second most important land use was renting the plot to newly created enterprises (41 percent of the total). About a quarter of the shares were used in this way. Generally, the method was preferred in those cases where a farm had broken up not into peasant farms but

into enterprises, or the farm had opted to stay largely together, with internal restructuring such as the introduction of profit centers and the reduction in the number of voting shareholders.

The sale of the land plot was a rare event, as land share holders saw rent as a way to obtain the products and personal services they needed from the farm without completely forfeiting their claim to the land.

The complete data on land use by finishing farm is described in Table 11.

TABLE 11: Land Share Use in FARMS II

Farm	Number of land shares	Put in the founding capital	Rented	Sold	Right of use in founding capital	Gift	Other
SARATOV REGION							
1. Demyasskoye	29	29					
2. Prudovoye	16	16					
3. Vostochniy	553	386	167				
4. Mordovoye	82	82					
5. Bukatovskoye	268	268					
6. Komarovskoye	97	1	96				
7. Volnovskoye	22	22					
8. Bratstvo	45	21	24				
9. Zernovoye	20	20					
10. Luganskoye	12	12					
11. Partizan	236	88		144			
12. Kondurcha	496	398			98		
13. Imeni Frunze	252	47		205			
14. Berezovskiy	434	142		292			
KALUGA REGION							
1. Gruzdovskoye	173	127	46				
2. Dolgovskoye	226	76	140	8			2
3. Iput	635	166	469				
4. Iskra	50	50					
5. Imeni Lenina	26	17	9				
6. Voskhod	23	1	22				
7. Smena	58	58					
8. Budyanskoye	346	346					
9. Imeni Kalinina	50	50					
10. Gorodok Bogatirevo	4	4					
11. Rassvet	72	72					
12. Imeni Nakhaeva	17	7	5		5		

13. Dyomschino	221	155			66		
MOSCOW REGION							
1. Torgashino	59		11	48			
2. Steblevo	592		592				
3. Vishnevskoye	231	1	230				
4. Voskresenskoye	145		145				
5. Savinskoye	358		358				
6. Vozrozhdeniye	22	22					
7. Kirzhakskoye	524		524				
8. Znamya Truda	181	41	109				23
9. Ilyinskoye	234			57	90		85
VOLOGDA REGION							
1. Petrovo	40	19	21				
2. Truzhenik	341	341					
3. Organizator	469		469				
4. Pravilny Put	146	146					
5. Yakushevskoye	115	115					
6. Bestuzhevo	125				125		
7. Tavrengskii	237	237					
8. Fominskoye	30				30		
9. Druzhba	15				15		
10. Imeni Lenina	44		44				
11. Rassvet	12		4		8		
12. Bokovo	61	26	35				
13. Kapshinskaya	184	184					
14. Zarya	53	53					
TOTAL	8,681	3,846 (44%)	3,520 (41%)	802 (9%)	437 (5%)	0	110 (1%)

V. PUBLIC INFORMATION ACTIVITIES

During FARMS II Chemonics undertook a broad public information campaign, ranging across all the main media. In part this campaign was meant to boost support for the farm reorganization activities concurrently underway. More important perhaps, the campaign sought to foster a greater acceptance for farm reorganization among large segments of the population across the nation in order to assist and promote farm reorganization long after Chemonics had ceased its own activities.

The FARMS II public information activities had two prongs. The first part consisted of a broad public education campaign, which aimed to raise positive awareness of farm reorganization at a national level. The second was a much more narrow farm information campaign, which would give more technical and practical information for those members of farms participating in actual reorganization.

A. *Public Education Campaign*

It became clear early on that in order to have the most far-reaching impact, the campaign had to be designed so that it would not be focused on any one program (such as FARMS II) and would not become associated with any foreign donor organization (USAID). This way the attention would remain on the advantages and benefits brought about by farm reorganization in general, rather than on the narrow details of the particular program.

One obstacle was that a relatively limited amount of money (about \$130,000) was devoted to this purpose. Thus, for the campaign to have any impact, a very judicious choice of programs had to be made.

The campaign underlined a number of key themes. The following is a sample and by all means not an inclusive list of these themes.

- Farm reorganization is a voluntary process that helps farms enhance their performance. For weak farms it lays the groundwork for a recovery. Strong farms can expect even higher profits from farm reorganization.
- Farm reorganization is supported by the federal and local administrations, which will stand behind the decisions of individual shareholders.
- Farm reorganization helps farmers become more attached to their land and increases their incentive to work.
- Members of truly reorganized farms enjoy a more satisfying life than people on former unreorganized collectives, who often have only medals to show for a lifetime of drudgery.
- Farm reorganization is unavoidable, as many farms in desperate financial straits cannot expect dole-outs from above.

Television

The Chemonics public education campaign had as its centerpiece a highly imaginative series of six television documentaries of superb technical quality, which explored the issue of farm reorganization and rural reform from a variety of perspectives. Four half-hour broadcasts were aired on all-Russian Channel 2 Television, at 5:20 PM, immediately following the national news. The fifth was on Sunday at noon. These highly advantageous time slots were obtained at an extremely low rate. The total cost per broadcast was \$15,000 including production and airtime.

The first three programs examined the impact reorganization has had on farms in three separate regions of the country--Vologda, Kaluga and Kostroma--largely to show that the farmers of these new entities are working harder and better than before, and finding greater rewards. At the same time the broadcasts treated related issues, such as the problem of marketing local goods, the issue of diversifying production into cottage industries to increase farm profits, etc.

In the next three broadcasts, the focus shifted somewhat. The fourth broadcast traced a day in the life of a private farmer, mainly to show the satisfaction she derived from her work. The last two broadcasts examined specific issues, one the greater number of options available to

pensioners as a result of reorganization, the second the issue of inter-enterprise debt, in particular the problem of non-payments by agricultural processors to farms.

TABLE 14: TV Broadcasts

Date	Contents/Main Theme
February 7	Shows reorganized farms in Vologda and the improvements that have taken place as a result. Reorganization helps all farms, even those which are already doing well. The Russian administration supports farm reorganization.
February 29	Points out the high morale and work ethic of reorganized private farmers in Kaluga. Reorganization helps farms chose the leaders they want, and this yields results.
April 4	Contrasts the rewards of private farming with the life of collective farmers who have worked all their lives and received virtually nothing. People leave the collectives to work for themselves, not for others.
April 25	Tracks a day in the life of a regular private farmer in Kostroma. She leads a contented life, more satisfying than that on the former collective.
July 7	Narrates the story of a group of pensioners in Kursk who took their land shares out of the collective and rented them to a private farm. Reorganization allows farm members to use their shares as they wish.
August 7	Examines the problems of farms which are not paid by agriculture product processors for their output.

For more detail, see the synopsis of each program attached as Appendix C.

Almost without exception the television series was extremely well received. For example, some of the programs got highly favorable and supportive reviews in the national press, including articles in Trud and Selskaya Zhizn.

Channel 2 executives confirmed that the series had been unusually interesting, and had awakened such attention to land reform issues that the company was ready to initiate four regular series on agricultural issues. Channel 2 even offered the series a regular time slot if the decision was made to continue the broadcasts.

Radio

The Chemonics radio campaign consisted of broadcasts totalling 66 minutes of air time. They focused around short segments which treated the reform situation in oblasts where farm reorganization was underway. The programs discussed a variety of topics related to rural reform and the importance of private agriculture to the oblast's economy, mixed in with some news about the overall agricultural situation in that region. In addition, Radio Rossiia also aired three longer broadcasts which examined some of the problems of the food and food processing sectors from a reformist perspective. It should be noted that the effectiveness of the radio broadcasts was especially affected by the lack of funding for media activities--in the end, the entire budget allocated to radio was only \$19,800.

Table 15 contains a summary of FARMS II radio programs.

Written Press

In this part of the public education campaign Chemonics produced 49 articles supportive of land reform. The majority were published in national press publications such as Selskaya Zhizn, Trud, and Rossiskiy Fermer. It was the impression of Chemonics that the themes championed would be more effectively developed through a string of internally consistent articles in one source delivered to the same wide audience, rather than to pepper geographically dispersed regions with one or two articles per region. At the same time, the firm found that articles in national level publications were more cost effective, in that they reached a much broader audience for less money. Chemonics targeted established newspapers, rather than reformist publications, because this latter group had generally a

TABLE 15: FARMS II Radio Broadcasts

Date	Subject
30 January	Situation of farms in Arkhangelsk Oblast
31 January	Reorganization of farms in Kaluga Oblast
6 February	Reform in agriculture in Bryansk Oblast
28 February	Problems of agriculture in Saratov Oblast
29 February	Overview of agriculture in Leningrad Oblast
21 March	Restructuring of agribusiness enterprises in Vladimir Oblast
22 March	Reform of agriculture in Voronezh Oblast
3 April	Survey of changes in Russian agriculture
4 April	Reorganization of farms in Smolensk Oblast
29 April	New technology for raising potatoes in Samara Oblast
30 April	Changes in Russian agriculture
6 June	First results of reform in Bryansk Oblast
11 June	Reform of farms in Arkhangelsk Oblast
21 June	Peasant farms of Saratov Oblast

much more limited readership, and were more geared towards urban dwellers than towards the rural sector.

The articles, written by experienced journalists, analyzed a wide variety of land reform and related topics from a social perspective. The series included interviews with private farmers, discussions of marketing bottlenecks, and case studies of the effect of farm reorganization on worker discipline and morale. The breakdown of the articles by publication was as follows.

- Selskaya Zhizn: 24 articles
- Rossiskiy Fermer : 11 articles
- Trud: 4 articles
- Regional Newspapers: 10 articles in Ivanovo (2), Saratov, Smolensk, Tver, Samara, Vologda, Lipetsk, Voronezh and Leningrad.

B. Farm Information Campaign

The campaign had as a principle element the use of six issues of an in-house Chemonics newspaper, Noviy Khoziain. Noviy Khoziain gave more detailed technical treatment of the themes echoed in the public education campaign. Each issue was packed with information narrowly geared towards farm reorganization issues, including graphs and tables illustrating many of the technical concepts of farm reorganization. Other articles included commentary in favour of farm reorganization and privatization, portraits of successful private farmers and other items of interest to rural dwellers. The issues were generally distributed on reorganizing farms, raion and oblast administrations, or to the local institutes with which Chemonics was co-operating.

The farm information campaign also was centered around a series of six informative brochures, between 15 and 25 pages each, that were handed out to farms. These brochures were largely of a practical nature and were meant to explain some of the key problems and issues that were likely to be encountered during the course of reorganization. The subjects are described in Table 16.

TABLE 16: Farm Information Campaign Brochures

Number/Date of Publication	Title/Subject
1. Novembr 12	What Land and Property Shareholders Should Know About Their Rights
2. February 26	Basic Questions and Answers Concerning Farm Reorganization
3. February 29	Basic Stages in the Farm Reorganization Process
4. April 2	Tax Considerations in the Choice of Legal Form of New Enterprises
5. May 13	"On the Reformer V.I. Matveev," the story of a successful private farmer
6. June 17	How to Set Up Internal Profit Centers

As described above, the distribution of the issues of Noviy Khoziain, given their technical content, was an important part of the farm information campaign.

VI. MATERIALS DEVELOPMENT

A. *Farm Procedures Manual*

The Farm Procedures Manual was the key document with which Chemonics worked during FARMS II. The Manual--along with Appendix and Annex volumes--had been created, developed and tested in the course of FARMS I.

The Manual consisted of three volumes.

- Volume I discusses in detail the fundamental principles of farm reorganization, including its legal basis.
- Volume II is an appendix comprising all fundamental documents which could be used in the process such as charters, statutory documents, and divisional balance sheets.
- Volume III contains 26 information leaflets which were distributed to the pilot farms.

During the course of FARMS II, two amendments were made to the Manual. One was a revision of the first chapter in the first volume, which describes the appropriate reorganization paths a farm can undertake. The revision gave much more discussion to some of the less well-known reorganization forms, including internal transformation and mergers, in order to have the Manual correspond as closely as possible to the wide range of choices available under Russian law. The second revision represented an effort to incorporate a discussion of the Yeltsin land decree in light of the many questions which Chemonics specialists received from farmers regarding it.

Furthermore, in response to a multitude of requests made in the course of the seminars, the FARMS II project put together a compilation of all legal documents applicable to reorganization. This compilation became an additional fourth volume in the set which is handed out regularly.

The Manual was the essential tool distributed to oblast and raion Work Groups, farms, institutes and other interested parties. It has been universally praised. The Manual has been described as clearer, more concise than other volumes in the field, and virtually all farms referred to it constantly as they worked through reorganization. In all, a total of 3,200 copies were distributed to institutes, raion and oblast Work Groups and reorganizing farms, around 1,000 volumes over and above the number Chemonics had initially expected to release, largely as a result of the demand created by the follow-up seminars conducted by the institutes.

By the end of the project it was planned that the Ministry of Agriculture would be in charge of keeping the Manual current, and making as many copies as were needed by practitioners. The Ministry delegated this task to one of the institutes under its supervision, in order to keep this activity separate from the planning and policy making functions that the Ministry was undertaking. The Ministry also viewed the Manual as an educational tool that would most appropriately be under the supervision of an educational institute.

The Ministry of Agriculture decided to allocate these responsibilities to the Vologda institute, largely because of its long experience in farm reorganization, having cooperated with Chemonics during FARMS I. In compliance with this request, Chemonics is in the process of purchasing heavy-duty printing equipment so that the institute can print large volumes of Manuals at a low cost.

B. *Training Materials*

In support of its instructional seminars, Chemonics created a series of training materials in order to focus the interest of seminar participants. These included a series of 58 slides created by the central Moscow training team that instructors used in their presentations. Often, regional teams added their own stylized slides. A second product was the creation of practical exercises in order for course participants to get a practical feel for reorganization. Samples of these exercises were the following.

1. Establishment of a reorganization schedule.
2. Composition of a divisional balance.
3. Sample inventory of property and calculation of the property fund.
4. A mock meeting to allocate land and property.
5. A mock argumentation session, at which the drawbacks and advantages of each legal form a new enterprise can adopt were laid out.

The Chemonics Training Specialists also created the materials for testing participants in their knowledge of the process, to ensure that those who attended the course came away well versed in the process.

VII. POST-REORGANIZATION SERVICES

In November 1995, USAID amended the FARMS-II Task Order to incorporate an element of post-reorganization support. USAID included this amendment because it felt that some measure of resources should be devoted to assisting farms that finished the process, as well as to advise local administrations as to how best to maintain essential services to farm members. In addition, USAID viewed the post-reorganization specialists as essential links with the Market Oriented Farm Support Activities getting underway in Saratov and Vologda oblasts.

In line with the Task Order Amendment Chemonics added two post-reorganization specialists to each of its four regional teams. One specialist concentrated largely on marketing issues, the other was geared towards financial and social sphere issues. The expatriate Management Specialist and a Russian counterpart supervised the work of the post-reorganization teams, with the expatriate concentrating on the marketing side. Given the relatively small resources devoted to this Task, Chemonics sought to target the activities of its specialists towards highly focused undertakings. USAID and the GKI also requested specific studies of the economic situation of the farms reorganized during FARMS I, as well as the effects of the transfer of social sphere services to local administrations. Considerable attention was devoted to these studies.

A. Marketing Services

It was decided that the primary activity for the marketing specialists would be an investigation of the marketing and distribution network for the primary products of reorganized and reorganizing farms in the 15 FARMS II oblasts, in order to locate better sales opportunities for these farms. Clearly, a key problem facing any reorganized farm is inflexible, often monopolistic established market that gives the farms highly disadvantageous prices for their products. Often, they consistently sell these products at a loss. The ultimate goal of this exercise was to find new, relatively untapped outlets for the farm products.

The Chemonics marketing specialists conducted a broad survey and research of all potential marketing outlets and established lists for each oblast. The lists were subsequently investigated and filtered. The information was incorporated in separate brochures which will be widely distributed to farms and oblast and raion administrations. A total of over 2,000 outlets were identified for all agricultural products. The information in these lists is also being handed out as diskettes to institutes and raions so that they can be updated to form the basis for an eventual market information system.

Almost invariably, the service was viewed as unique and extremely valuable by farmers and officials in the regions. Among the oblasts participating in FARMS II, only Kaluga has a marketing service as part of its administration. Several local Agriculture departments indicated interest in establishing such a marketing branch and inquired into the methodology Chemonics adopted for its study.

B. Social Sphere/Financial Services

The Chemonics social sphere/financial specialists completed two studies, one on the economic impact of reorganization on the farms reorganized during Chemonics' pilot project; the other an assessment of the effects of the transfer of the social sphere during reorganization and an investigation of what happened to people let go during the course of reorganization on the pilot farms. The main findings of these studies are as follows.

Study on the Economic Impact of Farm Reorganization. Although the timeframe used in this study (6-7 months) was too short to make adequate comparisons between the farms before and after reorganization, the data did show indications that the newly reorganized farms were performing better than their predecessors. In particular, the newly reorganized farms were able to improve profitability—they averaged losses of 23.6 percent prior to reorganization, but were earning an average profit of 3.4 percent thereafter. To a large extent, the farms generated savings by reducing superfluous personnel—on average, employment was cut 29 percent by the reorganized farms. The study also noted that wage increases generally outpaced raion averages, and reorganized farms as a rule are paying these wages, in contrast to other farms

which go months without paying their employees' salaries. Furthermore, newly reorganized farm tended to display innovation by restructuring their production, opting to cut back on traditional crops and livestock production activities in favour of higher value crops.

Effects of the transfer of social sphere services. The transfer of social services traditionally maintained by farms to raion administrations has been an uneven process, with many raions either refusing the transfer in its entirety, or accepting the transfer of only some of the services. The quality of current services on the reorganized farms is as follows.

- **Personal services.** Personal services provided by farms to individual members, such as plowing of garden plots, provision of firewood, and transportation to administrative and cultural centers have generally improved following reorganization, as traditional informal, non-binding agreements have been replaced during the reorganization process by formal contracts obligating farm leaders to perform these services.
- **Housing Maintenance.** Where farm housing has been privatized, maintenance has improved. Where instead it has been transferred to the municipal budget or retained as farm property, maintenance has generally deteriorated.
- **Utilities.** When responsibility for utilities has been transferred to local administrations, the quality of service has fallen, forcing the farms occasionally to continue to provide minimal services themselves.
- **Health, education and culture.** These services have generally been all transferred to the local raion, and their quality has deteriorated, largely because funding from the federal budget for raion administrations for this purpose has shrunk substantially over the past few years.

Results of layoffs during reorganization. The surveyed farms reduced their number of workers by around 30 percent. Of these, 32 percent have been able to find new full-time employment, 2 percent started their own business, 52 percent found part-time work, 3 percent retired early and 11 percent went on welfare. The study found that 35 percent of the persons let go had been so for disciplinary and drinking problems, 18 percent because they had reached preretirement age and 37 percent because their positions were no longer needed. It was generally the first two of these categories that had the worst prospects of finding subsequent work.

The financial specialists also created a series of model business plans based on their work with newly reorganized farms. These included a model business plan for an enterprise, and a model plan for a peasant farm, as well as several specialized business plans, such as for feed lots and service enterprises. Some of this material was derived from work on the farm Zarya in Leningrad oblast. This farm, largely devoted to the rearing of sables, broke up into nine different cooperatives. The financial specialists spent one month on this farm and actually completed ten different actual business plans, one for each cooperative. In addition, Chemonics put these business plans on diskette, in order to allow their easy amendment according to individual circumstances. These diskettes are being distributed to farms as they finish reorganization during the FARMS II project.

Along with sensitivity analyses for some of the reorganized farms Chemonics also produced brochures helpful for farm managers on a range of topics such as tips for effective management of an enterprise, a guide to labor relations from a legal and management perspective, and an informational leaflet on how to grow potatoes.

It was decided that a Best Practices Manual was not necessary--to create an internally consistent Manual would have required research on a number of topics which farmers already knew about, so the use of resources would not be effective. By publishing separate brochures and leaflets Chemonics was able to devote its resources to those specific topics Russian farmers would find helpful.

VIII. EFFECTS OF PROJECT AND LESSONS LEARNED

Over the course of FARMS II farm reorganization has been gathering steam in the 15 oblasts. About a third of the total number of farms which have entered the process during the project have done so since April, and without solicitation from Chemonics or the raion Work Groups. It is thus clear that farms are increasingly recognizing the usefulness of farm reorganization, meaning that demand for farm reorganization services will continue to grow.

With farms of the FARMS II project just having finished reorganization, it is of course too early to speak of the impact of farm reorganization on economic performance. However, findings from the preliminary studies on those enterprises resulting from FARMS I and discussed in the preceding section--for example, the jump in profitability from an average of (-)23.6 percent to positive rates of 3.4 percent--have shown that farm reorganization is helping farms adapt to the market. Furthermore, intuitively there is no doubt the reorganized farms will be better off because of the following.

- Reorganization is increasing worker discipline by tying rewards closer to work done.
- Reorganization allows the most energetic and creative members to strike out on their own. Inevitably, some of these farms will find success and help lift the sector.
- Reorganization makes farms easier to manage and receptive to changes that will improve performance.

At this stage the main impact of the project is not yet economic. The project has had an effect that far transcends the likely immediate economic improvement for the reorganized farms, and this effect relates instead to a change in the fundamental attitudes towards reform and the market which have been observed to take place in the administrations and among farms where Chemonics has worked.

Above all, the project has helped to create a new breed of farmers which represent the backbone of a new constituency of private landowners. A sense of empowerment has crept into farmers who participated in reorganization, especially those that broke out of the larger collectives and struck out on their own. They see themselves as masters of their land and their fate, and realize the importance of being free to work their land without interference from above. They have already displayed a much more assertive attitude, and are likely to constitute a strong force advocating further reform in the agricultural sector in years to come.

Other key changes witnessed over the course of the project are as follows.

- 1) FARMS II has instilled in farms, oblast and raion administrations a much greater awareness of what can be done with land and property shares, as demonstrated by a wide variety of creative selections during the course of our project. This growing knowledge of all the options available will help rural dwellers in making the most effective uses of their property and thus will help to protect their rights and interests.
- 2) Acceptance of farm reorganization has changed dramatically, as farms and administrators have begun to realize that farm reorganization and other efforts to improve the management of farms are not measures dictated from above, but instead an essential tool by which to help farms make improvements. At the beginning of the project, Chemonics found that farms and administrations were sceptical, but a few months into the project the attitude had changed fundamentally, leading to breakthrough progress. This progress was also reflected at the federal level as well, where support for FARMS II became vocal.
- 3) Furthermore, the raions and oblast that participated in the project realized that reorganization did not threaten or diminish their role, but simply changed it from that of overseer to that of consultant.

Several key lessons can thus be derived from the success of the project.

FARMS II has now proven conclusively that it is not necessary for massive outside manpower and expertise to be deployed in order to accomplish reorganization of farms. Trained raion

Work Group personnel, working in conjunction with the intra-farm reorganization commissions, have ample technical knowledge of most farm reorganization facets to do the nuts and bolts of farm reorganization with limited technical support from outside groups. This was demonstrated in the FARMS II project, where, beyond the training phase of the project, Chemonics had only two farm reorganization specialists in each oblasts, functioning mainly as expert consultants to the work groups. The results in terms of farms reorganizing and finishing the process show clearly that these limited consulting resources were sufficient.

The project also has shown that an appropriate farm reorganization system must allow for all reorganization paths permitted by Russian law, instead of just pushing one path such as break-up. The farms in the project chose a variety of strategies, and one cannot make a blanket determination that smaller is better. For example, a number of privatized farms are already beginning to grow and prosper, and it is in the interest of the rural sector to cooperate with efforts to have land holders move out from weak farms to join stronger farms, which can only be accomplished through mergers.

In addition, because of the many non-economic benefits resulting from the project, it can be said in retrospect that Chemonics' inability to keep farm reorganization concentrated in hub oblasts had positive consequences. It was the experience of FARMS II that farms clearly took examples from farms near them, not from faraway entities touted in the press. Thus, the more farms in more regions, the more likely that other farms would become interested in farm reorganization. The FARMS II project proved that not only were equal results achieved on a much larger number of farms, but that the psychological progress made would not have been as broad and large scale if the Chemonics teams had focused on a limited number of farms.

IX. RECOMMENDATIONS FOR FURTHER ACTION

In the course of FARMS II, the Russian government made several high level requests for the continuation of the farm reorganization activities undertaken by the project. These requests came from Deputy Prime Minister Alexander Zaveryukha and Chairman of the Council of Nationalities Victor Stroyev to the attention of US Vice President Albert Gore. In addition, Assistant Minister of Agriculture Ogarchov also sent his own petition to USAID Moscow. In light of these requests, as well as the analysis contained in the preceding section on the impact of the project, it is obvious that there is room for further international donor support for farms in the areas of reorganization and post farm reorganization.

Already, USAID has approved a \$400,000 no-cost extension which provides a moderate level of support. The various features of the no-cost extension are the following.

- Retaining two specialists in each region, along with two Moscow-based coordinators, a legal specialist, and a specialist for the institutes. This team will continue to consult with the various organizations undertaking farm reorganization, and to monitor the progress of those farms which did not complete the process during FARMS II.
- Providing further equipment to selected institutes which will be expanding their capabilities to offer post-farm reorganization services.
- Supplying the Vologda institute with heavy-duty printing equipment to assist it in taking over its designated role as manager of the Procedures Manual.
- Producing two training films.
- Holding two close-out conferences, one for institutes and one for the local administrations. These were held on June 20th and 25th, respectively. Attached as Appendix D is a document outlining the final resolutions of each of these conferences.

However, the no-cost extension is only a first step. More substantial measures should have two fundamental objectives.

The first would be to address policy and regulatory issues that were identified during FARMS II as the main constraints to the proper functioning of fair competition and the development of the agricultural sector under market conditions. These distortions include the presence of monopolies in the food processing sector, price fixing tendencies among buyers of agricultural good, irrational and burdensome tax regulations, transportation bottlenecks and others. The project would develop practical and targeted proposals to combat these disruptive forces, to allow for real and healthy competition which will give the sector the full benefits of a market economy.

The second objective is to strengthen the pro-reform constituency that has been formed during the FARMS II project, for which the contractor would provide a variety of functions. One such function would be to encourage the organization of associations of members of newly-reorganized farms which would push reforms that benefit the farms, including resolving the bottlenecks described above, and become a voice on other issues such as the transfer of the social sphere to local administrations. These associations would be created initially at the local level in FARMS II oblasts but would eventually lead to the establishment of an association at the federal level. In addition, the contractor would work with raion and oblast Work Groups to identify and develop initiatives that would create a climate conducive to reform so that the efforts of the farmers and their associations can move forward.

The project should also aim to provide some level of continued consultation services in farm reorganization to FARMS II oblasts, in order to meet the requests of the local administrations and to keep the strong momentum generated in the current project going.

Furthermore, the teams would seek to ensure that appropriate farm reorganization procedures and technology are available to farms in other areas of the Russian Federation, largely by encouraging Ministry of Agriculture supervised institutes to provide instruction to their sister institutions in those oblasts.

ANNEX: FARMS REORGANIZED DURING FARMS II

The following describes the particular characteristic of each farm reorganized during FARMS II. In all cases Chemonics personnel, in conjunction with the raion Work Groups, did the following.

- Conducted the information campaign.
 - Attended and consulted during the general meeting, providing advice on what reorganization path the farm could adopt.
 - Updated and corrected shareholders' list, helping in the determination of who was eligible for inclusion in the list.
 - Assisted and advised in conducting the inventory of all property.
 - Helped recalculate the value of property shares.
 - Consulted during the allocation of property among new enterprises.
 - Provided advice on how to allocate land to new enterprises.
 - Defined which property should be held in common by all new enterprises.
 - Advised on the best legal form for newly forming enterprises.
 - Drew up starting balance sheets.
 - Prepared all documents needed for registration of new enterprises.
 - Helped resolve disputes among members of the farm in the course of reorganization.
1. KSP GRUZDOVSKOYE, Kaluga oblast, Mosalskiy raion. Four peasant farms split off from what had been a diversified farming organization. The four included Tikhanovo (with 31 shareholders), Feniks (9), Edelweiss (12) and Matveev (19), while the rump farm, with 187 shares, turned itself into a cooperative. The peasant farms are more focused in production. For example, Tikhanovo does milk and Edelweiss works largely with feed. Gruzdovskoye had been a very difficult farm to manage, and reorganization was prompted by the fact that the chairman thought he could do better by forming a much smaller organization (he now heads up the Tikhanovo peasant farm). For the most part, pensioners remained with the rump farm, but over the final weeks of the project they began to rent their shares in large numbers to the peasant farms, which were already viewed as having a better future. This process is likely to continue over the next few months.
 2. KSP DOLGOVSKOYE, Kaluga oblast, Mosalskiy raion. This farm specializing in milk production transformed itself into a society with limited responsibility, sharply curtailing its number of shareholders (by more than one half), and letting 45 of its 143 workers go. Five of these shareholders used their land shares allocated to them to add to their private garden plots. The main objective for reorganization had been to raise worker discipline. The chief accountant participated in Chemonics' initial seminars and returned to the farm advocating a proposal to reorganize; as a result, she was voted to become the new farm chairperson. Already, she has proclaimed reorganization a success, since it has led to enhanced discipline. Currently the farm is seeking to invest in a mini-milk plant.
 3. Cooperative ISKRA, Bryansk oblast, Komarichskiy raion. Five peasant farms split off, including Kharitonov (23 shareholders) and Kudinova (24) and three with one share each

- from a grain producing farm with 105 workers. The desire to leave had been prompted by long-simmering dissatisfaction that mismanagement of the farm was permitting freeloading and causing wages to go unpaid. Furthermore, there was also tension between the farm director and many of its members over his style of leadership. The peasant farms are planning to form a user's cooperative or association.
4. Kolkhoz IMENI LENINA, Bryansk oblast, Pochepskiy raion. The main feature of this reorganization was that 17 members of the farm, representing about one-fifth of the farm, split away and formed a peasant farm. Another nine members took their shares and rented them out to a neighboring peasant farm which was on a better financial footing. The leader of this peasant farm was concerned about retaining full managerial control over his enterprise in light of the influx of new people. In the end the reorganization specialists arranged for the new members to rent out their land plots and give right of use for their property shares, largely equipment and tractors, so that the leader would retain full decisionmaking control over the peasant farm. More farm members are expected to exit Imeni Lenina and join the peasant farm over the next months.
 5. Cooperative IPUT, Bryansk oblast, Mglinskiy raion. Break-up into three cooperatives. Iput with 439 shares, Kotalinskii, with 184 shares and Tsinka, with 164 shares. In addition, a small peasant farm with two shares was created in the process. This farm independently requested assistance from the oblast Work Group, which asked that the Chemonics specialists go to the farm. There was virtual unanimity that the farm should break up in order to make it perform better.
 6. TOO IMENI NAKHAEVA, Smolensk oblast, Demidovskii raion. Two peasant farms split off from this diversified farm--Khutor (10 people) and Boyarshina (7 people) out of a total of 142 people on the original farm. Both farms are engaging in cultivation, whereas the rump farm continues to be oriented towards livestock rearing. The original farm had been in a completely rundown state, and most workers were spending most of their time engaged in private cultivation. The peasant farms were seen as a way to organize work more effectively. It is expected that once FARMS II is over more peasant farms will continue to break out.
 7. TOO RASSVET, Smolensk oblast, Demidovskii raion. Break-up into four peasant farms. Rassvet with 75 people, Polevoi with 15, the other two with 14 workers each. The farm broke up easily because it had instituted internal profit centers in previous years. It had been a relatively solid farm, but had many debts. The objective of reorganization was to somehow reduce the debt burden and find a way to begin making payments to people.
 8. TOO DYOMSCHINO, Smolensk oblast, Yelninskiy raion. This farm broke up into three milk production cooperatives, Okhochinskiy (70 shares), Volodina (85), Bovabchuka (40), and a consumer cooperative Makeshina (26 shares). The reason for the break-up was the need to raise discipline and motivation, an objective farm leaders thought could best be done by creating smaller organizations. In the end the farm decided to divide into four cooperatives with fifteen workers each, because this way all cooperatives would be subject to simplified tax treatment under Russian law (for cooperatives under 15 members).
 9. SPK BUDYANSKIY, Smolensk oblast, Yerschikovskii raion. Break-up into two cooperatives, Budyanskiy with 304 shares, and Dyatlovskiy, with 42 shares. The first farm is concentrated on livestock, the second on agriculture. The principal reason for the break-up was the feeling among farm leaders that operations would run more smoothly if livestock and cultivation were separated. Furthermore, livestock operations were concentrated around one village, cultivation around another. The raion Work Group is currently helping the two cooperatives to market their goods, a glaring problem for the original farm.
 10. TOO IMENI KALININA, Smolensk oblast, Shumyachskii raion. Three peasant farms split off, Siren (17 members), Klen (16), Topol (16), leaving the original farm with 24

workers and most of the pensioners. The peasant farms have around 150 hectares each, and are gearing themselves away from dairy to agriculture. Reorganization was precipitated by an effort by a major creditor to gather in the pledged collateral. The raion Work Groups and Chemonics specialists submitted a proposal supported by the raion, under which the farm would allocate certain assets as collateral to replace the previous collateral, which consisted of items that were more readily saleable. Then, the peasant farms would take the assets originally designed as collateral so that the creditor could not reach them. The rump farm remained responsible for managing the debt and the replacement collateral.

11. TOO GORODOK BOGATIREVO, Smolensk oblast, Kardimovskiy raion. This small diversified farm (including livestock, fish rearing and agriculture) broke up into four peasant farms, though all retained their range of activities. The original farm had only four partners, and these decided to break-up completely because they were having personal conflicts and wanted to be sole proprietors. They all chose peasant farms because by creating these entities they could still receive pensions and healthcare, as well as more simplified task treatment. As a result of reorganization, they retained only six of their seventy employees.
12. AOZT SMENA, Tver oblast, Kalininskiy raion. This agricultural farm broke up into two large peasant farms, Vesna (139 shares and 1,500 hectares of land), Slavnoye (137 shares and 1,250 hectares of land), and one small farm Ni (with 4 shares), while the rump farm retained 79 shares. All three are devoted to cultivation, while the rump farm is concentrated on livestock rearing. The original farm was the result of a forced union of two farms concentrated around separate villages. Thus, there had always been a desire to break up. In the end, each village went with one of the big peasant farms, while the rump, which kept most of the livestock, was used as a shell to deal with creditors.
13. Kolkhoz VOSKHOD, Tver oblast, Kalininskii raion. A peasant farm with 23 out of 346 shares split off to work on agriculture. In addition, 9 other individuals took their shares of land to join a neighboring farm. The initial objective had been a complete break-up, as a way to rescue the farm from bankruptcy. However, the process dragged on, because not enough leaders could be found. This prompted the general agronomist to split off with his closest associates—mainly tractorists—to concentrate on feed production. Other members joined a well-functioning neighboring farm. In this case the raion agreed to accept some of the social sphere services.
14. TOO TORGASHINO, Moscow oblast, Sergiev-Posadskiy raion. This case involved a chicken farm, the problem of which was an excess of manpower. The solution proposed by the reorganization specialists was to have 48 of the 59 shareholders split off, and rent their land shares to a neighboring farm. The remaining 11 shareholders formed a limited liability company, and then purchased all property shares from those individuals that had split off. The case was a classical example of how the Yeltsin land decree was used to resolve production problems for the benefit of all shareholders.
15. TOO STEBLEVO, Moscow oblast, Volokolamskiy raion. This diversified farm was in extremely poor financial shape, and the vast majority of shareholders (561) opted to take their shares and join a neighboring farm which was functioning very well but which needed more land. A number of the shareholders were accepted as workers in that other farm. The remainder of Steblevo (31 shareholders) formed a closed joint stock company, Kedr, which included another farm as stockholder. Kedr is devoted to processing sausages, because it has a mini-plant on its territory. A disproportionate time was spent trying to determine where each part of Steblevo would go, especially as the shareholders of Steblevo had trouble reaching agreement with the neighboring farm on the transfer of their shares.

16. TOO VOSKRESENSKOYE, Ivanovo oblast, Savinskiy raion. A peasant farm (Mikhalevo) with 145 shareholders, representing about one third of the original dairy farm, split off taking 1,600 hectares. The reason for the split was that most of the people in the unit worked apart from the rest of the farm, and it was believed they could do better on their own. In the division of property, the rump farm granted Mikhalevo over 40 percent of assets, more than they were entitled to, because a disproportionate share of the assets was located around the village of Mikhalevo.
17. TOO SAVINSKOYE, Ivanovo oblast, Savinskiy raion. This large diversified farm broke up into four cooperatives, Savinskoye (106 shareholders); Istok (87); Zaborye (96) and Slabnevo (95), each with over one thousand hectares of land. It was determined that break-up was the best way to make the farm more manageable--given its size--and the division took place largely along the lines of the four brigades which had been working on a contract basis. In addition, reorganization was used to get rid of some of the worst workers--36 were let go in all. A particular feature of this farm was that it had a number of competent young managers and specialists who had no share in the farm. In order to retain them, the reorganization team had the farm agree to voluntarily give them a share of the property.
18. TOO VISHNEVSKOYE, Ivanovo oblast, Luchskiy raion. The milk and meat producing farm broke up into two cooperatives, Vishnevskoye (with 58 shareholders) and Nadezhda (36), and one peasant farm. The farm had wanted to break up for quite some time because of the distance among its various plots, so division was along territorial lines. This was the only instance in which division of property was based on an auction and not on agreement. The peasant farm had initially been contemplating splitting off after the break-up of the farm, since it was believed it would be shut out by the much more larger cooperatives. However, the reorganization team convinced it to take part in the auction.
19. KFX VOZROZHDENIYE, Vladimir oblast, Kirzhakskiy raion. Vozrozhdeniye is a highly successful peasant farm which has been growing in recent years. Its leader, Timushev, sought to reorganize because, with 20 other partners, the farm was having management difficulties in its growth, and he was looking to add more people from a neighboring farm. He therefore wanted to take full control of the farm. The specialists helped him create a kommandit partnership (Timushev and Co.), with Timushev and his wife as general partners, and the other 20 of the partners in junior status. The peasant farm remained, with Timushev and his wife as sole proprietors. Timushev expects the partnership to handle agriculture, and the peasant farm to do related services and trade. This arrangement leaves Timushev poised for further rapid growth.
20. TOO KIRZHAKSKOYE, Vladimir oblast, Kirzhakskiy raion. The farm wanted to make itself more manageable, so reorganization involved three main actions. One was turning the farm into a cooperative, and slashing the number of voting shareholders. Second, four small peasant farms split off, with 12 shareholders. Third, the specialists introduced an internal change of structure based on internal profit centers, with agreements among the various divisions of the farm.
21. TOO ILYINSKOYE, Vladimir oblast, Gus Khrustalniy raion. An enterprise split off to form a kommandit partnership which included 35 shareholders. This group had been working separately from the rest of the farm, and considered that it would be better to become fully independent. The desire to leave had also been prompted by long-simmering dissatisfaction that mismanagement of the farm was permitting freeloading and causing wages to go unpaid. The members of the peasant farms also wanted to specialize production, while the remainder of the farm maintained a diversified range of activities. The rest of the farm was against the group's leaving, so the inter-farm commission did not cooperate. As a result, the reorganization specialists had to take all the necessary

- measures to complete the splitoff. Furthermore, the rump farm was turned into a cooperative, with a reduction in the number of voting shareholders.
22. TOO ZNAMYA TRUDA, Vladimir oblast, Gus Khrustalnyi raion. The farm divided into two cooperatives, largely because it was decided that the two halves did much of their work in distant parts of the land, and had grown accustomed to working separately. One part had 181 people, the other included 551 people. The focus of the efforts of the reorganization specialists was in devising the necessary documents for division. This was largely due to the fact that a fire had destroyed the main administration building where most records were kept.
 23. AKX KONDURCHA, Samara oblast, Yelkhovskiy raion. The operation involved a break-up of the diversified farm into two cooperatives, Telets and Kondurcha. The division was based on a territorial principle, as people working in different parts were not interested in being jointly managed. Telets brought in a local capitalist to run its business, who knew most members of that part of the farm. The critical part of the reorganization was deciding how to allocate debt. The new farm Kondurcha wanted to have Telets assume all the short term debt, because the new leader was reputedly wealthy. In the end the consulting team managed to dissuade them from this demand.
 24. Kolkhoz PARTIZAN, Samara oblast, Sergievskiy raion. The kolkhoz broke up completely into 52 small peasant farms, although at the end of the project 10 still had not submitted requisite documents to the administration for technical reasons. One curious aspect of this case was that the peasant farms reached an agreement with a neighboring peasant farm to accept the role of legal successor of the liquidated Partizan and thus assume all debts. In exchange for this the peasant farms passed some of their equipment and property assets to this neighbor. The impetus for reorganization was that the farm was virtually not functioning, with most members working on their own in any case. Furthermore, many farm members wanted to leave because of dissatisfaction that mismanagement of the farm was permitting freeloading and causing wages to go unpaid.
 25. Kolkhoz IMENI FRUNZE, Samara oblast, Pokhivistnevskiy raion. A section of the farm split away and organized a separate cooperative covering about 45 percent of the territory of the old farm. Historically, Frunze had been two separate farms which had been forced to merge in the 1960s. Thus, the two farms saw themselves as separate anyway, and they wanted to make their operations more efficient and manageable. The two sides distrusted each other (for example, each group formed its own reorganization commission). Care was taken to reconcile all claims and to conduct a very detailed inventory. One issue of importance was the number of pensioners each enterprise would receive. In the process of reorganization, 161 people were laid off.
 26. Sovkhoz BEREZHOVSKIY, Samara oblast, Yelkhovskiy raion. This farm sought largely internal structural changes as a way to improve its performance. For one, in turning itself into a cooperative, the number of voting members was cut from 236 to 142. Second, 52 of the least productive workers were laid off. Third, a system of internal profit centers was introduced for one of the tractor brigades on the farm. An agreement was signed whereby the remainder of the farm granted land and property to the brigade, in exchange for payment of rent in the form of services.
 27. TOO PRUDOVOYE, Saratov oblast, Dergachevskii raion. This small farm saw a splitoff of a peasant farm with 16 members, almost half of the partnership, while the remainder transformed itself into a cooperative, with 20 members. The members that split away had been obtaining better results in their work and thought they were propping up the other half, which was contributing to payment difficulties.
 28. AOZT VOSTOCHNOYE, Saratov oblast, Dergachevskii raion. The wheat producing farm broke up into two production cooperatives, Vostochniy, with 111 members, and Tsementniy, with 46 members, with most shares of pensioners passing to Vostochniy.

- The division was largely based on the territorial principle—the farm is huge, and the two parts would probably work more effectively as separate entities.
29. AOZT ZERNOVOYE, Saratov oblast, Dergachevskiy raion. A peasant farm with 20 members and 440 hectares split off. Initially the farm had contemplated a full break-up into five cooperatives. However, the members could not reach final agreement on the division of property. Consequently, the most eager to leave decided to make an immediate exit via the splitaway route. In the process, sixty people were slated to be let go.
 30. TOO DEMYASSKOYE, Saratov oblast, Dergachevskiy raion. A peasant farm with 29 members broke off, taking over 460 hectares of land. The reason for the split was that the young farmers, who had been working as a brigade within the farm, wanted to try their hand without the stewardship of the collective. The desire to leave had been prompted by dissatisfaction over non-payment of wages.
 31. TOO KOMAROVSKOYE, Saratov oblast, Voskresenskiy raion. A peasant farm with a sole proprietor split off. He then purchased the property shares of 97 other members who had split off, and rented their land plots. This way he retained full control over his new farm.
 32. TOO MORDOVOYE, Saratov oblast, Rtshevskiy raion. In this case, the farm was entering liquidation proceedings. A total of 82 shareholders--about half of the former collective--split off to join a growing peasant farm which bought their property shares and rented their land plots. In addition, nine other farm members created a peasant farm.
 33. TOO BUKATOVSKOYE, Saratov oblast, Voskresenskiy raion. Reorganization proceeded in two stages. The farm had been associated with an industrial enterprise, and the relation was not providing the farm any benefits. Therefore, the first step was to break away from the enterprise. At that point 68 members of the farm, representing 40 percent of the total, decided to join four neighboring peasant farms. The remaining members (99 in all) opted to form a peasant farm.
 34. AO VOLNOVSKOYE, Saratov oblast, Saratovskiy raion. A total of 22 peasant farms broke off, representing about a quarter of the total farm, largely to work on their own. Their decision was prompted by a feeling that, since Saratov has very rich land, something could be done with each individual plot. There was also vocal dissatisfaction that freeloading was rampant, driving the farm into an ever-deteriorating situation.
 35. TOO LUGANSKOYE, Saratov Oblast, Krasnoarmeiskiy raion. Six small peasant farms broke away from this farm, with 12 shareholders. As in the case of Volnovskoye above, the reason for the split was the desire on the part of the farm members to use their plots for individual activity, because it was believed that small land plots would be profitable.
 36. TOO BRATSTVO, Saratov oblast, Saratovskiy raion. A single member of the farm split off to create a peasant farm. He then reached an agreement with 45 other members, representing more than half of the farm's shares, to purchase their property and rent out their land plots. Under an internal agreement, the peasant farm leader remained as sole decisionmaker.
 37. TOO PETROVO, Vologda oblast, Ustyuzhenskiy raion. This farm broke up completely into 11 peasant farms, although a limited liability partnership Petrovo continues to exist to oversee the process of liquidation. Reorganization came about largely because internal disputes among its members could not be reconciled after the issue was raised to get rid of the farm leader. The desire to leave had also been prompted by dissatisfaction that mismanagement of the farm was permitting some members to freeloading. In the end the peasant farms were formed largely on the basis of extended families.
 38. TOO TRUZHENIK, Vologda oblast, Kirillovskiy raion. Truzhenik was one of three dairy farms, along with Organizator and Pravilniy Put, where the reorganization teams made mainly internal structure changes and installed an internal profit center system. All three farms had indicated that they wanted to reorganize because of their poor financial

- condition, but were not yet ready for a complete break-up, and asked the teams for recommendations. The raion then put forth a proposal to put in profit centers, which the farms accepted. In each case a number of internal cooperatives were created (in Truzhenik's case 7) which specialize in different activities. Land and property was distributed to each internal cooperative as if they were breaking out, i.e. each internal cooperative received land and property corresponding to the number of shares of its members. The land and property was distributed according to internal agreements, and relations between the cooperatives were regulated by contract. An internal accounting center was created for each cooperative, and each has an account with the central accounting department. Other tasks performed by the teams included developing an internal price mechanism, completing the contracts and redoing the farm's charter. Farm managers and raion officials have indicated that with this system in place each farm will be ready to break up within the next two years. All three farms assumed the cooperative legal form and sharply reduced the number of voting shareholders.
39. TOO ORGANIZATOR, Vologda oblast, Kirillovskiy raion. The model and work done were the same as in Truzhenik above. In Organizator's case, eight internal cooperatives were created. This farm was one of two where the Vologda institute directed reorganization. Organizator had the sharpest reduction in the number of voting shareholders, a full 80 percent.
 40. TOO PRAVILNIY PUT, Vologda oblast, Kirillovskiy raion. The model and work done were the same as in Truzhenik above. In Pravilniy Put's case, two internal cooperatives were formed. The number of voting shareholders was reduced from 129 to 29.
 41. TOO DRUZHBA, Arkhangelsk oblast, Konoshskiy raion. The reorganization involved the splitoff of a peasant farm, Tret, with 15 members, who took 230 hectares of land. The original farm had been under great pressure from creditors, and the initial idea had been to divide up, but most of the farm voted against this proposal, so some of the more active members, which resented the freeloading which was occurring, decided to strike out on their own. They obtained some of the cows—the rest of the herd was slaughtered to pay off the debts.
 42. TOO BESTUZHEVO, Arkhangelsk oblast, Ustyanskiy raion. Reorganization involved two separate acts, first, the splitaway of 99 out of the 428 shareholders, who joined a neighboring more solid peasant farm; second, the splitaway of a peasant farm with 26 shareholders, involving the repair shop, which wanted to work on its own. This farm, working both in milk and forestry, was doing poorly, and its members were looking for ways to get out to improve their economic situation. It represents a classic case of people moving to better managed farms, and future splitaways are likely to follow. The farm retained the debt. The repair shop is planning to use the lands allocated to it to diversify its activities by raising crops.
 43. KDP IMENI LENINA, Arkhangelsk oblast, Konoshskiy raion. This milk and meat producing farm had already experienced the spontaneous splitaway of 40 small peasant farms the previous year. During FARMS II three more farms made an exit, involving 44 shareholders. The specialists ensured that documentation was in order, and worked to have a correct division of property, inasmuch as the farm noted that the splitaway of the first 40 farms had been problematical in this regard. In the end the peasant farms went off debt free, in exchange for transferring some of the property to which they were entitled to the rump farm.
 44. Sovkhoz TAVRENGSKIY, Arkhangelsk oblast, Konoshskiy raion. The farm was on the verge of bankruptcy and with virtually no leadership, so 237 of the 615 shareholders split off, forming 100 small peasant farms. Subsequently, many of these peasant farms organized their own cooperatives. For example, the new cooperative Fedulovskiy

- included 11 shareholders, Ponomarevskiy 25, Zavelye 11, and Papinskiy 7. The rump farm retained all debts and most of the pensioners.
45. TOO FOMINSKOYE, Arkhangelsk oblast, Konoshskiy raion. Four peasant farms split off. The main one, Valdeevo, represented an individual brigade which included 27 shareholders and had been working together for some time. Thus, there was little problem deciding who would be in the peasant farm. Valdeevo was aiming to specialize in livestock, and so took a substantial share of the farm's herd.
 46. TOO YAKUSHEVSKOYE, Arkhangelsk oblast, Velskiy raion. The farm broke up completely into 83 small peasant farms with only a shell left behind to deal with creditors and collateral. When the specialist teams visited the farm, it was in the stage of liquidation. The team therefore spent time convincing both farmers and raion administration that the best option was to reorganize the farm first, and then pay off debts, instead of liquidating the farm immediately. For the farmers the advantage was that they could begin their separate activities immediately, whereas otherwise they would have to wait until the complex process of having the debt paid off had run its course. The administration agreed to work this way and supported reorganization by paying for the land survey in exchange for collecting some of the land plots which had not been claimed.
 47. TOO RASSVET, Kostroma oblast, Sudislavskiy raion. The reorganization of this enterprise involved a splitoff of a peasant farm with 12 shareholders. The farm had instituted three internal profit centers some years ago, and it was determined that one of the sections was profitable, the other two not. The farm chairman requested to break up the farm entirely as a way to resolve the problem of its unmanageability, but the two loss-making parts, supported by the pensioners, defeated this proposal. At this point, the members of the profitable section decided to split off on their own and create the peasant farm Zaluzhye. Part of the work was spent convincing some raion officials, whose concept of the peasant farm legal form was incorrect, that the peasant farm could be registered the way it was, without additional paperwork. One interesting point was that Zaluzhye opted to take its share of the debt, in contrast to most splitoff examples with which Chemonics has dealt, where the peasant farm chose to pay off its share of debt to the rump farm by transferring some of the property it was due.
 48. TOO BOKOVO, Kostroma oblast, Buiskiy raion. Bokovo is a poorly performing farm, where most of the workers were highly unsatisfied and wanted to leave. In the end, 15 peasant farms with 61 shareholders split off, covering 600 hectares. Most of the splitoff was according to family. Registration was time consuming—as in the case of Rassvet above, the raion had to be convinced that medium-size peasant farms could be registered without conditions. More than half of the new peasant farms are engaging in processing of dairy products such as cottage cheese and cream, to sell to nearby military garrisons.
 49. AOZT ZARYA, Leningrad oblast, Viborgskiy raion. The farm, dedicated to raising sables, divided completely into nine cooperatives with the rump farm in charge of liquidation proceedings. These cooperatives were based on their functional speciality, including three dedicated to raising sables, a repair shop, a commercial organization, and even one which took over the cultural center. The farm was heavily burdened with debt (Rub. 8 billion in all), and farm members wanted to start anew. Much of the work was devoted to ways to divide up the debt and ensure that responsibility for payment was maintained. In the end, the idea that was accepted by all parties was a scheme developed by the raion Work Group whereby the rump farm became a shareholder in each of the new cooperatives, in order to guarantee that creditors could still reach the new enterprises.
 50. AKFKh KAPSHINSKAYA, Leningrad oblast, Tikhvinskiy raion. The farm broke up into a cooperative, a kommandit partnership and five peasant farms. Reorganization was precipitated by the fact that the farms current legal form was not in accordance with the law. Most of the farm formed a cooperative, with a sharp reduction in the number of

shareholders, but some enterprising individuals used the opportunity to break out on their own.

APPENDIX A

RAIONS SIGNING COOPERATION AGREEMENT WITH FARMS II

By Oblast

1. KALUGA

Mosalskiy, Kirovskiy, Ferzikovskiy, Babininskiy, Dzherzhinskiy.

2. MOSCOW

Sergiev-Posadskiy, Ruzskiy, Volokolamskiy.

3. SARATOV

Dergachevskiy, Engelskiy, Krasnoarmeiskiy, Rtischevskiy, Yershovskiy, Voskresenskiy, Saratovskiy.

4. VOLOGDA

Gryazovetskiy, Kirillovskiy, Belozerskiy, Ust-Kubinskiy, Ustiuzhenskiy.

5. BRYANSK

Navlinskiy, Trubchevskiy, Bryanskiy, Pochepskiy, Zhiryatinskiy, Mglinskiy, Komarichskiy, Suzemskiy.

6. TVER

Kalininskiy, Staritskiy, Volotskiy.

7. SMOLENSK

Velizhskiy, Demidovskiy, Yelninskiy, Yershichskiy, Shumyachskiy, Smolenskiy, Kardimovskiy.

8. IVANOVO

Savinskiy, Palekhskiy, Lukhskiy, Puchezhskiy, Gavriilo-Posadskiy, Yurevetskiy, Komsomolskiy.

9. VLADIMIR

Sudogodskiy, Muromskiy, Kirzhakskiy, Gus-Khrustalniy, Petushinskiy.

10. LIPETSK

Volovskiy, Lebedyanskiy.

11. SAMARA

Pokhvistnevskiy, Sergievskiy, Yelkhovskiy.

12. VORONEZH

Nizhnedevitskiy, Ertelskiy, Rossoshanskiy, Novousmanskiy.

13. ARKHANGELSK

Vilegodskiy, Velskiy, Kotlyasskiy, Ustyanskiy, Konoshkiy.

14. KOSTROMA

Susaniskiy, Buiskiy, Sudislavskiy, Kadiiskiy.

15. LENINGRAD

Tikhvinskiy, Viborgskiy.

APPENDIX B

FINAL LIST FARMS HAVING ENTERED REORGANIZATION PROCESS

By Raion and Current Legal Form

Key for Legal Forms:

- | | |
|---------------------------|---------------------|
| a. Joint stock company | b. Kolkhoz |
| c. Sovkhoz | d. Independent farm |
| e. Limited partnership | f. Peasant farm |
| g. Collective/not kolkhoz | h. Association |
| i. Other | |

Note: a * indicates where a farm opted for reorganization through a process that did not require holding a general meeting.

KALUGA OBLAST

<u>Mosalskiy</u>	<u>Kirovskiy</u>	<u>Ferzikovskiy</u>	<u>Dzherzhinskiy</u>
Druzhba g	Voskresenskoye g	Bebelevo g	* Kartovskoye e
Gruzdovskoye g	Agrosnab a	Selivanovo g	* Verniy Put e
Vpered g	Kirovskoye g	* Sugonovo g	* Imeni Lenina e
Oktyabr g		* Oktyabrskiy g	* Mirniy e
Mayak g	<u>Mosalskiy (cont)</u>	Sashkino g	* Nikolskoye a
Zarya g	Rodina g	Koltsovo g	* Makovskiy e
Shakhovskoye g	Ressa g	Koltsovo a	
Lyudkovskoye g	Rassvet g		
Ramenskoye g	Rus b		
Pravda g	Dolgovskoye g		
Dubrava g			

MOSCOW OBLAST

<u>Sergiev-Posadskiy</u>	<u>Sergiev-Posadskiy (cont)</u>	<u>Volokolamskiy</u>
Krasnozavodskoye a	Marinskoye a	Steblevo e
Samotovino a	Konstantinovskoye a	RTTM-SKO i
Khotkovskoye e	Torgashino e	Volokolamskiy e
Zarukubezhye-2 h	Zubkovskoye a	Put Ilyicha a
Torgashinskoye a		* Teryaevskiy a
Vasilevskoye a		Sudnikovskiy a
Kuzminskiy a		

SARATOV OBLAST

<u>Krasnoarmeiskiy</u>	<u>Voskresenskiy</u>	<u>Yershovskiy</u>	<u>Rtischevskiy</u>
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Niva d
Gvardeiskoye e
Topovskoye a
Mordovoye a
Suvorovskoye a
* Luganskoye e

Bukatovskoye e
Zarya f
Komarovskoye f
Voskresenskoye a

Semeno-Poltavskoye a
Imeni Kirova a

Shuklinskiy c
Imeni Sverdlova b
Imeni Chapaeva b
Pravda c
Bratstvo e
Imeni Gorkovo b

Saratovskiy
Sergievskoye f
Ribushanskiy b
Volnovskiy a
Mikhailovskiy g

Dergachevskiy
Zernovoye a
Vostochnoye a
* Prudovoye e
Znamya Oktyabra c
* Demyasskoye e

Engelskiy
Vremya i

VOLOGDA OBLAST

Kirilovskiy
Imeni Kirova e
Goritsi a
Rodina a
Krasniy Mayak b
Vorobeyskiy a
Pravilniy Put f
Komintern b
Organizator e
Svoboda f
Truzhenik e

Belozerskiy
Imeni Lenina b
Rodina b
Niva e
Shola b
Imeni Stepanova i
Druzhba b

Gryazovetskiy
Pravda e
Ustvuzhenskiy
Imeni Petrovo g

Ust-Kubinskiy
Berezhnoye e
Rus e
Priozere e
Ustkubinskoye e
Gorki e
Zarya e
Zalesye b

BRYANSK OBLAST

Zhirvatinskiy
* Zhiryatinskiy e
Knyavichskoye e
Krasnaya Zvezda e
Vorobeiskoye e
Druzhba e
Progress e

Brvanskiy
* Domashovskoye e
* Imeni Lenina a
* Snechka f
Brasovskiy
* Oktyabr e

Pochepskiy
Milechskoye g
Udarnik e
* Imeni Lenina b
* Svetliy Luch g
* Gltnya g

Trubchevskiy
Imeni Fokina b
Molchanovo i
* Verniy Put b
* Vostok b

Suzemskiy
* Rodina d

Komarichskiy
* Iskra g

Mglinskiy
Iput g
* Bozhovskiy e

Kritchovskiy
* Imeni Lenina c

SMOLENSK OBLAST

Velizhskiy
Priozernoye e
Zarya e

Demidovskiy
Imeni Nakhaeva e
Leninskoye Znamya e

Yelninskiy
Korobetskoye e
Trud e

Ershichskiy
Budyanskoye h
Sukremlskoye f

Imeni Pushkina e Budnitskoye e	Rassvet e Siritsi e Maksimovo e	Demschina e Gvardeiskoye e Zaveti Lenina e	Krasnozavoreiskoye e Svetliy Put f
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<u>Shumvanskiy</u> Petrovichevskoye e Imeni Kalinina e Pervoye Maya e Russkoye e * Vezhniki a	<u>Kardimovskiy</u> Gorodok Bogatirevo e Molkovo e Imeni Kalinina e	<u>Smolenskiy</u> * Lipetskoye e * Khokhlovo e * Molotovo e * Sok e * Piskariikhiskoye e * Zaliutin e * Vesna e
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TVER OBLAST

<u>Kalininskiy</u> Voskhod b Smena a	<u>Staritskiy</u> * Rassvet e * Krasnoye Ureevo e Progress e Krasnoarmeets e Znamya Kommunizma e	<u>Ostashovskiy</u> * Botovskoye i * Druzhba e	<u>Volochskiy</u> * Smichka b Osechno e * Verniy Trud b Vishnevolotskiy b
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IVANOVO OBLAST

<u>Palechskiy</u> Niva e	<u>Gavrilov-Posadskiy</u> Petrovo-Gorodischenskiy b Mayak b Mir g	<u>Komsomolskiy</u> Pistsovskoye e Pobeda e Rassvet e Vostok e Kolos e Nikolskoye c	<u>Savinskiy</u> Savinskoye a Voskresenye a
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VLADIMIR OBLAST

<u>Muromskiy</u> Kolos a Striginskiy e Muromskoye e Plodovoye e Krasnaya Zvezda a	<u>Sudogodskiy</u> Pobeda a Pioner c Zarya a Rodina b	<u>Gus-Khrustalniy</u> Lesnikovskoye a Znamya Truda e Vlast Sovetov e Ilinskoye e Rozhdentsvenskoye a Gusevskoye a Rodnik a	<u>Kirzhakskiy</u> Kirzhakskoye e Vozrozhdeniye e Imeni Kalinina e Kommunar e
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<u>Sobinskiy</u> Imeni Lenina b Mayak i	<u>Petuschinskiy</u> Petuschinskiy g Vpered g
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LIPETSK OBLAST

<u>Lebedvanskiy</u>	<u>Valovski</u>
Kuimanskoye e	Imeni Lenina b
Pokrovo-Kazakskoye e	Imeni Rodina b
Agronom e	Krasnaya Zvezda b
* Slava e	Imeni Kirova b

SAMARA OBLAST

<u>Pokhvistnevskiy</u>	<u>Elkhovskiy</u>	<u>Sergievskiy</u>
Luch b	Kondurcha f	Partizan b
Imeni Tarzeeva b	Mullova b	
Imeni Pushkina b	Beryozovskoye c	
Krasniy Trud b		
Mir b	<u>Pokhvistnevskiy (cont)</u>	
Frunze b	Imeni Lenina b	
Zaveti Lenina b	Zarya b	
Imeni Vakhitova b	Soviet b	

VORONEZH OBLAST

<u>Rossoshanskiy</u>	<u>Ertilskiy</u>	<u>Novousmanskiy</u>	<u>Nizhnedevitskiy</u>
Rassvet e	Kalinina e	Podyom e	Rodina e
Nagornoye e	Ertilskoye e	Artamanovskoye i	Verkhneturovskoye e
Zarya f	Zarya a		Potudan e
Nadezhda f		<u>Kashirskiy</u>	
* Runo f	<u>Rossoshanskiy (cont)</u>	40 Let Oktyabrya b	
* Leschenkovo f	* Vera f	Rassvet b	
	Poddubninskoye e	Kolozegyanskiy c	

ARKHANGELSK OBLAST

<u>Velskiy</u>	<u>Vilegodskiy</u>	<u>Konoshskiy</u>	<u>Kotlasskiy</u>
Shonovskoye e	Vilegodskiy i	* Imeni Lenina g	Zabelinskoye e
Yakushevskoye e	Nikolskiy g	* Druzhba e	Peschanoye e
* Ugrenga e	Imeni Lenina g	Tavrengskiy c	* Solvichegodskoye e
* Dolmatovskoye a	Druzhba b	* Fominskoye e	Dvinskoye e

Ustvanskiy
* Stroevskoye e
* Pavlitsevo e
Bestuzhevo e

KOSTROMA OBLAST

Susaniskiy

Michurinskiy e

Severnoye e

Grigirovskoye e

Buekovskoye e

Buiskiy

Zaveti Ilicha e

* Borok e

Zarya e

* Bokovskoye e

Krasniy Put e

Romantsevo e

* Pamyat Kuibisheva e

Sudislavskiy

* Rassvet e

* Voronye e

LENINGRAD OBLAST

Tikhvinskiy

Shugozero e

Isakovskoye a

Kapshinskoye h

Andreevskoye a

Viborgskiy

Zarya a

Tselodubovo a

Roshinskiy a

Kirovskiy Transprt. a

Granitsa a

Smena a

APPENDIX C

SYNOPSIS OF THE PROGRAM "VOLOGDA PATTERNS"

The program "Vologda Patterns" aired right after the news at 5:30 PM February 7, on All-Russian Channel 2 television. It touched on a number of positive themes relating to farm reorganization and post-reorganization issues. These themes are part of Chemonics' public media campaign to build national support for farm reorganization, and were set in the program against the backdrop of scenery and life in the city of Vologda, one of our hub oblasts and a participant in the FARMS I project.

The program expounded the following specific themes.

- Farm reorganization is a voluntary and necessary task, which is supported by Russian administrations.
- Reorganization improves the lot of farms willing to undertake it.
- Reorganization promotes initiative and responsibility.
- Not only poorly performing farms, but also those in strong financial shape can gain from farm reorganization.
- Farms and local food producers must look to compete more effectively for the domestic market.

The broadcast had the following specific contents.

1. Interview with the Governor of Vologda interspersed throughout the program. In the interview, he says that the key to improving the oblast's agricultural situation is for local farms to reorganize themselves. He notes that his administration's policy is to explain the advantages of reorganization to farms and then to let farmers themselves decide which form of farming enterprise they want to adopt. These statements emphasize not only that farm reorganization is a voluntary process, but also that it is supported by regional administrations, a fact which is underscored during the interview by the correspondent, who says farm reorganization is underway in 15 oblasts. The Governor also states a new generation of owners is the key to developing the economy, and ownership brings with it responsibility and morality.

2. Segment devoted to the former collective farm Sidorovskoye which emphasizes the benefits of farm reorganization, primarily in that it develops responsibility and initiative. The former chairwoman explains that the farm was reorganized in 1995, dividing up into four smaller units. Prior to reorganization the farm was running heavy losses, milk yield was low and the farm could not purchase enough fodder. A dairyman from the farm states he received no salary prior to reorganization but that after reorganization he was able to receive regular monthly wages. The correspondent points out there has been a big boost to farmer morale at the former collective, the workers feel no longer depressed, and are sure that they will make it. The dairyman adds that everything depends on him now, and that he earns more the more he works. He says that if he does not look after the cows, the milk yield will be low, and only he will be to blame.

3. Interview with a woman at a market who belongs to an unreorganized farm. She complains of its lack of profitability and of the fact that wages have not been paid for five months, which serves as a contrast to the improved situation at Sidorovskoye. Our communications specialist recommended not to visit an unreorganized farm because it would confuse the viewer to see so many different farms; instead, we decided that showing this woman at the market would provide the necessary contrast.

4. Discussion and footage of a large livestock breeding farm, Zaria, which, despite being profitable, opted to reorganize, uniting with another farm and drawing in a bank and a meat processing plant as well. This arrangement allowed the enterprise to open a new milk processing line along with seven retail stores. The segment is meant to demonstrate that farm reorganization can bring benefits to any farm, not only to those on the verge of bankruptcy.

5. Segments on the case of Vologda butter, which is rarely available in local supermarkets, despite being of very high quality. The footage shows a modern food store in Vologda which sells butter not from Vologda, but from New Zealand, because the owner of the store prefers the packaging of the foreign butter. According to the narrator, the supermarket is not interested in selling the local butter because it comes in 20 kilogram bulks which spoil the image of the place. Furthermore, no distributor of the local butter had even bothered to contact the store. This section of the program is meant to show that despite complaints by food producers and processors about import competition, part of the problem is that the marketing effort of these local producers is weak or even non-existent, and that their situation could be improved by devoting more attention to marketing.

6. Interview with an official of the Ministry of Agriculture in charge of the food processing industry, who states that demand for food is often driven by the preferences of the store owners, who like imports because of their packaging and attractive exterior. She suggests a potential solution to this problem of import competition--the opening of stores which specialize in selling the products of local plants, an idea which has been promoted by the local administration. One such store displayed in the footage boasts moderate prices and many customers. The segment as a whole suggests that with some creative thinking, farmers and food processors can overcome the difficulties they face.

7. Footage showing Vologda artisans making lace, as well as exhibits of some of their creations. The narrator explains that lace making is a traditional cottage industry in Vologda which is famous for its elegant patterns and designs. It is an example of a successful pursuit which could be adopted by rural dwellers.

APPENDIX C

SYNOPSIS OF THE PROGRAM "FIELD WITHOUT MIRACLES (KALUGA)"

The documentary "Field Without Miracles (Kaluga)," was broadcast at 5:20 PM February 29, 1996 on Russian Channel 2 television. It derives much of its material from visits to the farms reorganized during FARMS I in Kaluga Oblast and is presented in the form of reminiscences by the reporter, who is on his way back to Moscow from Kaluga.

The program expanded on the following themes of the Chemonics public education campaign.

- Morale on reorganized farms is higher than on others, leading their members to work harder and more effectively.
- Reorganization enables farm members to choose the leaders they want.
- These leaders often come from the rank-and-file, and are therefore more attuned to farm conditions than the previous directors, who were appointees from above.
- Reorganization helps establish relations of trust between its members, thus helping productivity.
- Conditions on reorganized farms are better than on those that are unreorganized.
- By reorganizing, farms are able to focus on productive investments, and discard useless infrastructure from Soviet times.

The specific contents of the documentary were as follows.

1. The correspondent introduces Kaluga and speaks about his visit to neighboring farms and villages. He says this visit has proved to him that village life in Russia is alive and well. To illustrate the opposite point of view, the film then shows a village pensioner complaining loudly that private individual farms will lead to nothing and charging that private farmers are the ones that "ruined" the state farm. Soon she is forced to admit that the leaders of the state farms were bad and dishonest, thus setting up a contrast with the private farmers depicted throughout the documentary.
2. Discussions with some private farmers from the reorganized enterprise "Druzhba," which are meant to emphasize their high morale. One says that they are all good friends and the breakup of the farm has meant that now everybody works together. Another echoes this thought, saying they now do not have to watch over each other, because they know their partners are all working. Both declare they would never return to the state farm, because they do not want to work for "those office people." A third farmer adds that he is now more optimistic and knows that the more he works the more he will earn.
3. A talk with the head of "Druzhba," which serves to portray the new brand of private farm leader. She has been a farmer more than 20 years, and, while her enterprise has problems, she is determined not to return to the old way of business. The correspondent underlines the message of this segment when he states that the new farm leaders are former rank-and-file members, not appointees from outside.
4. Interview with the vice-governor of Kaluga, who states that the key to managing a farm is to find the right people for positions of responsibility. He says that in the old days, the

Communist party appointed farm managers, but now they are chosen from the ranks by their peers. He believes this is the reason why farms reorganize--to choose their own leaders.

5. A discussion with a farmer couple who have hitched a ride on the correspondent's car. One of them works in the library of a collective farm, and she says that the farmers come for escapist literature, in order not to think of their hard problems. This scene begins to elaborate the message that the situation on unreorganized farms is worse than at those which have reorganized.

6. Interview with the owner of the reorganized individual farm "Vesna," who says that although the economic situation on his farm is complicated, at least his workers are earning some money. On the collective they probably would not have been paid at all. He adds that his six employees work better than 16-20 workers under the old system.

7. Comments from customers at the main Kaluga food market. One points out that there is much food, as a way of showing that the hard working private farmers are producing.

8. A portrait of Ivan Babanskiy, head of the reorganized farm Kuzmich, who organized a private cooperative of 10 individual farms. He says that before the breakup of the original farm many young people had been leaving it, there was disarray in the leadership, and, as a result of a lack of decision, facilities and equipment had deteriorated. He says that now people are returning to work for his cooperative, and that large-scale capital repairs are underway. He criticizes the former system of investments, by which money was poured into useless projects. His investments are sound, and thus he expects to reap "miracles."

9. Visit to a school at an unreorganized collective enterprise, and talks with some of the children. None of these children have had vocational training, and they all say they will be doing things other than farming once they grow up. The correspondent wonders that maybe the lack of morale on the collective has affected the way the children look at their parents' profession. The situation on the collective farm is contrasted with the attitude of a dairy farmer on one of the private individual farms. She says that she loves her work and does not regret having not gone to college. Another individual dairy farmer reinforces this message, saying that she too enjoys her work. The correspondent notes that this farm is prospering and asks her whether it has a future. She responds that it all depends on the owner.

10. The broadcast wraps up with a visit to the cultural center of the farm "Ludinivskoye." The drama director is a farmer, and he says there are many similarities between the plays he stages and the real life on the farms, primarily in that the relationships between people are what determine the quality of the performance. The correspondent concludes on an optimistic note that the rural people have not forgotten to work, and that therefore "all will be well."

APPENDIX C

SYNOPSIS OF THE PROGRAM "FIELD WITHOUT MIRACLES (KOSTROMA)"

"Field without Miracles (Kostroma)" aired at 5:20 PM April 4, 1996 on all-Russian Channel 2 television. As in the case of "Vologda Patterns" and "Field Without Miracles (Kaluga)," this broadcast touches on a number of specific themes relating to farm reorganization that are part of the Chemonics public education campaign. These themes are interwoven into a visit to Kostroma oblast, one of the regions in which FARMS II reorganization is now underway.

Among the themes elaborated in the documentary are the following.

- Farm reorganization increases the farmers' attachment to the land and their dedication to work.
- Farm reorganization allows farmers to become their own bosses, and to eschew the bureaucratization of former collectives and state farms.
- Privatization is an irreversible process, as the new private farmers are not willing to return to their lives on the collectives and state farms.
- The Russian administration supports farm reorganization.
- Private farming brings rewards that socialist-type labor does not.

The broadcast has the following specific contents.

1. It starts with a brief description of Kostroma and its place in Russia's history, followed by footage of local markets which have a relative abundance and variety of foods, suggesting that the countryside produces. In this film the market serves as a thematic connection between city and countryside.
2. An interview with the director of a successful farm who is also a former Hero of Socialist Labor. He bluntly states that poorly functioning farms should "break up" into small units, which should then be headed by hard working people who are "devoted to the land," instead of the incompetents appointed from above who prevailed during Soviet times. The footage is important in that it shows that even those who previously were and in many ways still are dedicated to the Communist system believe that reorganization is essential to reinvigorate the rural sector.
3. A discussion with a group of small farmers who split away from the former collective "Yakunikha." They say their decision to split away was not just to try to earn more money but was also based on purely psychological factors. Before, they worked for incapable bosses who knew little about leading a farm and that, as a result, the sovkhozes and kolkhozes became mired in bureaucratism. Those that have remained in the sovkhoz see no future in their work. Therefore, the peasant farmers state their determination not to go back to the way things were before, regardless of who becomes the new Russian President, "Zyuganov or anybody else." The footage serves to point out that people are no longer interested in vague promises of a better future and want instead to build a life for themselves through their own hard work.
4. The impression that the peasant farmers are highly motivated and dedicated is reinforced by an interview with the chief of the raion administration where "Yakunikha" is located. His

opinion of the new peasant farmers is that they work better and more efficiently than those in unreorganized collectives.

5. The scene then shifts to another raion--Sudislavskiy--with shots of a well-functioning beef farm that has its cattle outside year round, a novel practice in the area. The raion administration head discusses Yeltsin's recent land decree, describing it as a fundament on which further efforts in land reform can be built, in that it reinforces an individual's right to private land ownership. He says that farms that go the farthest in land reorganization understand the market economy and are likely eventually to succeed. The segment makes two points. First, that reorganized farms are better disposed to introducing innovative and effective management techniques. Second, that the Presidential land decree is helping to solidify the growing attachment of the rural population to private property.

6. The issue of the land decree is further developed in a meeting with the governor of Kostroma oblast. He says that the complaints by reactionary groups such as the Agrarian Party regarding the sale and disposal of land are misplaced. In Kostroma's case, there is a lot of land left in government reserves which he would love to give to farmers ready to work the soil, for free. The principle objective, he declares, is to find motivated farmers to work the land effectively, not block the sale of land.

7. A visit with four pensioners, former Heroes of Socialist Labor, bedecked with medals they have won. They speak about how difficult work conditions were in the past, and the toll these conditions have had on their health. The commentator asks what they would have had now if early on they had been given a private farm of their own. The scene then shifts immediately to footage of a private individual farmer, who says she is better off than people who work on the state and collective farms. She says she loves her work and feels very good about her situation, both in the material and spiritual senses. The juxtaposition of the two scenes is meant to contrast in a dramatic fashion the rewards of the socialist and free market systems: the Heroes of Socialist labor have nothing to show for all their years of dedication except their medals, whereas the private farmer has property and a contented life.

8. Shots of two separate enterprises which have opened their own processing units, one to make milk and sausages, the other to cut and work timber. The first enterprise set up its plant in an effort to resolve the problem of non-payment on the part of its customers in the food processing industry. The director of the second enterprise says he has expanded his operations, including opening two stores, in order to gain some additional revenue at a time when his basis farm activities, milk and meat production, are not earning profits. However, he says that his enterprise has been hurt by the tax clause that imposes a heavy tax burden on any farming enterprise that derives more than 30 percent of its revenue from processing raw materials that are not its own, since his own operation now derives 40 percent of its earnings from such activities. This segment aims to underline the constrictive effect of this part of the Russian code on farm efforts to increase profits.

9. We end with a visit to a church and talk with the local priest. He says that a constant in the spiritual life of the Russian people is their devotion to the land. If the link to the land is broken, the people lose their moral orientation. He adds that the Communists not only broke the link of the people to the land, but that also they are the ones who destroyed the churches, another building block of the Russian soul.

Conclusion: The Kostroma program is unusual in that the producers have managed to combine a cast of characters which will be difficult to find again. They deliver our themes with a conviction that will also be hard to replicate.

APPENDIX C

SYNOPSIS OF THE PROGRAM “FIELD WITHOUT MIRACLES (KOSTROMA II)”

“Field Without Miracles (Kostroma II)” aired at 5:30 PM April 25th on Channel 2 TV. It focused on a day in the life of a private farmer in Kostroma, Irina Moiseyenko, who several years ago split away from the collective to strike out on her own. Her husband, Valery, alternates as hired hand on her farm and as head of the local raion agriculture department. They are average private farmers, neither the richest nor the poorest of the members of their local farmers’ association. During the program they reflect on their lives and work, which serves to contrast of the positive aspects of private farming as opposed to life on the former collective. The program brings out the following themes of the Chemonics public education campaign.

- Private farming rewards those who work hard.
- Private farming is much more satisfying than work on the collective farm.
- The collective system has made people dependent on government doleouts.
- Collective farms have no future, regardless of the money spent on them by the government.
- Farm reorganization helps farms to become self reliant.

The broadcast had the following specific contents.

1. Interview with Irina Moiseyenko, who describes in optimistic terms how she left the collective and set up her family farm, despite the doubts of many of their acquaintances. She says she has done well, and owns now four cows, two steers and three pigs, which is far more than what most members of collective farms have. She displays her business acumen in discussing how she determines the amount of milk to produce, and where and at what price to sell the milk. She adds that to make ends meet she works as an accountant at a local health center, suggesting that hard work is the only way to get ahead.

2. Valery Moiseyenko is introduced, visiting other farms as part of his job. The narrator says that the government invested trillions of rubles in the collective farms, but instead of becoming prosperous the farms have been mismanaged and become dependent on doleouts. Moiseyenko discusses the situation with a visiting German farmer and the head of another individual farm, Nikolay Metelkov. The German guest says that in her country, there is order in the agricultural sector, and that Russian agriculture needs that too. Metelkov says that the collective farms cannot seem to get away from their reliance on government money.

Metelkov advocates giving money only to the most efficient farms, while the others should be broken up so that they can learn to depend only on themselves. He says that “as soon as they (the farms) are left by themselves they realize they have nobody to rely on and start working.” They have enough resources to be profitable, Metelkov adds. He goes on to say that regardless of how much money goes into collective farms, they never improve, underscoring that the collective system is in itself unworkable.

3. The Moiseyenkos visit Irina’s parents, and several of their elderly friends who have worked on the collective all their lives. This segment serves to illustrate how much better life

on the private farm is. The discussion reveals that most members of the collective were forced to join it, and that the Moiseyenko now have more property than their parents ever had. Another guest is Alexander Zaitsev, head of the local raion administration, who says that collectivization was a way for the state to take everything away from the peasants. Instead of an owner, the system created a dependent, who receives money regardless of how little he does. Irina adds that this forced the real workers to leave the village and flock to the cities.

4. The talk turns to ways for the farms to obtain needed supplies. Valery Moiseyenko tells Irina that she can get credit from the state procurement agency to buy fuel for her tractor, but she responds that she has become too accustomed to not receiving what was promised by the state. Therefore, she is not even going to bother to ask for the advance payment. The exchange illustrates how the family farmer is lessening his/her psychological dependence on the state.

5. Footage of Valery and Irina, sitting together after they have done all the house work. Valery mentions that people are constantly saying that life used to be good on the collective farm, and asks his wife whether she would return to the collective if she had a choice. She answers by asking whether he is joking. They get into a mild argument over why so few people are creating family farms these days. He thinks that it is because it is easier to remain on the collective, and that people are afraid to strike out on their own. Irina counters that the peasant farms are a better place, because they can sell their produce easier, since people know that the quality of their products are better than those of the collective. He agrees with her, saying that one problem on the collective is that wages are not paid. She tells him to remember that he himself has not been paid for three months. "What would we have done without our cows?" she questions rhetorically. This scene serves to remind the listener that private farming will probably guarantee them more comfort than if they stay on the collective.

6. Valery concludes by saying that whatever happens, they will make it, underlining the can do attitude of this family of private farmers.

APPENDIX C

SYNOPSIS OF THE PROGRAM "PARTING WITH DREAMS"

"Parting With Dreams" aired at noon on Sunday, July 7th. It is the story of a group of pensioners in Kursk oblast who decided to leave the collective in which they had worked all their lives, and rented out the land plots they owned to a neighboring private farmer. The broadcast aimed to show the advantages that pensioners can obtain from farm reorganization, bringing out the following themes of the Chemonics public education campaign.

- Reorganization gives farm members the opportunity to get the most out of the land plot they own, because they can rent or sell it to the highest bidder.
- Reorganization protects the interests of pensioners and other individual landowners.
- Private farms hold better possibilities than unreorganized former collectives.
- Administrations support the land rights of individuals.

The specific contents of the program were as follows.

1. The broadcast opens with the narrator saying that something sensational has happened--twenty pensioners left the farm called "Mechta" (dream) and leased their land to a private farm. Several pensioners who did not leave are asked what they think of that step. They answer they think it is wrong because it leads to the disintegration of the former collective. This introduction sets the stage for an examination of the reasons the pensioners left.
2. Several of the pensioners who left speak about why they did so. One says she is 71 years old and there is nobody around to help her. Her pension is very small. She speaks about her former life and concludes that the collective had not given her anything, so she left it. Another says that he too is poor and that he needs fodder for his animals. In order to get anything--products or services--from the collective he had to beg the farm chairman for help. He also had to pay to take his cows to slaughter. Both pensioners conclude that Communism had promised them a comfortable old age, but this had not materialized.
3. They then speak of the solution they found. An individual farmer needed more land, so he gathered the pensioners and proposed that they join his farm in exchange for products and guarantees of services. Under their contract the individual farmer is obligated to help them, they say self-assuredly.
4. The narrator says that this is the rule now. Due to reorganization, people have a choice to stay with your farm or to rent or sell their shares to another farm which may offer them better conditions, ranging from higher quantities of feed and food to additional services such as transportation and health care.

5. The next scene describes the individual farm which took on the pensioners. Its owners are two brothers who struck out on their own some years ago. They have been successful and are growing rapidly. They offered the pensioners five hundred kilograms of grain and one hundred kilograms of sugar in addition to services as rent. These terms were superior to those of the old collective, a fact which even the chairman of Mechta farm admits. This caused the pensioners to join the individual farm, even though they had been originally opposed to the two brothers leaving. This segment shows that it is the success of the peasant farm which has allowed it to offer better terms to the pensioners, and thus to gain their support. In contrast, the economic situation of the collective farm is desperate, with production costs two to three times higher than the selling price and its equipment completely rundown.

6. The narrator says that now the chairman of Mechta is trying to woo the pensioners back, with promises that he will pay as much as the individual farm for the land plots. This shows that competition is beginning to work as the former collective seeks to draw shareholders back.

7. The pensioners describe the difficulties they had in leaving Mechta. The farm chairman tried to block their exit, and appealed to the raion administration. They were even criticized in the local newspaper. One pensioner says that during a general meeting, the allies of the farm chairman tried to chase the pensioners out of the hall, while the farm refused to discuss any terms by which they would stay.

8. The dispute went to the raion administration, but even though the area is regarded as politically conservative, the raion administration took the side of the pensioners. It did so because of practical considerations--it does not have the funds to support the pensioners itself, so it allowed the individual farm to take over instead. In the end the raion administration supervised the signing of the lease contracts with the individual farmers, an act which testifies to the support of Russian local governments of the wishes of land owners and the results of reorganization.

9. The footage shows pensioners selling in the local market. The narrator says that nobody will begrudge the pensioners the fact that they are now landlords, after all the years they invested in the land. After reorganization, they do not have to ask favors of anybody. Instead, contracts are signed which give them better deals than they got before.

10. A pensioner is asked what she prays for. She says that she prays for health, and for God to help all of us. The narrator concludes that farmers have no opportunity to choose and thus to hope for a better future. As a result, younger people are remaining on the farm, instead of migrating to the city, which means that the future is looking much brighter for the rural sector than before. The scene of young farmers injects a final note that reorganization and reform promises a better future for all those involved.