



The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.

Scientific Journal

Warsaw University of Life Sciences – SGGW

PROBLEMS OF WORLD AGRICULTURE

Volume 11 (XXVI)

Number 3

Warsaw University of Life Sciences Press

Warsaw 2011

V. A. Golovkov¹

Grodno State Agrarian University

V.I. Komik²

Stolin State Agrarian and Economic College

Stolin

Anna Sytchevnik³

Chair of Organization of Production

Economic Faculty

Grodno State Agrarian University

Grodno, Belarus

Country's agrarian sector adaptation to the market management conditions

Abstract. Today no country in the world can hope for achieving a sustainable competitiveness of the national economic complex and, consequently, for its bright future, without its successful adaptation to the market management conditions. The article deals with the problems of a respective agrarian sector adaptation.

Key words: market, agrarian sector.

Introduction

With the disintegration of the Soviet Union an all-out crisis began in the newly formed states of the former Soviet Union, involving all spheres of public life, particularly economics, politics and morality. Chaos and anarchy came. Only a long, laborious, severe and rational work at all levels of the public organism was able to improve the state integrally and consequently also the agrarian sector.

Now the Republic of Belarus is in the phase of transition from the economy with absolute dominance of the state property, which occurred during the Soviet Union lifetime and still remains in its main features in our country up to now, to multisectoral market economy with equal development of all patterns of ownership. But in our age of rapid globalization and sweeping development of scientific and technological advance the problem cannot be solved without innovative development of national economy, including its agrarian sector. Today no country in the world can hope for achieving a sustainable competitiveness of the national economic complex and, consequently, for its bright future, without its successful reconstruction.

In this connection it is necessary to continue the reform of agricultural organizations, the purpose of which, in our opinion, should be radically different from the transformation (reorganization, conversion, modification) and other kinds of innovations that have already

¹ Candidate of economic science, associate professor.

² Candidate of economic science.

³ MSc, e-mail: annvlad@rambler.ru.

been made in the preceding periods. This kind of transformation did not affect the existing economic relations and form of property. The reformation provides for transition to market relations, based on creating of effective and competitive agricultural production. In our opinion, the greatest challenge for the Belarussian agriculture is an uncertain legal status of agricultural enterprises and, respectively, a form of ownership, which significantly affects the relationship to the property and the work outcome. 'It's not mine' is an essence of many countryside problems.

Research results

In the near future our country will face the problems conditioned by the alienation of property. There is no alternative to this process. All countries with the economy in transition were passing such a way and some are passing it now. In V. N. Shimov's judgment, 'all activities in the field of property relations transformation should be directed towards the achieving the ultimate goal of improving the economy's efficiency entirely and of each subject of management in particular' [Shimov 2003].

In the present conditions it is proposed in the first place to continue the reform of agricultural organizations which are not subjected to traditional economic recovery measures due to low economic efficiency of management and high financial indebtedness, according to the schemes including:

- sale or lease to business corporations and other legal entities, in accordance with the relevant legislation
- joining of self-sufficient agricultural enterprises as well as processing and service organizations
- joining of industrial enterprises as an agricultural department for a food supply of work collectives
- creation of peasant economies (farm enterprises)
- enterprise property between the members of the collective for independent peasant or farming activities, other activities, including agricultural.

Thus, the main distinctive feature of the modern approach to the reform of agricultural organizations is changing the productive-economic relations and, above all, the form of property. Therefore, the right of the citizens of the republic to farm on a private property basis, stipulated by the Civil Code, will be exercised. The role of financial and technical capacity of the industrial and manufacturing organizations as well as of the private capital in strengthening the agricultural economy will increase.

The relevance of this approach to agricultural reform accounts for the fact that, firstly, the patterns of ownership, which the agriculture of the Republic of Belarus is based on, must be conformed to the new edition of the constitution. This basic law recognizes only state and private property. Secondly, the current isolation of agricultural workers from the means of production gives weak reasons for labour. He who is an owner of the property actually owns production as the final result. In the third place, the Republic of Belarus is unlikely to integrate into the world economy, to attract foreign investments and advanced technologies without a reform. The state renders the greatest possible assistance to agriculture, but it is obviously not enough to modernize the basic assets.

The results of economic activity during the period of 2005-2010 indicate that the

agricultural gross output amounted to about 85 trillion rubles at current prices, i.e. additionally almost 0.6 rubles of subsidies were spent per ruble of gross output. The agricultural commodity output amounted to a little more than 50 trillion rubles during these 6 years, i.e. one ruble of the government support was wasted per ruble of commodity output. No agriculture in the world gained such a support. The paradox is that, after receiving such a support, agricultural organizations became even poorer, because half of the allocated amount was spent on the payment of interest rates on bank loans, on authorized fund of Belagroprombank, reduction in price of the domestic agricultural machinery, recovery of old debts, indemnity of import duties for the machinery and for other purposes.

So, instead of solemn reports about the successful completion of the State Program of Rural Areas Revival and Development for the period of 2005-2010, it raises the question of the financial restructuring of the agro-industrial complex economy. The prices for material resources, consumed by agriculture, increased twofold during the last 5 years. This factor plus a low level of purchasing prices for agricultural products (even with the subsidies for mineral fertilizers, pesticides, seeds) provided only 4.1% of profitability from the sales of products in 2009, and with the public support it rose to 13.9%, which is not enough even for simple reproduction. Profitability of milk, a natural product of domestic agriculture, accounted only for 7.9%. The agro-industrial complex is lacking in its own circulating assets for maintaining the production of about 5 trillion rubles in total, including 3 trillion rubles in the agricultural sector. Therefore, the necessary money for the industrial sector maintenance and development and for the housing development has to be taken on credit from the banks. By the end of 2010, the accumulated debts of the agricultural organizations to the banks made up almost 25 trillion rubles, with an annual interest of 1.0-1.5 trillion rubles. Today, it paralyzes the economic activity of agricultural organizations. In such a situation, the transition to self-financing (what is often mentioned in recent times) is highly problematic.

Changing the production and economic relations in the existing agricultural organizations must go through their reform, following the tendency of maintaining the large-scale commodity production as superior to the small scale business and of economic and administrative integrity, because many researchers are of an opinion that large-scale enterprises have higher economic efficiency than medium and small ones, by virtue of their scale [Государственная... 2005].

Experience of such countries as the USA, Germany, Canada and others affirms that labour productivity is 1.5-2 times higher in the large-scale enterprises by comparison to the small ones, and production costs are significantly lower there.

The main distinguishing feature of the USA agrarian sector during the last decade of the 20th century is the formation of large farms and corporations which have created a true success of the USA farming in the world agricultural market.

The experience of the Soviet Union, which was the first to build large-scale industrial complexes, has been studied thoroughly by the Americans and used very efficiently. Vertical and horizontal integration became a progressive phenomenon, in which large-scale complexes acted as integrators.

In Russia, the research into the combination of large-, medium- and small-scale production in the stock-raising sector has been carried out in the 1970s of the 20th century by the All-Russian Research Institute of Economy, Labour and Management in Agriculture, under the direction of professor I. N. Burobkin. Good results have been achieved in the implementation of approved projects of integration. Large complexes cooperated with small

and medium-sized agricultural enterprises, supplying feeding stuffs, repair young cattle, bull calves for fattening. Thus, a production system reactivating general economic activities, promoting the development of territorial infrastructure and of service producing industries was created.

Analysts call the availability of a huge government support and farm insurance another peculiarity of the agricultural sector. According to the Institute of the USA and Canada, net profit of the American farmers is almost equal to the amount of direct and indirect government support.

In Belarus, managers and management specialists often try to claim a created consolidation of the agricultural enterprises to be a solution to creating the required co-operative and integrative associations. It is known that the true end-to-end cooperation and integration has a slightly different meaning. Its goals and objectives are not only in overcoming the unprofitability, ensuring the production strength, but also in the rapid transition to market methods of management, in getting final competitive products meeting the customer demand. At the same time there is nothing new in creation of co-operative and integrative associations in the agro-industrial complex of the Republic. The principles of their creation are common and generally recognized, they include creation voluntariness, partnership equality, self-management, equitable distribution of income, avoiding superfluous administration except as by law, etc. Agriculture of all the developed countries, without exception, is based on such principles, and is following the way of powerful co-operative and integrative structures creation, in the form of national and multinational food companies, quickly enlarging their market economic space in the global trade these days. Powerful food companies dominate in the world nowadays (by product kinds), with well-known brands, which makes the competition on the small producers and marketers' side difficult or even impossible. Global companies set the conditions of market trade, determine the order of sales (volumes, prices and standards), shape the rules of access and product promotion and other similar procedures. And all this is done by means of economic and legal methods and leverages, not necessarily resorting to administration.

Our country has already created about 70 co-operative and integrative structures, which include about 180 organizations. In accordance with the Agriculture and Manufacturing Industry Development Strategy for 2011, it is planned to create at least one such a structure in each region, the work within which will give many advantages both to the producers of agricultural products and to their processors. The first get a concerned buyer and a guaranteed sale of their products. The processor's interest in the material and financial participation in the process of production will contribute to fuller implementation of the potential productivity of agricultural plants and animals. Reciprocally, the processing plant will be rewarded by the raw materials, the quality and quantity of which it can influence. Participation in the integration chain of trade organizations is a guarantee of the successful products promotion to the consumer.

Already working co-operative and integrative structures demonstrate positive dynamics of the basic production and economic performance. Their experience proves that participation in the integration chain makes it possible to reduce the costs in each of its links, leads to a more equitable and rational distribution of profit and use of available funds, which in general increases the effectiveness of each participant.

At the same time, some researchers are convinced that small businesses adapt to the market changes more easily and flexibly, more quickly cover the expenses and make profit [Miloserdov... 1999].

Conclusions

In our opinion, the most true and optimal way out of the present situation in agriculture is to privatize the agricultural organizations, to pass them to effective owners. Perhaps, they will be the leaders of agricultural organizations and experts and perhaps other owners. In any case, the change of ownership will make it possible to delimit the functions of the state in the economic management and certainly will increase efficiency of the sector. This process is a long and complicated one. We suppose that it will take less than 5-7 years to create a new and effective form of ownership and to shape the right attitude to property.

References

- Shimov V.N. [2003]: Экономическое развитие Беларуси на рубеже веков: проблемы, итоги, перспективы. БГЭУ, Minsk, pp. 229.
- Государственная программа возрождения и развития села на 2005-2010 годы. [2005]. Minsk, pp. 96.
- Указ Президента Республики Беларусь от 28 декабря 2009 №660 «О некоторых вопросах создания и деятельности холдингов в Республике Беларусь». [2009].
- Miloserdov V.V. [1999]: Крестьянский вопрос в России: прошлое, настоящее, будущее. Part 2. ГУП «Агропрогресс», pp. 268.