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# 'The Son Has Ploughed', But a Foreign Son. Five Case Studies on Transformation Strategies in Czech Agriculture after 1989\*

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Abstract: European agriculture has recently undergone important changes connected with the reorientation of EU policy towards regional, recreational, and land-use subsidies, and owing to the internal divergence in agriculture itself, which has led to large 'industrial' farming companies on the one hand and small, ecological farms on the other. During the period of transformation, the Czech agricultural sector has been forced to confront these changes and full stability remains a long way in the future. Transformation has thus brought both advantages and disadvantages to all the players involved. The former include the existence of large-scale farms, relatively highly skilled workers, and a cheap labour force, which make Czech agriculture competitive on a European scale. On the other hand, Czech attitudes towards work and respect for the property of others are inadequate; production efficiency and quality are low, whereas the expectations of farmers are high. Czech entrepreneurs have opted for relatively strict, unsocial, win-win strategies and understand their business simply in terms of material profit. Conversely, Western businessmen active in the Czech Republic more highly value the long-term profit, social ties and the symbolic functions of agriculture, though that does not mean they would not prefer 'industrial' forms of farming. The main problem of Czech agriculture is thus the absence of family-type farms rooted in their local, social environment, and there is only limited potential for this to develop. Unfortunately, this fact creates the threat of a 'two-speed' European agriculture: the Western model, combining both small and 'industrial' farms, and the Eastern model, focusing solely on extensive large-scale farming.

**Keywords**: sociology of agriculture, economic sociology; Czech Republic 1993–, transformation, migrations

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A famous Czech folk song from the early modern era voices the farmer's complaint about his son (youth), who when he finishes his ploughing finds he has produced far too little. This article attempts to examine how the 'sons' or successors in control of Czech agriculture are currently performing. How are they managing at a time when the sector is experiencing massive changes owing to the combined effects of the general economic transformation, the ongoing integration of the Czech Republic into the EU, and the changes to agricultural policy? Is Czech agriculture still as conservative as it is made out to be in early literature (especially Bláha [1925]), or highlighted by Haukanes in her two local, micro-studies carried out in the first half of the 1990s [Haukanes 2004]? Or is the 'old' mixing with the 'new' to form a hybrid system in which (transformed) socialist cooperatives have been taken over by new entrepreneurs, both Czech and foreign, and to which European norms and standards have been introduced?

In addition to these questions, the agricultural sector is of special interest to economic sociologists for at least two other reasons. First, it is a sphere greatly influenced by external EU regulations (grant policy, foreign trade restrictions, etc.), in some ways similar to the way in which the former planned economies worked (though with different goals and employing different tools), whereas the Czech transformation period was characterised by a significant reduction in or even an absence of protective state policy.¹ What do 'old' and 'new' mean in terms of Czech agriculture, not to mention the possible pre-communist substrate that may have survived [see Jech 2001: 179–180]? What differences and conflicts of interest have emerged between the Czech Republic and other EU countries in terms of the application of agricultural policies?

Second, Western agriculture has recently become differentiated. In addition to global 'mcdonaldised' 'factories for the "production" of animals' [Ritzer 1996: 106–107; cf. Stone and Downum 1999], there is a growing ecological farming sector, increased land cultivation, and a rise in agrotourism, etc. The planned major restructuring of EU grant policy promises a shift from sector-based subsidies to regional and specific projects or even to small farms as such. The question naturally arises then as to how Czech farmers will face these challenges and opportunities. They do admittedly enjoy certain advantages over their Western counterparts, including large-scale farms, relatively cheap land, in terms both of purchase and rental price, and low labour costs.² However, they also suffer from several disadvantages, such as unsolved property rights, low margins, and poor relative efficiency. Has anything changed over the seventeen years since 1989?

Though agriculture has been a small sector for many decades (making up

<sup>&</sup>lt;sup>1</sup> This statement does not entirely apply in the case of property relations, see below. Their importance has been stressed by Abrahams [1996]; Hann [2003]; Verdery [1996: 133–167]; Verdery [2003]; and others.

<sup>&</sup>lt;sup>2</sup> Agricultural wages and land costs have increased since the accession of the Czech Republic to the EU [Doucha 2004], though it is not clear whether as a result of the process or the government's socialist policy.

roughly 3–5% of Czech GDP), these and other questions are important research themes for economic sociology or anthropology. Other contemporary Czech studies in this field have exhibited clear limitations [see Nešpor 2005a: 6–12] and have been conducted either by so-called rural or agricultural sociologists mainly for decision-making reasons (e.g. the Research Institute for Agricultural Economics, the Czech Agricultural University), or by environmentally aware sociologists providing research alternatives to the mainstream (B. Blažek, M. Lapka and M. Gottlieb). The former have generally limited themselves to an economic perspective, though there is a growing tendency to reverse this trend [Hudečková and Lošťák 2002]. Conversely, their critics have often yielded to idealised visions of history and paid no attention to the socially embedded nature of the system. Moreover, both 'schools' are circumscribed by the 'magical factor' of sociological thought, overlooking randomness and the specificities of micro-events, as described by Keller [1995: 42–43].

Such perils can only be diminished by compiling more detailed complementary case studies that are oriented towards the micro- and meso-levels of socio-economic behaviour in agriculture, without challenging the importance of macro-studies of economic, legal, social and political aspects. Certain such micro-studies have already been made [e.g. Haukanes 2004; Lošťák 2004; Premusová 1999], but it is clear that this research field has not yet been exhausted. Moreover, though foreign literature in the field is quite extensive [e.g. Hann 2003; Leonard and Kaneff 2002] and includes a number of case studies [e.g. Creed 1998; Thelen 2001; Torsello 2003; Verdery 2003], there is no fundamental economic-anthropological typology that would allow an international comparison.

The author's research assumes that socio-economic behaviour is in general relatively stable or path dependent [cf. Hann 2003: 29], and that implies a certain typology, the verification of which lies with future research. Five case studies of successful agricultural companies with different backgrounds and histories were made by the author in 2004–2005 (businesses established before 1989, the farm of a restituent, and foreign enterprises), and although the methodology used does not enable a comparison with quantitative data, together they provide a relatively indepth picture and a comparison of different entrepreneurial strategies. The text below focuses on 1) generally describing the development of Czech agriculture in the 20th century; 2) technically characterising the research conducted on this topic, and 3) examining the results of the case studies, i.e. the particular transformation strategies. These strategies are 4) analysed and compared with other accessible data to provide 5) an evaluation of the transformation and Europeanisation of selected forms of Czech agriculture, potential future strategies and the dangers inherent in future development.

<sup>&</sup>lt;sup>3</sup> Moreover, this kind of committed sociology is often prone to accept aprioristic religious or quasi-religious ideologies; this was especially true for former French sociology of the countryside, deeply influenced by Catholic sociologie religieuse [Le Bras 1955] and later by Marxism [Gervais, Servolin and Tavernier 1972; cf. Jollivet 1986]. In simple terms in the Czech Republic just the opposite change occurred.

# Czech agriculture in the 20th century - traditions and changes

The aim here is not to provide an exhaustive socio-historical analysis of the development of Czech agriculture, something that has already been done elsewhere [Jech 2001; Majerová 2000a; cf. Tauber 19654]. However, the most important milestones had such an impact on the perception of Czech agriculture by the state and society that they must be taken into account (the author does not identify all of them in accordance with Majerová [2000b]). The agricultural sector would be in a radically different situation from where it is today if there had not been land reform, the displacement of Czech Germans, collectivisation and finally the post-1989 transformation. The beginnings of the 'socialisation' of Czech agriculture, for example, were unique in that it emerged out of a relatively unimportant agricultural industry that employed little more than a third of the population but which enjoyed surprisingly strong political representation and consisted mainly of small-scale family farms participating in a well-developed market, and cooperatives and other institutionalised self-help entities with a strong tendency towards technological modernisation. These individual characteristics could certainly also be found in other Eastern European countries (including Slovakia),<sup>5</sup> but their combination was specific to the Czech lands.

Czechoslovak land reform after the First World War resulted in the predominance of relatively inefficient small-scale farms, which, combined with a loss of markets and reduced foreign investment, caused a serious economic slump, exacerbated by the inability of many new owners to manage their property effectively. The remedy was found in (political) agrarianism, which provided external protection and facilitated the spread of cooperatives and education in new technology for farmers. With extensive modernisation and political support Czech agriculture quickly recovered, and the only remaining problem was that of insufficient social protection for the rural landless. But given the massive urbanisation that was simultaneously in progress, this was of much less importance than Marxist scholars subsequently stressed. Generally speaking, Czech agriculture performed well during the interwar period and even better during the hungry war years, supported as it was by the order that the German war economy imposed on it and by the nation-wide symbolic identification with rural life and culture.

Further steps towards the nationalisation of property occurred shortly after the end of the Second World War. Almost all ethnic Germans, who had lived in the Czech lands for centuries, were forcibly expelled from their property, as a result of which ethnic, social, and property structures in certain regions were completely transformed (previous land reform had been more or less country-wide). In most cas-

<sup>&</sup>lt;sup>4</sup> For an international comparison see I.T. Berend [1985: 148–209].

<sup>&</sup>lt;sup>5</sup> For example, developed cooperatives in Bulgaria and certain parts of SHS (Yugoslavia), Bulgarian agrarian education or technological innovations in Hungary; [see ibid.: 148–209, or e.g. Necov 2006: 71–72, 77–80].

es, those who came to fill in the vacuum in such areas had problems adjusting, not just to their new properties but also to the border regions, the locations in which they now found themselves, and often even to farming itself. Most of these newcomers came from the central regions of the country, motivated by their memories of wartime shortages and by the desire to own property, in other words they lacked a 'heart-felt' connection to the land, while others were Czech emigrants returning from abroad who had to re-adapt to Czech society and their new environment. During this transition period, political resonance was far more important than economic efficiency (pre-war agricultural efficiency was not matched in the respective regions for several decades afterwards), which was exploited by the Communist Party as it oversaw the re-habitation programme. The first steps towards 'socialisation' in 1949, for example, were aimed against existing cooperatives and sought to forcibly transform them into so-called united agricultural cooperatives (JZDs). The former cooperatives, which had differed both in terms of size and the aims they pursued and had played primarily a supportive role, were thus integrated into broad-based economic units.

There soon ensued a Soviet-style collectivisation of property similar to what also went on in other Eastern European countries.7 Although it was impossible to crank up the 'class struggle' in the countryside, a reduction in the amount of largescale farming enterprises was achieved through increases in mandatory quotas of products, higher taxes, more restrictions on employing servants (though at the time they were few anyway), and price disadvantages, non-compliance with which was strictly penalised. Occasionally there were cases of property confiscation, forced displacement, or the imposition of so-called national governance of private farms. Nevertheless, in general the farmers were not initially against the JZDs, but in time they became disillusioned. Membership in JZDs began to fall as the state introduced 'higher forms' of JZDs, which reduced private ownership to the status of a pure formality. Hostility towards the 'village rich' was especially brutal at this time. However, the legal and, in many cases, existential uncertainty of private farmers was only one aspect of the violence that accompanied collectivisation; the socio-cultural implications were equally important and involved the lawless nature of the state, the destruction of village autonomy and community spirit owing to the establishment of nominated administrative bodies, poor treatment of the land, and scorn for traditional ownership and even agricultural products. The disruption and eventual extinction of rural traditions was one of the consequences of these changes and led eventually to a devaluing of the social prestige of agriculture as such.

<sup>&</sup>lt;sup>6</sup> Also established were the so-called state farms, the only other important kind of socialist agriculture units, which covered existing state ownership of forests and research institutes, confiscated the property of the church, the nobility and later the so-called 'kulaks'. In fact, there were no practical differences between cooperatives (JZDs) and state farms.

Poland and Yugoslavia eventually withdrew collectivisation while in Hungary it was balanced by a high portion of private plots, i.e. essentially village 'backyards' that in Hungary produced about two-thirds of all agricultural products.

The 'socialisation' of the Czech countryside was completed during the 1950s. The formal co-ownership of the land controlled by JZDs continued, and, surprisingly, a small number of private farms survived, though their economic and social impact was insignificant. IZDs gradually improved in terms of efficiency, partly due to their amalgamation during the 1960s and 1970s; however, their performance was still far from optimal [Tauber 1965: 66ff]. The 1970s saw the onset of widespread modernisation and the introduction of new technology and management systems, though there was very little change in personnel and per capita efficiency. Agriculture thus had to be heavily subsidised by the state (including hidden subsidies) and a 'silent agreement' was made between the state and farmers, which provided the latter with relatively high social, economic, and cultural living standards, including turning a blind eye to theft of farm property in exchange not for increased productivity but for loyalty to the regime. The realities of socialist policy thus put an end to rural emigration to urban centres (a policy that not long before had been actively encouraged) and helped stabilise the agricultural sector. Although the social advantages led to an improvement in the living standards for practically all agricultural employees, these were counteracted by the economic inefficiency of the sector as a whole. Rectifying this problem was a major challenge faced by the architects of economic reform after 1989.

Transformation brought about a rapid reduction in state subsidies accompanied by a reduction in the number of employees in the sector and a corresponding increase in their economic and social insecurity. Consequently, the Czech countryside was one of the sectors of society most quickly and drastically affected by post-1989 changes, and that subsequently resulted in deep dissatisfaction with the transformation, the overall social impact of which was only limited owing to the small percentage of farmers in society [Majerová 1992: 36; Torsello 2003: 87-91].8 Surveys at the time emphasised the risks of structural poverty and a consequent increase in hoarding activities and respondents complained about the low rates and dynamics of wages in the sector. Conversely, only 3% of respondents indicated that their work was profitable after the withdrawal of state intervention [Horská and Spěšná 1994, 1996]. At the same time large property shifts were occurring, in part due to restitution (a policy that favoured the property rights of the descendants of former owners rather than those of the current inhabitants) and in part due to the complex transformation of the cooperatives, which in most cases led eventually to the foundation of joint-stock companies.

Major problems emerged owing to the chronic lack of finance in the sector, which put constraints on restructuring, innovation and even the basic functioning

<sup>&</sup>lt;sup>8</sup> Agrarians' discomfort had led to the formation of seven particular political parties at the beginning of the 1990s, while none of them was eventually successful; later on the Christian Democratic Party took their votes; [cf. Haukanes 2004: 37–40]. The opposite situation took place in the more agrarian Bulgaria, where the socialist sentiments of many peasants deeply influenced the political situation [see Creed 1995].

of market mechanisms, resolved by reliance on barter trade, socio-economic networks, etc. State subsidies were cancelled in the first half of the 1990s, agriculture was not regarded as reliable risk by banks (though they granted many dead loans in other sectors), and foreign investment was banned owing to the policy of economic nationalism [Myant 2003; Verdery 1998]. Elsewhere the agricultural transformation was almost a no-win situation [Verdery 2003], but this was not the case of Czech agriculture; many endeavours failed, but the sections below will provide an attempt to show successful approaches to these challenges adopted by five selected firms.

## Research findings

#### Data sources

Sociological macro-studies have been complemented and/or amended by local and community studies since as early as before the Second World War. In Czechoslovakia, D. Gusti and the Romanian school of sociology were an important influence in this regard, while examples of such research included A. Bláha's study in Velká nad Veličkou, K. Galla's in Sány and Dolní Roveň, M. Hájek's in Neslovice, and Z. Ullrich's in 'rurbanist' villages in the Prague agglomeration. Unfortunately, their legacy was almost lost after the communist takeover and the results of similar research later on was only published abroad [Salzmann and Scheufler 1974]. The development of Czech sociology of the countryside and related disciplines turned to a macro-scope, quantitative surveys, and a strong link to the decision-making sphere. Notwithstanding the fact that case study research (more modern in design) found more than a few exponents in the 1990s, there is no broad agreement on methodology, performance, or the application of results. Certain scholars give preference to a combination of socio-anthropological and qualitative sociological methods [e.g. Lozoviuk 2005: 24–36], which is close to the opinion of the author, while other sociologists emphasise the need to make qualitative methodologies more 'scientific' by drawing direct inspiration from quantitative methods [e.g. Majerová and Majer 2003, 2005].

The case studies were selected in accordance with the most basic findings of economic sociology that different kinds of behaviour largely occur owing to a variety of former experiences, internalised norms and values, and the social capital of both individuals and organisations. Two case studies look at the transformation of Czech agricultural firms sensu stricto, i.e. the transformation of firms established before 1989. One such firm was a large, successfully transformed JZD, representing a 'revolution of deputy-directors', and the second a private farmer who started his business on a piece of land privately owned even before 1989. The opposite extreme was represented by foreign investors, with their knowledge of agriculture in Western Europe, social capital, and personal contacts abroad. Two cases of this type were also selected here: one a large agricultural firm established out of the remains of an unsuccessfully transformed JZD, and the other a family enterprise located on a

grassless plain. The fifth case lies somewhere in between these two types: a family farm owned by a returned Czech emigrant, who brought back with him from the West an understanding of Western socio-economic norms and entrepreneurial strategies, while retaining a knowledge of the Czech environment; he was also involved in the property restitution process. This example is supported by the results of other recent research [Nešpor 2005b]. No complementary domestic example of this type was studied.<sup>9</sup>

Particular businesses were chosen randomly from a selection of five to ten comparable firms for each category, and these firms were selected on the basis of previous research. The firms selected have been in business for at least five years and are economically successful. The aim of this research is not to show the decline or poor performance of those agricultural businesses that selected their production/market strategies badly, though there are still plenty of such firms in the Czech lands [cf. Haukanes 2004: 124–132; Skalník 2004: 113–114], but rather to point out various and distinct positive development strategies. Only those firms able to survive and prepared for future development, in some cases in the wider European context, were selected to be included in the research sample. To what degree the selected cases are representative, or whether any other successful entrepreneurial strategies exist, are matters that must be reserved for future research, probably using different methodology.

#### Two Czech cases

Two types of socialist agricultural firm have successfully survived the post-1989 transformation: de facto state-owned businesses (JZDs or state farms) or small-scale private farming plots. Below, the first case is represented by Petr's cooperative and the second by Zbyšek's family farm. In 1988–1989 a relatively small JZD hired a man named Petr as its head technologist, which later proved to play a crucial role in the transformation of a relatively small JZD. Previously, Petr had worked for a much larger cooperative, where he had tried to increase efficiency, impose a meritocratic remuneration system, and even to establish dialogue with Western companies. However, a power struggle within the firm forced him to resign, and this small co-

<sup>&</sup>lt;sup>9</sup> Most of the research conducted to date stresses that the great majority of restituents did not start a business, or if they did, it made no difference to the actors undergoing transformation) [Haukanes 2004: 118–119, 161–162; Jech 2001: 179–180]. 'Czech sons at the plough' were the subject of research in studies by Hudečková [2004] and Lošťák [2004], while specific – yet uncommon – cases of (private) farmers that held out against collectivisation have been studied by Lapka and Gottlieb [2000]. For a theoretical explanation of the absence of precommunist type of economic culture in the processes of transformation see Skovajsa [2006: 259–260]; on decollectivisation see also Hann [1993]; Thelen [2001].

<sup>&</sup>lt;sup>10</sup> All personal names are fabricated.

operative, managed by a friend, seemed to offer him new opportunities to further his career. When later on the enterprise was taking advantage of all available subsidies, it actually saw an increase in its production efficiency owing to the restructuring, new production methods (poultry farming), business contacts with Western companies and, last but not least, increased income motivation for employees; all the changes were introduced by Petr.

Consequently, the enterprise was prepared when the revolution occurred in 1989, and it was ready to begin signing contracts with foreign firms as early as the spring of 1990. There was enough revenue not only to complete essential reconstruction work, but also to extend the facilities, with the addition of a new slaughterhouse building, which allowed the firm to become independent of the food-processing industry. The cancellation of planned foreign investment into the firm and the subsequent lack of capital it experienced forced the farm to transform itself into a joint-stock company, with 75% of the stock being bought by a state foreign trade company. Later, when the latter was in liquidation, the stock was bought by the management of the cooperative itself. Property restitution and subsequent problems with too many 'owners' were not an issue in this case because a change in production had left most of the land resources unused. Rapid development, spurred on by a well-managed transformation and the targeting of Western markets, encouraged the company to invest in other local bankrupt cooperatives. The firm was thus able to expand its production, become more independent, and (to a lesser degree) succeed in its aim of selling a certain part of its production through its own distribution chain.

In order to achieve so much it was necessary to motivate the company's employees, and they did so at first mainly negatively, by instilling employees with the fear of losing their job, something that brought them into conflict with local officials. A new human-resources policy centred on hiring younger and more flexible employees and imposed strict penalties for disloyalty. It was only possible to introduce positive incentives once the business had been running for ten years, in connection with an increase in local unemployment and a positive perception of the firm's success. At the same time the company began to decentralise, emphasise personal responsibility at all levels of management, and turn its attention to specific rural values. In short, the success of the cooperative was due to skilful management and the adoption of market principles in advance while still in the socialist regime. Some employees and local administrators had tried, unsuccessfully, to block the introduction of those principles, but they were grudgingly accepted once the results (not just financial) of the company's work became evident.

A private farmer named Zbyšek had also practised a certain form of 'capitalism' before 1989. During the socialist period he was officially an employee at a farming cooperative, but he also worked on his own successful private farm, which proved capable of producing more than enough to meet his family's consumption needs. Owing to this surplus, Zbyšek was accused of engaging in illegal entrepreneurship. Only his social connections saved him from criminal prosecution. In the

new economic circumstances after 1989 he was dismissed from the cooperative, leaving him no other option than to start his own business. Unfortunately, in the first half of the 1990s, his crops failed to yield a satisfactory profit, even though he owned relatively large amount of land and he had certain 'business' experience. The family earnings decreased, thus limiting the farm's further development, despite an urgent need to invest in new machinery (previously he had been able to freely borrowed machinery from his employer). Given that there were no longer any state subsidies and he was unable to secure a loan, his only chance of success lay in hard work and experimenting with new kinds of production (cows and pigs, coypus/nutrias and feeding stock), only some of which eventually proved to be profitable. Nevertheless, market instability also helped Zbyšek.

The collapse of his competitors and of the distribution networks in the relatively inaccessible region where he farmed made him the sole egg-product and sheep-product supplier in a wide radius, while an increasing focus on ecological farming (which he initially chose as a relatively cheap option and later on due to incentives supported by state policy) made expansion possible. In the last few years Zbyšek has been able to add several shops to his business, where he sells a substantial portion of his products. Thanks to specific environmental conditions, these businesses are able to compete with large market chains; it demonstrates the fact that personal hard work and a perceptive knowledge of local conditions (including social networks) can be crucial to success. Although Zbyšek had little agro-technical knowledge and initially had only limited motivation, having been forced to start his business owing to transformation disadvantages that he felt more than most, he has succeeded in building up a prosperous family farm. The vast majority of similar Czech owners of small- and medium-sized properties, which make up roughly 13% of all agricultural businesses in the Czech Republic, have sadly not been as successful, perhaps as a result to specific local conditions or a lower level of personal involvement.

#### A 'mixed case' restituent

Both cases prove that market mechanisms can be relatively successfully applied to Czech agriculture, but that they generate a kind of 'wild capitalism', comparable to the capitalist competition of the 19th century that so displeased Karl Marx. However, this is not a rule, as the next case demonstrates. Matěj, whose father emigrated to Canada in 1948, acquired his farm in 1993 during property restitution; during the communist period the property had been a non-specialised, unprofitable state farm that employed elderly and unmotivated employees. Fortunately, the new owner was able to take advantage both of the technical and marketing skills he had gained abroad and of his family's reputation in the area as one with an understanding of traditional farming values, such as having a feel for the land, recognising the value of family property and country traditions, etc. — essentially a family with a 'vocation' in the Weberian sense (though fully secular in Matěj's case).

With the help of a considerably overpaid bailiff well informed about local conditions, Matěj introduced a number of radical changes that affected both the workforce and the production methods. Although all the existing staff were given the chance to prove themselves, he imposed the strict rule that if an employee was not capable of doing his/her job (e.g. owing to a low level of education), if the work was not carried out efficiently, or if the employee was caught stealing, he/she would be dismissed. Over the course of the 1990s no fewer than two hundred employees passed through the farm, generally attracted not by occupational esteem but rather by salaries roughly 10% higher than the local average and accompanied by various other benefits. This relatively tough human-resources policy has now resulted in a situation where the current workforce is very appreciative of the conditions in which they work (flexible working hours, relatively high wages, etc.) and the demand for workplaces exceeds the number of openings, but Matěj complains that it is not easy to invest in the development of his employees since staff turnover is still relatively high. It is fair to mention that, despite the overall success of the personnel policy, certain ex-employees are still resentful of what they saw as harsh treatment, blaming their failure on external circumstances, usually the class or national struggle, for their fates. Those who were negatively affected by the transformation are not yet able to acknowledge Matěj's virtues.

Matěj has changed the structure of production. A large piece of land is used for improving plant growth and animal husbandry has been restricted to ecological beef production intended mainly for foreign markets. Prosperity in the field was achieved not just by means of comparable quality and lower prices, but also by 'external' features, such as stately looking buildings. Perhaps paradoxically (and undoubtedly unlike his Czech counterparts), Matěj made repairs to the farmhouse and the surrounding outbuildings a priority, which helped to establish him as a 'serious' and credible business partner, and he ensured that relationships were good with the various arms of local administration. He also managed eventually to improve relations with his Czech partners, with whom, in the 1990s, he had had major problems, and brought them to the kind of level he worked on with his foreign contacts, managing eventually to convince them of the long term mutual profitability of doing business together. Establishing 'old' business values while employing modern production and marketing methods has not only proved to be a successful strategy for Matěj but has also become an example for others.

# Foreign investors

The importance of foreign investment, along with the need for initial cooperation with someone with a good knowledge of the Czech business environment, is evident in other examples of foreign agricultural firms operating in the Czech agricultural sector. Generally speaking, there are three such types of farmers: borderland farmers, small-scale family farmers (usually owned by Dutch nationals), and large investors, including former Czech aristocrats who have had their land returned to

them [Nešpor 2005a: 54–58]. The following example, Holland Agriculture, can be placed somewhere between the second and third types.

After acquiring the property of an insolvent cooperative in the mid-1990s, Holland Agriculture solved the problem of restituency claims by acquiring only nonagricultural facilities (forges, machine repair shops, etc.) and it began manufacturing processing technology for vegetable production, intended mainly for export. In 2001, one of the owners employed his knowledge of the Czech business environment to start another business, a consulting company for Dutch farmers entering Czech and Slovak firms. The development of the first company during the 1990s was facilitated by the fact that the owners wasted no energy on solving property disputes or competition problems, but launched a completely different product range which they were able to sell even to former competitors. Holland Agriculture kept on the majority of the former cooperative's employees, to which there were both advantages, such as a quick start and low sector wages, and disadvantages, such as poor efficiency, little interest in the company, and skills deficits. These problems were solved with the help of a Czech co-owner, while the Dutch management concentrated on production and distribution. Holland Agriculture is thus a combination of modern management and technologies with a traditional, family-farming character that includes good relations with other players and the local authorities, something the firm's affiliated consulting company has also managed to achieve.

The final case study relates to the contribution of capital by Dutch farmers to the Kotěhůlky cooperative during the period 1998–2002. The extremely large cooperative had had mixed financial fortunes up to this time, owing to the lack of both capital and clear management strategies. These problems arose after the former JZD was privatised through a management buyout. These new owners lacked the expertise to avoid the pitfalls of the transformation era, such as market instability, corruption, and other illegal practices, and they were unable to motivate their employees. The 'Czech approach' to transformation in this case led to poor business performance, and even subsequent management changes were not enough to pull the cooperative out of the red. At the end of the 1990s, a new, younger management team finally decided to seek foreign investment, though the 'courting' process was cautious on both sides. The new Dutch investors received about 30% of the shares in the company, positions on the board, and a certain amount of managerial power. The new management had simultaneously to familiarise itself with a business environment completely different from the one to which they were accustomed.

A major priority was improving the quality of the Czech managers, and the Dutch were not afraid to dismiss poor performers; new starters were selected by an independent personnel agency. Interestingly, certain projects introduced by the Dutch management had mixed fortunes. Dutch-style vegetable cultivation, for example, was unprofitable owing to the low margins in the Czech lands, but their independent distribution of certain products was somewhat more successful. Foreign shares in the cooperative increased to 80% after merely four years of joint management and were accompanied by a significant reduction in the production range.

Whilst formerly the cooperative grew almost everything, a decision was made to specialise in cereals and one type of vegetable, of which Kotěhůlky had become the biggest Czech producer, and livestock production was also narrowed down. In addition, the cooperative commenced the sale, distribution and maintenance of imported agricultural machinery. According to the foreign owners, agriculture as such is unprofitable in the long run and must develop hand in hand with other, related businesses, which also potentially include agrotourism.

Crucial factors in the transformation process involved personnel policy that included replacing local village employees with people from a more distant town, which caused a major conflict with the local authorities. Already tense relations were exacerbated when the company began charging locals whenever they borrowed machinery, the free use of which villagers had taken for granted during the communist regime (e.g. for building their own houses). Today, most do not question the new rules, but some still find them hard to accept. Some villagers still look back nostalgically on the era when 'community and cooperative was the same thing and everyone helped one another. When it was necessary, they came with a tractor and did it ... Nowadays everything is different, everything has to be paid for' (similar situations also occurred elsewhere; see Creed [1995]). The Dutch investors do feel uncomfortable being regarded as 'usurer capitalists' and are aware of the basic nature of their employees and local family traditions; they feel that they are often more considerate with their employees and business partners than the local people are amongst themselves.

# Elements of successful strategies

# Path dependency

Meurs' [2001] comparison of the Hungarian and Romanian transformations and Verdery's [2003] study of Transylvania both emphasise that transition depended heavily on previous experience, legislation, relations, institutions and values; there is generally no such thing as a 'market without attributes'. In the cases cited here, those who were successful in the transformation process were those who had had previous experience of capitalism, either abroad or on the edge of what was legal under socialist law in Czechoslovakia. The actions of management were crucial; their technological and contextual (social, economic, or political) views had to be broad and open to change. Even the private farmer Zbyšek had had a form of experience with 'capitalism', while the old management at the Kotěhůlky cooperative failed owing to their inability to accommodate new ideas. On the other hand, foreign entrepreneurs (including returned emigrants) lacked knowledge of the Czech business environment, which was significantly different to the western model, at least during the first few post-communist years. Without substantial help from local colleagues, either from the very beginning (Holland Agriculture) or after some time (Kotěhůlky), these companies would probably not have been able to overcome the administrative obstacles or formulate the right business strategy.



A beautifully renovated 18th-century farmhouse in Eastern Bohemia that now serves as a family home and part of it is rented for cultural projects. However, its owner, a re-emigrant from the West, has not undertaken any agricultural business of his own.

A mere family-farming legacy and the values connected with it, even if combined with good technical skills, would not have been sufficient, during the transition period, to wholly change the business environment; similar, in fact, to the case of returning emigrants to Czechoslovakia after the Second World War. However there are successful cases of 'Kulaks' being returned not just their property but also their former social prestige, for example in Slovakia [Torsello 2003: 97] or Hungary [Miller and Heady 2003: 257–292; Thelen 2003], they are somewhat exceptional [Hann 2003: 12]. The studies cited here emphasise that returns were made impossible owing to the lack of capital necessary for renewal and above all the absence of social and symbolic capital. These resources were not mobilised by the 'kulaks'; they were instead possessed by the old-and-new cooperatives' managers. In such cases, people with no farming tradition, but able to utilise existing social networks and their ties to local markets and political authorities from the communist period were more successful. A subsequent weakening or rupture of ties to the past in the Czech Republic facilitated preferential treatment of the more engaged newcomers.

The problems of Czech cooperatives and state farms were a consequence of substantial stagnation within the sector during the normalisation period. Later, the transformation and privatisation attempted to correct the damage caused by collectivisation, but in many cases, through economic inability and lack of competitiveness, the problems were exacerbated. Cooperatives made up of owners and other participants were required to settle the debts of the property restituents, thus holding back their development, or they had to search for compromises to satisfy the interests of at times hundreds of shareholders, most of whom had no knowledge of agriculture [Majerová 1992: 35–36; cf. Lošťák 2004: 142, 144–147]. With the exception of restituents themselves (Matěj) and small-scale farmers on their own land (Zbyšek), successful firms tried to reduce the number of landowners.<sup>11</sup> Research has demonstrated the emphasis foreign colleagues accorded to land ownership and property relationships during the transformation period [Hann 2003: 2-3, 23-29], though decollectivisation occasionally led to the emergence of a 'non-agricultural peasantry' whose practitioners made hardly any use of the land. Farm husbandry on someone else's land (e.g. owing to the above-mentioned low rents) was one way of reducing the number of legal owners, at least in effect; in the case of Romania, Verdery refers to it as effective ownership [Verdery 2003]. The farmers on someone else's land are, in fact, neglecting the interests of the legal owners, while remaining unpunished.

It must be said, however, that there was never in any of these cases absolute conformity to the rules and terms of the Czech agricultural sector (though they are changing). Some breaking of the rules has ironically been the key to success. Whether by a well-timed entrance to an unknown and potentially risky environment in the case of foreign firms, a reduction in the number of landowners, the use of non-standard management and marketing strategies, the establishment of a network of trust among businessmen, or some other means, the protagonists seem to have gained a substantial advantage over their competitors.

## Finances and management

Czech agriculture was inhibited in its progress by a persistent lack of finance, which could be solved through greater personal involvement only in the case of small-scale family farms, and even there only partially (Zbyšek). Former JZDs and state farms tried to solve these problems by means of non-financial agreements that made use of existing social networks, but this 'Czech way' of doing business proved counterproductive owing to widespread corruption. One radical solution was therefore the entry of foreign investors, who were able to take control of the finances and man-

<sup>&</sup>lt;sup>11</sup> However, research in Russia emphasises the democratising of decision-making, even in situations when almost nothing can be allocated/managed [Perrota 2002: 125]. This is undoubtedly connected with the stronger Russian emphasis on collective values and property, which is absent in other post-communist countries [see also Hann 2003].

agement strategies. Petr tried unsuccessfully to employ this strategy at the beginning of the 1990s and ultimately had to wait for a capital injection from a trade company to solve his financial problems. In the second half of the decade, foreign investment became more of a realistic option, offering not only economic, but also social and cultural forms of capital. The success of certain farms has been due to the large amounts of capital available to foreign investors, while Czech ownership in similar cases has led to long-term inefficiency or even bankruptcy. Eventually, however, improved business conditions allowed the banks to increase investment in the sector and, on joining the EU, agricultural subsidies once again became available.

The characteristics of successful firms include the efforts of management to restructure production, the introduction of technological innovations, and the establishment of new socio-economic relationships both between firms and within them. All the firms had to reduce their range of products or radically change their production programmes, focusing on certain high quality products, which sometimes meant a significant output of non-agricultural products. Only the really large enterprises have been able to introduce a wider production range but have done so only after having previously reduced the range (Petr's cooperative). In this regard caution on the part of the firms is justified, given the various failed attempts in the 1990s to widen a production range, often at Western advice (Kotěhůlky). It can be clearly seen that social capital and technical skills are not easily convertible. Indeed social capital might not work at all when transferred to a different environment.

All the winners, however different their backgrounds, size, and capital opportunities, have had to cope, to some extent, with problems with the distribution of their products as a result of the instability and high profit margins of distribution chains in the mid-1990s. Consequently, there has been a tendency to combine production and distribution, a combination that is only partly similar to Western European practices (Czech firms are trying to establish their own distribution chains). Owing to the lower costs of domestic production, some firms have attempted to expand into western markets, though owing to market overproduction, legal restrictions, or supply surpluses resulting from cheaper imports (e.g. from Poland) they can usually offer only non-agricultural goods or bio products.

#### Internal and external relations

Firms have tried to formalise their mutual relationships and make them more transparent. Their aim is to entirely abandon illegal practices and the networks that connect economic, political and administrative players, that is, to move on from the 'wild capitalism' era. Western firms, owing to the pressure they exert on the system, provide an example in this regard, as they do with respect to the gradual establishment of networks of mutual trust and long-term reciprocity. However, it is still the case that Czech firms, if they managed to survive the 'wild capitalism' years, are vigilant of their neighbours and hard on competitors. They have no interest in anything

other than purely business cooperation. According to research, "in the opinion of the management of [Czech] firms, cooperation between farmers (and between farmers and processors) is virtually impossible; on the one hand, there is brutal competition between them …, and on the other, the structure of agricultural enterprises (created during the post-1989 transformation period) is very asymmetrical in terms of resources. Company economic power starts from this point and small companies have almost no chance against their larger counterparts" [Lošťák 2004: 153, 158].

Structures and relationships inside companies are surprisingly similar to those between companies in that all the companies had to cope with low rates of productivity, flexibility and the limited involvement of employees in the firm's business. These problems were addressed through a combination of positive and negative incentives. The winning domestic entrepreneurs were thus in many cases harder and less willing to make compromises than their Western counterparts or returning emigrants. Disloyal employees were dismissed, often as an example to the rest of the workforce, while new employees were attracted by relatively higher wages and by above-standard working conditions and the status connected with agriculture in general and the firm in particular. The process of change in the workforce is still in progress in all the companies surveyed and the key to a successful conclusion lies not only in adequate remuneration based on merit, but also in fostering changes in attitudes towards work and emphasising personal responsibility and a relationship to the firm and traditional professional pride in farming. Owners of successful firms are becoming more and more convinced that such characteristics cannot emerge in an atmosphere of fear and worry; they must become an integral part of the employee's work ethic.

With respect to the recruitment of new workers, it must be admitted that Western European agricultural companies face similar problems to those in the East. There are a whole range of factors that make it difficult for them to attract and then keep young employees, including wage rates in the sector, its traditional nature, and its family-based character. Also, many young people reject farming as a career because of the hard work involved and the lack of entertainment available in the countryside and remote townships. Research shows that recruitment is easier for those firms that have access to good transport connections to nearby larger towns (Matěj's farm and the Kotěhůlky cooperative) and thus are able to attract urban workers, though geographic work mobility is quite low among the Czech population as a whole. Among a certain part of the urban population, those deriving a sense of strong personal satisfaction from this kind of work, there even seems to be a strong desire to work in agriculture, but transportation difficulties and the lack of infrastructure are often serious obstacles. The future improvement of both transport links and general infrastructure is essential not only for employee recruitment but also because of the huge influence it has on the ability of farms to widen production and marketing opportunities and on the growth of agrotourism. However, such activities, along with ecological farming and land cultivation, remain way in the future, and at present they are practised solely by foreign entrepreneurs.

Cooperation with the local authorities and/or other organisations has played an important role in general business development. The 1990s saw conflict between new agricultural businesses and local officials owing to the unrealistic demands of the local administration and owing to the views of local inhabitants themselves, who shared historic notions about the farms being their property and were generally hostile towards new, outside managers. However, these relationships have gradually improved over the last few years, as the socio-economic survival of the countryside is hardly possible without them, and locals have begun to appreciate the fair and transparent behaviour of the new companies towards their employees and their surroundings. In this respect, the town/country dichotomy may also have changed to some extent, boosting the villagers' self-esteem and sense of community; this finding has also been emphasised in research in other post-communist countries [Leonard and Kaneff 2002: 180ff.; Verdery 1996: 127]. Although these kinds of symbolic and social changes in the Czech countryside are still in the early stages, the need for them is widely accepted by both entrepreneurs and local authorities.

#### Peasant ethos

Almost all of what has been discussed above is evidence of the strong socio-cultural foundations of agricultural entrepreneurship, which is often more important than particular economic strategies. This fact was soon realised by successful business people, especially foreign investors and returning emigrants. It has never meant an absolute acceptance of the habits and social networks that originated in the communist era but rather their gradual transformation. It would be equally wrong, however, to overestimate trust in the impersonal, seemingly automatic market mechanisms stressed by the architects of Czech economic reform. Only those firms and individuals that were able to resist both succeeded. These winners were usually able to connect the need for agricultural-technological and marketing modernisation with the 'traditional' ethos of the farm worker, as defined by Weberian vocational ethics. Although P. Leonard and D. Kaneff [2002: 11] tried to deconstruct this idea as an unreal and carrying urban conceptualisation of village(r)s, the majority of other researchers in this field have emphasised its importance in pre-communist agriculture and the subsequent dismantling of this concept.<sup>12</sup> This study should be included among them.

From this point of view, the transformation of agriculture from vocation to profession should be included amongst the most painful results of collectivisa-

<sup>&</sup>lt;sup>12</sup> The destruction of a farmer ethos was not caused solely by external factors. Among the external factors one can mention are those that were enforced and those that were not (e.g. modernisation), while internal factors included generation change [Cartwright 2003: 171–188], gender differences [Thelen 2001] and others. The same may be true in the case of the potential future restoration of a farming ethos.

tion (see also Creed [1998: 273]). The Italian Marxist A. Gramsci talked in the same way about the alienation of former owners to their means of production, a fact proved in the current milieu by the low level of interest in property restitution [Hann 2003: 117-142, 171-188]. The reason the economic troubles of Bulgarian agriculture, for example, did not lead to the establishment of private enterprises was not just because of the lack of capital and other difficulties cited by farm workers but also and primarily because of their own inability and their fear of potential losses. Purely utilitarian-economic prevailed over normative-affective arguments [Creed 1998: 246-255]. (The deontological theory of economic behaviour is set out in Etzioni [1995]). This research arrived at similar conclusions, but it also maintains one other conclusion. The difficulties in restoring the social, symbolic and moral dimensions of the farming tradition in the domestic population may be emphasised, but the possibility of importing them does exist. Although the farmer ethos had almost died out in Czechoslovakia, with the exception of a few farmers who benefited from restitution,13 foreign-based firms seem to have been able to tap into it, while, conversely, the greater part of the domestic agricultural sector has yet to take advantage of it.

Restoring these values is possible in the case of small ecological farms, which are supported by an ethos of anti-modernisation and anti-urban defiance (the spread of which has been discussed by some authors, e.g. Blažek, Librová and others). But it may also be achieved among those city-born new employees at large-scale farms who have been provided with models for this kind of spiritual development. These models may come from Western owners, and the small-scale family farms they own in their country of origin, who were able (and wanted) to adapt to 'industrial' agriculture here without losing this ethos and the values that go with it.

The impact of socio-cultural capital and institutions on business must not, however, be idealised. This research covered only successful firms and even in these cases the resources that could be mobilised out of membership in social, symbolic, status, educational and even national groups could have worked counterproductively or could have been used in a purely utilitarian way, without any regard for other players and social benefits. Czech transformational capitalism often appeared harsher than its Western counterpart, rather like capitalism as seen from the Marxist viewpoint of class struggle. In many cases (e.g. among old-and-new managers, local administrators, etc.), pre-existing social capital obstructed the creation of a new social capital, impeded cooperation between and within firms, and prevented the establishment of positive relations with the civic, social and institutional environment.

<sup>&</sup>lt;sup>13</sup> They were studied by Lapka and Gottlieb [2000], in case of Hungary by L. G. Miller and P. Heady in Hann [2003: 257–292]. In case of his study of a Slovak village, D. Torsello claimed the existence of social trust, though the 'kulaks' were excluded from it [Torsello 2003: 97–99], but described it mainly in negative terms, as a loyalty derived from fear rather than any internalised ethical norms [Ibid.: 224–225].

#### Conclusion

The current situation that Czech agriculture is in derives from the various processes at work during the 20th century, including land reform and the substantial changes in the self-esteem of farmers. The modernisation of the Czech countryside and the concept of 'rurbanism', which originated along with it, had certain positive aspects, but were unlike wider European development. That is why these changes should be easily reversed with the participation of farmers themselves. The introduction of collectivisation was accompanied by many obvious ills, but it also created large parcels of land that could later be transformed into modern agricultural companies. A certain amount of modernisation took place during the communist regime and this has continued since the regime fell. However, collectivisation also had unpredicted results. In a society that theoretically upheld social justice, it was impossible to sustain the efficiency of agricultural production, whilst the collectivised system simultaneously diminished the traditional values and symbolic ties of the peasantry.

Post-1989 rectification of the damage, which involved the restitution of property to the original owners, was incapable of bringing about any substantial changes because the vast majority of returning owners were not interested in agriculture. Instead of extensive restructuring and the costly introduction of modern technologies and management styles the situation of farms was worsened by restitution and the abolishment of state subsidies. The Czech government tried to change domestic farming to make it resemble the Western model, but it adopted an unsuitable approach that combined liberal attitudes (no subsidies) and economic nationalist protectionism (a ban on foreign investment and ownership of land). The existing JZDs and state farms, much larger than in the West, which chose to transform themselves, were in the short term successful, but most of them were not able to survive in the new conditions for long and subsequently ran into difficulties. The second half of the 1990s saw an improvement in the situation when the specific 'Czech way' of transformation and purely neo-classical economic policies were abandoned. Foreign investment was allowed into the agrarian sector and a distinct dividing line became evident between prosperous farms and the rest.

Successful business strategies were based on personal and organisational path dependency, the nature of existing institutions, the ability to mobilise resources, social and symbolic capital, and many other external factors (sometimes random). Nevertheless, it must be said that 'successful ploughing' has been the preserve of 'foreign sons', coming either from a non-agricultural background or from abroad (or at least those who found inspiration there). Of course, there are also many cases of successful purely domestic transformations, which in absolute numbers exceed those with foreign involvement, but the relative success of the latter is still thought-provoking. They were faced with many difficulties, including an unfamiliar environment and, in some cases, strong resistance from that environment; so how did they manage to succeed to such an extent? A mixture of technical, managerial and market innovations, combined with 'traditional' farming work and ownership values was the successful strategy. The ethos that lies behind this combination is today

capable of changing Czech agriculture in terms of land cultivation, ecological farming, etc., but the fact remains that this characteristic is still more common among foreign than domestic agricultural companies.

One other fact should be mentioned. Just as farming is differentiated into 'industrial' mammoths, which favour modernisation and rationalisation, and small farms, which prefer local and regional bases, certain shifts have also occurred in European agricultural policy. The extensive subsidies that ensured high employment and national self-sufficiency are slowly becoming a thing of the past as policy is shifting towards a distribution of funds based on a regional principle or in favour of smaller farms (which are more common in the EU-15). At the same time, social concern for biological farming, the countryside, alternative lifestyles, sustainable development and the like are rising, and all of these concerns are in some way connected with the 'traditional' values outlined above. Small-scale family farms that are economically unprofitable may well survive alongside the industrialised giants. Therefore, the crucial question for Czech agriculture (and the Czech countryside as a whole) is whether such a differentiation will take place here or not. It is virtually impossible (and it would be senseless) to try to close existing large-scale farms, but similarly it would be wrong to strangle the growth of small ecological farms in favour of more efficient giants, as unintentionally happened in the 1990s. If that were to happen, Czech agriculture would not be helped by the new European policy. On the contrary, it would contribute to the creation of a sort of 'two-speed Europe', in which the Czech lands would become just a supplier and a rubbish repository, rather than being a respected and equal partner.

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