

# Research Journal of Pharmaceutical, Biological and Chemical Sciences

## Improvement of forms state support for the agrarian sector of economy: the regional aspect

Alexander Vladimirovich Tenishchev\*, Natalia Nikolaevna Telnova, Yulia Viktorovna Orel, Svetlana Sergeevna Vaytsekhovskaya, and Anzhelika Rashitovna Baicherova

Stavropol State Agrarian University, Zootekhnicheskiy lane 12, Stavropol 355017, Russia

### ABSTRACT

This article presents the structure of the farms in the region, shows the role of personal subsidiary farms and the principles for the formation of a new concept of state support for the agrarian sector in accordance with the requirements of the World Trade Organization.

**Keywords:** agrarian sector of the economy, agribusiness, state support, agriculture, food security, agrarian policy.

\*Corresponding author

**INTRODUCTION**

In the modern Russian economy, objective prerequisites for the development and implementation of priority areas of state support for the domestic agrarian sector of the economy were formed.

The mechanism of state support for rural commodity producers, both at the federal level and at the regional level, undergoes significant structural changes. The principles and methods of subsidizing rural commodity producers are improved, including taking into account the requirements of the World Trade Organization. However, further steps to improve the effectiveness of government support measures are not possible without a comprehensive analysis of the existing subsidy mechanism, identifying vital strategic directions for its improvement, to ensure a clear implementation of the state's agrarian policy at the federal and regional levels.

The purpose of adapting the mechanism of state support for rural commodity producers to modern conditions is the creation of a unified basis for organizational, economic, social, labor, administrative and regulatory processes and the formation of effective competitive agro-industrial production to ensure the country's food security.

**RESULTS AND DISCUSSION**

Today, in the Russian Federation, state support is realized through a system of subsidizing production. It is aimed at compensating a part of the costs of production for ensuring extended reproduction in all spheres of the agroindustrial complex. Practice shows that the implementation of the priority national project "Development of the agro-industrial complex", the adoption of the federal law "On the development of agriculture" and a number of relevant normative acts do not fully solve the problem of strengthening the agricultural sector of the economy, despite the allocation of significant financial resources, since the mechanisms for their implementation are not function properly (Table 1).

**Table 1: State support of the agrarian sector in the framework of agreements with the WTO for 2012-2018, billion dollars**

Indicator	2012	2013	2014	2015	2016	2017	2018
The volume of state support for the agro-industrial complex of Russia	9,0	9,0	8,1	7,2	6,3	5,4	4,4

Let's consider the mechanism of realization of the state support to the agrarian sector in the framework of unrelated support. In view of Russia's accession to the WTO, uncoordinated support within the framework of per-hectare subsidies is the priority for improving the entire system of state regulation (Figure 1).

State program for the development of agriculture and regulation of markets for agricultural products, raw materials and food for 2013-2020.		Governmental support	
Yellow basket	Green basket	Blue basket	

Measures that affect trade, the amount of support is limited	Measures that do not have a distorting effect on trade, the amount of support is not limited	Measures aimed at self-limiting production, exceptions to restrictions
--	--	--

**Figure 1: State aid to the agro-industrial complex taking into account the requirements of the WTO in the framework of unrelated support in 2012-2018.**

This direction corresponds to the most important requirement - "not to exert or have the least adverse effect on trade and production, be carried out directly from the budget and not to maintain producer prices." One more important limitation is that payments for unrelated state support should not be linked to production volumes and prices for agricultural products, provided that the right to such payments is determined according to clearly established criteria.

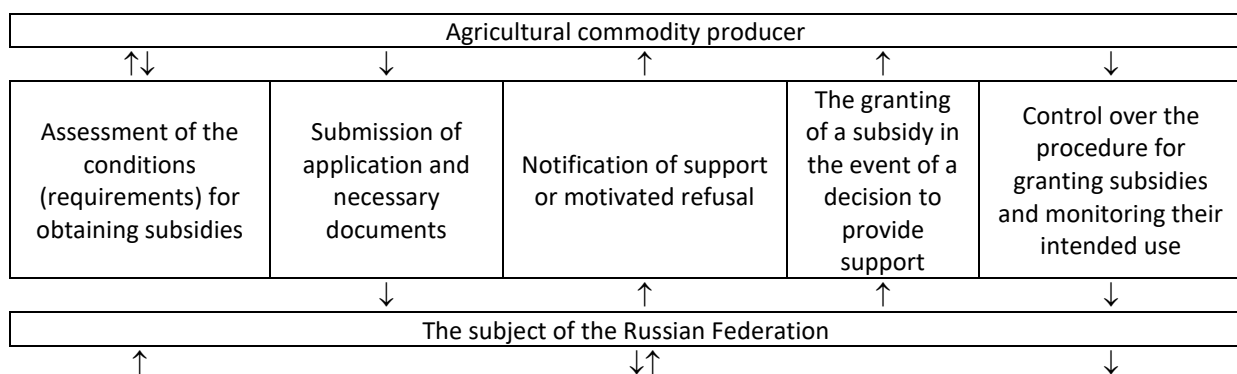
Therefore, within the framework of the State program for the development of agriculture and the regulation of markets for agricultural products, raw materials and foodstuffs for 2013-2020, most of the support measures that distort the trade - the "yellow basket" with payments not related to production indicators, e. referred to the "green box".

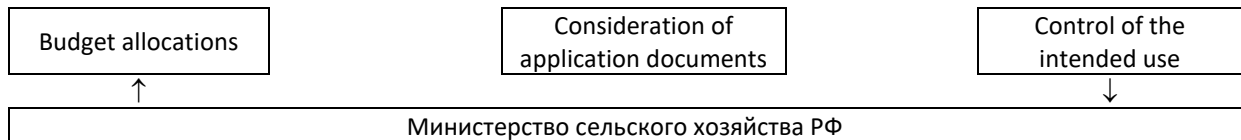
At the same time, such an event of the state program as "income support" fell out of the sphere of consideration of the said resolution. Currently, the amount of subsidies for unrelated support is linked to the level of intensity of use of sown areas and the index of soil fertility (based on the results of state registration of indicators of the state of fertility of agricultural land), and the notion "minimum subsidy rate per 1 hectare of sown area in Russia" is introduced.

Despite the fact that, in general, this mechanism declares the distribution of subsidies within the norms of unrelated WTO support, there is also a certain contradiction - linking the volume of subsidies to the level of intensity of use of crop areas (the ratio of the volume of crop production to the sown area), which contradicts the Agreement on agriculture of the WTO. This could well be the reason for the WTO's opposition to the inclusion of these support funds in the green box. It turns out that it is advantageous for the domestic commodity producer to underestimate the size of crop areas and overestimate crop yields, thereby showing an increase in the intensity of agricultural land use.

Assessment of soil fertility, based on the requirements for the provision of subsidies, should be carried out solely on the basis of state records of indicators reflecting the state of fertility of agricultural land. At the same time, the real state of this information leaves much to be desired. In addition, the calculation methodology is such that there is an interest in looking at the results, since the less fertility, the higher the subsidy per hectare. Thus, rural commodity producers have no material incentives to increase soil fertility!

The current procedure for receiving subsidies in the framework of state support for agriculture in the Russian Federation (Figure 2) once again proves that the Ministry of Agriculture of the Russian Federation only distributes budget allocations and monitors their targeted use.





**Figure 2: The current procedure for receiving subsidies in the framework of state support for agriculture in the Russian Federation**

The procedure for receiving subsidies by producers in the regions provides for the mandatory provision of documents, which include a lot of forms of statistical reporting already handed over by agricultural producers. This creates a significant bureaucratic barrier in the way of obtaining state support by domestic commodity producers.

Thus, the analysis of the mechanism for providing state support to rural commodity producers makes it possible to identify the following problems:

- Formal solution of the issue of transferring part of the state support (per-hectare support) to the "green basket";
- the lack of a mechanism to achieve the declared goal of the state program - "supporting the incomes of agricultural producers";
- Lack of a strong relationship between the level of subsidies and the level of costs generated, therefore, the declared subsidy cannot be achieved - "reimbursement of part of the costs of the implementation of a complex of agrotechnological work";
- Lack of a link between the scale of implementation of new technologies and the amount of support;
- the emergence of paternalism in accessing state support for inefficient economic entities, most of which do not plan to work on improving technology;
- adding to the measures of unrelated support for a mass of additional conditions and restrictions on the part of regional authorities, which creates a foundation for informal arrangements and elective support;
- the formation of a mechanism to "exclude" a significant part of potential recipients from access to government support;
- duplication of already available statistical reports and availability of all kinds of restrictions that distract employees of agricultural enterprises of the main activity;
- the likelihood of a conflict situation exists, when interested parties in the WTO, after analyzing the legislation (unrelated support), may require a review of the fulfillment of the obligations of the Russian Federation in the box of the "yellow basket".

The following priority directions of state support for competitive farms, which should be realized primarily in accordance with the production costs, are justified in the current situation, which will correspond to the strategic goal of compensating a part of the costs for the agricultural commodity producer in the production of domestic food.

Today, the Ministry of Agriculture of the Russian Federation is implementing the following measures of state support for the agro-industrial complex:

- Preferential lending.
- One regional subsidy.
- Subsidy to reimburse part of the interest rate on investment loans taken before January 1, 2017.
- Compensation of direct costs incurred for the construction and modernization of APC facilities.
- Subsidy for providing unrelated support in the field of crop production.
- Subsidy for increasing productivity in dairy cattle.
- Subsidies to producers of agricultural machinery.

In the Stavropol Territory in 2017, a number of state support programs for the agro-industrial complex are planned to be implemented (Table 2).

**Table 2: Directions of state support implemented within the framework of the State Program in the Stavropol Territory in 2017**

Direction of state support	Provided for this year, thousand rubles		
	total	including at the expense of	
		federal budget	budget of the subject of the Russian Federation
<b>Development of agro-industrial complex branches</b>			
Providing unrelated support to agricultural producers in the field of crop production	63 373	59 571	3 802
Increasing productivity in dairy cattle breeding	94 007	66 940	27 067
Assistance in achieving the targets of the regional agro-industrial development programs ("Unified Grant")	1 738 708	1 576 229	162 480
Total in the direction	1 896 088	1 702 739	193 349
<b>Stimulation of investment activities in the agro-industrial complex</b>			
Support for investment lending in the agro-industrial complex	2 907 544	2 044 004	863 541
Compensation of direct costs incurred for the creation and modernization of agro-industrial complex facilities, as well as for the purchase of machinery and equipment	1 117 769	1 061 880	55 888
Total in the direction	4 025 313	3 105 884	919 429
<b>FTP "Development of land reclamation of agricultural land in Russia for 2014-2020 years »</b>			
Subsidies for the implementation of the FTP activities "Development of land reclamation of agricultural land in Russia for 2014-2020"	205 960	180 185	25 775
Total in the direction	205 960	180 185	25 775
<b>FTP "Sustainable development of rural areas for 2014 - 2017 and for the period until 2020"</b>			
Subsidies for improving the living conditions of citizens residing in rural areas, including young families and young professionals	116 534	73 079	43 455
Subsidies for the complex arrangement of social and engineering infrastructure facilities for settlements located in rural areas - for the development of water supply and (or) gasification	64 065	24 065	40 000
Subsidies for the complex arrangement of social and engineering infrastructure of settlements located in rural areas - the development of a network of general education organizations	39 000	20 000	19 000
Subsidies for the complex arrangement of social and engineering infrastructure of settlements located in rural areas - the development of a network of flat sports facilities	30 804	10 804	20 000
Total in the direction	250 403	127 948	122 455
<b>Total</b>	<b>6 377 763</b>	<b>5 116 755</b>	<b>1 261 008</b>

In 2017, certain rules for granting state support to the agricultural sector in the Stavropol Territory have undergone changes. Thus, in order to improve the effectiveness of the system of inter-budgetary subsidies, it is planned to consolidate support measures as part of the execution of the instruction of the president and the government, as well as in accordance with the observations of the Accounting Chamber. In recent years, there has been a problem of prompt delivery of subsidies to rural commodity producers. Regions may not always promptly redistribute funds due to the fact that a number of changes in regulatory documents are approved by orders of the Government of the Russian Federation.



Since 2017, the "unified subsidy" has begun to operate, which includes support for lending and insurance, small forms of management, elite seed production and breeding, gardening, sheep breeding and other traditional agricultural areas. Outside of the "unified subsidy" there remain unrelated support in crop production, subsidies for 1 kg of milk, subsidies for investment loans, compensation for direct costs incurred to create and modernize APC facilities, implement measures in the field of land reclamation and rural development within the framework of two federal targeted programs.

The distribution of the "single subsidy" will be implemented taking into account the development priorities of each region and on the basis of indicators specified in agreements with the regions (in particular, for the Stavropol Territory - meat and dairy cattle). Prior to this, the Ministry of Agriculture distributed subsidies in seven directions within the amount raised by the Ministry of Finance.

Also, since 2017, the mechanism of preferential lending at a rate of no more than 5% per annum, which will facilitate the access of commodity producers to credit resources, is beginning to work. Subsidies are planned to be provided directly to banks at a rate of 100% of the key rate for loans issued at a rate of no more than 5%. Thus, the agrarians will no longer have to divert their own working capital to pay interest on loans and wait for their subsequent return in the form of subsidies.

The draft budget for 2017 to support the agricultural sector provides 204.5 billion rubles. - 1.5 times less than stipulated by the state program passport, and by 20 billion rubles. less than in the previous year.

As part of the implementation of state support programs, it is necessary to separate loans granted before December 31, 2013 (which are already subsidized), from concessional loans - those that will be issued after 01/01/2017 at a rate of not more than 5%. Subsidized short-term loans (issued before December 31, 2013) from next year will enter into a single grant.

Loans (both short-term and investment), which will be issued at 5% per annum after 01/01/2017 (so-called soft loans), will not be treated as a single subsidy. They will relate to the subprogramme Stimulation of investment activities in the agro-industrial complex.

Subsidized investment loans (issued before December 31, 2016) will also relate to the subprogramme Stimulation of investment activities in the agro-industrial complex.

Thus, the sub-program of stimulating investment activities in the agro-industrial complex will include the following areas:

- Support of investment lending in the agro-industrial complex (this includes subsidized investment loans issued before December 31, 2016);
- Compensation of direct costs incurred for the construction and modernization of APC facilities;
- Support for concessional lending (subsidies are not issued to commodity producers, but to banks, this includes short-term investment soft loans issued after 01/01/2017).

### **CONCLUSION**

And in conclusion it is necessary to note the experience of foreign countries, for example the USA. Currently, the US Department of Agriculture is implementing five major programs aimed at providing food assistance to various segments of the population. This program includes the provision of food stamps, additional food for women and children, school meals and breakfasts, meals for kindergartens and homes for people with disabilities. The amount of funding for food aid is almost double the amount of direct government subsidies to farmers.

To support farmers, a three-component system of economic security has been developed, which includes:

- Average collateral price and granting of loans on the security of the harvest; direct fixed payments, not related to the size of production;
- Support of the farming sector in the form of payments as needed.

In addition, programs aimed at the conservation of lands, primarily those prone to water and wind erosion, are being financed.

In a number of European countries (France, Germany, Holland, Denmark, etc.), state regulation is being implemented in two directions. First, it is the direct impact of the state on the development of agriculture, including the adoption of policy, administrative and planned measures to regulate this sector of the economy, and secondly, indirect effects through the application of price, credit, fiscal and investment mechanisms.

The above measures are designed to ensure, first of all, the country's food security. For any country, the production, distribution and trade of agricultural products is an essential element of its agrarian policy in the field of food security. Therefore, each state is obliged to provide a direct influence on the state of agricultural production through the system of financial regulation (benefits, subsidies, subventions, etc.).

#### REFERENCES

- [1] Analysis of the state and prospects for ensuring Russia's food independence / Karibdzhanyan A.S., Ionova A.Ch. - In the collection: Contemporary society: towards social cohesion, culture and peace Materials of the international forum. 2016. P. 32-34.
- [2] State support of agriculture as a factor in ensuring food security Semenova N.N., Tyablyashkina L.V. Economics, labor, management in agriculture. 2012. №3. P. 23-26.
- [3] Features of state regulation and state support of investors in the agro-industrial complex of the Stavropol Territory Evdasheva D.N., Tomilina E.P. Fundamental and applied research in the modern world. 2013. T. 2. №4 (04). P. 139-141.
- [4] State support of agriculture under WTO conditions, sanctions and unsanctions / Gataulina E.A., Uzun V.Ya. EKO. 2015. No. 1 (487). P. 115-123.
- [5] Trends in state support for investment activities in the agrarian sector / Telnova N.N., Shatalova O.I., Velichenko E.A. In the collection: Actual problems of scientific research. Collection of proceedings on the materials of the Vth annual International Correspondence Scientific and Practical Conference: materials and reports. CHU IN JURGI. 2015. pp. 64-68.