

FROM THE HISTORY OF THE DEVELOPMENT OF AGRICULTURE: A SHIFT TOWARD STATE REGULATION

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Summary

At the present stage of development of Russia, the growing globalization process demands us to ponder over the importance of developing an adequate agrarian policy. In different historical periods, the agrarian policy was subjected to the total nationalization, to the governmentalization, and to the planned economy, there was a transition to a liberal model in the economy, and then a period of strengthening measures on State regulation (2000s). Since 2006, the role of the state regulation of agriculture has been growing: the Federal Law «On Development of the Agricultural Sector» is adopted, the Priority National Project “Development of the Agro-Industrial Complex” and the State Program for the Development of Agriculture and Regulation of the Agricultural Products, Raw Materials and Food Markets for 2008-2012 are implemented. The implementation of agrarian policy based on a paradigm of a state-regulated market economy, on one hand, has undoubtedly yielded positive results, such as: agriculture has become one of the priority sectors of the economy, the institutions for supporting agricultural development of the country have been formed, agricultural financing has increased, Project and Program management of agriculture was set up. At the same time, significant changes in the agrarian sector of the country's economy haven't happened: the growth was only for those products that to some extent had an export or import-substituting value, the differentiation of conditions for the functioning of the agrarian sector of economy in different regions of the country and agricultural commodity

producers within the boundaries of one region was reinforced. A consequence of this was the differentiation of incomes and living standards of the rural population in interregional and inter-farm relations. The appeared situation and the factors forming it turned out to be very far from the principles of social market economy, which are more preferable. Therefore, the historical experience of reforming the agricultural sector, its positive and negative consequences, should form the basis of Russia's modern agrarian policy.

Keywords: agriculture, state regulation, crediting, subsidizing, financing, priority national project.

State support for the agrarian sector is currently the main content of the agrarian policy of most economically developed countries, mainly through various subsidies and benefits. In some countries, government financial investments in agriculture are 1.5-2 times higher than the market value of its products. As it is known, state support for agriculture and the food industry played a major role in the sharp increase in food production in the countries that are currently its largest exporters - in the US, Canada and the EU.

As we recall, the systemic crisis that engulfed the post socialist countries in the 1980s and 1990s led to the need for state intervention in the economies of these countries. Then the crisis was especially noticeable in the agrarian sector, which led to the degradation of property relations, the general nationalization of economic ties, and the loss of labor motivations. As a result, the efficiency of the use of resources and investments decreased, the production and living standards of the population began to decline. As the world experience has shown, overcoming the crisis is possible through market reforms, and agrarian reforms play an important role.

In our country, the restructuring of relations in agriculture ran slow, forcing the Legislature and the Executive branch to pay attention to the need of changing the methods and forms of agricultural relations regulation.

In Russia, the shift towards the paradigm of a market economy governed by the state in the agrarian sphere had been occurring gradually until 2005, as a continuation of the rather haphazard actions of the Russian government, undertaken since 1996.

A decision on state support for agriculture through subsidizing the interest rate on loans taken by agricultural enterprises in commercial banks was taken in 2000. The volume of state support in this direction in the following years has steadily increased at a fairly high rate. So in 2002 this type of subsidies accounted for 10.2%, in 2003 - 13.4%, in 2004 - 19.8%, in 2005 - 25.4%, in 2006 - 27, 5% of the total financing of the agro-industrial complex of Russia from the federal budget of the country.

In order to implement a lending mechanism on the basis of subsidizing interest rate, “Rosselkhozbank” is established with 100% state capital in 2000. In 2002 from the budget of the Russian Federation to the authorized capital of “Rosselkhozbank” were added 994, 2003 - 850, 2005 - 6121.4 million rubles.

Since 2001 the leasing began to be widely adopted at the federal level. In February 2001, “Rosagroleasing” OJSC was established with an authorized capital of 75.3 billion rubles, and 99.99% of the capital belonged to the Russian Federation. The RF Government Resolution No. 580 of 03.08.2001 "On Approving the Rules for the Implementation of Government Procurement and Commodity Interventions for Regulation of the Market for Agricultural Products, Raw Materials and Food" is also adopted, aimed at working out the mechanisms for regulating the agro-food market of the country. But the true is the real actions were taken only in the grain market, and the movement was on a downward trajectory. If in 2002 1648 million rubles from the federal budget were allocated for procurement and commodity interventions, in 2003 - 991.4, in 2004 - 325.6 and in 2005 - only 300.5 million rubles (Table 1).

Table 1 - Indicators of financing the agro-industrial complex of Russia from the federal budget, million rubles

The name of expenditure items	2002	2003	2004	2005	2005 % by 2002
Compensation of the difference in interest rates on loans attracted by enterprises and organizations of agribusiness in commercial banks	2017,4	3200,0	4849,7	6760,6	335,1
Expenses for regulating the grain market (carrying out commodity and procurement interventions)	1647,9	991,4	325,6	300,5	18,2
Federal Target Program "Increasing the fertility of Russian soils for 2002-2005"	4767,7	4530,7	3670,7	5214,6	109,4
Federal Targeted Program "Social development of the village for the Period until 2010"	270,0	1536,4	1733,6	2438,4	903,1
Targeted subsidies and subventions	2212,3	3008,7	4040,2	3730,0	168,6
Capital expenditures in agriculture	318,0	330,3	294,6	144,5	45,4
Maintenance of subordinate structures	6548,4	8964,4	8155,5	7011,6	107,1
Other activities in an agricultural field	1550,3	1333,1	1444,2	1036,6	66,9
Total:	19332	23895	24514,1	26636,8	137,8
In addition:					
The contribution of the Russian Federation to the authorized capitals of credit institutions	994,0	850,0	0,0	6121,4	615,8
The contribution of the Russian Federation to the authorized capital of leasing companies	3452,0	3870,0	7000,0	0,0	202,8*

* 2004 % by 2002.

At the end of 2001, the Russian Federation Government Resolution No. 780 of 08.11.2001 approved the Federal Target Program "Increasing the fertility of Russian soils for 2002-2005", the financing amount of which was determined as 163.6 billion rubles, including funds of the federal budget - 19.35 billion rubles, funds of the budgets of the subjects of the Russian Federation - 37.42 billion rubles, non-budget sources of financing - 106.85 billion rubles.

In 2002, the Russian Federation Government Resolution No. 858 of 03.12.2002 adopted the Federal Target Program "Social Development of the Village for the Period Until 2010" with a funding volume of 178.7 billion rubles. On the share of the federal budget was planned 18.7 billion rubles (10.5%), regional budgets of the subjects of the Russian Federation - 76.9 billion rubles (43%). Non-budget sources of financing were to reach amount of 83.1 billion rubles (46.5%) [5].

The beginning of state program regulation of development of agrarian sphere of economy of Russia, put by two specified target programs, allowed to direct 24.2 billion rubles from the federal budget for the implementation of specific goals in 2002-2005.

During the first five years of the new century, budget subsidies for agricultural products grew by about 42% in 2000.

At the same time, the main increase in subsidies was observed in 2005, while in 2001-2002, it did not even reach the level of 2000. Having increased in 2003 by 9.3%, they remained at the same level in the following year (Table 2).

Table 2 – Indicators of subsidizing the production of agricultural products in the agricultural organizations of the Russian Federation in 2000-2005

Index	A year					
	2000	2001	2002	2003	2004	2005
Subsidies received from the budget for agricultural products based on current market price of the year, million rubles	11150	12923	12003	13873	14693	18862
Price deflator	1,376	1,165	1,155	1,138	1,203	1,193
Subsidies received from the budget for agricultural products in basic prices of 2000, million rubles.	11150	11093	10392	12191	12214	15811
Growth rate of subsidies received from the budget for agricultural products in basic prices, % by 2000.	100,0	99,5	93,2	109,3	109,5	141,8

At the same time, the overall effectiveness of agriculture increased:

- the cost of agricultural products in comparable prices increased by 12.2% by 2005, including in agricultural organizations - by 17.5%;
- balance profit of agricultural organizations doubled;
- the number of unprofitable agricultural organizations decreased almost twofold;
- the level of profitability of the sold products reached 21-25%, approaching the value which is necessary for conducting extended reproduction for agriculture as a whole;

- the profitability of the realized livestock products increased by 18 percentage points and reached 11-12%, approaching the value sufficient for simple reproduction in the industry;
- the profitability of crop production has slightly decreased, but its level of 39-49% allowed to conduct expanded reproduction in this sector;
- the return on budgetary subsidies rose in the analyzed period from 139.9 to 270.7 (2004) and 170.4 (2005) rubles for 100 rubles of subsidies;
- there was a structural shift in the production of agricultural products in the direction of its concentration in the agricultural organizations and peasant (farmer) organizations and the reduction of its share in the households of the population.

It is obvious that steps to strengthen the state regulation of agriculture had a positive impact both on the dynamics of agricultural production and on the transformation of its structure in a positive direction: from primitive technological structures in the households to improved production in agricultural organizations and peasant (farmer) economies.

In order to consolidate the emerging positive trends in the development of agriculture, based on the previously established and strengthened institutions supporting the industry ("Rosselkhozbank", "Rosagroleasing", etc.), the priority national project "Development of the agro-industrial complex" started its work in 2006 (PNP "Development of the AIC"). By decision of the Presidium of the Council under the President of the Russian Federation on the implementation of priority national projects (Protocol No. 2 of December 21, 2005), there were approved the main directions, measures and parameters of PNP "Development of the AIC".

The PNP "Development of the AIC" included three directions:

- accelerated development of livestock;
- stimulation of development of small forms of management in the agro-industrial complex;

- provision of affordable housing for young professionals (or their families) in the countryside.

The next step towards strengthening state regulation of agriculture was the adoption of the Federal Law of the Russian Federation of December 29, 2006, No. 264-FZ, "On the Development of Agriculture" [3].

So, the process of implementing the PNP "Development of the AIC" was reinforced by the legal basis of the implementation of the state agrarian policy aimed at supporting the development of the country's agro-industrial complex. The Federal Law "On the Development of Agriculture" adopted a new norm - the State Program for the Development of Agriculture and Regulation of Agricultural, Raw Materials and Food Markets (State Program), developed for a five-year period. The first state program was to be implemented already in 2008-2012 and to be a continuation of PNP "Development of the AIC".

In October 2006, the first monitoring of the implementation of PNP "Development of the AIC" was carried out, which was headed by All-Russian Institute of Agrarian Problems and Informatics named after A.A. Nikonov. Besides, eight NRUs of the Department of Economics and Land Relations of the Russian Academy of Agricultural Sciences and several higher educational institutions of the agricultural profile of the Ministry of Agriculture of Russia took part in monitoring the Project.

The monitoring was to evaluate:

- Adegree of achievement of the goals of PNP "Development of the AIC" and its impact on the development of agriculture;
- Effectiveness and targeting of the use of budgetary funds and involvement of agricultural producers in the Project;
- Risks and problems encountered in the implementation of the Project.

The monitoring revealed a number of problems that hamper the development of the AIC, including the implementation of the priority national project. Among such problems are:

- Most of the agricultural organizations and peasant (farmer) economies were not involved in the implementation of PNP "Development of the AIC" of the direction "Accelerated livestock development" due to the lack of a collateral base for obtaining long-term subsidized loans and financial opportunities to purchase equipment and livestock by leasing, and access to long-term loans was given to few large agricultural organizations and farms, working with a profit and without overdue debt obligations;

- Only 1% of Personal subsidiary households and 3% of peasant (farmer) economies of their total number were covered by the Project in 2006 with subsidized loans;

- About half of Personal subsidiary households and peasant (farmer) economies that were participants of the Project in the direction "Stimulating the development of small forms of management in the agro-industrial complex" took short-term, not long-term loans, focusing on simple reproduction in their economic activities, and not further development due to marketing problems;

- From 30 to 45% of respondents representing small forms of management noted the difficulties in formalizing loan agreements and registration of property as collateral, which repels the owners of Personal subsidiary households and heads of peasant (farmer) economies from participating in the Project;

- It was noted that the development of agricultural consumer cooperatives was a bottleneck in the implementation of the Project;

- The low popularity of leasing livestock and equipment through the OJSC "Rosagroleasing", etc. was noted among all categories of the project participants. [1].

A very important conclusion of experts interviewed in the framework of the Project monitoring was that they pointed to the need to "develop and implement a

unified agrarian policy, develop a doctrine for the development of Russian agriculture" [1].

Despite the many problems identified during the monitoring of PNP "Development of the AIC", the results of its implementation in 2006-2007 had positive results:

- the share of loss-making farms decreased;
- the balance profit in agricultural organizations grow almost three times, with the growth of subsidies from the budget by 1.6 times and the reduction of their share in profits from 58.7% (2005) to 33.4% (2007);
- returns from budget subsidies increased: by 100 rubles of subsidies in 2007 a profit of 75.5% more than in 2005 received (before the implementation of the Project);
- the profitability of agricultural products increased due to the products of the crop sector;
- the volumes of production in farms and agricultural organizations grew with higher rates than in the economies of the population in 2006-2007;
- differences in the growth rates of production volumes by farm categories led to positive structural shifts in the direction of increasing the share in the structure of production of agricultural and peasant (farmer) organizations and reducing it for personal households.

Thereby, the previously manifested tendency of structural changes in the direction of more progressive organizational structures, functioning on the basis of higher technological structures, than the economy of the population, has intensified.

The next step in the transition to the paradigm of a regulated market economy in the agro-industrial complex was the implementation of the State Program for the Development of Agriculture and Regulation of Agricultural Products, Raw Materials and Food for 2008-2012, approved by Government Decision No. 446 of July 14, 2007 (hereinafter the State Program).

The State Program determined the achievement of the following tasks:

- creation of prerequisites for sustainable development of rural territories;
- improvement of the general conditions for the functioning of agriculture;
- ensuring accelerated development of priority sub-sectors of agriculture;
- increasing the financial sustainability of agriculture;
- improvement of mechanisms for regulating the market of agricultural products, raw materials and food.

It should be noted that The State Program was planned to subsidize interest rates on commercial bank loans in 2010 - 43.9 billion rubles, in 2011 - 58.2 billion rubles, or 36.6%, respectively 46.6% of all budgetary funds. However, as a result of adjusting the indicators of resource provision, the size and share of subsidies for repayment of interest rates on loans rose in 2010 to 62.8 billion rubles (52.3%), and in 2011 - 80.3 billion rubles (64.2%) [2]. In general, during the period of implementation of the new state agrarian policy based on the paradigm of a market economy regulated by the market, the share of subsidies for repayment of interest rates on loans in the total volume of budgetary support rose from 10.2% (2002), 25.4% (2005) to 64.2% (2011).

So more and more budget funds allocated to support Russian agriculture were being moved to commercial banks, and agricultural commodity producers were forced to repay the loan in full and part of the interest for its use, the amount of which was constantly growing due to a permanent decrease in the discount rate of the Central Bank of Russia .

As a result, credit became more and more expensive. Accounts payable on loans to banks and loans for the years of the implementation of the State Program increased by 75% (2007 - 480.9 billion rubles, 2008 - 621.8, 2009 - 726.8, 2010 - 841.2 billion rubles). At the same time, the balance profit of Russia's agricultural enterprises in 2009 was only 63.4, and in 2010 - 66.9 billion rubles [6].

The effectiveness of the implementation of the State program which can be assessed on the basis of a comparison of program and actual indicators was undoubtedly extremely negatively affected by the droughts of 2009 and 2010. This primarily affected the dynamics of agricultural production at comparable prices and, to the greatest extent, crop production.

At the same time, a number of targets, independent of the weather conditions, were not achieved, and there was negative dynamics during the years of the State program implementation. These are indicators such as the index of the physical volume of investments in the fixed capital of agriculture and the associated coefficients of renewal of agricultural machinery.

Thereby, the State program, in fact, does not solve the main issue: providing expanded reproduction of the technical base of agriculture, its large-scale modernization.

The number of agricultural organizations in the Russian Federation in 2010 comparing to 2007, preceding the implementation of the State Program, declined by 2.2 times, including profitable agricultural organizations - at 2.25, and unprofitable - by 1.95 times. For the entire period of the implementation of the agrarian policy, built on the basis of the paradigm of a market economy regulated by the state, the number of agricultural organizations decreased from 27.6 to 7.2 thousand units, or 3.8 times.

Such a drastic reduction in agricultural organizations could not but affect the solution of the tasks of the Food Doctrine, which to a certain extent had a positive dynamics only in meat and meat products, while the share of Russian production of milk and dairy products fell by almost two percentage points during the implementation of the State Program.

A significant increase in the gross harvest was noted for sugar beet and sunflower, somewhat less for vegetables. The volume of egg production increased insignificantly, the gross harvest of grain, flax fiber, fruits and berries remained

almost unchanged. The average annual production of potatoes, livestock and poultry for slaughter, milk and, especially, wool has declined noticeably.

The weak dynamics of agricultural production influenced the fact that the importation of food products over the years of the functioning of agriculture on the basis of the paradigm of a market economy governed by the state as a whole grew by a factor of 5.3 in the dollar dimension, while exports (due to grain trade) – 7 times. Excess of food imports over exports (negative balance of external trade) increased from 5.8 (2000) to 27.9 billion US dollars (Figure 1).

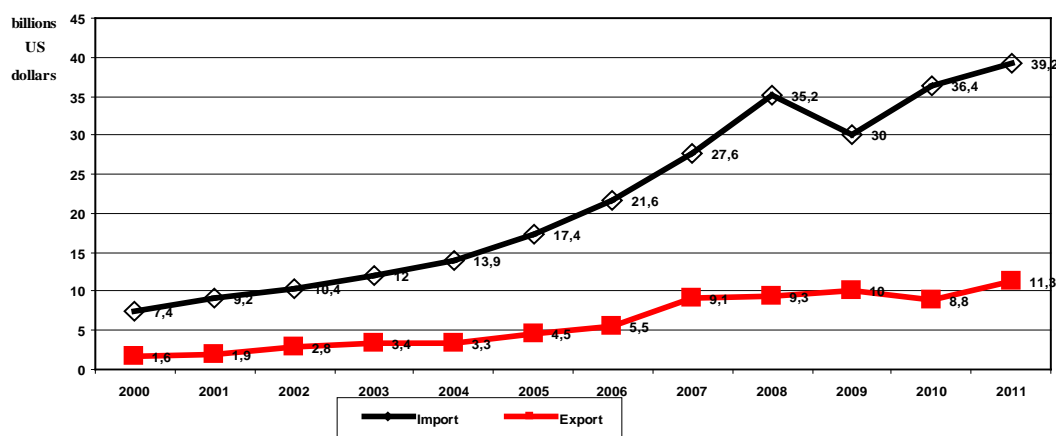


Figure 1. Dynamics of imports and exports of the Russian Federation of food products in 2000-2011

So, the implementation of agrarian policy based on the paradigm of a market economy governed by the state on one hand has undoubtedly yielded positive results in comparison with the period of economic liberalism of 1992-1999:

- the agriculture sector became one of the priority spheres of the economy, while it was previously considered as a "black hole" for the country's budget;
- the institutes for supporting the development of the country's agriculture were formed;
- the volume of financing of agriculture from the federal budget and budgets of the subjects of the Russian Federation has increased;

- By the spontaneous development of agriculture, a transition to its project and program regulation was implemented.

At the same time, there have been no significant changes in the agrarian sector of the country's economy.

The increase in production volumes occurred only for those products that to some extent had an export or import substitution value due to favorable market conditions. The increase in production in large profit-making agricultural organizations does not compensate for their reduction in connection with the liquidation and bankruptcy of economically weak farms.

Reproductive process wasn't provided at the expense of own profit, the size of which is insufficient for expanded reproduction of fixed capital, and budget subsidies, in their majority, were sent to repay part of interest rates and went to commercial banks. Debts to commercial banks on loans, many times exceeding annual profit, became a brake for obtaining new loans, without which it was impossible to further expand the reproduction in the industry.

Regulatory impacts, including budget support for the agrarian sector of the economy within the framework of the new paradigm, were carried out with the support for the development of large, economically strong farms that could be creditworthy, as well as the agriculture of the subjects of the Federation with good regional budgets, which enabled them to participate in co-financing the whole a number of events, attracting funds from the federal budget for this purpose. This approach strengthened the previously established differentiation of the conditions for the functioning of the agrarian sector of the economy in different regions of the country and agricultural producers within the boundaries of one region. A consequence of this was the differentiation of incomes and living standards of the rural population in interregional and inter-farm relations. This situation and its factors are very far from the principles of social market economy, which should form the basis of a new agrarian policy of the state in the future.

As we can see, the transition entailed small changes in all spheres of the agro-industrial complex - the reorganization of methods, principles, forms, means of production, the formation of new approaches and programs aimed at increasing production efficiency and improving the food situation in the country. Meanwhile, premature reforming and active introduction of the agrarian experience of foreign countries negatively affected the state of agriculture of that time.

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