

## **Developments in the Nursery Stock Industry of Eastern Europe**

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### **INTRODUCTION**

There have been vast changes since the fall of the Iron Curtain in Europe in 1989. Change continues at a fast rate so any attempt to describe the situation in Eastern Europe will be out of date by the time it is published. This report is a result of information from numerous contacts and personal visits to nurseries in each of three former East Block countries and East Germany. Poland and Hungary were visited last in 1990 and Czechoslovakia in summer 1991. Eastern Germany was visited many times since 1989. Many Westerners do not realise that the situation in each of the former East Block countries was very different. For example more than 70% of Polish land was fully privately owned, whereas in Czechoslovakia nearly 100% of the land was owned by the State or was co-operatively worked—not so much as one private nursery survived collectivisation in that country. In East Germany a number of smaller private enterprises survived 40 years in a communist state. The selling of trees and shrubs before the fall of the Iron Curtain was rarely a problem in any of the above named countries. As is usual in socialist systems there were always shortages and people could get neither the desired quantity or range of plants. Where there is no need to worry about sales, the pressure to cultivate to a high standard is lacking. However, the tradition of good nursery culture has by no means died out in the former East Block countries. Indeed, very good quality plants—often cultivated under very difficult conditions and lacking many of the modern aids—have been exported over the years into western markets at very competitive prices. Poor quality plants sold easily at home. Intertrading between the different East Block countries has almost stopped hitting many nurseries hard. Fortunately, export to hard currency countries has replaced the sluggish home and interstate trading in the East and many companies are doing well as long as the economic parameters don't change too dramatically.

### **EASTERN GERMANY**

Anyone owning more than 100 ha lost all this land in 1945. Nazis and war criminals lost all property. Refugees from former Eastern Prussia (now parts of Poland and the Soviet Union) were given this land. The first state farms were founded in 1946 and were to be models for later developments. From 1952 onwards the collectivisation of land was carried out and ended in 1960 with the so-called "Socialist Spring". The large state farms (Volkseigene Guter, VEG) which accounted for only 10% of the nurseries, already worked 37% of the land. Co-operatives (Landwirtschaftliche Genossenschaften - LPG) where the members "freely" joined up with their properties worked almost 40% of the land. Fifty-three percent of the remaining companies were operating privately and had control over 24% of the land. By 1984 private nurseries were still very prominent in numbers but now had only effective control of 6% of the land—they were no longer of any

significance. The most recent figures for East German nurseries are for 1988. The total area (without forest nurseries) was still practically unchanged at ca. 3,300 ha which included 1,100 ha fruit tree, 1000 ha shrubs, 400 ha roses and 300 ha conifers (Maethe, 1990).

Two nurseries (Kmetsch KG, Hoyerswerdea and Kloss KG, Bad Liebenwerda) could not be integrated into the co-operatives, so the State took a controlling interest as a limited partner over the years. The biggest state nursery group (VEG Dresden) had nurseries in Berlin, Dresden and Magdeburg was controlled from Dresden. In 1984 a so called Kombinat was created with seat in Quedlinburg. Not only all the state nurseries but also the state fruit and potato companies had now a central administration in that town. It was run by agriculturists whose job it was to co-ordinate all nursery planning for the whole state. Plans were worked out with the nurseries as to what was to be produced, what profit they were to make, what increase in efficiency was to be reached and, amusingly, the amount of scrap metal they were to give up each year.

After the reunification of Germany all land taken from the rightful owners after 1949 is to be given back to them or their heirs. But after 40 years of socialism this is easier said than done. The following points give an idea of the problems that have to be solved.

- 1) Most private land can no longer be identified by means of fences or other markings

- 2) On former private lands many buildings and roads have been built over the years. How can this "added value" be paid for by the land-owner?

- 3) Younger people have lost the normal relationship to land. A number of nurseries that survived as private enterprises the last 40 years under very difficult positions, have not survived the introduction of West German currency. More and more people are out of work. Those with money (and many without) are buying cars, technical equipment, etc that were previously very difficult to get. Above all, plants of good quality and variety are being brought in from western Germany and the Netherlands so that poorer local plants have little chance of selling.

The Spath nursery in Berlin, once the largest and most famous nursery in central Europe, was a state farm. The state farms had enormous debts on the introduction of the DM and it could be speculated that land in Berlin is more valuable for building purposes than as a nursery. Therefore, the Spath nursery with its two hundred year old tradition is one of the sacrifices of change. It has ceased to exist. The state nurseries also had very large quantities of fruit trees grown on contract for the state fruit farms. In general, these farms have only taken a tiny proportion of these plants. They are busy ripping out orchards because it is now well nigh impossible to sell the huge quantities of 'Golden Delicious'. Nationalised nurseries or nurseries that had to join co-operatives are beginning to go back in to private ownership and responsibility. Some have been turned into limited companies and are trying very hard to adjust to the new situation. Wages and salaries are approximately 60% of the West German level (August 1991). When the economic upturn occurs in eastern Germany, then it is likely the western companies will profit greatly. Already Dutch exports to Germany are likely to increase by up to 20% in 1991.

## HUNGARY

There were only state and co-operative nurseries in Hungary in the sixties. The economic growth led to a huge demand for plants so the nurseries expanded rapidly. In the seventies there was stagnation in state building programmes but private building increased to compensate for this. In the eighties many private nurseries were founded. There are said to be more than 300 private nurseries now in Hungary (August 1991). Many larger towns have their own nurseries. One of the most interesting businesses that was quite successful under the old system, and still seems to be operating reasonably under the new, is to be seen in Szeged—a traditional nursery centre—near the Romanian border. Founded in 1968 with 40 members it now has ca. 3,400 members. Each family has between 1000 and 10,000 m<sup>2</sup>. Each year 45 ha (108 acres) of rose rootstocks (more than 2 million) and shrubs (more than 500,000) are planted up. Good quality roses could be sold profitably at 0.70 DM=0.23 pounds sterling (August, 1990).

There is a very large nursery with about 330 ha (792 acres) of land with 140 workers in Sotok at Balaton Lake. They have a modern garden centre and export up to one third of their plants, mostly to western countries. They are looking forward to being free of state controls. Already deals are being done directly with foreign buyers. They could envisage a number of smaller private units rather than a big single unit doing quite well in their area. Many nursery workers are growing a few thousand roses or fruit trees privately.

Growers are now pleased to be able to pay better wages for good work; previously wages and salaries were set by the state. In common with nurseries throughout Europe they have difficulty in getting qualified staff

## CZECHOSLOVAKIA

All nurseries were nationalised or forced into co-operatives during the communist era, so that no private nurseries survived before 1989. No one can say how many have been founded since 1989 because there is no nurserymen's association and the complete reorganisation of the state administration will take a number of years to complete. One can observe nursery stock being grown in private gardens near state nurseries. There are roughly 800 ha of nurseries in Czechoslovakia of which ca. 700 ha are to be found in Bohemia and Moravia, the remaining 100 ha in Slovakia. Approximately 10 million plants are grown in Bohemia and Moravia in 123 nurseries: 4 million shrubs, 1.4 million conifers, 1.6 million roses, 0.5 million trees, 0.3 million rhododendrons and other evergreens, 150,000 climbing plants and ca. 3 million container plants. These figures do not take into account a relatively large number of young plants (grafted material) and forest seedlings that are also being sold. The nurseries often belong to towns or to different ministries: Forest, Science, Land and even the ministry responsible for state security! At the moment export is vital for the survival of most nurseries (August 1991). Internal sales are severely reduced because the communities have practically no funds. The cost of buying in plants from Eastern Germany has risen 10-fold since the introduction of the DM there, and their exports are only minimal to most former partners. Export to western countries has risen dramatically. Prices are based on the very low wages paid in that country: 60 to 180 DM (£20 to £60) per month. Individual buyers often place large orders. A French buyer bought 150,000 roses, probably for supermarket sales, and Italian growers are continuing

to buy good grafted conifers in large numbers. The process of European economical integration is occurring, at least in this field, rapidly.

## POLAND

Poland is beginning the change to a western type democracy with a number of advantages over the other neighbouring countries. The question of land ownership is not so complicated because over 70% is already in private hands. Most nurseries are privately run. Contacts between Poland and the outside world are better than in any other East Block country.

There are about 1500 nurseries working ca. 2000 ha of land producing ca. 15 million roses, 10 million shrubs, 0.8 million trees and 1 million evergreen bushes. In 1989 nearly 5 million plants, of which 4 million were roses, were exported. Furthermore there are approximately 3,400 ha of forest nurseries cultivating nearly a billion trees per year. Small and excellent private nurseries have been able to do good business in the past and at the moment. They will no doubt continue to do so in the future. Many nurseries that were able to sell poor quality will only survive if their standard improves greatly. The previous tax system, based on the size of the production area rather than the value of the crop sold, meant it was more profitable to grow, for example, standard trees, very closely together even though it was no longer possible to cultivate them to a good quality. Export was profitable up until a year or two ago but because the Zloty is now effectively aligned with the dollar it has become better to sell on the home market. However, the sales outlets are very poorly developed, as in other eastern European countries, so distribution of plants to the end buyers is an area for much development. Indeed many people are selling plants directly from vans and trucks, and shops are beginning to spring up everywhere. Producers of good quality plants are still having no great problem selling even though the picture of all plants being sold out in September is a thing of the past (August 1991). Already a number of Polish nurserymen are selling plants in France, Germany, Sweden, the U.K., etc.

## CONCLUSIONS

Very few nurserymen want to go back to the old "secure" system. Now there is hope that things will improve even though many people in the 50 year age group know that the fruits of their present efforts are likely to be reaped by their heirs. There is a "fear of the unknown" in a free market situation by many people but capable businessmen are beginning to take over very rapidly. Young people are travelling, working and gaining experience in other countries. Therefore, given further good economic growth one can be optimistic about the future development of the nursery industry in eastern Europe.

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