

# Peasants in the world market: dairy cooperatives in Estonia 1908-1936<sup>1</sup>

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## 1. Why peasant cooperation?

When agriculture was integrated into a capitalist market economy, a number of specific organizational forms were created. Agricultural producers and production did not behave in the way foreseen by economic textbooks. One of the most striking features is the tendency of peasants to act collectively when facing market situations. In other contexts, the market is believed to produce individualization and to a certain extent polarization among producers. Peasants instead chose to act collectively in organizations with an egalitarian ideology. This tendency was not universal, but holds true for most of the commercially successful peasant economies — e.g. Denmark, the Netherlands, New Zealand.

Today, the cooperative ideology seems somewhat faded. Centralization and commercialization of agricultural producer cooperatives has gone very far. The individual producer can feel powerless in front of a restrictive and centrally managed organization. The image does not improve when state-monopoly distribution organs in the third world are given the name of cooperatives.

Estonian peasant cooperation is an extreme example of both tendencies within peasant cooperation. On the one hand, it had an

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impressive commercial success in spite of its late-comer status in an extremely difficult world market in the inter-war years. On the other hand, the whole cooperative movement was absorbed into a corporative state apparatus in 1936, subordinated to the Ministry of Agriculture. The strength and weakness of cooperative movements thus seem well represented in this case. The following study will concentrate on the causes of growth and decline of the dairy cooperatives, economically the most important cooperative branch in the country.

An explanation of the origins of peasant cooperation in the field of dairy production in Estonia, as elsewhere, can be made on different levels. A first level is structural. Such an explanation will show the benefits from cooperative work in terms of economies of scale, spreading of risk, market domination etc. Peasants as a subordinated class, exposed to fierce competition and vagaries of the market, uniting to gain strength, is one interpretation. If the creation of cooperatives can be especially correlated to periods of economic crisis, this view would be endorsed. Another interpretation is more positive, concerning gains to be made in periods of growing market demand for agricultural products. The principal characteristic of the structural explanation would in both cases be the unmediated connection made between economic gains or losses and a process with important bearings on social relationships and ideology.

However, there are alternative individualized ways to realize the economic gains or avoid losses, most obviously by creating private dairy factories as in other processing industries. The fact that producer cooperatives seem to be tightly linked to independent peasant societies as a specific social formation demands an explanation on another level. The socio-economic characteristics of the group, and its position in the network of social relationships in the countryside and in the society at large must then be drawn into the explanation.

The socio-economic characteristics of an owner-occupier peasantry have given rise to two mutually exclusive explanations. One is that this group, according to its economic position, is also relatively

egalitarian, democratic and not capitalistically minded, and is likely to create economic organizations corresponding to its social characteristics. Cooperatives thus are expressions of the social harmony inherent in small-scale peasant agriculture.

The other, on the contrary, is that cooperatives are products of contradictions and domination in the countryside. According to this view, the cooperative movement is created and led by richer peasants. This group will benefit most from market gains, since a larger proportion of their production is sold on the market. But in the cooperatives they also enroll poorer peasants to share the investment and running costs. The poor peasants are dependent on the facilities provided by the cooperative, and will thus give their organizational support. The cooperatives are in this way instrumental in the domination of richer peasants over poorer, concealing economic contradictions in the countryside and contributing to the false impression of a unitary agricultural bloc in politics.

The wider social relations of the owner-occupier peasantry can also to some extent account for the creation of the cooperative form. Most directly cooperatives were created as a challenge to the nascent capitalist groups in the countryside, merchants and petty industrial entrepreneurs. Cooperatives successfully competed with these groups in different branches of activities — credit, dairying, buying and selling of inputs and output. The explicit aim was to displace individual merchants in order to avoid exploitation, keep control over the products, the commercialization and the eventual profits.

As cooperatives were only formed in connection with a general commitment to market production in agriculture, they were also linked to the formation of a working class and its demand for food. In some cases, peasant movements and peasant cooperation were directly inspired by labour unions or at least professional unions, as a mutual defence organization against risks and fluctuations of the market, sometimes even against exploitation. The horizontal type of organization and the bargaining position thus created were mutual sources of inspiration. On the other hand, cooperatives were involved in a zero-sum game about food prices with workers and other urban consumers.

Thus, the relational level of explanation will take account of social dynamics within the group and try to evaluate the forces at play in a wider social network, where contradictions and mutual interests mingle.

A third aspect which is related both to economic efficiency and to group interests and social relationships is the way of thinking about the peasantry. Although a large range of variations must be presupposed, the disposition for cooperative ventures, like other patterns of thought, is regarded here as a social product, something which is developed on the inter-personal level. In this case of rather late cooperative development, it did not concern the creation of new ideas, but the adoption of already conceived and tested ideas. In the ideological basis of the cooperative movement, the values of democracy, egalitarianism, independence, solidarity were all present. In contrast to the economic organization of a landlord agriculture, cooperatives were seen as the carriers of an entirely different and more idyllic world.

There was much to be learnt from peasant societies which had previously liberated themselves from landlordism, and there was a certain choice of solutions. It deserves to be underlined that the choice of cooperatives did not point in a romanticist direction, towards traditional communitarianism or traditional peasant societies. The most outstanding representative of a cooperative, small-scale, egalitarian and relatively harmonious society was Denmark. The peasant organizations of Denmark were inclined towards enlightenment and rationalism, with a strong preference for education, discipline and organized life, temperance and with a positive attitude to modern life. It was also a manifest instance of successful survival in the market economy. Danish farmers were at once efficient, economically egalitarian and successful commodity producers. The choice of this alternative did not bear witness to any wish to withdraw from the market or other changes. Instead, it can be interpreted as an optimistic strategy, a change away from oppression, isolation and feudal darkness into independence and contact with other sections of society. The solidarity of this kind of organization was, however, also exclusive. It contained a horizontal solidarity with others in the same socio-economic position, without

regard for wage-labourers and landless peasants, the bottom layer of rural society.

The basic assumption behind this kind of analysis, based on the notions in French “representations” of the peasantry, is that large-scale social action cannot occur in any conceivable form. A formulation of the problem and a solution to it will have to exist and be advocated, often by more educated groups or persons with a wider range of experience in the empirical situation. A certain, but not unlimited, number of these formulations will be present at any point in time, and constitute a range of choice to the actual social forces. The form of joint action will be, in a practical sense, to adhere to one of these. In this limited sense, ideas will actually precede action. The problem with this kind of analysis is to recognize the actual choices open to historical actors. The general default of historical interpretations is to modernize alternatives into patterns familiar to us, and not see that certain ideas which seem evident to us just had not been formulated and thus were not possible to see for the actors at the time<sup>2</sup>.

The following study of Estonian dairy cooperatives will address these three levels. The emergence and growth of dairy cooperatives will be discussed in part 2. Empirical evidence on the social structure of the dairy cooperatives is the core of part 3. Their economic development in interdependence with the world market in butter is the theme of parts 4 and 5. The final discussion in part 6 concerns the relationship between the state and the cooperative movement in Estonia, and the causes of integration of the cooperatives into a hierarchical corporative structure.

## **2. Two stages of growth: 1908-14, 1921-26.**

Two stages of growth in the cooperative movement can be discerned. There was a continuity between them, but the surrounding context was very different. In the first stage, 1908-14, Estonian

<sup>2</sup> Stedman Jones, G. *Languages of class*.

agriculture was characterized by a dual structure. Over 50% of the land belonged to large estates, owned by German nobility. Less than half of the land had since the 1860s been bought by peasant free-holders. The cooperative movement began among them, often as an outgrowth of the Farmer's Associations formed in the late XIXth century. The cooperative dairies sold some milk and milk products on the local markets, but the principal aim was to reach the vast St Petersburg market. There, Estonian butter competed with Siberian butter. It had the advantage of short distances and there were no restrictions on trade. The market was also known not to be very demanding.

The second stage of growth occurred after the First World War, the war of independence and after Estonia achieved statehood. In 1919, a radical land reform was carried through, in the course of which almost all estate lands were parcelled out to individual peasant holdings. These new holdings were on average smaller than the free-holds created in between 1860-1914, but on an international scale still sizeable with an average area of around 20 hectares.

Initiatives to form cooperatives in both stages originated mostly from the old peasant group, but in the early 1920s, the Ministry of Agriculture also started to promote dairy cooperatives by giving them advantageous loans. Instead of fighting against the state, the cooperative movement now had a definite support from the government.

In the course of the war of independence trade relations with Soviet Russia were broken off. Estonian butter had to find new markets in Western Europe. The new competition with Denmark, the Netherlands, Ireland and New Zealand was tougher since these economies were more developed and more efficient than the Estonian economy. Furthermore, the main markets, in Germany and Britain, demanded high and consistent quality.

When the dairy cooperatives started to develop in the first decades of the XXth century, the idea had already been with the peasant movement for almost thirty years. Already around 1880 a blueprint for a programme which the Estonian peasants were to follow for the next 50 years existed, at least in the speeches of one of the pioneers of the movement, C R Jakobson. The Estonian peasants were recommended

to develop livestock raising and butter making for cash earnings instead of the traditional cash-crop, flax. Such a transition was already underway in Finland. The organizational model was also borrowed from Finland, although it was common in all the Nordic countries by this time. The peasantry should be self-reliant and cooperate to fulfil tasks which were too large for one family<sup>3</sup>. In this, the peasant ideology went contrary to the general tendency of the time, of nascent industrialization and division of labour. Self-reliance, in fact, meant a refusal of division of labour with traders and industrialists who could process agricultural products.

This idea came predominantly from small-holder peasant economies in the Nordic countries, and caught on in the newly formed group of free-holders in Estonia. In the pre-war Estonian context, there was a sense of class contradictions in the choice of organization. Estates had been producing butter for some time, and peasants could have sold their milk to estate dairies. There was, however, a mutual distrust, and peasants often felt cheated by traders or estate workers.

In Abja-Paluoja, for instance, a cheese-maker at the local estate bought milk from the peasants, who felt that he did not pay them correctly. When he finally ran away from unpaid bills in 1912, the peasants called together a meeting to form a cooperative. Local agricultural instructors were also invited as advisors<sup>4</sup>. The aim was to escape from unreliable traders in the future.

The rôle of agricultural extension services and instructors in the formation of dairy cooperatives during the first stage is striking. For instance in Helme, the peasants were not yet familiar with profit-making and the possibilities of milk and milk products, when a local extension services officer, specialized in dairy production, called a meeting with local peasants in 1911. A cooperative was formed with the aim of producing butter for the St Petersburg market<sup>5</sup>.

In Elva another agronomist and extension services officer invited

<sup>3</sup> Astat Viljandimaa põllumeeste album 1920-30, (Viljandi 1930), pp. 49-50.

<sup>4</sup> Abja-Paluoja Piimäihisus 1912-1937.

<sup>5</sup> Helme Piimäihisus 25 a. 1936.

local peasants to a meeting in 1911, and at the meeting a cooperative society was formed. It started with 20 members, an old-fashioned hand-driven separator in a cellar, and the first milk was sold on the local market. Soon butter-churning was introduced and a first attempt to reach the St Petersburg market through a private merchant was made<sup>6</sup>.

Credits were difficult to obtain in these years. The agricultural credit institutions that existed were specialized in serving the German nobility. Peasants could only obtain loans for buying land. The only credits available for investments in production, for instance in dairies, were from mutual credit cooperatives. Often, the initial capital was raised by members<sup>7</sup>.

With the aid of a rural middle class and the demand-pull of the St Petersburg market, the dairy cooperatives rapidly spread throughout the country, as shown in Table 1. The cooperative movement had been waiting to take off since the turn of the century. The actual starting point in 1908 seems to be due to the abolition of the state of war throughout Russia in that year<sup>8</sup>.

Table 1  
Number of dairy cooperatives in Estonia in the first stage of growth

Year	number	Year	number
1908	1	1912	97
1909	2	1913	112
1910	14	1914	145
1911	52	1914	145

Source: ERA, f 58, n 3, s 1076 p 19

Structural explanations of this rapid growth can be made in terms of an agriculture with good preconditions for dairy farming, and a predisposition for intensification of cultivation due to land parcellization and private ownership. The second factor would be the powerful demand for butter on the St Petersburg market.

<sup>6</sup> 25 a. Elva Piimaühisuse tegevust, 1936.

<sup>7</sup> Reinart 1930, pp. 229-230.

<sup>8</sup> Tammann 1924, pp. 220-21.

Previously, access to markets had been largely a privilege of estate owners. In the decision of peasant small-holders to organize processing and trade themselves, there was an implicit reluctance to enter into a division of labour with estate owners, who had processing facilities, and traders. The peasants seemed to feel that they would be the weaker party in such a cooperation and feared the dependence involved. Thus I think it is not an exaggeration to maintain that economic efficiency was not the only driving force behind the formation of dairy cooperatives. There was also a question of control and domination pushing the peasants towards taking vertical integration of dairy production into their own hands.

Within the peasantry, there seems to be no doubt that large peasants and the rural middle class were the main forces behind peasant cooperation.

It was also this group which provided the ideological basis for cooperation. The models were imported from abroad, in the first instance from neighbouring Finland. Later on, the Danish export success of agriculture provided an important argument in favour of the cooperative model.

It is significant that the models were taken from Nordic countries with a predominant small-holder structure. Previously, cultural influences mostly came from Germany, mediated by the German landlords. As the cooperative movement was well developed at the time in Germany, this could have been the case. The emphasizing of other models hints at a certain strain of liberation ideology and class as well as national contradictions in the peasants' choice. It was not only the Nordic export success they wanted to copy, it was a whole system of egalitarian and independent peasantry, so far from the situation in Estonia at that time.

The cooperative movement had close ties with the Farmers Associations of Estonia. These associations were carriers of a whole set of ideas, where nationalism in the face of the twofold domination by Russian rulers and German landlords, was a main component. But there was also rationalism, belief in scientific progress in agriculture, in education and self-reliance. This ideological package was the

expression of a rural middle class no longer striving to draw closer to the upper class, but turning their attention to the uneducated peasantry and taking on a didactic task.

During the first World War, the revolution and the ensuing war against the Bolsheviks, agricultural production and exports were reduced to a minimum. Prices were high, but the insecurity and violence of war conditions caused cooperative dairies to close down. Less than half of the dairies of 1914 were still working in 1919.

Revival however was quick. In the first years of the 1920s, old dairy cooperatives resumed activities and new ones were created. Some of them had already been planned before the war; others started anew, referring to the masses of new peasants who had had land through the land reform as potential milk deliverers<sup>9</sup>.

The organizational structure and know-how from pre-war times was, of course, one factor explaining the revival. The organization of production also had changed in a direction favourable to dairy production. As a rule, small-holders traditionally had more cattle per hectare than large peasants, in Estonia as elsewhere. A radical shift in land ownership in favour of small-holders would thus induce us to expect intensified cattle-holding.

But a further pre-condition was missing. The loss of the St Petersburg market was a severe blow to the cash-earning strategy of Estonian peasants. In the first years after the war, there was still an accumulated demand on the domestic market, the size of which however was very restricted to the population of about one million people. The cooperative structure was geared towards export production, and the hunt for markets in Western Europe started at once.

The second stage of growth is illustrated in table 2 by three different variables: the number of cooperatives, the number of members and the quantity of milk processed in the dairies.

<sup>9</sup> An example of the former is Alliku, ERA 1648, n 4, s 182. In Alliku a first meeting was held in 1914, then the war intervened and the formation of a cooperative society was held up until 1922.

A stage of explosive growth was clearly levelling off in 1926-27. The number of cooperatives later stagnated — the network covered the countryside, and in the period 1926-30, new gathering points, in Estonian called *koorejaam* or creamery, were created within the old cooperatives. The number of members continued to increase slowly, whereas the volume of milk increased rapidly and went on increasing into the 1930s. The stimulus for production created by the cooperatives was not exhausted when the organizational phase was completed in the second stage of growth.

Table 2  
Development of dairy cooperatives in 1921-1927

Year	Number of cooperatives	Number of members	Volume of milk (1000 quintals)
1921	62	3,421	..
1922	..	..	..
1923	130	7,583	463
1924	179	12,206	761
1925	271	20,579	1,515
1926	324	26,308	2,097
1927	331	26,716	2,340

Source: Eesti põllumajandus I-VII.

The loss of the St Petersburg market implied a new situation for the Estonian peasants. Not only were quality requirements and transport costs lower in St Petersburg. In the new markets in Western Europe, competition was fierce. Most competitors had a more intensive agriculture, some also had better climatic conditions<sup>10</sup>. Estonian peasants were forced to adjust to new conditions. The growth indicators above suggest that this adjustment was made successfully.

New markets in Western Europe generated higher demands for the quality of butter. The Estonian dairies had to live up to expectations, and this could only be done in one way, by investing in new equipment. The problem was to raise money for investment. The

<sup>10</sup> Reinart 1930, p. 231.

banking system had not recovered from the war and private creditors tended to cost too much for agriculture. The state seemed to be the most practical solution, since export earnings were in the national interest. But the state was busy financing the large-scale land reform, to the benefit of former tenants, soldiers and landless people on the one hand, and large-scale industry was in crisis on the other. However, in 1922, the cooperators succeeded in entering government discussions with their demand for investment credits. From 1923 on 450,000 Ecr were, available for dairy cooperatives to finance the building of new dairy factories, technically first-rate and explicitly directed towards export markets<sup>11</sup>.

So, the Ministry of Agriculture became a new actor on the scene. To begin with it seems to have been a somewhat reluctant actor. The pre-occupation of the state was, however, not directed towards organizing export agriculture. The peasant-dominated government chose economic policies to support large-scale industry, which had lost its market and caused unemployment and depressed workers' standard of living. During this period, it seems as if the peasant organizations, and particularly the cooperatives, were prime movers behind butter exports. Not until industrial policies failed during a severe crisis in 1924, was government policy reconsidered.

Meanwhile, the special credits for dairy building, a mere 6% of total agricultural state credits, had quite an impressive impact on production, as can be seen in table 2, where growth in all aspects is particularly rapid in 1922-24.

Looking at the credit applications from the dairy cooperatives, a few comments must be made. Firstly, cooperatives were formed with the aim of applying for state credits, almost in a feverish way. Part of the argumentation in the applications concerns the advantages of a cooperative society compared to the one in the next village, which was also formed with a view to obtaining credits for building a large-scale dairy factory<sup>12</sup>. Another important part of the

<sup>11</sup> Reinart 1930, pp. 234-35; Kõll 1989.

<sup>12</sup> For instance ERA f 1648, n. 4, s 8.

argumentation pertains to the technical standard, where the key phrase is: "adapted to the demands of export production". Apparently, this was a condition for a state loan<sup>13</sup>.

It also seems to have been an advantage if the project could be shown to benefit the newly formed "reform" holdings. I have not made a systematic classification of applications, but it is striking that many applications contain the affirmation that reform peasants needed a cooperative dairy to intensify dairy farming, and that they just waited for the dairy factory to materialize to become members of the cooperative society. This conveys two underlying facts — that reform peasants were thought to be more likely to get loans from the government than the old, better-off, free-holders, and that reform peasants were not (yet) members of the cooperatives<sup>14</sup>.

The structural analysis of the second phase of growth, therefore, would show continuity and even improvement in the favourable conditions for cattle growing through the subdivision of land in the reform. And there is the advantage of a pre-existing organizational pattern for cooperative processing and trade. But on the other hand, the powerful demand-pull of the pre-war years was over. It had to be replaced with an equally powerful supply-push on the part of Estonian peasants. This was provided by the cooperative organizations, in the initial phase still dominated by the old group of free-holders.

There was a spontaneous centralization and concentration of trade through central associations of cooperatives. This structure was inherited from the pre-war period, when the largest organization "P K Estonia" had been created, in 1912. In the twenties, new trade organizations, private and cooperative, emerged. Several of these went bankrupt after a few years, and by 1929 only five were left.

Socially, the contradiction and competition with landlords was resolved. Instead a much more refined and less clear-cut contradiction was introduced in the Estonian countryside. On one side there were

<sup>13</sup> *Ibid.*, see also s 182 for instance.

<sup>14</sup> In Alliku only 12 peasants out of 80, or 15%, were reform peasants in 1923, *ibid.*

the almost debt-free, comparatively well-off old free-holders, or “grey barons” as they were ironically called in Estonian. Grey was the age-old name the Germans gave the natives, “the grey”; the denomination “baron” alludes to their important landowner status. On the other side there were the reform peasants, who up to 1919 were tenants, soldiers and the landless. Their first fight concerned the land reform itself. The landless population was the mainstay of left-wing parties and formed a major political force in the Constituent Assembly. The Agrarian Party, the spokesman of the old free-holders, was against the radical land reform decided by the left-wing majority. But already in the next elections, the Agrarians took over much of the left-wing vote in the countryside<sup>15</sup>. And so it continued, with contradictions and reconciliations throughout the interwar period. The reform peasants, the Homesteaders, established a political party of their own, slightly more to the left. Its fate was illustrative — in the shadow of the Agrarians, sometimes cooperating, sometimes quarreling with the “grey barons”. It was this uneasy alliance of a dominating well-off peasantry and its somewhat reluctant younger brother, which was the basis for the new stage of cooperative growth.

The state was instrumental in favouring cooperative investments over private ones in the food industry. While cooperatives could obtain advantageous loans, the private dairy industry was literally crushed. In 1923, there were 94 private dairies as opposed to 130 cooperative ones, but their numbers were falling steadily up to the crisis of 1929, when only 30 were still operating. The private dairies were small and processed at most 18 per cent of the milk produced. Only a small part of the growth in cooperative dairying was thus a substitution for private enterprises, but the balance between them was tipped through government policy, directing growth towards the cooperatives<sup>16</sup>. Finally, in 1924, the government policy of saving industries failed. Searching for a new, economically more viable, basis for the young economy, the export success of Estonian butter caught

<sup>15</sup> Parming 1975, pp. 11-13.

<sup>16</sup> Eesti põllumajandus I-XIV, the special table called *Erapimeetajate toodang*.

the government's eye. In the reorientation of economic policy — or “Denmarkisation” policy — priority was given to agriculture in the organizational form already existing. In this way, dairy cooperatives, producers of the single most important export item of the country, became a pillar of the state<sup>17</sup>.

So the intervention of the state, initially sought by cooperators to help out with capital, was already formative in the second period of growth. However, it did not visibly impede collective initiative and rapid economic growth. Rather it seems to be a case of common interest in export promotion in the 1920s.

### **3. Who were the cooperators?**

In trying to delineate the members of the cooperative organizations, there is an attempt to answer two questions. One is: who dominated the cooperative movements the large peasants or the mass of small-holders? Dominated would in this case mean taking the initiative to form a cooperative dairy, sitting on the boards of management and having more influence in decision-making than “one man, one vote”. In other words, were the cooperatives instrumental in strengthening the traditional social status of the initial group or did they principally benefit the small-holders and reform peasants? Were they part of a social and ideological change tending towards polarization or egalitarianism?

The second question concerns the economic gain from cooperatives. Even if cooperatives were dominated by “grey barons” in the sense above, they could represent economic gain for small-holders as well. Or were they, on the contrary, in the interest of large peasants at the expense of small-holders? Did they contribute to freezing, or even diminishing economic differences within the peasantry, or did they contribute to a process of differentiation?

The theoretical problem is to decide between two main interpre-

<sup>17</sup> Valge, 1991, pp. 95-96, Parming 1975, Reinart 1930, pp. 234-35.

tations of the cooperative movement, one seeing it as an expression of the class contradictions in the countryside, an instrument for the larger peasants to ameliorate their lot at the expense of the smaller peasants, the other seeing it as an egalitarian instrument of mutual help and support.

In the Estonian case we know that the cooperative movement started among free-holders who had bought their farms before 1914 from the landlords, the group that was later to become the "grey barons". The problem is the role of the dairy cooperatives after the land reform. Did they help to strengthening the positions of the old peasantry in opposition to the reform peasants, or did they contribute towards more equal opportunities for all? To what extent did reform peasants join the cooperatives, and did they stay?

If membership in cooperatives was voluntary, and if private alternatives existed, it is unlikely that small peasants would remain for long in the organization or continue to join if it worked only in the interest of larger peasants. Up to 1936, when the cooperatives were given an export monopoly, such choice existed.

Table 3  
Average number of cows owned by members of dairy cooperatives

	cows/member	members
1921	4.24	3,421
1924	4.12	12,206
1927	3.04	26,716
1931	2.33	31,793
1933	1.86	28,925

Source: Eesti Põllumajandus I-XIV

We know that the number of cows per farm and 1920s milk production in general was growing rapidly during the 1920s. If cooperatives had continued to recruit members from the largest holdings, we should expect the number of cows per member to grow.

The diminishing number of cows per member in the phase of growth indicates that cooperatives were attracting ever larger numbers of small peasants, which points in the direction of a more egalitarian and less exclusive participation in the movement. This is not sufficient evidence to show who dominated the cooperative movement, but certainly points in the direction of cooperation contributing to an equalization of economic conditions rather than a polarization. The massive adherence of small-holders would otherwise be difficult to explain. What happened after the crisis years cannot be documented in this way, since the number of cows of members stopped being reported in 1934.

Another indicator pointing in the same direction is the average amount of milk delivered per member. This indicator is a little more circumstantial, since the amount of milk per member will not only depend on the number of cows, but also on the productivity of the cows, which was growing during the period, and other uses of milk. The amount of milk delivered per member was growing, but at a slower rate than the total milk production of the country. This indicator, then, would suggest that smaller peasants continued to join dairy cooperatives. Particularly in the period after the crisis, the average amount of milk delivered per member rose more slowly than total production. Cooperative membership increased during these years and this increase must have regarded peasants producing less than average amounts of milk: that implies more smaller peasants.

This evidence is endorsed by the only category of agricultural statistics which is organized according to farm-size distribution. These are the budget studies of farms, made annually from 1925 onwards.

A short digression must be made concerning this material, which has a special and rather peculiar character. It is very reliable, produced with an enormous expenditure of time and expertise — but it is unfortunately lacking in relevance, that is, it is slightly off the mark, due to the fact that the sample of studied farms was entirely skewed. The farms were selected only on the basis of voluntary participation. Some attempts were made to recruit participants to

cover all farm sizes and all geographical areas, but they were not very successful. Larger farms in the main agricultural districts dominated, while the islands in the Baltic Sea and the eastern-most areas were less represented.<sup>18</sup> But the most systematic misrepresentation is due to the fact that the sample farms have a significantly higher productivity in all fields of agricultural activity than the averages for the country as a whole. These problems were discussed when results were accounted for in the statistical yearbooks.

Sampling weaknesses aside, the information conveyed is detailed and quite exact. Participants went through a course in book-keeping and were subsequently furnished with a 40-page questionnaire covering most facets of farm economy. The questionnaire was completed throughout the year, but when balance sheets were due, participants had the assistance of district accountants to check the data and sum them up. In the course of this procedure, a number of questionnaires were regularly discarded due to various inadequacies.<sup>19</sup>

The budget studies thus obtained of course still contain estimates or informed guesses, for instance about family consumption or the number of working hours. Still they will stand comparison with many later scientific surveys trying to make the same kind of longitudinal studies of a very complex work process. A reason for this high quality is that this data formed only one aim of the budget studies. The second aim, more important to the individual farmer, was to construct a balance sheet of the profitability of all different branches of activity on the farm, measuring profits on capital, productivity of soil, cattle and labour. It was thus definitely in their interest not to distort data. In addition, there was even a price competition between book-keeping peasants.<sup>20</sup>

From this fascinating material I have drawn some data on the role of dairy production on farms of different sizes. These data are subject

<sup>18</sup> See, for instance, *Eesti põllumajandus VI*, 1927, pp. 89-90.

<sup>19</sup> *Eslas*, 1930, pp. 241-244.

<sup>20</sup> *Eslas* 1930, p. 243.

to the same shortcomings as the sample budget studies, and in addition we do not know if the farms studied were members of cooperatives. We have, furthermore, to make the assumption that the sample was uniformly skewed over the size-groups, an assumption which seems reasonable enough to enable us to draw conclusions about the relationship between farms of different sizes.

The interesting result of this exercise is that differences between farms of different sizes were strikingly small. Dairy production had the same relative importance on small farms as on large ones. This is evident from the percentage of milk production in the total production of farms.

Table 4  
Milk production as per cent of total production on farms of different sizes

Year	Farm sizes			
	-20 ha*	20-30 ha	30-60 ha	60-ha
1926/27	26	27	26	29
1927/28	28	26	26	29
1930/31	29	29	29	31
1931/32	27	29	28	31
1933/34	19	21	21	23
1934/35	21	22	21	22

Source: Budget studies, Eesti Põllumajandus VI-XIV

\* Size groups according to source material. Which group a farm of exactly 20 or 30 hectares will belong to is thus unclear.

Variations between size-groups are entirely insignificant, while variations over time, especially in the period of recovery after the crisis, are significant but uniform over farm sizes.

So, the conclusion of this analysis is that milk production had the same relative weight on all kinds of farms, irrespective of size. It accounted for 20-30 per cent of total production and 35-50 per cent of money income, and was the most important single product of Estonian farms, small as well as large.

This fact stands in contrast to other production strategies on farms. Small farms produced and sold more potatoes, linen and labour off the farm, whereas larger farms sold more grain. But milk production seems to have been a common occupation and interest for all. And in consequence, the prices paid by cooperatives and their competitiveness on the world market must have been of approximately the same relative interest to all groups of farmers. While prices, protection and policies regarding other farm products could divide the Estonian peasantry into different interest groups, dairy production seems to have been a cohesive factor in which most peasants had a stake.

Dairy cooperatives according to this analysis were symbols of the consensus, the concordance of interests in the Estonian countryside. Being the most important single product, dairy production must have had a significant impact on the countryside as a whole and on the social formation of the peasantry.

#### **4. Market demand and responses 1920-1929**

The world market in butter was the mainstay of the Estonian cooperative movement. How did the Estonian dairy industry manage to compete, and how did world market competition influence dairy cooperatives and the life of Estonian peasants?

The world market in butter was a consequence of industrialization and urbanization during the XIXth century mostly in Europe. The import market was concentrated in large industrial centres. In the period 1909-1914, 98 per cent of total world imports went to Europe. Great Britain alone took 71 per cent of the world total, at a moment when Ireland, a butter surplus area, was still part of its territory. Another 17 per cent was imported by Germany. Other markets were insignificant in comparison.<sup>21</sup>

In the first World War, trade quantities declined sharply, but

<sup>21</sup> International Institute of Agriculture: milk and milk products, p. 138.

recovered in 1919-1923. Europe still predominated with 96 per cent of the total, and within Europe the dominance of Great Britain as a market had increased. Britain in fact imported 84 per cent of the butter on the world market in 1923. The most important change was that the German market had dwindled into insignificance during the war, and imports on a large scale were not resumed.<sup>22</sup>

The export market was somewhat less centralized. Before the first World War most exports, or 81 per cent, came from Europe. The largest exporter was Denmark with 28 per cent of the world total. The second largest exporter in the world was Russia with 21 per cent. The Netherlands, France and Sweden also exported large quantities. Among overseas exporters, the American countries were insignificant. Australia had a fairly substantial export of 11 per cent of the world market, while New Zealand exported less than Sweden or France.<sup>23</sup>

The restructuring of exports after the war was dramatic. Only 54 per cent of world exports in 1922 came from Europe, while 14 per cent came from America, for the most part from Argentina. The other large-scale newcomer was New Zealand, trebling its exports between 1920 and 1921 with 20 per cent of the world market in 1922. It thus came second only to Denmark, having one third of the world market. Meanwhile, the other Nordic countries had become rather insignificant exporters.<sup>24</sup>

Such was the market, the Estonian peasants had to meet. Import demand was concentrated on the British market, more than ever. Exporters were the traditionally strong producers of Denmark and the Netherlands. Russia did not export any more but, instead, new competition came from Australia and New Zealand, who had political ties with Britain, and from Argentina.

Growth in dairy production was conditioned by the fact that it was geared to foreign trade rather than domestic consumption. This formed the first phase of growth in the St Petersburg market just as it

<sup>22</sup> *Ibid* p. 139.

<sup>23</sup> *Ibid* p. 140.

<sup>24</sup> *Ibid* p. 141.

did in the second phase in Western Europe. The transition from a protected, nearby market to a competitive far-away market was significant likewise. In the second phase, quality improvement and new trade contacts required a huge joint effort from the peasantry. They joined forces quite efficiently in cooperative structures, but quality controls, transport and capital requirements were above the possibilities of the cooperative movement, at least in the short run. So the state was invited to contribute with loans, infrastructural investment in control stations, know-how and education. And in the end, when trade met political obstacles, as in the German case in the late 1920s, the contribution of the Estonian state was inevitable.

The quantities sold from Estonia were of course small on a world scale. Turning from St Petersburg to the West, the first market was found in Sweden. Great efforts were made to get a foothold in the dominant British market. Contemporaneously New Zealand was launching its export offensive in the same place in the same spot. One niche was found in the summer-time, when exports from the southern hemisphere were slack, and supply in the north abundant. One of the ways chosen was to re-export via Denmark. A certain free-riding on the good reputation of Danish butter was reported.<sup>25</sup>

In the German market, trade agreements were dependent on the question of indemnities for the land reform. A majority of Estonian landlords had been German subjects, and when land was taken from them in the course of the land reform, the question of indemnities remained unsolved. This was gradually settled at a government level in the mid-1920s, and later on Berlin became the most important single market for Estonian butter.<sup>26</sup>

At the national level, in the second half of the 1920s, 55-60 per cent of farm produce was marketed in Estonia. Agricultural products, of which butter was the single most important item, made up 45-50 per cent of total national export.

<sup>25</sup> Valge 1988, pp. 6-8, 18.

<sup>26</sup> Martin 1930, pp. 216-17.

Table 5  
Butter exports from Estonia in 1923-1929

Year	quintals	1000 Ekr	% of total export value
1923	23,470	5,331	9
1924	31,870	9,794	13
1925	64,450	21,296	22
1926	86,920	23,770	25
1927	99,060	27,663	26
1928	112,220	33,063	28
1929	123,590	35,507	37

Sources: Eesti põllumajandus vol III-X

The state maintained control over the quality of export butter, as in other countries. The first regulation in 1921 stated that only first quality butter from steam dairies could be exported. From 1922 on, registration of dairy factories started. Only those that could meet central standards were registered.<sup>27</sup> These had to send samples twice monthly to a central laboratory in Tartu. In 1923, one observer stated that Estonian butter on the London market was valued as second-rate New Zealand butter, whereas Danish butter fetched the highest prices.<sup>28</sup> In 1924 and 1927, large-scale and more refined export control standardization was effected. Only butter produced in controlled dairy factories with a certain technical standard, and registered by the export control office, was allowed.<sup>29</sup>

Private entrepreneurs entered the export business, but P.K. Estonia, the central organization of several, but not all, dairy cooperatives dominated the business. In 1929 it alone had more than 50 per cent of the volume. After 1926 there was a competing cooperative export unit, *Eesti Piimatööstuste Liit*, which had only 4 per cent of the market. By that time, cooperatives produced almost all export butter, and organizational ties thus were critical for exporters.<sup>30</sup>

<sup>27</sup> Valge 1988, p. 4.

<sup>28</sup> Jaanhold 1923, p. 238.

<sup>29</sup> Martin 1930, pp. 216-17.

<sup>30</sup> *Ibid* p. 217.

Cooperatives could choose which export organization to sell to, which made for fierce competition and small gains in trade.<sup>31</sup>

In the late 1920s, world trade conditions hardened. In Germany, customs duties were discussed from 1926 onwards, and implemented in 1929. After 1924 it became the most important export market. Exports were now dependent on bilateral trade agreements, which were ratified at the last minute.<sup>32</sup>

Thus the second stage of growth, just as the first, occurred with a view to the market. The difference between the two stages of growth lies in the increasing role of the state. State functions were indispensable in two different fields in quality control in the first place, and active trade policy in the second. Whereas quality control on a cooperative basis is conceivable, although it would probably have been slower due to higher transaction costs, trade policy in an increasingly protectionist world was out of reach for peasant organizations. Meanwhile, the dual structure continued throughout the 1920s. Trade was organized by central cooperatives or private enterprises, in close cooperation with the state but recognizing potential differences of interest. With the introduction of bilateral trade agreements in 1929, such independence became increasingly illusory.

Following this process at the level of the cooperative, rapid growth and increasing demands were a stimulus but also a problem to be solved. In spite of their increasing importance, by 1930 cooperatives only organized one fifth of the Estonian peasants (holding over 0.5 hectares) while two fifths or 39 per cent of peasants sold milk to dairies.<sup>33</sup>

Dairy factories built in the first half of the 1920s soon became too small, or unadjusted to the higher demands of pasteurization, storage facilities, water supply etc. Hardly had the loans on a factory been repaid, before new and enlarged premises were needed, and new

<sup>31</sup> Valge 1988, p. 15.

<sup>32</sup> Valge 1988, p. 17.

<sup>33</sup> Roosileht 1930, p. 265.

debts incurred. The cooperative organizations also frequently encountered financial problems as a consequence of ever increasing quality demands.

In 1928 cooperative dairies had debts of 7,600,000 Ecr, of which 24 per cent or 1,800,000 Ecr were state loans and the rest private. Their own capital was only 4,900,000 Ecr.<sup>34</sup> Private dairies still had more difficulties in fulfilling credit conditions, which was part of the explanation for their decline.<sup>35</sup>

This process is illustrated at the concrete level by the dairy cooperative in Abja-Paluoja. A steam-powered dairy factory was built in 1914. Loans were obtained from members and private channels. Through high prices during the war, these loans were repaid. Milk volumes began to rise steadily in 1922 and by 1925 installations were too small. New investments were necessary both in buildings and machinery; furthermore the water supply had to be increased. A new well had to be drilled, and this proved difficult. The cost in the end was much higher than calculated, and the well was not completed until 1927. Consequently, the dairy cooperative had considerable financial problems already in the late 1920s. There were allegations about mismanagement and a conflict ensued.

Hardly had the new management started to work, when new problems arose. In 1929, the livestock health authorities, *Looma tervisboiu päävalitsus*, categorically demanded milk pasteurization at 85°C. For this regulation, the boiler and steam engine capacity again proved too small for the needs of the cooperative. New loans and new investments followed; even the buildings had to be enlarged. And when all was completed, it turned out that the water pump, contrary to promises, was not powerful enough to support the enlarged dairy factory.

In this way, the Abja-Paluoja cooperative dairy was already deeply in debt and trouble before milk prices started to decline in 1929-30. Control measures, caused by market demand and mediated through

<sup>34</sup> Roosileht 1930, p. 262.

<sup>35</sup> *Ibid* p. 263

the state, obliged the cooperative to incur increasing debts. This was in spite of the fact that in 1929 the cooperative seemed quite viable, with 151 members having on average 4.9 cows each, and a milk volume far above the national average. Their only option was to turn to the government for aid.<sup>36</sup>

## 5. Crisis and reconstruction 1929-1934

The general features of world depression in 1929/30 were a sudden fall in world market prices, a dwindling of imports and an over-all resurgence of protectionism in all important markets in Western Europe. On a general level, prices of agricultural products fell more than industrial products. Grain prices fell more steeply than those of animal products, but recovered a little faster.

One half of Estonian exports comprised agricultural products, over one third being animal products, with main outlets in Germany and Britain, and prices and quantities followed the main trends.

Table 6  
Butter exports from Estonia in 1929-1936

Year value	Quintals	1000 Ecr	% of total export
1929	123,590	35,507	37
1930	140,660	31,563	33
1931	144,440	25,661	36
1932	125,310	15,513	36
1933	92,250	12,228	27
1934	101,180	11,780	17
1935	108,380	16,224	20
1936	109,550	16,562	20

Source: Eesti põllumajandus VII-XIV

Already in 1930 export incomes from butter in Estonia began to fall. In the first years, this fall was countered to a certain extent by an

<sup>36</sup> Abja-Paluoja piimaühisus 1912-1937.

increase in export quantities. But after 1933 the volume of exports also fell drastically.

This deterioration in butter exports was due to both internal and external developments. As trade incomes fell, the Estonian government tried to stop fodder imports, at the same time introducing subsidies in order to regulate grain prices in 1931. This was part of a general policy of self-reliance, along with trade restrictions and import dues. The attempt to produce fodder domestically was, however, not sufficient for the needs of the now rather large milk herds of Estonia, and particularly in years of crop failures, the lack of fodder had a direct impact on quantities of butter produced. Butter exports, on the other hand, were not subsidized until 1934 in Estonia.

Contemporaneously, however, trade restrictions in the most important markets became increasingly perceptible. Germany already had customs barriers against imports, and at the end of 1932 introduced import contingencies for agricultural products. Britain introduced customs duties of ten per cent on butter, which applied to Estonian butter, but not to exporters inside the Empire, like New Zealand, Australia and Canada, and thus caused a severe disadvantage to "outsiders".<sup>37</sup>

When Britain in 1931 decided to let the currency float, this provoked some discussion in Estonia. Since the Estonian crown still adhered to the gold standard, *de facto* British devaluation aggravated the terms of trade with her most promising trade partner. The most important trade partner to this date, Germany, on the other hand decided to maintain the gold standard. But the problem was that by 1933 access to this market was totally restricted in volume. At this point, a liberal minister of finance in 1933 decided to take the Estonian crown off the gold standard, thus improving the terms of trade with Britain while angering German trade authorities. In the internal market, the devaluation of the crown meant that imports became more expensive. The general effect was estimated at a 35% devaluation with a reduction in the buying power of the Estonian crown.

<sup>37</sup> Valge 1988, p. 33.

With the strengthening of protectionism economic policy had an increasing impact on export possibilities. State support was indispensable for trade arrangements. In addition, the Estonian peasantry needed state financial support to catch up with competitors in the West European market who had a higher productivity rate and an older and often better organization. The pace of development had to be rapid, and the need for investment was immense as quality improvements and quantitative growth had to be achieved in a short space of time.

With regard to cooperatives, an additional difficulty appeared at this stage. The second half of the 1920s had been a period of rapid growth in volume, and simultaneously quality demands increased. This almost invariably implied new investment in machinery and buildings, extension of gathering points etc. While expanding volumes were due to supply, quality demands were largely external market impulses, mediated by the control stations and state regulations. Since 1924, state credit had been extended to dairy cooperatives to an increasing extent. At the same time private loans had been available for this expanding and promising business. Consequently, in 1929/30 most cooperatives had incurred large debts which had to be repaid.

In considering why cooperatives took on debts the role of market exigencies is apparent. On the one hand, there was internal pressure in the form of increasing milk volume for the market. On the other, hand, quality demands were directly propelled by the Estonian state in the form of butter control stations and regulations for dairy factories.

But debts did not only mean economic pressure, they also meant a gradual loss of autonomy of the peasant cooperatives as the state took on responsibilities for their loans.

The Märjamaa dairy cooperative in Läänemaa, northwestern Estonia, for instance, had taken on large debts as the dairy factory was entirely rebuilt in 1925. In 1929, with falling milk prices, its capacity to pay amortization costs fell, also due to the fact that the export organization of which the Cooperation was a member, *Eesti*

*piimatalituste Übing*, had gone bankrupt, owing a lot of money to the cooperatives.

In this situation, the Ministry of Agriculture consented to help out — on certain conditions. The Märjamaa cooperative had to promise not to extend its activities through new gathering points and competition for new members with nearby cooperatives was forbidden. This agreement was made in August 1929. Six months later, in February 1930, the special credit funds for dairy cooperatives at the Ministry of Agriculture were transferred to the state-owned bank *Pikalaenu Pank*. Now negotiations took on a less amiable, more business-like character, as a number of cooperatives liquidated old debts, transforming them into new ones on longer terms.<sup>38</sup> In this process, Märjamaa received more specific demands: to abstain from «unsound» competition, not to extend its activities, not to compete for members and not to differentiate the price of milk. The assets of the cooperative were used as security for the loans.

The transfer of credits from the Ministry of Agriculture was part of a wider campaign to economize. Another general measure of this campaign hit at Märjamaa as well as other cooperatives. Up to this point, all cooperatives had rented state land on generous conditions, but now they were compelled to buy the site they used. The sums were not exorbitant, but on top of other difficulties in these early years of crisis, they still were significant.

Two years later, in 1932, the trough year of crisis, Märjamaa had new difficulties in paying its mortgages. Now the loss of autonomy became apparent. The cooperative was told to sell its assets to the largest export organization, *P K Estonia*. The former cooperative would still be able to rent these assets, but control and direction would pass entirely into the hands of the export group. *P K Estonia* had the right to appoint the chairman, to employ dairy workers and pay wages. The members of the Märjamaa cooperative were obliged to sell their milk there or to any other dairy belonging to *Estonial*, but not to competitors.

<sup>38</sup> ERA f 1642 n 4 s 164.

These were the conditions of the economic agreement, finally signed in 1934. And in 1936, Märjamaa, together with the rest of the property of *P K Estonia*, was taken over by the state monopoly organization *Võieksport*.<sup>39</sup>

A similar fate befell the rather small and new cooperative of Avinurme in Tartumaa, central Estonia. In 1934-35, it only had 68 members, while about 60 per cent of the milk was delivered by non-members. Still, volumes were modest.<sup>40</sup> At the beginning of the 1930s, as credits were transferred to Pikalaenu bank, they had total debts of 32,000 Ecr, of which 21,000 or 66 per cent were state credits. Plans to pay by instalments were made. Probably, Avinurme failed to pay according to these plans in 1935, since it received a letter from the bank.

«You have never been big enough to produce profitably.», the bank wrote to the cooperative board. «Your financial problems can only be solved on condition that you cease producing butter. You have the choice either to merge with a neighbouring cooperative, and show us proof of a merger agreement, or remain independent but stop butter production and sell your cream to some dairy in the neighbourhood. The quantities of milk you have been dealing with have never been large enough to justify your existence.»

The cooperative tried to argue that milk volumes were increasing, but the bank was merciless: «If your milk volume has not increased by August 1, you will cease butter production, or else we will demand immediate payment of your loans.» And they proceeded to do so on 26 November.

Probably, the board of the bank was less stern than the officials, because in April 1936, new negotiations took place. Avinurme continued to exist, but lost all powers of decision and all autonomy. When *Võieksport* was formed in 1936, all rights were transferred to the central organization.<sup>41</sup>

<sup>39</sup> ERA, f 252, n 1, s 1071.

<sup>40</sup> Eesti Põllumajandus XIII-XIV, Tallinn 1935-36.

<sup>41</sup> ERA f 252, n 1, s 188 contains the whole correspondence.

Was the existence of autonomous dairy cooperatives just an illusion before 1936? A systematic investigation of credit conditions must be made to give an answer. In official statistics, Marjamaa and Avinurme continued to appear as separate units although they were in fact incorporated in the central organization. How many of the 274 cooperatives were autonomous in 1935 remains an empirical problem still to be solved. What we can see in the official statistics is, that since 1930, when Pikalaenu Bank took charge of cooperative loans, the number of cooperatives was steadily falling. The number of members did not decrease, it merely stagnated, while milk volumes fell.

Table 7  
Development of dairy cooperatives 1928-1936

Year	Number of	Number of	Volume of milk	
		cooperatives	membersd	(th. quintals)
1928		331	29060	2673
1929		331	31754	3017
1930		330	28077	3423
1931		312	31793	3577
1932		298	30519	3290
1933		291	28925	2650
1934		279	30135	2890
1935		274	30003	3071

Sources: Eesti põllumajandus VIII-XVI.

Restructuring of the cooperative network was also enforced by a general deflationary economic policy. The state was the main actor in this process in particular cases but it did even more than that. It took over the direction of local cooperatives through central organizations, although the exact extent of these nationalizations is not known. The significant thing about this is the time perspective. State involvement in the direction of butter production did not date from the *coup d'état* in 1934, or from the sweeping changes in Estonian economic life in 1936, and was consequently not a product of the dominant corporative ideology.

The point is that the economic position of Estonia, a late-comer on the Western European market for agricultural products, where competition was fierce and quality improvement an absolute requirement, called for state intervention. The means of single peasants, or even of peasant organizations — and the Estonian peasantry was organized — were not sufficient to win and keep a position in this market. So, I think this is a problem of developing countries, a late-comer problem, rather than an ideological question. The state will have to act to support producers in such situations. How much independence will then remain for small producers is an open question.

## 6. State and peasant cooperation 1934-36

The attempt to answer the question as to why the Estonian cooperative movement was incorporated in the state apparatus in 1936 will again be made at the three levels we sketched in part 1: the structural, the relational and the mental/conceptual.

When the *coup d'état* took place in Estonia in April 1934, extensive state intervention in export butter production already existed in two major fields. Export agreements were made by government officials. Furthermore, the state bank took responsibility for relief policies to assist debt-ridden cooperatives, but simultaneously took on the task of restructuring the cooperative network. In this process, even the management of individual collectives could pass to the bank, so there was a deep as well as a wide involvement of the state. In financing and trade, the state already had a decisive role before the formal take-over.

In February 1934, price guarantees on butter, paid by state means, were introduced.<sup>42</sup> State subsidies were the rule in most branches of economic life during the crisis, but until 1934 — that is when the trough of depression had passed — the dairy producers had

<sup>42</sup> Muuga 1939, p. 306.

not received any. Instead, grain prices had been subsidised, and some transfers from animal to vegetable production had taken place. By 1934, however, milk production was in crisis. Fodder deficiencies, world market prices which did not recover and the cumulative effects of a long period of production with losses had added up to a 24 per cent decrease in production between 1932 and 1933.<sup>43</sup>

The mechanism of the subsidies was that the producer was paid a certain sum, 1.1 Ecr/kg in 1935 for instance, irrespective of the price paid by buyers, and the state paid the difference. That is, the state took on all the risk of the producers, but also of the dairy cooperatives and export organizations. Production started to increase immediately, while export volumes were the lowest ever in 1934.

Two kinds of criticism were directed against the system in this period, as a direct consequence of the subsidies. The first kind was that the export organizations did not operate at risk any more. They did not have an active function in price formation. Secondly, export organizations (five existed, of which the two largest were cooperatives) competed with each other over export volumes while accepting low prices, which was good for them but inflated the amount of subsidies. So, Estonian butter was sold at a lower price than necessary on the world market because of the competition. There were also allegations of corruption in the competition of exporters for deliveries from cooperatives.<sup>44</sup>

The butter subsidies were decided by an agrarian-led cabinet before the *coup d'état*. This cabinet worked in an extraordinary situation. It was led by the former Prime Minister, who was then administering the transition to a new Constitution. In this transition period, he was not technically accountable to any major body.<sup>45</sup> I have not found any debate about the subsidies as such. When the consequences became apparent, however, debate was centred around the issue of monopolizing and nationalizing the export organizations.

<sup>43</sup> Cf table 11, p above.

<sup>44</sup> Uus Eesti 8/4 1936; Vaba Maa 8/4 1936.

<sup>45</sup> Parming 1975.

Debate is perhaps too strong an expression. After the *coup*, the «period of silence» prevailed, under the pressure of dictatorship and censorship. Government publications, including those of a commission appointed in 1934 to formulate an agrarian programme and the official government newspaper *Uus Eesti*, give one version. Hardly perceptible differences can be found in the censored opposition paper *Vaba Maa*.

In the government version the arguments are for a monopolization of the butter trade under state auspices, in effect simply nationalization. Export organizations had, in fact, already made themselves redundant. Since the state made the trade agreements and now had also taken on the risks incurred by price fluctuations, all they did was to «deliver the goods and collect the money». In fact, it would have been easier to collect the butter directly at the state-financed control laboratories and put it on the ships, instead of taking a detour to an export firm.<sup>46</sup> And to those who were still not convinced of the advantages of nationalization, they retort: the state has invested much money in dairying, it has furnished the cooperatives with credits, it has taken on their unpaid debts, and now it is taking all the risks — why should the state not have the right to decision-making?<sup>47</sup> Here, the state is clearly represented as an impatient father.

In the opposition paper the main counter-arguments appear under cover in an article from 1935. When monopoly was discussed in the branch organization of agricultural producers, the chairman representative of the Agrarians, who was also the chairman of the board of the largest cooperative export organization, advocated monopoly under state auspices. He was challenged by a representative of the Homesteaders' party, accusing Agrarians of incompetence in furthering the interests of peasant producers. Exporters' costs were already low: according to him, all a monopoly could do was to give them a protected situation at the cost of consumers. When the proposition to form a monopoly was voted, 24 voted for and 19

<sup>46</sup> ERA f 58, n 1, s 1739, p. 56.

<sup>47</sup> *Uus Eesti* 8/4 1936.

against; that is, opinion was far from unanimous. Finally, the journalist added an anecdote, which would seem irrelevant if it had not been for the censorship. He quoted a peasant saying in another context that dairies should be their own business and not «kroonu värgiks», an expression from the czarist period signifying state property.<sup>48</sup>

The motives and aims of the monopoly were, besides the emergency, created by low profitability and protectionism, to ensure necessary control and make it possible to direct trade policy efficiently. Finally, a monopoly made it possible for the state to finish the regulation of the network of dairies in order to keep competition and rivalry out of the countryside, according to government sources.<sup>49</sup>

*Võieksport* was created by decree on 6 April 1936. Contemporaneously, the existing export organizations were liquidated and all their assets and contracts, including debts, transferred to the new monopoly. The government appointed all members of the management and the board, until elections had been held by the same persons. All delivering cooperatives were automatically attached to the new organization. This was not altogether compulsory — they had the option to decline participation through a special application within three weeks, but then, of course, they would not be able to export their produce. Besides the exports, *Võieksport* would have the exclusive right to sell butter in Tallinn, the capital. Through this measure, it would be able to decide prices domestically as well as for export.<sup>50</sup>

This was the concrete expression of the «sweeping reorganization of economic life» in which Päts decreed the formation of corporate trade and professional boards, later extended to other aspects of societal life as well as for the milk-producing peasants.<sup>51</sup>

This period of Estonian history is extremely complicated and delicate. Without giving the complete picture, a few elements which

<sup>48</sup> *Vaba Maa* 14% 1934.

<sup>49</sup> *Uus Eesti* 7/4 1936.

<sup>50</sup> *Uus Eesti* 7/4 1936, 8/4 1936, *Vaba Maa* 8/4 1936.

<sup>51</sup> *Parming* 1975, p. 57.

seem important to the dairy cooperatives and the dairy-producing peasantry deserve to be emphasised.

Agrarian exporters as a group were extraordinarily hard hit by the crisis. In other parts of Eastern Europe this has been considered as part of the explanation for the fact that the rural poor adhered to fascist movements. In Estonia this did not happen to the same extent. The major fascist group, the Veteran League, was based in the cities, representing the urban lower middle class, the classical support of German and Austrian fascism but it was less important in Eastern Europe.<sup>52</sup>

Estonian peasantry was politically represented by the Agrarians on one hand and the Homesteaders on the other. These parties had had a fairly strong position in most governments, and were not politically frustrated. Dairy-producing peasants had had a long period of growth in the 1920s, with support from the government. They were deeply involved in the old order the fascists were fighting.

Cooperatives had been a successful instrument of the peasantry, and, as I have tried to show here, dairy production and cooperative membership were unifying rather than dividing factors in the existing contradiction between «grey barons» and homesteaders, the contradiction represented by the existence of two parties. As has been mentioned above, this was not always a conflict; rather the relationship at the political level was shifting.

Now I would like to advance a hypothesis, of which I have found some indications, but do not consider to be verified. The hypothesis is that in the hardest years of crisis, the old contradiction within the peasantry reemerged, and was enacted at the level of central cooperative organizations as well as in the political arena. There are indications that Homesteaders preferred to create their own cooperatives, rather than entering those of the «grey barons». This might, incidentally, be an explanation of the fact that voluntary

<sup>52</sup> The Veterans had 11 per cent of the vote in the last, communal elections in country districts (Vallavolikogud) in January 1934, the Agrarians 26 per cent and the Homesteaders 28 per cent, see Truuväli 1986, p. 239.

mergers between neighbouring cooperatives were almost impossible to achieve. Of the two cooperative central export organizations, *P K Estonia* was dominated by Agrarians, and *Eesti Piimatalituste Ühing*, with Homesteaders on the board, apparently had the same inability to cooperate. It was generally thought that, if a monopoly was created, *P K Estonia* would be the only surviving organization, since it was the largest and because Agrarians had a stronger position in the previously elected government. This is partly why Homesteaders opposed a monopoly. In the end, both organizations were liquidated and replaced with a new one, the *Võieksport*. This can be interpreted as an attempt of the new authoritarian government to bridge the contradiction within the peasantry, to relinquish the Agrarian interest and become impartial representatives of the people.

In this interpretation, then, the nationalization of the dairy trade and exports was an attempt to mediate in the main contradiction in the countryside, while overcoming the militant urban dissatisfaction represented by the Veterans.

A further possible social contradiction leading to the coup has been discarded by other analysts of the collapse of democracy in Estonia. There was no real threat from proletarian groups or socialist/communist parties. In Estonia, this tendency, although strong during and directly after the first World War, had been crushed in an attempt at a *putsch* in 1924, and never really recovered.<sup>53</sup>

The introduction of political authoritarianism and economic corporatism reduced the Estonian peasant cooperatives from independent actors to subordinates of the Ministry of Agriculture. While I have argued that the ferociousness of competition on a world scale necessitated centralization and state support, the concrete form that state authoritarianism took was due to local factors. In this case, I think one can see the coup as pre-empting a coup of the Veterans but having similar effects, as an expression of rural interest versus urban interest, simultaneously trying to reconcile the main groups in

<sup>53</sup> Parming 1975, p. 13; Isberg 1988 p. .

the countryside. In this attempt, the *riigivanem*, the supreme leader, tried to be, not a representative of the Agrarian party, but a champion of the public interest.

## 7. Agrarianism and Corporatism

Trying to explain the incorporation of the cooperative movement in Estonia within the state apparatus requires an assessment of corporatist thought and its impact on Estonian politics. I want to emphasize that this is not the main explanation, as I see it, but merely completed the driving force of interlocking needs of state and cooperation caused by the structural patterns of world market competition. But corporatist thought certainly was one piece in the puzzle.

When Estonian authoritarianism has been discussed, agrarian ideology has not been really taken seriously. The affinities of the Estonian economic system with German and Italian fascism have been widely debated, and in this context differences and contrasts have always been pointed out.<sup>54</sup>

I think it is much less far-fetched to look at the ideas of international agrarianism which the Estonian Agrarian party and its chairman Päts embraced enthusiastically. Looking closer at agrarian ideology, cooperative thought was quite close to corporative thought, and at least in some versions, liberal party politics were not considered as the only conceivable form of democracy.

Parallels to other Eastern European countries are obvious. The strong political position of agrarian parties is crucial in this respect. East European agrarian parties as a rule were not fascist. On the contrary, they were often attacked by fascists. But there was a point where their adherence to liberal parliamentary democracy was not

<sup>54</sup> Parming 1975 for instance emphasizes the communist attempt at a *coup d'état* in 1924 in eliminating a socialist alternative and subsequently the rivalry between bourgeois parties along with the impact of crisis on the new urban middle class as main factors.

unequivocal, and that was the relationship between parties and social groups. The agrarian parties, being themselves representatives of a socio-economic group, tended to analyse other parties from the same point of view, seeing liberal and conservative parties as masked representatives of an urban bourgeoisie or a landlord group respectively, and their claim to a broader representativeness as probably opportunist.<sup>55</sup>

This suspiciousness of party politics existed within the peasant movement and brought it close to corporatist thinking, especially of the Italian brand. To what extent and how close still remains to be analysed, and the analysis will not be simple since thoughts like these permeated the whole intellectual climate of the time. While the distinction between fascism and conservative peasantist authoritarianism deserves to be upheld, as is done in every serious work about Estonia in this period, there was a point where their views concurred. This point about how different interests should be represented and integrated into a national whole, particularly a national economy in crisis should be recognized as the point where the two traditions meet. They did not recognize class struggle, but differences of interests between trades, and saw the party as interchangeable with a trade organization, organizing both workers and employers. In Estonia after 1936, trades, not parties, represented the population at the level of government. This is not, I would argue, alien to peasantist thought in the 1930s.

At the same time, the role of peasant parties as a bulwark against communism and the dictatorship of the proletariat were emphasized in the speeches inaugurating the International Agrarian Bureau, more commonly known as the Green International in Prague in 1928.<sup>56</sup> The Estonian Agrarian Party enthusiastically and militantly took part in the Green International from the start, followed in 1928 by the

<sup>55</sup> Bell 1977 pp. 64, 67 explains the thoughts of the leader of the Bulgarian Agrarian National Union, Alexander Stamboliskii, who was one influential theorist of the movement.

<sup>56</sup> Jackson 1966, p. 149.

Latvian and Lithuanian Agrarian parties.<sup>57</sup> Local expressions of its ideology were common. Green flags as symbols for the agrarian international were already flown in Estonia in December 1927, as the first international meetings occurred. By 1930, most local branches of the agrarian party in Estonia had inaugurated their green banners with grand popular celebrations, forming veritable patriotic feasts.<sup>58</sup>

Agrarian Secretary of Social Affairs, Hünerson, expressed the relationship between state and peasantry in Estonia in 1930 thus: "since, in this agrarian country of ours, the interests of the peasantry and the state in their main lines totally coincide, the creation and activity of a strong peasant party become a very important task for the state".

The Agrarian Party is described as a «warfront», for nationalism and against communism, by the international movement.<sup>59</sup> When the Agrarians took power in 1934, this became a reality. The Fatherland League, an organisation for political mobilization, centralized and hierarchical, became the nucleus of political power.<sup>60</sup> Even «decency» was seen as a distinctive trait of the peasant movement, supposedly as against the «indecent» of proletarians and the bourgeoisie.

Agrarianism was thus far from being a harmless traditionalist political movement. Its militancy and readiness to compete with paramilitary forces, so common in inter-war Eastern Europe, although it seems quite incomprehensible to democrats today, was not at all incompatible with corporatism and authoritarianism. I think therefore, that Estonian corporatism should be interpreted not in terms of fascism, but in terms of political movements which are much less compromised today. And Estonian corporatism was the factor accounting for the final loss of independence of dairy cooperatives like Määrjamaa, which, from then on, were directly managed by government offices.

<sup>57</sup> *Ibid* p. 148.

<sup>58</sup> Kool 1930, pp. 64-66.

<sup>59</sup> Hünerson 1930, pp. 25-26, 28.

<sup>60</sup> Panning 1975, p. 58.

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