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CHAPTER IV

STATE PROGRAM FOR DEVELOPMENT OF AGRICULTURE AND ITS CONTEMPORARY APPLICATIONS: ISSUES OF RURAL DEVELOPMENT IN RUSSIA

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ABSTRACT

The chapter aims at overview of the recently adopted State Program of the Russian Federation for Development of Agriculture and Regulation of Agricultural Commodities Markets in 2013-2020 and specifics of its application in Russia in the conditions of trade liberalization. The Program is important to be analyzed in the frameworks of the current joint international research, since it emphasizes a social and rural development orientation, although the planned funds for these sub-programs are small. The research considers four applications of the given State Program: compliance with WTO requirements, state support of agriculture, provision of food security, and ensurance of sustainable rural development. In the process of chapter development authors addressed the report "Agriculture Development Program 2013-2020" by USDA Foreign Agricultural Service, report of the Ministry of Agriculture of the Russian Federation and data provided by the Federal Service of Statistics of the Russian Federation. The chapter results in the conclusion that state policies in the sphere of rural development have to evolve beyond the traditional, sector-based model, with its almost exclusive focus on agriculture. Contemporary set of tools to ensure sustainable rural development should be based on the multi-sectoral strategies and programs that identify and better exploit the development potential of rural area through a variety of factors: national food security, agricultural production, liberalization of trade and foreign economic activities, support of local producers and rural households, rural infrastructure, environmental and recreational potential.

KEY WORDS: food security, rural development, state support, state program, agricultural policies

INTRODUCTION

Agrarian reform and rural development go hand in hand for the overall agricultural prosperity of the nation. Agrarian reform and rural development are the inseparable components that promote the economic and social conditions of rural people. They work together to improve the livelihoods of rural people.

Today rural development policies are much broader than they used to be in the early 2000s. They shifted from agriculture itself to a broader spectrum,

which included trade liberalization and integration, social and economic situation in rural territories, development of rural infrastructure, employment and involvement of rural households into economic activities, rural tourism and other alternative sources of income, environmental and recreational issues, etc. The framework that is emerging from this shift is often referred to as the “New Rural Paradigm”. It represents an approach to rural policy that is grounded in current rural conditions and opportunities in rural areas. Yet while the paradigm itself may no longer be new, more than half a decade since it was formulated, it remains highly relevant, as governments have often been faster to pick up the language of the new strategies than the practice.

In July 2012, the Government of the Russian Federation adopted the State Program for Development of Agriculture and Regulation of Agricultural Commodities Markets in 2013-2020. Unlike the previous program of 2008-2012, the new one does not estimate private funds that might be attracted to agriculture. However, it emphasizes a social and rural development orientation, although the planned funds for these sub-programs are small. We consider the applications of that orientation as vitally interesting to be studied, since they configure the perspectives of rural development, food security, agricultural production and trade with agricultural commodities and food in Russia for the next decade.

STATE REGULATION OF RURAL DEVELOPMENT: RUSSIA'S EXPERIENCE DURING TRANSITION PERIOD

The concept of rural development is not part of traditional approaches to rural social and economic problems in Russia. The various components of rural livelihoods were always viewed in their relation to agricultural production and treated as a part of the kolhoz/sovkhoz system. As the transition progressed, and rural social problems emerged, there has been some progress in separating social services from agriculture, but the change has not yet resulted in a recognition of the need for treating the problems of the rural space in an integrated, multi-sectoral, and holistic manner.

The Soviet system of agricultural production by large collective farms, supported by significant subsidies and budgetary transfers, provided secure employment, and conditions for a simple, but acceptable life for the majority of rural inhabitants.

During 1990s the structure of population rural areas had been gradually changing. There were fewer young people. The number of rural settlements was decreasing. According to the 1959 census, there were 294059 rural settlements, while the 1989 census showed only 152922. According to the Federal Service of Statistics of the Russian Federation, 55.3% of the rural population had cash incomes below the poverty level, a much higher percentage than in urban areas. Though most of the Russian poor do live in cities, the percentage incidence of poverty is much higher in rural areas, because incomes of ru-

ral population are generally lower and the number of dependents are higher than in urban areas.

During the transition period, there is some evidence that the gap between average per capita gross incomes in rural and urban areas deepened. According to Bondarenko,⁶³ the ratio of per capita income in urban areas to rural areas in 1990 was 114.9%; in 1998 this ratio increased to 143.3%. In 1999, it fell slightly to 141.8% and increased again to 150.6% in 2010. A significant differentiation of household incomes both in urban and rural areas is a characteristic feature of the socioeconomic situation in Russia.

At the same time, in rural areas differentiation by cash income is higher than in cities, while differentiation by gross income and all available income is lower. It should also be noted that since 1998 social stratification in rural areas has been slightly decreasing while in urban areas it has grown compared to 1998 and remained unchanged in 2010 compared to 1999.

After the 1998 financial crisis, agricultural experts pointed out numerous “windows of opportunity” for domestic agricultural producers, and predicted considerable growth in the sector. In fact, there was some growth; however, an increase in rural household incomes did not occur until 2010. The root cause of increased rural poverty is the economic collapse of the large-scale farms. Most collective enterprises reduced the volume of production significantly (from 1992-1998 by 50%), and cut the labor force by 3 million during the same period.⁶⁴ In 2000s, agricultural enterprises experienced some economic growth, but their labor force continued to decrease. The decline in economic activity resulted in a very significant contraction in agricultural salaries, both in absolute and relative terms.

The value of agricultural labor in the Russian economy is lower than any other labor source. The share of agricultural labor in the final food price is undervalued. This is the result of a number of factors:

- food processors with monopolies that keep procurement prices low;
- poor development of rural infrastructure;
- poor development of alternative channels of agricultural marketing;
- inability of workers in agricultural enterprises to influence the decision-making process and have some control over economic transactions;
- corruption of agricultural managers under conditions where the majority of business transactions are made outside the banking system (barter, offsetting arrangements, gray market schemes, etc.);
- lack of a fully formed agricultural labor market with access to market information;

⁶³ Bondarenko, L. (2000): *Incomes and Consumption in Agriculture*. Economics of agricultural and processing enterprises, Vol. 11, pp. 39

⁶⁴ Ivolga, A., Erokhin, V. (2011): *Rural development and agrarian reform: Russian experience during the transition period*. Rural Development Policies from the EU Enlargement Perspective: International Conference, 8-9 September, Ecka, Republic of Serbia, pp. 137-144.

- much higher burden of dependency (number of dependent children, unemployed, disabled, etc., per household) in rural areas compared to urban areas.

The non-agricultural component of the rural economy represents a rather significant component of rural life in many East European countries. It provides significant additional income and employment for the rural population, and creates demand and markets for local products as well as opportunities which are essential to increase efficiency in the agricultural sector. In Russia nonagricultural activities were included in the kolkhoz/sovkhoz system during the soviet era. The separation of these activities from the agricultural organizations and the emergence of new rural non-agricultural economic activities, have been very slow and has happened on its own with little outside assistance.

STATE PROGRAM OVERVIEW

The draft of Program 2013-2020 was prepared by agricultural economists in mid-2011, and called for significant increases of support for social programs and subsidies for producers. However, this draft was not considered by the Federal Government and the Russian Ministry of Agriculture prepared its own draft, which requested funds for the Program 2013-2020 that were lower than the one prepared by the agricultural economists.

The Program plans to allocate \$76 bln for the development of agriculture and food markets during the period 2013-2020, including \$50 bln from the federal budget and \$26 bln from provincial budgets. The state funds (both federal and provincial) for the State Program are only half of what was requested in the Ministry of Agriculture's draft of August 2011. The development of the livestock industry will remain the top priority for the Ministry of Agriculture. One major change in the State Program is the method of support to agriculture will shift from subsidized interest rates toward direct income support for farmers. The Program emphasizes a social and rural development orientation, although the planned funds for these sub-programs are small.

Previous Program (2008-2012) envisaged expenditures of \$37 bln over five years, split between federal and provincial budgets. Industry analysts report that during this period of 2008-2012 the federal budget has actually spent more than called for as a result of additional support for agriculture in the years of economic crisis in 2008 and in the drought-impacted year 2010. According to preliminary estimates of the Ministry of Agriculture, the total federal budget for the program 2008-2012 may reach \$22 bln by the end of 2012, considerably above the planned amounts. The Program 2008-2012 emphasized (and concentrated funding) on boosting domestic output of meat, and meat production has increased significantly, although at a slower rate than envisaged. Meanwhile, federal allocations for some important social sub-programs were drastically reduced. Thus, the sub-program on social development of rural ar-

was cut by \$2 bln, and most of the socially important targets of the program, such as sustainable rural development, increased rural employment and improved rural living standards, have not been reached.

The Program outlines two sets of priorities. For the purposes of the current research we have to highlight the priorities related to the ensurance of sustainable rural development. They are quite general, since envisage only two spheres:

1. Sustainable development of rural territories as the precondition for preservation of labor resources and the territorial integrity of the country;
2. Creation of conditions for economic and physical availability of food for the vulnerable stratus of population (based on the rational norms of consumption).

Other first level priorities are divided into the ones related to the spheres of production, economics, development of production potential, institutional development, and science and personnel:

1. In the production sphere – development of the cattle industry (production of meat and milk) as the core (strategic) sub-industry that use the “competitive advantages of the country”, such as availability of significant agricultural lands;
2. In the economic sphere – increase of returns of agricultural producers;
3. In the sphere of development of production potential – reclamation and irrigation of agricultural land, recovery of non-used arable land and other agricultural lands;
4. In the sphere of institutional development – development of integration links in the agro-industrial complex and formation of food sub-complexes, as well as territorial vertically integrated agribusiness, so called “clusters”;
5. In the sphere of science and personnel, the Program’s priority is to “provide for an innovative agro-industrial complex”.

The second level of priorities:

1. Development of import-substitution industries, including vegetable and fruits production;
2. Ecological safety of agricultural and food products;
3. Increase of exports of agricultural products, raw agricultural materials and foodstuff, if and when the domestic markets are saturated;
4. Minimize the cost of logistics and support the competitiveness of production, considering at the same time the rational location and specialization of agricultural and food industries by zones and regions of the country.

COMPLIANCE WITH WTO REQUIREMENTS

In general, according to its recent accession to WTO Russia will ensure the necessary level of transparency of its foreign trade and agricultural policies. All general legally enforceable enactments regulating trade will have to be published in the official sources and will not come into action until their offi-

cial publication. Besides, at the development of the normative acts Russia will provide to all involved parties the possibility to present their comments and suggestions during the reasonable period of time to the drafts of such acts until their final approval. This will ensure the certain level of predictability of the legal environment in the country.

In general the adopted State Program of the Russian Federation for Development of Agriculture and Regulation of Agricultural Commodities Markets in 2013-2020 supports Russian agriculture adaptation to WTO requirements and considers relevant plans of actions of the Russian Government, business, and the Ministry of Agriculture. The Ministry of Agriculture of the Russian Federation developed a plan of actions to adapt domestic trade, agricultural and rural policies to WTO, which includes a “road map” of tariff and non-tariff regulation of imports of agricultural products.

The Program envisages other measures as well:

1. Extension of tax preferences for agricultural producers, such as profit tax exemptions for agricultural producers, VAT-free imports of pedigree cattle, embryos, semen till 2020

2. A Federal Law “On Veterinary” will improve Russian veterinary legislation

3. Russia prepares a list of agricultural and food products for State and municipal needs which can only be purchased from producers within the Customs Union.

4. Strengthening customs management of imports of agricultural products, especially beef;

5. Making amendments to the Federal Law “On Agriculture” in order to determine criteria for territories unfavorable for agriculture, support of which will not be limited by the WTO;

6. Stimulate demand for agricultural raw materials and food products by low income populations, support of food consumption by some social groups, i.e. school feeding, reforming the system of procurement of products and food for the state needs.

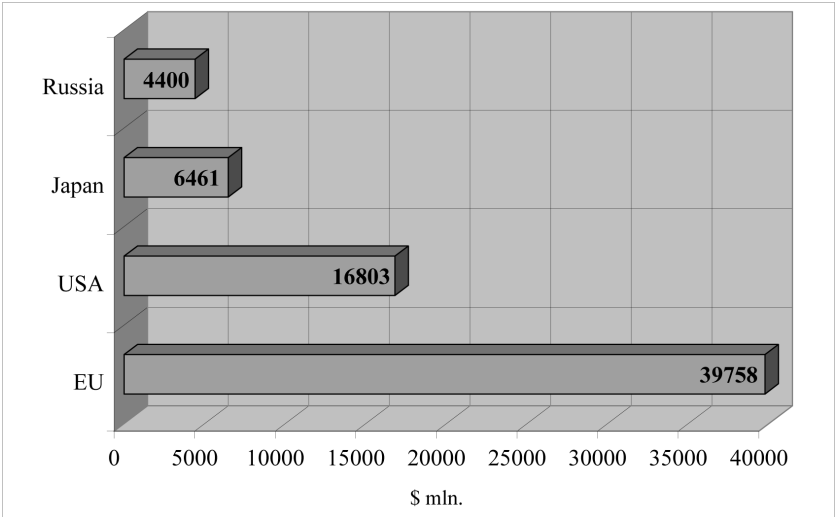
NEW APPROACHES TO SUPPORT OF AGRICULTURE

The importance of state support of agriculture cannot be overstated. Such measures undertaken as much as possible by most every country distort the character of international trade of agricultural products. Developed countries, primarily USA and EU, lay emphasis on implementation of a wide range of tools that affect competitiveness of domestic farmers and character of international trade directly and indirectly. Such policies support effective elimination of prices disparity and increase of farmers’ incomes. Obviously, developing countries fail to support domestic agriculture proportionally with USA, EU and other developed states.

Annual expenses of WTO member countries for agriculture reach dozens of millions US dollars. Half of “agricultural” expenses of WTO member countries are the measures distorting trade and production which has a negative influence on the global agricultural market, leading to the excess production and fall of prices for agricultural and food products.

Currently almost all-global volume of agricultural support is distributed between EU producers (39%), USA (36%) and Japan (15%). These countries provide more than 90% of total volume of subsidies worldwide. The share of state support in GDP of agriculture is 36% in EU, 37% in Japan and 39% in USA. Herewith USA and a range of other developed countries remain the net exporters of food products and save the high level of food sovereignty. USA and France are fully independent and provide themselves with agricultural and food products on 100%, Germany – on 93%, Italy – on 78%, Japan (which almost has no land resources) – on 40%.⁶⁵

Figure 4.1. Comparison of Amber Box support volumes in Russian and WTO member countries in 2011



Source: Erokhin, V, Ivolga, A. (2012): *How to Ensure Sustainable Development of Agribusiness in the Conditions of Trade Integration: Russian Approach*. International Journal of Sustainable Economies Management (IJSEM), vol. 1, issue 2, pp. 12-23.

⁶⁵ Erokhin, V., Ivolga, A. (2012): *How to Ensure Sustainable Development of Agribusiness in the Conditions of Trade Integration: Russian Approach*. International Journal of Sustainable Economies Management (IJSEM), vol. 1, issue 2, pp. 12-23.

Obviously, new WTO members and developing countries are not able to support their agriculture equally to the USA, EU and other developed countries. This is also the case of Russia where the volume of Amber Box support is almost 10 times lower than in EU and even lower than in Japan – country without any essential land resources and opportunities to develop its own agricultural production.

Russia had announced the volume of \$9.9 bln as the maximum level of support for domestic agriculture in 2012 with its gradual reduction to \$4.4 to 2018. However, the problem is the country does not spend even more than \$4.5 bln for its agriculture now and increase of this level is not foreseeable. This means lower competitiveness of Russian agricultural and food products comparing to USA and EU producers – and this may cause serious problems for domestic farmers when Russian market is open for foreign agricultural production. The main question is how to ensure the sustainable development of the national agricultural production and agribusiness in the conditions of the growing openness of the market and its liberalization taking into account the incomparably low financial possibilities for support.

A key aspect of the Program is the shifting of government support away from subsidized interest rates to more direct support of farmers targeted at raising their productivity and their incomes. However, the Program mentions but does not specify the new mechanisms for farmer income support. It is assumed that these concrete mechanisms will be developed by the Ministry of Agriculture in cooperation with industrial unions and associations.

The subsidies for agriculture will be more in form of direct payments to farmers than in the subsidizing bank interest rates for agricultural loans; and beginning in 2013, there will be direct subsidies to farmers for fertilizer, fuel and lubricants, and direct reimbursement of expenses for soil nutrients, and the cost of interest on certain short-term loans. The subsidies for crop producers will be made per hectare of cultivated farmland, and the rates of direct payments will vary depending on the type and condition of soil, natural and bioclimatic conditions. The subsidies for milk producers will be made per liter of milk, but will include some indexes for support of animal head numbers. However, the concrete formulas for calculation of subsidies have not been approved yet by the Ministry of Agriculture.

The federal budget will continue subsidizing interest rates, especially for loans for livestock, poultry and meat producers, but according to Ministry of Agriculture's officials, these subsidies will be reduced considerably. The Program, however, does not breakout the funds for interest rate support or direct subsidies. The funds for interest rate support or direct subsidies are to be specified in the annual budgets of the Ministry of Agriculture.

We assume that the system of state support of agriculture in Russia, according to the study of foreign experience, should be established particularly on the basis of the Green Box. We consider the following measures of support of Russian farmers and food processing companies as the most perspective tools of support and defense:

1. Direct payment to the producers unrelated to the price or production volumes. For example, farmers in the USA get support calculated on the certain formula without any relation to the current production volume. Payment mechanisms are specified in the separate law once per six years. Thus, the land plot of 100 ha with the fixed productivity of corn 7 t/ha in the basis period gives the right to get \$6.5 thousand as an annual subsidy.

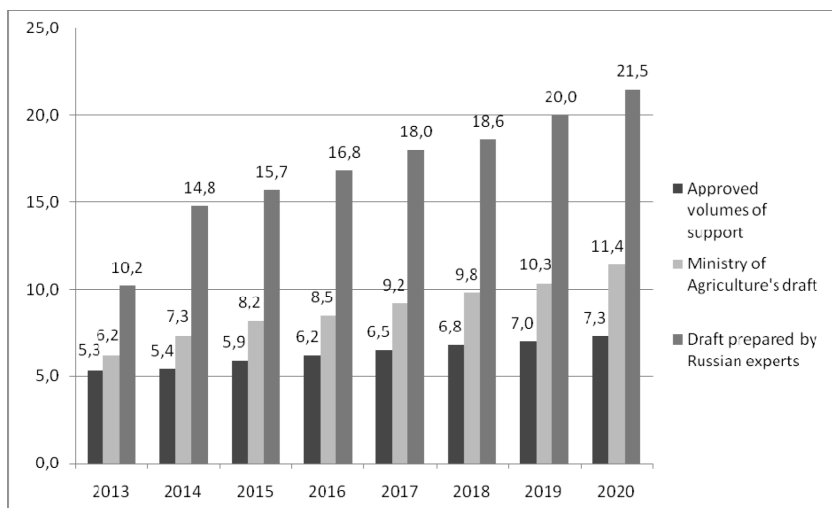
2. Implementation of sanitary and phytosanitary measures as the limiting barriers to protect the domestic market. This is officially forbidden, however EU countries use “high” sanitary standards to limit the access of import products. For example, to limit the pork import EU countries implement the total prohibition of the growth factor ractopamine – the drug that is used as a feed additive to promote leanness in pigs raised for their meat. Obligations on sanitary, veterinary and phytosanitary regulation are interconnected with agricultural obligations undertaken by the accessing country. They are directed on provision of correspondence between the systems of sanitary, veterinary and phytosanitary regulations and WTO rules of technical regulations. Implemented sanitary, veterinary and phytosanitary measures have to be based on the international standards, supported by the sufficient scientific ground and risk assessment.

3. Combination of tariff quotas, sanitary and phytosanitary measures. In the USA and EU such practice results in the not complete fulfillment of the set quotas. In that case tariff quotas act as the extra control element as also serve as a tool of redistribution of exclusive import volumes.

STATE PROGRAM APPLICATIONS TO FOOD SECURITY AND ENSURANCE OF SUSTAINABLE RURAL DEVELOPMENT

The annual allocations for the Program in eight years will grow slowly, at 4.6%, from \$5.3 bln in 2013 to \$7.27 bln in 2020. The Program envisages that in the first 2 years (2013 and 2014) the budget allocations will be almost flat, and they will accelerate in 2015-2018 (Figure 4.2). According to industry analysts, the cuts in budget funds compared to the Ministry of Agriculture’s draft were caused primarily by federal budget constraints and uncertainties, and only partially by Russia’s WTO obligations, since the most drastic cuts were in spheres in the “green box” that can have unlimited domestic support.

Figure 4.2. Federal budget allocations for the State Program for Development of Agriculture and Regulation of Agricultural Commodity Markets in 2013-2020, \$ bln.

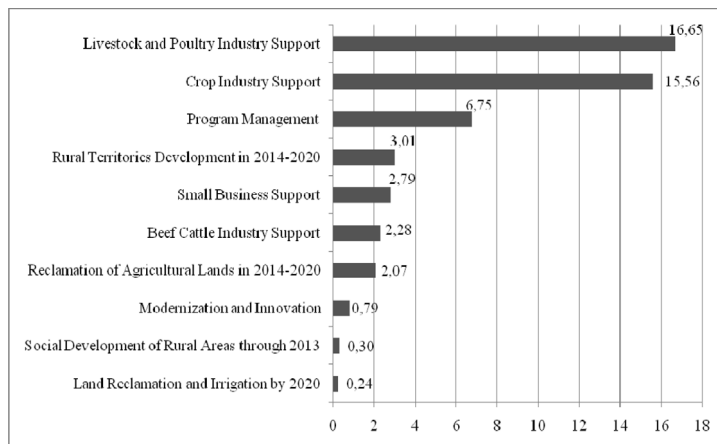


Source: USDA Foreign Agricultural Service (2012): *Agriculture Development Program 2013-2020*.

The Program consists of six sub-programs and four target programs for development of rural area and soil reclamation, with a separate federal budget for each sub-program/target program for the whole period of 2013-2020 (Figure 4.3).

The main sub-programs are “Development of Crops Production, Processing and Marketing of Products of Plant Origin” and “Development of Animal Production, Processing and Marketing of Products of Animal Origin”. As for the program in the sphere of crop industry support, its volume is \$15.6 bln. Compared to the Ministry of Agriculture’s draft the federal financing was decreased by 18% for this program. As for the program in the sphere of livestock and poultry industry support, it envisages \$16.6 bln from the federal budget, or 29% less than the Ministry of Agriculture’s draft requested. However, the Program includes an additional related subprogram (“Development of the Beef Cattle Industry”, \$2.28 bln), which was not present in the Ministry of Agriculture’s draft. Thus, the funds for these two sub-programs aimed at development of livestock industry will amount to \$18.8 bln that is only 20% less than the draft program envisaged for livestock industry.⁶⁷

Figure 4.3. Federal budget allocations of the State Program for Development of Agriculture and Regulation of Agricultural Commodity Markets in 2013-2020 by sub-programs, \$ bln.



Source: USDA Foreign Agricultural Service (2012): *Agriculture Development Program 2013-2020*.

Ministry of Agriculture's requests for other sub-programs were cut more severely: funds for the support of small business from the federal budget are cut by 23% to \$2.8 bln. Funds for technical and technological modernization are \$790 mln, or less than one fifth of what was requested by the Ministry's draft. Funds for sustainable development of rural territories are set at \$3.0 bln, less than a third of the draft's request. Funds for development of land improvement and irrigation are \$2.1 bln, a quarter of what was requested in the Ministry's draft.⁶⁶ Moreover, this target program on land improvement and reclamation is still in the draft format, the further budget cuts are possible before the draft is approved.

According to Russian economists,^{67, 68} such policies may threaten the food security of the country. Economic reform in Russia has severely decreased ag-

⁶⁶ USDA Foreign Agricultural Service (2012): *Agriculture Development Program 2013-2020*.

⁶⁷ Tarasov, V. (2012): *Risks and Treats of Competitiveness of Domestic Agriculture and Food Security of Russia at accession to WTO*. Available at: <http://www.mysportal.ru/analitika/riski-i-ugrozy-pri-prisoedinenii-rossii-k-vto> (accessed November 2013) (in Russian)

⁶⁸ Ushachev, I. (2012): *Measures to Secure Competitiveness of Russia's Agricultural Production in the Conditions of its Accession to WTO*. Economics of Agricultural and Processing Enterprises: Academic and Research Journal, Vol. 6: 1-5 (in Russian)

ricultural output. Since the early 1990s, the livestock sector—both animal inventories and production—has contracted by about half, and the corresponding decline in feed demand has resulted in grain output falling by about one-third.⁶⁹ The major adaptation to WTO requirements was the reduction of federal and provincial funds for the Program. Meanwhile, industry analysts emphasize that the reduction has been much below the levels that were agreed by WTO negotiators for the first 2-3 years following Russia's accession.

Many Russian experts foresee that the majority of Russian agricultural industries cannot equally compete with foreign producers in the new liberalized trade format. The dependence on import deliveries is critically high. Local agricultural and food products cannot identify customer in foreign and local Russian markets. Russian experts^{70, 71, 72} anticipate the decrease of the share of local agricultural producers on the internal market which, in turn, will affect the employment in related industries. Food processing industries, especially meat and dairy, are expected to be the most impacted.

The agreed level of budget support in the “amber box” was set at \$9 bln for 2013 with the following decrease of this support to \$4.4 bln in 2018. The WTO obligations did not limit “green box” support. The planned Program funds, “amber” and “green” measures together, will hardly exceed \$8.5 bln in 2013, including the planned \$5.2 bln from the federal budget and the possible \$3.2 bln from provincial budgets. For 2018 (the end of transitional period for the WTO accession) the total support (“amber” and “green” box) is planned at 203.5 billion rubles (\$6.8 billion) from the federal budget and the possible 97 billion rubles (\$3.2 billion) from the provincial budgets.⁷³

Food processing industries, especially meat and dairy, are expected to be the most attackable. Sector analysts have noted that Russia revised downward some of the Program's production targets by 2020 (Figure 4.4).

⁶⁹ Liefert, W. (2004): *Food Security in Russia: Economic Growth and Rising Incomes are Reducing Insecurity*. Economic Research Service/USDA, Food Security Assessment / GFA-15

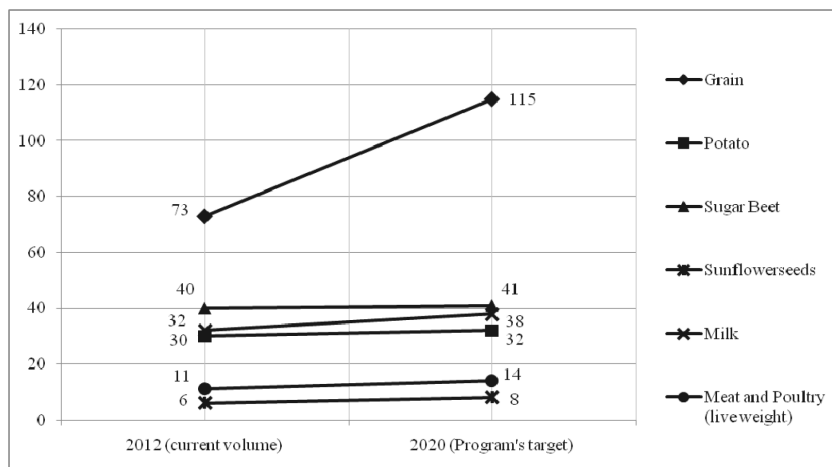
⁷⁰ Tarasov, V. (2012): *Risks and Treats of Competitiveness of Domestic Agriculture and Food Security of Russia at accession to WTO*. Available at: <http://www.myasoportal.ru/analitika/riski-i-ugrozy-pri-prisoedinenii-rossii-k-vto> (accessed November 2013) (in Russian)

⁷¹ Ushachev, I. (2012): *Measures to Secure Competitiveness of Russia's Agricultural Production in the Conditions of its Accession to WTO*. Economics of Agricultural and Processing Enterprises: Academic and Research Journal, Vol. 6: 1-5 (in Russian)

⁷² Erokhin, V, Ivogla, A. (2012): *How to Ensure Sustainable Development of Agribusiness in the Conditions of Trade Integration: Russian Approach*. International Journal of Sustainable Economics Management (IJSEM), Vol. 1, issue 2, pp. 12-23

⁷³ USDA Foreign Agricultural Service (2012): *Agriculture Development Program 2013-2020*.

Figure 4.4. The target volumes of annual crop, meat and milk production for 2020, MMT



Source: USDA Foreign Agricultural Service (2012): *Agriculture Development Program 2013-2020*.

Thus, the adopted Program sets the grain production target by 2020 at 115 million metric tons (MMT) (the Ministry of Agriculture's draft envisaged 125 MMT's grain production by 2020), and forecasts grain exports at 30 MMT by 2020, while the original draft envisaged 40 MMTs of exports. The sugar beet production target was revised from 42 MMT to 40.9 MMT, and potato production – from 34 MMT to 32 MMT. However, production targets for livestock and poultry (live weight) remained at 14.1 MMT, as in the Ministry of Agriculture's draft, and the milk production target was actually raised from 36 MMT to 38.1 MMT by the end of 2020.

New agricultural policies will naturally influence the rural development as well. The current situation in rural Russia, in addition to implementing a consistent reform package for the agricultural sector requires immediate actions as well as a longer strategic view. The short-term actions obviously would need to lay the foundation for implementation of a comprehensive rural development strategy. In the short-term, we recommend focusing on the completion of transition-related tasks. The strategy can be summarized as follows:

- Complete the separation of the rural social infrastructure from the large-scale farming enterprises. Social assets should be considered as assets in the settlement of large-scale farm debts to the public sector (e.g., for tax arrears, pension fund).

- Create a system to finance rural social services and infrastructure. The system should:
- clearly delineate responsibilities among the federal, regional and local budgets;
- establish mechanisms that would make transfers from upper to lower levels of government predictable and impose hard budget constraints;
- provide local governments a tax base which could not be pre-empted by higher levels, to give them control over a source of revenue at the margin.
- Among rural infrastructure investments, give priority to roads, telecommunications, education and health for public investment. Small size rural settlements should receive services from mobile service facilities (e.g., traveling medical centers, libraries).
- Target protection to the most vulnerable social groups in rural areas. In particular, provide assistance to rural pensioners in renting out their land shares to receive an additional source of income.
- Create a good business environment generally conducive for the start-up and operation of rural small-scale non-agricultural business activities.
- Facilitate the elimination of informational isolation of rural population by the development of an information and advisory service, regional and municipal public information centers, and mass media.
- Support the strengthening of civil society, development of self-government and civil society institutes in rural areas and the enabling of rural populations to have an increased voice in their affairs, and in national decisions.

A comprehensive rural development strategy should be developed and adopted as soon as possible, to provide a solid framework for long-term rural recovery. This strategy should include a vision of rural development for Russia, specific strategic objectives for rural development, including regional concepts and programs and an action plan and financing framework for its implementation.

The rural development strategy should reflect the realities of Russia, as well as being based on the concept of rural development as it has recently emerged in developed countries. These strategies are based on a holistic view of rural development which encompasses all components of the rural space and focuses on people and the use of multi-sectoral participatory approaches. The major objective of these strategies is to improve the well-being of rural people, who are not only farmers or agricultural workers, and widen the scope of rural development to each segment and component of rural life.

CONCLUSIONS

The strategic vision for the effective state policies in the sphere of sustainable rural development in the modern conditions of trade liberalization should include several spheres. Sustainable rural development is widely shared, with private business and competitive agriculture and agribusiness as the main engines of growth. Contemporary set of tools to ensure sustainable rural develop-

ment should be based on the multi-sectoral strategies and programs that identify and better exploit the development potential of rural area through a variety of factors: national food security, agricultural production, liberalization of trade and foreign economic activities, support of local producers and rural households, rural infrastructure, environmental and recreational potential.

Rural people are the ones who should manage soils, water, forests, grasslands, and fisheries in a sustainable manner. They should be linked to well functioning markets for products, inputs, finance and information. Rural people should have access to medical care, clean water and sanitation, family planning services, educational opportunities, and sufficient nutritious foods.

There should be essential legal frameworks for rural development, public investment, and productive and social services provided and financed in a decentralized and participatory manner. Rural areas in the Western countries are characterized by the development of civil society institutes and non-governmental organizations that ensure protection of economic and social interests of various groups of the rural population. This should also be the case in Russia. Russian rural people should have an opportunity to participate in the preparation of rural development programs, aimed at ensurance of sustainability and food security in the modern conditions of liberating international economics and growing international competition.

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