

From Communism to Capitalism: The Transition to a Market Economy and the Effects on the Agricultural Land Use System in Karacha, Bazar Korgon Rayon

Transformation of the agricultural sector in Kyrgyzstan

With the collapse of the Soviet Union (SU) in 1991, the young Republic of Kyrgyzstan was faced - more than the neighbouring countries Uzbekistan and Kazakhstan - with serious problems influencing all aspects of life. Kyrgyzstan used to be one of the poorest republics of the SU that was and still is heavily dependent on its agricultural sector accounting for half of the country's export and one-third of its GDP. Furthermore, 60 % of the population lives in rural areas and approximately 50 % of the active domestic labour force is employed in the agricultural sector. With the collapse of communism and the command economy Kyrgyzstan underwent the 'shock therapy' of a major restructuring programme financed by the World Bank and the International Monetary Fund that introduced free markets, liberalization, privatization and structural adjustment (Bloch & Rasmussen 1998: 111).

The impacts of liberalising the economy were far-reaching. Within the first four years after the breakdown of the Soviet system, that integrated all republics into a uniform economic area, which was characterised by a high and close concentration level, Kyrgyzstan's GDP dropped by 50 %. The economy of each republic was geared towards large-scale production of few specialized goods which provided the whole area of the SU (Rufer & Wälty 2001: 658; Trouchine & Zitzmann 2005: 10).

The narrative justifying these neoliberal reforms alleges to improve agricultural production and performance by facilitating the rational use of rural labour and the efficient use of productive inputs. A more efficient agriculture is said to improve farm incomes, reduce costs and thus modernize society on the long term. Furthermore an advanced agricultural sector can contribute to a country's foreign trade and its integration into world markets (Wegren 1998: xiii). In Kyrgyzstan the shock treatment was conducted with immediate price liberalization and the abolition of the established administration structures (Trouchine & Zitzmann 2005: 9-15). Farm reorganization, land reform, rural institutional changes and especially the transition from state-owned and collective farms to private and individual farming systems are the most obvious changes (Akramov & Omuraliev 2009: 1-3).

This article aims to analyse the changes on the local (i.e. village) level caused by the transition of the economic system. The research focused on socioeconomic structures, irrigation management, privatisation, marketing, land ownership and utilization.

Area of research and methods

The privatisation in all important sectors and the impacts of the transformation still influence the agricultural structures and the livelihood of the population. The agriculture gained even more importance as economic sector since the collapse of the industrial sector. More than 50 % of the population is working in the agricultural sector (Trouchine & Zitzmann 2005: 29). Most difficulties in agriculture due to the transformation can be

located in the southern part of the country. Here living standards diminished and the population had to find new ways to make a living. High unemployment rate, a grave informal economy and a rapidly growing population represent the local situation (Ronsijn 2006: 2, Trouchine & Zitzmann 2005: 5). Since the transformation, the farming households have the option to generate their income by different means.

Research was conducted in July 2013 in the settlement of Karacha. It is a small village in the *rayon* Bazar Korgon in the Jalal-Abad *Oblast'* and has a population of 2,537 people in 572 households (Muzahmad Syrgataeva, *ayil kenesh*¹). The paper will expose the current situation of local farming and land use systems, the cultivation of plants as well as the sales activity of agricultural goods in Karacha. Thereby, the article will provide a detailed overview of the distribution of land and its usage by quantitative and qualitative data.

At the beginning we identified three main aspects to be investigated: land ownership, land utilization and marketing and income generation. Therefore, we conducted a 49 household survey with a standardized questionnaire and 15 interviews. According to the aspect 'land ownership' we determined the respective field size and the addressed the question of ownership for each interviewed person. During research many different terms were used to describe land ownership. For a better understanding, we used only the two categories 'owned' and 'rented'. Owned describes 99-year-use-agreements, while rent describes short term use rights (e.g. for 5 years). In view of the past and the distinct structures of the SU the influence to the present local situation should be turned out.

The aspect of 'land utilization' focused on cultivation, the main crops and the use and management of the local irrigation system. In addition household structures and compositions were assessed to analyse the domestic division of labour in agriculture. A related focus on animal husbandry aimed to analyse the connections of subsistence agriculture and livestock keeping. This aspect is directly linked to the third component 'marketing and income generation'. To map marketing strategies we recorded the selling activities of agricultural products. Furthermore, we asked about the main and the secondary cash income of the household. With view to this question people were asked whether they earn their income through regular paid jobs or if they derive the income by selling their agricultural products or livestock. To point out a trend of the last years we also asked about a comparison of the current situation to the last few years regarding the yield, prices, financial situation and outlook in the future.

Moreover, we had fifteen expert interviews. Local and community members like the head and the deputy of Karacha, the head of local administration of Beshik Zhon, but also farmers introduced us to the research area and explained the current and past situation and moreover the local structures of the village.

Land ownership

During the Soviet era all land was state-owned and the agricultural sector was characterized by large-scale farms of thousands of hectares with hundreds of farm-workers. After the breakdown of the SU the structure of the agrarian system changed

¹ Representative body of local self government

tremendously. Under Soviet rule 450-470 state and collective farms like *sovkhozy* and *kolkhozy*, with an average size of 2,300-3,000 ha, accounted for 96 % of the total land area. In Kyrgyzstan, about 99 % of the arable land and almost all agricultural output in the former Soviet Republic were under state control. These farms were replaced by private-run small-scale farms managed by individuals, families, groups of families and corporate farm enterprises. The 'aim' of the post-Soviet transformation was the liberalization of agricultural markets and prices (Akramov & Omuraliev 2009: 1). According to this, the keywords were land reform and privatization (Bloch et al. 1998: 111, Rufer & Wälty 2001: 661).

The formal process of privatization began on February 15th 1991 with the 'Law on Peasant Farms', which authorized local councils of people's deputies to reallocate land and give it to the people who wanted to take advantage of the opportunity. The first effort led to a growing number of peasant farmers: starting with eight in late 1990 the number rose up to 2,000 by the end of 1991. In the same year, another decree was issued. This aimed to establish a fund, named 'Special Land Fund', in which unutilized or under-utilized land in every district was collected. This land, often valuable irrigated land, was accessible for experienced would-be farmers (Bloch et al. 1998: 113-118). In the end of 1994 and the beginning of 1995 the regulation 'On Measures on Promoting Land and Agrarian Reforms in the Kyrgyz Republic' aimed at a replacement of the remaining collective farms and further promotion of land reforms: everyone who used to work or live in the *kolkhoz* could apply for a free of charge share of the land (pastures were excluded) (Oroshbekovna 2006: 63, Kirsch 1997: 4). This land composed 75 % of the total area of the *kolkhozy*. Non-collective-farm workers could get land from the 'Special Land Fund', which received the remaining 25 %. Boosted by these acts, the number of small-scale farmer increased to 16,400 in 1994 and more than 38,000 in 1996 (Bloch et al. 1998: 126).

Local committees assigned how much each family member could receive, in accordance with the total land available for distribution. This resulted in fewer land per capita in the more densely populated south of the country than in the north. Dekker (2003: 125) describes the typical distribution: 1.5 ha for the head of the family, 1 ha for the spouse, and 0.75 ha for each child in the family. In the densely populated *oblast'* Osh every member - without any distinction between men and women or grown-up and child - of the almost 200,000 applicable families received 0.249 ha (Kirsch 1997: 7). Comparable to Osh, in Karacha every family member of a would-be peasant farmer received the same share of 10 *sotik*² or 0.1 ha (Burkanov, head of local administration). At this time, 1,800 people were living in Karacha and 600 ha of agricultural land were available. This matches with our surveys well: based on these (n=49), an average household in Karacha consists of six persons and owns 1.04 ha. Officially, there are no landless persons - and in fact we did not encounter one. The biggest farmer has a total of 7.0 ha (2 ha owned, 5 ha rented), the smallest farmer 0.2 ha (all owned).

The land transferring process in Karacha cannot be termed a smooth transition. The deputy of Karacha reported that collective farming was continued until 1994 when non-violent

² 1 *sotik* = 0.01 ha

conflict among the farmers in the former *kolkhoz*, named '22nd Anniversary of the Party', occurred about products and farming systems. As a result, and supported by the decrees mentioned above, the collective was dissolved in 1995 and the land was transferred to single peasant farmer households. This issue is a reason why until today the re-establishment of cooperatives is rejected (for further details see 'land utilization').

In the context of privatisation, private ownership and land rights it is critical to consider that the term ownership is not used clearly. In our field study some participants of our survey indicated that the land possessed by the state is their own. Other informants stated it is a long term lease for 49 years. This issue reflects two problems. Firstly, there is uncertainty about the legal status of land - not only among locals but also among scholars this question is discussed. Article 4 of the Constitution of the Kyrgyz Republic, tends to allow private ownership of land (and not only rights to use them), but in the end it remains state property (Dekker 2003: 120, Kyrgyz Republic 1998):

1. Property in the Kyrgyz Republic may belong to the state or may be private. The Kyrgyz Republic guarantees the diversity of form of ownership and their equal legal protection.
2. In the Kyrgyz Republic the land, its underground resources, water, air space, forests, flora and fauna, and all natural wealth is the property of the State.
3. Under the circumstances and within the limits established by law of the Kyrgyz Republic, the use of land parcels may be transferred to individual citizens and their associates. The purchase and sale of land is not permitted.
4. The Kyrgyz Republic shall protect the rights of ownership of its citizens and juridical persons to property, and also their property and ownership located within territories of governments.

In November 1998 an amendment of article 4 came into power, which is another indicator for strengthening private ownership:

1. In the Kyrgyz Republic, state, communal, private, and other forms of property shall be recognised and protected. The Kyrgyz Republic guarantees diversity of forms of property and their equal legal protection.
2. The land, its underlying resources, air space, forests, flora and fauna, and other natural resources in the Kyrgyz Republic shall be used as the basis of life and activity of people of Kyrgyzstan and shall have special protection of the state.
3. The land may be in state, communal, private, or other type of property. Limits to and procedure for execution of rights by land owners and guarantees of their protection shall be set forth in law.

Nevertheless, the law tolerates and respects different forms of property. It is however not tolerated by the state to leave privately-owned fields uncultivated for a long time period or not put to proper use. Otherwise the owner can be dispossessed by the authorities. Further limitations for selling land property and utilization exist; it is not possible to sell farmland to foreigners (non-Kyrgyz citizen) or build houses on arable farm land. To that effect it is questionable whether it is valid to speak about ownership. Secondly, we

observed an ignorance of law. When we interviewed common farmers or officials what will happen when the 49-year-tenures expire, nobody could state details. In fact, the families currently leasing the land have priority when it comes to a renewal. Also many, even the deputy of the village as a part of the enforcement of land transfer, did not seem to be aware, that the granted 49-year lease was extended to 99 years in the 1995 Presidential Decree (Bloch et al. 1998: 116-119, Dekker 2003: 123-126, Kirsch 1997: 4). This ignorance respective lack of information may result from a plurality of regulations like 'Property Law', 'Law on Land', 'Lease Law', 'Cooperation Law' and many others. In total more than 100 resolutions became effective over the last 20 years (Dekker 2003: 122, Oroshbekovna 2006: 65).

Due to the missing water supply for the non-irrigated land, those fields cannot be cultivated and this is the reason why no more people can move into the village. Moreover, a lot of habitants are forced to move to urban centres. This contradicts trends of increasing population and steady field sizes. Relating to the stable population-land-ratio it is to assume, that in Karacha no vital land market has developed yet. Additional land can be bought from other farmers or rented from the local authorities for up to five years (annual fee 3,500 to 6,000 KGS/ha, depending on soil quality). Regardless of the fact whether the land is owned or rented, everyone has a certificate for the utilized land. One respondent showed us the official document for his land. In form of a book it gives details about the owner and illustrates the field on a sketched map (1:10,000).

As mentioned above, local authorities play an important role in questions regarding the land rights. The deputy of Karacha is in charge of land allocation to interested persons. Due to the unavailability of land for 99-year tenure, the only possibility to extend land access is the rent of state-owned fields. At the moment of research, there no land register existed. According to the head of administration in Beshik Zhon, it was destroyed in the 2010 riots. But he assured that a new cataster is going to be generated in the near future.

The agricultural sector has changed extremely in the last years since the dissolution of the SU. The structural change, as a consequence of the transformation, has led on the one hand to an individualization of the agriculture, but on the other the mentioned drop in GDP (Rufer & Wälty 2001: 684). With the land reforms huge collective farms disappeared and small-scale farm were founded. These changes in ownership and structure also had impact on land utilization and marketing, which are described in the following sections.

Agricultural land utilization

After Kyrgyzstan became independent in 1991, the agricultural production declined, reaching its lowest level in 1995, just half of the level in 1990 was produced. And until today, the yield in Karacha is estimated to be still 50-80 % lower than during Soviet times (Muzahmad Syrgataeva, deputy of Karacha's *aiyl okmoty*). Referring to our interview partners, the reasons are as follows:

1. Collapse of the soviet economic system: Without the integration in the SU, the demand for agricultural goods from the export market collapsed. At the same time, domestic demand and purchasing power is low.

2. Missing financial support: The respondents criticised missing (a broad) access to loans, to invest in seeds, fertilizers and pesticides.

3. Inputs: At time of research, seeds, fertilizers and pesticides were expensive and prices were expected to rise. As a strategy, seeds are exchanged and mixed between neighbouring settlements. Without pesticides, pest plants stretched across - especially along the small sub-channels.

4. Knowledge: With the dissolution of the large-scale farm, knowledge in form of persons or documents disappeared or was not accessible to the majority. During the Soviet times a special map showing the appropriate fertilizer for each type of soil and crop was marked. In the course of the post-socialist transition and the riots in 2010, these maps disappeared and the knowledge was lost. Former employees from all sectors, e.g. doctors, nurses, teachers or other, were affected by the government budget cuts and were forced to become unskilled farmers, because their jobs were discarded and they had to make their own decisions what and how to grow on their - compared with previous field sizes - small shares of land.

5. Agricultural machinery: Given that in Karacha only a small and obsolete number of tractors (around ten), harvesters etc. exist, people demand new machinery. About 90 % of the agricultural machinery is obsolete, which directly effects the crop yield. The government reacted to this drawback by acquiring new machinery in 2012. To a certain degree, machines were replaced by animals (horses, donkeys, cattle). Some farmers are service provider and offer their tractors for rent. As a result of the limited access to machinery, 50 % of the farmers work manually.³

Karacha is a good region for agriculture because of sufficient water supply, clay soils, climate and flat terrain. And so far, agriculture is - beside rent-seeking - the most important economic activity. According to information of the head of the village, Bolot Zhudomushov, the total area of the irrigated land is about 290 ha, mainly located in the west of Karacha between the village and the river. On the opposite side and in the south, there is mostly rangeland due to higher altitude (hilly area) and missing opportunities, e.g. a water pump, to irrigate. In total these are 267 ha which cannot be irrigated. This land is used as rangeland (Fig. 6.1).

Following this distinction, they are separated in 'good/productive fields', which cost annually about 6,000 KGS⁴/ ha and 267 ha of 'bad/non-productive fields' for about 2,000-3,000 KGS/ha. As mentioned in the first section, every household has its own field(s). Depending on its decision either to produce for markets or for self consumption, differences in land utilization can be observed: market producers have a higher demand for land. This is also a result of our survey. Round about one-third (16 out of 49) of the farmers indicated the need of additional land. Nine out of these 16 were market-producers. And six out of the top ten land owners (owned and rented) are cash croppers.

³ Besides it should be mentioned that many fields are subdivided into little lots of land and therefore are too small for using a tractor for cultivation.

⁴ 1,000 KGS = EUR 14.00

As a result, this group of farmers cultivated 1,39 ha on average compared to 0,8 ha utilized by subsistence farmers. But at the same time, there are commonalities. The products cultivated are largely the same: lucernes, corn, sunflowers, rice, vegetables, potatoes and onions.

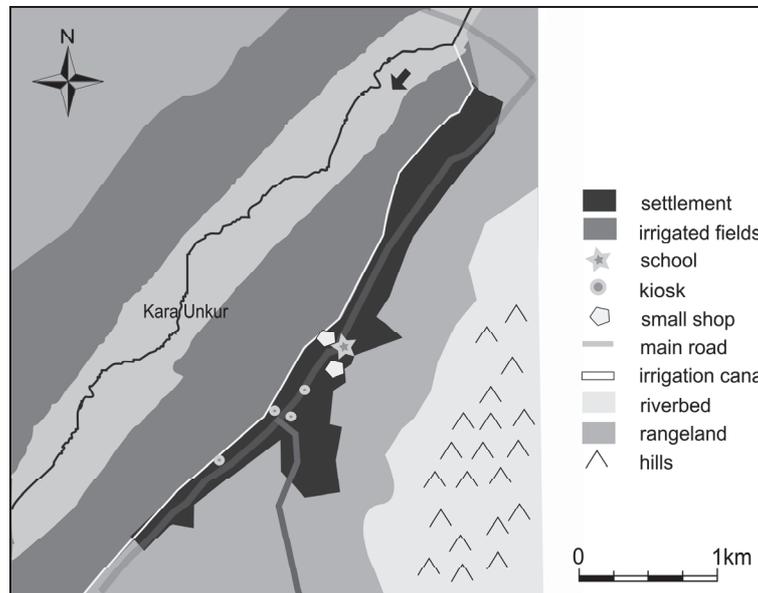


Fig. 6.1: Map of Karacha

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The cultivation of fodder plants, like lucerne and corn, is predominant. This trend is underlined by various statements, that livestock, which is said to be a good investment, is becoming more and more important. The output of cultivated agricultural goods is low and supply from other regions is on the rise, which has an impact on prices for e.g. rice or vegetables. The fact that livestock will become more important means that agriculture will gain further importance, because fodder for the livestock will be needed. The predominant crop is lucernes, a grass which is used as fodder for animals, especially in winter times when rangeland is snow-covered and the livestock returned from the summer pastures (Fig. 6.2).

As a local speciality, it can be harvested five times a year due to the good conditions in Karacha (it is only four times in the neighbouring village of Akman). On the one hand it is used as fodder for the livestock, on the other hand to fertilize the soil. This is a common practice as chemical fertilizers are not affordable for the majority of the population - a fact that was identified by many interview partners as a main obstacle.

At the time of reserach, animal husbandry in large scales was almost nonexistent. Only one farmer was noticeable with a high count of 200 sheep. One-third of the 49 households had no sheep, another third a small number (around five to ten) and the last third had 10 to 30. Goats did not play a role at all. Ownership of one to two horses or donkeys (as means of transportation or instead of machinery) was indicated in a small number of households. The average number of cattle is three, with six farmers having eight to fifteen. Chicken are regarded as common livestock and were not covered in detail.

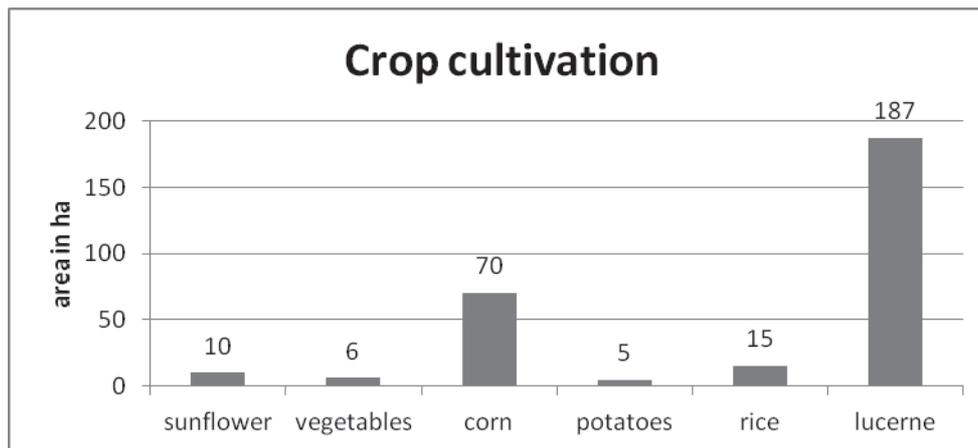


Fig. 6.2: Crop cultivation in Karacha

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Today, the know-how about fertilization and especially efficient and productive cultivation is missing. Many of our interview partners stated the importance of starting an analysis of the special needs of the different soil types. Besides we noted contradicting statements about crop rotation, which was also generally used during the Soviet Union. Most of the people underlined the importance of this procedure. In contrast, most of them indicated not using crop rotation. They stated that the decision what to grow depends mostly on the price they expect and not on the sustainability of the chosen solution. Two men opposed this result and stated that everybody in the village used this method to improve the quality of the soils. Another problem is the soil degradation. Most of the soils are in bad conditions and the professional knowledge of the farmers is insufficient. All these mentioned facts lead to a decline in the agricultural production and its share in the GDP.

Irrigation system

Agricultural farming in Karacha is only possible due to good water supply. Northwest of the village a river named *Kara Unkur* (historical name: *Tenktek*) is subdivided in two channels. One of the channels flows through Karacha and provides the whole Bazar Korgon District with water. The other channel supplies the region Nooken on the orographic right side. The concreted channel (approximately 5 m broad and 2 m deep) was built in 1957/58 and divides the village in two parts: on the left hand side the residential area and on the other side the cultivated fields (Fig. 6.1). The channel supplies the fields with water. Therefore little branches, which are not cemented, run through the fields. These channels can be enlarged or reduced manually. A farmer does not have to arrange the terms of changes with its neighbour. In autumn there is less water in the channel. Depending on the water level in the channel the water will be directed in the little channels. A special administrator of the water commission checks the water-level every two hours. The government of Jalal-Abad is responsible for the condition of the channel (Abdilla Madumarov, authorised representative of water affairs).

The high dependency of Karacha on the canal was illustrated by our survey: Everyone of the people we asked indicated that they use the channel to irrigate their fields. As a lot of our interview partners confirmed, there are no problems with irrigation in general and

neither in the downstream communities (e.g. water quantity and quality). Our impression was that there is enough water streaming towards the other villages. No statements can be made about the water quality.

Nevertheless water is a common good and not rare, the consumption has to be paid. The amount depends on the kind of plants per field: for water-intensive plants (e.g. onions or rice) a family has to pay 1,000 KGS/ha a year (max. 3,000 KGS, there is no limit for the water use). Less water-intensive plants cost 400 KGS/ha/year minimum. According to a statement of the head of local administration, further expansion of Karacha is limited. For drinking water people have to pay 250 KGS/household/year per household per year. Special water taps are situated on the streets, which are open two hours a day and the population has to bring home their water with the help of canisters.

Building of cooperatives

After the abolition of the SU the first cooperation in Karacha was founded in 1994. Just one year ago it was dissolved due to discrepancies amongst the members concerning different ideas of cultivation practices. In the past there were also different attempts to work in cooperatives. They failed due to the missing participation and the distrust of the local population. Another reason is the negative experience in the past during the SU. Kirsch (1997: 15) concludes from his research in Naryn *Oblast'* that people are tired of working in cooperatives because they associate the old commanding structure and top-down processes with the concept of a cooperative. It is not understood as a democratic, member orientated operation.

Indeed, asked for building new cooperatives, many farmers answered “these times are over”, “that was the past, now we have capitalism”. These statements may indicate a link between communism and cooperatives, which still bears a bad connotation.

Moreover, the population is faced with the challenge of managing their own field work, entrepreneurial self-employment and selling activities. This kind of earning a living is still new in Kyrgyzstan. An incitation for building cooperations could be to advance (oneself) and be successful with ones own work (Rufer & Wälty 2001: 684).

The head of Karacha is a proponent of cooperatives. In his opinion people should merge their small or medium-sized fields, act as one group and form common concepts to realize economies of scale. That way purchase of fertilizers, harvesting and marketing of agricultural goods could be arranged better. Another factor is a new law, which promotes the building of new cooperatives in the near future. The law is supported by foreign organisations e.g. GIZ and Raiffeisen. Together with the government three million KGS will be invested. One cooperative is planned in each village. A certain number of farmers has to participate in the collective. But, when the law was introduced to the local people the feedback was sparse. Referring to an official of the administration in Beshik Zhon, Karacha will fail the requirements and no cooperative will be founded in the near future.

Marketing and income generation

The Soviet agriculture was extremely subsidized and an estimated 20 % of the national budget was spent on financing low prices for bread, meat, milk etc.. The abolition of the

subventions and the supply and marketing system of the state represent the most important reasons for the collapse of the highly specialised export orientated agricultural production during the process of transformation (Trouchine & Zitzmann 2005: 4). Nowadays, the former markets are out of reach for two reasons. First, neighbouring Kazakhstan and Uzbekistan have competitive advantages (location, terms of cropping, etc.) in the production of cash crops e.g. cotton, tobacco and wheat. Second, in contrast to Kazakhstan or Belarus, Kyrgyzstan is not a part of a customs union with Russia as most attractive export market.

Given the fact that about 50 % of the employees worked (and still work) in the primary sector, one demanding household equals one producing household. Thus domestic demand is limited on a low level a local market-orientation seems difficult (Rufer & Wälty 2001: 664). Agriculture is the main income, but it is not enough to make a living. Therefore, people have to generate extra income sources. Due to the fact that jobs are missing, the consequence is that 60 % of the population lives below the national poverty line (Ronsijn 2006: 9).

Due to a lack of salaried jobs and other job opportunities, subsistence agriculture, labour migration and remittances seem to be promising options to make a living. This is also underlined by our surveys. More than half (59 %) of the respondents answered, they primarily produce for their subsistence, but in case of spillovers they (try to) sell them. Around 41 % of the households are primarily producing for markets. In various interviews we figured out, that the decision where to sell goods depends mostly on prices. Although the bazaar in Bazar Korgon is only a 15 minutes drive away, many farmers prefer to go to Jalal-Abad (30 minutes) or Osh (90 minutes) because prices in the urban centres tend to be higher. To save some extra money, the goods are often sold out of the trunk parking next to the bazaar, so no fees have to be paid for using the bazaar infrastructure.

Another form of direct-marketing without any middlemen was observed: In Karacha there are at least five family-run selling points for goods. Three kiosks (around 4 m²) sell beverages, sweets and cell-phone balance while two bigger shops (20 m²) selling additional local products like rice, potatoes or water melons. The prices for these kinds of products are 10-20 % higher than on the bazaar. This seems to be a relatively profitable source of income. We were told that within six months earnings can be around 35,000 KGS. Compared to the salary of a teacher, working in the local school of Karacha, this is two times higher. Many customers are children attending the school right next to or opposite the shops (Fig. 6.1). Speaking about the main sources of cash income for the different households in Karacha, remittances from family members in (temporary) migration and also pensions were mostly mentioned (Fig. 6.3).

35 % of the interviewed household-representatives called remittances as the biggest contributor for cash incomes. 34 out 49 households have at least one person who is working abroad. Russia was most frequently stated as destination of the family members. The second biggest cash incomes were pensions (24 % of the households). According to information from the head of the local administration of Beshik Zhon, about 1,100 people receive pension.

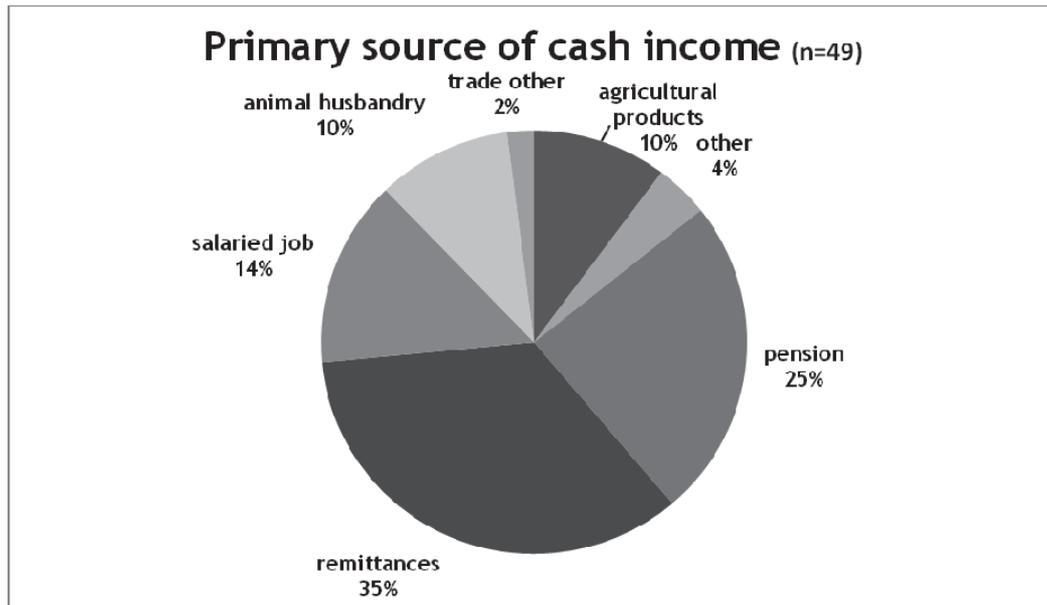


Fig. 6.3: Primary source of cash income in Karacha

Draft: Wagenhäuser & Türk 2014

With 10 % each, sales of agricultural goods, e.g. lucernes, corn and animal husbandry are marginal. These sectors especially gain importance as a secondary source of cash incomes: With 20 % the sale of agricultural products is the biggest contributor, followed by remittances (18 %), pensions (16 %), animal husbandry (12 %), salaried job (8 %) and other (10 %). 14 % of the households had no second cash income. These data underline the minor relevance of cash crops, animal husbandry and market production. Furthermore, only 24 % of the market producers indicated their revenues from these activities as main source of cash income. Including the secondary source, the share rises to 66 %.

To get an impression of the self-assessment of the local population we asked for the financial situation compared with other households. 17 households assessed their situation better than the 32 others (Fig. 6.4).

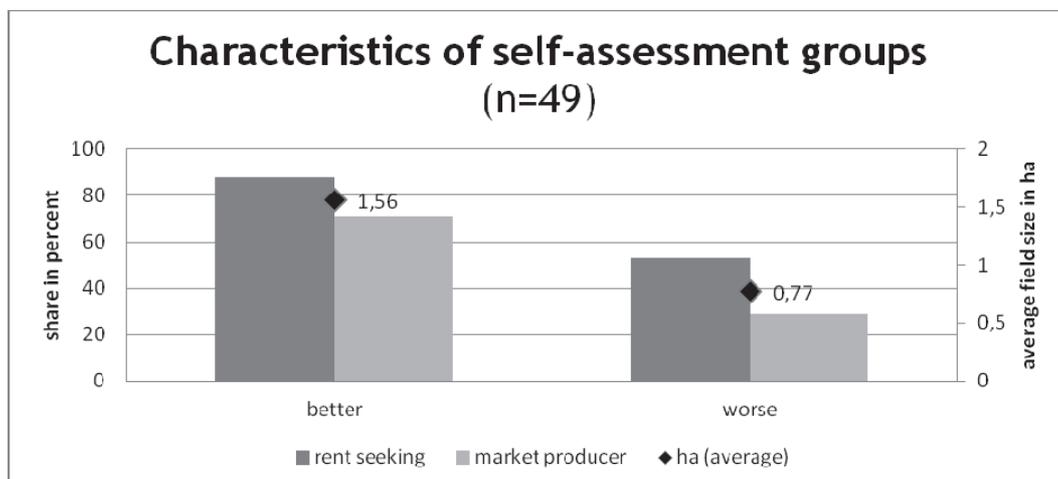


Fig. 6.4: Households in Karacha: self-assessment of their financial situation

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The characteristics of these households were a higher average size of fields (1.56 ha) and a higher share of rent-seekers (pension and remittances) (88 %). More than half (53 %) of these 17 households were market producers. Ten households estimated their financial situation worse than others. For this group the share of market producers is only 29 %, the average size of fields in 0.77 ha and the rent-seekers are accounting for 71 %.

Asked for their personal outlook in the future 33 of 49 households estimated it as 'good'. Six of these 33 interview partners stated, that the yield of the agricultural products in 2013 is better compared to previous years. A reason which was frequently mentioned in this regard was the fall of rain, which was missing last year. This is directly associated with the better financial situation. At the same time, it reveals the dependency on environmental influences and the vulnerability of the local population.

Conclusion

The existing agricultural sector evolved from the command system to a market-oriented production and self-employment. In transition economies the individualization of agriculture theoretically can lead to an increase of subsistence farming, which is often associated with a low productivity rate and a high number of employees in the agricultural sector (Akramov & Omuraliev 2009: 1). Karacha is no exception. Subsistence farming is one of the most important factors in rural Kyrgyzstan. But, this is not a decision by choice. The lack of other employment opportunities forces people to be subsistence farmers.

Practicing agriculture and farming is often only possible with the financial input of the remittances. Thereby, fertilizer can be bought and as required a tractor can be rented. Without working household members abroad, the situation would be even worse. Relying on pensions also does not represent a sustainable source of cash income. Given the fact that Karacha is faced with emigration and movement of the local population to other regions of the country due to missing agricultural land for cultivation, this can strengthen the effect. Sufficient land is arable and thus there is a big potential for expansion. Water is also available in great quantities. But, the adequate needed machinery and techniques are missing. By founding a cooperative it might be conceivable to achieve improvements regarding the missing water pumps. Another opportunity which is already in the making is the implementation of cooperatives with the help of foreign investors and organisations. This could be performed with the recent law on building new cooperatives. Also for the improvement of agricultural land and soil the significance of building cooperatives to share the knowledge and to promote crop rotation is noted by various interview partners. For this and other purposes, two or three meetings are held during non-labour-intensive winter times in Karacha. Productivity gain, improved agricultural and technical know-how and development of marketing strategies to increase the turnovers and opening up of new markets in other regions could be a part and parcel of working in cooperatives. Hitherto it remains unsettled if the local population is willing to build them up by own choice.

Generally there is a need for establishing a set of rules e.g. for managing land ownership, since it is still unsettled what is going to happen with the land of the inhabitants of Karacha when the term of expiration is over. For the future, it will be essential to create new jobs in different sectors, e.g. trade or industry. In view of the fact that the

unemployment rate is about 40 % it might be a key factor to prevent emigration. One opportunity is the gravel quarry right next to the village, which was already sold to foreign investors. The expansion of production will create 15 full-time jobs. In the case of Karacha, maybe the gravel quarry will kick off modernisation and development. With the estimated new jobs, these households are more likely to modify their income generation and to convert from subsistence farming to other employment opportunities. This might also lead to economic growth in other branches, creating more demand and hence salaried-non agricultural jobs.

Given the fact that there is a low domestic demand for agricultural products because almost every household produces for its own needs, it is hard to establish a business for market producers. As long as cash money incomes from migrants or pensions provide the families and the yields are sufficient to fulfil basic needs, the pressure to verify the income generation and improve productivity is low.

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