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Sustainable Agriculture

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Conditions for Effective Operation of Farms

Russia actively began building up its farm network in the mid-1990s. There are currently 255,000 farms with a total land area of 21 million ha (on average 81 ha per farm). Farmers own 19.5% of agricultural land and 14.7% of arable land. They produce 12.5% of total agricultural products in Russia (Smolyaninov, 2004).

Analyses of farm problems should focus on finding ways of development and effective management and economic mechanisms of operating. Particular attention should be paid to optimal farm structure, size, services and cooperation, state support. One of the main conditions for successful farm operation is achievement of optimal production and economic parameters. In contrast to general Western practice, where highly specialised small-scale agricultural enterprises are one of the main factors in increasing production volume and labour productivity, in Russia it is risky to create highly specialised enterprises, because the market is unsustainable, prices for different types of agricultural products are disproportionate, quite often partners break treaty commitments, etc. In every enterprise it is reasonable from a management and economic point of view to have no less than two agricultural enterprises.

Statistics show that small-scale farms (with less than 15 ha of land) stop operating most often. Effective development of farm enterprises is impossible without enlargement. Enlargement is possible by transfer of the land from those enterprises which stopped operating to those which work efficiently, by well developed rent and creation of a regulated market of land (Russian Statistical Yearbook 1998-2008).

An important condition which ensures successful operation of farms is the availability of means of production. In Russia, only 75% of farmers have a tractor, while 68% of farmers have a lorry. Weak supply of materials and technical resources is one of the main problems in farm formation. This problem has two aspects: a) lack of financial resources available for farmers; b) existing disproportion between prices of industrial and agricultural products.

The main financial source for creation of a material and technical base available for farmers is bank credit with favourable rates of interest. Besides this, it is possible to use long-term leasing of both agricultural machinery and processing equipment (primarily for processing products of animal husbandry). Another important condition for effective operating of farms is state support on both fed-
eral and regional level (Borhunov and Polyanina, 2004; Smolyaninov, 2004; Sokolova and Chudilin, 2005).

The main activities in the framework of the national project ‘Development of Agro-industrial complexes’ focused on stimulating development of small-scale agricultural enterprises were:

1. Increase in credit for personal subsidiary plots and farms, as well as cooperatives of small-scale agricultural producers. The main mechanism is to subsidise interest rates for loans taken in commercial banks to the amount of 95% of the refinancing rate of the Bank of Russia;
2. Support a network of agricultural cooperatives of different kinds. The joint-stock company ‘Rosselkhozbank’ provides credit, information and methodical support to the cooperatives. Besides that, Rosselkhozbank is an associate member of the cooperatives.
3. Development of borrowing using land as collateral. The main banks that are members of the national project are Rosselkhozbank (57% of all concluded treaties and 37% of all credit resources) and the Bank of Savings of the Russian Federation (31% of all concluded treaties and 41% of all credit resources).

Since 2005, lending has increased 10-fold. In 2006 it reached 40.0 billion RUB, whereas in 2005 it was just 3.4 billion RUB. The number of borrowers was more than 130,000 in 2006, compared with 2,500 in 2005. The increase happened thanks to private subsidiary plots. Private subsidiary plots, farmers and cooperatives took 55%, 32% and 13% of loans respectively (Borhunov and Polyanina, 2004).

Foreign experience shows that state interference in the market relationship occurred previously in regulation of prices of agricultural products. Within the EU, the old subsidisation environment is being replaced by a market where the price is increasingly determined by market demand and supply. The agricultural support paid by the EU or its Member States is mainly based on hectares or animal units and only to a smaller extent on producer prices.

Due to the sharp decrease in state purchasing of agricultural products and liberalisation of prices of agricultural products and raw materials in Russia, it is necessary to elaborate an effective mechanism for pricing agricultural products. Customs dues should be fixed on the level that could ensure 40% profitability and cover expenses related to permanent assets.

An important issue in farm activity is the development of cooperatives, not only with farms themselves, but also with other agricultural and industrial enterprises which store, process and sell agricultural products and provide services. Development of cooperative relationships is mostly reasonable in the processing field, as well as in joint purchasing and use of agricultural machinery and marketing and advisory services.

Arguments for organising processing at the place of production are that important economic problems are solved: a) losses are decreased; b) quality is preserved; c) the cost of transport is decreased; and d) joint products are used more effectively. Besides that, social problems are solved: a) the rate of employment is increased; b) seasonal fluctuations in demand for labour are evened out; c) the supply of food is improved.

In 2006, more than 2000 agricultural consumers’ cooperatives were formed in Russia. Formation of cooperatives is proceeding more rapidly in the Federal Districts that received more funding in the framework of the National Project. These are the Republic of Mordovia, Belgorod and Orenburg oblast and the Republic of Sakha.
References


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The international project ‘Development of agricultural education in Northwest region of Russia with use of experience of Denmark’. Section. Operative administration of business: the curriculum on speciality ‘Farmer-manager’ developed for agricultural colleges of Northwest region of Russia based on the experience of Denmark.’ (*‘An agricultural education Programme developed for the North-West Region of Russia focusing on operational farm management’*).


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Results of Soviet Authority Decades in Figures: 1917-1927, pp. 419-423